EMERGING CAPITAL PARTNERS

# EMRC Africa Finance and Investment Forum – Infrastructure Overview

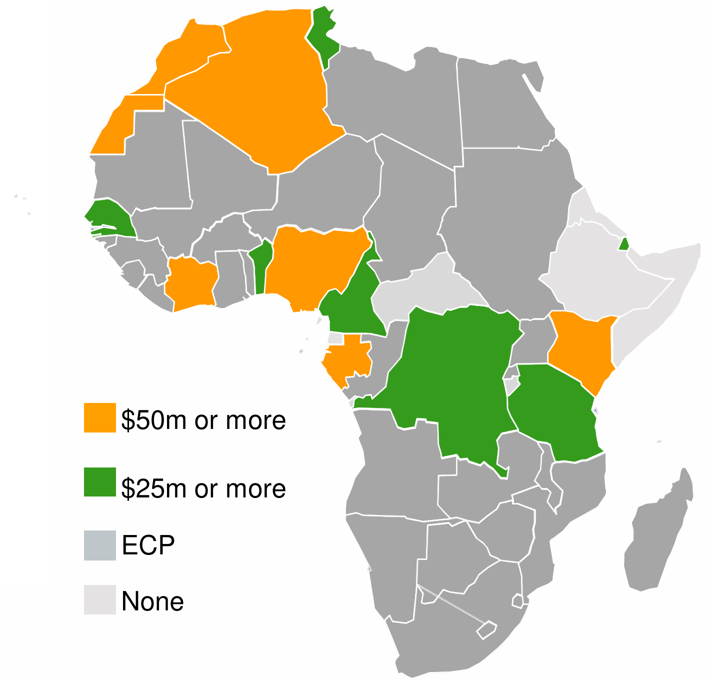
December 2009

## ECP Overview

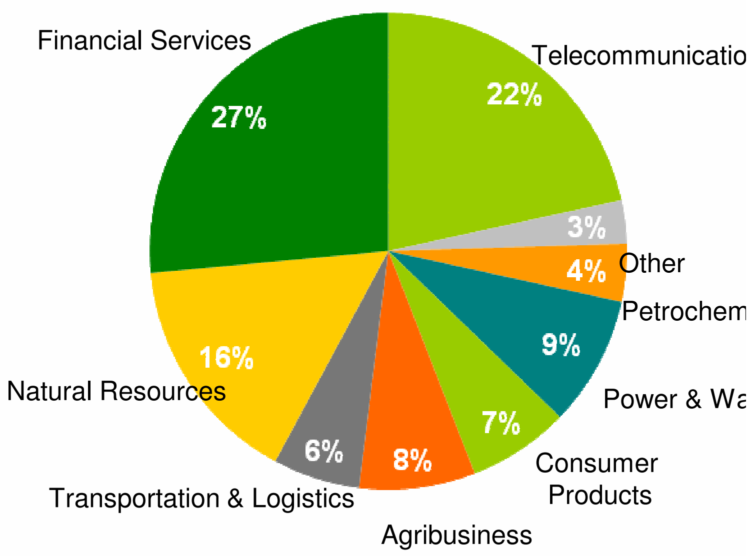
***ECP's primary investment vehicle is ECP Africa Fund III, currently being raised and expected to total over $600m in commitments***

- Largest, most experienced private equity firm dedicated exclusively to Africa
- Invested over $800 million in 36 companies throughout Africa since 2000
- 33 highly qualified investment professionals from 12 countries
- Portfolio companies operate in over 40 nations
- Majority of portfolio companies are regional or Pan African

**Investment Breakdown by Geography (Pan-African Funds by Capital Committed)**




**Investment Breakdown by Sector (Pan-African Funds by Capital Committed)**



## Select Infrastructure Investments

| Portfolio Company | Date | Sector / Country | Invest. Amt. | Fund |
|---|---|---|---|---|
| AIR IVOIRE | 2001 | Air Transport / Cote d'Ivoire | $9.5 m | AF I |
| VEOLIA Water Maroc | 2005 | Utilities/ Morocco | $40.7 m | AF I |
| SOKHNA PORT AMIRAL | 2005 | Maritime Port / Egypt | $13.5 m | AF I |
| Spencon | 2006 | Construction / Kenya | $15.2 m | AF II |
| Oando GASLINK | 2007 | Natural Gas Dist / Nigeria | $ 35.0 m | AF II |
| FINAGESTION | 2008 | Utilities / Cote d'Ivoire | $ 36.4 m | AF II |
| BATIM Africa Construction Management | 2004 | Housing / West Africa | €1.7 m | CAGS |

# Finagestion Overview and Investment

## Company Snapshot

FINAGESTION

SODECI s.a.
Water distribution

CIE COMPAGNIE IVOIRIENNE D'ELECTRICITE
Electricity distribution

CIPREL
IPP: 210MW
Power producer

Côte d'Ivoire

SDE SENEGALAISE DES EAUX
Water distribution

Senegal

## Investment Structure and ECP Involvement

- Finagestion was acquired through a Mauritius SPV financed by debt and equity
- ECP is represented at Finagestion's board and executive committee levels
- ECP completely restructuring a senior management incentive programs to include stock awards
- ECP hired a new executive director with extensive sector experience

# Finagestion Investment Thesis and Prospects

## Investment Thesis

- A unique opportunity to leverage a consistent, reliable stream of future cash flows:
  - Recently renewed, long-term concessions
  - Public-private partnership with C.I. and Senegalese Governments had proven stable and effective
- Fingestion's subsidiaries, CIE in particular, present opportunities for organic growth through performance improvements and sector-wide improvements
- Portfolio diversification

## Spotlight: CIE Sector Positioning

# Leading Regional East African Construction and Civil Engineering Group

| | |
|---|---|
| **Initial Investment Date:** | April 2006 |
| **Type of Investment:** | Convertible Debt |
| **Industry:** | Infrastructure– Construction and Civil Engineering |
| **Deal Status:** | Unrealized |
| **Invested Capital:** | $15.0 million |
| **Total Investment Size:** | $15.0 million |
| **Countries of Operation:** | Kenya; Uganda; Tanzania; Southern Sudan; Mozambique; Zambia |

## Investment Rationale

- Spencon provides specialized construction and engineering services for major water supply and sewerage projects, various types of civil works contracts including buildings, roads and bridges, power and transmission, as well as other infrastructure development work.
- It has operations in Kenya, Uganda, Southern Sudan, Zambia and Tanzania; and is also active in Mozambique.
- Over three quarters of the Company's projects are funded by international donors such as the World Bank, EIB and AfDB.
- Typical projects range in size from $10m - $30m with increasing focus on larger-scale projects.
- The Company has completed over 150 projects since 1998 and is estimated to have c.5% market share of the highly fragmented East African construction market.

## Deal Structure

- ECP invested through convertible debt, which it converted in October 2009 into a 37% stake in the Company.

## ECP Value Added

- ECP has three board seats and is focused on strengthening financial management and corporate governance to enable Spencon to take advantage of significant market growth opportunities .
- ECP Directors campaigned for the appointment of non-executive Chairman and new independent directors that was implemented in Q109.
- ECP mandated hire of a new internationally-trained CFO, who was appointed in July 2009.
- ECP Directors working alongside the Company to bolster financial controls and management.
- ECP Directors recommended mandatory use of ERP system in all regions.
- ECP helped the Company obtain credit insurance on government debt from the African Trade Insurance Agency ("ATIA") to assist with working capital management.

## Performance

- Turnover increased by a CAGR of 44.0% between 2005 – 2007, reaching a high of US$99m in 2007.
- Since 2008, revenue has contracted owing to issues around funding (bonding facilities and longer-term financing) and working capital challenges driven in part by tough financial conditions globally, lower risk appetite amongst local banks, and company-specific risk factors in particular liquidity concerns.
- Increased focus on cost controls has led to improved margins since 2007.
- Balance sheet suffers from structural issues associated with the mismatch in the tenure of its key assets and liabilities. Its assets are very long-dated but the Company relies heavily on short term overdraft facilities due to limited access to longer term debt facilities.

## Valuation and Exit

- The Fund's investment in Spencon prior to its conversion into equity was held at cost in US Dollars plus accrued interest. The Fund's stake was therefore worth $17.7 million as of September 30, 2009.
- The primary exit mechanism is expected to be through a listing on the Mauritius Stock Exchange ("SEMDEX") and a cross listing on the Nairobi Stock Exchange ("NSE").