Doing Business in Africa

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Recent Developments in Africa

- Although Africa attempts to maintain growth momentum, as well as progress toward the MDGs, UN reports that between early 90s and 2011 developing countries’ growth declined from 28% to 17%
- UNCTAD reports that despite these setbacks, Africa continues to return average of 29% on FDI since 2000. How?
- Public sector reforms that led to improved governance regime.
- Restructuring and developing a robust Private Sector finance base
- Better governance of mineral revenues, high agricultural prices, the demographic dividend and rapid urbanization represent opportunities for making growth more poverty reducing.
- New Partnerships (PPP), Tax benefits to investors.
### Annual population Growth rate- Major Countries in Africa

#### Total Population (millions)

<table>
<thead>
<tr>
<th>Country (2005)</th>
<th>Population (Million)</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>17.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>18</td>
<td>1.6</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>74.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Ghana</td>
<td>21.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Nigeria</td>
<td>169.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>
Recent Developments in Africa (cont.)

Recent Infrastructure projects in Hotel/Tourism - South-West Nigeria

Intercontinental Hotel, Lagos Nigeria

Protea Hotel, Lagos Nigeria

Obudu Mountain /Cattle Ranch, Nigeria

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Recent Developments in Africa (cont.)

Recent Infrastructure projects in Commercial real Estate/ entertainment-
Lagos Nigeria, Ghana- Woolworth, Shoprite, SilverBird

World Class Supermarket, Shop Rite, Lagos Nigeria

Silver bird Galleria, Nigeria
Recent Developments in Africa - Ikogosi (An Invcap Partner Project)
Recent Infrastructure projects in Hotel/Tourism in South-West Nigeria

- 5 Star Area
- 3 Star Area
- Modern Conference Centre

Phase 2
- Golf course, 3 Star Hotel, Parks
Recent Developments in Africa-Ikogosi (An Invcap Partner Project)

Recent Infrastructure projects in Tourism- South-West Nigeria

- 5 Star Area
- Poolside
- Outdoor Relaxation

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Recent Developments in Africa

Roads:
- Africa’s private investments in roads was about USD1.4 billion, but these increased to about USD25b from 2001. The IFC joint Lekki- Epe toll-road in Lagos, Nigeria is one of such projects put at about USD 400.
- The Trans-African corridor, a network of transcontinental road project (9 highways of 56,683km), developed by AfDB, AU and UNECA is another

Energy:
- Angola and Uganda’s emergency Power Solution that targeted 1,000 megawatts within its first phase using emergency power plants.
- IFC (2013) announced a total investment of $1.5 b in Nigeria’s power and transport infrastructure from its 2012
- 59% funding has been accessed by some Africa n nations under various structures from Chinese affiliated institutions in the last 15 years –also SA

ICT/Telecom:
- Reform driven expansion has seen Airtel from the Middle East, MTN from South Africa, and other regional operators, which took a bet on the Nigeria and West Africa mobile-phony market since 2000- funded by IFC and a consortium of PE funds.

Hospitality and Food chain
- there is Nandos and KFC spreading across Africa while hotel franchises like the Protea of South Africa, Radisson and Holiday Inn chains are settling for a select share (high-end) of the local markets in Africa
- huge profits and have in more cases than one, transformed their organizations from regional players to global brands attaining top 5 position in emerging markets within 3 years of their operations in Africa
InVcap Considers Certain Factors in Selecting the Location for the Initial Investment

Doing Business in Africa

Investment Location Considerations

- GDP Per Capita
- Political Stability
- Availability of Infrastructure
- Doing Business Index Ranking
- Market Size
- Knowledge of Local Market
- Availability of Invcap Resources
- Language Barrier
- Purchase Power & Size of Middle Class

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# Doing Business in Africa

## A Comparison of Selected Markets by Factors

<table>
<thead>
<tr>
<th>Country</th>
<th>PPP (Intl $B)</th>
<th>GDP Per Cap. ($ Billion)</th>
<th>Market Size/Pop. (Millions)</th>
<th>Quality of life Index (Ranking)</th>
<th>Power Gen (Bil- Kwh)</th>
<th>Doing-Biz Index (Ranking)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>524</td>
<td>327</td>
<td>44.5</td>
<td>92</td>
<td>227.2</td>
<td>32</td>
</tr>
<tr>
<td>Nigeria</td>
<td>378</td>
<td>217</td>
<td>125.1</td>
<td>108</td>
<td>19.1</td>
<td>118</td>
</tr>
<tr>
<td>Ghana</td>
<td>62</td>
<td>31</td>
<td>20.8</td>
<td>95</td>
<td>6.5</td>
<td>87</td>
</tr>
<tr>
<td>Kenya</td>
<td>66</td>
<td>32</td>
<td>33</td>
<td>Not rated</td>
<td>5.7</td>
<td>82</td>
</tr>
<tr>
<td>Botswana</td>
<td>28.5</td>
<td>14</td>
<td>1.6</td>
<td>104</td>
<td>0.8</td>
<td>38</td>
</tr>
<tr>
<td>Tanzania</td>
<td>58.4</td>
<td>22.6</td>
<td>36.1</td>
<td>109</td>
<td>2.6</td>
<td>127</td>
</tr>
<tr>
<td>Zambia</td>
<td>20</td>
<td>16.2</td>
<td>11</td>
<td>Not rated</td>
<td>9.96</td>
<td>100</td>
</tr>
</tbody>
</table>

*PPP – Purchase power Parity, GDP – Gross Domestic Product*
New Business Density comparison in Sub-Saharan Africa

- The rate of new business density among the selected countries is far above in Botswana with 9.44% than others.
- The rate of new company registration is more in Nigeria than other Sub-Saharan Africa.

<table>
<thead>
<tr>
<th>Economy</th>
<th>Year</th>
<th>New Business Density</th>
<th>No of New Ltd. Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>2010</td>
<td>0.77</td>
<td>25,184</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2011</td>
<td>0.83</td>
<td>72,396</td>
</tr>
<tr>
<td>Ghana</td>
<td>2011</td>
<td>1.09</td>
<td>15,649</td>
</tr>
<tr>
<td>Kenya</td>
<td>2008</td>
<td>0.85</td>
<td>17,896</td>
</tr>
<tr>
<td>Botswana</td>
<td>2011</td>
<td>9.44</td>
<td>12,217</td>
</tr>
<tr>
<td>Zambia</td>
<td>2011</td>
<td>1.26</td>
<td>8,540</td>
</tr>
</tbody>
</table>
Doing Business in Africa-Where and How

- Doing-Biz Index (Ranking)
- Power Gen (Bil- Kwh)
- Quality of life Index (Ranking)
- Market Size/Pop. (Million)
- GDP Per Cap. ($B)
- PPP (Int'l $B)

Countries compared:
- Zambia
- Tanzania
- Botswana
- Kenya
- Ghana
- Nigeria
- South Africa

[Graph showing comparisons with x-axis values from 0 to 600]
Public Private Partnership (PPP) - the possible way to unlock liquidity to provide solutions to housing, and making housing affordable to the low income earners.

**Zambia**
- Huge demand for housing in Zambian market.
- Housing deficit with a shortage of over 1 million housing units.
- Challenges include: few housing developer, Lack of long term finance, and high interest rate.

**Kenya**
- Huge demand for housing in Kenya market.
- Kenya requires 200,000 units annually.
- Challenges include: lack of long term finance, and high interest rate.

**Burkina Faso**
- Huge potential market for housing in Burkina Faso.
- Increase shortage of housing due to High increase in urbanization.
- Challenges include: absence of real estate developers, and lack of proper financial systems.
Public Private Partnership (PPP) 
the possible way to unlock liquidity to provide solutions to 
housing, and making housing affordable to the low income earners.

Nigeria
- Huge demand for housing in Nigeria market.
- Over 15 million housing deficit gap.
- Challenges include: Accessibility of land, Weak supply of housing units, and high cost of housing.

Senegal
- The presence of Housing Bank and close relation with International Finance Corporation (IFC) and the West Africa Central Bank is making provision for housing to low income earners.
- Challenge to housing provision is lack of long term finance.
Doing Business in Africa - China’s Story

China’s Investment

- Forum on China-Africa Cooperation (FCAC) in 44 countries in 2000
- Two-way trade surpassed $10 billion
- China-Africa Development Fund (CADF) relocated Chinese mature factories in 50 cooperation zones in Africa
- Employ local people and their experienced workers

Experience from China

- Deepened relationships with Africa
- Give medical aids since 1963. 27 hospitals and 30 anti-malaria centers were built, 1000 Chinese medical workers on the continent
- Offer over 4,000 scholarships to study in China annually and training for 15,000 people including principals, teachers, doctors and nurses
- A different approach from West: China uses its Resources-Backed Infrastructure Loan to Africa to acquire resources it needed while developed infrastructure the host country vitally needed