

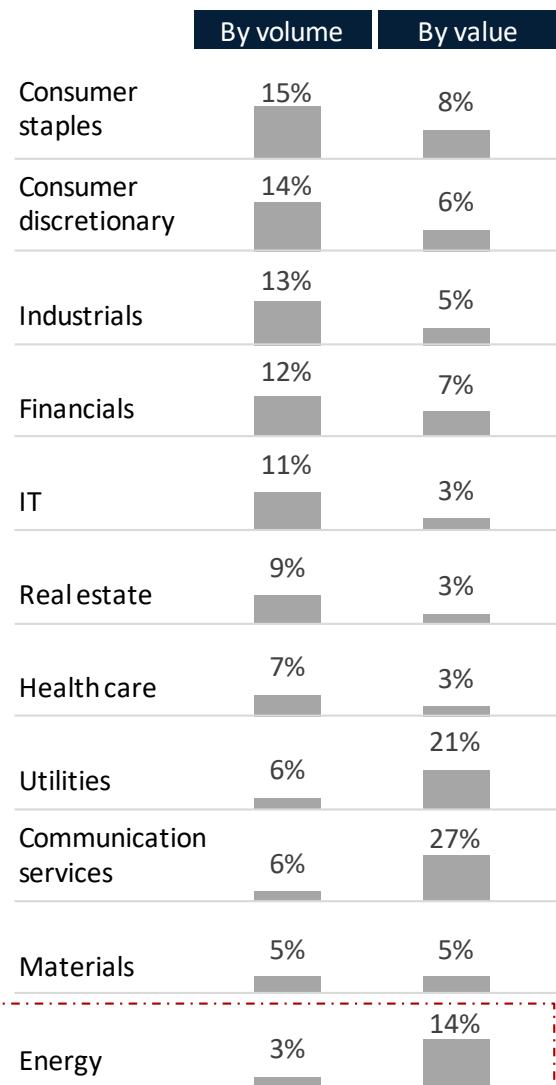


Global Energy & Resources Private Equity Firm

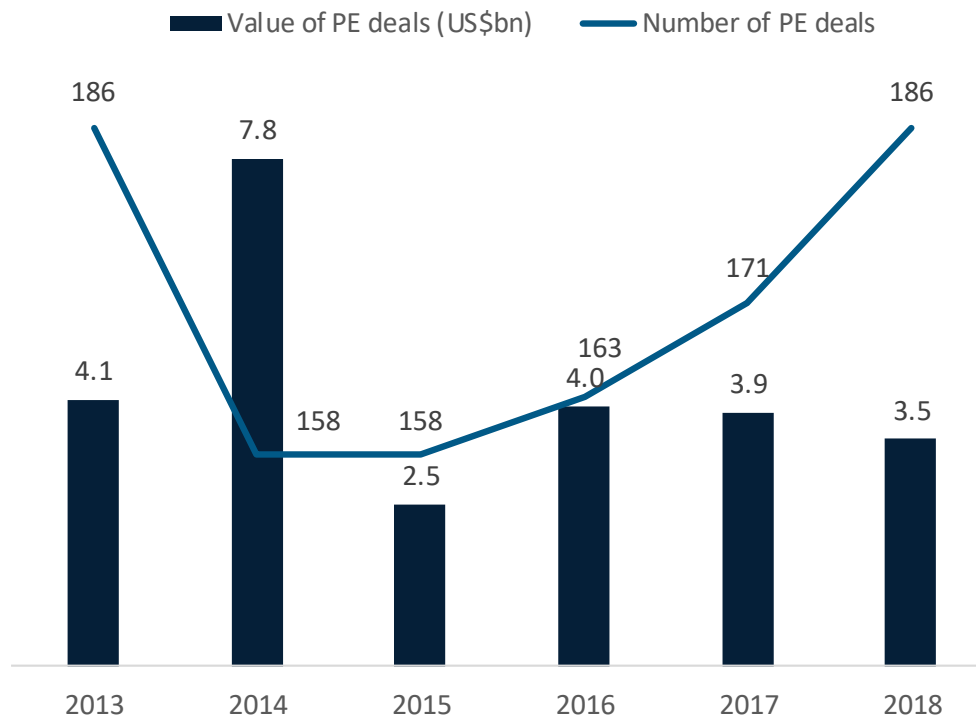
**Private Equity Investors:  
Where will the next wave of investments be?**

# Value And Number Of African PE Deals

Share of African PE deals by sector, 2013-2018



Number and value of African PE deals, by year



Source: AVCA 2018 Annual African Private Equity Data Tracker.

- “The giants of private equity are moving out of Africa. But the continent, once touted by many in the industry as a land of rich opportunity, is still appealing to many smaller dealmakers” (Financial News, March 2019).
- The value of African private equity deals peaked at \$7.8bn in 2014 and has been steadily decreasing since then, to \$3.5bn in 2018. However, over the same period, the number of deals increased from 158 to 186.
- “The large players are leaving the African investment space because they can only operate profitably at very large transaction sizes” (Matteo Stefanel, Managing Partner at Apis Partners).

# Africa In The Context Of Global PE & VC Fund Performance

Comparative End-to-End Returns by Region, % (as of September 2018)

Index	One Year	Three Year	Five Year	Ten Year
Emerging Markets PE & VC	13.13	12.01	12.40	11.30
<b>Africa PE &amp; VC</b>	<b>6.95</b>	<b>3.71</b>	<b>2.81</b>	<b>4.77</b>
Asia PE & VC	16.21	13.86	16.25	14.15
Europe Emerging PE & VC	2.40	9.79	0.95	3.65
LatAm & Caribbean PE & VC	-2.39	5.26	0.07	3.11
Middle East Emerging PE & VC	1.39	1.89	2.86	4.88
MSCI Emerging Markets	-0.44	12.77	3.99	5.76
US VC	19.43	9.44	15.59	11.06
US PE	18.45	14.58	13.62	12.04
Western Europe VC	27.13	14.47	14.96	9.62
Western Europe PE	14.00	17.89	12.77	9.05
S&P 500	17.91	17.31	13.95	11.97

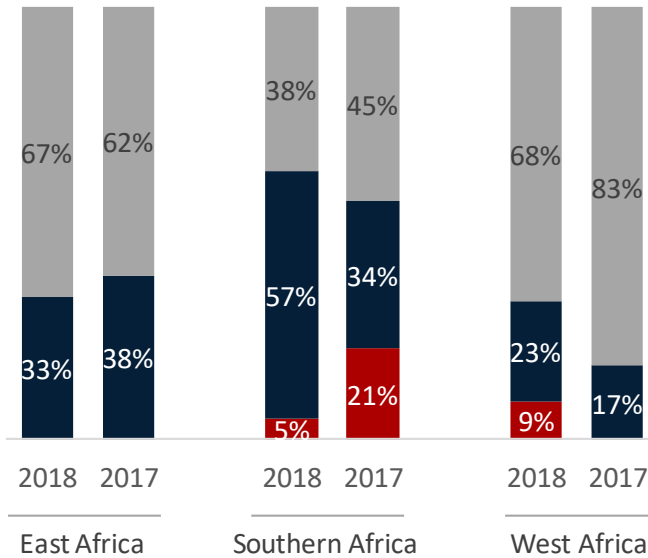
Source: Cambridge Associates LLC proprietary indices: pooled horizon internal rate of return (IRR) calculations, net of fees, expenses, and carried interest. Data as at 30 September 2018.

# African PE Activity Outlook

The majority of respondents expect PE activity to increase. Continuing the previous year's trend, most respondents are investment ready and expect to invest more over the next 12 months.

“Over the next 12 months, we expect overall PE activity in the region to”<sup>1</sup>:

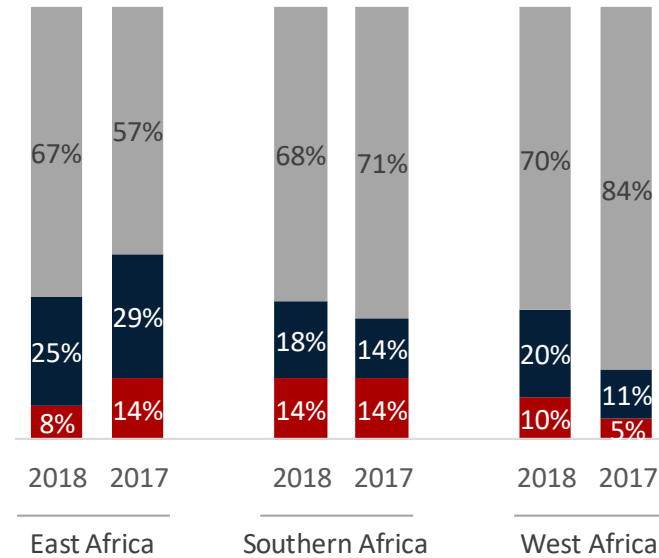
■ Decrease ■ Remain the same ■ Increase



- Steady growth expectations
- Kenya's Big Four Agenda
- Ethiopian privatization in Jun 2018
- South Africa's appointment of Cyril Ramaphosa as President in Feb 2018
- Technical recession in Q2 2018
- Upcoming elections in Nigeria slowed FDI inflows
- Wait-and-see approach by investors

“Over the next 12 months, we expect to”<sup>1</sup>:

■ Exit more ■ Invest and exit equally ■ Invest more



- Anticipated stable or improved political and economic climate
- Then anticipated South Africa's May 2019 elections
- Positive growth and investment outlook

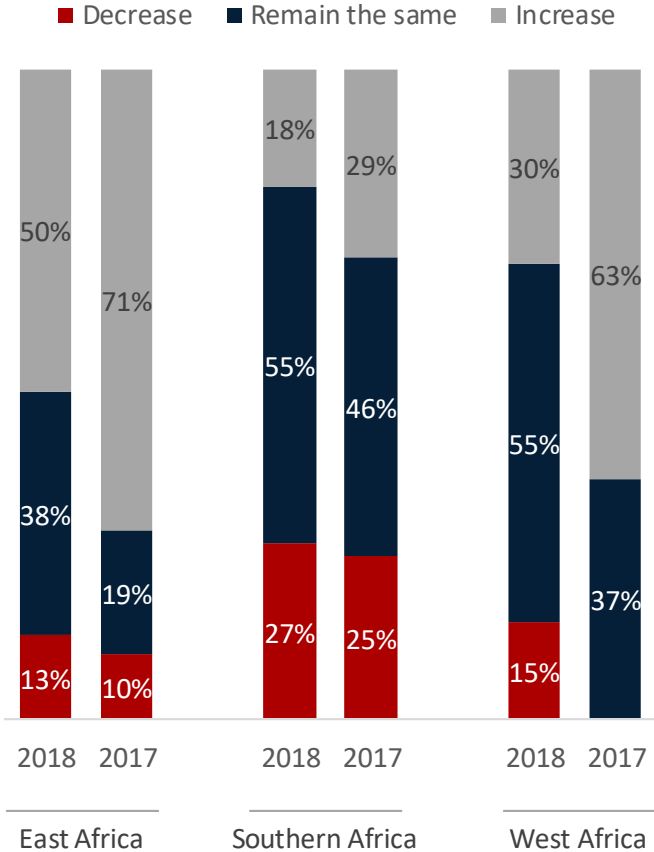
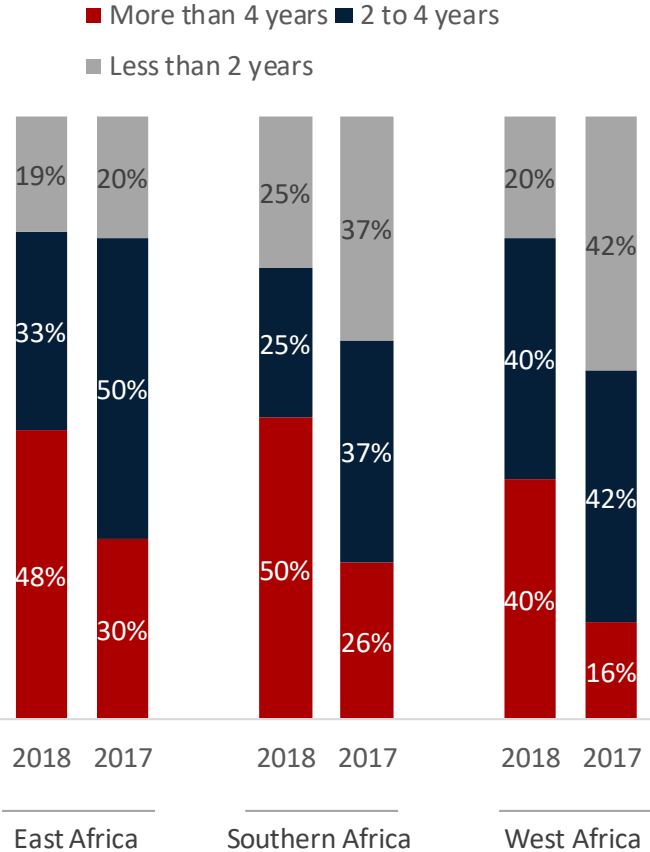
Source: 2018 Deloitte Africa Private Equity Confidence Survey (Jan 2019).  
 (1) Some responses don't add up to 100% due to rounding.

# African PE Activity Outlook

There is an anticipated increase in the investment time horizon across all three regions. Entry multiples are expected to largely increase or remain the same as a result of continued competition across the three regions.

“We expect the time it will take to invest our current fund to be”<sup>1</sup>:

“Over the next 12 months, we expect entry multiples on transactions in our region to”<sup>1</sup>:

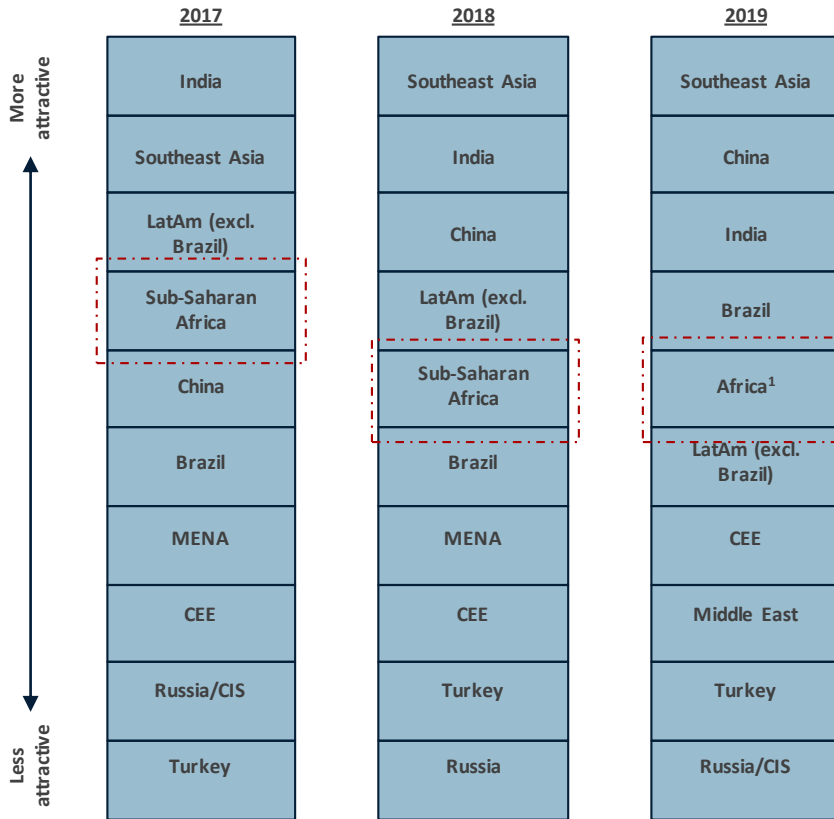


Source: 2018 Deloitte Africa Private Equity Confidence Survey (Jan 2019).  
 (1) Some responses don't add up to 100% due to rounding.

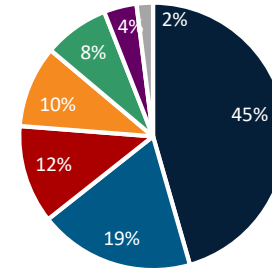
# Selected Views On PE Opportunities In Africa

“The potential to generate highly attractive financial returns while effecting significant social impact is perhaps more prevalent in Africa than anywhere else in the world.” *(Funds of funds LP, Global Limited Partners Survey)*

## The Attractiveness of Emerging Markets for GP Investment Over the Next 12 Months

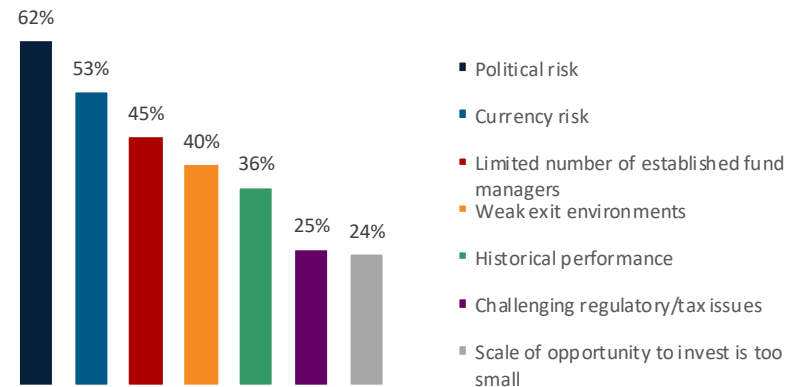


## Most promising technology areas in Africa as per respondents' views



- Fintech
- Food and agricultural technology
- E-commerce and online-to-offline services
- Cleantech<sup>2</sup>
- Transportation and logistics
- Educational technology
- Life sciences and health technology

## Factors likely to deter LPs from investing in Africa within the next 2 years<sup>3</sup>



Source: Global Limited Partners Survey, Investors' Views of Private Equity in Emerging Markets 2019, EMPEA

(1) Africa included in survey as Sub-Saharan Africa and Middle East included as MENA prior to 2019.

(2) Includes renewable power and energy storage.

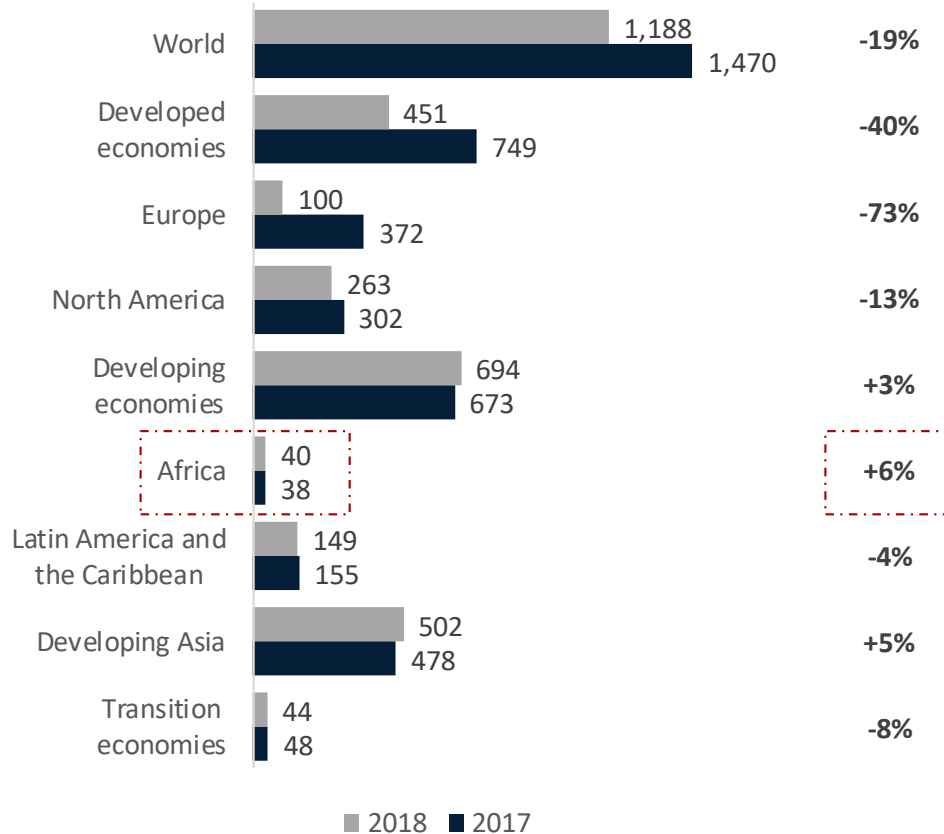
(3) Chart indicates percentages out of the total respondents answering for the African Region.

# Revived Interest In Africa

“There is no shortage of interest in expanding on the continent.” *(Stephen Bailey-Smith, an investment strategist at Global Evolution Funds AS)*

Global FDI Inflows (\$bn)

Yearly growth (%)



- Africa and developing economies in Asia were the only regions to attract more FDI in 2018 compared to a year earlier.
- Estimated inflows of \$40bn in 2018 are a fraction of the \$1.19tn that moved globally, creating a gap for investment opportunities.
- The most growth came from South Africa, where FDI grew from \$1.3bn in 2017 to \$7.1bn in 2018 - an increase of 446%. In February 2018, newly elected president Cyril Ramaphosa said he aims to attract \$100bn investment to South Africa by 2023, predominantly devoted to mining, petroleum refinery, food processing, information and communications technologies, and renewable energy.
- China and Saudi Arabia committed over \$20bn together in Africa, namely in vehicle manufacturing and in the energy sector, including renewable energy.

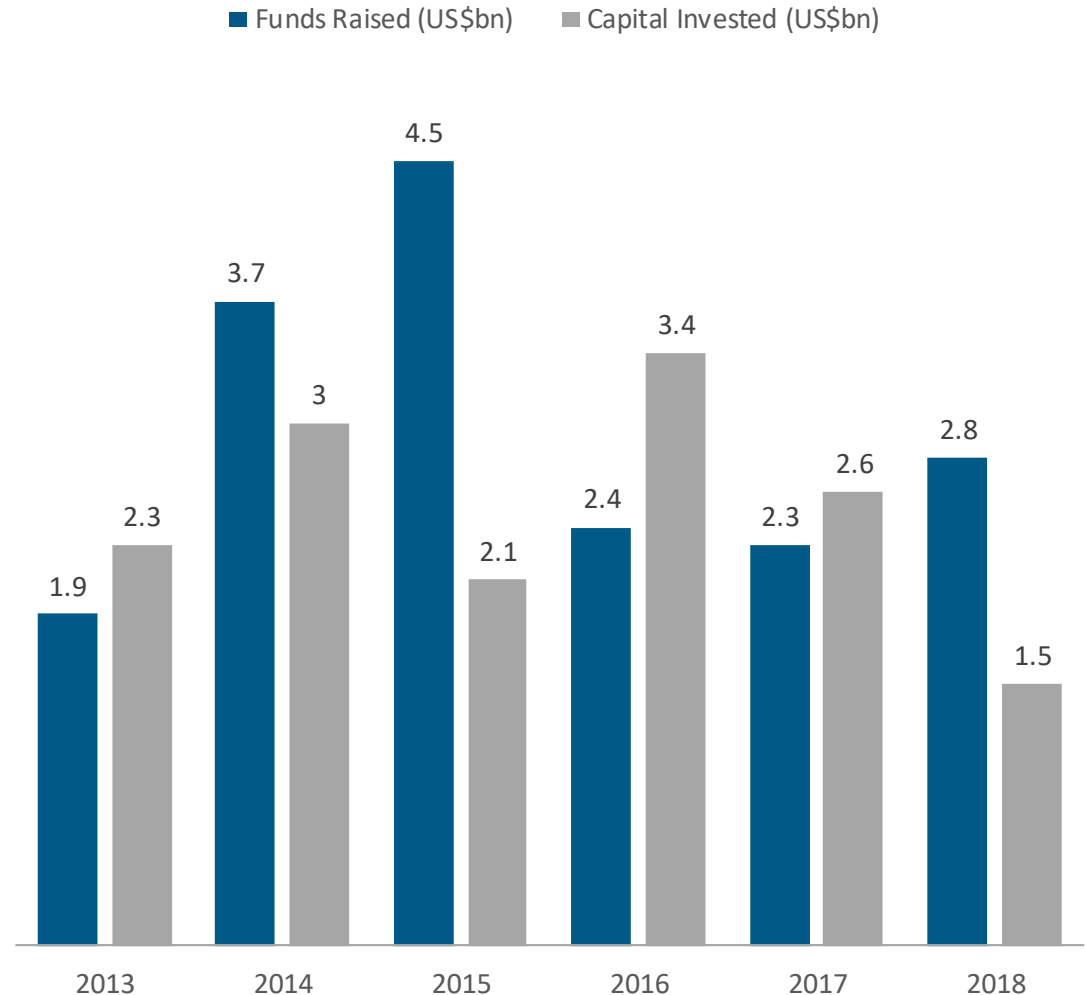
Source: UNCTAD Investment Trends Monitor.  
Note: Annual figures are based off estimates from available data.

# More Capital Will Be Needed

- *“In Africa, there is a lot of capacity for every sort of fund. The percentage of private equity capital versus GDP is very low. Every market is underserved.” (Runa Alam, Co-Founding Partner and CEO of pan-African private equity firm Development Partners International).*
- Capital raised for Africa-focused funds totaled US\$ 2.8bn in 2018, compared to US\$ 4.5bn in 2015.
- Over the course of 2014 and 2015, private investment funds focused on Africa raised over US\$8 billion. Public pensions, insurers and endowments from the United States and Western Europe entered the African PE space for the first time, joining DFIs in supporting fund managers’ investments in companies that would capture new growth opportunities.
- Shortly after these commitments were made, many African markets were beset by falling commodity prices, economic slowdowns and currency volatility that has had a knock-on effect on the investment environment and return prospects in the region.

Source: “The road ahead for African PE” (EMPEA, 2018).

Africa Fundraising and Investment, 2013-2018

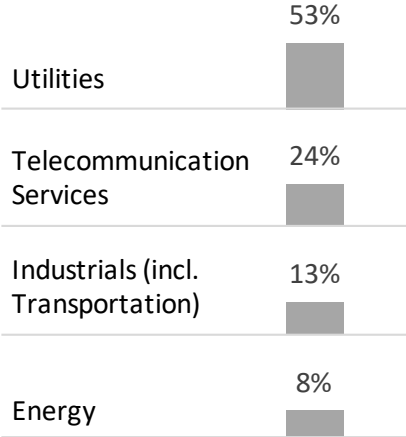


Source: “Industry Statistics Year-End 2018” (EMPEA, 2018). Data as of 31 December 2018.

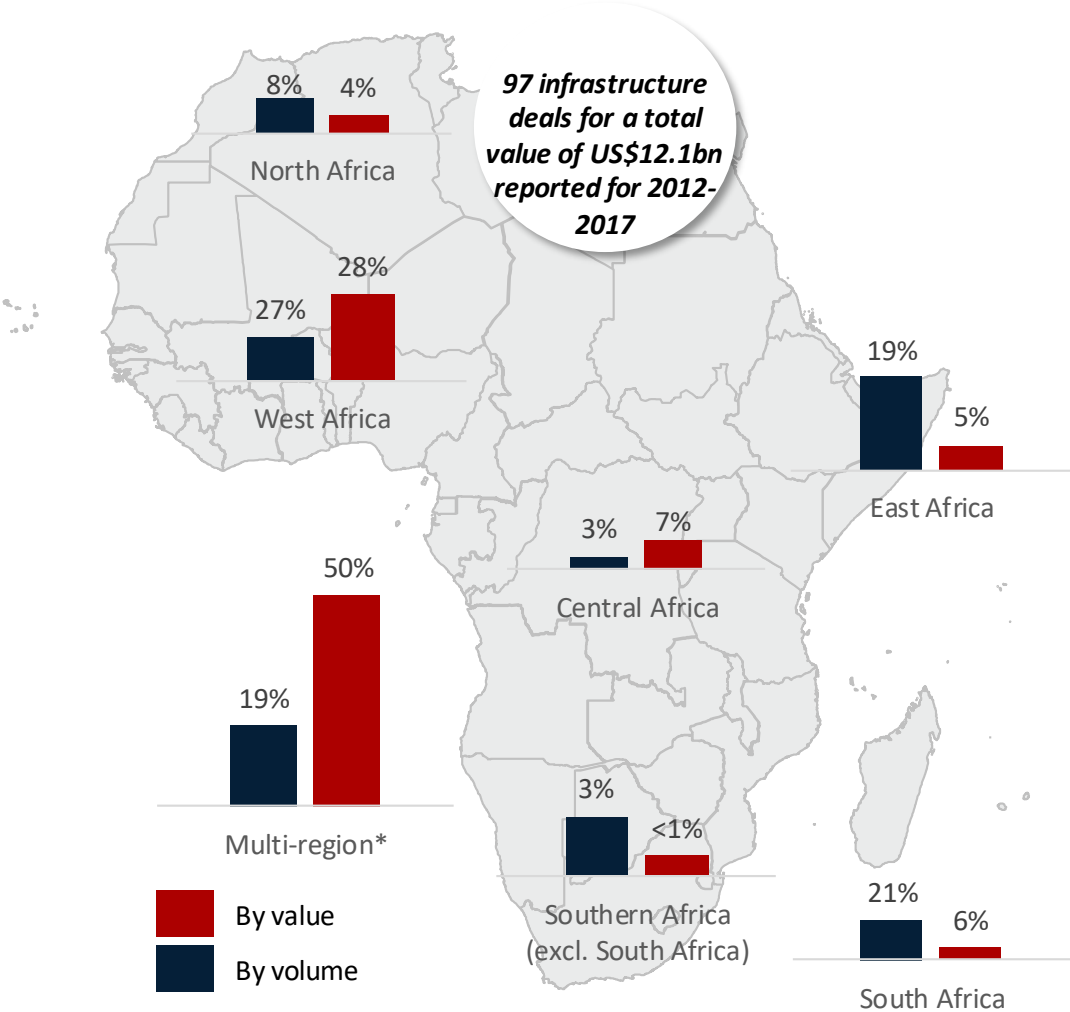


# African PE Landscape

Top 4 sectors attracting PE Infrastructure deals in Africa, 2012-2017



% share of PE infrastructure deals, 2012-2017



Source: Sector Snapshot: Infrastructure (AVCA, April 2018).

# Real GDP And Population Predictions

## Regional real GDP growth forecasts by region

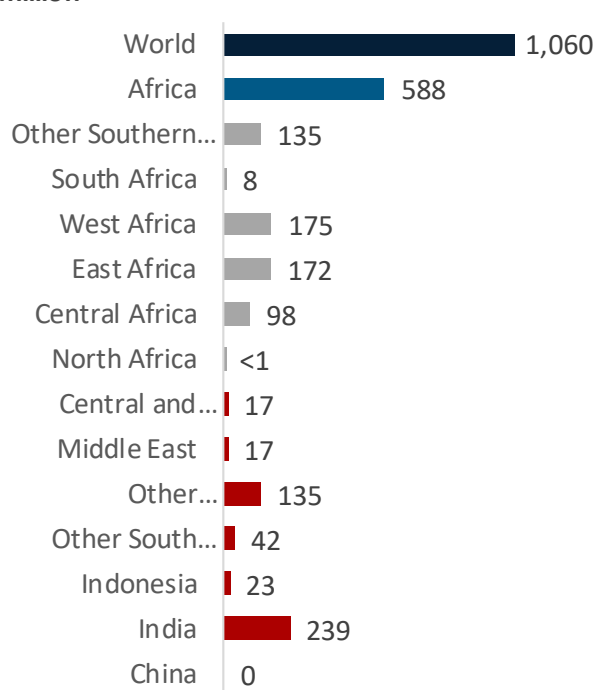
	Compound average annual growth rate			
	2000-16	2016-25	2025-40	2016-40
<b>North America</b>	<b>1.8%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>2.1%</b>
US	1.8%	2.0%	2.0%	2.0%
<b>Central &amp; South America</b>	<b>2.8%</b>	<b>2.3%</b>	<b>3.0%</b>	<b>2.8%</b>
Brazil	2.4%	1.9%	3.0%	2.6%
<b>Europe</b>	<b>1.7%</b>	<b>1.9%</b>	<b>1.6%</b>	<b>1.7%</b>
EU	1.4%	1.7%	1.4%	1.5%
<b>Africa</b>	<b>4.4%</b>	<b>4.1%</b>	<b>4.4%</b>	<b>4.3%</b>
South Africa	2.9%	2.1%	2.9%	2.6%
<b>Middle East</b>	<b>4.4%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>3.3%</b>
<b>Eurasia</b>	<b>4.1%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.6%</b>
Russia	3.4%	1.7%	2.4%	2.1%
<b>Asia Pacific</b>	<b>6.0%</b>	<b>5.4%</b>	<b>4.0%</b>	<b>4.5%</b>
China	9.2%	5.8%	3.7%	4.5%
India	7.2%	7.7%	5.7%	6.5%
Japan	0.8%	0.7%	0.7%	0.7%
Southeast Asia	5.2%	5.1%	4.0%	4.5%
<b>World</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.3%</b>	<b>3.4%</b>

## Population forecasts by region

	Compound average annual growth rate			Urbanization rate	
	2000-16	2016-25	2016-40	2016	2040
<b>North America</b>	<b>1.0%</b>	<b>0.8%</b>	<b>0.7%</b>	<b>81%</b>	<b>86%</b>
US	0.8%	0.7%	0.6%	82%	86%
<b>Central &amp; South America</b>	<b>1.2%</b>	<b>0.9%</b>	<b>0.7%</b>	<b>80%</b>	<b>85%</b>
Brazil	1.1%	0.7%	0.5%	86%	90%
<b>Europe</b>	<b>0.3%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>74%</b>	<b>80%</b>
EU	0.3%	0.1%	0.0%	75%	81%
<b>Africa</b>	<b>2.6%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>41%</b>	<b>51%</b>
South Africa	1.5%	0.7%	0.6%	65%	75%
<b>Middle East</b>	<b>2.3%</b>	<b>1.7%</b>	<b>1.4%</b>	<b>69%</b>	<b>76%</b>
<b>Eurasia</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.1%</b>	<b>63%</b>	<b>67%</b>
Russia	-0.1%	-0.2%	-0.3%	74%	79%
<b>Asia Pacific</b>	<b>1.1%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>47%</b>	<b>59%</b>
China	0.5%	0.3%	0.0%	57%	73%
India	1.5%	1.1%	0.9%	33%	45%
Japan	0.0%	-0.3%	-0.4%	94%	97%
Southeast Asia	1.2%	1.0%	0.7%	48%	60%
<b>World</b>	<b>1.2%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>54%</b>	<b>63%</b>

# Africa's Electrification Rates

Population without access to electricity 2016, million



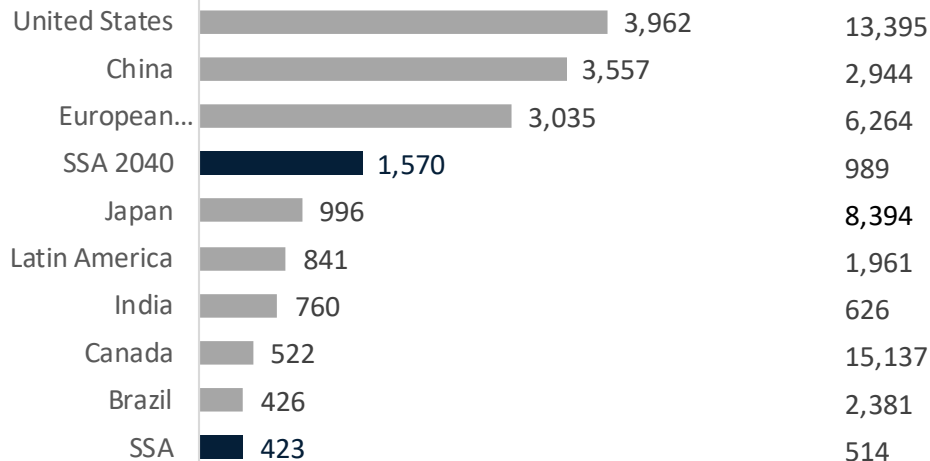
Source: Energy Access Outlook 2017 (International Energy Agency, 2017).

- Sub Saharan Africa (SSA) has 13% of the world's population, and at the same time 55% of the share of the global population without access to electricity. This puts SSA in world's worst situation from an electricity point of view.
- Only 7 countries<sup>1</sup> have electricity access rates exceeding 50%.

(1) Cameroon, Ivory Coast, Gabon, Ghana, Namibia, Senegal, South Africa.

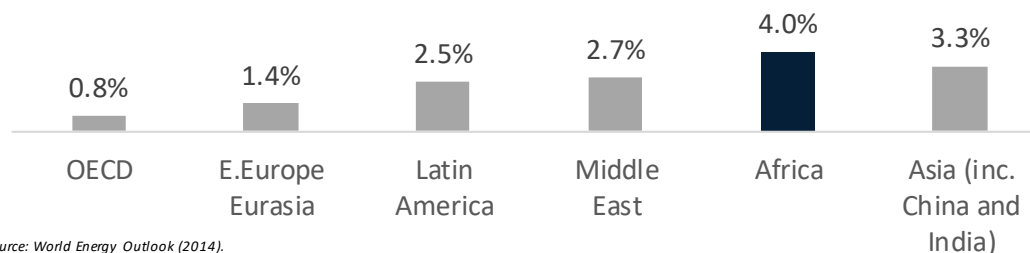
(2) Source: Powering Africa (McKinsey & Company, 2015). The estimate is based on a number of factors including 5x increase in GDP, 2x increase in population, electricity access levels reaching more than 70% by 2040, an increase in urbanization.

Electricity consumption 2010, TWh p.a.



Source: Key World Energy Statistics, Organization for Economic Co-operation and Development and the International Energy Agency, 2013, [iea.org](http://iea.org); World Development indicators, World Bank Group, [worldbank.org](http://worldbank.org).

Growth in electricity demand by region, 2012 – 40 (CAGR)



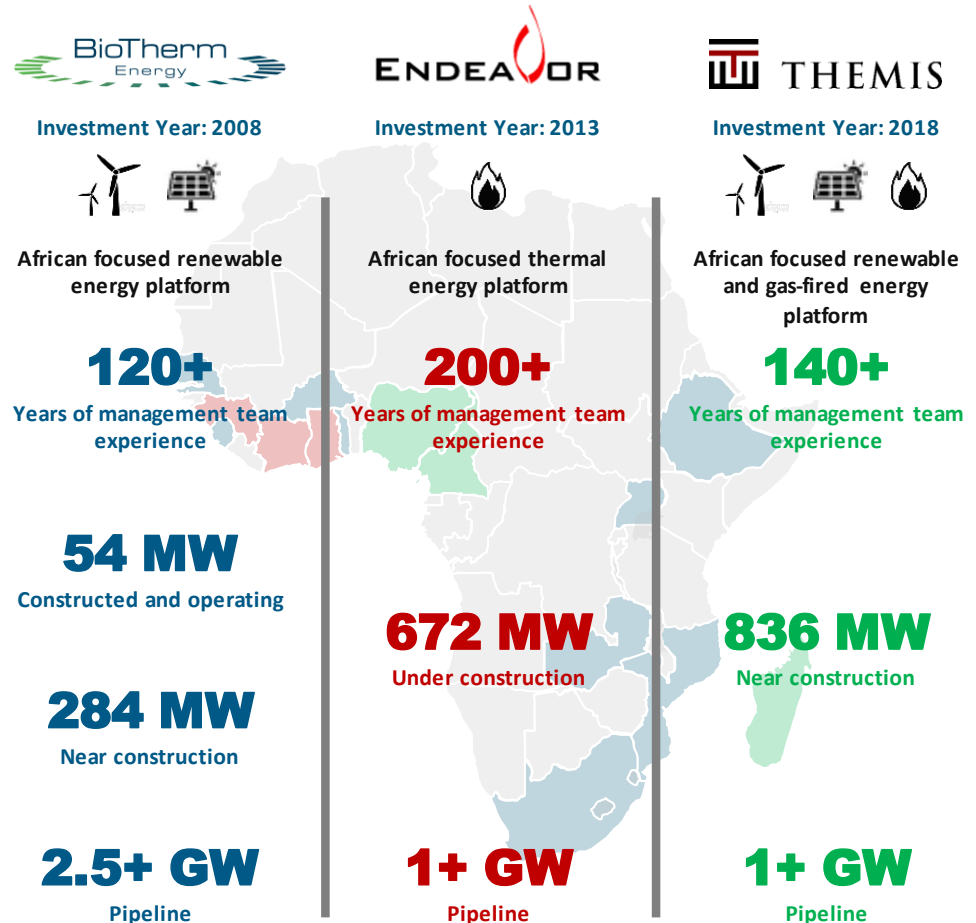
Source: World Energy Outlook (2014).

- Based on a demand-driven approach<sup>2</sup>, McKinsey & Co projects that SSA will consume c. 1,600 TWh by 2040, 4x the level in 2010.
- Globally, the demand for electricity is expected to increase at 2.1% CAGR through to 2040, with the most growth in demand will come from Africa, at 4% CAGR.

# Denham's Experience In Africa

Denham Capital has been investing in Africa power since 2008, backing three platforms, which have developed 2GW of projects, representing \$4B of total costs.

- Denham has partnered with 3 successful African power teams
- In 2008, Denham backed South African-based wind and solar developer, BioTherm Energy:
  - Built and sold 49MW of operating solar/wind projects in South Africa
  - 284MW of wind and solar projects currently under construction in South Africa
  - More than 2.5 GW of wind and solar projects across Africa
- In 2013, Denham backed Endeavor Energy, a thermal-focused developer
  - 252MW gas-fired projects in Ghana and Guinea under construction and targeting commercial operations in mid 2019
  - 420MW gas-fired project in Ghana under construction
- In March 2018, Denham backed Themis<sup>(1)</sup> to invest in gas fired, hydro, wind and solar projects across Africa:
  - 44MW Hydro project in Cote d'Ivoire nearing construction
  - Further near term pipeline >1GW across Nigeria, Madagascar, and Cameroon



Since its founding in 2004, Denham Capital has raised ten institutional funds totaling almost \$10bn in committed capital with nearly \$2bn invested or committed to International Power

(1) Themis is expected to be part of Denham Africa Sidecar platform. Unless otherwise noted, all figures in US\$ as of 6/30/18. Denham Capital Management ("Denham") does not provide investment advice to the public. No offer to sell, or solicitation of an offer to buy, any security, or any other advice in respect thereof, is made hereby.