Africa in Context:
An Overview of Private Equity Investing in Emerging Markets

Carlos Perry
Chief Operating Officer
Emerging Markets Private Equity Association (EMPEA)
AGENDA FOR TODAY’S DISCUSSION

• About EMPEA
• Why Emerging Markets?
• EM PE Overview:
  Fundraising, Investments, Performance
• Africa
EMPEA IS THE ONLY INDUSTRY ASSOCIATION REPRESENTING PRIVATE EQUITY INVESTORS ACROSS GLOBAL EMERGING MARKETS

Who We Are

• Founded in 2004
• Today representing nearly 300 leading fund managers, institutional investors and other industry stakeholders managing >US$900b AUM.
• 13 full-time staff based in Washington, DC and Hong Kong

Our membership is diverse globally...

...and by type of organization.

- Fund Managers: 58%
- Service Providers + Limited Partners: 42%
EMPEA’S BOARD OF DIRECTORS CONSISTS OF MANY OF THE LEADING PLAYERS IN EMERGING MARKETS PRIVATE EQUITY
What We Do

- EMPEA supports a broad portfolio of exclusive members-only research, including published reports, proprietary data and other content.

- Through our membership and partner networks, EMPEA nurtures a large global community of EMPE investors, on display at our three major annual conferences.

- EMPEA’s advocacy initiatives serve as a credible voice for the industry to educate policy-makers and investors about the unique value and role of private equity investing in emerging markets.
EMPEA PUBLISHES MORE PROPRIETARY RESEARCH THAN ANY OTHER PRIVATE EQUITY/VENTURE CAPITAL ASSOCIATION

Including a free weekly EM PE news digest, NewsWatch...register at www.empea.net
**What We Believe**

- EM PE can provide superior returns for investors;
- EM PE represents value-added growth finance for companies;
- EM PE contributes positively to a country’s economic growth; and,
- EM PE enhances communities by improving environmental, social and governance standards.

**RECENT ISSUES ON WHICH EMPEA HAS TAKEN A PUBLIC POSITION**

- EU AIFM Legislation
- U.S. Dodd Frank Legislation
- The Future of CDC (UK House of Commons Parliamentary Subcommittee)
- Investment Regulations in the United Arab Emirates and Impact on PE
### Members Exclusively Focused on Africa

- Absa Capital Private Equity
- AFIG
- African Capital Alliance
- African Development Bank
- Africapital Management
- Allan Gray Limited
- Assetwise Capital
- Beltone Private Equity
- Blackthorn Capital Partners
- Brait Private Equity
- Capital Invest
- Capitalworks Equity Partners
- Catalyst Principal Partners
- CICapital Private Equity
- Citadel Capital
- CEDA
- Constant Capital
- DBSA
- Development Partners International
- East Africa Capital Partners
- EFG-Hermes Private Equity
- Emerging Capital Partners (ECP)
- Ethos Private Equity
- Fanisi Venture Capital Management
- Fidelity Capital Partners Limited
- Helios Investment Partners
- Horizon Equity Partners
- I&P Management
- International Housing Solutions
- Investec Asset Management
- Kaizen Venture Partners
- Kingdom Zephyr Africa Management
- Kuramo Capital Management
- Lereko Metier Capital Growth Fund
- Madagascar Development Partners
- Marlow Capital
- Medu Capital
- Pan Africa Capital Group
- RMA Capital
- Standard Bank Private Equity
- SAVCA
- South Suez
- Swicorp
- Tuninvest-Africinvest Group
- Udo Udoma & Belo-Osagie
- Unique Venture Capital
- Vantage Mezzanine II
- Venture Capital Trust Fund

### Members w/Africa Interest

- Abraaj Capital
- Actis
- Altira Group
- Aureos
- CDC Group
- CVCI
- The Carlyle Group
- Cordiant Capital
- DEG
- Denham Capital Management
- European Investment Bank
- Finnfund
- Global Environment Fund
- FMO
- IFC
- IFC AMC
- MVision
- OPIC
- PROPARCO
- SeedRock Capital
- SEAF
- Technoserve
- The Rohatyn Group
- Wambia Capital
- White & Case
EMPEA’S KEY PARTNERSHIPS FOR AFRICA ARE WORKING TO SIGNIFICANTLY RAISE THE PROFILE OF AFRICAN PRIVATE EQUITY
WHY EMERGING MARKETS?
EM PE INVESTORS SEEK TO DIVERSIFY AND ACCESS THE HIGHEST GROWTH MARKETS (OFTEN INACCESSIBLE VIA PUBLIC EQUITIES)

<table>
<thead>
<tr>
<th>Why EM?</th>
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<tbody>
<tr>
<td>1. Outperformance potential</td>
</tr>
<tr>
<td>Why? Comparatively lower entry valuations, greater impact on multiple expansion from organic growth, value creation drivers, exit opportunities...</td>
</tr>
<tr>
<td>2. Access to higher growth markets</td>
</tr>
<tr>
<td>Attractive economic and demographic fundamentals, including higher GDP growth per annum, younger populations and rising income levels.</td>
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<tr>
<td>3. Portfolio diversification</td>
</tr>
<tr>
<td>Exposure beyond developed markets beyond thin exposure offered by EM equities positions (note...China listed vs unlisted).</td>
</tr>
<tr>
<td>4. Changing views on developed market risk</td>
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<tr>
<td><em>Naked swimmers</em> phenomenon (exposure tied to leverage, over-levered economies, etc shows there’s no such thing as a “safe” asset or market (i.e. EMs looking better because developed markets look worse)</td>
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</tbody>
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EMPEA SURVEYS SHOW ACCESSING HIGH-GROWTH MARKETS IS THE PRIMARY REASON WHY 3/4 OF LPS GROW THEIR EM PE EXPOSURE

LP Motivations for Accelerating New Commitments to EM PE for 2011/2012

- Greater PE Exposure to High-Growth Markets: 73%
- Skills/Experience of EM GPs Improving: 52%
- EM Risk-Return Improved vs Developed Markets: 51%
- Portfolio Diversification: 42%

*Excludes Development Finance Institutions and EM-dedicated Funds-of-Funds.

Source: EMPEA/Collier Capital Survey.
EM ECONOMIES ARE GROWING 3X THE RATE OF DEVELOPED ECONOMIES, REACHING $9 TRILLION OR 23% OF GLOBAL GDP IN 2009

<table>
<thead>
<tr>
<th>OECD Countries</th>
<th>Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30</td>
<td>$9</td>
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...AND 60% OF THE WORLD’S POPULATION!

2009 REAL GDP (US$ trillions)

<table>
<thead>
<tr>
<th>2009 REAL GDP (US$ trillions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$38</td>
</tr>
</tbody>
</table>

<table>
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<th>OECD Countries</th>
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<tr>
<td>$30</td>
<td>$9</td>
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</table>

% SHARE OF GLOBAL ECONOMY

<table>
<thead>
<tr>
<th>Year</th>
<th>OECD Countries</th>
<th>Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>2005</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>2006</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>2007</td>
<td>79%</td>
<td>21%</td>
</tr>
<tr>
<td>2008</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>2009</td>
<td>77%</td>
<td>23%</td>
</tr>
</tbody>
</table>

GDP CAGR, 2004-2009

<table>
<thead>
<tr>
<th>Region</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>6.4</td>
<td>6.8</td>
<td>7.3</td>
<td>8.0</td>
<td>8.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Asia</td>
<td>2.4</td>
<td>2.6</td>
<td>2.9</td>
<td>3.2</td>
<td>3.5</td>
<td>3.7</td>
</tr>
<tr>
<td>CEE/CIS</td>
<td>0.9</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Latin America</td>
<td>2.2</td>
<td>2.3</td>
<td>2.5</td>
<td>2.6</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td>MENA</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

WHY EM?

EMPEA
Emerging Markets Private Equity Association
ASIA, THE MIDDLE EAST AND AFRICA GDP GROWTH RATES ARE SIGNIFICANTLY OUTPERFORMING GLOBAL AVERAGES

WHY EM?

EMPEA
Emerging Markets Private Equity Association
Fundraising, Investments, Performance and Key Markets in EM PE
PE IN EMERGING MARKETS IS IN MANY WAYS VERY DIFFERENT TO PE IN DEVELOPED MARKETS.

1. There is little to no leverage available to finance transactions.

   *Returns are therefore generated through value creation and the underlying EM macro growth story.*

2. Majority control/buyout deals are the exception, not the rule.

   *Most PE investments in EMs involve acquisition of minority/non-controlling stakes, so GPs can only influence change/improved corporate performance in more subtle/cooperative ways.*

3. Market inefficiencies mean limited transparency, sub-optimal governance standards, inconsistent protection of minority shareholders and fewer exit routes.

   *Fund manager differentiation to a great deal lies in their local knowledge and networks, and their ability to skillfully navigate EM business cultures.*
MANY OF THE TOP EMERGING MARKETS GPs ARE SPECIALISTS WHILE OTHERS ARE LARGE BRANDS THAT ARE ACTIVE GLOBALLY

**BOLDED firms are both global and emerging markets leaders**

### Top 15 Global PE Firms (by US$ Assets Under Management)

- Goldman Sachs
- Blackstone Group
- **Carlyle Group**
- TPG
- **Kohlberg Kravis Roberts**
- Oaktree Capital Management
- Bain Capital
- **CVC Capital Partners**
- **Warburg Pincus**
- Apax Partners
- Morgan Stanley
- **Macquarie**
- **Advent International**
- Permira
- First Reserve Corporation

### Top 15 Emerging Markets PE Firms (by US$ Assets Under Management)

- **Macquarie**
- Citi Venture Capital International
- Abraaj Capital
- **Warburg Pincus**
- **Kohlberg Kravis & Roberts**
- Actis
- **TPG**
- **The Carlyle Group**
- Baring Private Equity Asia
- Citadel Capital
- GP Investments
- **CVC Capital Partners**
- IFC AMC
- Capital International
- **Advent International**

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**EMPEA**

Emerging Markets Private Equity Association
EM PE FUNDRAISING IS GROWING AGAIN AFTER THE GLOBAL FINANCIAL CRISIS AND COULD REACH $40 BILLION IN 2011

US$ billions

- EM PE Funds Raised
- EM PE Capital Invested

Source: EMPEA
EM PE FUNDRAISING IN 2010 REACHED 13% OF GLOBAL TOTALS FROM ONLY 4% IN 2004.
THIS TREND SHOULD CONTINUE, WITH A MAJORITY OF LPs SAYING THEIR EM PE COMMITMENTS WILL INCREASE TO 16-20% OF TOTAL PE EXPOSURE BY 2013.

Source: EMPEA/Coller Capital Survey
*Excludes DFIs and EM-dedicated Fund-of-Funds.
TOTAL EMPE INVESTMENTS ARE GROWING AGAIN, WITH MUCH OF THE CAPITAL GOING TO THE MAJOR (“BRIC”) ECONOMIES

US$ Billions

Source: EMPEA
TOTAL EM PE INVESTMENTS ARE FAR BELOW US TOTALS BUT NOT FAR BEHIND WESTERN EUROPE

US$ billions

Source: EMPEA

EM PE INVESTMENTS
AVERAGE DEAL SIZE IN EMERGING MARKETS AT TIMEES COMPARES SIMILARLY TO DEALS IN DEVELOPED MARKETS

Average deal size, US$M

Source: EMPEA
AMONG THE BIG EMERGING MARKETS, AVERAGE DEALS ARE LARGEST IN BRAZIL (2011’s “MOST ATTRACTIVE” FOR LPs)

Average deal size, US$M

Source: EMPEA
EMERGING MARKETS OFFER THE POTENTIAL FOR SUPERIOR RETURNS FOR BOTH LISTED AND UNLISTED ASSETS

Comparative End-to-End Returns (as of 30 September 2010)

Source: Cambridge Associates, LLC.
OVER HALF OF LPS EXPECT 16%+ NET IRRS FROM THEIR EM PE PORTFOLIOS OVER THE NEXT 3-5 YEARS

- **Coller Capital’s Global PE Barometer.**
- **EMPEA/Coller Capital Survey.**

*Annual net returns of 16%+  Annual net returns of less than 16%*

**EM PE PERFORMANCE**
HOW AFRICA IS BEING SEEN BY GLOBAL PE INVESTORS
HOW THE AFRICA PE OPPORTUNITY IS STARTING TO BE SEEN

High Economic Growth Potential:
• 5-6% GDP growth estimates for 2011
• Home to some of the fastest-growing economies in the world (Ghana, Angola, DRC)
• Improving political stability (N Africa excepted for now)

Strong Demographics:
• Population of 1 billion
• Rise of the middle class consumer – by 2020, more than half of Africa’s households will have discretionary spending power (McKinsey Global Institute)

Opportunities in Many Sectors:
• Infrastructure: World Bank estimates that US$93 billion required over next 10 years to meet region’s infrastructure gap
• Telecoms: Current mobile voice market penetration only 50%
• Energy: Region’s vast mining and energy resources are underdeveloped
AFRICA HAS REACHED 6% OF TOTAL EMERGING MARKETS PRIVATE EQUITY FUNDS RAISED AND CONTINUES TO GROW

EM PE Fundraising Totals by Region (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa Sub-Saharan</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>MENA</td>
<td>10%</td>
<td>25%</td>
<td>8%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Latin America</td>
<td>8%</td>
<td>7%</td>
<td>10%</td>
<td>7%</td>
<td>24%</td>
</tr>
<tr>
<td>CEE/CIS</td>
<td>10%</td>
<td>25%</td>
<td>8%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Asia</td>
<td>58%</td>
<td>48%</td>
<td>60%</td>
<td>71%</td>
<td>61%</td>
</tr>
</tbody>
</table>

AFRICA
INVESTORS ARE NOTING AFRICA’S ATTRACTIVE FUNDAMENTALS AND ARE BEGINNING TO INCREASE THEIR EXPOSURE TO THE REGION

LPs Viewing Africa as “Attractive” or “Very Attractive” (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>42</td>
<td>37</td>
<td>67</td>
</tr>
</tbody>
</table>

LPs Planning to “Begin” or “Expand” Africa Commitments (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16</td>
<td>15</td>
<td>38</td>
</tr>
</tbody>
</table>

Source: EMPEA/Collor Capital Survey
THE PACE OF AFRICA PE INVESTMENTS IS ACCELERATING. STRONG BRANDS ARE GETTING STRONGER WITH HELP FROM PE MANAGERS.

**Sampling of Africa PE Investment 2008–2010**

- **South Africa**: 59 investments, US$2.8B
- **Egypt**: 25 investments, US$3.6B
- **Nigeria**: 13 investments, US$721m
- **Kenya**: 19 investments, US$405m

*Source: EMPEA*
SOUTH AFRICAN INSTITUTIONAL INVESTORS ARE THE MOST ACTIVE AFRICAN INVESTORS IN THEIR DOMESTIC PE INDUSTRY

- US$256 billion in pension fund assets under management
- Fastest compound annual growth in pension assets in 2010, rate of 28% per annum (Towers Watson; USD terms)
- Current **average pension fund exposure** to private equity in South Africa is less than 1% --> *recently released draft regulations allow pension funds to allocate up to 10% to the asset class*
- South Africa’s endowment funds, foundations, insurance companies and banks are also active investors in PE

Where are South Africa-focused fund managers looking to raise capital in the next 12 months - Geography?

South Africa LPs Active in South African PE Funds

- Eskom Pension and Provident Fund
- Public Investment Corporation (GEPF)
- FNB Pension Fund
- Mittal Steel South Africa Pension and Provident Funds
- Exxaro Pension and Provident Fund
- Kumba Iron Ore Selector Pension and Provident Fund
- ABSA Group Pension Fund Limited
- Anglo American Corporation Pension Fund
- Engineering Industries Pension Fund
- Iscor Pension Fund
- Metal Industries Pension Fund
- Transnet Retirement Fund
- Transport Pension Fund
- Sentinel Mining Industry Retirement Fund
- Mines Employees Pension Fund

GEPF (SA Government Employees Pension Fund), AFRICA’S LARGEST PENSION FUND, CAN INVEST 3-9% OF ITS PORTFOLIO IN PE.

- Africa’s largest pension fund
- 1.2 million active members, 318,000 pensioners and beneficiaries
- Assets totaling R790 billion (US$115B)
- The assets of GEPF are primarily managed by the Public Investment Corporation (PIC), wholly owned by the South African government (and EMPEA member)

Private equity allocation:
- Lower limit 3% (~US$4 billion)
- Strategic 6-8%
- Upper limit 9% (~US$12 billion)
- Private equity investments are aimed at infrastructure, socially desirable investments and BEE financing
  - Isibaya Fund, Pan African Infrastructure Development Fund, etc.
IN 2010, EVEN AS WE CONTINUED TO RECOVER FROM THE DOWNTURN, AFRICA GPs RAISED IMPRESSIVE PE FUNDS

INCREMENTAL AND FINAL FUND Closes

- **ECP**
  - US$m: $613
- **Sanlam**
  - US$m: $492
- **GEF**
  - US$m: $457
- **Investec**
  - US$m: $381
- **Aureos**
  - US$m: $286
- **Helios Investment Partners**
  - US$m: $238
- **AfricInvest**
  - US$m: $207
- **Absa**
  - US$m: $155
- **K. Zephyr**
  - US$m: $135
- **ECP**
  - US$m: $109
- **Global Environment Fund**
  - US$m: $84
TO LEARN MORE, PLEASE VISIT US AT...

www.empea.net