

Delphos International

The African Private Equity Puzzle



Mark Mondik, Vice President
+1 (202) 337-6300
mmondik@delphosinternational.com

About Delphos International

- Independent financial advisory firm
- Raised more than US\$10 billion since 1987
- Assisted more than 500 companies



Where is the opportunity for investors?



Large
companies/
projects

- Limited number
- Lots of competition
- Pricing issues

Small
companies/
start-ups

- Small scale
- Difficult to manage
- Exit issues

Where is the opportunity for investors?



Large
companies/
projects

- Limited number
- Lots of competition
- Pricing issues



Leading fund
managers making
large investments

Small
companies/
start-ups

- Small scale
- Difficult to manage
- Exit issues



Sector-focused funds
taking majority
interests

Where is the opportunity for investors?



Large
companies/
projects

- Limited number
- Lots of competition
- Pricing issues



Leading fund
managers making
large investments

Small
companies/
start-ups

- Small scale
- Difficult to manage
- Exit issues



Sector-focused funds
taking majority
interests

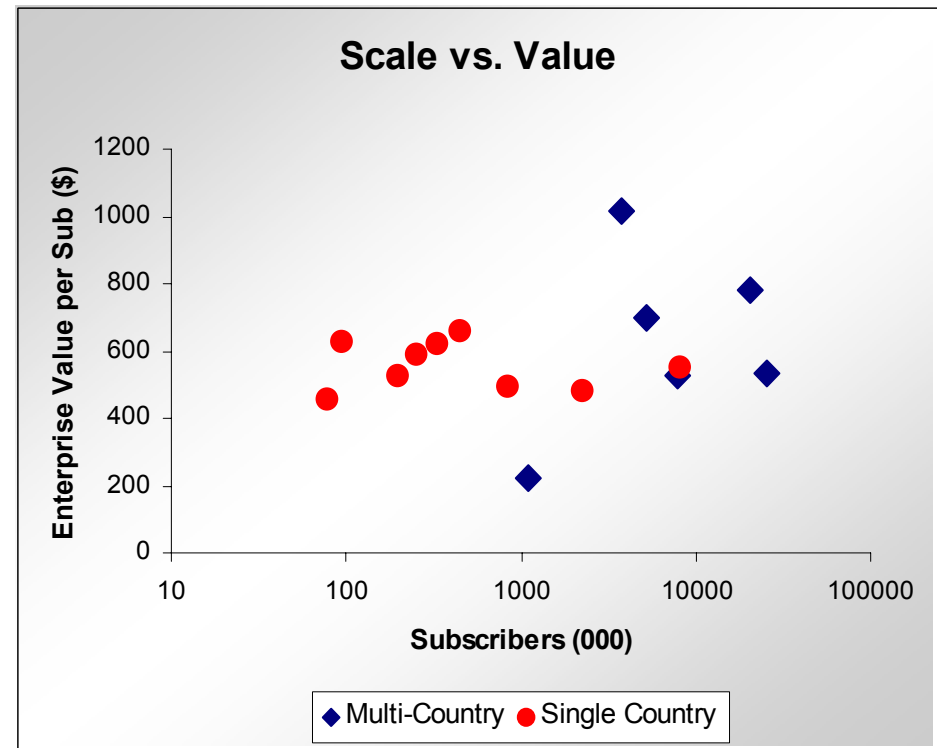
Is there anything in
between?

The Pricing Problem

Example: Telecom Valuations, 2006

Factors Affecting Multiples

- Average Revenue per User
- Scale and diversification (e.g. multi-country vs. single country)
- Market share and competitive environment
- Market size and penetration
- Liquidity premium for publicly traded companies
- Control premium for acquisitions

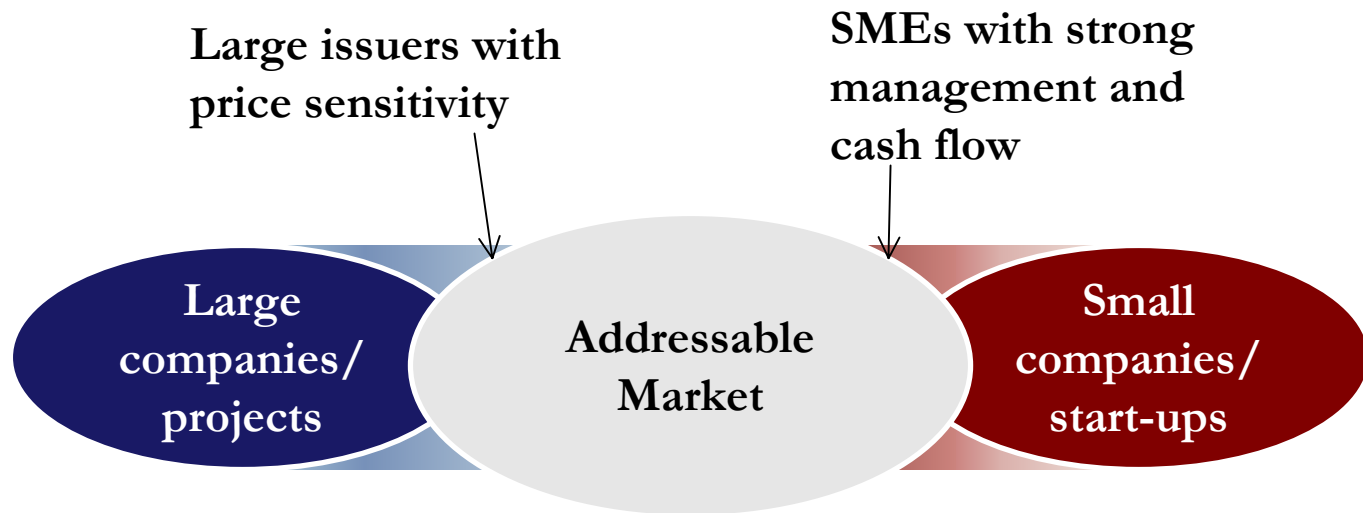


Note: Figures unadjusted for liquidity or control premiums

The Exit Problem

Exit Mechanism	Challenges
IPO	Scale and market liquidity issues
Trade Sale	Shortage of strategic buyers
Recapitalization	Limited upside, capital markets exposure
Dividends	Patience is a virtue, but doesn't make for big GP payouts

The Mezzanine Solution



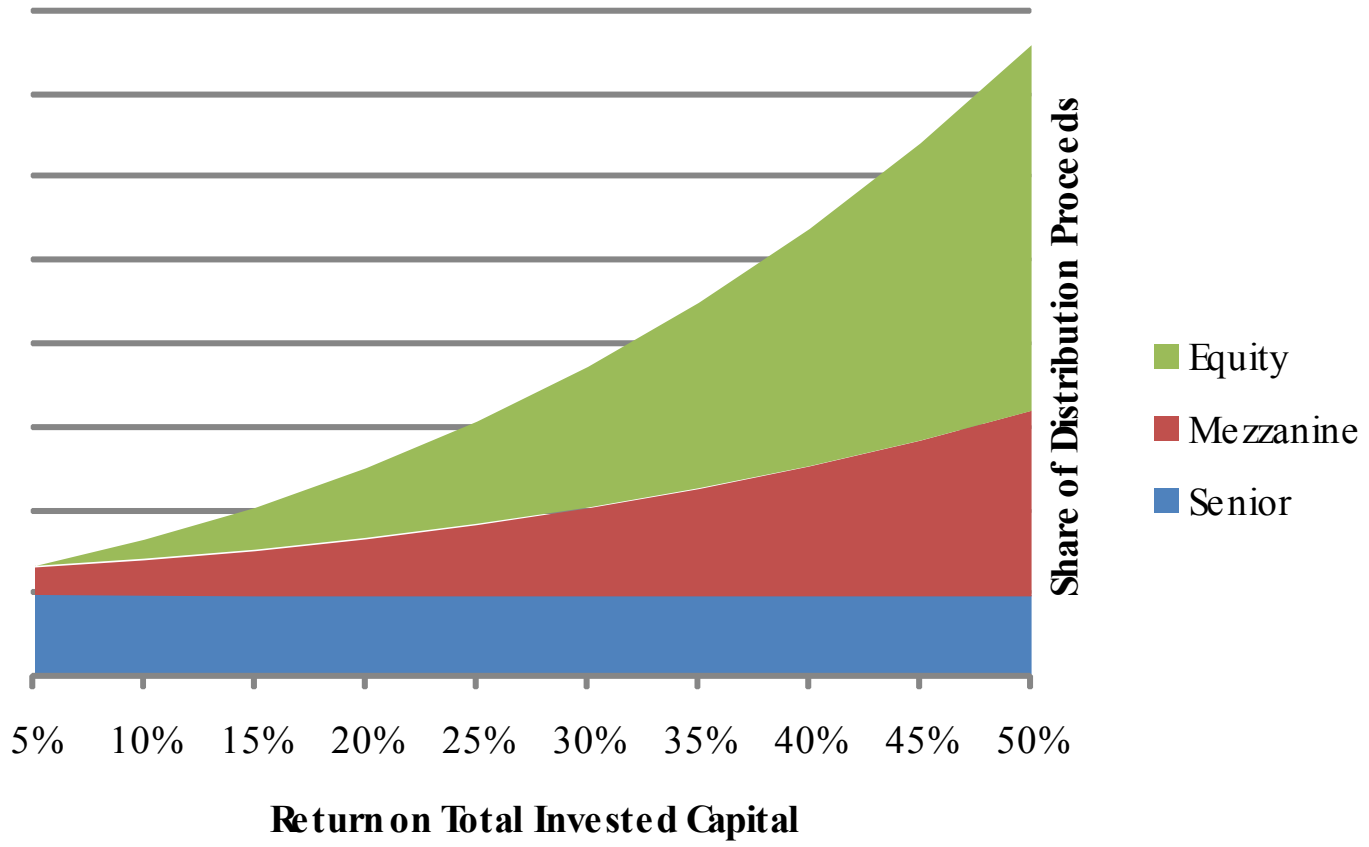
Downside Protection

- “Automatic” exit
- Senior to equity

Upside Potential

- Conversion rights, warrants
- Returns can still be huge

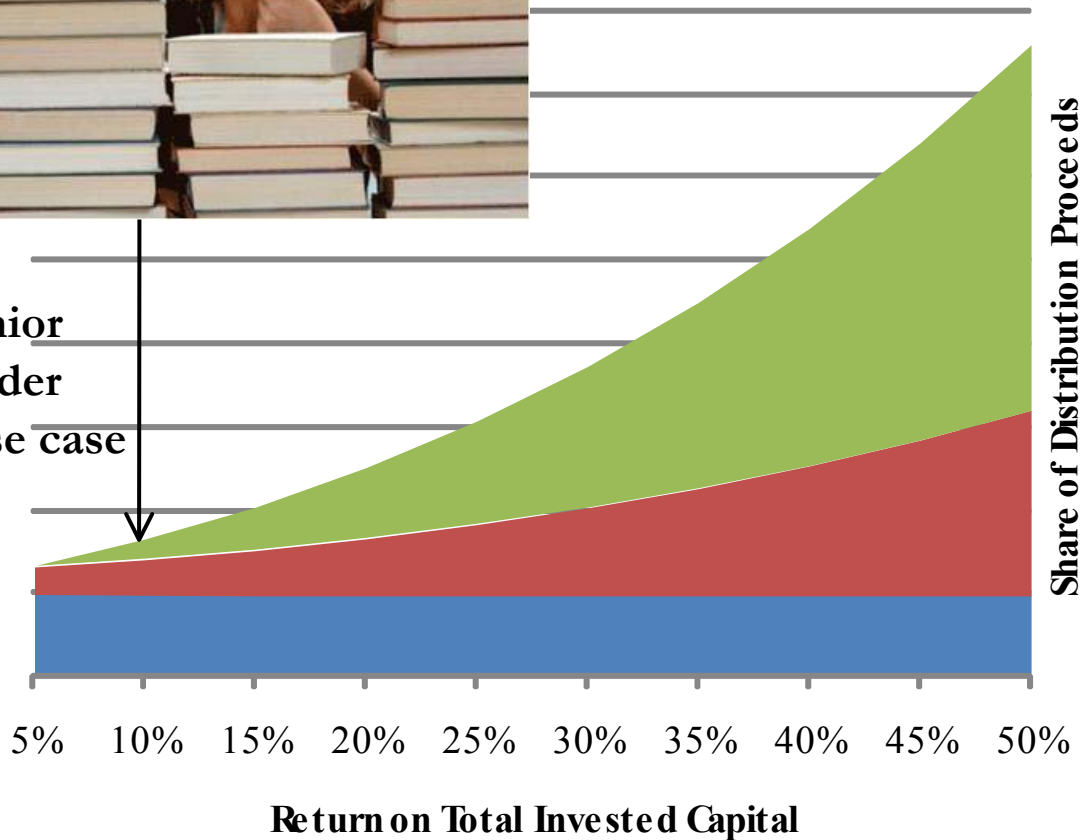
Why Mezzanine Works for Issuers



Why Mezzanine Works for Issuers

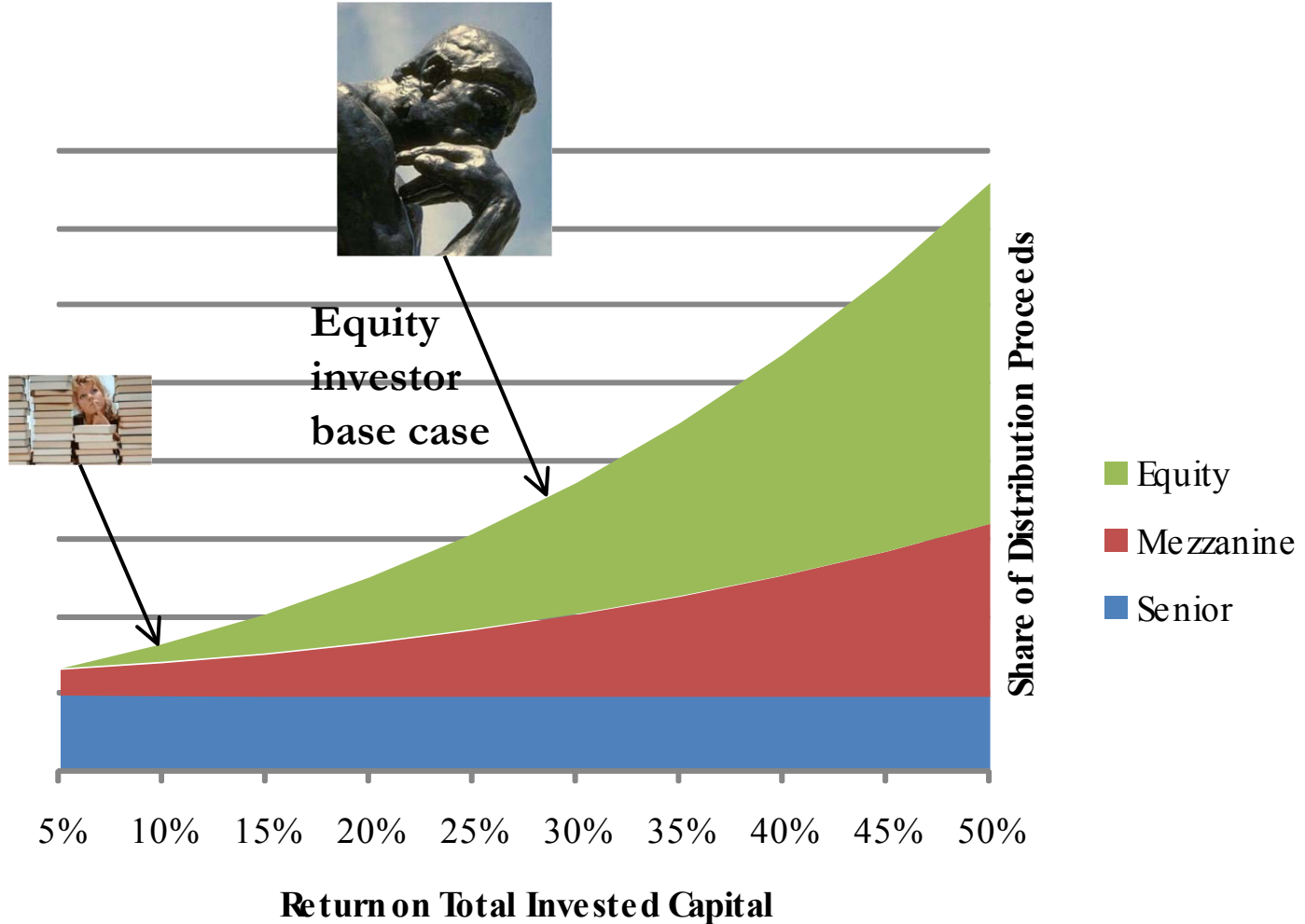


Senior lender base case

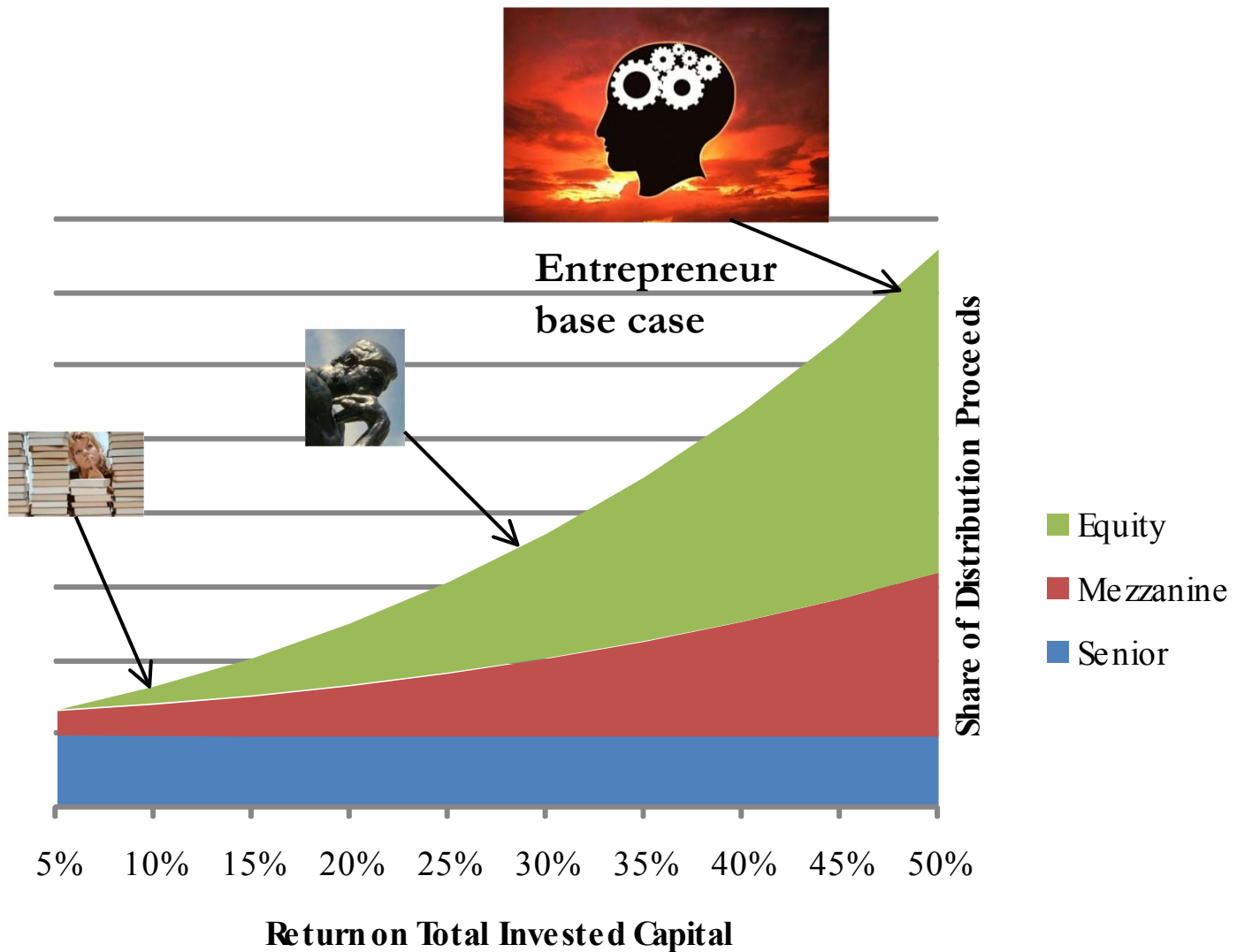


- Equity
- Mezzanine
- Senior

Why Mezzanine Works for Issuers

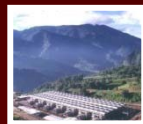


Why Mezzanine Works for Issuers



DFI Co-Investment Can Help

- Invest mezzanine or equity
- Reduce political/regulatory risk
- Attract private sector lenders
- Facilitate carbon credits
- Co-fund project development



Contact

Mark Mondik

Vice President

Tel: (202) 337-6300

mmondik@delphosinternational.com

