



Equity Investing in Africa

The Ethos Private Equity Experience in South Africa

Ngalaah Chuphi

WWW.ethos.org.za

February 2004

[Today's key messages

- Africa, and South Africa in particular, offers exciting private equity investment opportunities
- Investment risks are moderate and can be mitigated
- Superior investment returns are being achieved
- South Africa's integration into the global economy and domestic socio-economic transformation are key drivers of deal flow

About Ethos Private Equity

- Pre-eminent private equity firm in South Africa
 - 20 year successful investment track record
 - A buyout firm that acquires controlling and joint controlling stakes in leading companies
- Have successfully managed several pools of capital from local and international investors (including well known US Pension Funds)
 - Buyout Funds (4): US\$ 665m
 - Technology Fund (1): US\$40m
- Currently in the process of raising its 5th buyout fund

South Africa – the good news

- World-class Financial System
 - South Africa's banking sector ranks ahead of that of France and Japan
 - Strong debt market for private equity transactions
- Good infrastructure
- Stable political environment
- Sound legal, accounting and regulatory systems
 - A functional independent judiciary
- A growing middle class
 - Only 14% of South Africans now live in poverty compared to 30% in 1994
- Rich in resources
 - Manufacturing for export has replaced mining for commodities as the key centre piece of the South African economy
- An engine of growth for the neighbouring economies

[.....however, challenges do exist

- Currency volatility
 - Sound monetary and fiscal policies by the government will address this issue over time

- Pace of privatisation
 - Certain sectors e.g. telecommunication have been privatized and other sectors are set to follow

- Success of the African Renaissance Initiative
 - Strong commitment has been shown by parties involved

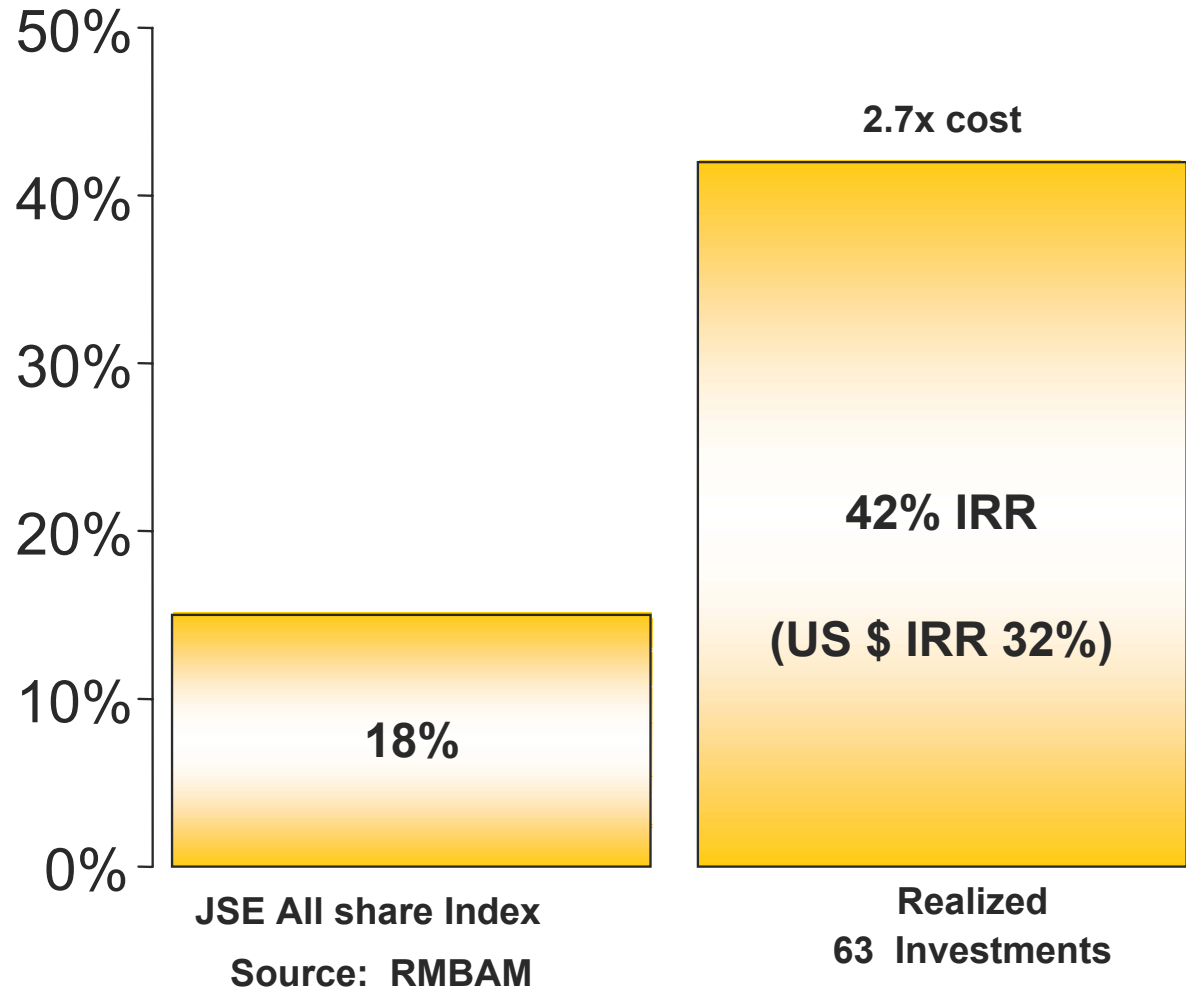
- Unemployment
 - Moderate but not outstanding GDP growth.
 - Constraints which result in some labour rigidity are being addressed

Investment risks can be mitigated

- Investing in companies across diverse industries and geographies
- Actively pursuing value-add strategies post investment
 - Including enforcing corporate governance structures
- Customised investment structuring
 - Appropriate levels of debt
- Hedging the cost of the portfolio is an available choice

Superior investment performance is being achieved by Ethos

Total of 83 Investments since 1984





EXTRA SLIDES

Investment opportunities exist across diverse industries

Sample of Ethos Portfolio

Food producers

Support services



Building Systems



Investment opportunities exist across diverse industries (contd.)

Sample of Ethos Portfolio

Transport	Leisure	Mineral Extraction	
  	  		
   	   	<th data-bbox="1271 672 1530 719">Consumer goods</th> 	Consumer goods
		<th data-bbox="1271 1186 1530 1233">Information technology</th> 	Information technology