

InVcap

The Middle Class Challenge: Bridging the Infrastructure Gap (Housing, Tourism and Entertainment)

Opportunities in
West Africa

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InVcap is an Investment Manager that provides accredited Investors access to investment opportunities in the frontier markets of Africa. Our investment focus is driven by the high growth opportunities in the Frontier Markets, representing a total of *17 of the 20* fastest growing economies in the world. Invcap is licensed and regulated by the Financial Services Commission (FSC) with Investment teams in Toronto and Nigeria. Its InVcap Private Equity Fund (IPEF I) is registered, domiciled and administered from Mauritius and is FSC regulated.

InVcap partners with high growth companies in their transitional process, whether at the growth, restructuring or expansion level, to achieve their purpose. Invcap enhances the value and quality of investments in businesses while creating wealth. Our goal is to form partnerships and strategic alliances that produce organizations that are "built to last".

InVcap invests in companies that operate in the emerging markets with a focus on Africa. We are active in business environments that are characterized by limited competition and where Africa has a comparative advantage- A strategy that ensures diversification within the Invcap investment portfolio and provides investors with above average, risk-adjusted returns.

Bridging the Infrastructure Gap in Africa-Introduction

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Bridging the Infrastructure Gap

Gaps in Infrastructure stalls growth and development

- Africa's low facility density across all basic amenities continues to relegate the continent amidst opportunities for relevance in a globally depreciating economy.

Frontier Countries are fast-growing markets eager for capital

- The Frontier Markets represented 17 of the 20 fastest growing economies in terms of average annual GDP growth according 2009 UN reports.

Frontier markets account for 22% of the world's population

- Frontiers make up 7% of the world's GDP, but only 3% of the world's market capitalization, compared to emerging markets with 63% of the world's population, 42% of world GDP and 42% of market capitalization.

Bridging the Infrastructure Gap

- Its relative lack of infrastructure points to the existence of untapped productive potential, which could be unlocked through scaling up investments in the sector.
- The central role of infrastructure in creating competitive advantages and, other avenues for global integration and trade cannot be ignored.
- The potential value addition of human development and improved social amenities and better productivity outcomes that improved infrastructure promises, will no doubt support the continent's efforts to attain increased economic growth.

Current State of Infrastructure



“Africa’s low facility density across all basic amenities continues to relegate the continent amidst opportunities for relevancy in a globally depreciating economy”

Current State of Infrastructure- Summary

- Internet density put at less than 1 in 10 or 80-1000
- Rail network density at 50/1000 when compared to 200/1000 in UK
- Power costs at USd14cent per/kwh (about 5cents in US), mobile telephony at usd12 per month when compared to usd8 in other developed nations
- Road network density of 50/million (except in SA and Botswana that boasts of 400/mille). Europe enjoys a road density of 200-1000.
- AfDB (2012) reports: Less than 40% of the African continent's population has access to electricity, about a third of the rural population has access to roads, 5% of its agriculture is under irrigation. On social infrastructure, only 34% of the population has access to improved sanitation and a slightly better situation for clean water at about 65%.

Current State of Infrastructure- Transport

- Railroad: rail networks in Africa 69 000 km
- Ports: Below 20moves/hour compared to an average of 30 in other climes.
- Roads: Only 1 in 4 Africans have access to all season. Africa has Lowest LPI
- Total road network in Sub-Saharan Africa is 204km of 1000km2 land area . Most unpaved.
- 3.6km of roads per 1000 persons relative to world average of 7km per 1000



Current State of Infrastructure- Energy

38% of Africans had access to electricity compared to 68% for all developing countries.

53% for South Asia and 80-90% for Latin America.

In Sub-Saharan Africa (SSA), only 26% had access to electricity and 30 African countries suffered an average of 11.5% power outages.

World bank (2009) reports that 5 sub-regions recorded surpluses.

Associated costs, presently put at 12.5% of production time in comparison to Asia's 7%.



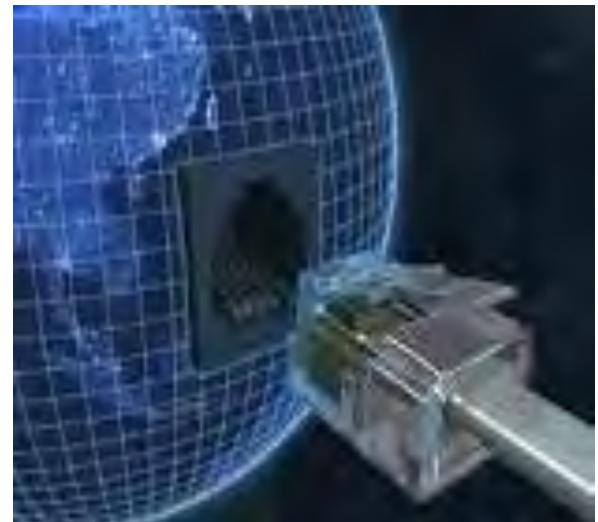
Current State of Infrastructure- Water & Sanitation

- Only 65% of Africans have access to clean water compared to 87% for East Asia and Pacific, and 91% for Latin America and the Caribbean.
- By 2006, Five countries (Burkina Faso, Ghana, Malawi, Namibia and South Africa met the MDG target and another 12 by 2015. (AICD, 2009)
- D.R. Congo and Nigeria are far from meeting the MDGs target for clean water.

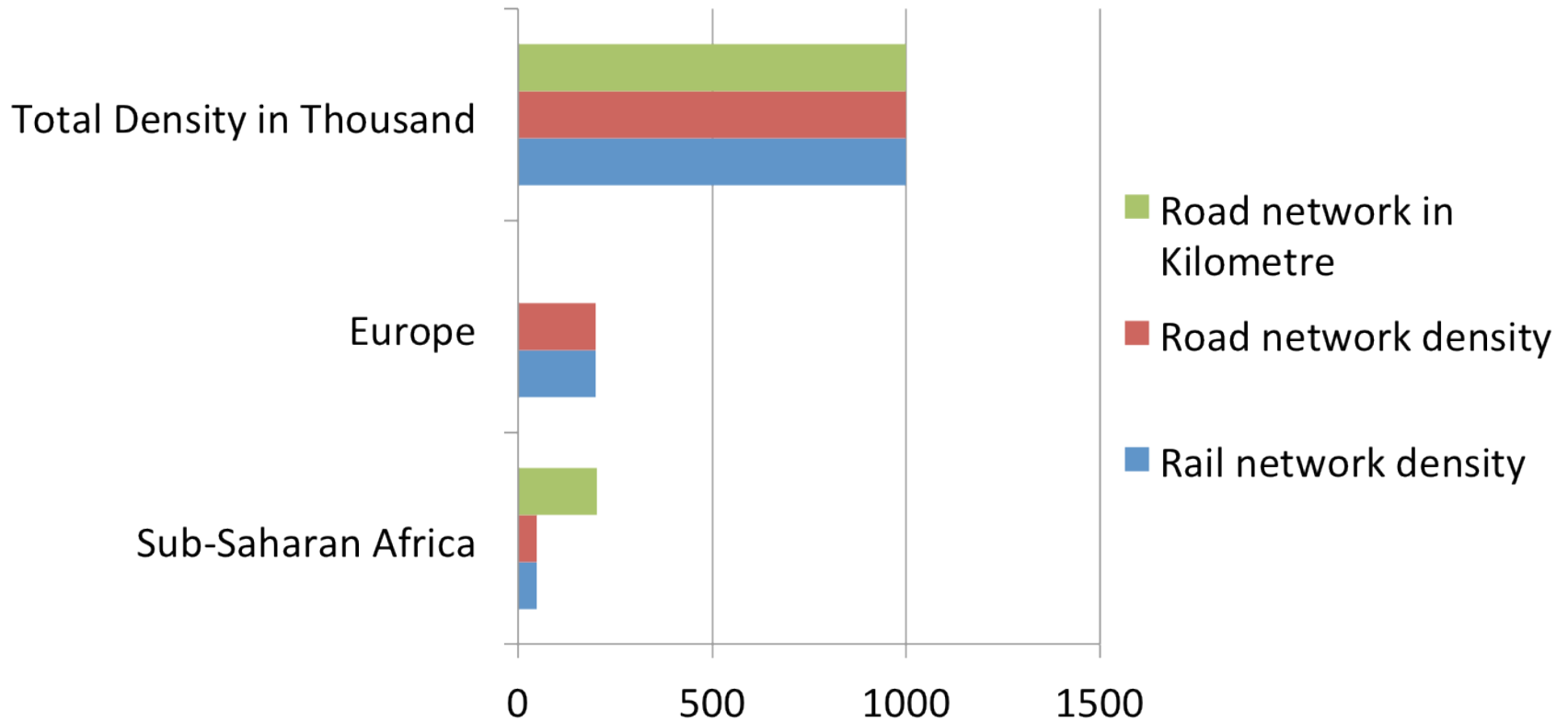


Current State of Infrastructure-ICT

- Access to fixed-line telephones is below 3% in SSA, compared to 19% in Latin America and the Caribbean, and 16% in the Middle East and North Africa.
- Mobile phone access in Africa (40%) is better than South Asia (33%) but trails East Asia and the Pacific (53%) and Latin America and the Caribbean (80%). (ITU, 2009).
- The top five African countries are only ranked 66th to 109th on a global scale.

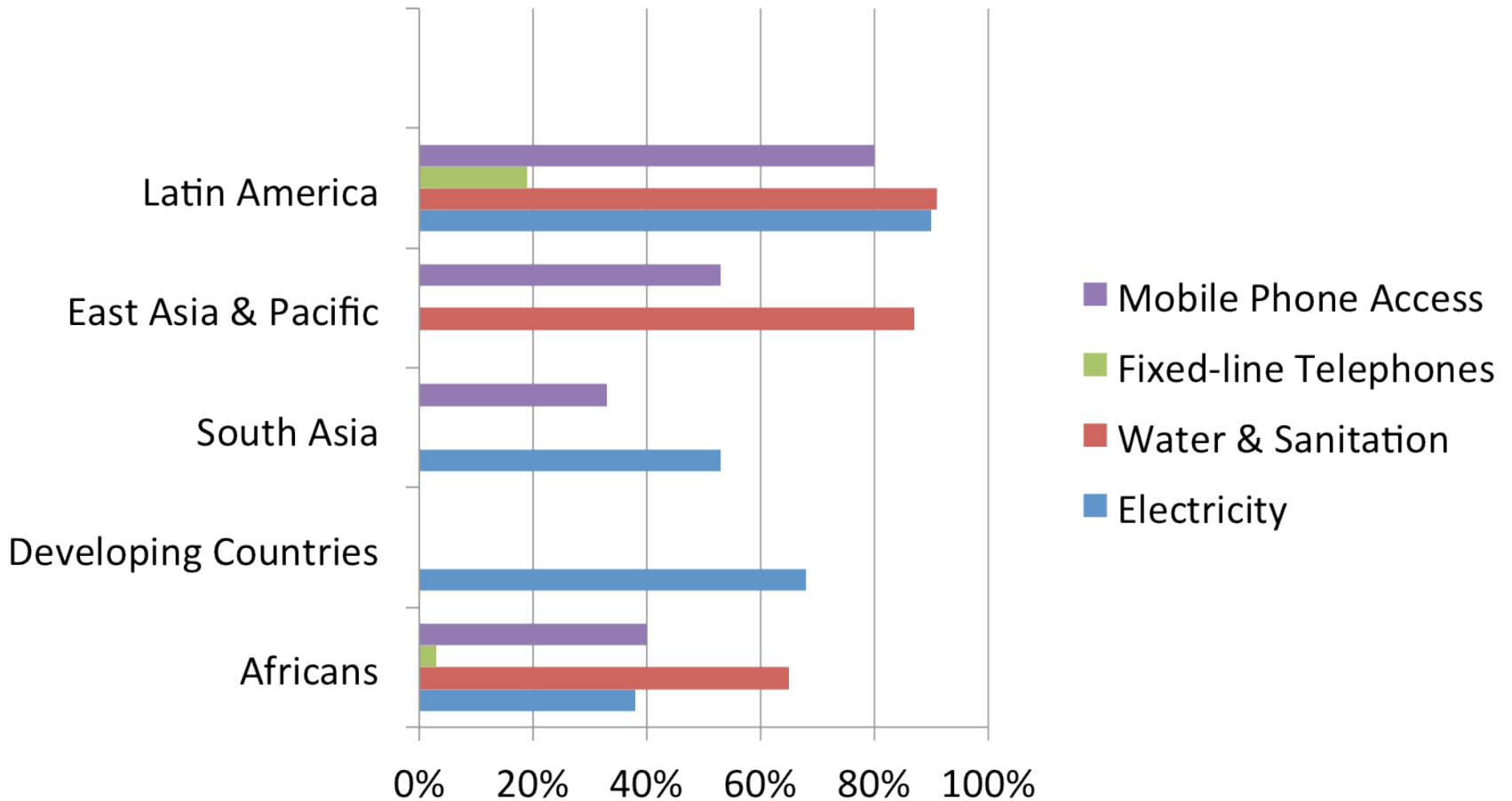


Current State of African Infrastructure Vs UK



(AfDB Economic brief, 2012)

Current State of African Infrastructure- East Asia & Latin A



Recent Developments in Africa

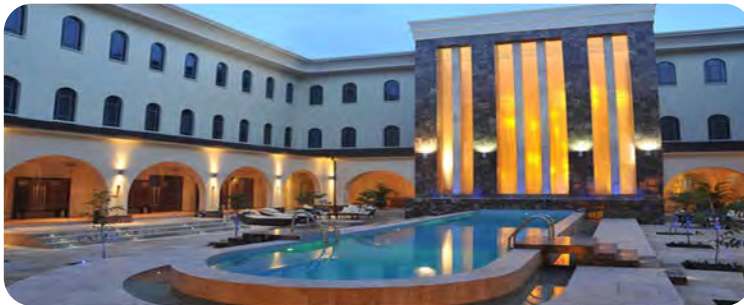
- Sub-Saharan African countries maintain growth momentum, as well as progress toward the MDGs. UN reports that developing countries has declined from 28% to 17% between 1990 and 2011.
- UNCTAD reports an average return of 29% on FDI in Africa since early 2000
- Restructuring and developing a robust Private Sector finance base .
- More reforms and Better governance regime.
- Growth has reduced poverty, but not by enough
- 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

Recent Developments in Africa (cont.)

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



Intercontinental
Hotel, Lagos Nigeria



Protea Hotel, Lagos
Nigeria



Obudu Mountain
Resort, Nigeria

Recent Developments in Africa (cont.)

Recent Infrastructure projects in Commercial Properties- South-West Nigeria



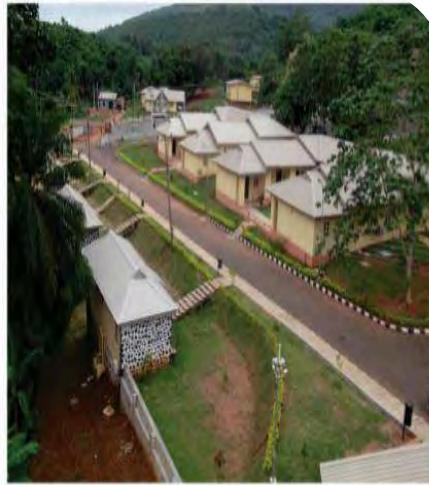
World Class
Supermarket,
Shop Rite,
Lagos Nigeria



Silverbird Galleria,
Nigeria

Recent Developments in Africa (An Invcap Partner Project)

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



-5 Star Area

-3 Star Area

-Modern Conference
Centre

Recent Developments in Africa (An Invcap Partner Project)

Recent Infrastructure projects in Tourism- South-West Nigeria



5 Star Area



Warm Spring
Swimming Pool



Thatch Relaxation
Hut

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

Doing Business in Africa

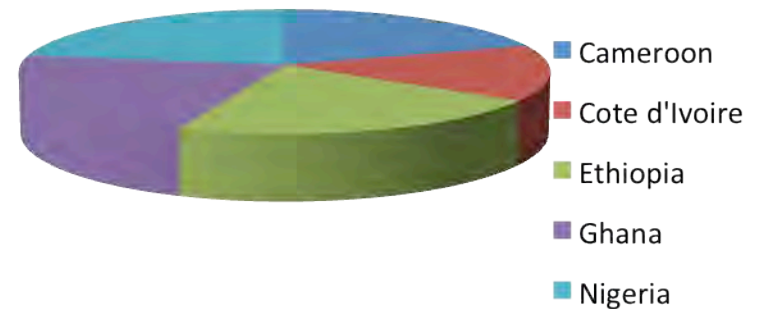
**InVcap Considers
Certain Factors in
Selecting the Location
for the Initial
Investment**



Annual population Growth rate- Major Countries in Africa

Total Population (millions)

Annual Population Growth Rate



| Country (2005) | Population (Million) | Growth Rate |
|----------------|----------------------|-------------|
| Cameroon | 17.6 | 2.2 |
| Cote d'Ivoire | 18 | 1.6 |
| Ethiopia | 74.3 | 2.4 |
| Ghana | 21.6 | 2.4 |
| Nigeria | 139.8 | 2.5 |

Doing Business in Africa

A Comparison of Selected Markets by Factors

| Country | PPP (Intl \$B) | GDP Per Cap. (\$ Billion) | Market Size/ Pop. (Millions) | Quality of life Index (Ranking) | Power Gen (Bil- Kwh) | Doing-Biz Index (Ranking) |
|--------------|-------------------|---------------------------------|------------------------------------|---------------------------------------|-------------------------|---------------------------------|
| South Africa | 524 | 327 | 44.5 | 92 | 227.2 | 32 |
| Nigeria | 378 | 217 | 125.1 | 108 | 19.1 | 118 |
| Ghana | 62 | 31 | 20.8 | 95 | 6.5 | 87 |
| Kenya | 66 | 32 | 33 | Not rated | 5.7 | 82 |
| Botswana | 28,5 | 14 | 1.6 | 104 | 0.8 | 38 |
| Tanzania | 58.4 | 22.6 | 36.1 | 109 | 2.6 | 127 |
| Zambia | 20 | 16.2 | 11 | Not rated | 9.96 | 100 |

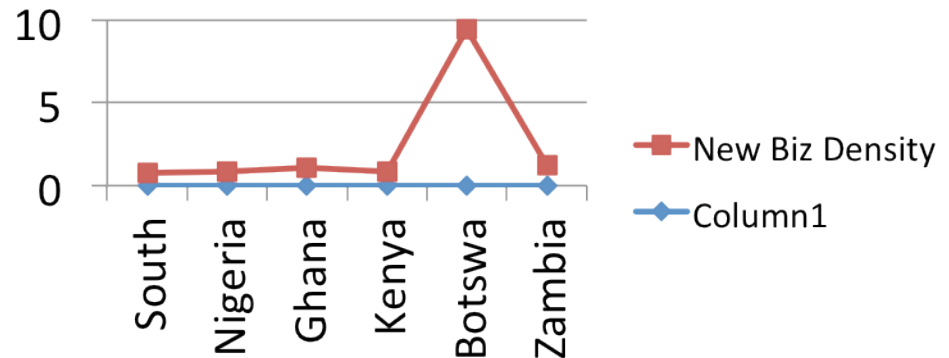
PPP – Purchase power Parity, GDP – Gross Domestic Product

Doing Business in Africa

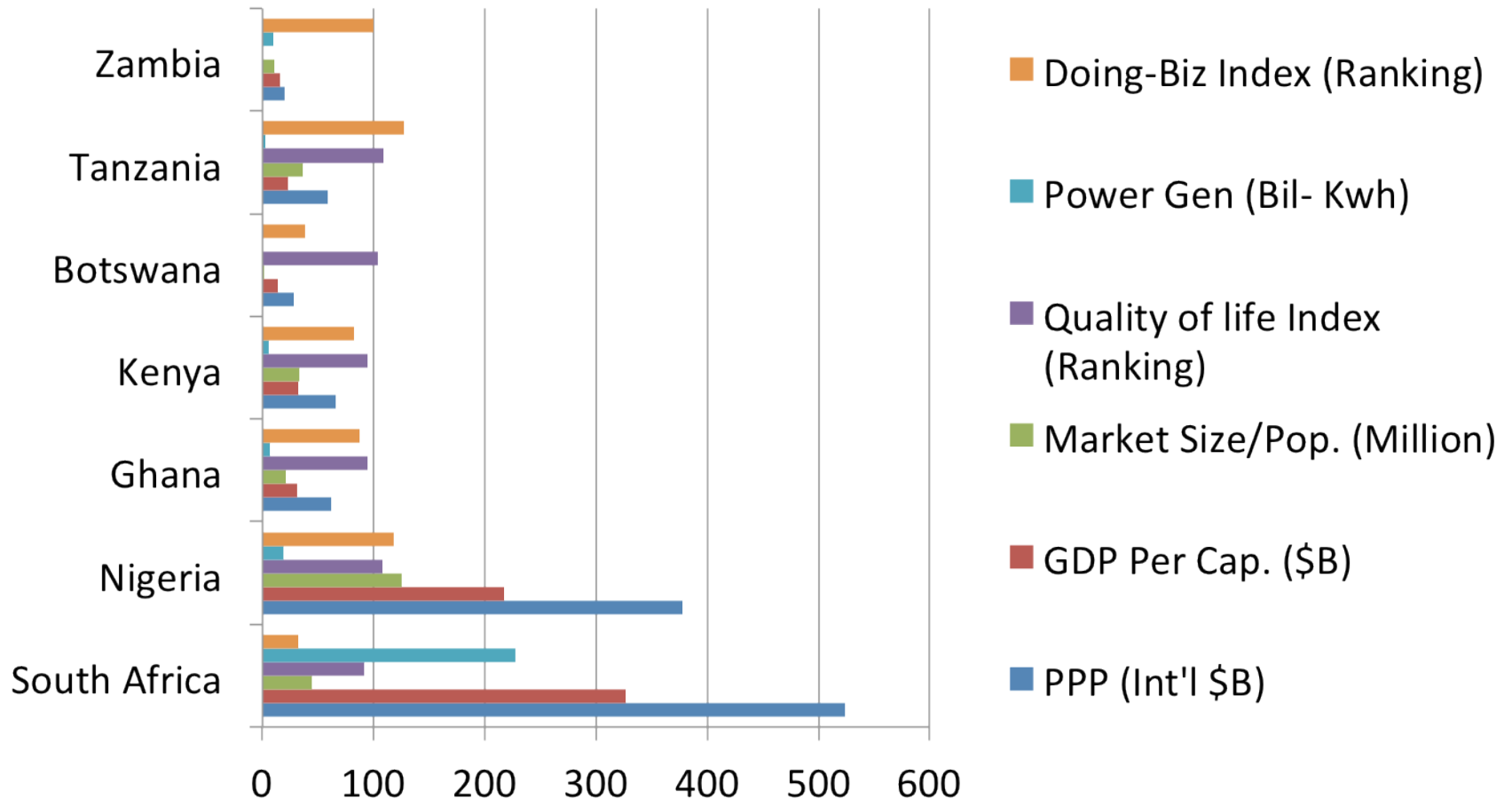
New Business Density comparison in Sub-Saharan Africa

- 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.

| Economy | Year | New Business Density | No of New Ltd. Companies |
|--------------|------|----------------------|--------------------------|
| South Africa | 2010 | 0.77 | 25,184 |
| Nigeria | 2011 | 0.83 | 72,396 |
| Ghana | 2011 | 1.09 | 15,649 |
| Kenya | 2008 | 0.85 | 17,896 |
| Botswana | 2011 | 9.44 | 12,217 |
| Zambia | 2011 | 1.26 | 8,540 |



Doing Business in Africa-Where and How



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

InVcap Strategy

Invcap Aims to Enhance the Value and Quality of Investments in Local Firms to Bridge the Infrastructure Gap

High growth sectors of real estate development and tourism in West Africa and support these projects with energy and IT infrastructure

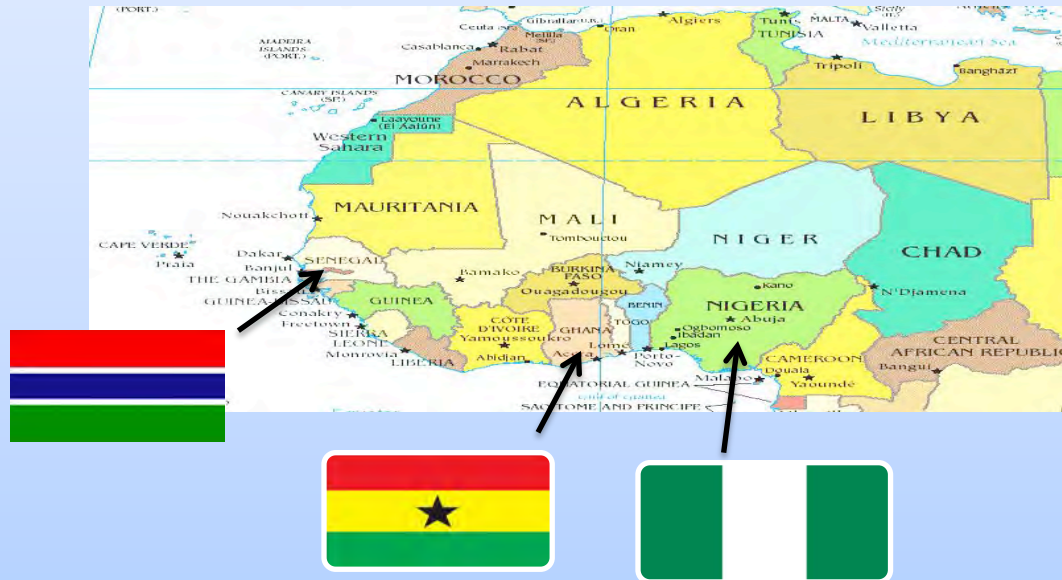
Underserved, high growth sectors in financial services and other high traffic cities

Geographies that make up another 25% of their economies and population

InVcap Strategy

Invcap Targets the Following Countries

By adopting the public/private partnerships and JV structures in select W/African countries, InVcap will target infrastructure investment opportunities



InVcap Strategy

Residential properties

- in most Nigeria cities with prices of a completed 4-bedroom mid-terrace house in a decent neighbourhood can be priced between N20 -60million per house (\$130,000 -400,000). Lagos and Abuja are best suited for such developments.



Commercial Properties

- There are several of these in Lagos, Abuja and Port Harcourt of late. Lagos for example now has about 7 shopping malls compared to only 1 about 4 years ago. There is a similar growth in the number of cinema, eateries and other commercial buildings. The number of commercial properties may not support the level of commerce in the near future. Cities like Ibadan, Asaba could benefit from such development



Tourism

- There are very few if any leisure parks across the country. There is a small but highly popular park in Port Harcourt, the amusement park in Lagos, which is government-run, is almost moribund. We consider that any of the major cities listed about would support a leisure park if properly priced



Hotels, Entertainment and Water parks

- . The park should have provisions for water rides; thrill rides, aquariums, food bars, parking amongst other facilities. Water rides in a tropical climate is likely to be a good sell
- Major franchises from Europe have developed hotels but the middle markets are not served
- Hotel development for middle class is critical



Medium Cost Housing Development in Nigeria

Investment Opportunities in Housing development

Medium Cost Housing in Lagos Nigeria

- Two & Three Bedroom apartments
- Public-Private Partnership initiative with Lagos State Government
- 25,000 Housing units



Medium Cost Housing-South West

- Ekiti Government is looking for Private Investors to make this investment a reality
- 5,000 Housing units



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 1million 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 15million 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.

Tourism Development in West Africa

investment opportunities at Ikogosi Warm Springs Resort:

- A Heliport
- Theme Park
- 18-hole Golf Course
- Gymnasium
- Edutainment Centre for Student
- Resource Centre for Women



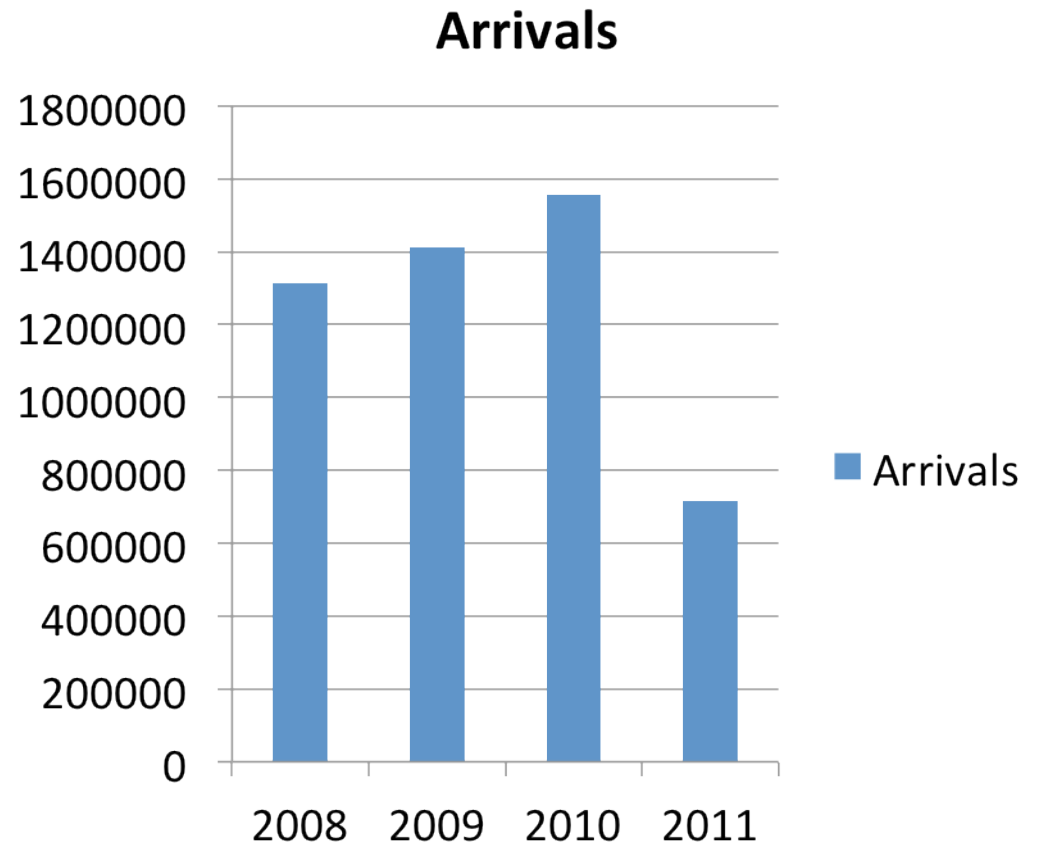
Tourism Development in West Africa

- Proposed Waterpark Development



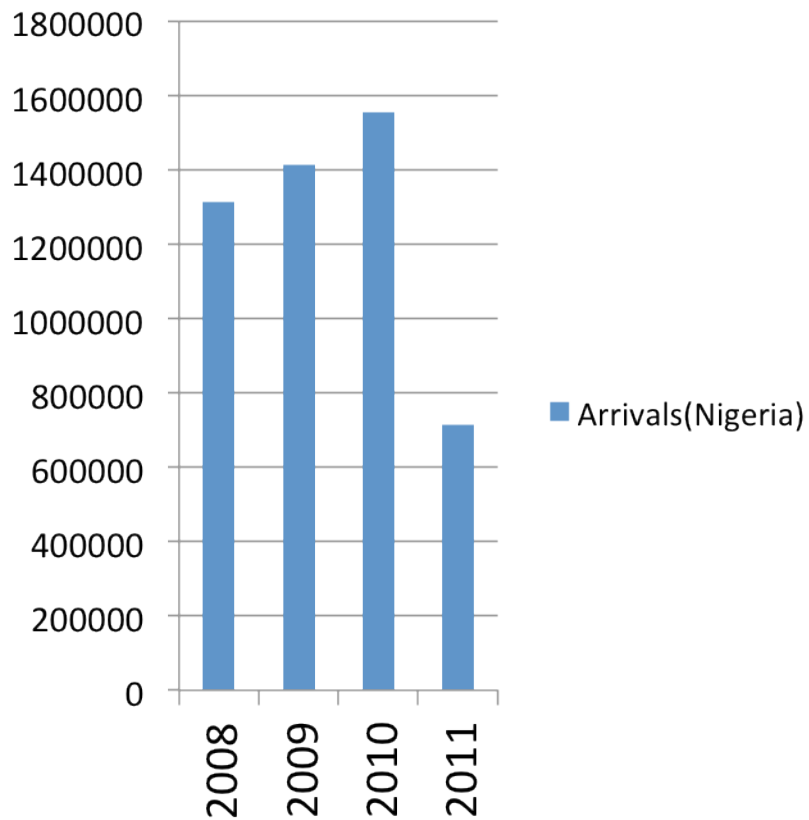
Tourism Development in West Africa- Facts and Figures

International Tourists,
Arrivals (Nigeria)

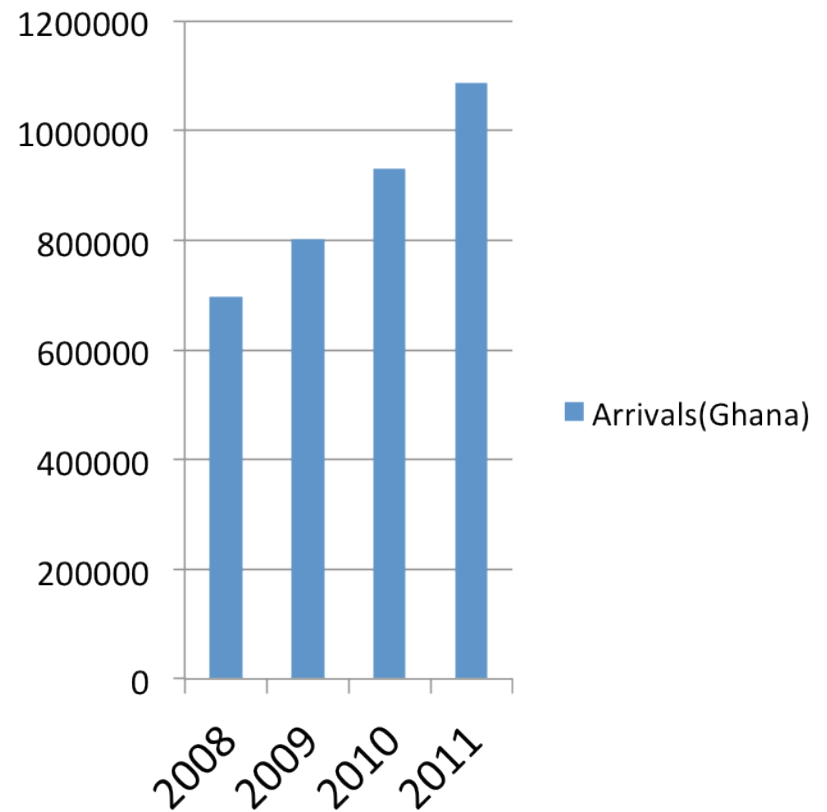


Tourism Development in West Africa- Facts and Figures

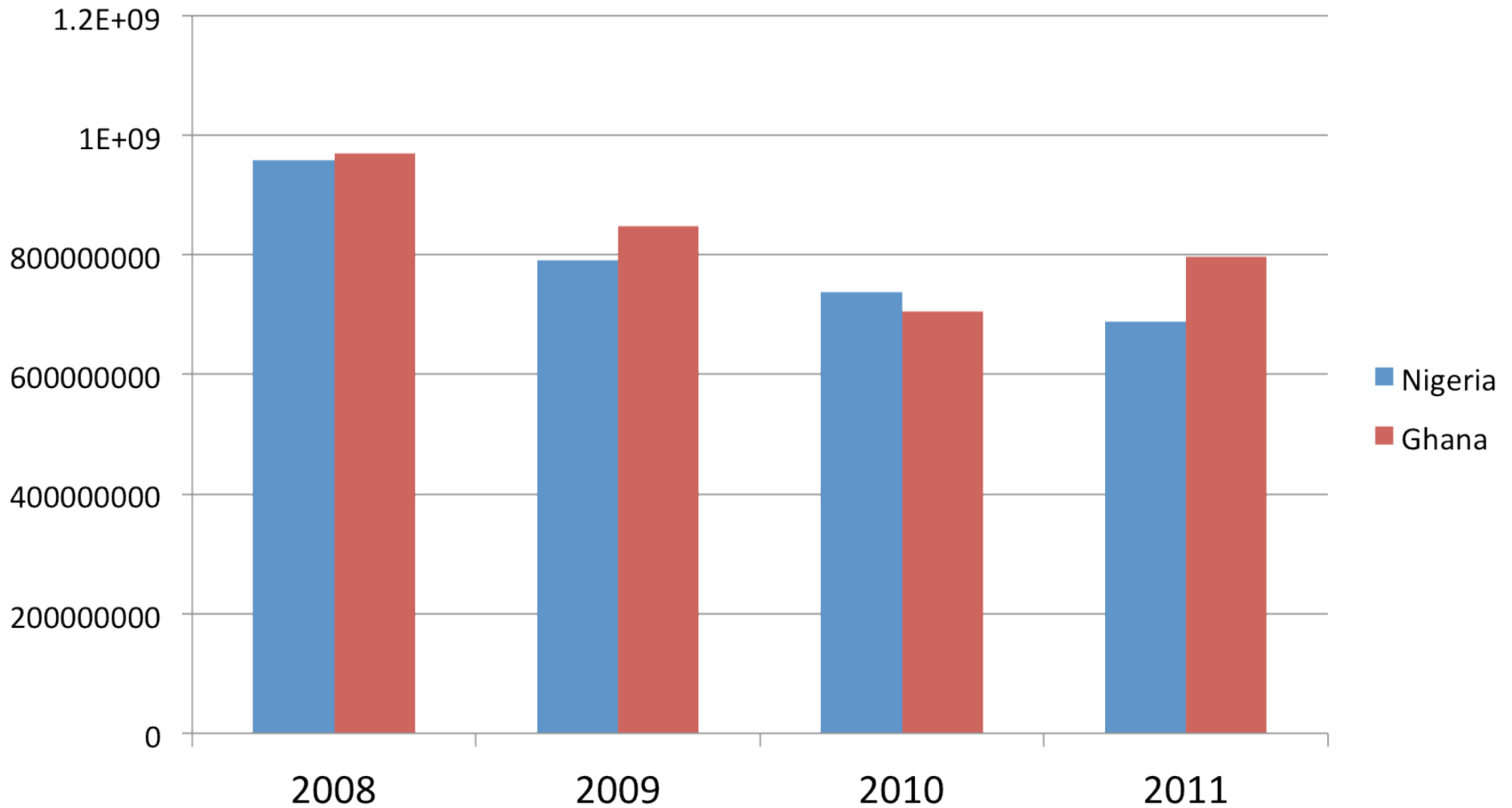
Arrivals(Nigeria)



Arrivals(Ghana)

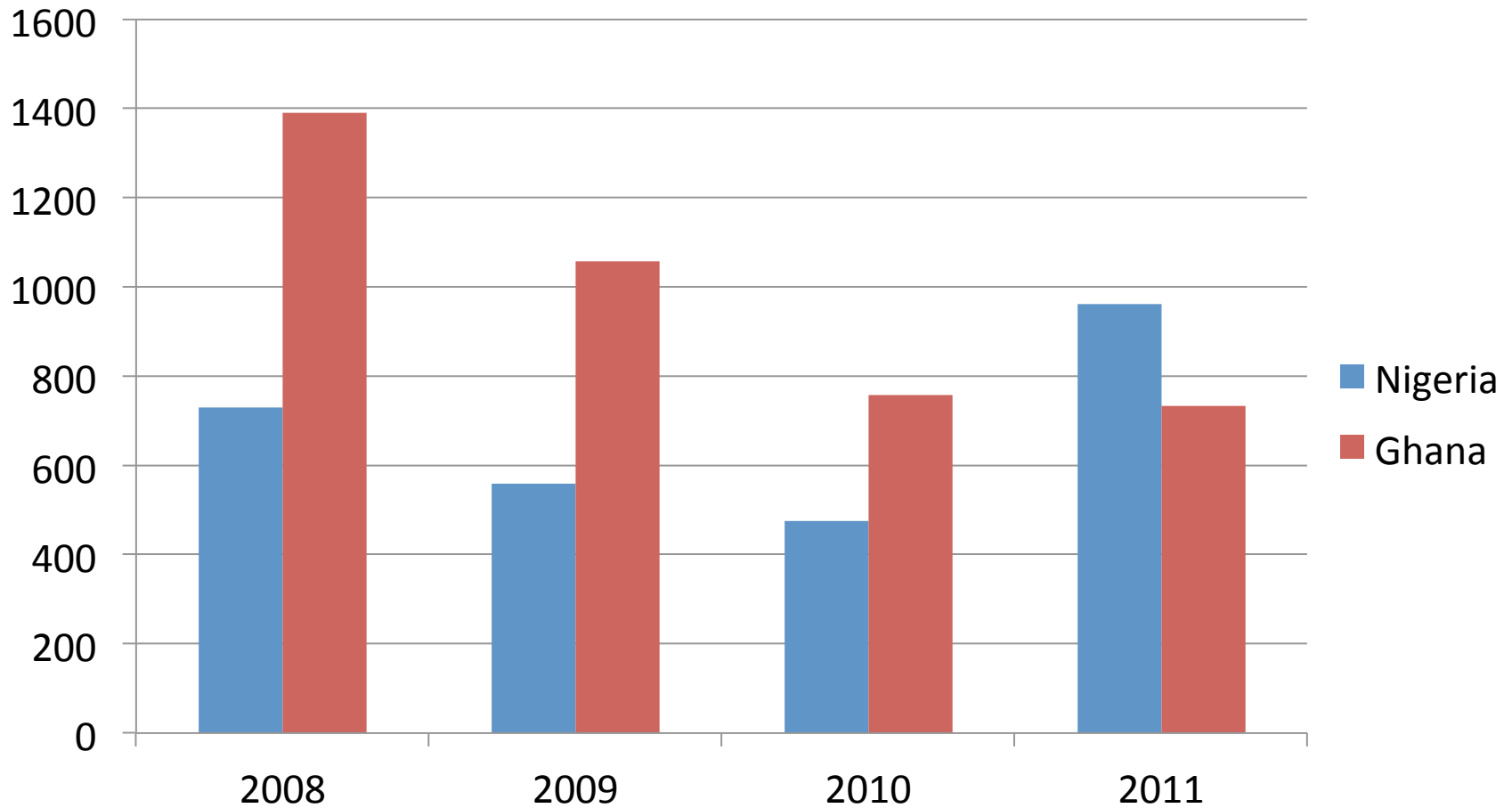


Tourism Development in West Africa-Facts and Figures



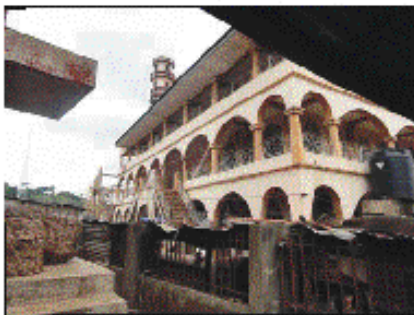
Tourism Development in West Africa-Facts and Figures

Average Spending Per International Tourist(\$)



Pipeline Deals-Commercial Property Development in South-West Nigeria

- Proposed Market Development, Ekiti State



Pipeline deals- Commercial Real Estate Development-Nigeria

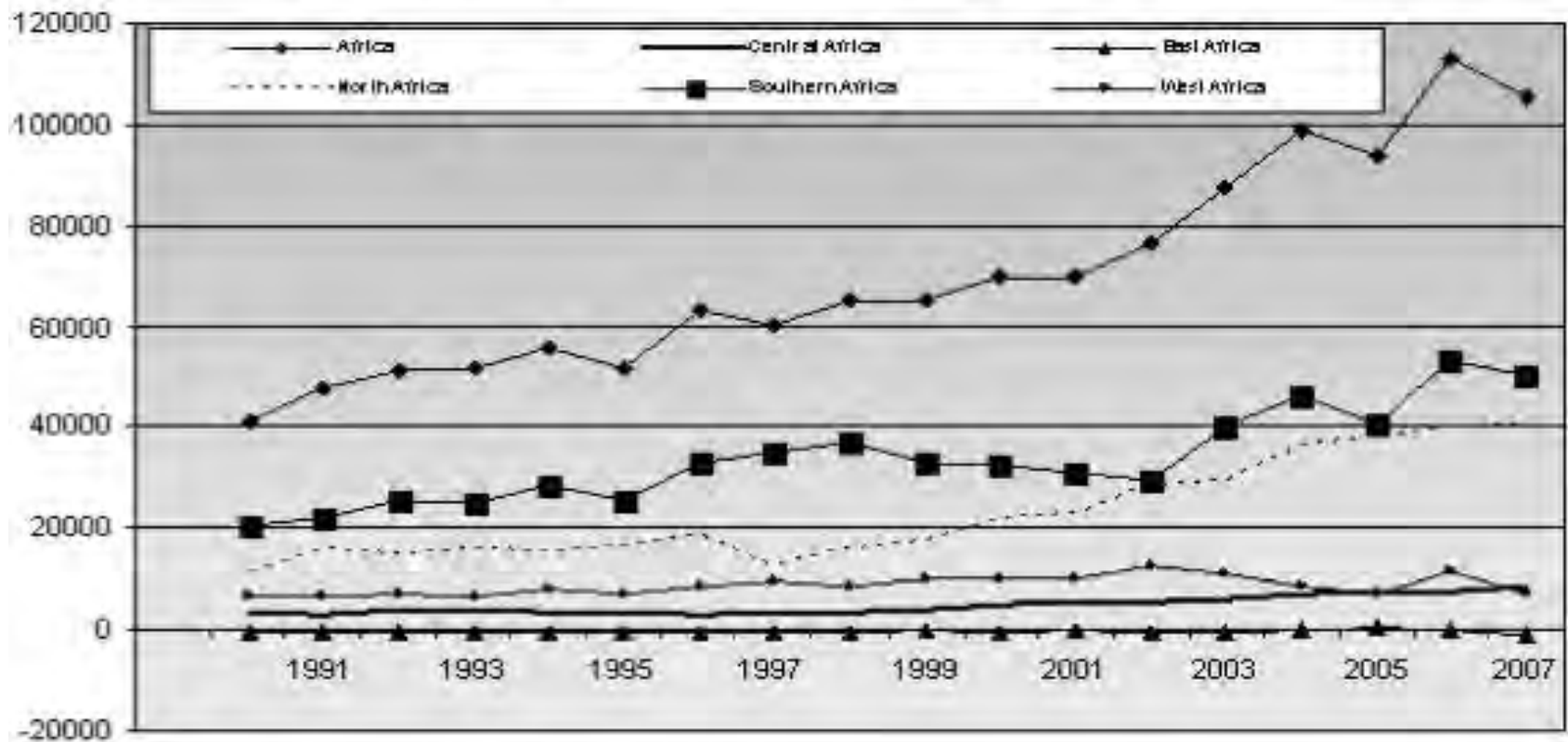
• Proposed Shopping Mall Development, South West

- There is ultra modern shopping mall in Lagos, Southwest Nigeria.
- There are prospective areas in Ibadan and Ekiti in Nigeria.
- The proposed Shopping Mall in South West and Lagos is at the planning stage.



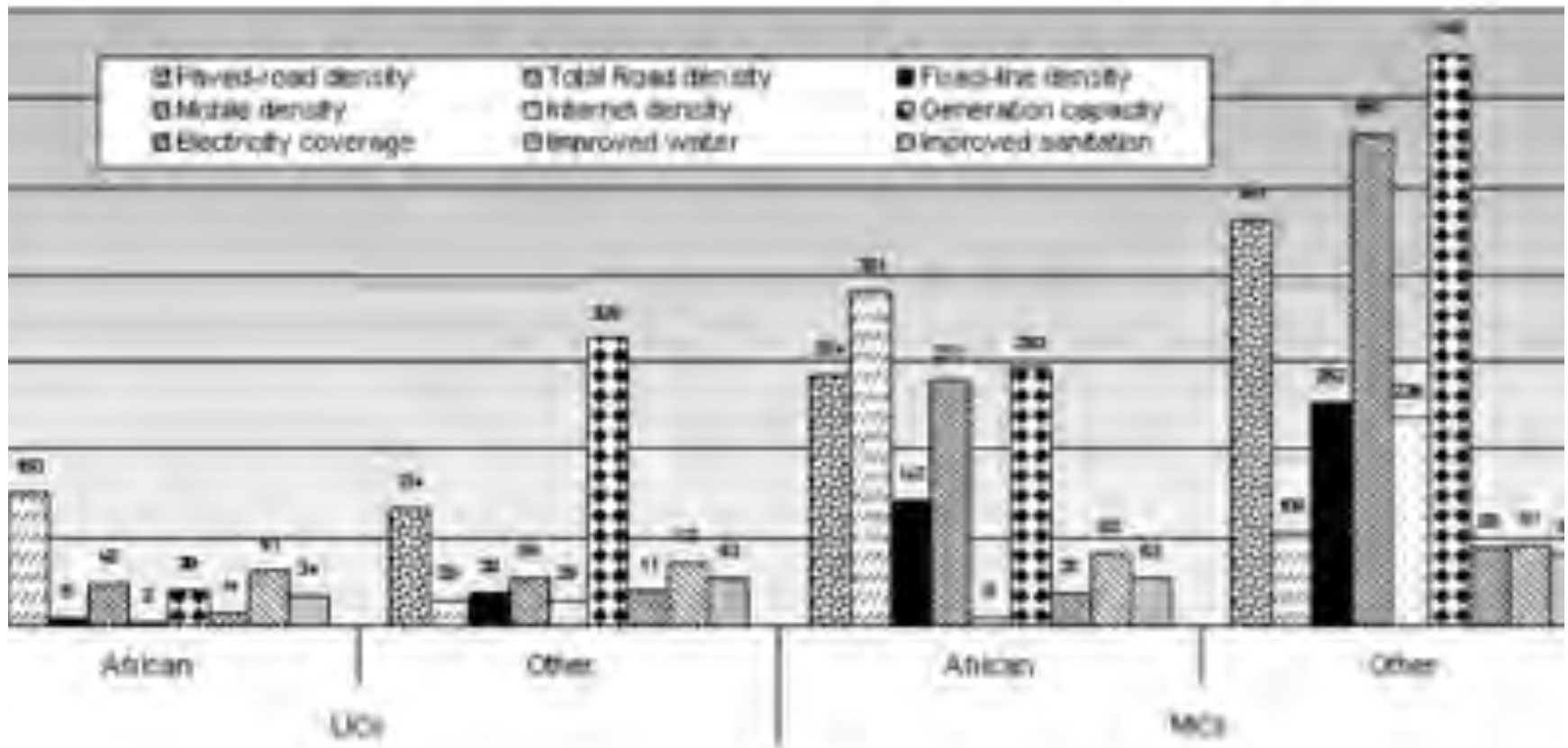
Appendixes

Regional Internet Usage- Users per 1000 persons



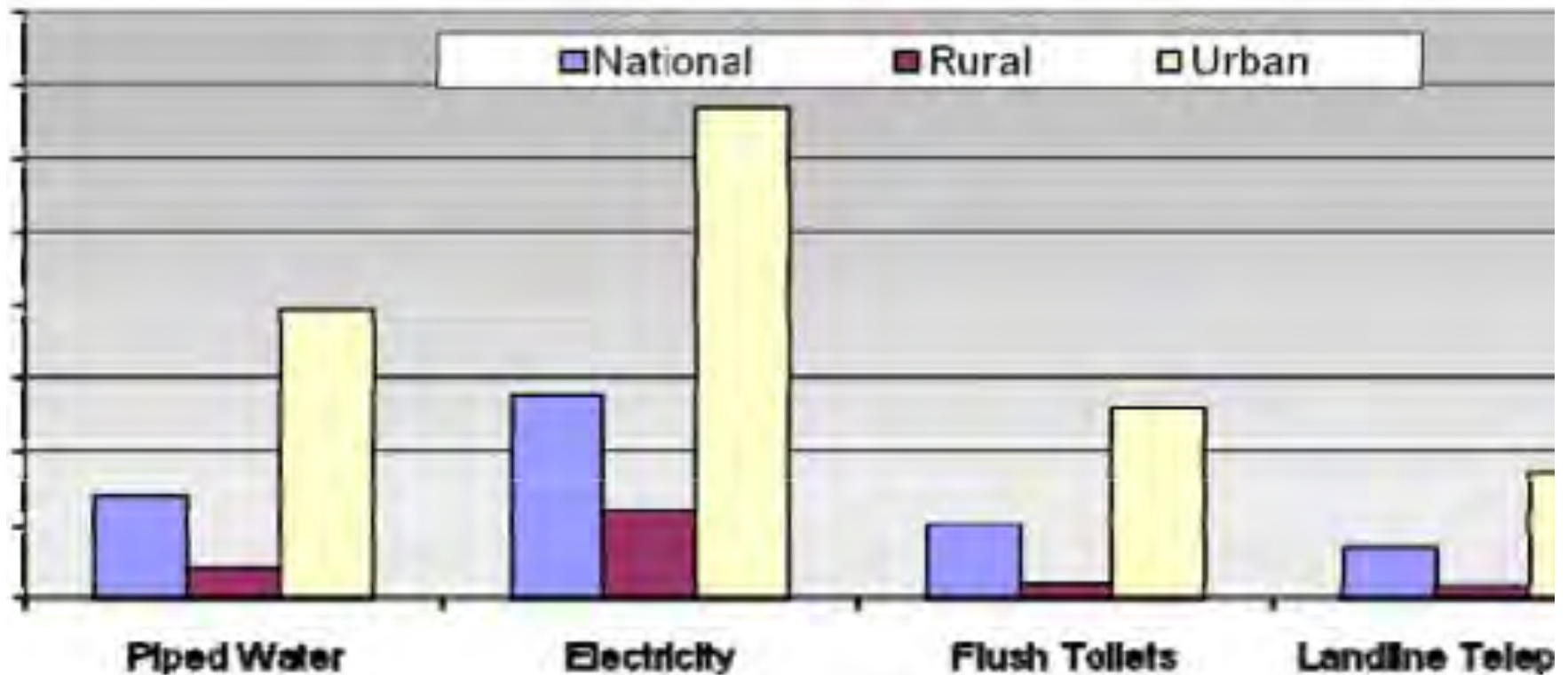
Appendixes

Figure 4: International Comparisons of Infrastructure Supply Conditions



Appendixes

Figure 5: International Infrastructure Rural-urban Divide⁷



Thank You

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