Manufacturing Africa

UK International Development
Partnership | Progress | Prosperity

How FDI Deals in Africa are Actually Negotiated

Negotiation principles, priorities and pitfalls

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Partnership | Progress | Prosperity

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www.manufacturingafrica.org

Enabling investment and the creation of jobs across the continent

Manufacturing Africa is FCDO's flagship investment facilitation programme in Africa

Programme Goal
Attract **£1.9 billion** of foreign direct investment (FDI) and creation of **99,000 jobs**

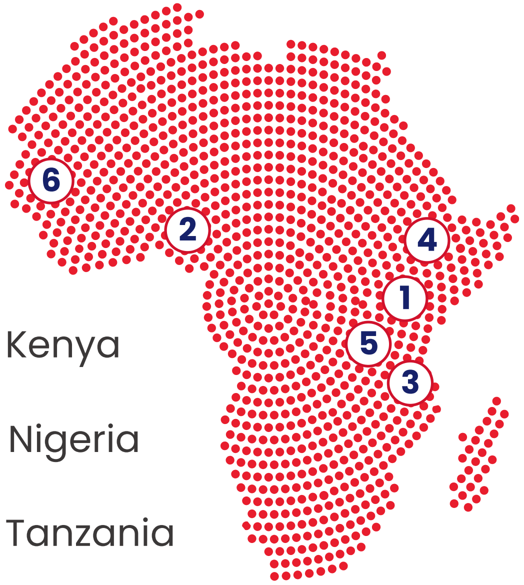
Focus Sector
Manufacturing and manufacturing enablers

Implementing Consortium
McKinsey & Company, BDO, TechnoServe, Steward Redqueen and others

Funding
Foreign, Commonwealth and Development Office (FCDO)

Duration
7 Years (2019-2026)

Focus Countries



1. Kenya
2. Nigeria
3. Tanzania
4. Ethiopia
5. Rwanda
6. Sénégal

Addressing Two of Africa's Key Challenges

A Growing Labour Force

1B | Working population increase by 2050

2x | Urban population growth by 2050

18M | New jobs needed a year until 2035

An Underdeveloped Manufacturing Sector

Low manufacturing productivity.

Struggle to move into **high-value** services.

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Navigating Investment Negotiations

Negotiation stages & key deal documents

Investment negotiations progress through defined stages, each anchored by specific deal documents

Deal stages & associated documents

Early engagement

Indicative Offer/ Letter of Intent (LoI): Non-binding expression of interest outlining indicative valuation, structure & key assumptions

Commercial alignment

Term Sheet: Sets out the headline economic, governance & control **terms** & establishes the basis for detailed negotiation

Legal & final negotiation

Definitive Agreements (e.g. SPA, SHA, debt agreements): Translate agreed commercial terms into **binding** legal documentation

Closing

Final Offer & Conditions Precedent: Confirmation of **final terms**, approvals & completion mechanics

As documents become more **formal, flexibility reduces** & the **cost of change increases**

Negotiations are **not a single event but a structured process. At each stage, different documents are used** to signal intent, frame discussions & progressively formalize commitments as the deal moves toward closing

Core areas of negotiation

Headline valuation matters—but most value is shaped by structure, control, & risk allocation

The "best" deal is rarely the highest valuation—it is the **one with balanced risk, aligned incentives & a clear path to execution**

Valuation

» Pre- vs post-money valuation
» FX assumptions & currency risk
» Valuation linked to milestones or future performance

Amount & timing of capital

» Total capital committed vs capital deployed
» Tranching & milestone-based disbursement
» Use of proceeds & funding runway

Structure

» Equity, debt, or hybrid instruments
» Seniority & downside protection
» Balance between flexibility & investor protection

Governance & control

» Board composition & voting rights
» Reserved matters & vetoes
» Reporting & oversight requirements

Key terms & protections

» Liquidation preferences & exit rights
» Anti-dilution, covenants, & earn-outs
» Conditions precedent & post-investment obligations

The importance of realistic valuation expectations

Unrealistic valuation expectations are one of the most common reasons negotiations fail

Why valuation gaps arise

- **Anchoring** valuation **expectations to global** or headline transactions that **do not reflect local scale, execution risk, or exit realities**
- Pricing in growth plans before the **business has demonstrated** the operational **capacity, systems & management depth** to deliver them
- **Underplaying macroeconomic, FX, regulatory & exit risks** that investors must explicitly price into valuation or deal structure
- **Approaching valuation as a single "right" number** rather than a range shaped by structure, risk allocation & execution confidence

Best practice for founders

- **Anchor valuation to similar markets, deal sizes, & stages**—local benchmarks carry more weight than global examples
- **Mapping valuation uplift to clear milestones** (e.g. capacity installed, contracts signed, EBITDA achieved, governance strengthened) **shows that upside is earned through execution, not assumed**
- **A valuation range signals commercial maturity & openness to structuring, allowing** room **for negotiation** without undermining credibility or momentum

Before negotiation

Successful negotiations are won before discussions begin—through preparation, alignment, and credible positioning

Understand the investor's **mandate**, return **expectations**, & **constraints**

Align shareholders, management & advisors **on priorities** & **red lines**

Prepare a defensible valuation grounded in benchmarks & scenarios

Anticipate negotiation trade-offs across price, structure & control

Ensure documents, data room & financial model are **consistent & robust**

During negotiation

Negotiations succeed when value, credibility, and momentum are actively managed at the table

Focus on total deal economics, not headline price alone

Be transparent on risks & execution challenges—**credibility builds trust**

Maintain momentum through clear communication & documented next steps

Use advisors strategically to manage complexity without slowing the deal

Protect long-term partnership dynamics, not just short-term wins

Negotiations succeed when **ambition is matched with realism & when both sides leave confident** they can execute together

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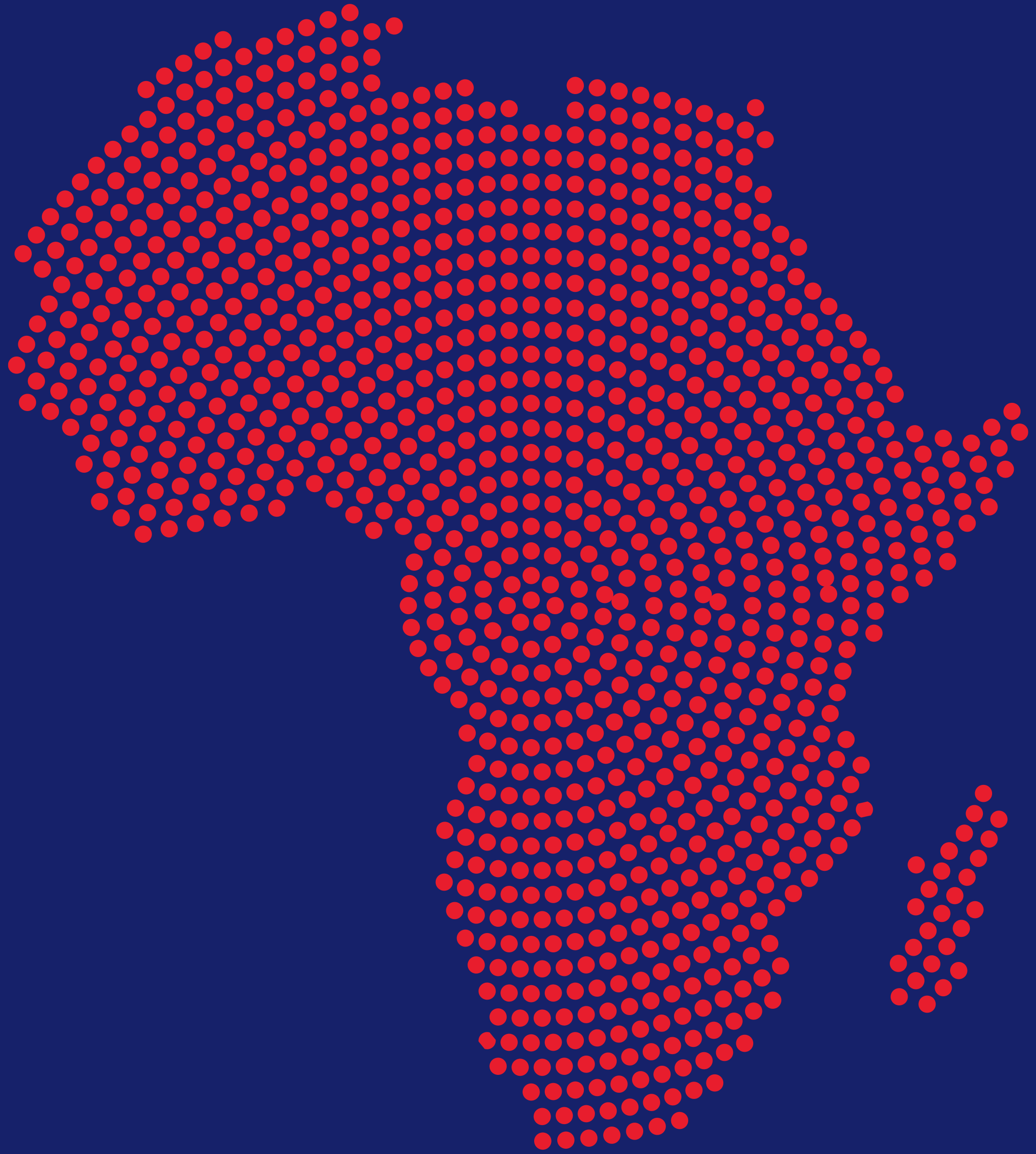
Today’s Panel



Edward Burbidge, CFA

Head of Emerging Markets | ICON

Corporate finance and investment professional with **over 20 years' experience** advising businesses and investors across emerging markets.

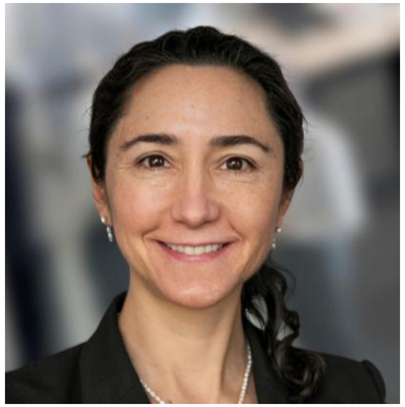
Strategic Advisor to the **Manufacturing Africa Programme**, supporting investment mobilisation and capital flows into high-growth manufacturing businesses across Africa.

Previous experience includes leadership roles in corporate finance and investment advisory at:

» I&M Burbidge Capital – Founder & Former CEO
» I&M Banking Group – Senior Advisor

Maria Paulina “Ina” Mogollon

Head of Venture Capital | Impact Fund Denmark



Venture capital and investment professional with over **15 years’ experience** across emerging markets, spanning Africa, Latin America, Asia, and Eastern Europe.

Ina is responsible for shaping the fund’s **venture strategy**, developing the **investment pipeline**, and **deploying capital** across multiple regions

Previous experience includes leadership roles in investment and advisory at:

» International Finance Corporation (IFC) – Manager, Upstream & Advisory (Latin America, Caribbean & Eastern Europe)
» World Bank – Task Team Leader, leading lending operations and analytics across Africa and Latin America

Asif Noorani

Principal | Phatisa

Private equity and investment professional with over **10 years' experience** investing in and advising businesses across emerging markets, with a strong focus on Africa.

Asif leads investments across the **food and agriculture value chain**, supporting **scalable businesses** with **growth capital** and strategic guidance.

Previous experience includes leadership roles in investment management and corporate finance across Africa at:

» Investisseurs & Partenaires (I&P)– Investment Manager

» Fanisi Capital– Investment Lead

Vruti Shah

Partner | Bowmans

Corporate and finance lawyer with extensive experience advising on complex cross-border transactions across Africa, including **mergers and acquisitions**, **private equity**, and **debt financing**.

At Bowmans, she advises corporates, **private equity funds**, and **development finance institutions** on **structuring**, **negotiating**, and executing investments across multiple sectors

Previous experience includes roles corporate law and transaction advisory at:

» International law firms (including Allen & Overy)- Corporate and Finance Lawyer