UKaid
from the British people

Manufacturing Africa

Navigating Due Diligence

Investor, legal, and financial perspectives on successfully navigating a diligence process to raise capital.

Manufacturing Africa Programme

Enabling investment and the creation of jobs

Overview

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

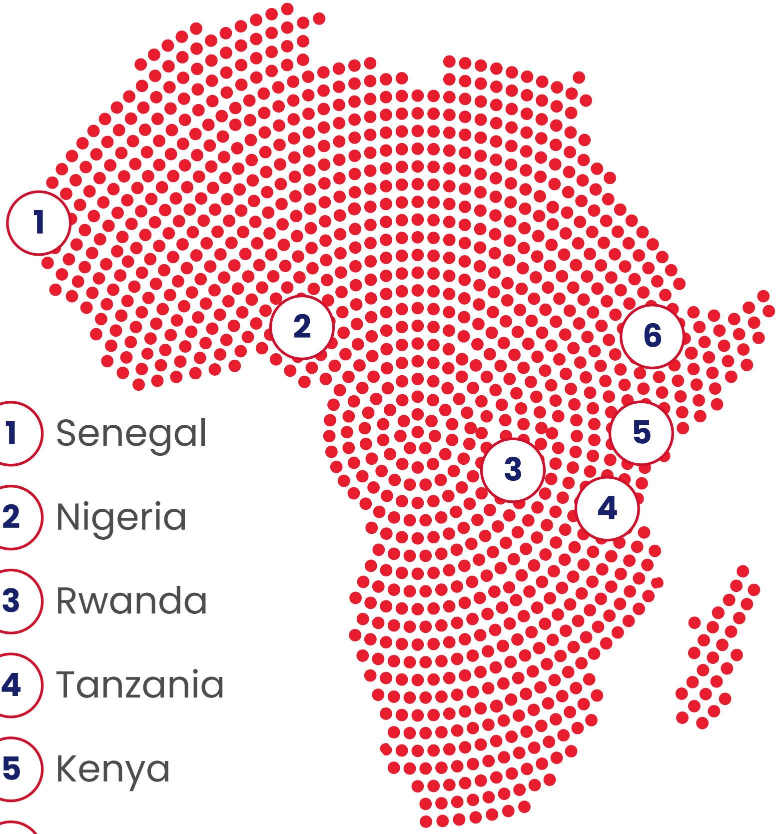
Funding

UK Government through the **Foreign, Commonwealth and Development Office (FCDO)**

Duration

7 Years (2019-2026)

Focus Countries



1 Senegal
2 Nigeria
3 Rwanda
4 Tanzania
5 Kenya
6 Ethiopia

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

01.

Overview Of Due Diligence In An Investment Process

Due Diligence Identifies Risks And Opportunities To Support A Sound Investment Decision

Due diligence is the thorough review of a company or asset to support informed decision-making on a transaction

» Due diligence verifies business information and uncovers risks
» Investors avoid uncertainty and often walk away if concerns arise
» Well-organized documentation and quick responses help ensure a smooth due diligence process

Key Areas Covered

» Financial
» Legal
» Commercial
» Environmental
» Operational

Due Diligence Ensures Transparency, Reduces Risk, And Supports Informed Decisions For Both The Company And Investor

Investor

- **Risk Mitigation** – Identifies hidden liabilities and financial or operational red flags
- **Informed Decision-Making –** Offers clarity on value, financial health, and growth potential
- **Negotiation Leverage** – secure fair terms
- **Post-Transaction Integration** – Reveals integration risks and synergies early

Company

- **Builds Credibility** on company performance and team
- **Clarifies Valuation** and justifies pricing
- **Supports Fair Terms** in negotiations
- **Smooth Transition** and successful post-deal handover

Company Perspective: How To Prepare For Due Diligence

Pre Due Diligence

Conduct **internal pre-due diligence review** (3-6 months prior)

Appoint dedicated **due diligence coordinator**

Prepare **standardized information request** list

Address obvious compliance gaps proactively

Data Room Prep

Organize by **functional area** (finance, tax, legal, operations)

Ensure **consistent naming** conventions for all files

Include supporting documentation for all major claims

Create a **comprehensive index** with clear descriptions

Management Diligence

Align on **company narrative** and **growth strategy**

Prepare for **challenging questions** on financial trends

Document explanations for **historical issues**

Role-play investor Q&A sessions

Red Flags From An Investor Perspective

- **Unexplained financial fluctuations:** Sudden changes in revenue, margins, or costs without clear justification
- **Informal Business Arrangements:** Lack of formal contracts with key suppliers or customers
- **Customer/Supplier Concentration Risk:** Over 20% of revenue or supply reliant on a single entity
- **Ongoing litigation** or compliance concerns
- **Incomplete or Hesitation** in sharing data, indicating potential transparency issues

Positives From An Investor Perspective

01. Financial Transparency

3–5 years of consistent, well-documented financials

02. Growth Potential

Proven market opportunity with realistic projections

03. Strong Management

Experienced leadership with succession plans

04. Risk Awareness

Defined operational, market, and regulatory risks

05. Compliance

Tax, legal, and regulatory compliance across all jurisdictions

Lessons From Financial And Tax Due Diligence

Financial Due Diligence

- **Quality of Earnings:** Normalize EBITDA by removing one-offs and accounting anomalies
- **Working Capital:** Understand seasonal patterns and calculate accurate requirements
- **Debt Analysis**: Identify all liabilities including contingent and off-balance sheet items
- **Forecast Credibility:** Build bottom-up projections with clear assumptions
- **Key Ratios:** Prepare explanations for any metrics outside industry norms

Tax Due Diligence

- **Documentation:** Maintain comprehensive support for all tax positions
- **Transfer Pricing:** Ensure arm's length transactions - with proper documentation
- **Multiple Jurisdictions:** Reconcile tax treatment across different regions
- **Historical Audits:** Address previous findings before investor review
- **Structure Efficiency:** Consider tax implications of current and proposed structures

Case Study: Vendor Due Diligence

6 Week Review Of The Financial, Tax, And Corporate Structure For A Company

» 50 page report with deep analysis on the financial & tax health and opportunities of the business

» Work done on behalf of the company to present findings to investors

» Done c9 months prior to investor engagement to allow company to make adjustments and clean-ups prior to investor negotiation

Key Findings

» Inconsistent **financial reporting** and mismatches

» **Systems** not aligned

» Complex **governance** structures which could be streamlined

» Hidden **liabilities** and covenants identified from tax due diligence

Outcomes

» **Improved valuation** for deal

» Enhances **credibility**

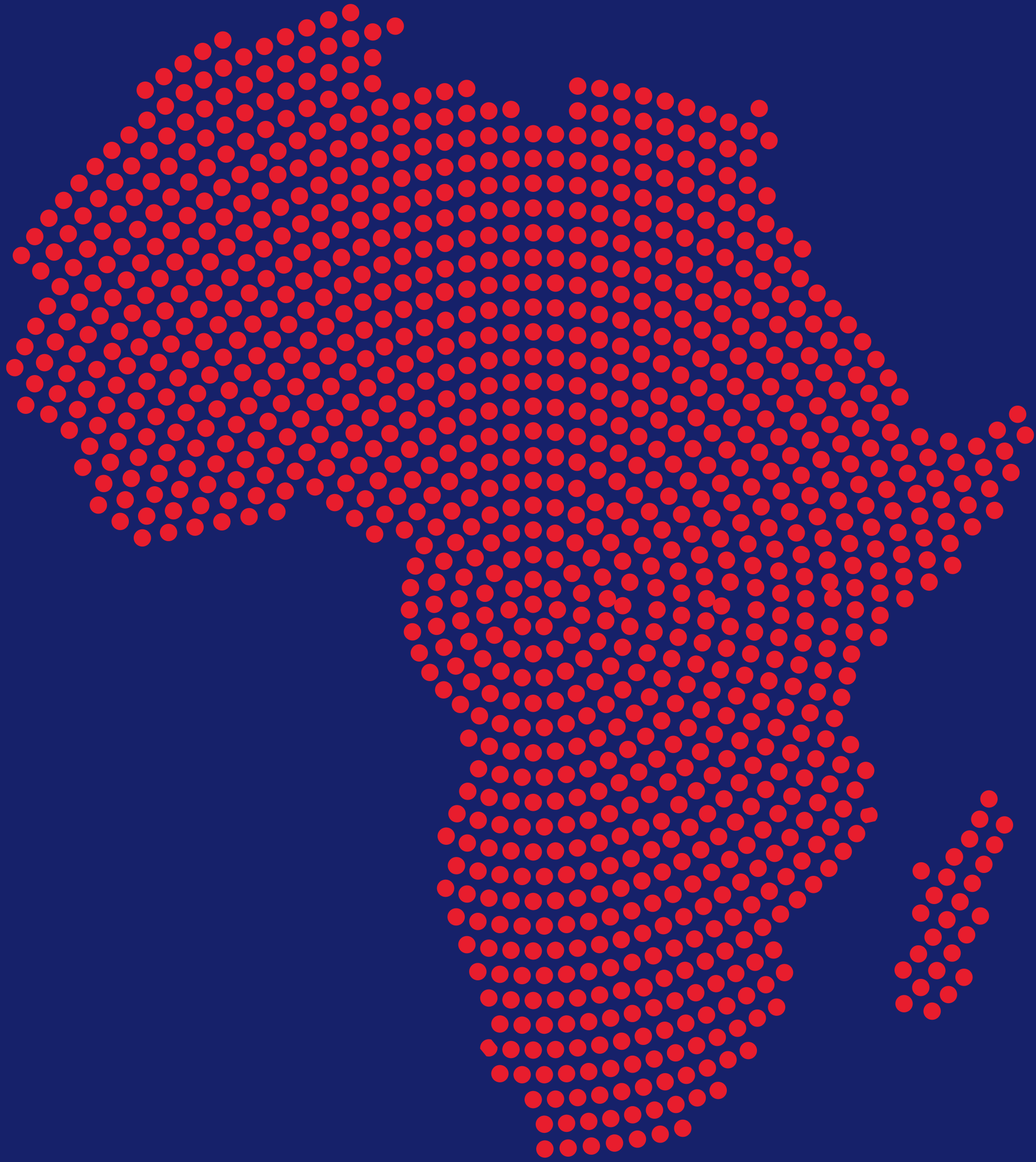
» More **efficient transaction structure**

» **Better working capital** management

» **Enhanced deal timelines**

02.

Today’s Panel



Faheem Chowdhury

Portfolio Lead, Manufacturing Africa

Corporate finance, impact investing, and economic development professional with **20 years' experience**

Portfolio Lead for Manufacturing Africa

- Led 200+ transaction support through the FCDO-funded program with $1bn+ in financial closes to date
- Program targets £1.2bn in investment and 90,000 new jobs

David Owino

Managing Partner, Ascent Capital

Oversees Ascent Rift Valley Fund I & II with combined commitments of US$200 million

- Funds invest in SMEs across East Africa (Kenya, Uganda, Ethiopia, Tanzania, Rwanda)
- Sits on multiple corporate boards and brings extensive governance and investment management expertise to emerging markets

Over 20 years of investment experience, having also spent 13 years at Centum as Executive Director

Chairman of EAVCA, promoting East Africa's private equity ecosystem

Thembie Vuma

Investment Director, BII

Impact investor with over 20 years' experience in financial services

Investment Director, Private Debt and Africa Coverage at British International Investment (BII), the UK Government's development finance institution

- Supports and raises funding for corporates across East Africa with high development impact

Previous experience includes roles in corporate and investment banking at:

- Standard Bank Group
- Citibank N.A.
- Standard Chartered Bank

Mahesh Acharya

Partner, ENS Africa

Partner at ENS in Kenya

- Expertise in cross-border corporate matters: mergers and acquisitions, joint ventures, capital markets, and intellectual property
- Recognized as Kenya's "go-to lawyer" for complex FinTech matters
- Serves clients across financial services, technology, manufacturing, and private equity sectors
- Member of the Law Society of England & Wales – International Division

Advisory Council member for the Innovative Law Club Africa

Provides strategic guidance and serves on boards of regulated businesses

Deepa Doshi

Deals Advisory Partner, BDO East Africa

Partner for Deal Advisory at BDO East Africa and Country Manager for Kenya in the Manufacturing Africa initiative

Over 30 years of professional experience across BDO & Stanbic Bank in Corporate Finance, Transaction Advisory, Financial Consultancy, Risk Advisory & Audit and Compliance

Led numerous high-profile M&A transactions across East Africa, particularly in Financial services, Agriculture, Consumer sectors