Manufacturing Africa

How Does Capital Structure Determine Which Investors You Attract?

Secrets to Structuring Your Deal to get the Right Investors On Board

This document has been funded by UK aid from the UK Government; however, the views expressed do not necessarily reflect the UK government's official policies

www.manufacturingafrica.org

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

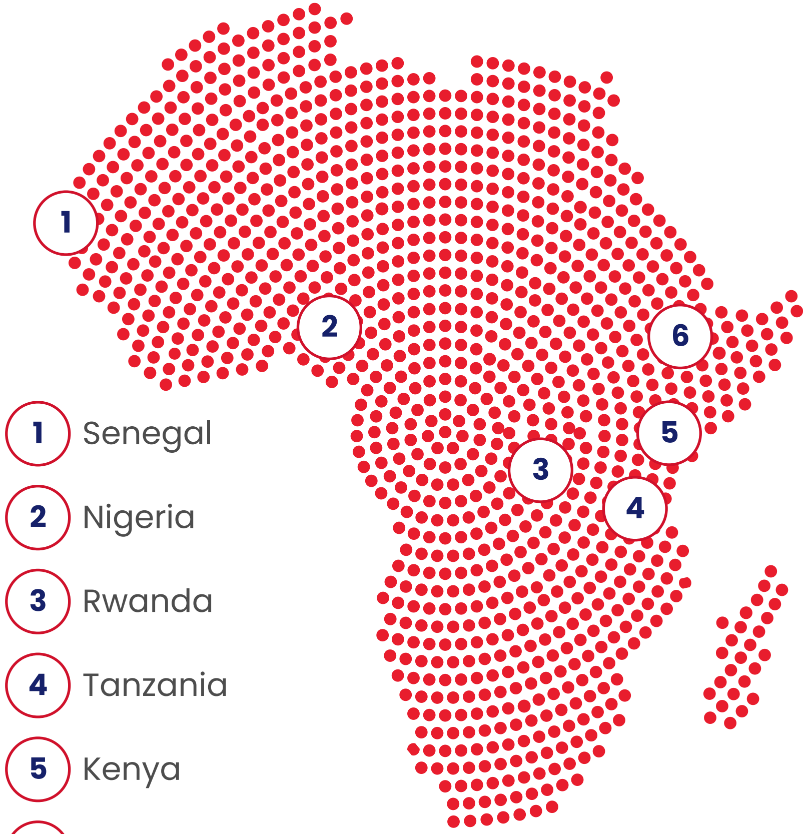
Funding

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.

Structuring the Deal to Attract the Right Investors

What is capital structuring? (Definition & purpose)

Should growth be funded with debt, equity, or a combination, and in what proportion?

Capital structuring is the process of determining the **optimal mix of debt, equity, and hybrid financing** to fund a business.

Why Capital Structuring Matters

- Determines who bears risk
- Impacts ownership dilution and control
- Influences cash flow pressure and financial flexibility
- Signals business quality and maturity
- Affects valuation and future fundraising prospects

Core Objectives of Capital Structuring

- Minimize overall cost of capital
- Preserve operational control where possible
- Maintain financial resilience during downturns
- Ensure the business can service its obligations
- Enable scalable growth

Types of capital: debt, equity & mezzanine

Capital choice must reflect the company's risk profile and stage of development.

Equity capital

- Ownership investment in the business
- Returns from dividends and capital gains
- Dilutes founder ownership and control
- Highest risk and highest expected return
- Best suited for early stage , high growth and businesses with uncertain cash flows.

Debt capital

- Loans with fixed repayment and interest
- Requires cash flow and often collateral
- No ownership dilution
- Lower cost than equity
- Best suited for stable cash flow businesses, asset backed investments and working capital finance.

Mezzanine / hybrid capital

- Combines features of debt and equity
- Examples: convertible notes, preferred equity, subordinated debt
- Higher risk than senior debt, lower than equity
- Used when debt capacity is limited or equity is too dilutive

Core principles of capital structuring

How risk, return, and cash flow shape the right mix of debt and equity.

Equity is more expensive than debt

Higher risk - Investors demand higher returns

Debt requires predictable cash flows

Missed payments can trigger default

Debt increases financial leverage

Enhances returns in good times, magnifies losses in bad times

Optimal structure balances cost and risk

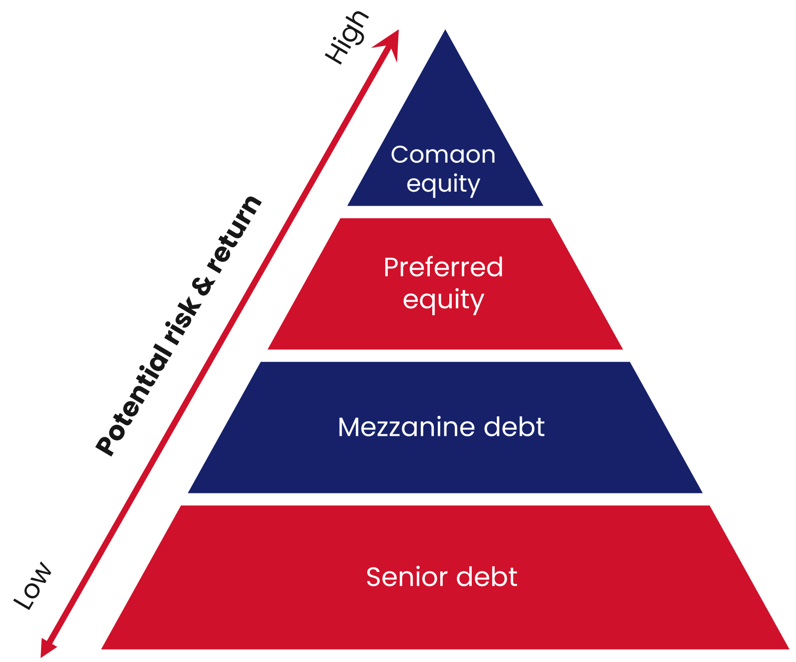
» Too much debt = financial distress
» Too much equity = value dilution

Equity is risk capital

Absorbs losses and provides stability

Capital structure must evolve over time

» Early stage: more equity
» Growth stage: mix
» Mature stage: more debt



Rule of thumb

Match capital structure to cash flow certainty and business risk.

Other factors to consider in structuring capital

Beyond debt and equity: the strategic and practical realities that shape capital decisions.

Business & financial factors

- Debt capacity and ability to service obligations
- Cash flow stability and seasonality
- Asset base and collateral availability
- Purpose of funding (CAPEX, working capital, expansion)

Strategic factors

- Phasing of funding over time
- Equity availability and investor appetite
- Market conditions and interest
- Risk profile (market, operational, regulatory)

Control & governance

- Impact on ownership and control
- Board rights and covenants
- Flexibility for future fundraising

Learnings from effective capital structuring

How effective structuring improves cashflows, terms, valuation, and fundraising?

Optimize cash flows before fundraising

Improves debt capacity and valuation

Deleverage before raising equity

Reduces perceived risk and improves investor confidence

Maximize valuation before issuing equity

Strong near-term performance improves terms

Phase capital raises over time

Raising capital in stages helps improve valuation over time.

Match capital type to business needs

Avoid using expensive equity for short-term financing

Well-structured capital improves sustainability

» Lower cost of capital

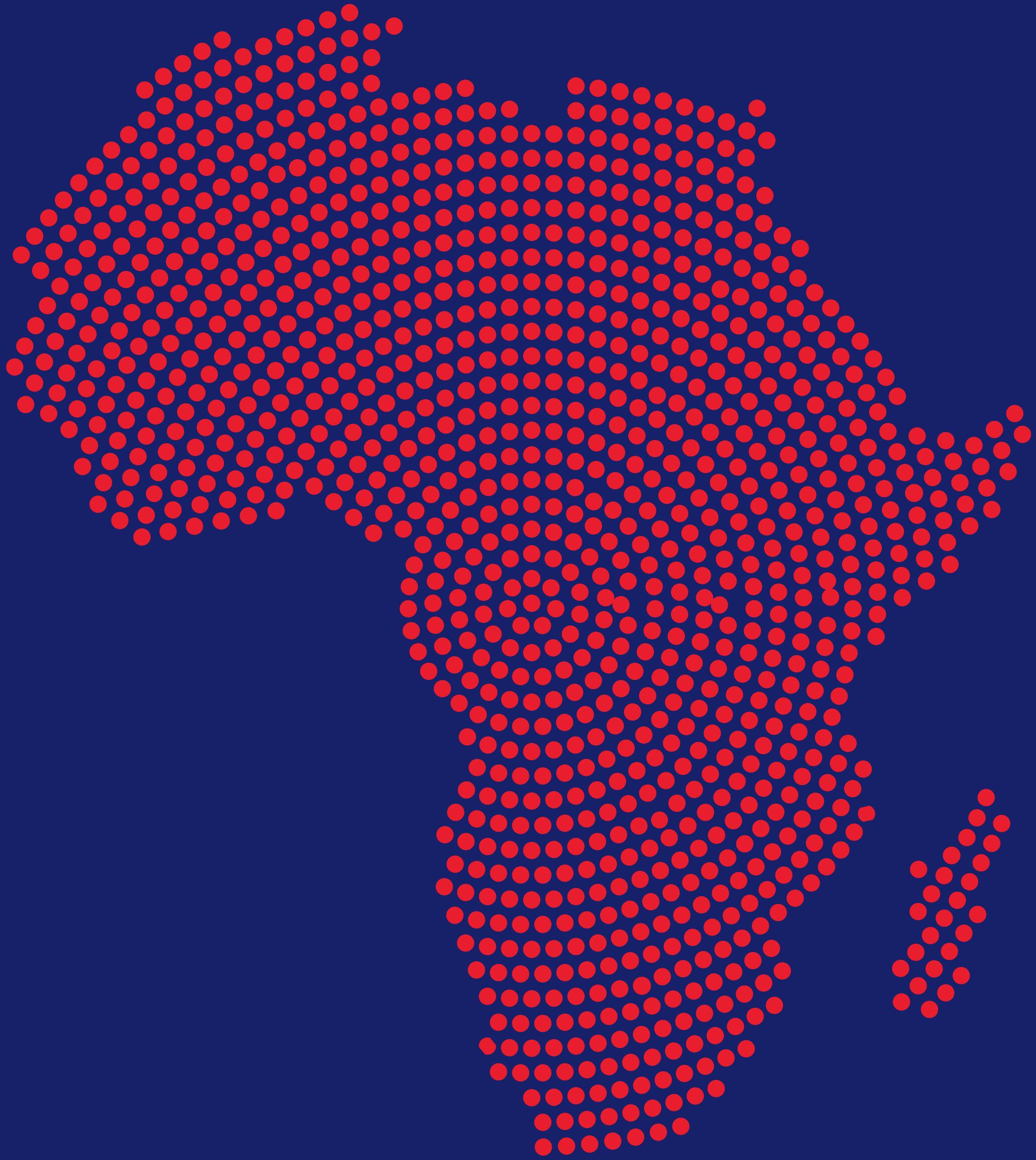
» Better resilience

» Stronger investor alignment

Effective capital structuring is a powerful tool for protecting **value** and accelerating **growth.**

02

Today’s Panel



Ravi Sikand

Advisor, FSD Africa Investments

Financial advisor supporting corporate and fund-of-funds transactions, with experience across manufacturing, energy, climate and agriculture

- Supports structuring and execution of debt and equity transactions across the region; focuses on high-impact investment solutions

Previous experience includes senior advisory and investment roles at:

- Deloitte East Africa (Director, Transaction Advisory)
- National Treasury Kenya (PPP Unit)
- Energy Access Ventures (Senior Partner; energy-focused investor across SSA)

Additional roles:

- Board Member, WWF Kenya
- Member, AECF Investment Committee (IC)

William Nyaoke

Regional Director East Africa, Norfund

Impact investor and development finance leader mobilising capital for sustainable growth in East Africa

- Oversees a $1B+ committed portfolio; deploys risk capital into SDG-aligned investments

Investment focus includes:

- Renewable Energy
- Financial Inclusion
- Scalable Enterprises (agribusiness and manufacturing)
- Green Infrastructure (waste, clean water)

Sajan Shah, CFA

Deal Advisory Director, BDO East Africa

CFA charterholder with a decade of experience in corporate finance and investment advisory

- Originates and executes capital raising mandates; supports capital structuring, investor outreach, and due diligence

Previous experience includes roles in corporate finance and investment analysis at:

- Grant Thornton (Kenya)
- Facility for Energy Inclusion (FEI) – Lion's Head Global Partners

Arnold Okello

Vice President, Kuramo Capital

Private equity and M&A professional with ~15 years' experience across Africa and the UK

- Leads deal origination, execution, and portfolio management across Sub-Saharan Africa (direct and fund investments)

Previous experience includes roles in investment banking and M&A at:

- Cass M&A Research Centre (London)
- Genghis Capital Investment Bank (Kenya)

Directorships include:

- Sterling Capital Investment Bank; Momentum Credit
- Platinum Credit (Uganda, Tanzania) and Premier Credit (Uganda)