Manufacturing Africa

Investor Engagement: Fostering Trust & Building Confidence

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www.manufacturingafrica.org

Manufacturing Africa

Enabling investment and the creation of jobs

Program 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

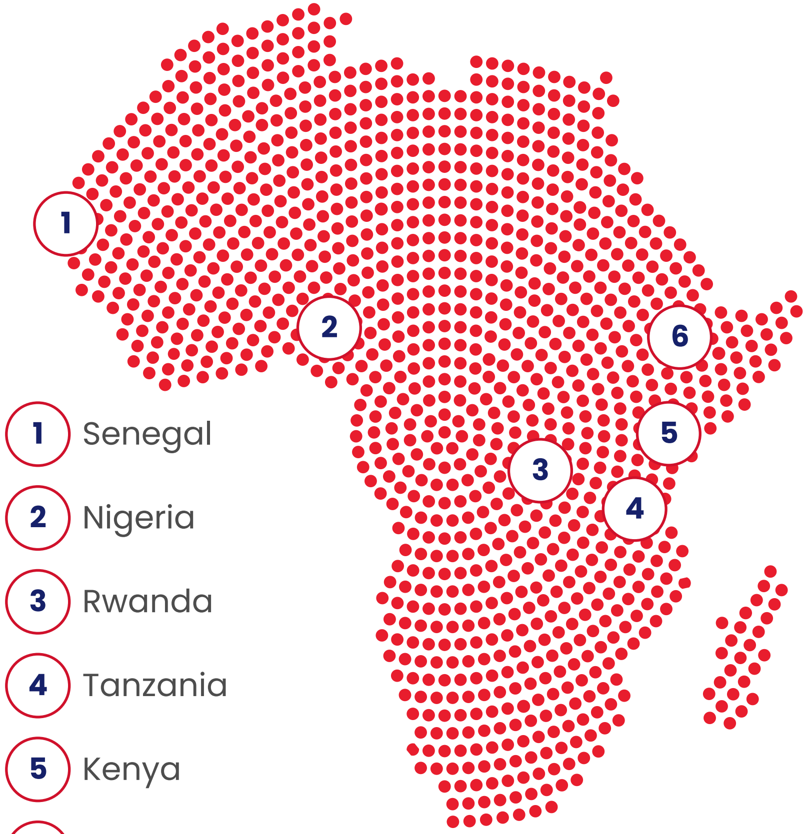
Funding

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

Manufacturing Africa

Delivering impact through targeted support

A. Deal support

Sellside investor readiness support across financial analysis, modeling, marketing materials, business planning and other transaction support

Buyside assistance including commercial diligence analysis covering gaps in data and strategic issues for investment

Development impact improvement including climate and environment, gender and social safeguarding

B. Sector support

Sector wide strategic transformation studies to help develop and transform selected manufacturing sectors with significant development impact

Public sector technical assistance to developing policy at manufacturing sector levels

Our results

£2 billion FDI into Africa's manufacturing sector supported	**230** Companies supported, including **50+** green deals	**53** Deal closed for businesses with MA support	**110,000+** Direct and Indirect jobs committed
£820 million Biggest deal supported	**£40 million** Average size of transaction supported	**20+** Multinational manufacturing companies supported	**+30** Manufacturing companies with UK trade and / or linkages assisted
£23 billion Combined value of pipeline identified	**9m+ tCO2** Emissions reduced	**50+** Women owned / led manufacturing businesses supported	**£37** FDI raised for every £1 ODA invested after one year
32 Policy changes influenced	**60** Sector transformation studies published	**A++** Latest rating at annual review	**28** Partnership ongoing including with regional UK government related programmes

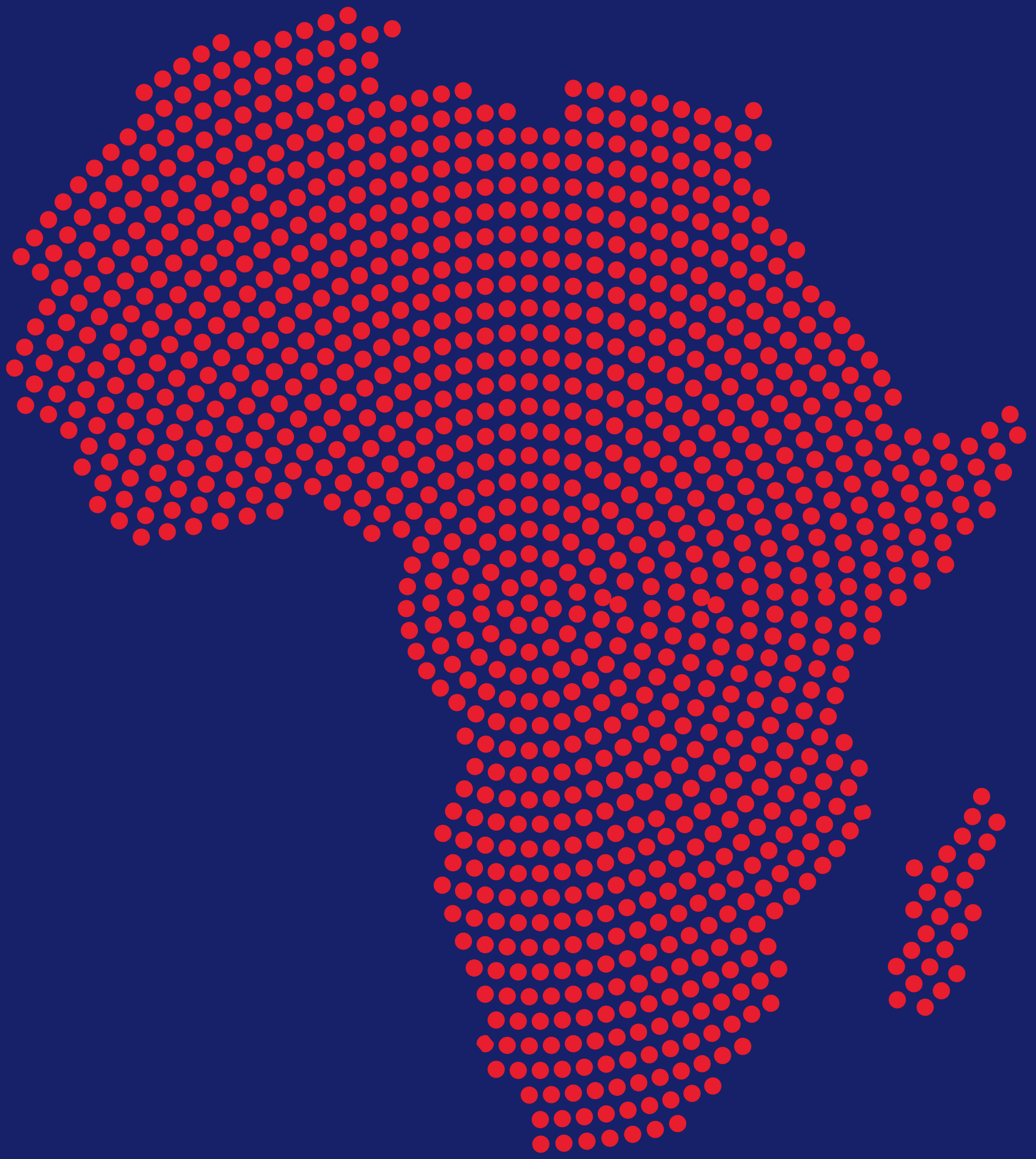
*Adjusted to reflect the minimum 12 months anticipated between programme support & financial close, Unadjusted number is 25.1x

Objectives

- Better Understanding of Investors’ Mindset
- Understand the Investment Engagement Process
- Identify Common Mistakes in the Investor Process

01.

The Investors' Mindset



The investors' mindset

Investors unlock returns by exploring governance, operational and financial levers

What investors want

Governance: The opportunity to improve decision-making, structure, systems and controls

Financial discipline: Making right decisions on projects and prudent management of funds

Growth in operations: Operations that can be scaled to reach higher revenues and net income

Partnership: The case for alignment between the investor and the founder(s) ensures that both parties are working towards the same objectives

Risk-adjusted returns: The path to exit or redeem the investment at a price/rate that matches the perceived risk.

The investors’ mindset

During the investment process, investors are assessing the business and the founder(s) on a few key areas

What investors look for

Character: Investors reach out to credible people in their network to know more about the Founder’s character and credibility

Proven & Scalable Operations: Proven business and revenue model that can be repeated and scaled to a bigger operation

Risk & Market Awareness: Investors do extensive research on market structure in areas of desired interest. Founders without adequate market information lose credibility

Evidence of Resilience: Investors are interested in how founders have addressed challenges. The response and the attitude of the entire management team (teamwork) during periods of headwinds come under intense scrutiny

Openness to Learn: Investors assess the attitude and the response of the Founder(s) to criticism

The investors' mindset

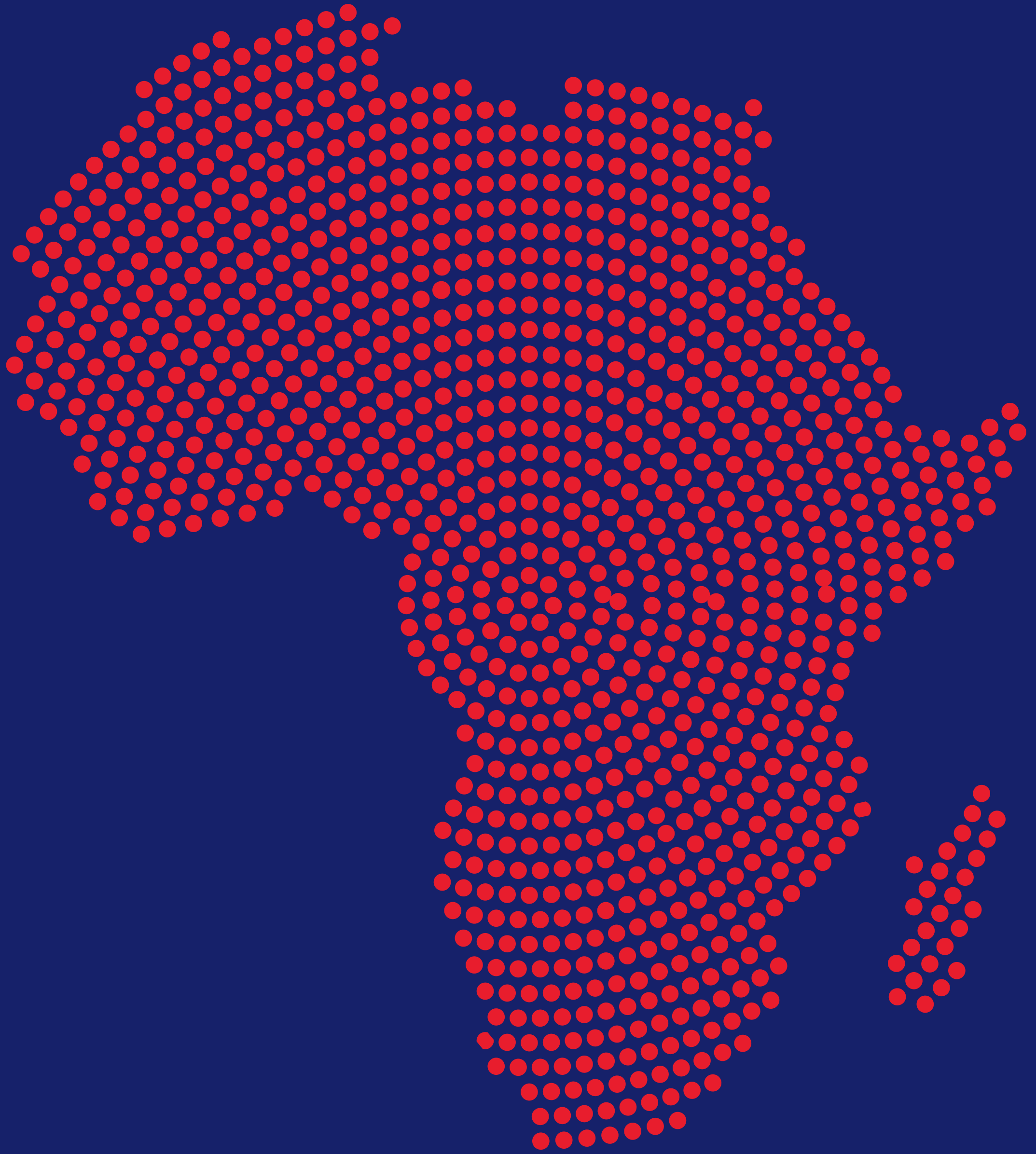
Investors seek safe destinations for funding and partnerships

What investors look at

- **Clear Documentation of Financial Transactions:** Well prepared management accounts and audited financials
- **Good Engagement With Customers & Suppliers:** This validates the scalability of the operations and offers some credibility to the Company's operations
- **Team Synergy:** How the team work together and is the communication consistent with team members
- **Founders' Commitment:** How committed (time & other resources) is the Founder to the business
- **Clear Ownership Structure:** Who (which entity) owns the key assets - intellectual property, capital assets, etc.

02.

Effective Investor Engagement



The investment engagement lifecycle

Investors are not in a hurry to commit funds. A good understanding of the process would aid successful engagements

Interest
- Calls
- Request for information

Step 1

Respect
- Request for more
- Information
- Meetings

Step 2

Trust
- Term Sheet negotiation
- Due Diligence

Step 3

Investment
- Definitive agreements

Step 4

Earn respect through competence and professionalism

Founders should make it a habit that earning respect is the bare minimum for all business engagements

Adequate Preparation Before Meetings: Know your numbers before calls/meeting. Treat these engagements as an interview (without anxiety).

Punctuality at Meetings: Being punctual and speaking in a professional manner is required.

Be Upfront With Bad News: Do not try to hide unpleasant news or events!

Structured Processes: Good record keeping and well-articulated processes and systems in the organization

Win trust through transparency and consistency

Broken trust could be expensive for all parties, especially in a closely knitted investors' cycle in frontier and emerging markets

Communication should be consistent through different phases:

It is very important that the stories are consistent through the engagement process (You are creating a picture).

The numbers should match the communication:

The numbers would go through scrutiny and should align with the story being communicated to investors.

Know your business:

Investors will review every aspect of the business and may ask questions. Be prepared to effectively engage on all aspects on the business

Know the market:

The investor always seeks to know how a business is placed in the market. Your knowledge of the market aids the engagement process with the market and offers credibility to founders

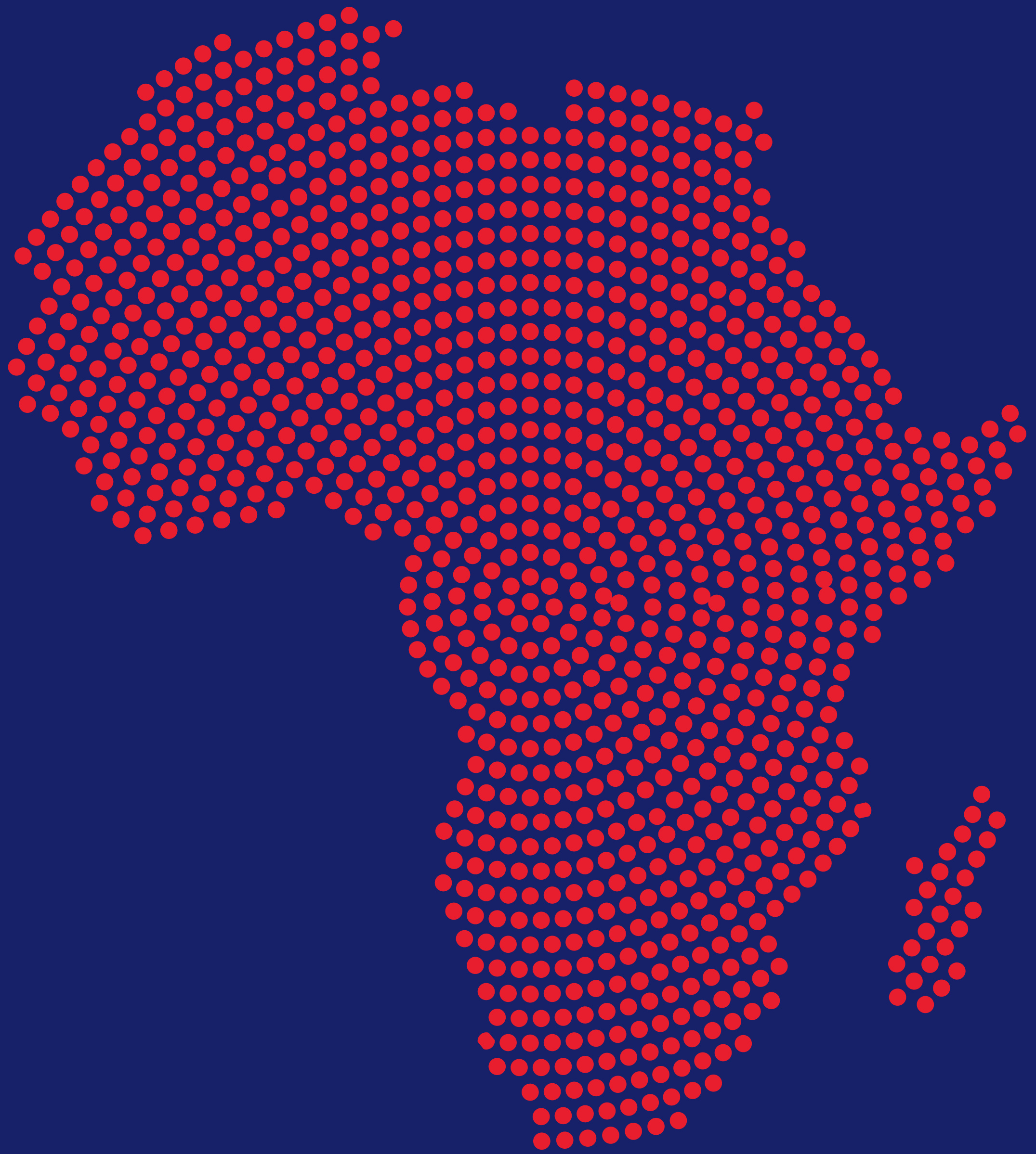
Seal the business through openness

Patience is key to closing the investment

- Openness to Learn (Have a growth mindset)
- Engage through the lens op partnership
- Keep emotions in check
- Select good advisers
- Use your advisers wisely

03.

Common Founders' Mistakes



Common founders' mistakes

Some mistakes are avoidable during the investment process

- Inflated projections
- Poor book-keeping
- Mixing personal & business funds
- Weak governance
- Overvaluing too early
- Inconsistency in communication
- Misalignment between communication and numbers
- Underplaying challenges