

# Finding Opportunity in Adversity: Why LP's should see opportunity where others see instability

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PEI Emerging Markets Forum 2011 • 1-2 November 2011

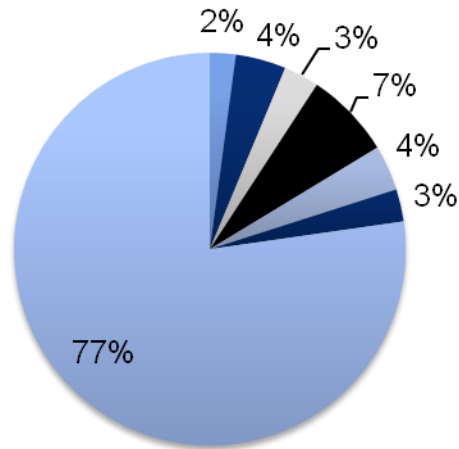


November 2011

Strictly Private and Confidential

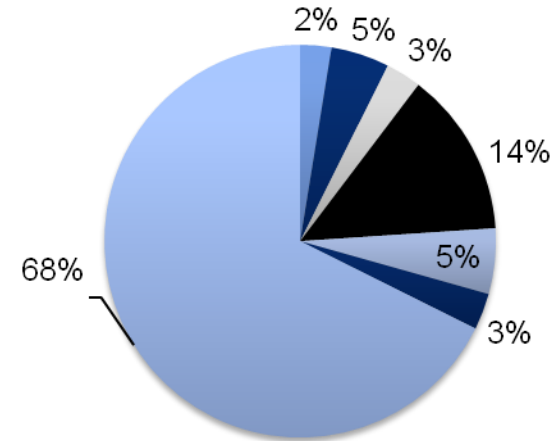
# Emerging Markets Driving Global Growth (PPP)

2000 World GDP – PPP



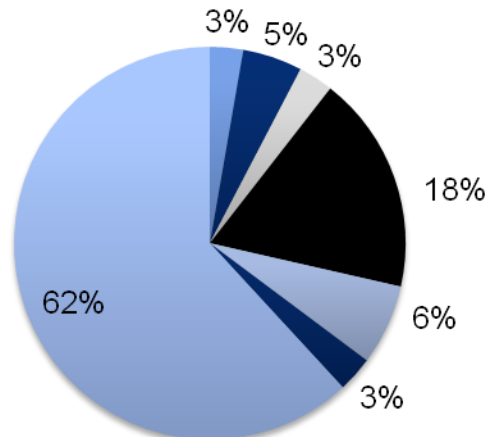
GDP 2000: USD 42.3 Trillion

2010 World GDP – PPP



GDP 2010: USD 74.3 Trillion

2016 World GDP – PPP

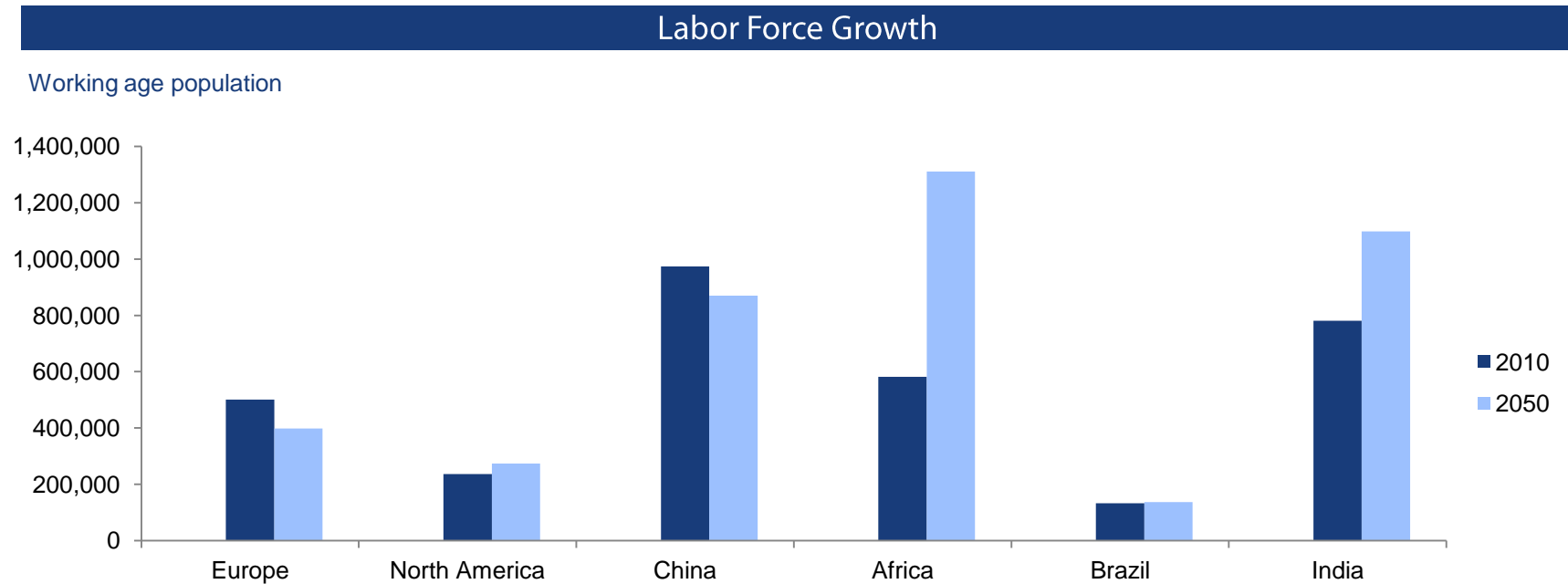


GDP 2016: USD 105.5 Trillion

Source: IMF World Economic Outlook Database (April 2011)

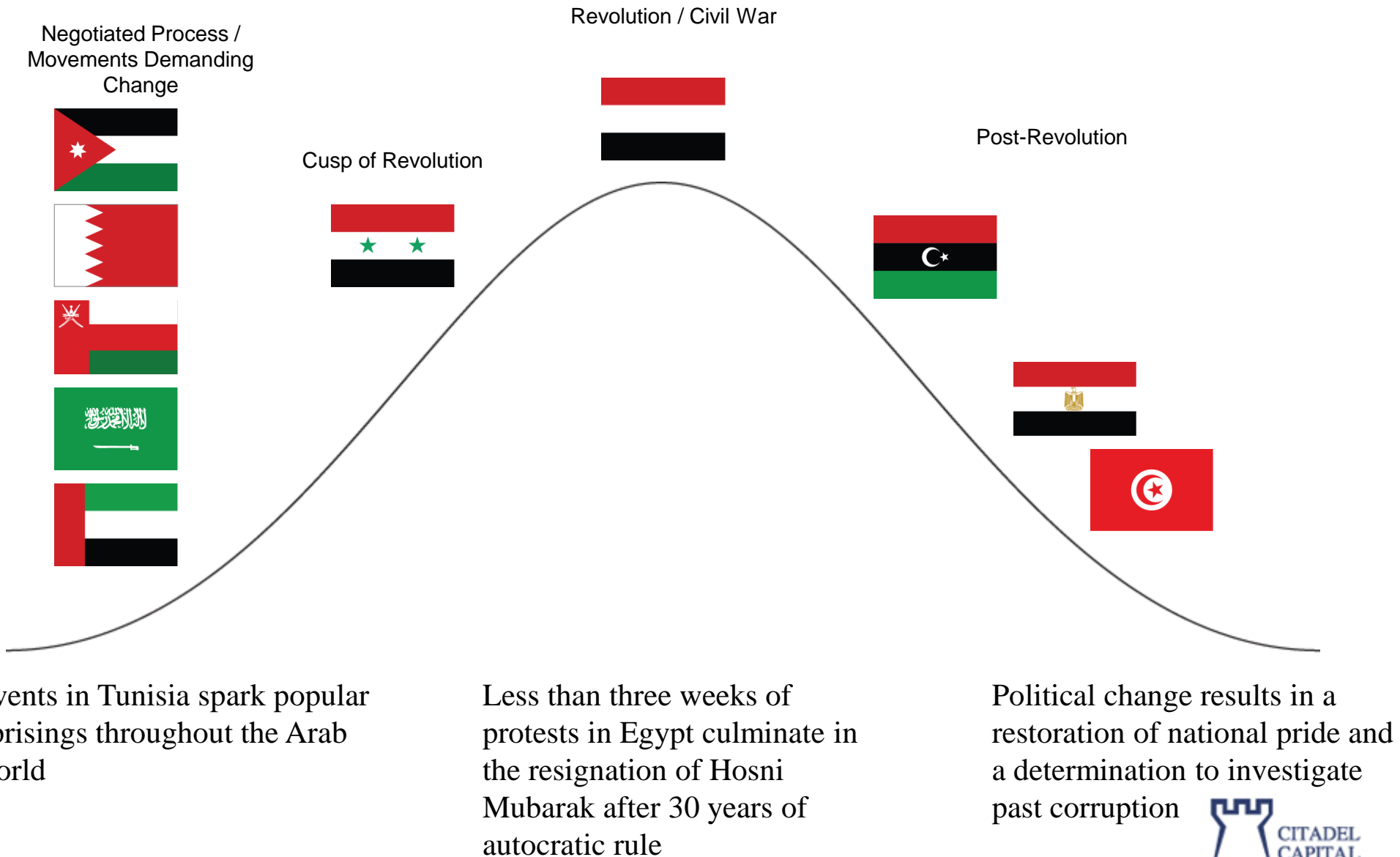
# Positive Emerging Markets Fundamentals

Region's large, young and growing population is expanding the work force, increasing the domestic consumer base and driving economic growth.

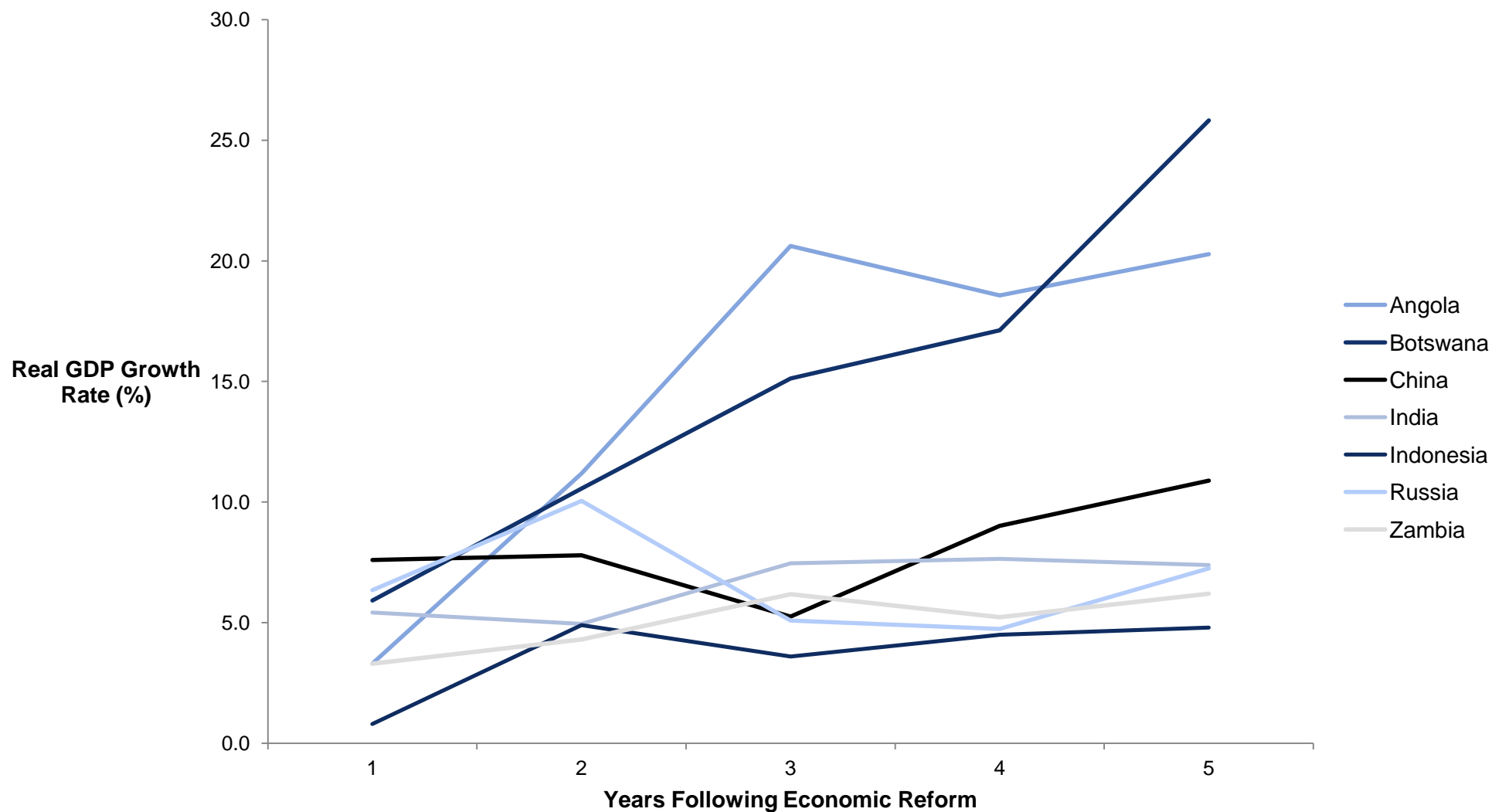


Source: CNN, United Nations 2008 World Population Prospects

# A Region in Transition

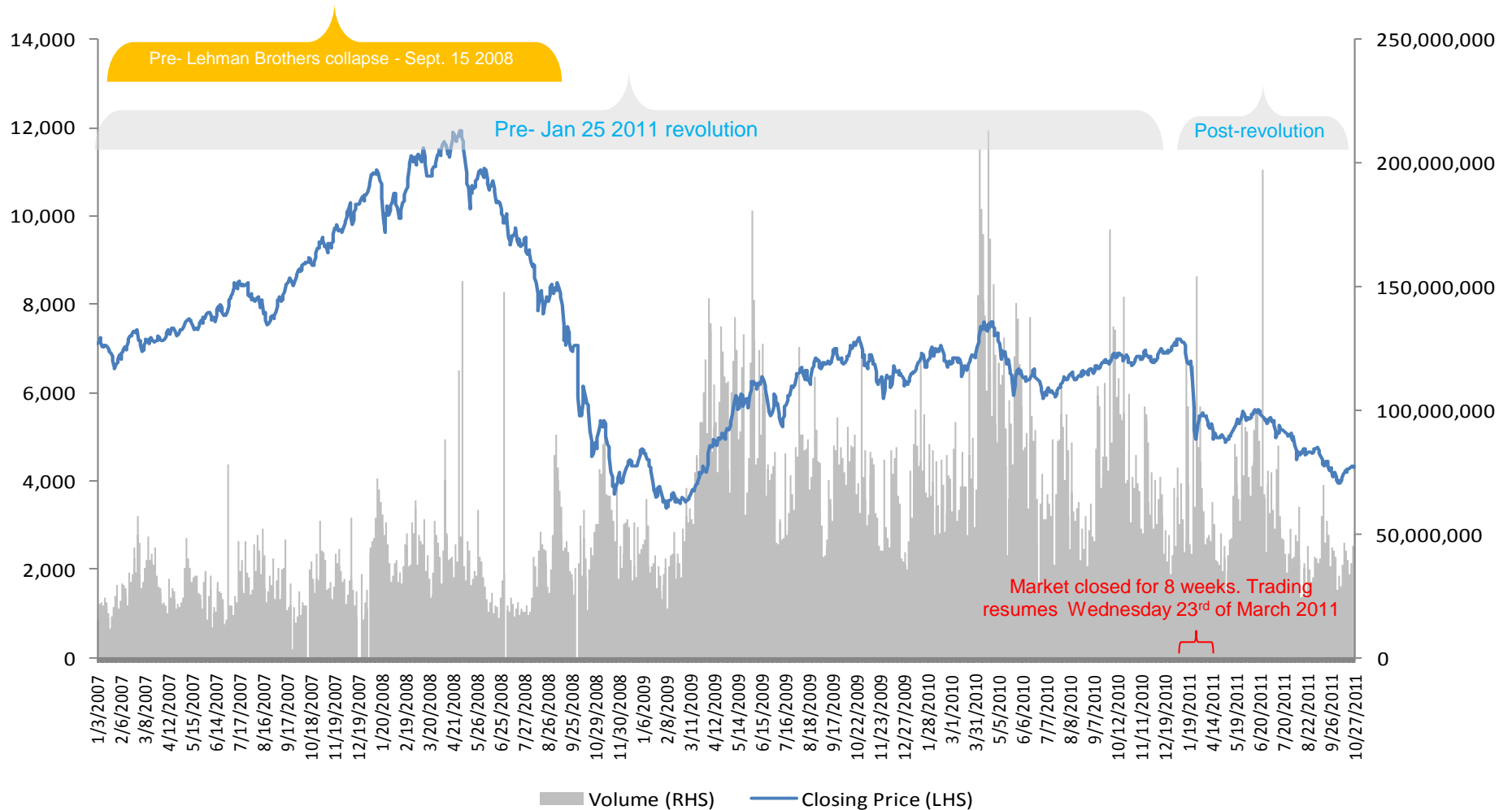


# Countries That Have Undergone Recent Economic/Political Reform



Source: UNCTAD, World Bank

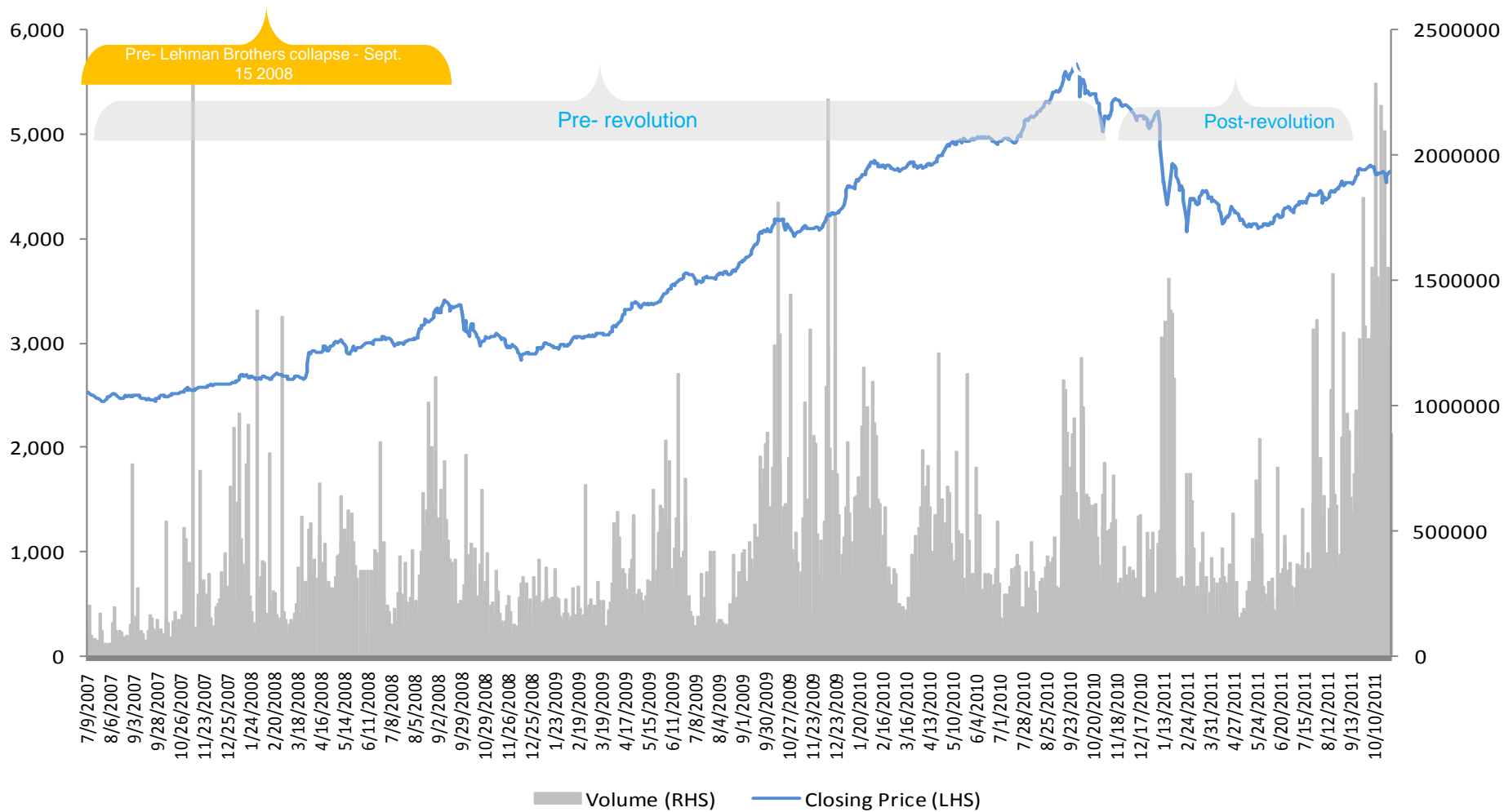
# Egypt Public Equity Market – Pre Revolution vs. Post Revolution



Index Statistics			Volume Statistics		
	Price	Date		Volume	Date
<b>High</b>	11,935.67	5/5/2008	<b>High</b>	213,388,192	4/20/2010
<b>Low</b>	3,389.31	2/5/2009	<b>Low</b>	3,406,703	9/23/2007



# Tunisia Public Equity Market Overview – Pre Revolution vs. Post Revolution



Index Statistics			Volume Statistics		
	Price	Date		Volume	Date
<b>High</b>	5,681.39	9/30/2010	<b>High</b>	2,366,602	11/12/2007
<b>Low</b>	2,436.94	7/30/2007	<b>Low</b>	17,038	6/4/2008



# There are Significant National, Regional and Global Risk Factors, Post-Revolution

## Egypt's Domestic Challenges

- Weak institutions and lack of visibility
- Deteriorating macroeconomic position
  - Security concerns have had sharp impact
  - EGP under pressure; dwindling foreign currency reserves
  - Widening Budget deficit
- Finite public patience
  - Rising unemployment
  - Rising inflation
- Lingering political instability

## Regional and International Challenges

- Arab governments are, at best, tepid in offering assistance
- The region remains in flux, making export-led growth an unlikely fallback position
- Global financial system remains under extreme stress, threatening development aid and other assistance and taking important export markets off the map for the time being

## This Has Had an Obvious Impact on Private Equity



- Fundraising becomes more challenging in light of the political uncertainty
- Holding periods extend as exits are delayed
- IRRs could be reduced

# Citadel Capital Has Raised US\$ 456.1 mn in 2011 in Equity and Debt

April 2011

## US\$ 25.5 mn for New Paper Mill

On 3 April, Grandview announced that the IFC would invest to complete the construction of a new paper mill in Egypt



June 2011

## US\$ 21 mn for Nile Logistics

DEG and EIB jointly invest in OSF controlling Citadel Capital's Egyptian river transport investments



August 2011

## US\$ 164 mn Financing Package for RVR

Citadel Capital arranged financing for Rift Valley Railways (RVR) of Kenya and Uganda to fund a five-year Capex program from: AfDB, IFC, KfW, FMO, Kenya's Equity Bank, the ICF Debt Pool, and BIO



September 2011

## US\$ 70 mn Capital Increase for Africa Railways

ALAC, FMO, DEG, PROPARCO's FISEA, and the IFC Subscribe to Capital Increase for Citadel Capital's African Rail platform; proceeds will be used to fund RVR



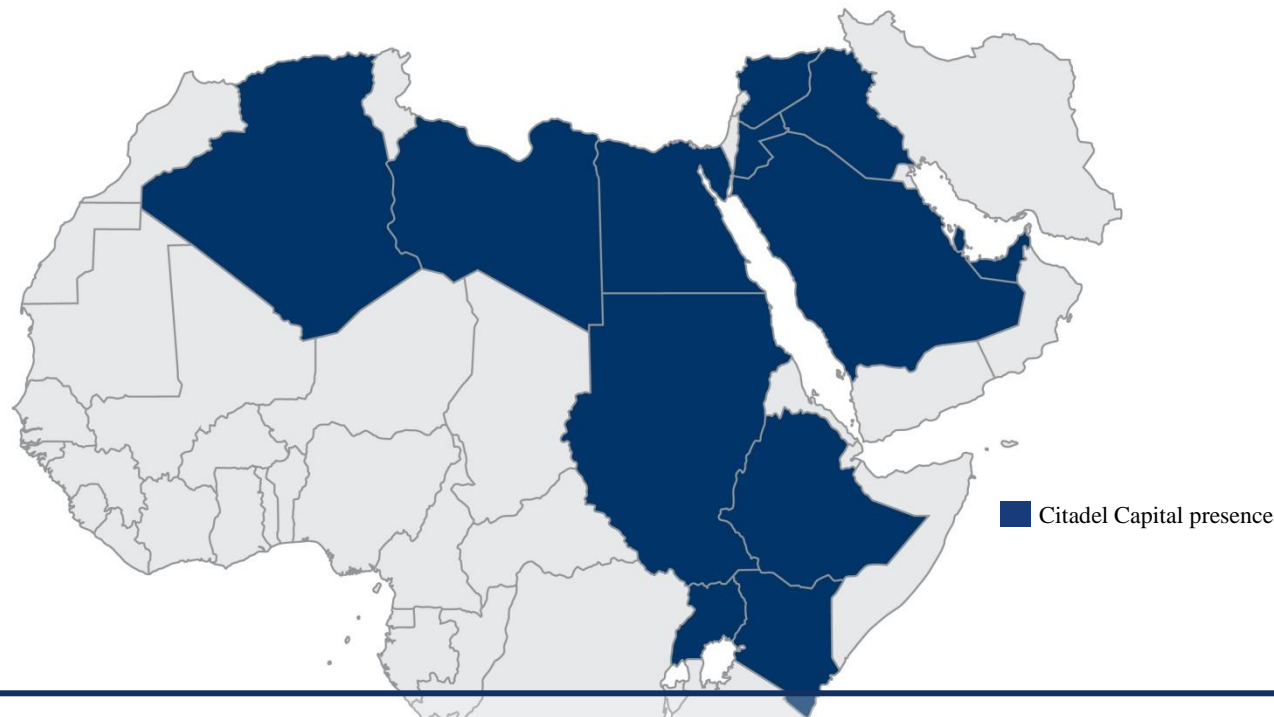
October 2011

## US\$ 175.6 mn Rights Issue

Completed 19 October, the capital increase was fully subscribed



# How Have We Raised So Much Equity and Debt?



1. We have mitigated risk at every turn
2. The region's fundamentals remain unchanged
3. We have a diverse portfolio that caters to those fundamentals
4. The majority of our investments are firmly on the right side of macro-economic trends
5. We pursue sustainable investments that will help grow the economies of the Middle East and Africa

# Mitigation of Risks is Key to Attracting LPs

## General Market

- **Limited Competition**
- **Low Business Risk**
- **Small Base of Experienced Investors**
- **Limited Financial Risk**

## Citadel Capital Specific Risk Reduction

- **Key Changes to our Investment Strategy**
- **Control**
- **Limit Political Risk**

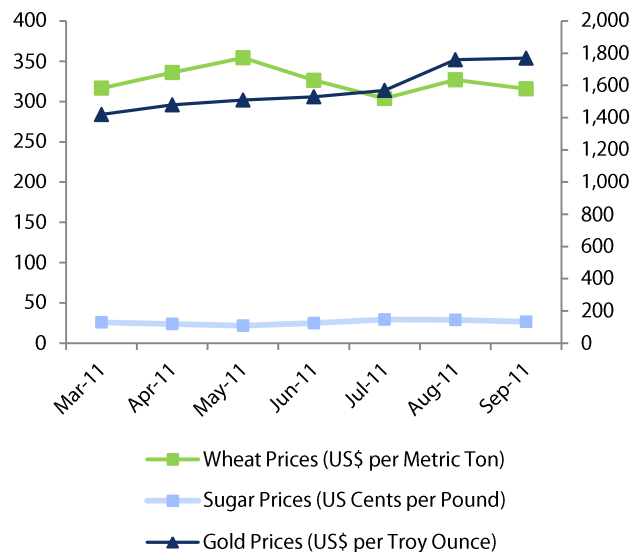
# Enduring Regional Fundamentals

## Large Population

- **1.3 billion people** in Middle East and Africa
  - *Large consumer base*
  - *Large labor base*

## Resources / Commodities

- Minerals, petroleum, and agricultural commodities are all on the rise long-term



Source: Index Mundi

## Export-led Growth

- Large population in neighboring markets
- Proximity to global markets and strategic shipping routes

## Infrastructure

- The Middle East and North African region's infrastructure needs for the next five years are estimated at between **US\$ 75-100 billion** per year through 2015

## Liberalization / Deregulation

- Key strategic sectors previously “hands-off” to PE are being opened, including:
  - *Power generation*
  - *Energy distribution*
  - *Refining*
  - *Large transportation projects*

# Select Citadel Capital Platform Companies

## Large Population



- **Agriculture and Consumer Foods**
- Egypt, Sudan



- **Transportation and Logistics**
- Kenya and Uganda

## Export-led Growth



- **Glass and Manufacturing**
- Egypt



- **Metallurgy**
- Egypt

## Liberalization / Deregulation



- **Energy Distribution**
- Egypt, Sudan, Libya, Qatar and the UAE



- **Petroleum Refining**
- Egypt

## Resources / Commodities



- **Mining**
- Egypt, Sudan, South Sudan, Algeria, the UAE, Ethiopia

## Infrastructure



- **Engineering, Construction and Cement**
- Egypt, Sudan and Algeria



- **Transportation and Logistics**
- Kenya and Uganda



- **Transportation and Logistics**
- Egypt, Sudan, South Sudan



- **Solid Waste Management**
- Egypt, Sudan, Libya, Syria



# Sustainable Impact Investing

- **Safe**—Our companies meet or exceed national and often international standards of safety for their customers and workers alike.
- **Sustainable**—Our companies offer compelling solutions to some of the greatest environmental and social challenges of our age.
- **Accountable**—Our investments are regularly subject to due diligence reviews by some of the world’s most sophisticated investors, almost all of whom take social responsibility and environmental credentials into consideration when making investment decisions



Tawazon is one of the first Egyptian companies to sign a greenhouse gas emission reduction purchase agreement with the World Bank



ERC will prevent the release of 93,000 tons of sulfur into Cairo’s air annually while introducing Euro-V diesel, the cleanest diesel fuel in the world.



Nile Logistics ships bulk and container goods on the River Nile with a small fraction of the emissions created by traditional trucking and relieves road congestion in Egypt and Sudan.



Tanmeyah offers microcredit to entrepreneurs who are not served by the traditional banking sector helping to create thousands of jobs in Egypt.



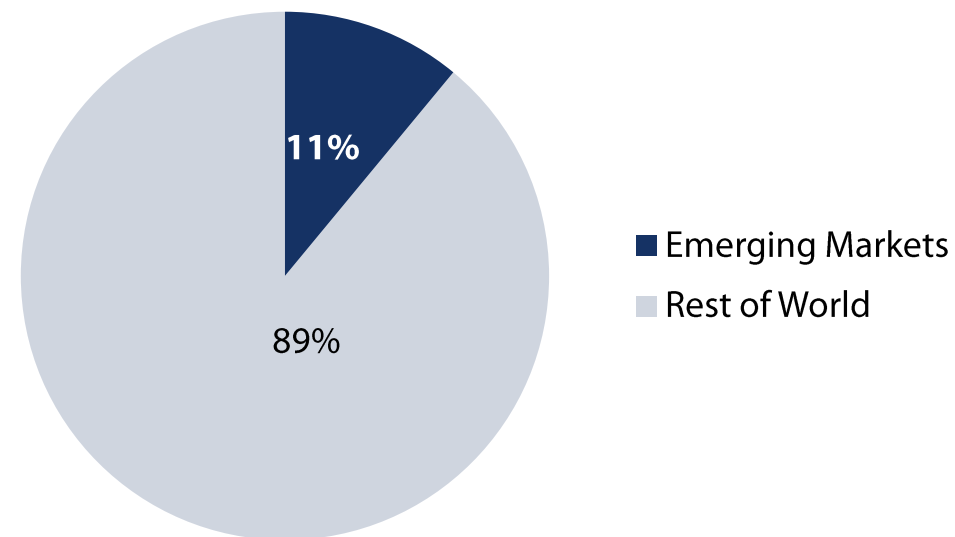
TAQA Arabia converts factories from fuel oil to natural gas and has pioneered the conversion of thousands of motor vehicles from gasoline to to CNG.



# Opportunities Are Out There for Investors Seeking Outsized Returns

- Globally, the bulk of PE funds raised go to developed markets
- Globally, the most attractive investment opportunities are in emerging markets; especially the Middle East and Africa
- Post-Revolution, opportunities in countries including Tunisia, Libya and Egypt will abound. These include:
  - Industries that will serve rebuilding efforts, including cement and steel
  - Transportation and Telecommunications Infrastructure
  - Consumer Goods
  - Financial Services, including microfinance
  - Distressed Investments and Industry Roll-up Opportunities

2010 Global Private Equity Fundraising (US\$ Bn)



**Total Fundraising: US\$ 210.3 Bn**

Source: EMPEA