



Challenges Trends Opportunities

Institutional Insights



Investments

September 2014



EY

Building a better
working world

EY in Africa



 **One**
executive team

 **One**
integrated operating model



Africa footprint includes:
33 African countries



262 partners
5400 people



164 years in Africa

Exceptional client service ✓ **Connected**
Insightful
Responsive

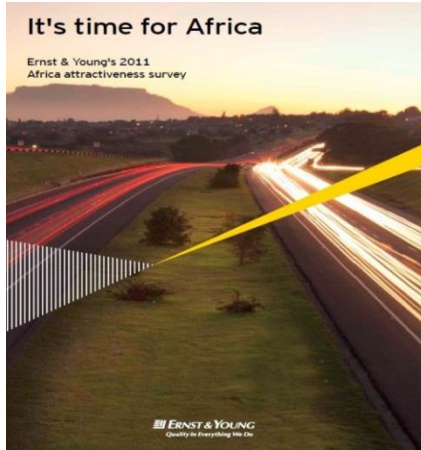
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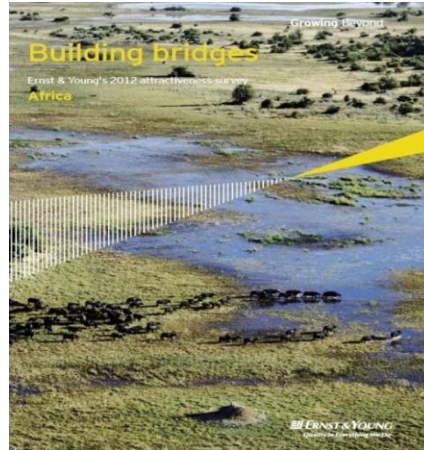
@EY_Africa

Africa attractiveness surveys 2011 - 2014



2011

“It’s time for Africa”



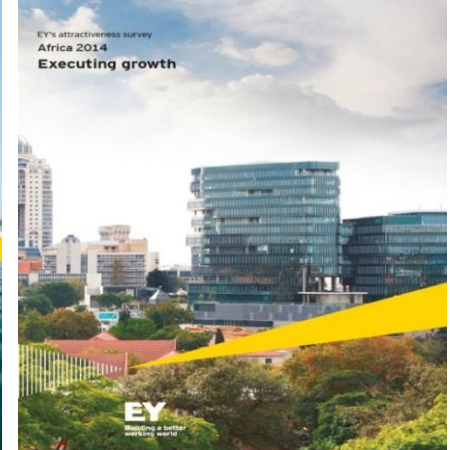
2012

“Building bridges”



2013

“Getting down to business”



2014

“Executing growth”

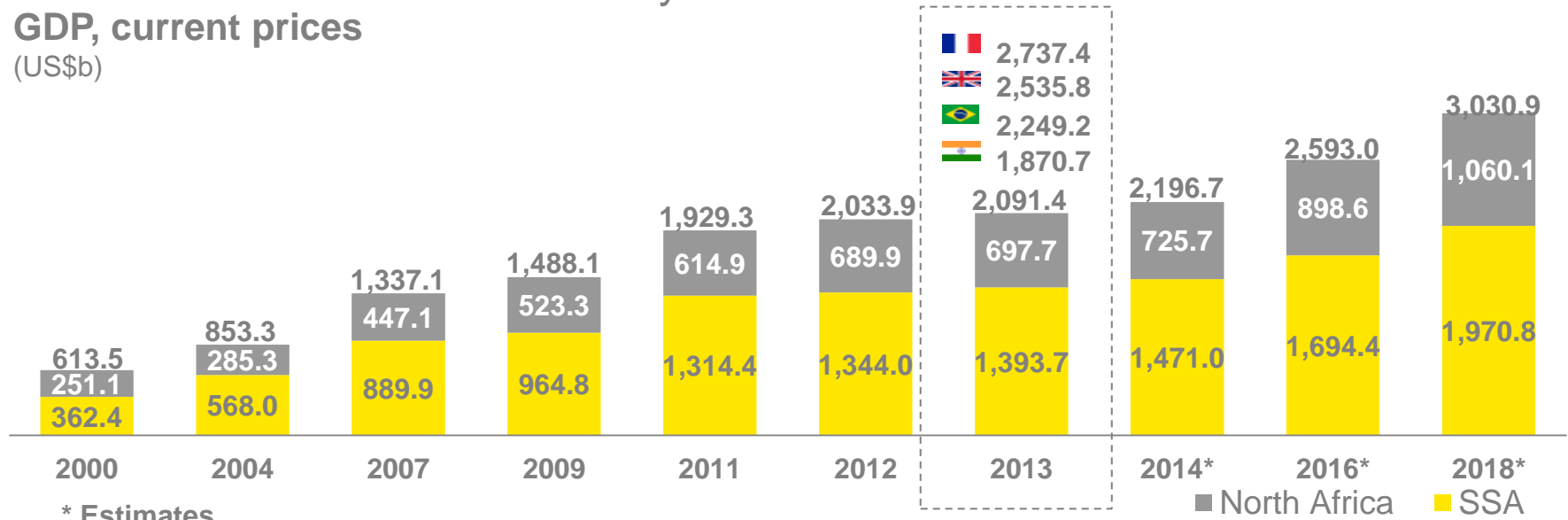
Africa's rise is real!



The size of the African economy has trebled in a decade

GDP, current prices

(US\$b)



Note: these numbers exclude the recent rebasing of the Nigerian economy.

Source: IMF World Economic Outlook Database, April 2014.

Continued growth

Five year forecast



Five year forecast GDP growth rates (%) indicated on a colour spectrum:
Green (higher) to red (lower)



In the context of a still weak global economy, we remain positive about Africa's overall economic prospects.

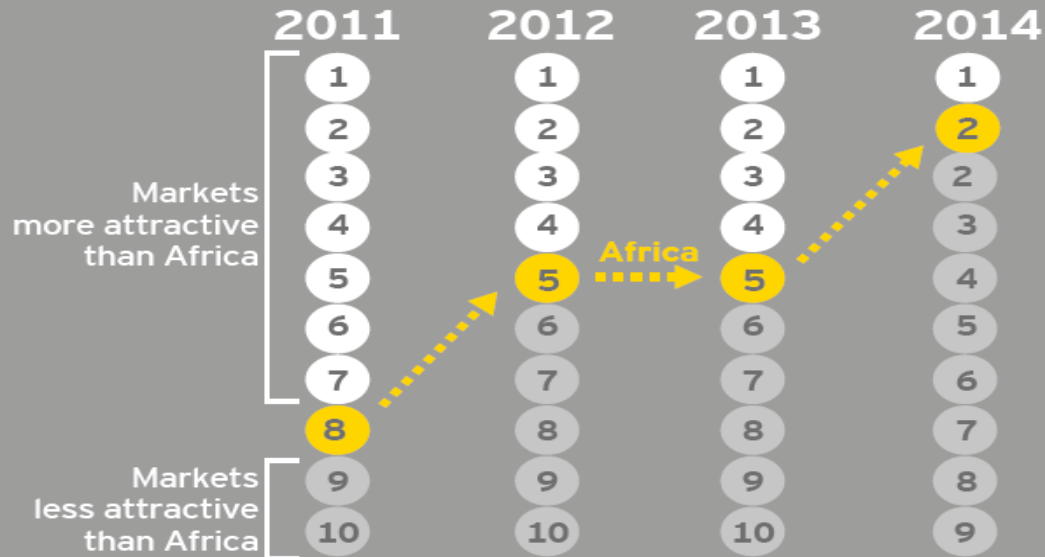
Sources: Oxford Economics;
EY Growing Beyond Borders.

Investor perceptions

A dramatic improvement



Improvement in Africa's relative attractiveness



Respondents citing an improvement in Africa's attractiveness as a place to do business

Attractiveness over the past year

60%

+4 points

Change vs. 2013 survey

Attractiveness over the next three years

73%

+1 point

Change vs. 2013 survey

Source: EY's 2014 Africa attractiveness survey (total respondents: 503).

Although a perception gap remains Established vs. not established



Source: EY's 2014 Africa attractiveness survey (total respondents: 503)

Actual FDI numbers

A mixed picture



FDI projects in Africa



Source: fDi Intelligence; EY analysis

key trends

 Sanlam

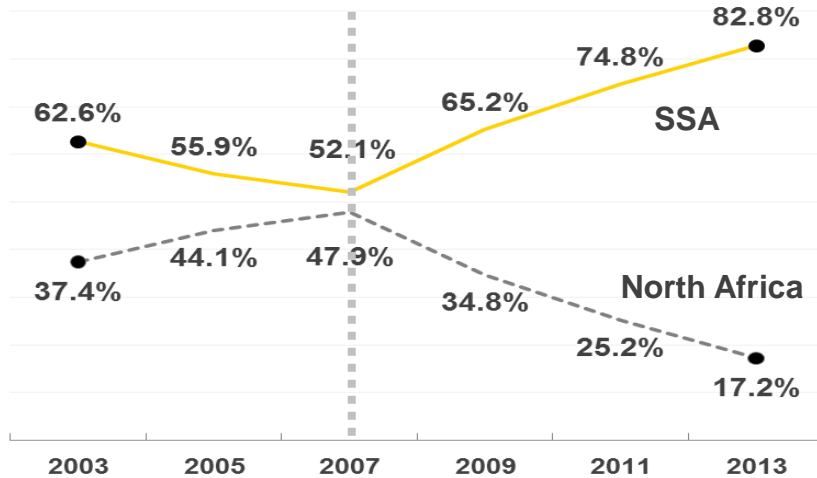


Key trend 1

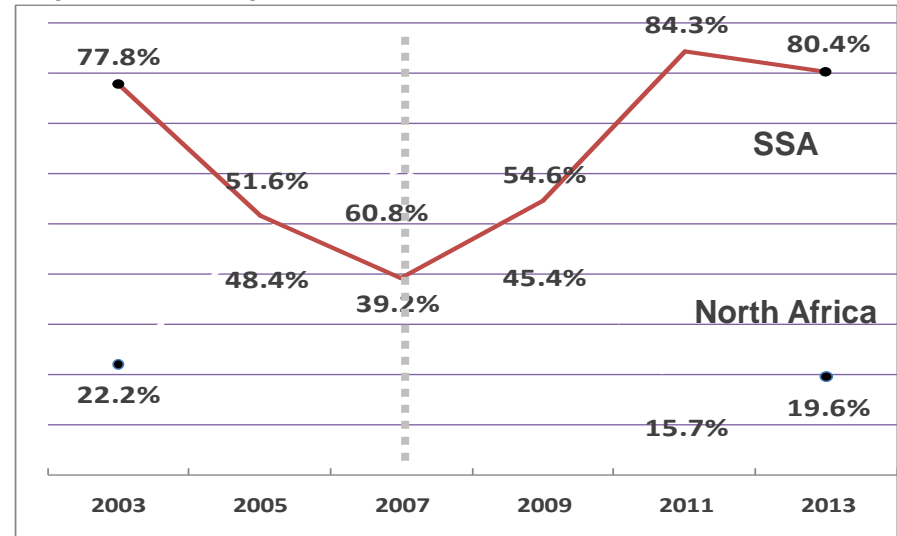
Significant shift momentum towards SSA



FDI projects (2003-13, %)



FDI amount (2003-13, %)



Source: fDi Intelligence; EY analysis

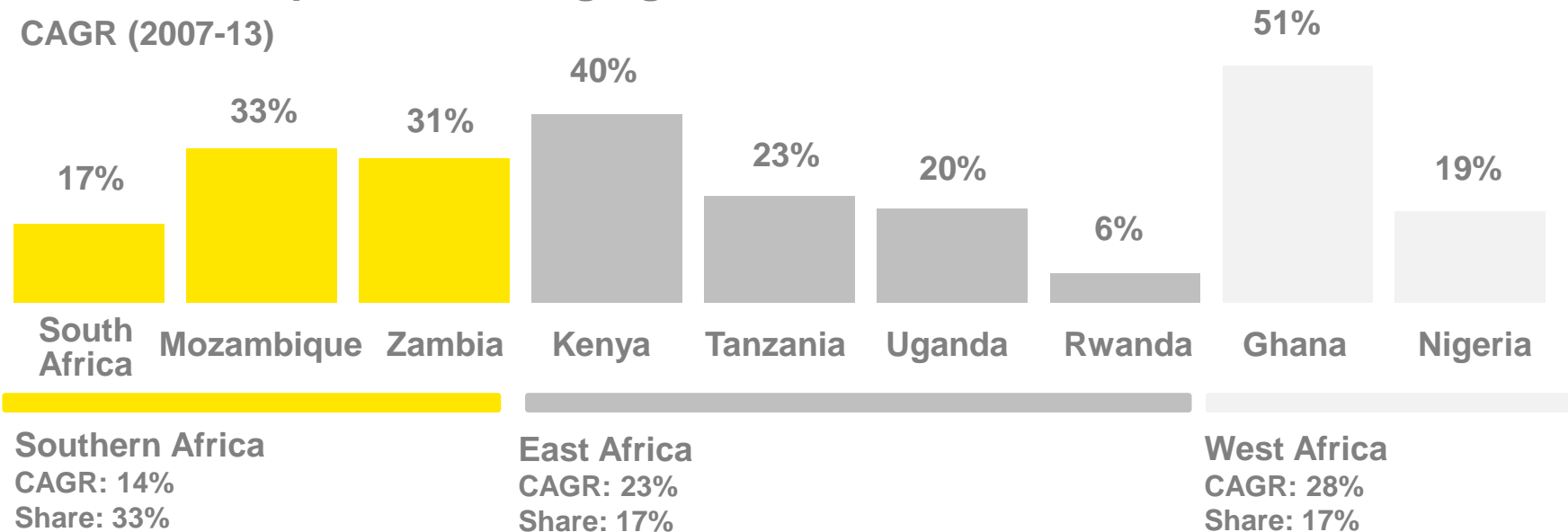
East, Southern and West Africa

FDI growth spreads across



New FDI hotspots are emerging in Africa

CAGR (2007-13)



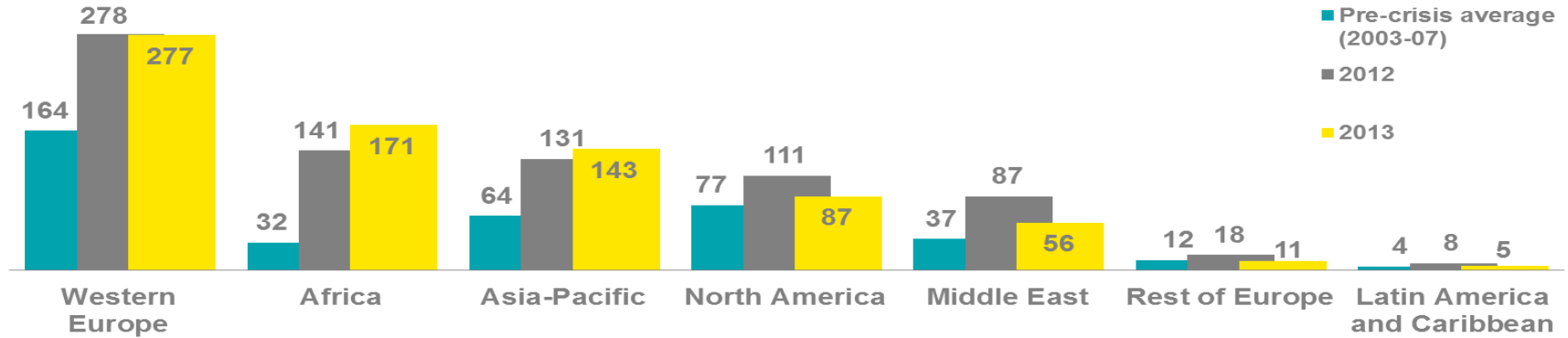
Source: fDi Intelligence; EY analysis

Key trend 2

Intra-African investment momentum builds



FDI projects by source region



African investors' share of FDI projects:

- ▶ 8% in 2003
- ▶ 23% in 2013

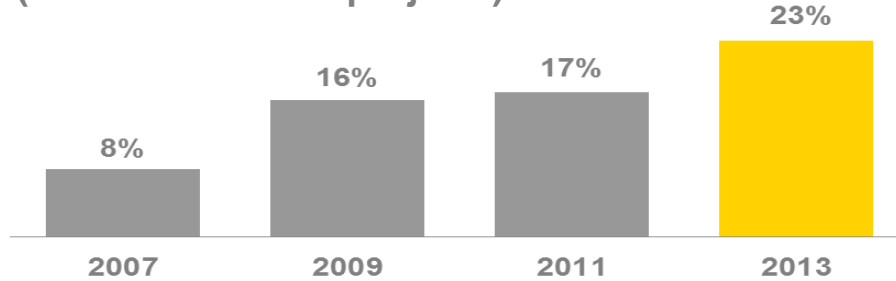
Source: fDi Intelligence

Key trend 2

Intra-African investment momentum builds



Intra-African investment momentum builds (Share of total FDI projects)



- Intra-African investors (2007-2013):**
- ▶ 35% of projects from South Africa
 - ▶ 16% from Kenya
 - ▶ 12% from Nigeria

Source: fDi Intelligence; EY analysis

Key trend 3

Ongoing sector diversification



Consumer-facing industries rise in prominence

	2003-07	2013
Technology, media and telecommunications	14%	20%
Retail and consumer products	12%	17%
Financial services	12%	15%
Business services	6%	12%
Metals and mining	13%	2%
Coal, oil and natural gas	11%	3%

Share of extractive sectors in FDI projects in Africa reached an all-time low in 2013.

Although investors expect resource-driven sectors to remain the highest potential industries over the next two years, in line with what the actual numbers tell us, *infrastructure and consumer-facing* sectors are expected to increase in prominence.

Source: fDi Intelligence; EY analysis

Key trend 4

Emerging urban hubs



Top 15 African states/provinces for FDI projects (Share of total FDI projects)



Nearly 70% of the respondents stressed the significance of cities and urban centers in their investment strategy in Africa

Source: fDi Intelligence; EY's 2014 Africa attractiveness survey (total respondents: 503)

ROI from African investments among the best in the world



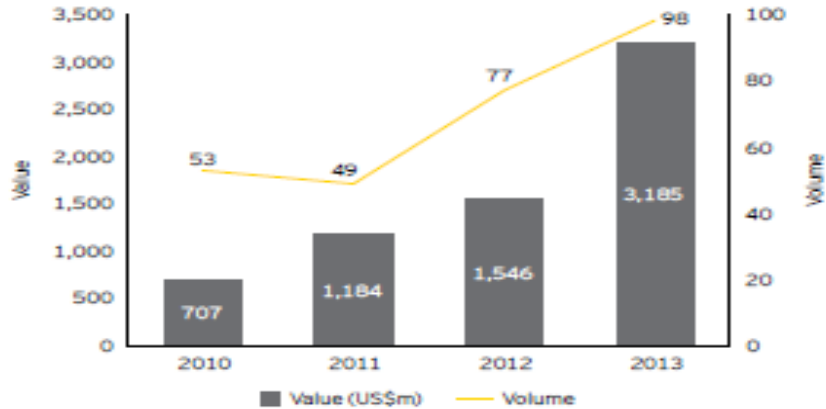
As of 31 August 2014

Market	1 yr return	3 yr return	5 yr return
Botswana	9.3%	-0.8%	8.7%
BVRM	21.2%	53.7%	63.7%
Dar es Sal	44.8%	83.6%	59.6%
JSE	21.2%	2.5%	41.9%
Lusaka	16.4%	36.3%	87.8%
Nairobi	30.0%	118.9%	103.7%
Namibia	11.3%	17.7%	73.7%
Nigeria	15.0%	84.4%	73.8%
Uganda	17.2%	94.3%	86.4%

Private equity continues to grow and outperform



Annual PE investments in Africa (US\$m)

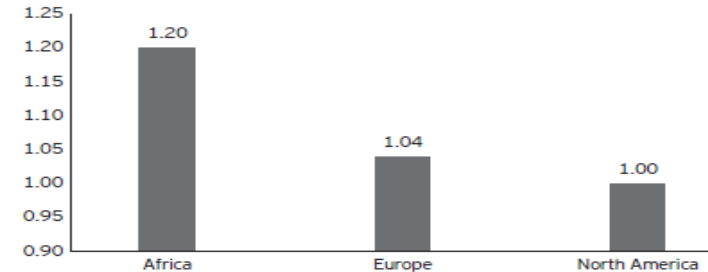


Returns

+55%

+55% relative to MSCI Emerging Markets Index

Relative multiples, Africa versus Europe and North America, 2010-12 exits



In calculating the relative return, the return for exits in North America is taken to be 1.0, and other returns are calculated relative to this base, excluding outliers.

Source: EMPEA, AVCA & EY.

reality check

 Sanlam



However, Africa remains a challenging place to do business



The sheer size and complexity of the continent, combined with the relative underdevelopment of many of its markets, makes Africa an inherently **challenging** place to do business

- ▶ Land mass greater than USA, Europe, China and India combined
- ▶ Vast geography, with 54 different markets
- ▶ Over 2000 languages and diverse cultural dynamics
- ▶ Few individual markets provide scale to be commercially attractive in themselves (in the short term)
- ▶ Inadequate infrastructure in many markets

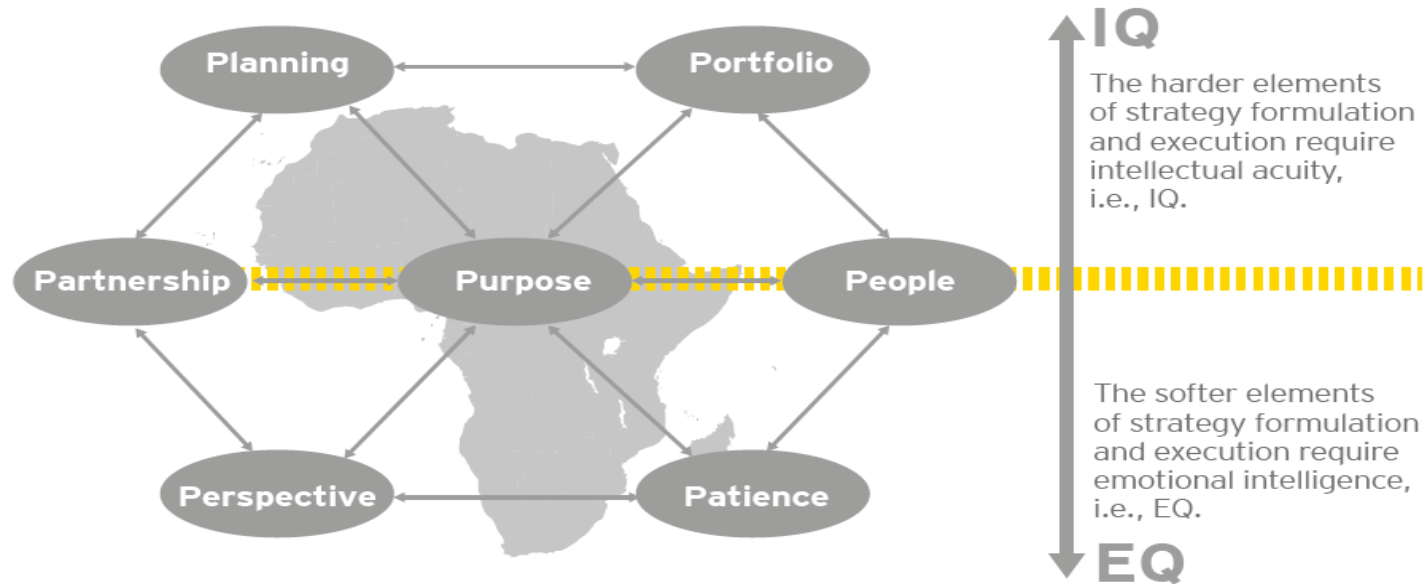


Source: Kai Krause

Critical success factors



EY's 7-P model for effective strategy execution in Africa



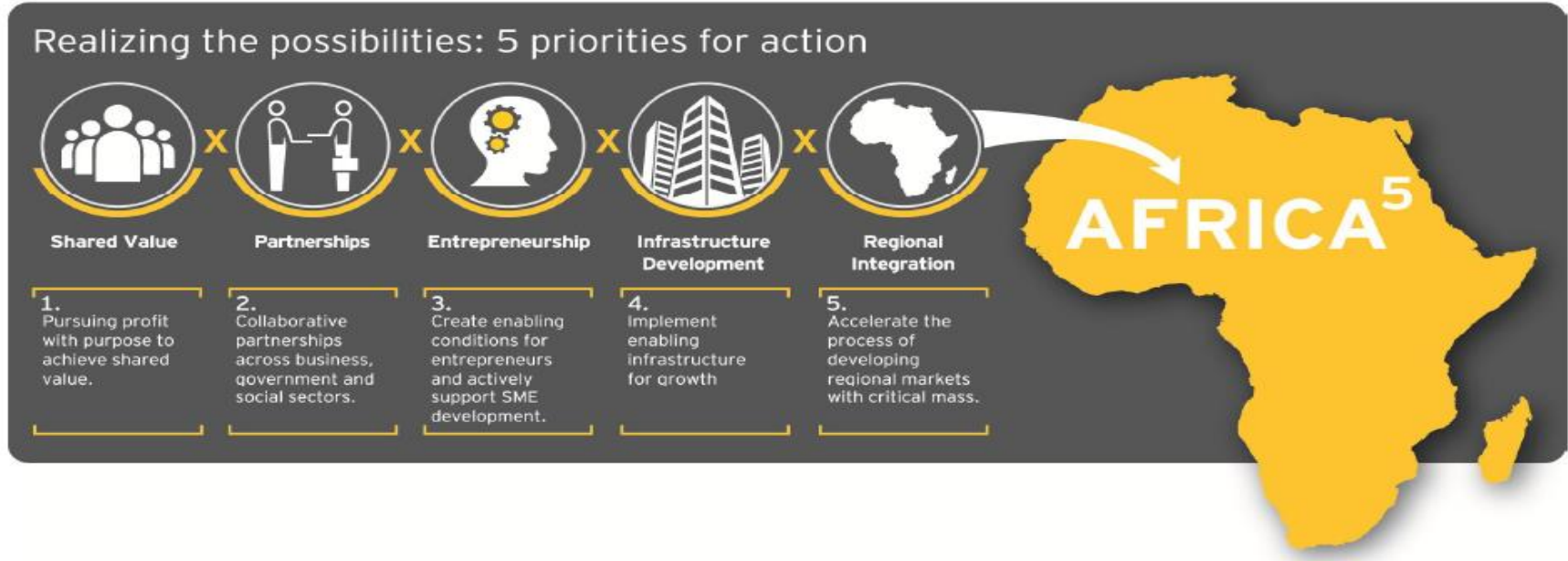
Source: EY; Africa Business Center™.

Our message to African governments: Seek the right kind of investment



- ▶ **Inclusive, sustainable growth** which encompasses widespread job creation is critical to governments across the globe
 - ▶ Even more critical in Africa and other emerging markets where extreme poverty and inequality are huge challenges
 - ▶ If jobs are not created the “demographic dividend” that is so much of Africa’s promise, could threaten the social fabric of many countries and undermine the potential of our continent
 - ▶ Private sector FDI can be the game changer – creates 9 out of 10 new jobs (World Bank)
 - ▶ Need to attract investors whose purpose is to create **shared value**
 - ▶ Investors for whom internal value creation AND external socio-economic impact are part of their **purpose**
 - ▶ Investors who recognize that their long- term success and the health of the communities and economy around it are mutually dependent.
-

Promoting 5 priorities for realizing Africa's possibilities

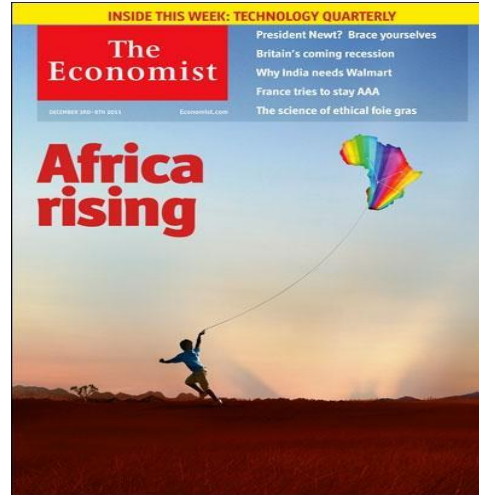


Source: EY; Africa Business Center™.

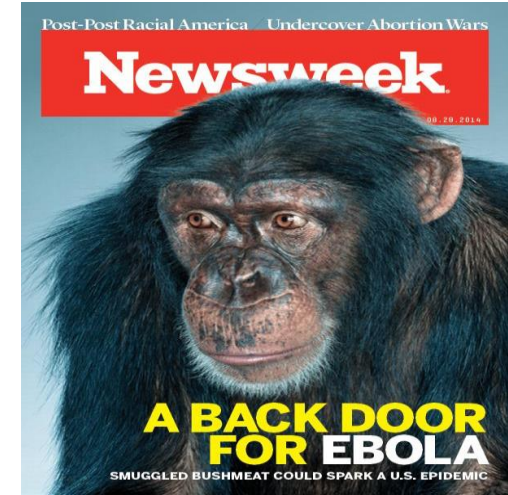
Deliberately choose your perspective on Africa ...



2001



2011



2014

thank you 