AfricaConnect: Lean financing in turbulent times
Investment Financing and COVID-19 Response
Please ask your questions via the control panel!
Webinar on June 10th 2020
10 – 11 am (CEST)

Speakers:
Jan Müller
Program Head
AfricaConnect
DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH

Hendrik Reimers
CEO & Founder
Fairafric

Moderator:
Dr. Michael Blank
Delegate
Delegation of German Industry and Commerce in Ghana (AHK Ghana)

AfricaConnect: Lean financing in turbulent times
Investment Financing and COVID-19 Response
German Chamber Network abroad in Africa

Contact details: https://www.ahk.de
AfricaConnect: Lean financing in turbulent times
Investment Financing and COVID-19 Response

Webinar | June 10, 2020
Jan Müller, Head of AfricaConnect, DEG
Hendrik Reimers, Founder & CEO, fairafric
Africa | Growth market of the future
Creating opportunities, seizing potential

AFRICA

1.3 bn (2.5%)
Population (growth rate 2019)

19.7 years
Median age

5.7%
GDP growth (p.a.) 2005-2019

-1.7%
GDP growth 2020 forecast

CwA*
7.0%
GDP growth (p.a.) 2005-2019

EUROPEAN UNION

0.5 bn (-0.7%)
Population (growth rate 2019)

43.1 years
Median age

2.2%
GDP growth (p.a.) 2005-2019

-7.1%
GDP growth 2020 forecast

CwA*
-1.0%
2020 forecast

Sources: EIU; European Commission; AfDB; IMF; Foto: Getty Images, Emd Aljumah
* Compact with Africa: Initiative of the G20 and reform-oriented African countries. For information and participating countries see https://www.compactwithafrica.org
Agenda

DEG

› Our mission: what we stand for
› Financing solutions: what we offer

AfricaConnect

› Investment Financing
› COVID-19 Response
› Experience with AfricaConnect
   Hendrik Reimers, Founder & CEO, fairafric

Interested?

› Quick Check
› Next Steps
Agenda

DEG
- Our mission: what we stand for
- Financing solutions: what we offer

AfricaConnect
- Investment Financing
- COVID-19 Response
- Experience with AfricaConnect
  Hendrik Reimers, Founder & CEO, fairefri

Interested?
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DEG: What we stand for
Fostering entrepreneurial activity in developing and emerging markets

- Establishing international standards
- Supporting the change towards a more sustainable interaction with the environment
- Transferring know-how and qualifying people
- Being a partner for local companies
- Creating sources of income for developing and emerging markets

DEG finances private companies and fosters long-term growth
Tailored financing solutions
DEG’s support along a company’s lifecycle

Financing Volume (million EUR)

Initiation
Feasibility Study
Up-Scaling
develoPPP.de
Growth
AfricaConnect
Investment Financing
COVID-19 Response
Maturity
DEG Financing
Debt, Mezzanine Financing and Equity

Rampable Financing
Grant

DEG's support along a company's lifecycle

4
50+
0.75
4

Company's Lifecycle

AfricaConnect
Investment Financing
COVID-19 Response

DEG Financing
Debt, Mezzanine Financing and Equity

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Debt, Mezzanine Financing and Equity

Rampable Financing
Grant

Company's Lifecycle
Global footprint
Facts and figures for DEG’s core business activities

- **1962**
  Foundation

- **630**
  Employees

- **EUR 8.4 bn**
  Portfolio worldwide

- **EUR 1.9 bn**
  New business

- **EUR 2.5 bn**
  Equity

- **Africa: EUR 2.0 bn**
  Abidjan, Accra, Lagos, Nairobi, Johannesburg

- **Latin America: EUR 2.5 bn**

- **Europe: EUR 0.8 bn**

- **Asia: EUR 2.8 bn**

- **Supraregional: EUR 0.3 bn**

Figures as of 31.12.2019
DEG in Africa
Current engagements in Africa

150+ Financed partners

118,846 Jobs created

EUR 2.0 bn Portfolio in Africa

46 develoPPP projects

20 Up-Scaling projects

Plus: expanded reach through fund investments
› 32 fund investments
› 509m EUR committed
› 179 investee companies in 31 countries

Figures as of 31.12.2019
DEG Investment Financing
Example – German Group produces plants in Kenia

Company
› Leading breeder, producer and marketer of ornamental plants serving markets worldwide
› Operating in Africa for more than 20 years
› Employing around 1,000 employees in Kenia alone

Investment
› DEG financed with a long term loan the extension and modernization of existing greenhouses and equipping all houses with state-of-the-art technology
› The DEG loan was complemented by a feasibility study (co-financed by DEG) that supported necessary preparations for changing the energy supply to solar energy

Developmental effects
Extension of one of the region’s major employers

Various benefits for employees
› above-average salaries
› training of employees
› social benefits (meals, free shuttles to and from work, health care)

Promotion of climate protection through the financing of a water treatment system and the use of renewable energy
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AfricaConnect

- Investment Financing
- COVID-19 Response
- Experience with AfricaConnect
  Hendrik Reimers, Founder & CEO, fairafric

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AfricaConnect | Background
Closing the financing gap

What has been missing so far?

› Tailored support of EU companies entering the African market or expanding their businesses
› “Missing middle”: Suitable financing solutions not for small SMEs (access to grants) or large corporates (access to market financing) but for the vast majority in between

The solution: AfricaConnect

› Loans of up to EUR 4 m in EUR, USD and selected local currencies
› Direct disbursement to the African entity
› Risk-sharing approach – usually no parent guarantee needed
› Financing complemented by Technical Assistance for training programs, ESG risk assessment etc.
› Accessing DEG’s extensive experience and network in Africa

AfricaConnect

EU company (sponsor)

Loan

Equity

African company (local entity)
AfricaConnect | Investment Financing

Our solution for EU investments in African countries

Who are we financing?

› Subsidiaries of EU companies already active in Africa or planning to enter the market
› African companies holding long-term business relationships with EU companies

Financing is only possible if

› the company contributes equity of 20% to 50% (risk-oriented)
› the borrower can service the loan from its operating activities

At what conditions?

› Repayable loan of EUR 0.75 million up to 4* million
› Tenor up to 7 years with optional grace period
› EUR, USD and selected local currencies
› Financing for up to 80% of the investment**
› Attractive, risk-oriented conditions starting at 1% interest (EUR)

What are we financing?

› Assets for setting up or expanding the business
› Working Capital for setting up or expanding the business

The Investment Financing facility is not eligible for

› Companies without a profitable business model and sufficient equity
› Companies wishing to restructure or redeem existing loans or use the funds to distribute profits or pay dividends
› Projects without proof of concept

*Subject to the availability of funds and a positive risk assessment
**In case of a business extension up to 100%
AfricaConnect | Investment Financing
Example – Kaschke Components Tunisie

Company
- **EU-link**: typical „German Mittelstand“ with more than 60 years of experience in the development and marketing of inductive components
- **Borrower**: Tunisian subsidiary with more than 40 years of experience in the production of those components in Tunisia

Investment
- **Project**: Modernization and extension of the existing five production sites in the Tunis area (e.g. winding spools)

Developmental effects
- Creation of more than 500 jobs (more than 80% female)
- Good working conditions: base salary is significantly higher than minimum wage, existing portfolio of training programs

AfricaConnect
- Loan

Kaschke Components GmbH
- Equity

Kaschke Components Tunisie SARL
The pandemic has a massive impact on the global economy, affecting almost all African economies and companies operating on the continent.

**Challenges for the private sector**
- Government-ordered lockowns
- Long delays in the supply chain
- Declining global demand
- Cross-border disruption in logistics chain

**Existential threats for companies**
- Acute liquidity problems
- Loss of trained and qualified workforce
- Decline in sales at continuously incurred costs
- Loss of business relationships and market position
**AfricaConnect | COVID-19 Response**

*Our solution for short-term liquidity shortages – to safeguard local jobs*

**Who are we financing?**

Subsidiaries of EU companies **already successfully operating in Africa** which

- have created local jobs and want to secure those throughout the crisis
- have a fundamentally sound and profitable business model with **sufficient creditworthiness** which allows them to service the loan through operating activities
- face **liquidity bottlenecks** due to the COVID-19 crisis
- have a **good outlook** for the period after the COVID-19 crisis

**At what conditions?**

- Repayable loan of EUR 0.75 million up to 4 million*
- Tenor up to 7 years with optional grace period
- EUR, USD and selected local currencies
- Financing for up to 100% of the liquidity gap
- Highly attractive conditions: 1% to 2% interest p.a. (EUR)

**What are we financing?**

- Working Capital for the continuation of operations
- Operating costs including rent, salaries or inventory

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**The Investment Financing facility is not eligible for**

- Companies without a profitable business model
- Companies which have been facing difficulties on 31/12/2019, i.e. before the COVID-19 crisis
- Companies intending to restructure or redeem existing loans, distribute profits or pay dividends during the term of the loan

* Subject to the availability of funds and a positive risk assessment
DEG

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AfricaConnect

- Investment Financing
- COVID-19 Response
- Experience with AfricaConnect
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- Next Steps
Investment Financing & COVID-19 Response
Experience with AfricaConnect – fairafric Ghana Ltd.

Company
- **EU-link**: German Company that sells “fair” chocolate in Europe since 2016, which so far is produced by a partner company in Ghana (contract manufacturing)
- **Borrower**: Ghanaen subsidiary (100%), founded in 2019 for the production of this chocolate in Ghana

Financing
- **Investment Financing**: AfricaConnect loan in 2019 to set up a state-of-the-art chocolate processing plant in Ghana
- **COVID-19 Response**: Liquidity financing to secure the initial investment and support fairafric to overcome financial bottlenecks during the crisis

Developmental effects
- The plant in Ghana will create more than 50 well-paid jobs and support more than 2,500 small cocoa farmers in the future
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Quick check
Are you eligible for an AfricaConnect loan?

If you are generally eligible for an AfricaConnect financing, you can affirm the following aspects:

**Investment Financing**
- Expansion or market entry
- EU link
- Profitable business model
- Sufficient funds for equity contribution

**COVID-19 Response**
- Acute liquidity bottlenecks due to the COVID-19 crisis
- EU link
- Profitable business model before the COVID-19 crisis with sufficient creditworthiness
- Good outlook for the period after the crisis
You are interested in an AfricaConnect loan? In a first step, we need the following information from you:

**Investment Financing**
- The last two **audited financial statements** of the EU parent company and subsidiary
- A qualitative and quantitative **business plan** demonstrating a positive outlook for the coming years
- An **organizational chart** showing the corporate structure of the company and the group
- A description of developmental effects of the investment, especially the **number of jobs** created through the loan

**COVID-19 Response**
- The last two **audited financial statements** of the EU parent company and subsidiary
- **Liquidity plan** for the next twelve months indicating requested financing volume
- An **organizational chart** showing the corporate structure of the company and the group
- **Number of jobs** secured through the loan
AfricaConnect | Your point of contact
We look forward to hearing from you!

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Q&A Session - AfricaConnect
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