

# MARLOW CAPITAL

## Institutional Investor Learning Journey



October 2007

# Agenda

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1. Introduction
2. Investment Focus
3. Marlow Approach
4. Conclusion



# Introduction

# Who We Are

Marlow has a proud track record of partnering with managers of sound, cash generative companies to grow long-term value

- Marlow is a South African based private equity firm
- We partner with managers of sound, cash generative companies, providing capital and strategic resources to accelerate growth and improve operations
- Marlow has a distinguished track record and has worked with companies across a variety of industries
- Marlow looks to execute not only typical leveraged buyout acquisitions, but also transactions involving corporate partnerships and industry consolidations.
- We work with senior managers of portfolio companies to grow and improve their businesses.
- We have a focus on fundamental value creation and look to strengthen the strategy and operations to realize value



# Core Management Team



**Andrew Hunt** - Andrew is responsible for day to day management of Marlow and the structuring and execution of all portfolio investments. Andrew is a member of the Investment Committee. Prior to joining Marlow, Andrew was the Head of Investment Banking, Sub-Saharan Africa for HSBC



**Sean Meyersfeld** - Sean is responsible for transaction origination and new business development. He plays an active role in leading transaction teams and deal execution. Sean is also a member of the Investment Committee. Prior to joining Marlow, Sean was a senior coverage and execution banker at HSBC



**Johanna Kollar** – Johanna joined Marlow in 2007 and is involved in fundraising, due diligence of portfolio companies and identification of investment opportunities. Johanna has four years experience in the West African oil & gas/energy sector with Arthur D. Little and worked as a strategic analyst with a Berkshire Partners portfolio company.

# Our Mandate

Target investments	<ul style="list-style-type: none"><li>• Midmarket, stable, cash generative companies</li><li>• Strong growth prospects</li><li>• Management talent</li></ul>
Geography	<ul style="list-style-type: none"><li>• South Africa</li><li>• Opportunistically into the rest of Africa</li></ul>
Macro Economics	<ul style="list-style-type: none"><li>• Companies that will benefit from:<ul style="list-style-type: none"><li>➢ Growth in infrastructure investment</li><li>➢ Emerging middle class and consumer spend</li></ul></li></ul>
Form	<ul style="list-style-type: none"><li>• Majority, or significant minority investments of equity</li><li>• BEE structure can be developed alongside a Marlow direct investment</li></ul>

# Investment Case

## Underserved Market Niche

- Private equity share of the regional market remains low
- Attractive investment opportunities exist in middle market, companies with a EV of between ZAR750 – ZAR1,500 million (US\$100– 200 million)

## Developed Pipeline

- Strong pipeline of attractive and imminent investment opportunities
- Access to proprietary deal flow across a range of sectors

## Strong Management Team

- Exceptional team with local market insights as well as global experience
- Full range of skills and knowledge necessary to undertake and manage successful investments



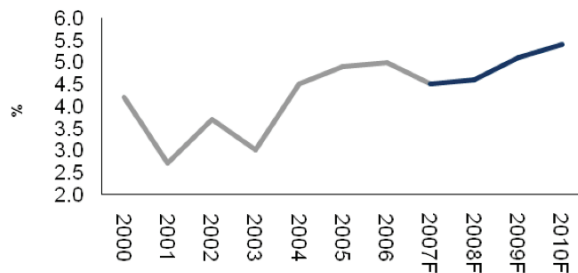
# Investment Thesis



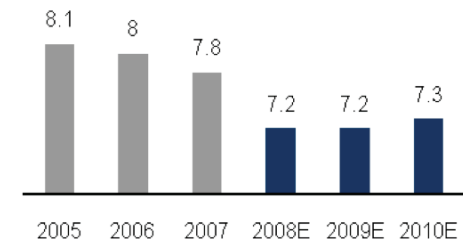
# The Opportunity – South Africa

- South Africa is amongst the fastest growing economies globally, with medium-term GDP forecasted at 5.5% through 2010
- South Africa has a stable political and economic environment
- South Africa is the portal for a developing Africa

**GDP %**



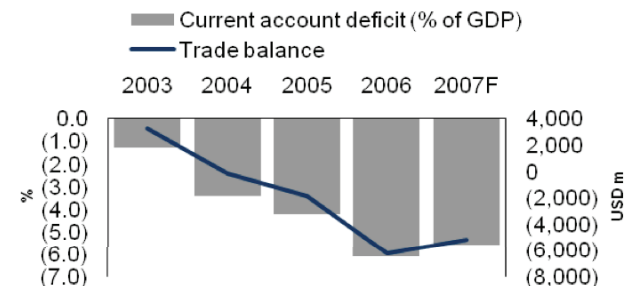
**Interest rates %**



**Inflation (2000a – 2010F)**

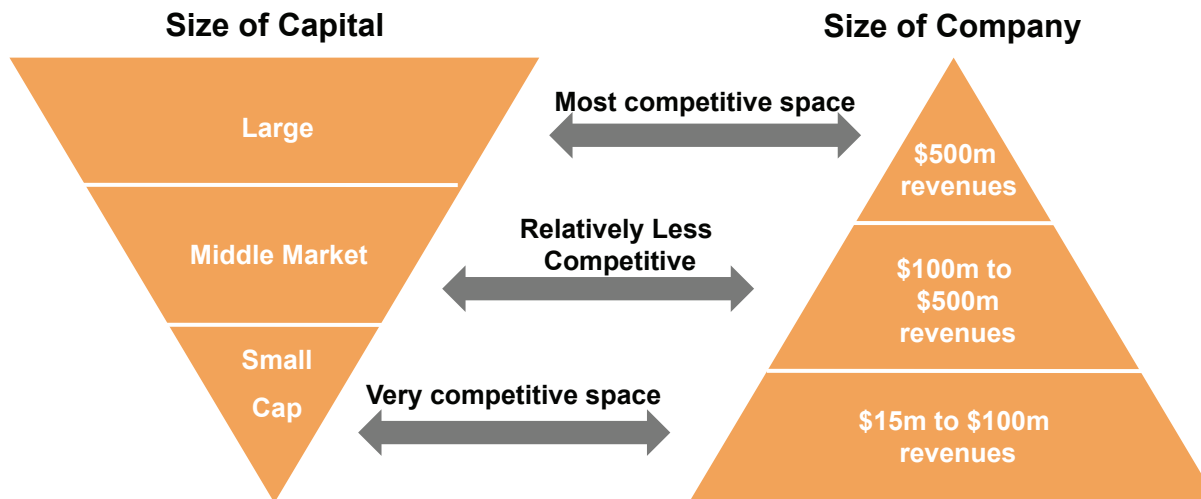


**Trade and Current Account**



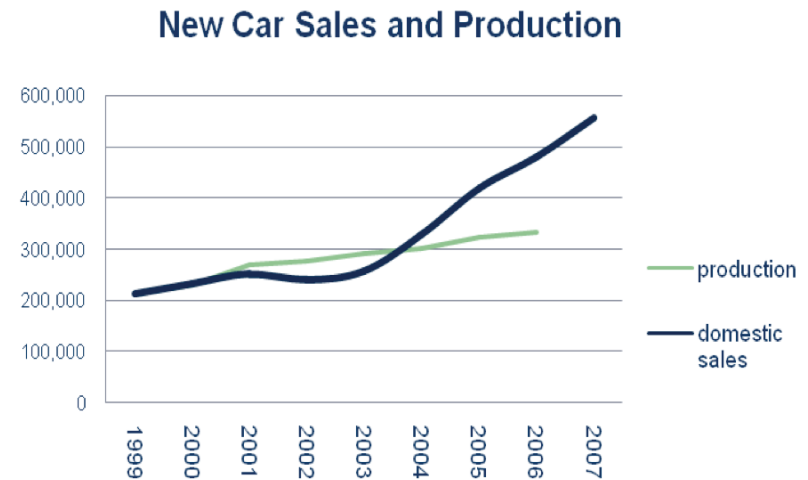
# The Opportunity – Middle Market

- 3-year average EV/EBITDA for companies with EV below \$100 million averaged 4.2x, compared with 7.5x for values of \$100 million to \$250 million, and over 9.8x for companies valued above \$500 million
- Pricing differential represents a significant opportunity to realise value by growing and preparing middle market companies for exit in the larger capitalisation market
- Established private equity participants in South Africa have raised large (\$1bn) funds and are now chasing larger transactions



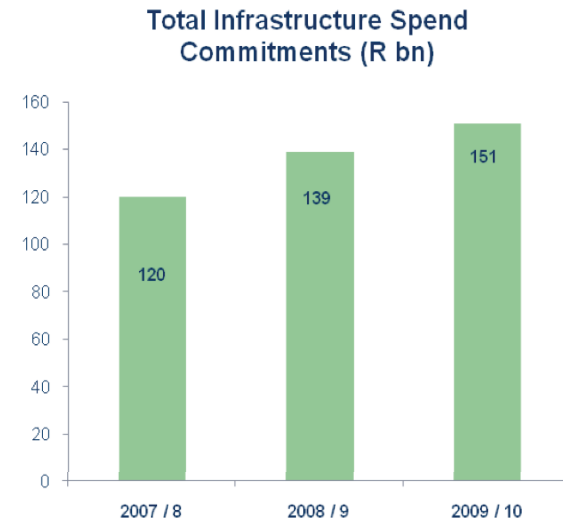
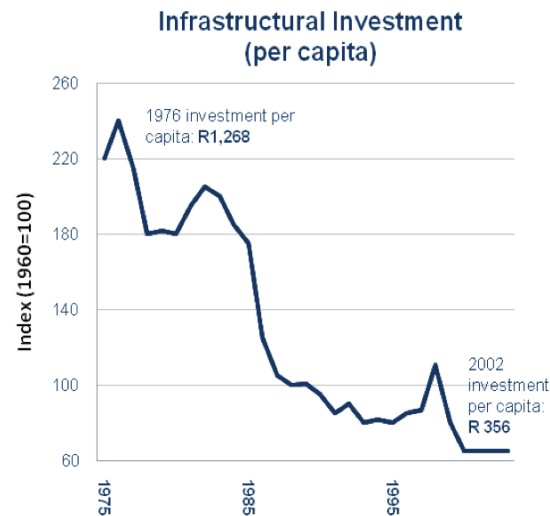
# The Opportunity – Consumer Spending

- One of South Africa's key characteristics in recent years has been the growing wealth of the previously disadvantaged, consumer-driven middle class
- South Africa currently has the 2nd largest purchasing power in the Emerging Europe, Middle East and Africa region and a high GDP per capita
- Despite historical growth, overall levels of house and car ownership remain low, and therefore the propensity to spend is expected to remain high



# The Opportunity - Infrastructure

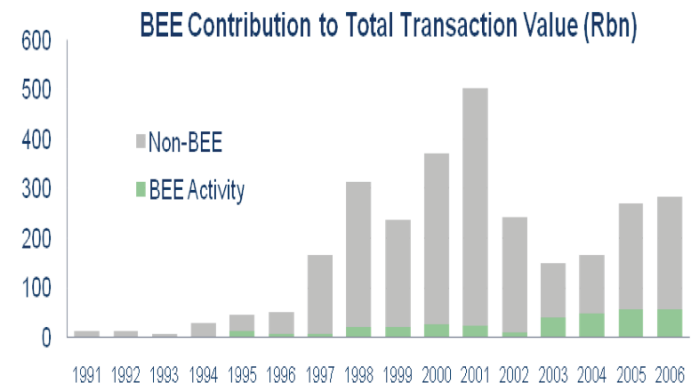
- The scale of public infrastructure spending is a key aspect of South African growth
- South Africa plans to boost investment in infrastructure by approximately \$60 billion over the next ten years
- Investment in electricity generation, ports, roads, rail, housing, bulk and hospitals
- Cement, steel, electricity and fuel producers are currently operating at or near full capacity, with significant capacity expansion expected in response to growing demand



# The Opportunity – BEE

- Marlow sees BEE as an opportunity to facilitate transactions that may otherwise not be available to the private equity market
- Marlow has an extensive network of BEE partners and a track record of BEE investments
- Since BEE transactions are often executed at a discount to underlying value, Marlow will use these opportunities to deliver superior investment returns for the Fund

Selected transactions and the BEE discount				
Target	Economic Cost	Transaction Value (Rm)	Cost as % of Value	Cost as % of Market Cap
Nampak	250	981	25%	2.6%
Discovery	260	831	31%	2.1%
Murray & Roberts	175	494	35%	3.4%
Medi-Clinic	224	1,088	21%	3.5%
Old Mutual	799	3,448	23%	3.2%
Nedcor	968	3,085	31%	3.7%
Mutual & Federal	166	663	25%	3.1%





## Transaction Pipeline

# Transaction Pipeline

Country	Sector	Transaction Size US\$	Description
South Africa	Diversified industrial	250 million	Leveraged buy-out of a publicly traded industrial conglomerate in South Africa. Significant exposure to the domestic consumer market.
South Africa	Sugar	150 million	Acquisition and refinancing of sugar mills and cane land in South Africa, in partnership with BEE.
South Africa	Waste management	30 million	Acquisition of a leading independent waste management company with a view to consolidating a highly fragmented and historically public-sector managed industry.
South Africa	Steel Merchant	15 million	Acquisition of a stainless steel distributor with significant activities in downstream steel processing and aluminium distribution, in conjunction with BEE.
South Africa	Household Goods	25 million	Acquisition of a high-growth furniture retail business with a particular focus on the lower- and middle-income market.
<b>Total:</b>		<b>460 million</b>	





## Conclusion



# Summary of Terms

## Marlow is raising a new Fund

Fund size	US\$ 300 million
Mandate	Going private opportunities in South Africa and sub-Saharan Africa
Term	10 years, with an option to extend
Structure	Limited liability partnership incorporated offshore
Target returns	25% nominal per annum
Target transaction size	Equity investments of between US\$ 25 million and US\$ 40 million

# Next Steps

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- Marlow is available for follow-up discussions and presentations, or to introduce additional members of the Marlow management team
- Due diligence can be performed on both the Fund and the Management Company at our offices in Johannesburg
- Private placement memorandum and draft partnership agreement available Q1 2008

# Contacts and Disclaimer

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**Andrew Hunt**

Marlow Advisors

Phone: +27 (0)11 666 0747

Mobile: +27 (0)82 777 1025

Email: [andrewh@marlow.co.za](mailto:andrewh@marlow.co.za)

**Sean Meyersfeld**

Marlow Advisors

Phone: +27 (0)11 666 0746

Mobile: +27 (0)82 901 7630

Email: [seanm@marlow.co.za](mailto:seanm@marlow.co.za)

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