

»» DEG: More than finance

How do investors/DFIs perceive the pharma opportunity in Africa?

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**KFW** DEG

# »» Introduction to DEG

One of the world's leading Development Finance Institutes

|                                     |  |
|-------------------------------------|--|
| <b>Who is DEG?</b>                  | <ul style="list-style-type: none"><li>› <b>Our job is development:</b> DEG is Germany's Development Finance Institute</li><li>› <b>Focused strategy:</b> DEG's mandate is to support the private sector in developing markets</li><li>› <b>AAA rated shareholder:</b> DEG is indirectly owned by the Federal Republic of Germany through its parent company KfW Bankengruppe</li></ul>   |
| <b>Where is DEG?</b>                | <ul style="list-style-type: none"><li>› <b>European base:</b> Headquartered in Cologne, Germany</li><li>› <b>Local presence:</b> 14 global offices in all major developing economies</li><li>› <b>Global reach:</b> Investment portfolio in excess of EUR8bn across 90+ developing economies</li></ul>   |
| <b>What funding does DEG offer?</b> | <ul style="list-style-type: none"><li>› <b>Long term partnership:</b> DEG specialises in long term funding (up to 12 years for corporates)</li><li>› <b>Bespoke financial instruments:</b> Structured equity, mezzanine and senior loan funding solutions</li><li>› <b>Multiple currencies:</b> DEG offers EUR, USD and select local currencies</li></ul>  |
| <b>Who are DEG's clients?</b>       | <ul style="list-style-type: none"><li>› <b>Wide sector focus:</b> Agribusiness, Manufacturing, Financial Sector, Infrastructure, Services; but one <b>Profile Sector: Health</b></li><li>› <b>Diverse businesses:</b> multi-national corporations, family businesses, top entrepreneurs, SMEs</li><li>› <b>Unique risk profiles:</b> DEG specialises in providing funding to projects, companies and markets where traditional lenders are usually too risk averse</li></ul> |

# »» DEG portfolio

14 locations. 8.3bn euros invested worldwide.



## »» Portfolio Africa



|                      |           |
|----------------------|-----------|
| Portfolio            | EUR 2.3bn |
| Investment countries | 28        |
| companies            | 150       |



- › The top three countries: Kenya, Nigeria, Uganda
- › DEG representative offices: Ghana, Southern Africa, Kenya



## »» Healthcare Financing in Africa

### Market Environment

- Changing demographics and lifestyle pattern: increased focus on NCDs (non-communicable diseases);
- Real income growth triggers demand for high-tech products and treatments;
- Increasing costs for state-of-the art equipment & services -> Need for higher efficiency
- Budget Constraints at Public Sector level offering market space for private players

#### **All of this leads to:**

- High demand for modern pharmaceuticals & medical technology, which are not widely available in the African market

## »» Healthcare Financing in Africa Challenges

Favourable political framework needed:

- Regulatory environment – e. g. policies to promote locally produced medicine
- Government exposure and payment practices offer potential for corruption
- Distribution channels securing quality and avoiding counterfeits missing
  
- Existence of a capital market
- Sufficient working capital
- Availability of hard currency for import of APIs & excipients
  
- Qualified technical staff
- State of the art technology, GMP certification
- High level of efficiency required

## »» Healthcare Financing in Africa Investment Opportunities

- Growth financing for existing production facilities
- Import substitution of pharmaceutical products
- Leverage manufacturing also for neighbour countries
- Introduction of new products/build-up of a pipeline of products
  
- Distribution channels (retail, pharmacies, etc.)
- Securing the supply chain
  
- Asset-light vs. asset-heavy business model
- Digitization, big data as game changer in healthcare unveiling new fields of activity

# »» Our Focus on Health

## Subsectors

### Health Delivery

- General Hospitals, Specialized Hospitals (cardiology, oncology, etc.)
- Medical Clinics, Diagnostic Centers
- Rehabilitation Centers, Elderly Care Centers

**Pharma** (mainly generics, CRAMS = Contract Research & Manufacturing Services)

**Med. Tech** (medical devices and materials, HIS = Hospital Information Systems )

## Target Regions and Countries

- depending on the market situation and regulatory provisions
- SEA, Africa, Latinamerica, Eastern Europe

# »» Success story: Health care platform in North Africa

Fund: North Africa Hospital Holding Group (NAHHG)

## The customer

- › NAHHG fund for creating a health care network in North Africa
- › Main investor Abraaj Group (USD 145 million) successfully set up a health care network in Turkey

## DEG's contribution

- › Equity participation to the amount of 15 million US-dollars



## The investment

- › Four hospitals acquired, two each in Egypt and Tunisia
- › Capacities increased by 300 beds to treat 30,000 additional patients
- › Highest medical standards guaranteed by recruiting qualified staff
- › Purchase of further hospitals planned in the medium term to build a network
- › Health care services on site improved by involving private operators

# »» Success story: Juice from Kenya

Company: Kevian Kenya Ltd.

## The customer

- › Medium-sized producer of fruit juices from Kenya
- › Purchases and processes fruits from local smallholder farmers



**“Without DEG’s financing and support, we wouldn’t have been able to expand our business.”**

Helen Kimani, Founding Director and Managing Director of Kevian Kenya Ltd.

Watch the complete interview on [YouTube](#)

## DEG's contribution

- › Long-term loan to the amount of 7.5 million US-dollars

## The investment

- › Production capacities expanded
- › State of the art PET filling machine sourced from Germany
- › Income and living conditions of smallholders improved

## »» Our promotional programmes at a glance

| Programme   | Measure   | Funding |
|---|---|---------|
| <b>Business Support Services</b>                    | Businesses can boost their performance, increase growth and enhance the development impact of their investments. BSS operate in the fields of corporate governance, staff and supplier training, risk management, environmental and social governance, and efficient resource and energy management. Some of the costs can be met by DEG. | DEG     |
| <b>Up-scaling</b>                                   | Innovative pioneering investments of German and local SMEs in developing countries that are in the start-up phase may be financed. Projects such as these can be co-financed by up to EUR 500,000 – repayable on success.   | DEG     |
| <b>Feasibility studies</b>                          | DEG can bear a share of the costs (up to EUR 200,000) for European SMEs planning to invest in a developing country and conduct a feasibility or environmental study, a legal survey or a market analysis.   | BMZ     |
| <b>develoPPP.de</b>                                 | European companies aiming to implement a project with development effects such as a pilot project or environmental or qualifying measure can be co-financed. A total of up to EUR 200,000 can be provided towards each project.   | BMZ     |
| <b>Climate partnerships with the private sector</b> | Measures from corporates promoting the spread of climate-friendly technologies can be funded with up to EUR 200,000.  | BMUB    |

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## »» BSS success story

### The example of Selecta Kenya

- › Selecta Kenya Ltd grows plant & flower cuttings for the global market.
- › It is operating in a highly competitive market.
- › The company is constantly looking for sustainable solutions to reduce its costs.
- › DEG assisted Selecta Kenya with a **solar feasibility study** and **energy efficiency audit** done by an external consultants.
- › The results and recommendations were presented to the General Manager Dries Eikens and his team, who ensured implementation.



*“I want to thank DEG for the solar feasibility study and energy audit. We are proud to announce that we have now completed the installation of our 48Kw PV plant at Selecta Kenya and we will expand the system up to the suggested optimum size in the study. We see this as a good start to become more sustainable by using solar energy. As recommended, we also installed more variable speed drives to lower our electricity consumption on water pumping. Plus new energy saving refrigeration equipment is on its way to Kenya. It is expected that this will cut down our electricity bill on cooling with another 20%!”*

**Dries Eikens**, General Manager Selecta Kenya Ltd.

## »» Your Contact at DEG



### **Business Innovation and Syndications**

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