

## Joint Press Release - May 2005

### **EXPORTCAPITAL, SAVANNAH AND ARELCO SIGN DEFINITIVE AGREEMENTS TO BUILD SOUTHERN AFRICA'S NO.1 VENTURE CAPITAL FUND MANAGEMENT COMPANY.**

Export Venture Capital Corporation (Pty) Ltd ("Exportcapital") has concluded agreements with Savannah Capital (Pty) Ltd ("Savannah") and African Resources and Logistics (Pty) Ltd ("Arelco") to sell a 35% stake in Exportcapital to Savannah and Arelco. Exportcapital is currently one of South Africa's few true venture capital fund managers. The parties envisage that as a result of this deal Exportcapital will be able to promote the need for early stage start-up capital generally and increase the availability of such capital in South Africa and the rest of the continent. The parties are confident that Exportcapital will become the leading South African provider of venture capital.

#### **TRANSACTION DETAILS**

In what is for practical purposes a BEE transaction, the shareholders of Exportcapital have sold an effective equity stake of 25% to Savannah, 100% beneficially owned by Henri Thompson and 10% to Arelco, which is beneficially owned by Moeletsi Mbeki and Ivor Ichikowitz 50/50. The total purchase consideration is R13.5 million and the transaction has become unconditional as of end of April 2005.

#### **EXPORTCAPITAL**

Exportcapital is one of the only true venture capital Fund Managers in South Africa, with over R200million under management. This amount is fully dedicated to early stage enterprise development. Exportcapital's first fund, The South African Export Development Fund, has been actively managed by the existing management team for the past four years and has shown significant returns, both in monetary terms as in compliance with the funds mandate to satisfy a financing gap in the Southern African market place. The Fund focuses on early stage start-up enterprises across a variety of industry sectors. Exportcapital has been able to commit the majority of its funds to worthy entrepreneurial ventures, situated in South Africa as well as Mali, Malawi and Zambia.

#### **SAVANNAH**

Savannah, the brainchild of Henri Thompson, has been in existence since 1998. The company specialises in the mobilisation of funding resources for investment projects across the Sub-Saharan Region. Savannah's various areas of expertise include corporate advisory services; financial services provision; property development; commodity trading and private equity transactions.

#### **ARELCO**

Two South African entrepreneurs, Moeletsi Mbeki and Ivor Ichikowitz established Arelco as an innovative vehicle to provide logistics, support and finance for ventures that enable the development of Africa's resources. Arelco is determined not to repeat Africa's mistakes of the past, understanding that the continent needs to profit from its vast natural resources and that its human resources remain under-utilised. From oil to agriculture and mining, transport, infrastructure and media, Arelco believes that Africa is positioned to become a global economic force. Arelco's mission is to develop and benefitiate the African continent's resources ensuring that the people of Africa become the primary

recipient of her wealth. Arelco is committed to fostering development on the continent and helping her become a world player - for her people and for the world as a whole.

## **BOARD AND MANAGEMENT**

Henri Thompson and Moeletsi Mbeki will be appointed as Directors of Exportcapital. The position of CEO will remain with Pieter Wesselink.

## **TRANSACTION RATIONALE AND VISION**

Exportcapital, Savannah and Arelco believe that there are outstanding prospects to attain synergies by working together to increase access to enterprise development capital across the African continent. The combined team shares the vision that early stage capital will be the driving force to unlock Africa's vast potential. Our experience is that Africa is a continent of great opportunity and potential but that much of the potential remains undeveloped due to a lack of early stage venture capital finance. The South African market for example remains skewed in favour of existing businesses rather than new ventures. Roughly R40billion is earmarked for private equity transactions and only R1billion for Venture Capital transactions. This shows clearly that real economic empowerment, fostering entrepreneurship and applying risk capital have a long way to go in South Africa.

## **PROSPECTS**

Commenting on the formation of the joint venture, Pieter Wesselink, Exportcapital's CEO, said: "We are now in a position to promote the need for true venture capital to a far broader audience through our extended contact base and access to all sectors of the African private and public community. This transaction forms an integral part of our growth strategy in the African enterprise development finance. We are looking forward to a long and successful partnership with Savannah and Arelco, our BEE partners. We are excited by the opportunities that this transaction will bring to our ability to dedicate more funds to early stage ventures in South Africa and the rest of the Continent."

Henri Thompson, the CEO of Savannah, said: "We have in the past been offered opportunities to manage 3<sup>rd</sup> party funds dedicated to potential African ventures, but did not have the structures and experience to do so formally. With our new partners we are now getting just that."

Moeletsi Mbeki commented: "South Africa is aware that her own future is integrally linked to that of the continent as a whole. It is therefore of the utmost importance that knowledge sharing, finance and skills transfer take place across and within our borders. I believe that the No. 1 priority facing the private and public sector in Africa is job creation. Enterprise development finance is the bedrock of industrial development and job creation. Exportcapital and its ability to successfully apply VC principles to such finance across the continent has a vital role to play in the realisation of the new vision for African development. The international community's renewed commitment to developing African economies must include funding for early stage enterprise development finance and I believe such funding should be managed by the private sector."

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