AVCA Member Interview:
Àrgentil Capital Partners

Àrgentil Capital Partners (Àrgentil) is a Nigerian financial advisory firm specialising in corporate, project and infrastructure finance, and mergers and acquisitions. In April 2015, Àrgentil launched its first private equity fund focused on the energy sector in West and Central Africa.

Gbenga Hassan joined Àrgentil in 2007 and has over 18 years of financial advisory, private equity and corporate finance experience. He co-manages Àrgentil's principal investments and asset management business with US$23mn under management, including a discretionary portfolio returning c.101% since inception in Q3 2012.

Gbenga talks to AVCA about Àrgentil's journey so far and its plan for the African energy sector in the years ahead.

Q: What is the history of the firm and how has it evolved over the years?

A: Àrgentil's management team initially focused on providing financial advisory services to indigenous firms in the energy sector after its Management Buy-Out in 2009. We still provide these services, however, after a strategic review in 2011, we decided to take advantage of investment opportunities by deploying investors' and our own capital into incubating businesses and directly investing in companies operating in West Africa.

Following our successes in this field, we launched the Àrgentil Energy Investment Fund which is advised by Àrgentil Capital Management Ltd. We have set an initial target of US$200mn and plan to have our first close in the second half of 2016.

Q: Tell us more about the Àrgentil Energy Investment Fund.

A: The Fund mainly targets West Africa's Anglophone countries, Nigeria, Ghana, Liberia and Sierra Leone, though it will also look at the Francophone countries of West and Central Africa on an opportunistic basis. It will be wholly focused on investing across the energy value chain.

We aim to invest in mid-sized power, gas processing and distribution, service companies, infrastructure facilities and near term oil and gas producing assets. Roughly speaking, power accounts for about 50% of our target portfolio, in addition to 20% for gas processing and distribution, and 10% each for upstream oil and gas, fuel processing and storage infrastructure, and for services companies providing

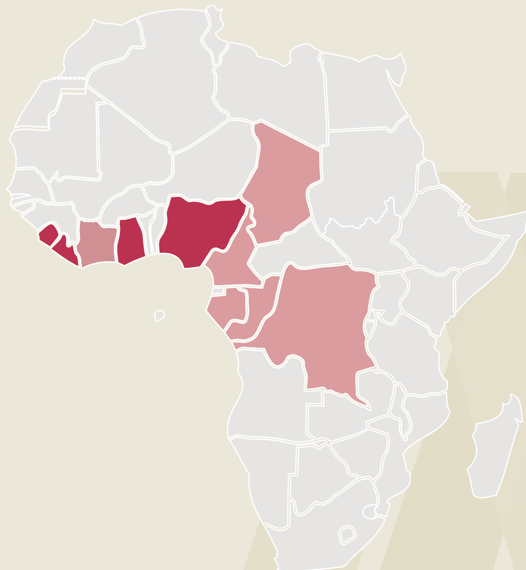
General Partner Profile

Name of General Partner
Àrgentil Investment Manager Mauritius

Funds
Àrgentil Energy Investment Fund

Regional Focus
Focus Countries:
Ghana, Liberia, Nigeria, Sierra Leone

Opportunistic Countries:
Cameroon, Chad, Congo, Côte d'Ivoire, Democratic Republic of Congo, Gabon



ancillary services across the industry. The targeted net internal rate of return is 25%, with a 2.5x net cash multiple, based on investments of five to seven years.

Q: Why do you think these investment themes are promising?

A: The figures show a pretty stark energy deficiency. For example, Nigeria generates about 4.5 gigawatts (4,500 megawatts), but needs 15 to 20 gigawatts of power to match consumption. It has four times South Africa's population, but generates one-tenth of what South Africa generates. Liberia consistently generates less than 100 megawatts, which we are addressing through a 10 megawatt biomass project to help fill the energy gap. Electricity has a significant multiplier effect in economic terms. Companies can flourish if they don't have to rely on expensive fuel to support their business.

The Fund sees significant commercial opportunities in gas monetisation which will also have a favourable impact on pollution. A lot of associated gas is produced when oil is extracted. In Nigeria, this gas is typically flared or burned off. Our vision is to catalyse investment in the conversion of the currently flared or stranded gas into gas-based products, including diesel substitution for industrial users, and conversion into LPG for domestic cooking and fertiliser/urea for agricultural purposes. Today, across the region, majority of families still use dangerous and inefficient fuels such as kerosene and firewood. Pollution from such cooking fuels has greater adverse impact on health of women and children than malaria. The social impact of our investment focus in this area can significantly improve the health and living standards of families in the region.

Q: What distinguishes Àrgentil from other private equity firms in the market?

A: The Àrgentil Energy Investment Fund is a sector-focused fund investing in West and Central Africa. There are few funds focusing on the energy sector in this region and in Africa in general. Some funds have energy rolled-up into infrastructure and others are generalist funds that target certain energy assets as part of a wider mix. We target the entire value chain in the energy sector, not just power or upstream oil and gas.

Q: What is your outlook for the industry, and where do you think the opportunities are?

A: A positive development is the increased support by regulators and governments who are beginning to acknowledge the impact of private equity on the growth of productivity and employment. In Nigeria and Ghana there's increasing support for investment by pension funds into local fund managers. This support is significant. In the case of Nigerian pension fund managers, for example – who can invest about 10% of their portfolio in private equity and infrastructure funds– a US$2.5bn injection into the market would move the needle in terms of supporting African general partners.

Q: How has AVCA been of value to you?

A: We've benefited from exposure to the AVCA network, which helps us greatly, especially as a first time fund manager. Moreover, AVCA is the voice for the industry – a point of contact for limited partners when they want to understand the state of play in Africa. To a large extent, we look to AVCA's research for guidance and work with their team to get visibility into prospective partners and investors with knowledge of the region.

Contact AVCA

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