

## Adenia Partners Portfolio Company: Herholdt's



**Country:** South Africa

**Sector:** Clean Energy

**Year Founded:** 1964

Herholdt's is a family business established in Bloemfontein, South Africa, in 1964. Originally focused on the sale of low voltage electrical equipment, including cabling, switches and lighting, Herholdt's successfully diversified into the distribution of solar energy installations. After ~60 years in the business, Herholdt's founders were exploring a sale in 2021. Impressed by the company's growth and development impact potential, Adenia partnered with the second-generation family members, who had been running the business for more than 5 years, to buy out the founders.

### ADENIA PARTNERS

**Fund:** Adenia Capital (IV)  
**Year of investment:** 2021



### ABOUT THE INVESTOR

Adenia Partners is a private markets investment firm committed to responsible investing and a sustainable Africa. Founded in 2002, Adenia has a proven track record with 31 platform investments executed and 17 realized exits. Based on-the-ground across Africa, Adenia has one of the most highly qualified African private markets investment teams in terms of educational pedigree, longstanding experience as entrepreneurs and investors, and local in-depth knowledge. By creating stronger companies with quality jobs, fostering economic improvement, and elevating companies to meet ESG standards, Adenia is increasing the enterprise value for investors, whilst benefiting workers, communities, and companies in Africa.

## INVESTMENT RATIONALE

The global solar energy installation market is experiencing annual growth of more than 30%, and the South African market is no exception. Often, demand for electricity from South Africa's state-owned monopoly, Eskom, outstrips supply. In the most severe cases, this imbalance has left huge chunks of the population without electricity for 36 hours over 4 consecutive days. Technological advancements in solar energy have also drastically reduced costs, with increased photovoltaic module efficiencies leading to a 60-90% decrease in photovoltaic module costs between 2010 and 2019. Before Adenia Partners' investment in June 2021, Herholdt's was already making huge progress in adapting their business model to take advantage of the

growing market for solar energy in South Africa. In 2021, just four years after deciding to adapt its business model towards solar installations, the solar energy business unit has grown to represent as much as 60% of Herholdt's revenue. Impressed by Herholdt's success in adapting its business model, Adenia partnered with second generation family members, who had been running the business for more than 5 years, to buy out the founders.

## KEY CHALLENGES

Clearly, any investment made in 2021 had to contend with the disruption to the South African economy due to the pandemic - with the South African economy entering recession in 2020. Despite these macroeconomic challenges, Herholdt's actually exceeded its targets in 2021, and its solar business is continuing to grow >30% year on year, lifted by both legacy and new stores.

Herholdt's is also expanding its solar energy business in a country with the most carbonized mix of electricity worldwide, relying on a network of old coal powered plants. Thus, the switch to solar energy not only makes sense from a commercial perspective but is also a must to fight against pollution. Solar installations have also seen a recent uptick in cost, due to tight supplies of raw materials and disrupted supply chains, but despite this solar remains an attractive proposition for South Africans with a solar powered kilowatt-hour still estimated to cost 25% less than the South African grid.

## VALUE CREATION

Not only did Herholdt's exceed its financial targets for 2021 in difficult circumstances, whilst adapting its business model to expand green energies, but it also continued to add value to its employees and the wider community. Adenia Partners and Herholdt's are already making strides towards meeting their internal targets to contribute to SDG 7 - Affordable and Clean Energy - by focusing on solar energy installations instead of low voltage electrical equipment.

Herholdt's has generated strong interest from the local communities in which it operates, who are eager to use more reliable power for their businesses and every-day lives. In 2021, Herholdt's equipped three South African provinces, and surrounding African countries, in particular Lesotho, with more than 100,000 solar panels. In the same year Herholdt's provided 2,500 hours of professional training to its employees, highlighting Herholdt's and Adenia Partners' commitment to empowering local workers and communities, whilst simultaneously improving financial performance.

IMPACT METRICS	At the time of investment	Now
Revenue growth		>50% growth since acquisition
Number of employees	161	199
Number of stores	3	6
Solar share of revenue	44%	60%