

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1320 [NW1420E]
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1320. Mr D J Maynier (DA) to ask the Minister of Finance:

- (1) Whether (a) Dr Dan Matjila and/or (b) any other person employed by the Public Investment Corporation (PIC) met with a certain person (name furnished) in each of the past five financial years to date; if not, in each case, why not; if so, what was the (i) purpose, (ii) outcome, (iii) location and (iv) date on which each meeting took place;
- (2) whether the specified person and/or any company associated with the specified person received payments in respect of transactions involving the PIC; if so, (a) what was the nature of the transaction(s), (b) why was the payment(s) made in respect of the transaction(s) and (c) what was the value of the payment(s)?

NW1420E

REPLY:

Background and context

By a way of introduction, Nana Sao is a founder of Sao Capital, one of the many black service providers that the PIC has worked with. Sao's career spans 16 years in investment banking in London and Johannesburg at Merrill Lynch, Citigroup and Goldman Sachs ("GS") and DMC partners (a London-based emerging market investment fund). As a Managing Director responsible for Natural Resources and Africa M&A transactions at Goldman Sachs, Sao led the GS team advising the Public Investment Corporation ("PIC") in several strategic discussions / transactions over more than a decade.

He previously co-founded Africa Capitalworks ("ACW"), a private equity investment holding company focussed on Sub-Sahara Africa. A stellar performer, ACW is one of the only South African homegrown investment firms founded and owned by a black executive, with returns averaging 30% IRR over the past 10 years. PIC is one of a number of leading Africa investors that is an investor in ACW alongside several international institutions including the UK-government owned CDC Group, the African Development Bank and several international reputable institutional investors.

Thorough investment process preceded PIC's participation in ACW. The PIC's detailed and rigorous investment process lasted over 30 months and included numerous interactions with the various PIC investment, legal, ESG (environmental, social and governance), risk and internal audit teams. In addition, extensive due diligence, including independent due diligence and background checks by PWC, were conducted by the PIC as part of its approval process. Representative investments of the Capitalworks Group include MTN Nigeria, Cipla QCIL, Smile Telecommunications, AoN Africa, IQ Business Group, Rhodes Food Group, Pronto Holdings and Much Asphalt.

- (1) Officials from the PIC (these include investment team members and the Corporation's Chief Executive Officer) have had numerous meetings with Mr Sao. These meetings were in relation to PIC's investments in ACW and with Sao as an adviser to the PIC whilst attached to Goldman Sachs and they collectively go back over a decade. All meetings in relation to mandates listed and discussed below and work undertaken have been held either at the PIC (primarily), Capital works or Sao Capital offices. These meetings are factual matter of record and available for review if required.

Transactions involving Sao Capital

- (2) Over the last 5 years, Sao Capital has been mandated and paid market related advisory fees by the PIC to provide advice on three (3) successfully-executed transactions, including:

PIC \$230m investment in MTN Nigeria

This transaction involved the acquisition of Shanduka stake in MTN Nigeria in February 2015:

- Sao Capital acted as strategic M&A advisor;
- Other advisers to the PIC included DM5, Templars, White & Case (Legal). Shanduka adviser included Standard Bank (financial); and
- Transaction took two (2) years - from inception in 2013 to closing in 2015 - to execute. A full time team, comprising numerous Sao Capital personnel were involved in the transaction. The PIC is still invested in MTN Nigeria.

PIC \$125m investment in Angola government bond - July 2015:

- Sao Capital acted as introductory, placement and structuring agent to the PIC's participation in the Angola government's \$550m Bond;
- The PIC subscribed to \$125m of the issued Bond;
- Gemcorp, a \$1.5bn emerging market investment firm based in London, was the lead bookrunner and advisor to the Angola government for a total; and
- Post the investment, the PIC divested their \$125m stake in the bond in May 2018 and realised a return in excess of 28%.

PIC ~\$35m investment in Kenyan Energy Company ("Kengen" – listed on the Nairobi stock exchange) - March 2017

- Sao Capital acted a strategic financial adviser to the PIC and performed the valuation, the sourcing of shares, coordinated the due diligence and the transaction execution;
- In addition, Sao Capital is providing regular update to the PIC on its investment in Kengen;
- Other advisers in the transaction were Renaissance Capital (adviser to Kengen and broker to the PIC for on-market share purchases), White & Case and Coulson Harney (Legal), Lummus Consultants (technical);
- The transaction took 18 months from origination to close, mobilising seven Sao Capital resources; and

- Since the start of the investment in March 2017, the PIC has made a return in excess of 30%.

In conclusion, it is worth noting that PIC is just one of the many clients that Sao Capital services. These clients include sovereign wealth funds and development finance institutions and multinational companies investing in various sectors in the African continent.

