GLOBAL PRIVATE CAPITAL ASSOCIATION

# DEAL BOOK

## ESG In Action

Private capital deal cases across Asia, Latin America, Africa, CEE and the Middle East.

GPCA

Edition II

# About GPCA

**THE GLOBAL PRIVATE CAPITAL ASSOCIATION (GPCA)** is a non-profit, independent membership organization representing private capital investors who manage more than USD2t in assets across Asia, Latin America, Africa, Central & Eastern Europe and the Middle East.

Our mission is to connect and influence key market participants, by promoting the sectors, strategies and deals that will drive investment returns and meet societal needs. With headquarters in New York and Singapore, GPCA includes LAVCA, the Association for Private Capital Investment in Latin America.

# GPCA Leadership Circle Members

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## The Investor

AIIM

Founded in 2000 as a joint venture between Australia's Macquarie Group and South Africa's Old Mutual Investment Group, AIIM invests in infrastructure projects in East, West and Southern Africa. As of October 2021, AIIM has raised seven private equity infrastructure funds and invested in 65 portfolio companies. The firm has 41 investment professionals operating in offices across South Africa, Nigeria, Kenya and Côte d'Ivoire.

**FUND NAME**
African Infrastructure Investment Fund 3

**FUND SIZE**
USD399 million

**TOTAL AUM**
USD2 billion

## The Company

Starsight

Starsight Energy provides clean on-grid and off-grid energy services to commercial and industrial clients such as banks, gas stations, universities and commercial agriculture businesses. The company provides an end-to-end solution from the initial data-driven assessment to design and installation with lifetime technical support. As of October 2021, Starsight Energy has delivered energy solutions at over 540 sites and more than 48 megawatts of installed generating capacity.

**WEBSITE**
www.starsightenergy.com

**INDUSTRY/SECTOR**
Distributed Power

**LOCATION**
West and East Africa

**DATE OF INVESTMENT**
FEBRUARY 2018

**AMOUNT**
CONFIDENTIAL

**PARTICIPATION/STAKE**
37.8%

**AFRICAN INFRASTRUCTURE INVESTMENT MANAGERS (AIIM)** is a long-term investor in Africa's energy sector with experience executing several large-scale Independent Power Producer (IPP) projects in markets such as Nigeria and Ghana. However, it found the IPP development process to be lengthy and inefficient due to complex regulatory processes, heavy levels of government involvement, political sensitivities to rates and more.

AIIM knew that these delays and the chronically undersupplied grids in Africa were forcing businesses to generate their own electricity, often from generators burning fossil fuels. For example, Nigeria's available operational generation capacity of 5 gigawatts (GW) is well below the estimated 20GW in demand. AIIM realized that it could solve a significant problem by helping customers find a more reliable and cost-effective energy supply.

The AIIM team was interested in distributed generation solutions, defined as energy generated in smaller amounts onsite rather than being transmitted over an electric grid from a centralized facility. Between 2015 and 2016, AIIM undertook a detailed market mapping exercise to see who was working in this niche industry but found little more than ideas on paper. They identified Starsight Energy, a small company that had run a limited pilot at 10 sites in Nigeria with 300 kilowatts (KW) installed. AIIM invested an undisclosed amount in the company in February 2018 for a 37.8% stake and has since supported it with additional follow-on commitments. Since AIIM's investment, Starsight has provided energy solutions to over 540 client sites across Nigeria and Ghana, delivering over 48 megawatts (MW) of installed power generating capacity, 35 megawatt hours (MWh) of battery storage and 17,754 horsepower in cooling capacity.

## The Deal

**UNLIKE ITS COMPETITORS** who often charge customers a per-kilowatt hour fee for simply installing solar panels, Starsight's unique energy efficiency approach uses smart technology and data analytics to measure its clients' energy needs and supply power efficiently. This is done through a combination of newly designed solar and hybrid generation systems, energy storage capacity and cooling-as-a-service solutions.

Starsight works with customers to reduce energy consumption at their sites. For example, the company will test to determine the most efficient alternating currents, add shades to windows, change light bulbs, put timers in place, ensure proper door placement, etc. These incremental changes translate into cost savings. Starsight estimates that its clients reduce their electricity consumption by an average of 20-45%, while the cumulative cost and energy savings for all customers were USD2.7 million and 9,474MWh as of October 2021.

Starsight's clients do not pay any upfront costs and are instead charged an all-inclusive monthly fee for end-to-end service, so accurate pricing is important to minimize losses. Starsight has been able to leverage AIIM's experience as a disciplined infrastructure investor to measure the unit economics of each deployment and ensure prices are fair to the customer. To help develop its pricing strategy in Nigeria, the company leverages the most extensive databank on solar generation patterns in the country. Starsight's data analytics team uses its in-house data to increase efficiencies, such as predicting a site's consumption within a 10% margin of error versus conducting the same exercise on site, which allows installations to be designed at a reduced cost.

Since AIIM's initial investment, Starsight's footprint has grown rapidly. AIIM designed a framework for evaluating new markets and helped screen potential targets, which has supported the company's geographic expansion strategy. Starsight initially added Ghana to its coverage in 2019, and in May 2021 announced the acquisition of a 50% stake in the East African operations of commercial and industrial-focused Premier Solar Group, which is active in Kenya and will be building a pipeline in Uganda, Tanzania and Rwanda over the next 12 to 18 months.

Given that the company seeks to reduce carbon emissions at each client site, AIIM helped Starsight hire an ESG Officer and implement IFC's sustainability reporting standards to measure and report on the company's environmental impact. As just one example, Starsight designed and completed a 950KW solar system for Nigeria's Big Bottling Company in May 2021, integrating a rooftop solar solution into the plant's existing natural gas power infrastructure. The company estimates that its efforts will ultimately help the company offset 11,743 tons of carbon dioxide over the next 10 years. To date, Starsight estimates that it has reduced carbon emissions at its sites by 31,634 tons.

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*When we first invested in Starsight, nobody in Nigeria had experience working in distributed generation, so we had to hire telecommunications workers, HVAC engineers and managers from outside the industry, all of whom are now experts in clean energy.*

***Developing local human capital has been a key part of our success*** *— it leaves the company better protected because its people have a deep understanding of the market as well as a vested interest in solving the problem.”*

**DAMILOLA AGBAJE**
INVESTMENT DIRECTOR, AIIM

### Strengthening Nigeria's workforce and communities

**AS STARSIGHT EXPANDED,** its team grew from a few employees in 2017 to approximately 150 employees as of October 2021. The company is proud that 97.5% of Starsight's workforce is Nigerian as well as 84% of its management.

As Starsight strives to increase opportunities for Nigerians, it has also launched several community-focused initiatives. For example, in 2020, it installed an off-grid solar system at a hospital in Ekiti State that had previously received less than eight hours of grid electricity per month. By having a clean and reliable energy supply, the hospital has been able to speed up COVID-19 testing times and provide better care for its patients.

# Outlook

**STARSIGHT'S GOAL** is to become the largest distributed generation provider on the continent. Due to the unreliability and high cost associated with national grids across Africa, AIIM is working with the company to further expand and diversify across the region. As the company continues to scale, it is also seeking to broaden its reach to residential clients. Starsight and AIIM are exploring ways to build plants anchored by commercial and industrial clients that would guarantee a minimum level of return, and then supply the excess generation capacity to residential customers who might otherwise be a riskier bet by themselves.

## The Investor

AfricInvest invests growth capital in small and medium-sized African enterprises. Since the early 1990s, the firm has raised 21 funds, made over 180 investments, and realized more than 90 exits in over 25 countries. Founded in Tunisia, AfricInvest has approximately 90 investment professionals based out of nine offices throughout Africa and one in Paris.

**FUND NAME**
AfricInvest Financial Inclusion Vehicle (FIVE)

**FUND SIZE**
Evergreen investment vehicle, targeting EUR200 million in total commitments

**TOTAL AUM**
USD1.9 billion

## The Company

InstaDeep's AI-based platform helps businesses analyze big data to make complex decisions and design better products. The company has applications across a wide range of industries including biotechnology, energy, financial services, electronics, manufacturing and transportation. As of October 2021, InstaDeep has 160 employees in six offices spanning Africa, Europe and the Middle East.

**WEBSITE**
www.instadeep.com
www.deepchain.bio

**INDUSTRY/SECTOR**
Artificial Intelligence (AI)

**LOCATION**
Global (founded in Tunisia)

**DATES OF INVESTMENT**
APRIL 2019, NOVEMBER 2019, NOVEMBER 2020

**TOTAL AMOUNT**
APPROXIMATELY USD7 MILLION
(cumulative investment)

**PARTICIPATION/STAKE**
UNDISCLOSED

**IN 2018,** Khaled Ben Jilani, a Senior Partner at pan-African private equity firm AfricInvest, began discussions with Karim Beguir, who, together with Zohra Slim, had co-founded InstaDeep in Tunis in 2014. Beguir and Slim were using AI, including various advanced machine learning techniques, to help businesses make complex decisions and design better products. Having achieved early success in securing some large corporate clients such as Total and BNP Paribas, InstaDeep wanted to develop a more scalable product platform.

The AfricInvest team recognized the impact that could be made across the African continent through AI. Having worked with over 150 African portfolio companies by that time, it knew how much data was underutilized due to a lack of financial resources and limited access to specialized talent. The team observed that AI could help companies in many industries, including financial services, transportation and energy, develop a cutting edge with the use of these data sets. In April 2019, AfricInvest led InstaDeep's USD7 million Series A alongside Endeavor Catalyst. It also participated in a follow-on financing in November 2020 with existing shareholders, raising another USD7 million for the company.

By October 2021, InstaDeep had become a global player in decision-making AI enterprise software with 160 employees and offices in Tunis, London, Paris, Dubai, Lagos and Cape Town. The company's partners include Google, Intel and NVIDIA, and it was ranked by CB Insights as one of the top 100 most promising private AI companies in the world in 2020 and 2021.

## The Deal

**INSTADEEP'S EXPERTISE** includes data science, machine learning, reinforcement and deep learning, all of which can help customers optimize decision-making processes and improve efficiencies. InstaDeep's tools are used to develop bespoke solutions for clients tied to specific projects. One example is its partnership with Deutsche Bahn. Awarded in September 2019, InstaDeep's contract with the German railway company is focused on developing an AI system to automate railway planning and dispatching.

AfricInvest saw the opportunity to help the InstaDeep team brainstorm ideas for an AI platform that could be scaled across customers. In November 2019, InstaDeep launched a decision-making routing platform called DeepPCB. The cloud-based Printed Circuit Board (PCB) router, which is still being developed, optimizes the routing of components and provides results in less than 24 hours — a significant reduction from the current practice of solving boards manually, which can take weeks. Automating PCB design could have significant implications for the chip industry and beyond.

InstaDeep also developed DeepChain, a commercially viable platform that can explore and design protein sequences. In November 2020, the company partnered with German biotechnology company BioNTech. InstaDeep and BioNTech are leveraging DeepChain to apply AI and machine learning technology to the development of next-generation vaccines and biopharmaceuticals to treat a range of cancers and infectious diseases. InstaDeep has a pipeline of pharmaceutical companies and universities interested in using DeepChain for future collaborations.

Beyond providing strategic support, AfricInvest spent the first several months post-investment helping to institutionalize its governance processes and establish an environmental and social action plan. AfricInvest also helped recruit Isabelle Levard, previously the Deputy CEO at microfinance group Baobab, as InstaDeep's CFO. Levard played a key role in a company-wide effort to equalize salaries by gender. Over the past two years, the company has eliminated the gender pay gap based on average monthly salaries for men and women. As of October 2021, women hold 36% of all management positions and 20% of Board positions.

InstaDeep's new partnerships and products have led to average revenue growth of more than 500% year over year between September 2019 and September 2021. Over the same time period, the number of employees has more than tripled. The company has filed seven patents, with an additional two in progress, and has published 16 research papers as of October 2021.

With its recent USD100 million funding round in January 2022, welcoming new shareholders including Alpha Intelligence Capital, BioNTech and Google, InstaDeep has taken an important next step towards further scaling its global presence and deploying AI products to tackle complex real-world problems.


"

***InstaDeep is proving that cutting edge AI technology developed in Africa can succeed on the global stage.** It is also giving exposure to the immense talent pool that exists within the continent. And because of InstaDeep's work in solving complex problems across so many industries, more people are learning of AI's potential and want to start careers in this field."*

**PATRICK HERRMANN**
SENIOR MANAGER, AFRICINVEST

# Outlook

**OVER THE NEXT SEVERAL YEARS,** the AfricInvest team plans to work closely with InstaDeep to continue broadening the applications of its AI technology. For example, AfricInvest plans to help the company further develop solutions for African banks and microfinance institutions, leveraging its knowledge and network in financial services. By using machine learning to analyze massive data sets on the continent, InstaDeep's algorithms can lower fees, improve underwriting decisions, segment customers by risk and better predict spending patterns and the probability of payment default.

As AfricInvest contemplates its future exit strategy, it recognizes that there will likely be significant interest in InstaDeep from large strategic corporations. However, it believes an IPO is the ideal path forward to ensure InstaDeep continues to impact multiple industries, while staying true to its motto of democratizing AI in Africa.

## Building an AI ecosystem in Africa

**INSTADEEP** moved its headquarters to London in 2015, although most of the engineering and technical team remains in Africa. InstaDeep also established additional offices in Nigeria and South Africa in April 2019 and January 2020, respectively, to leverage the engineering and IT expertise that exists within those markets, and to help fight known biases in the AI world. As of October 2021, more than half of the company's total employees are based in Africa. The company partners with local universities across the continent, including South Africa's Stellenbosch University, Cape Town University and the University of Witwatersrand, to continue building and recruiting new talent.

In 2020, InstaDeep invested in Zindi, a South African data science community platform that brings together people who are interested in AI. InstaDeep has worked with Zindi on numerous events and competitions focused on solving local problems such as flood predictions in Malawi and COVID-19 spreading trajectories. In March 2020, InstaDeep co-sponsored Africa's first online inter-campus AI Hackathon, connecting students from across the continent to crowd-solve challenges in health, education, environmental conservation and business.

## The Investor

CEECAT Capital is a private equity and private credit investor operating in Emerging Europe and Central Asia. The CEECAT team has been active in the region since 2005, with nearly EUR700 million invested in the areas of industry, consumer, healthcare and business services. The firm invests in small and mid-market companies with a focus on majority buyout or minority with significant control. CEECAT has a team of 25 professionals operating out of offices in London, Luxembourg, Bucharest, Istanbul and Almaty.

**FUND NAME**
CEECAT I Fund

**FUND SIZE**
EUR265 million

**TOTAL AUM**
EUR290 million

## The Company

Cevher is an automotive parts manufacturer that began as two businesses: Cevher Dokum Sanayii A.Ş. (a foundry that produces aluminum castings) and Cevher Jant Sanayii A.Ş. (an alloy wheels business). In 2016, Cevher sold its foundry business to Mexican automotive parts manufacturer Nemak. The company, which exports to Western European car manufacturers, has an annual production capacity of more than two million wheels as of October 2021.

**WEBSITE**
www.cevher.com

**INDUSTRY/SECTOR**
Automotive Components

**LOCATION**
Turkey

**DATE OF INVESTMENT**
AUGUST 2012

**AMOUNT**
EUR18.1 MILLION

**INITIAL PARTICIPATION/STAKE**
46.2%

**DATE OF EXIT**
NOVEMBER 2019

**LUXEMBOURG-BASED INVESTOR CEECAT CAPITAL** first met the Cevher Group, a Turkish manufacturer of aluminum casting and alloy wheels, in 2009. Having started its foundry business in 1955, Cevher had built a reputation as a trustworthy supplier to Western European original equipment manufacturers (OEMs) such as Volkswagen, Audi, Daimler and BMW. However, the company was facing a short-term liquidity crisis and was in need of a financial partner. The global financial crisis had led to a sharp drop in automobile demand, and the company, which had gotten caught up in a large capacity expansion, was struggling to service a sizable loan with unfavorable terms. Cevher had even been forced to borrow from its OEMs, which was negatively impacting future orders.

CEECAT engaged a consultant with extensive experience in private equity-led automotive supplier restructurings to assist it in analyzing Cevher's product line, efficiency and profitability. The team chose not to invest at that stage but still shared its commercial due diligence findings with the company. When Cevher's shareholders and management team asked CEECAT for a reevaluation three years later after implementing many of its prior recommendations, the team decided it was the right time to form a partnership.

In 2012, CEECAT purchased 46.2% of Cevher after negotiating several rights, including control over the company's financial management. The firm invested a total of EUR18.1 million in the company until its full exit in 2019.

## The Deal

**CEECAT'S INITIAL FUNDING** went toward Cevher's immediate needs, including equitizing the company's debt, repaying suppliers and resolving tax liabilities. CEECAT also spent time presenting its action plan for Cevher to the OEMs — reassuring several that were concerned it would simply break the company into parts and conduct an asset sale. As part of its strategy, the CEECAT team made substantial changes to Cevher's organizational structure, including appointing a new Group CEO, Financial Director and Continuous Improvement Manager. It also brought in a sales and marketing expert, an operations expert to improve production in line with best practices such as Six Sigma and Kaizen, and a new procurement manager to implement diversification strategies in sourcing aluminum.

At the time of CEECAT's investment, Cevher had two distinct but complementary subsidiaries — a foundry focused on aluminum automotive castings and an alloy wheels business. CEECAT's initial investment thesis was that the foundry would yield better profitability compared to the more commoditized wheels segment given its focus on complex engine parts. However, the rapid adoption of electric cars and OEM requirements for more complex designs allowed wheels to be a higher-margin segment. In particular, demand for alloy wheels began to surge as customers started to appreciate that aluminum wheels result in less fuel consumption than steel ones, while also being more visually appealing.

In a change of strategy, CEECAT sold the foundry first in 2016 and then shifted all its attention to the wheels business. The team started with replacing the CFO and COO, while making selective investments into computational engineering capabilities to improve the air resistance of its wheels. CEECAT's continued investment also led to the acquisition of a second production facility in 2018 located in the Aegean Free Trade Zone in Izmir. The new facility, which created approximately 250 new jobs, allows Cevher to produce wheels with a diameter of 22"-24" (up from 18"-19") as electric cars require larger wheels to support a heavy battery located at the bottom of the vehicle. Cevher is also using the facility to grow in the premium segment, increasing its percentage of wheels that are high shine diamond cut.

Cevher began experimenting to make its wheels lighter without changing any technical qualities. By 2019, it has succeeded in optimizing the weight of more than 10 new models, resulting in a total carbon dioxide emission reduction of more than 35,000 tons over each vehicle's expected lifetime on the road. The optimized wheels also require less aluminum, generating an estimated annual cost savings of nearly EUR2 million for the production. With the improvements in efficiency and greater capacity, Cevher increased its EBITDA by 130% and more than doubled its EBITDA margin over seven years from 7.8% at entry to 17.3% at exit.

# Outlook

**IN NOVEMBER 2016,** CEECAT and Cevher's founder sold 100% of the foundry business to Mexico's Nemak, a global leader in aluminum powertrain casting. At the time, Nemak had 35 facilities worldwide — including locations in Russia, Hungary, Poland and Czechia — and believed Turkey would be a strong strategic addition to its network. Impressed by Cevher's talent, Nemak charged the management team with even greater leadership responsibilities, including covering regional business.

Using the proceeds from this transaction as well as additional capex and acquisition loans arranged by CEECAT, Cevher's founder bought back CEECAT's stake in the alloy wheels business in 2019, allowing the firm to fully exit the investment. CEECAT's total cash-on-cash return was above 2x.

## Prioritizing an environmental agenda

**GIVEN ITS FINANCIAL DISTRESS,** Cevher had not focused significantly on the environmental aspects of the business beyond meeting the requirements put in place by its OEM partners. CEECAT developed an action plan tied to its shareholders' agreement that included establishing an environmental management policy and assigning a coordinator to oversee it. The CEECAT team knew that this was not only the right thing to do for the employees and surrounding community; it would also provide better financial returns upon exit.

During the site visit, CEECAT recognized that the original aluminum foundry presented several environmental concerns. It replaced all the forklifts with electrical ones to reduce fossil fuel usage, introduced 100% renewable electrical energy and doubled Cevher's aluminum chip recycling capacity. The foundry lacked sufficient air ventilation, so CEECAT also invested approximately EUR2 million in the ventilation system to improve air quality. In 2014, CEECAT worked with Cevher to move most of the machinery to a third facility in an organized industrial zone further away from the city and introduced more efficient production lines that led to annual energy savings of approximately 40%.

Eighteen months post-investment, CEECAT spent over EUR3 million on a sand reclamation system. Sand, made mostly from silica, is used to create cavities in aluminum die casting parts. Because Cevher didn't have recycling capabilities, it was continuously buying fresh sand and then dumping it at a waste site given that it contains metallic aluminum particles. The new sand reclamation system allows the company to recycle more than 90% of the sand it uses, resulting in a more efficient, cost-effective and environmentally friendly process.

In 2016, an improvement project was undertaken to prevent the loss of water in the cooling channels of low-pressure machine tools. Cevher reduced its water consumption by 150 $m^3$ per day and additionally achieved an approximate 25% reduction in the total amount of water consumed between 2016 and 2019.

## The Investor

Earlybird Digital East Fund (DEF) invests in technology ventures hailing from Emerging Europe with over USD400 million in committed capital. DEF is one of the autonomous, dedicated and specialized teams within the Earlybird family, which has over EUR1.5 billion in assets under management and has overseen eight IPOs and 30 trade sales as of October 2021.

**FUND NAME**
Digital East Fund 2013 SCA SICAR

**FUND SIZE**
USD150 million

**TOTAL AUM**
USD400 million

## The Company

Established in 2005, UiPath develops robotic process automation software for enterprises in a wide range of industries, including healthcare, financial services and energy. Its software monitors activity to automate repetitive tasks, while offering flexible deployment options such as private cloud as well as on-premises. As of the end of October 2021, UiPath has annual recurring revenue of USD818.4 million, as well as over 9,600 enterprise clients and more than 4,900 go-to-market and technical partners.

**WEBSITE**
www.uipath.com

**INDUSTRY/SECTOR**
Enterprise Software

**LOCATION**
Global (founded in Romania)

**DATE OF INITIAL INVESTMENT**
JULY 2015

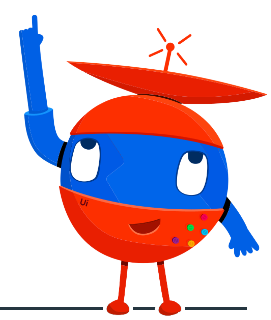
**AMOUNT**
USD16.6 MILLION

**INITIAL PARTICIPATION/STAKE**
12.3%

**DATE OF IPO**
APRIL 2021

**IN 2014,** Microsoft-trained engineer Daniel Dines approached Emerging Europe-focused venture investor Earlybird Digital East Fund. Dines had returned to his home country of Romania and was seeking funding for his ambitious plan to fully automate a vast range of repetitive front- and back-office tasks across an organization. His enterprise software company, UiPath (then known as DeskOver) wanted to enter the nascent robotic process automation (RPA) industry, which at the time was largely comprised of two major players. The Earlybird Digital East team was willing to bet that the company could dominate the competitive landscape and expand rapidly by pairing its innovative product with strong execution skills.

Earlybird Digital East led UiPath's seed round in July 2015, contributing USD1 million of the USD1.6 million infusion — the first institutional financing for the company. Earlybird Digital East continued to participate in follow-on rounds, contributing a total of USD16.6 million until April 2021, when UiPath went public on the New York Stock Exchange. Since Earlybird Digital East's initial investment, UiPath has grown from 10 engineers operating out of one office in Bucharest to a New York City-headquartered global company with nearly 3,000 employees across 40 offices. At the time of its IPO, UiPath was valued at more than USD35 billion.




## The Deal

**UiPATH'S PLATFORM** is used to develop "software robots" that can automate repetitive tasks by utilizing computer vision and machine learning technology, thus freeing employees to do more value-added work. Since 2015, UiPath has added several new capabilities, including process and task mining, task capture, document understanding, third-party integration frameworks, UiPath marketplace (a place to share knowledge through an open exchange of RPA components) and the Automation Cloud (a cloud-based software-as-a-service solution) — all of which help to improve productivity.

The Earlybird Digital East team knew from experience that Eastern European founders tended to be conservative, often seeking profitability before growth. Earlybird Digital East encouraged Dines to think differently and aggressively invest resources early to capitalize on the market opportunity.

UiPath utilized some of its funding to open offices in London, New York, Bangalore, Paris, Singapore, Washington, DC and Tokyo in the first years after initial investment, and then expanded more deeply into Asia Pacific and Latin America over the following years.

In 2017, the company moved its headquarters to New York City to be closer to its target customer base of established global enterprises with thousands of employees. At the time of Earlybird Digital East's first investment, UiPath was sharply focused on product development rather than commercialization. Subsequently, it also allocated significant resources to develop its sales and marketing capabilities.

UiPath's fundraising success at an early stage of development was instrumental in its ability to launch its suite of products and rapidly scale operations before becoming profitable. After leading the company's first institutional financing round in 2015, Earlybird Digital East introduced UiPath to global venture capital firm Accel, who led the company's Series A in 2017. Later on, other prominent investors such as CapitalG and Sequoia Capital came onboard with larger pools of capital, so Earlybird Digital East took a smaller part in each subsequent round.

Earlybird Digital East continued to invest in the company because it believed in UiPath's growth potential, even when the valuations grew to a level to which the fund was unaccustomed. For example, it participated in UiPath's 2018 Series B, which valued the company at USD1 billion, even though its commitment represented a significant percentage of its total fund size. In total, UiPath was able to raise nearly USD2 billion in private capital in advance of its IPO.

# Outlook

**EARLYBIRD DIGITAL EAST** began partially divesting its holding in 2019, primarily to make room for new investors. However, the firm held the majority of its shares until UiPath's IPO. As of December 2021, Earlybird Digital East's multiple over invested capital stands at 150x, which includes the proceeds from its partial share sales as well as the fair value of its remaining interest in the company. Still, Earlybird Digital East has held onto a portion of its stake because it expects its investors will be able to benefit even further from UiPath's growth, particularly as the company currently leads the ever-expanding global RPA market. Looking forward, the Earlybird Digital East team believes UiPath's global success will help shine a spotlight on other Emerging European businesses.

Annual recurring revenue (ARR) is the key metric UiPath uses to measure performance. The company primarily bills its clients through an annual subscription model, with rates based on the number of software robots and users. As of the end of October 2021, UiPath's ARR was USD818.4 million, up from approximately USD1 million in 2015. UiPath also boasts a net revenue retention rate of 144% — one of the highest in the industry — meaning that for every dollar initially paid, the customer spent an additional USD0.44 over the next year, either for new use cases or more users.

## Spurring job creation in a new industry

**UIPATH'S RAPID GROWTH** has directly led to an explosion in the RPA market and created thousands of new developer and sales roles in the IT industry. Within UiPath, there are 2,850 employees, many of which are based in Romania and India. RPA-focused positions have been added over the last five years to many of the company's nearly 5,000 channel and implementation partners. These are customers, such as IT services or consulting companies, that have become resellers of UiPath's products. A range of service providers such as RPA integrators and training providers are also cropping up to support the industry.

To further develop the market, UiPath is committed to bringing RPA software and education into local schools and communities through technology support and grants. UiPath has provided over 25,000 students with educational programs in Romania and India since 2019.

## The Investor

Elevar Equity invests early growth capital in entrepreneurs building at the intersection of inclusivity, affordability and massive scale. So far in its 15-year journey, the Elevar method of investing has democratized essential products and services for over 40 million households and catalyzed billions of dollars of capital into over 40 companies across India and Latin America.

**FUND NAME**
Fund III; Fund IV

**FUND SIZE**
USD73.5 million (Fund III); USD120.6 million (Fund IV)

**TOTAL AUM**
USD287 million

## The Company

India's largest agri-tech enterprise, Samunnati is on a mission to create an open agri-network to unlock the trillion-dollar plus potential of Indian agriculture at the center of which are smallholder farmers. Serving the entire value chain, Samunnati's agri commerce and agri finance solutions enable affiliated farmer collectives and the larger ecosystem to be more efficient and productive through multiple technology-enabled interventions and collaborative partnerships.

**WEBSITE**
www.samunnati.com

**INDUSTRY/SECTOR**
Agriculture

**LOCATION**
India

**DATE OF INITIAL INVESTMENT**
FEBRUARY 2015

**AMOUNT**
USD27.7 MILLION
(as of June 2021)

**CURRENT STAKE**
25%

**IMPACT PRIVATE EQUITY INVESTOR** Elevar Equity began researching India's agricultural ecosystem in 2009. The sector is a large contributor to the country's GDP and employment, with over 50% of the population deriving an income from agricultural activities. The Elevar team organized multiple field visits to states like Madhya Pradesh to meet with farmers and farmer producer organizations (FPOs), which are membership-based collective action groups. Farmers discussed their struggle to access credit and working capital, and the fact that household income was largely determined by their ability to trade rather than produce.

The Elevar team met Anil Kumar SG in 2014. Kumar had over two decades of experience working in banking and microfinance across rural India and was passionate about agriculture. Both parties aligned on the importance of working directly with FPOs and creating solutions across finance and commerce to help farmers become more efficient and profitable.

In February 2015, Elevar committed the first institutional capital to Kumar's company Samunnati, which means 'collective prosperity.' Elevar has since participated in numerous follow-on rounds, investing through two of its funds and committing a total of USD27.7 million as of June 2021. Today, Samunnati operates across 100 agriculture value chains spread over 22 states in India and has an outreach of over six million farmers through more than 1,500 farmer collectives.

## The Deal

**AGRI FINANCE** is the foundation of Samunnati's platform. By accounting for a farmer's unique cash flow patterns, seasonality and variance by crop type and region, Samunnati's customized financial solutions are better tailored to a farmer who may generate income only a few times per year and struggle to repay loans on a weekly or monthly basis as typically required by lenders. In the fourth quarter of fiscal year 2021 alone, the company added over 25,000 unique borrowers, with 83% being small farmers cultivating two hectares of land or less. From the beginning, Samunnati adopted a completely paperless approach and leveraged technology to make underwriting decisions based on transaction data rather than traditional forms of collateral like land and buildings.

Elevar and Samunnati recognized that a lack of market linkages was one of the biggest constraints facing farmers, so it launched its Agri Commerce division almost two years after starting its lending business. Samunnati helps farmers aggregate demand and negotiate with large-scale buyers to reduce costs, while providing structured trade and procurement solutions and risk mitigation services. Since inception, Samunnati has realized a gross transaction value (GTV) of USD1 billion. In fiscal year 2021, its GTV was USD350 million, representing a growth of 20x since 2017 and tracking to 3x growth since 2019 despite the negative impact of the COVID-19 pandemic.

Elevar has played an important role in bringing together additional equity and debt investors that are aligned with Samunnati's mission. As of October 2021, Samunnati has raised over USD75 million in equity from some of the world's most successful venture capital and impact-focused investors such as Accel, responsAbility and Nuveen. Domestic institutions such as HDFC Bank, the State Bank of India, ICICI Bank and Kotak have also provided capital and/or guarantees alongside global firms such as the Gates Foundation, Blue Orchard, Symbiotics, Rabobank and Triple Jump.

While most smallholder farmers in India understand the importance of long-term agricultural sustainability, immediate financial needs are frequently a bottleneck to adopting climate resilient agribusiness practices. Samunnati has implemented a comprehensive strategy on Climate Smart Agriculture (CSA) to support its network of FPOs and agri-enterprises. Samunnati has disbursed approximately USD135 million towards CSA activities to date and currently has nearly 15% of its total portfolio qualified as CSA compliant per the International Capital Market Association's Green Bond Principles.

"

***Our journey with Elevar has deeply imbibed in us the belief that there must be a fundamental alignment between a business and the impact it seeks to make.***

*We now integrate impact into our performance metrics. For example, our relationship managers are not appraised based on how much they lend to an FPO but rather how much that FPO has matured and prospered."*

**ANIL KUMAR SG**
FOUNDER AND CEO, SAMUNNATI

# Outlook

**ELEVAR IS WORKING ALONGSIDE SAMUNNATI** on its path to create an open agri-network that is ready to partner with any global or local institution seeking to plug into India's agriculture sector. In a move that will likely cement its position as the market's largest agricultural solutions service provider, Samunnati fully acquired FPO-focused agri-logistics and supply chain platform Kamatan — a former Elevar portfolio company — in April 2021. The combined entity has the potential to reach nearly 12 million farmers and several thousand agri-enterprises over the next 12 months.

While Elevar has no immediate plans to exit, it believes an IPO is the right path forward for Samunnati — particularly since it has consistently invested in building strong governance frameworks that can handle the scrutiny of public markets as it continues to grow.

## Building the institutional capacity of farmer collectives

**THE THIRD DIMENSION** of Samunnati's business is FPO institution building. The company takes a comprehensive approach to helping FPOs increase profitability by examining everything from the quality and care of inputs to techniques to bring in more water and expand storage capacity. After a harvest, prices are typically the lowest — if a farmer can hold onto a harvest for a month, he or she can sell it for approximately 15% more. Although there is no direct revenue associated with this business line, Samunnati believes supporting FPOs, most of which are small and vulnerable, is integral to growth and viability.

The Social Education Economic Development Society (SEEDS), a community-based organization in the state of Tamil Nadu that promotes FPOs, offers one example of Samunnati's impact. The company partnered with SEEDS in 2016, when it had four farmer collectives with a total of 1,000 farmer members. Samunnati's work with SEEDS included activities such as providing loans for agri-inputs, connecting FPOs to institutional buyers, implementing capacity building interventions and more. As a result, the FPOs have realized a near 20% reduction in members' production costs and an increase of 15-20% in per-household income. SEEDS has grown to 89 farmer collectives with 50,000 members, 70% of whom are women, while the value of internal transactions has also risen from INR10 million (approximately USD134,000) in 2016 to INR1.5 billion (approximately USD20 million) as of October 2021.

## The Investor

Gaja Capital is a private equity firm focused exclusively on mid-market companies in India. Founded in 2004, Gaja Capital has raised four private equity vehicles and invested in 23 companies as of October 2021. Its latest fund is targeting growth equity investments with an enterprise value of up to USD150 million in sectors such as education, financial services, consumer, software and healthcare.

**FUND NAME**
Gaja Capital Fund III

**FUND SIZE**
USD239.5 million

**TOTAL AUM**
USD450 million

## The Company

Educational Initiatives (Ei) provides technology-enabled diagnostic assessment and personalized learning solutions for students in kindergarten to 12th grade (K-12). The company's product portfolio includes assessment tools, such as Ei ASSET and Ei Diagnostics, and its intelligent tutoring system Ei Mindspark. As of October 2021, Ei has worked with more than 14 million students in over 11,000 schools across India.

**WEBSITE**
www.ei-india.com

**INDUSTRY/SECTOR**
Education Technology

**LOCATION**
India

**DATE OF INVESTMENT**
JULY 2018

**AMOUNT**
USD27.1 MILLION

**PARTICIPATION/STAKE**
81.6%

**AS AN INVESTOR** in the education sector since 2005, private equity firm Gaja Capital believes India is one of the fastest growing and most attractive global private education markets. India boasts the world's largest K-12 education system with over 275 million enrollments and 1.5 million schools as of October 2021. Over the last two decades, the percentage of students served by government schools has dropped from approximately 90% to 60%, as rising income levels have allowed parents to afford private institutions.

The Gaja team was introduced to Educational Initiatives (Ei) by the CEO of its education services portfolio company, CL Educate. Ei's founders, Sridhar Rajagopalan, Sudhir Ghodke and Venkat Krishnan, met with Gaja several times a year to discuss the future of K-12 education and ways to scale personalized learning. Three years after the initial meeting, the informal relationship turned into an investment opportunity when some of the founders and early-stage investors began seeking a path to exit. Gaja acquired a majority stake in the educational products company for USD27.1 million in July 2018.

## The Deal

**FOUNDED IN 2001,** Ei was one of the first companies in India to leverage technology to design personalized learning solutions. The company has collected two decades of educational research, which it uses to create content in the form of questions, activities, games and videos to help K-12 students advance academically. Ei's flagship product Ei Mindspark is a computer-based program that adjusts to each child's learning level and pace to help him or her master math, science and English.

The Gaja team's main priority was to help Ei scale the business. It began by augmenting the sales and marketing team, hiring a Head of Sales in 2018. The company's salesforce tripled from 35 in 2018 to 105 in 2021. Higher customer engagement, particularly through newly created academic support teams, resulted in Ei's core customer base increasing from 600,000 users as of March 2018 to approximately 900,000 in March 2020. At the time of Gaja's investment, Ei was working with 70 schools in one state; by 2020, it was working with over 300 schools and 70 after-school centers in 10 states.

Gaja Capital has been deeply involved with augmenting the senior management team, including implementing a successful CEO succession. After completing his five-year term as CEO, co-founder Srini Raghavan transitioned the role to Pranav Kothari in April 2021. Gaja also led the hiring processes for key roles including Chief Business Officer, Chief Technology Officer, Chief Financial Officer, Head of Human Resources and Vice President of B2C. Gaja has been particularly focused on the inclusion of qualified female candidates. Women currently comprise 30% of the executive team and of Ei's 244 employees, 96 are women.

As of October 2021, schools in India have been closed for over 18 months due to the COVID-19 pandemic. The prolonged shutdown plus government plans to automatically promote all children to the next grade despite significant learning loss has forced Ei to reconfigure its business strategy. The company created a new B2C team in January 2021 and began selling directly to consumers, including discounted package bundles of Ei Mindspark. This group has grown its monthly revenues by 5x from its launch to June 2021 and has an average revenue per subscriber that is 3x larger than their B2B segment.

> *"COVID-19 forced us to make tough decisions in partnership with Gaja Capital to streamline costs, including salary cuts. With the money saved, **we are striving to create innovations around those at the bottom of the pyramid, who are suffering the most** from the school shutdown. Although the last 18 months have felt brutal, our strengthened balance sheet will allow us to do a lot of good."*
>
> **PRANAV KOTHARI**
> CEO, EDUCATIONAL INITIATIVES

Over the last 12 months, Gaja also worked with Ei to transition the Ei ASSET product to an entirely digital platform. Ei ASSET is India's largest assessment and benchmarking test for students in 3rd to 10th grade, taken by more than 500,000 students each year. Given that Ei ASSET was previously printed and distributed in physical format to schools annually, digitalizing the product has reduced the company's total printing and stationery costs by nearly 95%.

### Enhancing education for low-income students

**Ei'S BUSINESS MODEL** centers around India's elite private school system, charging an annual fee per student. However, the scalability of its software coupled with the ability to use price discrimination allows Ei to also serve low-income students. The company has engaged with more than 10 million students attending India's public schools through its Large-Scale Education Programs, providing its products at no charge. This program partners with and raises funding from groups such as USAID, UNICEF, the MacArthur Foundation, the Hewlett Foundation, Harvard University and Google.org.

Unlike most of its competitors who only offer products in English to target a more affluent customer base, Ei's Mindspark is available in English, Telugu, Hindi, Marathi, Gujarati, Tamil, Kannada, Punjabi and Urdu, making it accessible to children across all strata of society. This functionality has strengthened Ei's role as the technology and learning partner to Project Nanhi Kali, which provides two hours of free daily academic support to underprivileged girls. As of October 2021, the program is operating in 7,000 public schools and has worked with 180,000 girls, making it the largest technology-driven intervention in India to date.

## Outlook

**Ei PLANS** to work closely with the government and private sector as the COVID-19 pandemic widens the gap between private and public schools. Ei was recently awarded a contract valued at approximately USD2 million to work with the Central Board of Secondary Education (CBSE) to improve how students are assessed. Donors include the Michael & Susan Dell Foundation, Omidyar Network, Douglas B. Marshall Jr. Fund, Boston Consulting Group and more. Ei has also received a grant from Amazon to run a Wonder Girls program to teach English, mathematics and coding through Mindspark, while USAID provided a USD1.5 million grant to take personalized adaptive learning to more public schools across India.

Over the next few years, Ei aspires to further scale Mindspark across India while increasing exports, including to Africa. In 2020, Gaja Capital led the process of onboarding David Levin, the former CEO of McGraw-Hill Education, as an operating advisor to help drive international expansion initiatives and M&A activity. As Gaja contemplates its future exit strategy, it recognizes that Ei is likely to be an attractive partner to a wide variety of players including technology-focused buyout firms and large education-focused companies or conglomerates with a long-term strategic interest in owning a software business with proven pedagogical efficacy.

## The Investor

LAKESHORE CAPITAL

Founded in 2009, Lakeshore Capital is a private equity firm focused on Thailand and the Greater Mekong region. As of October 2021, the firm employs 11 investment professionals and has raised two funds targeting significant minority and majority stakes in mid-market businesses. Lakeshore's sectors of interest include food, retail, consumer products, light manufacturing, healthcare, education, logistics, technology and business services.

**FUND NAME**
Lakeshore Capital I LP

**FUND SIZE**
USD60.7 million

**TOTAL AUM**
USD216 million

## The Company

ROJUKISS INTERNATIONAL

Headquartered in Bangkok, Rojukiss International markets and sells Korean personal care products in Thailand. The company owns three skincare brands (Rojukiss, PhDerma and Best Korea), one cosmetic brand (Sis2Sis) and two food supplement brands (Qi and Wonder Herb). Rojukiss, which is listed on the Stock Exchange of Thailand, sells its products nationwide in Thailand and has a market presence in Indonesia, Vietnam, Philippines, Cambodia and Laos.

**WEBSITE**
www.rojukissinternational.com

**INDUSTRY/SECTOR**
Skincare and Cosmetics

**LOCATION**
Southeast Asia

**DATE OF INVESTMENT**
JUNE 2017

**AMOUNT**
USD16 MILLION

**INITIAL PARTICIPATION/STAKE**
70%

**DATE OF IPO**
FEBRUARY 2021

**IN 2007,** Ms. Piyawadee Sonsingh founded Rojukiss, the first company to import and market Korean skincare and beauty products in Thailand. Ten years later, Rojukiss was firmly established as a high-quality and reputable Korean brand; however, Ms. Sonsingh needed a partner to take her skincare company to the next stage of development. In discussions with Bangkok-based private equity firm Lakeshore Capital, Ms. Sonsingh agreed to facilitate a management buy-in, which would allow her to pursue other ambitions.

Lakeshore, together with co-investors, acquired 70% of Rojukiss in June 2017. Ms. Sonsingh retained the remaining 30% and remained on the company's board. With Lakeshore's support, Rojukiss grew into a diversified platform with three skincare, one cosmetic and two food supplement brands, catering to both lower-income and premium customers. In February 2021, Rojukiss International was listed on the Stock Exchange of Thailand with a market capitalization of nearly USD200 million.


## The Deal

**WITHIN THE FIRST FOUR MONTHS** of taking control of Rojukiss, Lakeshore recruited a new senior management team. Mrs. Worrawan Chaikamnerd, who had previously served in senior roles at L'Oreal Professional Thailand, came in as CEO. Mrs. Worrawan and the Lakeshore team then enlisted Thanayus Leeraphan, who was Senior Global Marketing Director at Unilever Singapore, to be the company's Chief Marketing Officer. The new Chief Financial Officer, Chief Commercial Officer and Chief Operating Officer were also all industry veterans with experience at leading consumer product multinationals.

With a new team in place, Lakeshore's primary goal was to increase profits across Rojukiss's existing brands while launching new product lines. The company expanded from four brands at the time of Lakeshore's entry to six and began selling food supplements and hair care products. Lakeshore also helped Rojukiss increase exports to Indonesia, Vietnam, Philippines, Cambodia and Laos, which collectively accounted for 16% of all sales as of October 2021. Rojukiss's total revenues grew from THB593 million (approximately USD17 million) in 2017 to THB965 million in 2020 (approximately USD32 million), representing a compound annual growth rate of 18%. Over the same time period, the company's EBITDA margins improved from 15% to 25%.

Transitioning from a founder-run company to an institutionalized business was a challenge in the beginning due to differences in expectations between the new senior leadership and existing employees. However, Lakeshore worked to align all parties, initiating quarterly town hall meetings to communicate Rojukiss's vision and goals. The new management team implemented policies based on its multinational experience and led several internal trainings to upgrade skills across the organization. For example, they created a new sales and operations planning process, reconfigured the marketing strategy and enforced stringent quality standards, such as ensuring none of its product claims are misleading.

The management team also revamped the company's new product development process to ensure that data-driven market research and a clear grasp of customer demands supported any new product launches. As one example, the Rojukiss research team discovered that consumers typically don't use a full tube of lipstick, so it created lipstick in a cosmetic sachet format. This innovation — which has design patents in Thailand, China, Japan, Indonesia, the Philippines, Vietnam and the United States — incorporates a small pouch with a built-in applicator, thus making it more affordable and less wasteful. Rojukiss is also developing a face-analysis application to recommend the best products for a customer's skin.

Rojukiss's board has played an active role in the company's growth. Lakeshore appointed six independent members who have all provided strategic and operational input to the management team. For example, Dr. Lackana Leelayouthayotin, who was previously the CEO of Cerebos Asia Pacific, brought deep branding and marketing expertise. Ms. Pratana Mongkolkul, a former CFO at Minor International Plc., has guided the company's financial operations. Other board members have extensive retail and distribution experience, as well as insights into target export markets such as Indonesia. At the time of Rojukiss's IPO, Dr. Leelayouthayotin became the board's Chairwoman.

# Outlook

**LISTING ON THE STOCK EXCHANGE OF THAILAND** was a milestone that the Lakeshore team and Ms. Sonsingh had hoped to achieve from the beginning of the partnership. Although Lakeshore divested some of its shares in the IPO process, going public was a natural next step on Rojukiss's path to becoming a regional leader, rather than an exit strategy. The IPO was highly oversubscribed, with the proceeds allocated for brand development, international expansion and research and development.

Rojukiss has been negatively impacted by the COVID-19 pandemic. While sales have dropped 18% for the year, as of October 2021 as people stayed at home, Lakeshore has been working closely with the management team to rationalize marketing expenditures and pursue new sales avenues. Specifically, in March 2021, GMM Grammy, the largest media-focused entertainment conglomerate in Thailand, entered into a joint venture with Rojukiss. GMM Grammy later acquired 10% of the company for nearly THB500 million (approximately USD15 million), which reduced Lakeshore's current stake to 29%. The partnership with GMM Grammy will allow Rojukiss to sells its products directly to consumers through television home shopping networks, creating a new distribution channel to drive future growth.

## Incentivizing a local workforce to compete globally

**A CORE COMPONENT** of Lakeshore's investment thesis was its belief that a local Thai company could innovate faster and meet local consumer demand better than larger multinationals that must cater to global customers. Building the right team — and properly motivating them through financial incentives — was critical to success. Many of the new senior management invested some of their own capital into Rojukiss, while Lakeshore granted additional stock options. At the time of Lakeshore's investment, Rojukiss was still relatively small, and the private equity firm wanted the new leadership to feel empowered in its ability to build a market leader.

The Rojukiss management team also restructured salary packages for jobs below the C-suite in line with industry standards. These efforts resulted in an average wage increase of 30% to 50% for existing employees between 2017 and 2020. Lakeshore helped the company transition its workforce, reducing the use of low-paid, part-time storefront beauty consultants and focusing instead on building high quality, full-time positions. As of June 2021, the company has 126 employees, 76% of which are female.

## The Investor

Founded in 2007, LeapFrog is an impact-focused private equity investor supporting businesses that provide financial services or healthcare solutions to emerging consumers in South Asia, Southeast Asia and Africa. LeapFrog has raised three funds to date and invested in 35 countries. The firm estimates that its portfolio companies, which have grown at an average annual rate of over 26% since investment, have created more than 130,000 job opportunities.

**FUND NAME**
LeapFrog Emerging Consumer Fund III

**FUND SIZE**
USD743 million

**TOTAL AUM**
USD1.8 billion

## The Company

PasarPolis is an insurance technology (insurtech) company that connects individuals and businesses to insurance providers. Founded in 2015, the licensed insurance broker of primarily micro-insurance products targets first-time buyers such as delivery couriers, drivers and online shoppers in Indonesia, Thailand and Vietnam. To date, Pasarpolis has provided insurance to 35 million people, with 90% of its customer base being insured for the first time.

**WEBSITE**
www.pasarpolis.io/en

**INDUSTRY/SECTOR**
Insurtech

**LOCATION**
Southeast Asia

**DATE OF INVESTMENT**
SEPTEMBER 2020

**AMOUNT**
APPROXIMATELY USD28 MILLION

**INITIAL PARTICIPATION/STAKE**
MINORITY

**INSURANCE IS A CORE FOCUS** for impact private equity firm LeapFrog Investments because of the role it plays in protecting families from poverty should a breadwinner lose a job or become ill. LeapFrog had been closely monitoring Southeast Asia's digital insurance sector as rising e-commerce and greater mobile internet usage were expected to fuel an expansion in the region's digital economy to USD300 billion by 2025. After evaluating all the insurtech companies operating in the area, it narrowed in on PasarPolis in 2019.

The Indonesia-based startup was the region's largest digital insurance distributor, issuing between 50 million and 70 million policies per month. The company's robust technology platform could deliver affordable products to even the most remote communities, making it uniquely positioned to scale. LeapFrog was also impressed by the company's values — PasarPolis is careful not to automatically push policies that are not meaningful to individuals, as opposed to many of its competitors that require customers to opt out of insurance. PasarPolis will furthermore proactively discontinue products that are not serving its customers well as evidenced by a lack of claims being made.

LeapFrog invested in PasarPolis in September 2020 as part of the company's USD54 million Series B alongside Japanese venture capital firm SBI Investment, Chinese electronics maker Xiaomi and the venture arm of Indonesia's technology platform Gojek. Investing at such an early stage was atypical for LeapFrog. However, Pasarpolis' innovative digital-first approach created the opportunity for dramatic growth in returns and impact, seeing insurance delivered at scale to key emerging consumer markets for the first time.

PasarPolis has grown rapidly since LeapFrog's investment. The number of full-time employees has risen by 60% to 230 as of June 2021, while its platform expanded to include over 40 digital distribution partners and more than 20 insurance partners. The company has served 35 million to date in Indonesia, Thailand and Vietnam, approximately 90% of whom had never previously purchased an insurance policy.

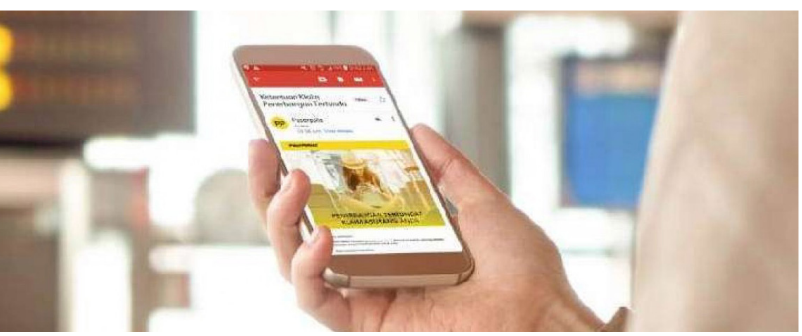
# The Deal

**PASARPOLIS** began as a comparison site to help consumers evaluate various online insurance options but gradually changed its business model to better reach Southeast Asia's fragmented markets. It formed strategic partnerships with some of the region's largest digital platforms such as Gojek, Kredivo, Shopee, Tokopedia and Traveloka to distribute microinsurance products primarily through mobile apps. These partners — many of which have invested in PasarPolis — have given the company access to a customer base of over 100 million active users. Examples of the types of policies issued include short-term travel insurance, health and accident coverage for rideshare drivers and passengers, and protection against damaged or missing products for small businesses and online shoppers.

With a team of data scientists and engineers stationed across India and Indonesia, PasarPolis leverages technology to help customers select highly customized products while keeping production costs low. Part of the Series B proceeds went toward further developing the company's technology infrastructure, including its artificial intelligence-based claims automation platform. The ease of use and product affordability is demonstrated by PasarPolis' high customer engagement — on average, one customer purchases up to four policies per quarter and nearly 60% of all policyholders purchase two or more policies per month.

Leapfrog's Consumer Insights group assisted PasarPolis in completing a customer journey mapping exercise to strengthen the company's product and operations quality, which led to several improvements in user experience; including a reduction in claim turnaround times from 10 days to four, and a 25% increase in total loss damage policies. In the first quarter of 2021, the company also formally integrated an Environmental & Social Management System to better monitor stakeholder grievances. By the end of June 2021, PasarPolis' reported complaint ratio was its lowest of all time at 0.1%.

Demand for health insurance has increased due to the global pandemic. To provide a safety net for rideshare drivers and merchants, PasarPolis launched COVID-19 health and life insurance products across its partners' platforms. The company also created a new employee benefits business line in 2021 to sell group policies to large corporations. Employees are provided with a health insurance app through which they can make claims, find doctors, manage chronic diseases and more. These new initiatives, coupled with a surge in policies related to e-commerce, digital lending and food delivery, contributed to PasarPolis' revenues rising 260% and active customers growing 95% year over year as of June 2021. In June alone, the company served more than 4 million new customers.



# Outlook

**AS THE ONLY** private equity firm in a venture capital-dominated investor group, LeapFrog foresees playing an active role in PasarPolis' next financing round. LeapFrog's near-term priorities include helping the company become an insurance underwriter and supporting the hiring of more underwriting, actuarial and capital management talent to deepen PasarPolis' in-house insurance expertise.

LeapFrog also intends to work closely with PasarPolis to create and appropriately price new products related to gadget, automobile, health, property and life insurance. Both parties believe that graduating the company's customer base from microinsurance to more meaningful higher-ticket items will lead to greater scalability and impact in Southeast Asia.

## Providing supplemental income opportunities for emerging consumers

**IN 2020,** PasarPolis developed an onboarding platform called PasarPolis Mitra, which encourages people to become insurance agents and start their own businesses. These agents, which total 10,000 as of October 2021, meet with PasarPolis' customers to help them pick policies and process claims. The company partnered with PT Aplikasi Karya Anak Bangsa, owner of the Gojek technology platform, to specifically engage Gojek drivers in the distribution of healthcare insurance. In addition to giving these drivers a new avenue to generate income and offset losses resulting from the COVID-19 pandemic, PasarPolis has also provided them with training and insurance.

Having a local agent network throughout Indonesia, which is home to over 17,000 islands, has helped PasarPolis extend its reach — particularly in rural communities with low insurance literacy. Approximately 40% of the company's policyholders are informal sector workers such as drivers, couriers or small online businesses, while 60% live on less than USD10 (purchasing power parity) per day.

## The Investor

MULTIPLES

Multiples is an India-focused private equity platform that was founded in 2009. Since then, it has backed 24 Indian businesses. The firm manages three funds that focus on four core sectors: financial services, pharma and healthcare, consumer and consumer-technology, and technology. Some of Multiples' investment partnerships include PVR, Delhivery, India Energy Exchange, Encube, DreamSports, Quantiphi, Licious and Vastu Housing Finance.

**FUND NAME**
Multiples Private Equity Fund II; Plenty Private Equity Fund I; Plenty CI Fund

**FUND SIZE**
USD555 million (Multiples PE Fund II and Plenty PE Fund I combined); USD135 million (Plenty CI Fund)

**TOTAL AUM**
USD1.7 billion

## The Company

VASTU HOUSING FINANCE

Vastu is an Indian housing finance-led consumer lending company that provides housing loans to low- and middle-income families that typically have an annual income between USD4,000 and USD25,000. The company recently incorporated Vastu Finserve to expand its product portfolio for the same customer segment. As of September 2021, Vastu has an AUM of approximately USD400 million, employs 1,146 employees and serves customers across 13 states through 103 branches.

**WEBSITE**
www.vastuhfc.com

**INDUSTRY/SECTOR**
Financial Servies

**LOCATION**
India

**DATES OF INVESTMENT**
**MARCH 2015**
(with subsequent investments through 2019)

**AMOUNT**
**USD 7.5 MILLION**
(initial investment)
**USD 110 MILLION**
(cumulative investment)

**STAKE**
**94%**
(initial)
**65%**
(current)

**INDIA'S HOUSING FINANCE SECTOR** got a boost in 2015 when the government launched an initiative to enable housing for all by 2022, targeting construction of 50 million new housing units. Income levels had been steadily rising across the country and an increasing number of low- and middle-income families were keen to purchase their own homes. With India's large mortgage lenders and financial institutions focusing predominantly on the salaried segment, there was a white space in the market for lending to self-employed and non-salaried households. Multiples Alternate Asset Management recognized the growth potential in affordable housing and began looking for investment opportunities.

The Multiples team was introduced to Founder Sandeep Menon and Co-founder Sujay Patil — two entrepreneurs with a long track record in retail finance and a vision of building a technology-enabled housing finance institution that would provide mortgage, new construction and home improvement loans to the underserved. Multiples partnered with Menon and Patil to build Vastu Housing Finance. Multiples disbursed its initial USD7.5 million investment in milestone-based tranches and eventually grew its total commitment to Vastu to USD110 million by 2021.

## The Deal

**VASTU'S FOUNDERS** and the Multiples team knew that a successful lending platform would require strong cash flow assessment skills, high customer engagement and a low-cost operating model due to its small average loan size. From the beginning, Vastu invested in technology to drive all aspects of the business, including sales, underwriting, monitoring, financial controls, human resources and collections. Vastu's proprietary technology platform PULSE allows its customers to estimate their total income through a 100% paperless approach until the loan is approved — a policy that Vastu adopted from inception, making it the first affordable housing company to do so in India.

Vastu requires its 1,146 employees to embrace a technology-first culture to drive productivity and reduce operating costs. By leveraging technology, the average number of loans underwritten by a credit manager has increased threefold, while leads generated per sourcing manager have grown by 2.5 times. In addition, the average assets under management (AUM) held by a central team employee has tripled from fiscal year 2018 to 2021.

Turnaround time has been reduced as Vastu's customized loan underwriting models can assess over 1,300 datapoints per customer and calculate a decision in less than five seconds. Developing Vastu's technology platform in-house has created a competitive advantage in capturing new information, making improvements and analyzing data compared to companies reliant on an outsourced technology vendor.

# Outlook

**IN OCTOBER 2021,** Vastu inducted three new investors in the cap table — Norwest Venture Partners, Creation Investments and IIFL — and raised a total of USD125 million as a primary investment in the company. The transaction also provided partial liquidity of USD62 million to Multiples and other early investors. Vastu was valued at USD784 million in this financing round.

Going forward, the Multiples team believes that as Vastu expands, it is an ideal candidate to become a housing finance-led consumer lending franchise and a publicly listed company in India. Given that Vastu's housing finance customers are often owners of small businesses such as retail shops, car repair garages and textile operations, the company believes it can further help them by providing commercial vehicle loans, unsecured working capital loans and additional products that will continue to be underpinned by a strong technology and data analytics platform.

As the controlling shareholder in Vastu, Multiples was the company's thought partner in crafting a long-term strategy and identifying critical risks. Multiples also closely collaborated in strengthening the talent pool, enhancing board and governance standards, and raising external bank funding for the company. As of September 2021, Vastu has a diversified borrower base of over 30 lenders and its collective AUM has grown nearly 400 times between fiscal year 2015 and 2021. The strength and credibility of the platform has led to eminent individuals like Shyamala Gopinath, former Deputy Governor of the Reserve Bank of India and former non-executive Chairman of HDFC Bank, joining the Board of the company as an Independent Director — one of two women on the seven-member Board alongside Multiples' Founder and CEO Renuka Ramnath.

Vastu has grown sustainably, expanding to 103 branches in 13 states while meeting the credit needs of over 30,000 customers at an average loan size of approximately USD16,000 as of September 2021. This growth has been coupled with strong financial performance — Vastu's after-tax profit for fiscal year 2021 was USD13 million with a return on assets of 4%. Robust risk monitoring practices have resulted in the company's gross non-performing assets standing at 0.41% as of March 2021.

## Reaching India's underserved communities

**VASTU'S PRODUCTS** are reaching credit-worthy individuals who have previously struggled to secure financing due to a lack of adequate documentation — 60% of customers are from households with an annual income of less than USD8,100, with the majority being first-time borrowers. Vastu's fees are on par with market rates, with its floating interest rate ranging from 12.5% to 17.5% per annum.

Of note, women are listed as either the borrower or co-borrower on 99% of the loans extended by Vastu, which is unique in India where only 22% of married women own property. While property ownership can empower women economically and play an important role in bridging social inequalities, Vastu also believes it makes commercial sense. The company has found that having a woman signatory on a loan increases the sense of family responsibility, improves repayment behavior and reduces fraud.

One way in which Vastu is successfully engaging women customers is by striving to hire more female employees in frontline sales and credit positions. Two of Vastu's branches are run entirely by women. In August 2021, Vastu was awarded Best Women Customer Engagement Initiative by Banking Frontiers at the DNA-Distinguished NBFC Awards.

## The Investor

NXTP Ventures is a Latin America-focused venture capital firm. It primarily invests in seed and Series A rounds with an average investment size of between USD500,000 and USD2 million. As of October 2021, NXTP has invested in 131 companies focused on a wide range of sectors including cloud and SaaS, logistics technology, fintech, B2B marketplaces, artificial intelligence and internet security.

**FUND NAME**
NXTP Ventures Fund II

**FUND SIZE**
USD36 million

**TOTAL AUM**
USD57 million

## The Company

Kangu provides logistics solutions to the e-commerce industry by leveraging small local businesses as pick-up and drop-off locations for packages. The company's digital network connects retailers, third-party logistics providers and consumers in a vertically integrated platform to enable low-cost and efficient deliveries. Kangu has 5,000 hubs across 700 cities in Brazil, Mexico and Colombia as of October 2021.

**WEBSITE**
www.kangu.com/br

**INDUSTRY/SECTOR**
Logistics Services

**LOCATION**
Latin America

**DATE OF INVESTMENT**
JANUARY 2020

**AMOUNT**
USD1.36 MILLION

**PARTICIPATION/STAKE**
18.28%

**DATE OF EXIT**
AUGUST 2021

**IN 2019,** Argentina-based venture capital fund NXTP Ventures was introduced to startup Kangu by Américo Pereira Filho, the former Chief Executive of FedEx Brazil. Kangu's founders Ricardo Araújo, Marcelo Guarnieri and Celso Queiroz have over 20 years of logistics experience, including building Rapidão Cometa into one of Brazil's largest transportation and third-party logistics (3PL) operators in advance of its sale to FedEx in 2012. They started Kangu in April 2019 with the idea of making Brazil's rapidly growing e-commerce industry more efficient by transforming small local businesses, such as grocery stores, cafes or pet shops, into logistics hubs called Kangu Points.

Instead of relying on central warehouses to store and move packages, Kangu uses local neighborhood stores to serve as drop-off and pick-up points for both vendors and customers. In its first six months of operations, Kangu had grown rapidly, partnering with over 600 businesses and delivering over 100,000 packages per month. However, the capital committed by the founders and several angel investors was running out and the company needed more financial resources to expand into new cities across Brazil.

NXTP invested USD1.36 million in Kangu's seed round in January 2020. In just over two years of business, Kangu has become the fastest growing e-commerce logistics platform in Latin America with revenues increasing 100x year over year as of December 2020. In October 2021, the company delivered over 8.5 million packages through more than 5,000 Kangu Points in Brazil, Mexico and Colombia.

## The Deal

**KANGU'S** proprietary technology connects over 70,000 e-commerce retailers, transportation companies, local Kangu Points and consumers to determine the fastest and most cost-effective delivery routes, leading to a better user experience compared to conventional methods. For example, vendors who previously mailed packages through Brazil's state-controlled postal service company Correios traveled an average of three kilometers; now, they can simply walk to their closest Kangu Point, which is typically less than one kilometer away. Shipping costs are reduced by more than 50% compared to Correios and customers save valuable time by not waiting in long lines. Should the customer need to return a package, he or she can use the Kangu app to locate the closest drop-off location.

Kangu's business is structured to maximize operating leverage given its low fixed costs. While most 3PL providers service new addresses, Kangu's drivers use the same routes daily, collecting packages from their assigned Kangu Points and then dropping


them off at a cross-docking facility for further dispatch. In contrast to typical delivery methods, Kangu's cars also come back from the cross-docking facility full of packages to take to their stores the next day. By optimizing its routes, reducing unnecessary trips, appropriately sizing vehicles and enabling more vendors and consumers to walk to nearby drop-off and pick-up locations, Kangu estimates that its associated greenhouse gas emissions are 50% less than its competitors.

Since NXTP's investment, Kangu's workforce has increased from 30 to 400 employees, while the number of drivers contracted by the company has grown to approximately 500 as of October 2021. Kangu provides its drivers with recurring daily transport fees as well as health and safety training. Its unique onboarding program includes collaborating with drivers to test delivery routes, determine the best parking spots and identify any potential dangers. As a result, driver turnover is lower compared to Kangu's competitors.

## Outlook

**MERCADO LIBRE,** a Latin American e-commerce and financial services technology company operating across 18 countries, announced it was acquiring 100% of Kangu for an undisclosed amount in August 2021. Kangu had recently approached Mercado Libre, which was one of its largest strategic partners, to discuss its next phase of growth. While pondering how it would want to participate in an upcoming financing round, Mercado Libre realized that it wanted to own the business instead, recognizing how valuable Kangu had been in the growth of its logistics network. The NXTP team agreed the deal made strategic sense for all parties involved.

Post-acquisition, Kangu will remain independent and continue to be managed by its current leadership team, which is focused on expanding — particularly into rural areas outside of Brazil and Mexico's main cities. For example, in Brazil, Kangu hopes to reach 3,500 hubs and 13 cross-docking sites by the end of December 2021, up from 2,600 hubs and five cross-docking sites as of November 2021. Going forward, Kangu plans to continue growing sustainably while supporting the development of local businesses and communities.

"

*By offering lower freight expenses, **Kangu has given small businesses an opportunity to compete against larger e-commerce companies.** For example, a vendor may have to pay BRL22 to mail a product that costs BRL100 through the post office. Kangu's reduction in fees is so large — charging, for instance, BRL7 instead — that these small businesses can now begin to offer free shipping as well, which is allowing them to grow dramatically."*

**MARCELO GUARNIERI**
CEO AND FOUNDER, KANGU

### Enabling the growth of small businesses

**WHEN** a store partners with Kangu, it receives a commission on every package it scans, in addition to benefiting from an increase in foot traffic. Kangu estimates that the local businesses in its network have seen an increase of up to 10x in extra income after one year of being a Kangu Point.

As COVID-19 spread across Latin America, Kangu suddenly found itself playing an important role in keeping small businesses afloat as Kangu Points were considered essential services. Given pandemic restrictions, the Federation of Commerce of Goods, Services and Tourism of the State of São Paulo (FecomercioSP) estimated that more than 202,000 local companies were likely to close their doors in 2020. For some stores, Kangu was their only source of revenue.

Because Kangu provides a cheaper way to ship goods, many SMEs also began selling products online to survive. To further support these businesses, Kangu partnered with former NXTP portfolio company Nuvemshop. The e-commerce platform helps small retailers start and grow their own online operations, giving them an alternative to being intermediated by larger existing marketplaces.

## The Investor

TVM Capital Healthcare is a private equity firm that focuses on specialized healthcare services, digital health solutions, pharmaceuticals, medical devices and diagnostics in the Middle East, North Africa and Southeast Asia. Founded in 2009, TVM Capital Healthcare invests growth capital, working out of regional headquarters in Singapore and Dubai with representative offices in Munich and Boston.

**FUND NAME**
TVM Healthcare I;
TVM Healthcare II

**FUND SIZE**
USD 50 million (I);
USD23.5 million (II)

**TOTAL AUM**
USD134 million

## The Company

Founded in 2012, the Cambridge Medical and Rehabilitation Center (CMRC) provides specialized inpatient, outpatient and homecare services to patients requiring short-term comprehensive rehabilitation as well as long-term care related to chronic illness or injury. Through its facilities in Abu Dhabi, Al Ain and Dhahran, CMRC has a bed capacity of 256 as of October 2021.

**WEBSITE**
www.cmrc.com

**INDUSTRY/SECTOR**
Healthcare

**LOCATION**
UAE and Saudi Arabia

**DATE OF INVESTMENT**
SEPTEMBER 2012

**AMOUNT**
USD 57 MILLION

**PARTICIPATION/STAKE**
100%

**DATE OF EXIT**
MARCH 2021

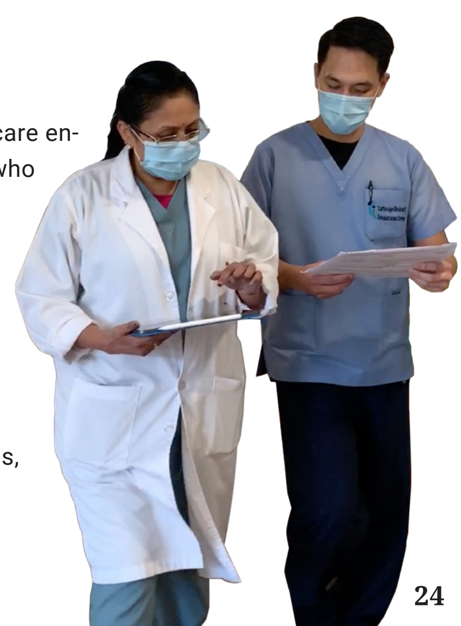
**TVM CAPITAL HEALTHCARE'S** first investment from its MENA Fund I was ProVita International Medical Center, a UAE-based long-term medical care company that helps ventilated patients enjoy life outside of intensive care units. Through its work with ProVita, the TVM Capital Healthcare team realized that less seriously ill patients typically lacked a local facility to help them recover beyond their stay at an acute care hospital; for instance, after suffering from a stroke. Patients in the UAE often traveled to the United States, the United Kingdom or Germany to access post-acute care, spending up to 12 weeks recovering in an unfamiliar culture and at great expense.

In 2012, TVM Capital Healthcare founded Cambridge Medical and Rehabilitation Center (CMRC) in Abu Dhabi to focus on non-ventilated patients in an environment that felt more like home and allowed them to easily see their families. CMRC provides a wide range of rehabilitative therapies including physical therapy, occupational therapy, speech therapy, respiratory therapy and hydrotherapy. By the time TVM Capital Healthcare exited its investment via a trade sale in March 2021, CMRC had pioneered the market for specialized post-acute care and rehabilitation in the Middle East, with 591 employees serving patients across three facilities in the UAE and Saudi Arabia.

## The Deal

**THE TVM CAPITAL HEALTHCARE** team knew it was critically important that Emiratis perceive CMRC's quality of care to be on par with a developed markets-based facility. To build trust in the market, CMRC partnered with Spaulding Rehabilitation Network in Boston, which runs rehabilitation facilities across the United States and is a teaching affiliate of Harvard University. Spaulding facilitated trainings and gave CMRC employees access to its methods and standards of care. The company also established an alliance with Joslin Diabetes Center focused on diabetes disease management and obtained full international accreditation from the Joint Commission International (JCI) and the Commission on Accreditation of Rehabilitation Facilities (CARF).

In 2015, TVM Capital Healthcare enlisted Dr. Howard Podolsky, who had previously served at the acute care hospital network SEHA/Abu Dhabi Health Services, to be CMRC's Chief Executive Officer. The rest of the management team had been largely recruited from the United States, the United Kingdom, Europe, Australia and South Africa.



Adding to the multicultural environment, most of CMRC's nurses are hired from the Philippines, India, Pakistan, Saudi Arabia, Jordan and Egypt. Given the staff's diversity, CMRC's human resources department is trained every year on migrant worker rights and modern slavery risk management. CMRC is careful to only work with agencies that embrace ethical practices such as ensuring potential employees are not paying agency fees, contracts are transparent, and passports are not withheld.

Training and upskilling employees is core to CMRC's business model as finding qualified doctors, therapists and nurses is a challenge in the region. The company provides in-house educational opportunities and offers funding for independent instruction. At CMRC, a nurse with no intensive care experience can learn how to manage a patient on a mechanical ventilator in six to 12 months, thus giving him or her a chance to earn a higher income and become more marketable. Nearly 80% of all promotions are internal, creating opportunities for professional growth. Employee satisfaction is demonstrated by CMRC's low annual turnover rate of less than 3%.

The TVM Capital Healthcare team worked closely with CMRC to open new facilities, including one in Saudi Arabia in 2019. They also strategized to diversify the company's services. For example, CMRC developed a unique licensed program to treat cerebral palsy patients and became the first post-acute care provider in the region to provide continuity of care with dedicated outpatient clinical services. In 2021, it added homecare services, which allows patients to be discharged even if not fully recovered. As of October 2021, over 1,100 inpatients have been served by CMRC, while nearly 40,000 outpatient visits took place in 2020 alone.

"*TVM Capital Healthcare had the vision to bring post-acute care to the Middle East.* ***It created a standard of care in the market that didn't previously exist and paved the way for others to follow suit.***

*Today there are at least eight new providers of post-acute care in the UAE, and we anticipate more specialty clinics will crop up in Saudi Arabia as well. We welcome the competition because this will translate into better quality, which is great for patients, insurers and regulators."*

**DR. HOWARD PODOLSKY**
GROUP CEO, CMRC

# Outlook

**IN MARCH 2021,** TVM Capital Healthcare sold its stake in CMRC to UAE-based Amanat Holdings, a publicly traded investment company focused on healthcare and education. Amanat fully acquired CMRC for USD232 million, making it one of the biggest healthcare deals executed in the GCC region at the time. The deal resulted in a 4.6x return on capital invested and a gross IRR of above 25% for the private equity firm and its co-investors.

The company is poised to continue expanding throughout the region, with plans to grow its presence in Dubai and the Northern Emirates over the next 24 months. It also intends to roll out three new facilities across Saudi Arabia in Riyadh, Jeddah and the Eastern Province. CMRC is evaluating a future entry into markets such as Qatar, Bahrain, Kuwait and Oman, where regulators have welcomed the conversation with CMRC on how to expand healthcare services. These plans, combined with the introduction of new and complementary clinical services, ensure the strategic viability of CMRC in the years ahead.

## Partnering with government to expand healthcare

**IN 2012,** the public sector was the only provider of post-acute healthcare to UAE residents. A drop in oil prices meant that the government sought solutions to reduce healthcare spending without compromising patient care. TVM Capital Healthcare presented its proposal for CMRC and was able to demonstrate that its concept could complement the public healthcare system by providing better outcomes for the patient at a lower price; unblocking high-cost ICU beds in acute care hospitals; helping insurance companies reduce total costs; offering essential healthcare services locally; and creating skilled job opportunities. TVM Capital Healthcare's Investment, Operations and Advisory team collaborated closely with stakeholders such as the UAE's Ministry of Health, the Health Authority-Abu Dhabi (HAAD) and Daman Health Insurance to develop a framework for specialized long-term and rehabilitative care, including reimbursement models.

## The Investor

Founded in 2001, Vantage Capital is a fund manager focused on Africa's mid-market sector. Vantage's mezzanine division has raised three funds and made 31 investments in 11 countries since 2006 and is currently raising a fourth fund. The firm's mezzanine investments typically range from USD10 million to USD40 million with a tenor of four to six years.

**FUND NAME**
Vantage Mezzanine III Southern Africa Sub Fund Partnership

**FUND SIZE**
USD280 million

**TOTAL AUM**
USD835.5 million

## The Company

Vumatel is the largest fiber-to-the-home (FTTH) network provider in South Africa. Founded in 2014, Vumatel's open access fiber network is used by accredited internet service providers to supply broadband services to their own customers. Vumatel, which is owned by Community Investment Ventures Holdings, has approximately 600 employees and more than 31,000 kilometers of fiber assets that pass over 1.2 million homes as of November 2021.

**WEBSITE**
www.vumatel.co.za

**INDUSTRY/SECTOR**
Telecommunications

**LOCATION**
South Africa

**DATE OF INITIAL INVESTMENT**
APRIL 2016

**AMOUNT**
ZAR250 MILLION (~USD17 MILLION)

**DATE OF EXIT**
APRIL 2020

**SOUTH AFRICA** was one of the first countries on the continent to connect to the internet. However, by 2014, internet speeds remained slow and access in residential markets was limited. Users were largely reliant upon Telkom, the partially state-owned telecommunications company, which was sluggish in responding to market needs. Seasoned ICT professionals Richard Came, Johan Pretorius and Niel Schoeman saw an opportunity and founded Vumatel. By making their startup more agile and efficient than Telkom in deploying fiber directly to residences (known as fiber-to-the-home or FTTH), the company had the potential to significantly reduce the country's broadband services deficit.

Vumatel's founders had used their own capital to pilot an open access fiber-optic network in the Johannesburg neighborhood of Parkhurst in October 2014. By early 2016, the team had successfully deployed 600 kilometers of fiber in 14 Johannesburg suburbs and had approximately 4,000 subscribers. It needed additional capital to fund its ongoing rollout, with immediate plans to reach 110,000 homes in the suburbs of Johannesburg and Cape Town. Investec Equity Partners had previously provided the company with USD200 million in early-stage capital in exchange for a minority stake in 2015. Vumatel found itself in a tough position — it was still too young and unproven to secure bank debt yet bringing in an additional equity partner would further dilute the founders.

Vantage Capital's mezzanine division offered Vumatel a solution. Knowing that demand for high-speed internet was skyrocketing, Vantage invested in Vumatel in 2016, providing a loan of approximately USD17 million with a 7-year tenor and a minimum coupon of 13.5%. The deal also included an equity kicker that would provide Vantage with upside should Vumatel achieve certain goals. By the time Vantage exited its investment in April 2020, Vumatel owned over 19,000 kilometers of fiber assets, while its network had grown to more than 610,000 homes and 222,000 subscribers.

# The Deal

**VUMATEL'S** open access model allows partner internet service provider (ISPs) to use its infrastructure. The company charges the ISPs, who in turn leverage Vumatel's network to supply their own customers with basic connectivity, data, internet protocol television, voice over internet protocol services, bundled services and more. By allowing ISPs to share the network infrastructure, customers benefit from greater choice and more competitive pricing.

Success in the fiber infrastructure industry is dependent upon speed of execution and access to finance. Every neighborhood requires a massive investment in physical infrastructure, as the installation process includes drilling underneath roads, cabling streets and installing connectivity boxes on every house. Vantage's funding early in Vumatel's development helped the company prove that its concept was scalable and profitable. Approximately six months following Vantage's investment, Standard Bank came in with a ZAR415 million (approximately USD28 million) loan, giving Vumatel significant runway to grow.

Vantage served as a bridge to senior debt. The firm executed a commercial due diligence process on Vumatel and its subordinated position in the capital structure gave Standard Bank and other lenders greater protection. Vantage also worked closely with the Vumatel team to strengthen the company's governance framework, thus making it more attractive to banks. As part of its investment agreement, Vantage required the constitution of an Audit Committee, which oversaw the appointment of KPMG, and it helped bolster Vumatel's Environmental and Social Management System.

Vumatel announced a partnership with local investment holding company Imfezeko in 2019 to establish Vumacam. The spinout is improving security in South Africa — a country ranked as the fifth most dangerous in the world in Gallup's 2020 survey — by deploying smart CCTV cameras across Johannesburg that are connected to the city's high-speed fiber network. This technology, which includes license plate recognition, links centralized control centers and helps track suspicious activity as it moves throughout a suburb. As of October 2021, Vumacan has over 5,000 cameras installed on almost 3,000 poles, with plans to expand across the country.

# Outlook

**IN APRIL 2020**, Vantage fully exited its investment in Vumatel through a senior debt refinancing. South African telecommunications-focused holding company Community Investment Ventures Holdings (CIVH) had initially acquired 34.9% of the company in 2018. CIVH secured the remaining 65.1% stake two years later following approval from the Competition Commission. As part of the process, a consortium of banks, including Rand Merchant Bank (RMB), Absa, Investec and Standard Bank, funded the settlement of Vantage's equity kicker and the refinancing of its loan, resulting in a money multiple of 2.7x for Vantage's investors.

## Bridging South Africa's digital divide

**VUMATEL** seeks community buy-in before laying fiber to a neighborhood. As part of its roll-out strategy, the company gradually began targeting several lower-income townships that had previously been neglected despite residential demand. For many of these areas, Vumatel is installing aerial fiber, which is deployed on poles or towers above ground, rather than traditional trenching. Although aerial technology comes with challenges such as reduced reliability due to adverse weather and the risk of poles being cut down for firewood, the cheaper installation process allows Vumatel to reduce costs for customers. This technique is also better suited for crowded suburbs with multiple dwelling units as well as hilly or rocky areas.

The financial burden of having to pay monthly contract fees for mobile data can deter lower-income communities from accessing high-speed internet services. In 2019, Vumatel launched its Vuma Fibre Reach network to provide affordable, pre-paid access to FTTH services in underserved neighborhoods — the first model of its kind in the world. Homes that use Vuma Fibre Reach have access to a range of services including free fiber installation and a WiFi enabled device, a 20 Megabit upload / 10 Megabit download uncapped connection and technical support at any time of day. When the project was launched in the Western Cape township of Mitchells Plain, Vumatel achieved 60% penetration within the first 12 months, well above its initial goal of 30%.

Vumatel has also played a role in upgrading the infrastructure of South Africa's public and private schools. In 2015, the company and its ISP partners launched an initiative to connect every school Vumatel passes in the deployment of its network with free uncapped open access fiber-optic infrastructure. Schools receive a one gigabit per second line, which gives them greater and more reliable access to educational products and academic literature. To date, Vumatel has connected over 445 schools and 320,000 students.

## The Investor

Founded in 2009, Vinci Partners is a Brazil-focused alternative investments platform specializing in asset management, wealth management and financial advisory services. Vinci's private equity division has raised three funds and seeks controlling stakes in growth equity opportunities as well as turnaround investments on an opportunistic basis. The firm's most recent private equity vehicle is investing in a range of sectors including food service, healthcare, telecommunications and financial services.

**FUND NAME**
Vinci Capital Partners II

**FUND SIZE**
USD1.4 billion

**TOTAL AUM**
USD10.7 billion

## The Company

Vitru is a digital education group focused on the post-secondary market in Brazil. As of September 2021, Vitru's undergraduate and graduate programs are accessed by over 366,100 students, 98% of whom are enrolled in distance learning courses that are complemented with in-class weekly lectures. Vitru operates its 904 hubs under the Uniasselvi brand and employs more than 3,000 tutors.

**WEBSITE**
www.vitru.com.br/en_US

**INDUSTRY/SECTOR**
Education

**LOCATION**
Brazil

**DATE OF INVESTMENT**
FEBRUARY 2016

**AMOUNT**
USD60.5 MILLION

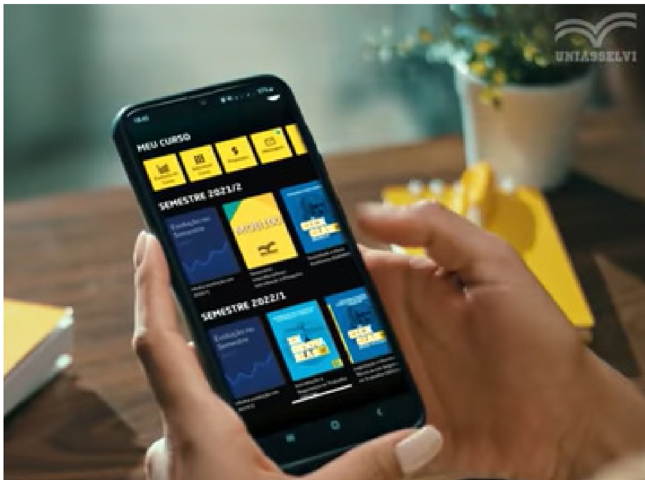
**STAKE**
50%
(initial)
27%
(current)

**DATE OF IPO**
SEPTEMBER 2020

**ALTERNATIVE INVESTMENTS PLATFORM** Vinci Partners identified pent-up demand for access to higher education in Brazil. Approximately two million students finish secondary school annually and working adults are increasingly seeking opportunities to advance professionally while juggling their jobs and families. In Brazil, only 21% of working adults between the age of 25 and 34 have an advanced degree, versus 44% in OECD countries. Brazil's Ministry of Education (MOE) had expanded the market by providing lines of credit to students through its FIES program, but the initiative came under pressure when borrowers weren't committed to paying down their debt. The Vinci team was convinced that distance learning would be the future of post-secondary education in Brazil and began looking for investment opportunities with minimum exposure to FIES.

In 2014, distance learning education group Uniasselvi was put up for auction. The prior owner, Kroton Educational, had reached an agreement with antitrust authorities to sell it as a condition of purchasing education company Anhanguera. Initial interest was enormous, with approximately 30 firms signing non-disclosure agreements. However, this period coincided with a recession, double-digit inflation and a presidential impeachment crisis, which dramatically reduced the competition. The MOE also changed the rules for FIES tuition reimbursements, affecting several potential strategic acquirers.

Vinci partnered with the Carlyle Group to execute a leveraged buyout, fully acquiring Uniasselvi in February 2016. In 2020, the company changed its name to Vitru but the holding company continues to operate its distance learning centers under the Uniasselvi brand. Vitru has become the fastest growing distance learning player in Brazil since Vinci's investment, with enrolled students increasing from 112,000 in 2016 to 366,100 as of September 2021. Vitru went public on the Nasdaq Global Select Market in September 2020 and has a market capitalization of nearly USD330 million as of November 2021.




# The Deal

**VITRU'S** differentiated academic model blends both online and on-campus activities. Students are offered weekly lectures at distance learning "hubs" where Vitru's 3,000+ tutors help them better understand the material and connect with one another. Several of the company's competitors had previously adopted a similar hybrid model but eventually transitioned to being 100% online in order to reduce operating expenses. In contrast, Vitru has found that the greater engagement associated with even a small physical presence has resulted in the lowest drop-out rate for new enrollments in the market.

When Vinci began the carve-out process of establishing Uniasselvi as an independent entity from Kroton, it hired all first- and second-level management positions. The Vinci team redefined the organization's processes with a focus on aligning compensation policies, providing employee stock options and installing managerial tools for expense control. It also structured a new business intelligence unit to support the student intake cycle.

Vinci believed that Vitru's growth would primarily come from hub expansion. However, this was a risky strategy because adding new hubs in Brazil requires MOE approval and, at the time of acquisition, no new hubs had been approved for over three years. Six months after Vinci's investment, Vitru was granted 20 new hubs that the prior owner had requested, and shortly thereafter the MOE changed its rules. Institutions like Vitru with the highest academic ranking were now allowed to open 250 hubs per year, facilitating rapid organic growth. Vitru's footprint across Brazil increased from 48 hubs in 2016 to 904 hubs as of September 2021. Over this time period, Vitru's annual revenues and EBITDA have grown 79% and 36%, respectively, per annum.

While COVID-19 forced Vitru to adjust its model — including moving its hubs into online formats — the company has benefited from pandemic-related trends such as the acceleration of digital habits. With growing interest in distance learning, Vitru's student base grew from 240,000 students to 309,000 just between 2019 and 2020. The pandemic has also forced the company to rethink some processes. For example, when it became difficult to ship textbooks to students, Vitru launched its mobile application Leo, which allows students to register for courses, access class materials and participate in simulators and 3D labs entirely online, consequently reducing its carbon footprint.

# Outlook

**US-BASED INVESTMENT FIRM** Neuberger Berman acquired 25% of Uniasselvi for USD100 million in 2018, which reduced Vinci's holding to 37%. While Vinci's stake in Vitru was further reduced to 27% in the IPO process, it remains a controlling shareholder in partnership with Carlyle. The company's stakeholders chose to pursue a listing on the Nasdaq in order to access a broad investor base that would understand its digital business model and how it differs from the more traditional education groups listed in Brazil.

In April 2021, Vitru announced its intent to use part of its IPO proceeds to merge with Unicesumar, another leading distance learning provider. The combined entity will operate under the Vitru platform and transform the company into the second largest digital education player in Brazil in terms of number of students. The merger will nearly double the size of Vitru's student base and allow it to begin offering a new line of medical education courses. In addition to helping the Vitru management team integrate with Unicesumar, Vinci's near-term priorities include evaluating potential partnerships with companies in the edtech space, which are poised to play a crucial role in the next phase of education in Latin America.

## Democratizing access to education

**OVER 3,500** municipalities in Brazil lack access to undergraduate and graduate education. Headquartered in Florianópolis, the capital of southern Brazil's countryside state of Santa Catarina, Vitru has always strived to reach underserved small and rural communities. The rapid growth of Vitru's hubs has enabled the company to access students in markets where a large physical campus is not economically feasible. Vitru has been particularly focused on expanding into the southeastern region of Brazil, where its student base grew from 5,600 in 2018 to 43,200 by June 2021.

Vitru strives to make education accessible to everyone by offering online courses at an affordable price, with distance learning approximately 70% cheaper than on-campus tuition. The company also provides numerous courses to the community at no cost. As just one example, Vitru's free "Environmental Management" and "Sustainability and Environment" courses enrolled 25,240 and 40,334 students, respectively, in the first quarter of 2021.