



## UNECE – Investment Fund Designer - Update

Presented by

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1. To promote market formation so that self-sustaining energy efficiency and renewable energy projects can be identified, developed, financed and implemented locally in twelve nominated countries.
2. Designing a Euro denominated public-private partnership fund with contributions from both the public and private sector in the region of EUR250m, which invests exclusively in projects which have a quantifiable impact on the reduction of greenhouse gas emissions.
3. The countries are Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Republic of Moldova, Romania, Russian Federation, Serbia, The former Yugoslav Republic of Macedonia and Ukraine.

- ◆ FCA: Developed to incorporate a fund, bank and development finance cooperation mechanism. First draft under review and finalisation.
- ◆ UNECE support being finalised
- ◆ Investment Manager and UNECE finalising signature of the FCA
- ◆ LPA: Drafted to pre-launch stage
- ◆ PPM : Being edited to include Investment Manager Details
- ◆ Heads of Terms: Drafted; requires investor comments and input
- ◆ Investment Policy Guidelines: Meets the mandate requirements
- ◆ Project Pipeline Summaries: + 350 projects identified in all participating countries
- ◆ Project Identification Form: Received for over 25 projects
- ◆ Lead Investor: Identified and to be presented
- ◆ Investment Manager candidate: Identified, experienced and to be presented

- ◆ NBGI Private Equity (“NBGI PE”) has provided a conditional commitment to invest in up to 10% of the proposed fund from own-managed and affiliated funds
- ◆ One of the key conditions for NBGI PE to invest for NBGI PE to be the investment manager of the fund
- ◆ NBGI PE is a leading European private equity and venture capital investment firm founded in 2000, currently managing approximately €900 million across a number of different funds
- ◆ NBGI PE is authorized and regulated by the Financial Services Authority and is a member of the BVCA
- ◆ NBGI PE is a subsidiary of the NBG banking group, one of the leading banks in Southeast Europe, and has experience in investing in the participating countries
- ◆ NBGI PE's funds invest in a range of different private equity sectors including lower mid-market buy-outs, growth capital for small and medium-sized companies, venture capital for technology businesses, real estate and energy
- ◆ NBGI PE's recently established energy practice would be responsible for the management of the fund

2007

- ◆ Buy & Build Equity House of the Year (UK)
- ◆ West European Deal of the Year
- ◆ UK Equity House of the Year



2008

- ◆ Lower mid-market PE firm of the Year
- ◆ Buyout realisation of the Year – IPO

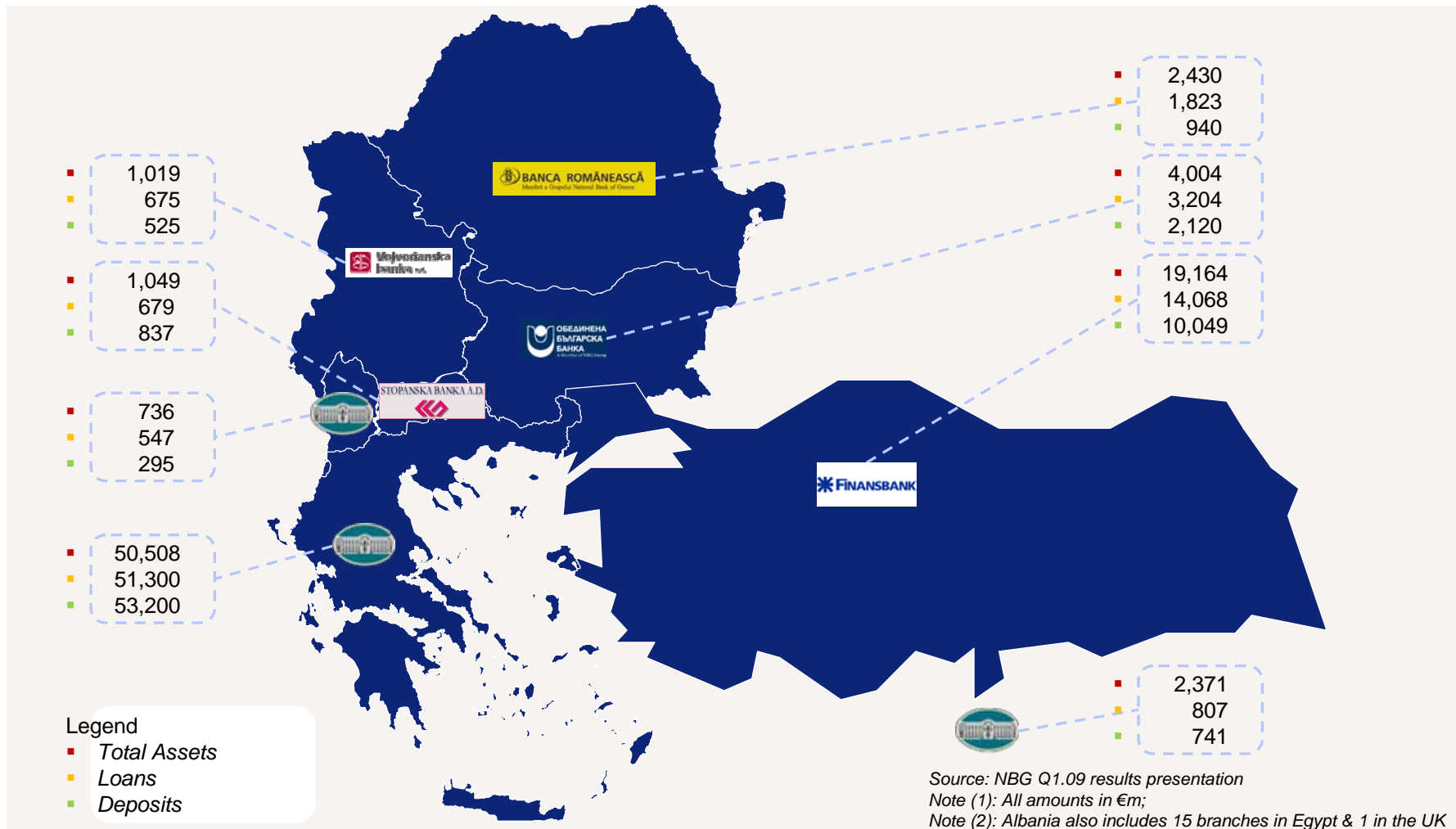


2009

- ◆ Small Buyout House of the Year
- ◆ M&A Deal of the Year

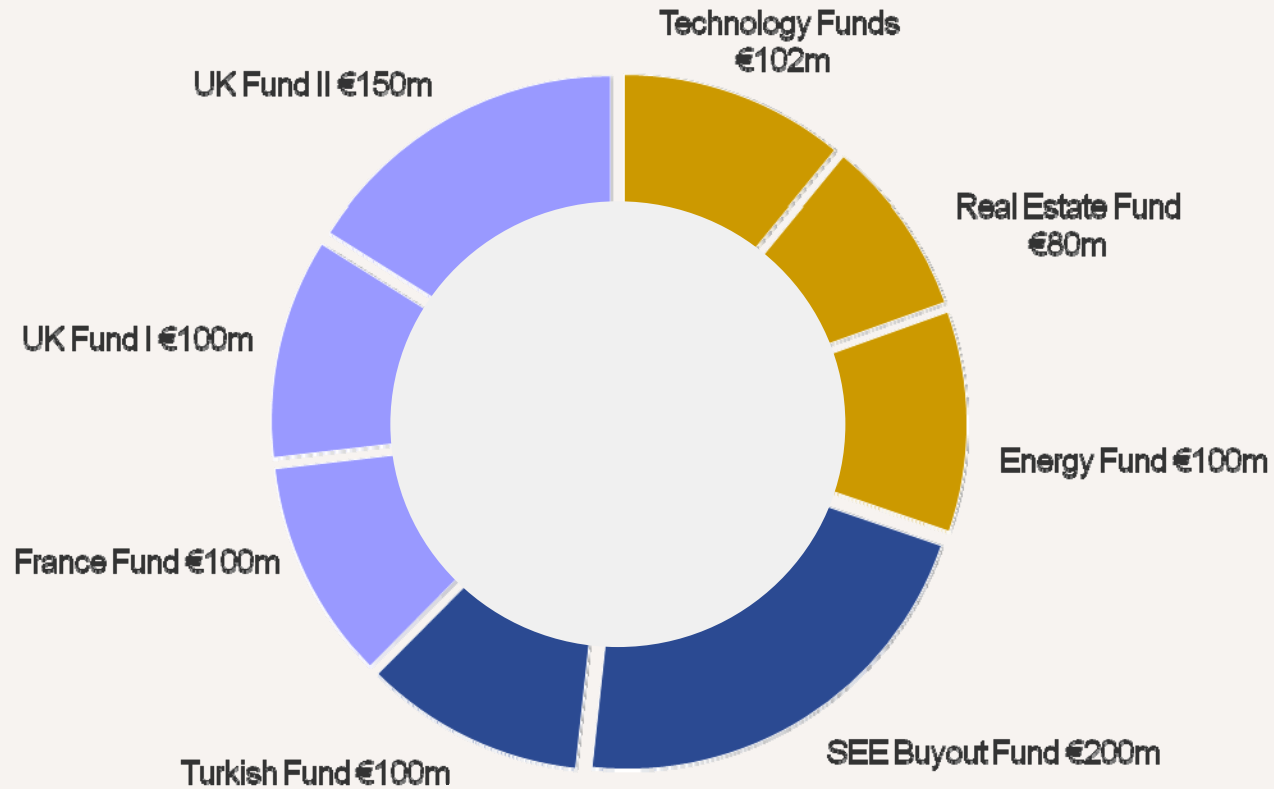


# NBGI PE is backed by the NBG Banking Group



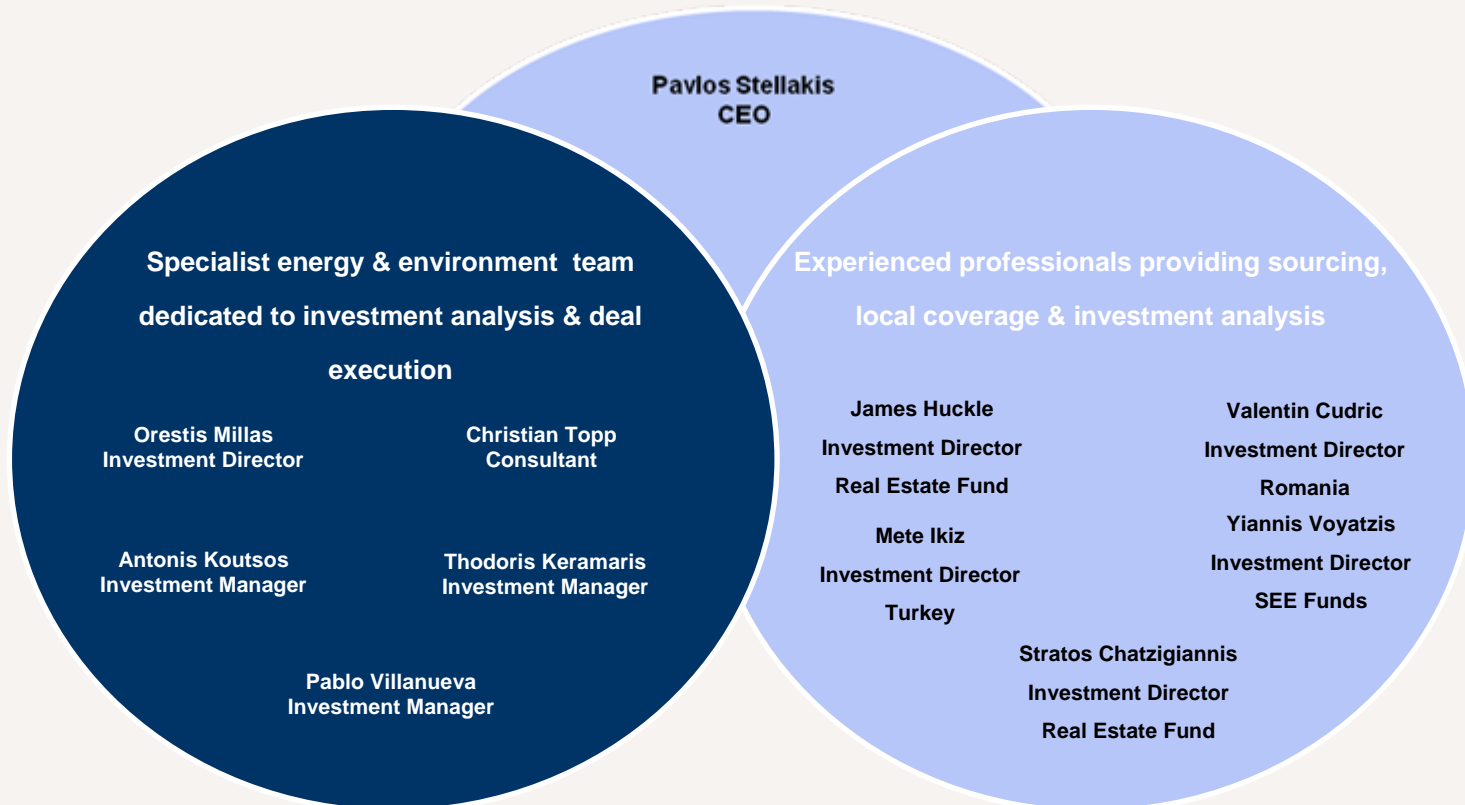
- ◆ With a total equity of EUR 9.1 billion and total assets of EUR122 billion the NBG Group is a leading player in the SEE regional markets
- ◆ NBG is listed in the Athens and New York Stock Exchanges

# NBGI Private Equity Funds under Management ~ €900m



- ◆ **A leading low-mid market player**
  - ❖ Operated only in that space ever since our inception
  - ❖ Stayed loyal to the low mid-market and were dynamic in exploiting opportunities within Europe and South Eastern Europe
- ◆ **Stellar performance**
  - ❖ An enviable track record both in the UK and South Eastern Europe
  - ❖ Exited portfolios profitably leading to high IRR returns for the UK Fund I and the Emerging Europe Fund
- ◆ **Strong and highly experienced teams**
  - ❖ Demonstrable depth and breath of commercial experience and industry expertise
  - ❖ Active portfolio company management style with a strong commercial value-add bias

- ◆ **Both generalist and specialised investor in Western Europe and SE Europe**
  - ❖ Invest in a wide range of sectors
  - ❖ Through dedicated country funds and sector focused funds
- ◆ **Small to mid-sized transactions**
  - ❖ Equity investments of between €2m -€15m /transaction value of between €5m-€50m
- ◆ **Most deal types considered**
  - ❖ MBOs, MBIs, BIMBOs, IBOs, growth capital, recapitalisations and turnarounds
- ◆ **Medium-term (time horizon is typically 3-5 years)**
- ◆ **Work closely with Management to maximise value**
  - ❖ Agree growth and exit strategies with management prior to investing
  - ❖ Enhance management teams where required
  - ❖ Appoint independent, experienced Non-Executive Directors
- ◆ **Quality not quantity of investments**
- ◆ **Aim to lead transactions as principal and take controlling stakes and board seat**



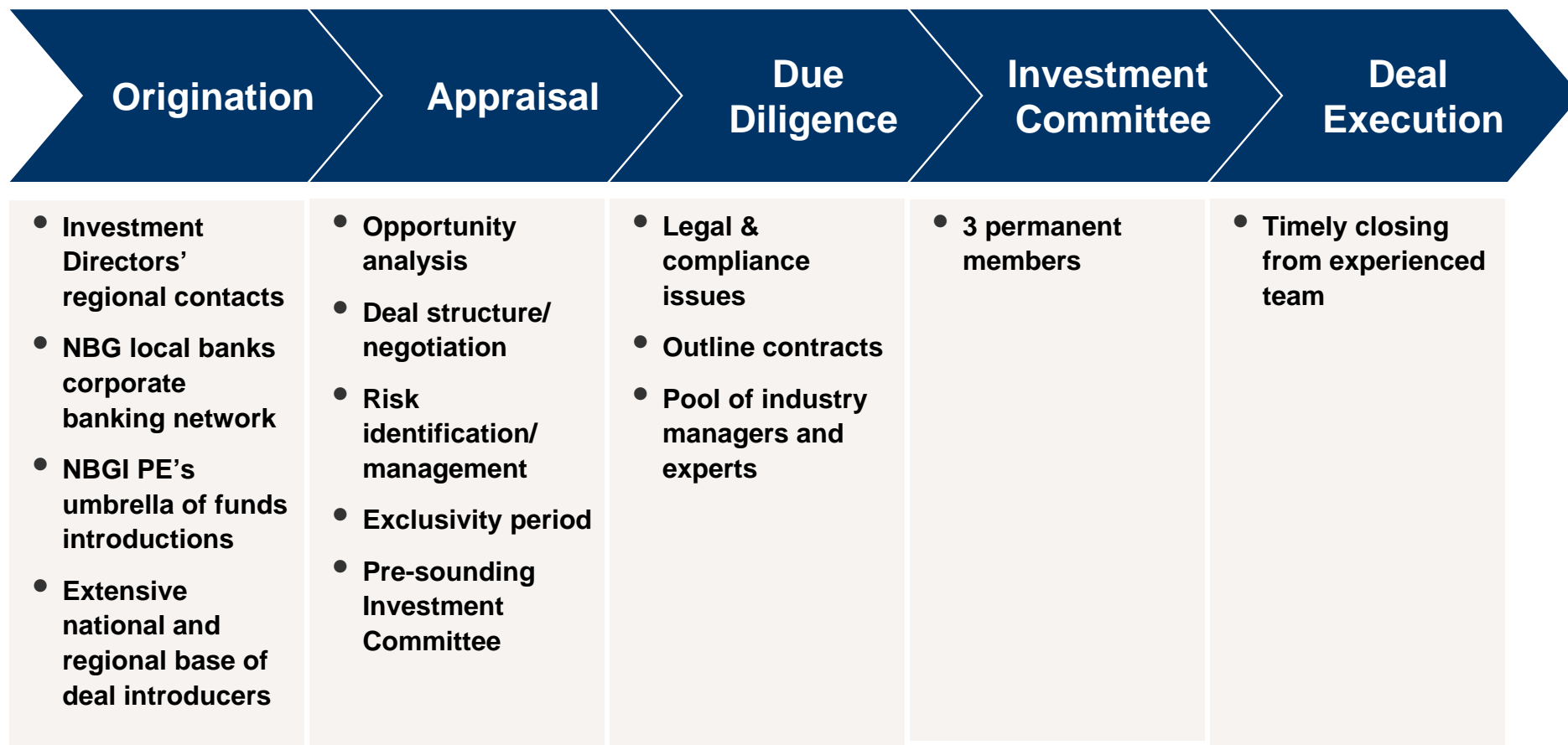


- ◆ **NBGI PE has currently an active pipeline of renewable energy projects in the participating countries**
  - ❖ Focus on tested technologies: wind, solar, small-hydro, biogas and biomass
  
  - ❖ Selected examples include
    - Small hydro projects in Romania and Albania; early leads in Serbia and Bosnia Herzegovina
    - Wind projects in Romania, Croatia and Serbia
    - Solar projects in Bulgaria and Romania
    - Biogas plants in Croatia, Romania and Bulgaria
    - Biomass plant in Bulgaria
  
- ◆ **Active pipeline means that the fund would be expected to commit capital at or shortly after closing**



## ◆ Investment Approach:

- ❖ Cash-flow based
- ❖ Strong counterparties, partners and management teams
- ❖ “Bankable” projects or relatively established companies (no start-ups in the case of companies)
- ❖ Mature technologies and reliable equipment suppliers and developers
- ❖ Exit visibility
- ❖ Limited FX risks
- ❖ Limited development risk; emphasis on limiting downside;
  - where necessary, small early-stage development costs may be incurred
- ❖ Added-value strategy and hands-on approach, actively involved in all investments
- ❖ Invest across the renewable energy and energy efficiency value chain
- ❖ Introduce leverage as appropriate/possible



Quote “Accessing development finance means you need to make the project fit the terms and conditions of the finance on offer”

- ❖ The project pipeline is robust, but sizes are small; very small
- ❖ The government landscape is complex, but workable
- ❖ Other funds are active, but struggling to find bankable projects
- ❖ Significant donors are present and expressed an interest in cooperating

Quote “We have projects and would like you to finance now”

- ❖ Many projects were seen; sizes vary from small to medium
- ❖ The banks very keen to cooperate as their lending paralysed
- ❖ Project finance skills were evident at the banks
- ❖ Project document preparation skills were untested

Quote “We need you now, as the banks are willing but unable to lend alone.”

- ❖ The project pipeline is robust, but projects need to be bundled
- ❖ Many developers exist and there is a healthy project pipeline in development
- ❖ Solutions to bundling were evident
- ❖ Some confusion as to what constitutes a bankable project due to lack of familiarity
- ❖ Several highly developed consultants in evidence

Quote “We have the projects, the lending conditions are favourable, all we need is mezzanine and equity to kick start the process”

- ❖ Several projects have been successfully developed
- ❖ The banks are focussing on more lucrative private lending
- ❖ District heating is an area where progress is being made, but not yet commercially
- ❖ The banks are well versed with what would be required and are keen to cooperate to rejuvenate their lending programmes

Quote “We need to ensure that the right projects are shown as we have the demand and want Kazakhstan to be a leader”

- ❖ Development banks are keen to cooperate and assist also with projects which may be too large
- ❖ Several project developer had implemented projects of various sizes and were looking for financial partners
- ❖ Significant government interest in both Astana and Almaty was shown, not only in housing

Quote “We have enough finance, enough credit lines, money is available everywhere, but we have no commercial finance”

- ❖ Development banks are knowledgeable, experienced and have formed a project register, only a lack of focus (i.e. an operating fund) hindered progress
- ❖ Government departments are keen to assist
- ❖ Knowledge of the local market is important, as several changes are happening concurrently and the market is in a state of flux

- ◆ Albania: A visit is currently being finalised
- ◆ Romania: Discussions with the UNECE secretariat continue

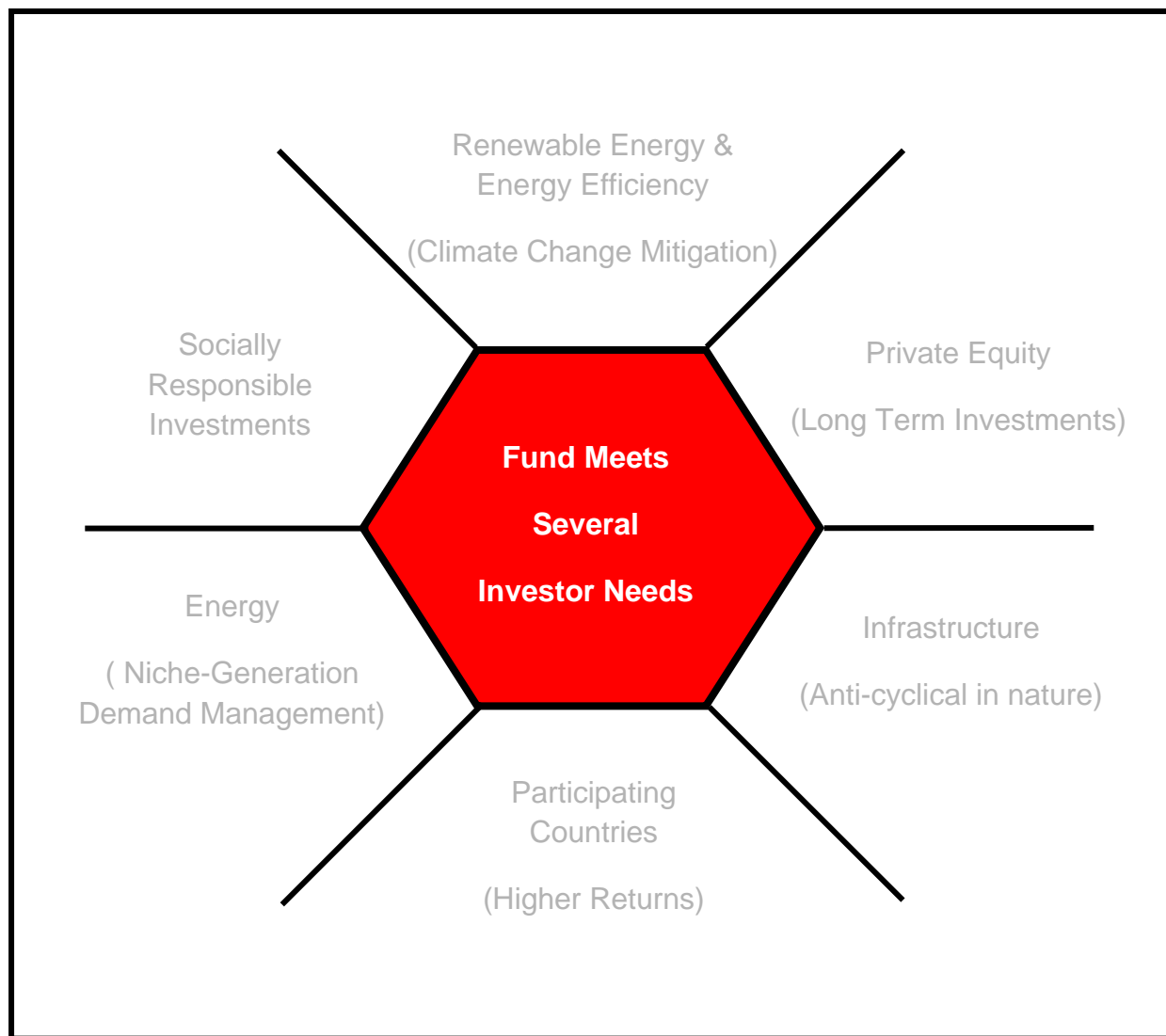
- ◆ Despite the difficult banking market conditions, project development is accelerating
- ◆ Projects exist and are stalled because of the lack of mezzanine finance, insufficient attention to cash flow generation and poor project documentation preparation and bundling issues
- ◆ The concept of the FCA was universally well received by all – in all countries
- ◆ “Best practice” examples to show “business as usual” was seen by many as a very useful requirement to shorten lead times
- ◆ The submission of project information via the Project Pipeline Summary to kick start the pipeline was spurred on countries visited
- ◆ There is no competition to the fund and no-one is making an effort to introduce market standard financing in the participating countries

## Our Business:

- ◆ Global Institutional Asset Manager
  - ❖ Understanding Institutional Investors
  - ❖ Diversification of the Investment Portfolio
  - ❖ Duration of Investments

Investor sentiment:

- ◆ Investor profile – diversification, ESG/SRI
- ◆ Placement and distribution
  - ❖ Pension funds
  - ❖ Family offices
  - ❖ Insurance companies
  - ❖ Fund of Funds



- ◆ Keen to learn more about the manager
- ◆ Support of the UNECE in this Fund diminishes possible concerns
- ◆ Structure creates transparency and confidence
- ◆ Pipeline in countries looks promising

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