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PROFILE

# Helios Investment Partners

The Africa-focused private equity firm founded by two Nigerian investors is a leading force in financing deals that give companies a continental focus

When Helios Investment Partners announced the first close of its second private equity fund in January 2010, it struggled to reach its $200m target. Less than 18 months later, the fund had its final close in June 2011 at $900m – the highest ever for an Africa-focused fund – with demand exceeding $1bn. While many global private equity managers are labouring to win commitments from wary investors, Helios has managed to position itself at the head of a new African-led private equity movement.

London-based Helios Investment Partners was founded in 2004 by Tope Lawani and Babatunde Soyoye, two Nigerians with decades of experience working for US private equity giant Texas Pacific Group. Early on, they won the support of the Commonwealth Development Corporation (CDC), the UK government's development finance institution (DFI). CDC's $50m was the largest equity investment in Helios's first $305m fund. "They understand the continent, they know how to look for information, they know how to monitor deals there," says Jean-Marc Savi de Tové, CDC's former portfolio director for Africa.

The firm has gone on to win over some of the world's richest financiers. Following the success of Helios Towers Nigeria (HTN), which Helios founded in 2005 to run a network of mobile phone towers, Helios decided to roll out

**In February this year, Helios and Vitol bought an 80% share in Shell's oil products, distribution and retailing businesses in 14 African countries. The private equity group is effectively selling petrol direct to consumers**

the business model across Africa. The partners raised $275m from financier George Soros, former US secretary of state Madeleine Albright, Lord Rothschild and the World Bank Group's International Finance Corporation to add to its own $100m investment. Helios Towers Africa (HTA) now has a network of 3,500 towers in Ghana, Democratic Republic of Congo and Tanzania. It is in the running to enter the lucrative Kenyan market, after Telkom Kenya and Safaricom announced in August they would move to a tower-sharing model. This is a good example of the Helios strategy: to take a successful business platform, test it out in one country and then replicate it across sub-Saharan Africa.

**BIG TICKET INVESTMENTS** In February, Helios teamed up with Dutch energy trader Vitol to buy Shell's downstream oil distribution and retail business in 14 African countries for some $1bn. "It's an interesting transaction because of its size, which is larger than the vast major- →

ity of private equity deals in Africa, excluding South Africa," says Edmund Higenbottam, director of investment banking and financing at Renaissance Capital. He says the deal is evidence of a trend to follow a US or European model, taking a controlling stake in a company rather than sitting back as minority partners.

While it may seem like a risky decision for a private equity firm to take on the management of a fleet of petrol pumps across Africa, it is actually a "no-brainer", says Savi de Tové. The Shell deal was driven by volume and based on growing demand for fuel for the new cars bought by the burgeoning middle classes (see pages 70-76). He says the question for Helios is "whether they've bought at a good price and whether they'll be able to meet the challenges of managing such a large portfolio of petrol stations across the continent and to exit it."

The firm is succeeding in the difficult task of bringing in African investors such as pension funds. Although 54% of the commitments to its Helios II fund came from the US and 24% from Europe, 15% came from Africa – higher than the average 0-10%

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usually sourced from local investors. Its fundraisers persuaded a broad spread of family offices, sovereign wealth funds and funds of funds to commit, though DFIs account for 28% of the total.

**THE NEXT FIVE YEARS** Helios has yet to prove its exit credentials. So far, it has only completed one partial exit by selling 40% of its holding in Nigeria's First City Monument Bank, in two tranches between November 2007 and January 2008.

The clock is ticking on its first $305m, 10-year fund. It is due to expire in 2016 but could be extended for another two years if investors agree. Helios has distributed cash to investors "right from year one," says Henry Obi, its chief operating officer, and "there are more exits in the pipeline in the next 12-24 months." Obi says Helios's funds are targeting returns of more than three times invested capital.

When Helios started HTA in 2009, it appointed former operations partner Charles Green as chief executive. "They have a very active approach to the management of all their portfolio companies," says Green. Backed by their parent firm, the latter are ready to fight their corner and move fast if they need to.

In May, Helios Towers Nigeria moved to sue Telkom South Africa for breach of contract, accusing the Telkom-owned Multi-Links network of reneging on a tower-sharing deal. After an agreement to sell Multi-Links collapsed because of the contractual dispute, HTN decided to make its own move, buying Multi-Links for $10m in late June. What had looked like a legal impasse was turned into an opportunity. "We own the key assets of the company and we will go about trying to create value from those assets in any way possible," says Green.

Because of the size and complexity of their deals, Helios's funds are particularly dependent on the health of global markets. Take the $184.5m it spent in August 2007 on a 22% stake in Portugal Telecom's African assets – now grouped together as Africatel. To exit, Helios will either need Portugal Telecom to buy back its share, find another company willing to buy the portfolio or wait until Angola (where most of the assets are based) launches a stock exchange.

Private equity is not new in Africa. But the West's largest private equity groups have only begun paying it real attention. Now, investors who five years ago would not have dreamt of putting money into the continent are hankering after the diversification that a pan-African fund can bring. ●

By **Gemma Ware**

## THREE INVESTMENTS



**Co-founder Tope Lawani**

### SHELL'S DOWNSTREAM OIL BUSINESS

**Date** February 2011
**Amount** Approximately $1bn (including $500m from Helios)
**Activity** Oil distribution and retail plus lubricant blending plants
**Region** 14 countries in North and sub-Saharan Africa
**Object** Teaming up with the Dutch energy company Vitol, Helios formed two joint ventures in which Shell will remain a minority partner

### INTERSWITCH LIMITED

**Date** December 2010
**Amount** $110m
**Activity** Payment processing
**Region** Nigeria
**Object** Helios took a 67% stake in Nigeria's leading card payments company, which runs the Verve chip-card issued by 16 of Nigeria's 24 banks

### CONTINENTAL OUTDOOR MEDIA

**Date** December 2009
**Amount** $146.8m
**Activity** Outdoor advertising
**Region** 14 countries in Southern and East Africa
**Object** Helios led a consortium of two private-equity investors and South African media company MSG Afrika to take a 100% stake in Continental Outdoor Media, formerly INM Outdoor