



Investment trends in mining industry in Africa

Applying the eco mining lens

September 2017

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Agenda

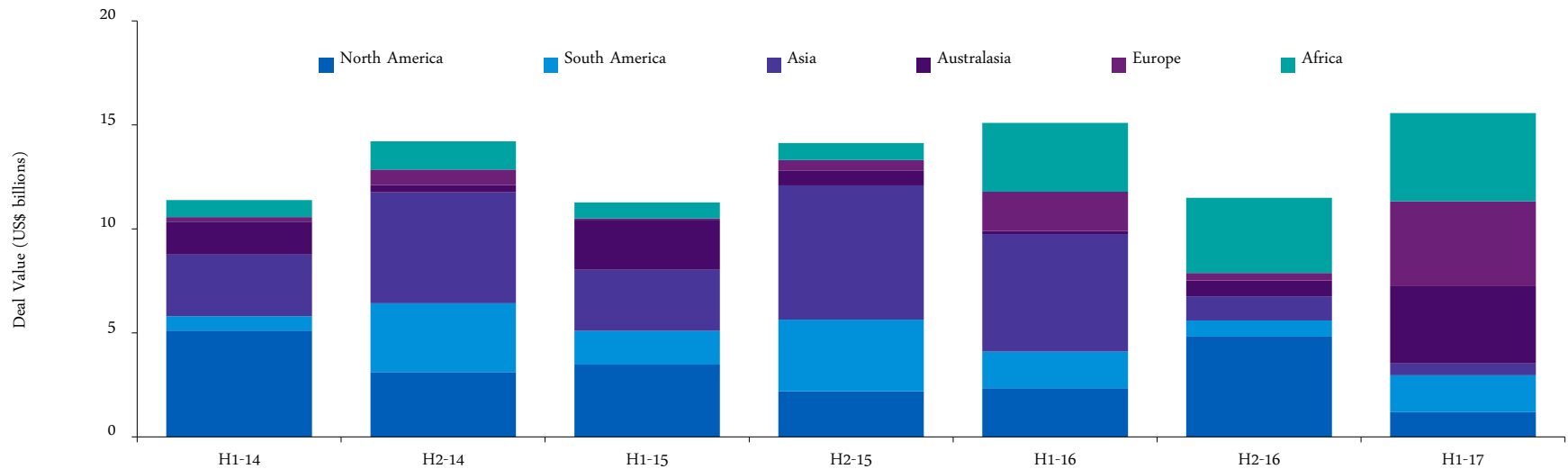
- Current landscape
- Competitiveness of African countries
- Africa investment trends

Global Perspective – Deal value by location (deals greater than US\$50m)

Deal value by location (deals greater than US\$50m)

Positive trends in African deal value, sharp jump in Australasian deal activity

- Significant increase in deal value in Australasia and Africa
- Asian deal value decreasing significantly



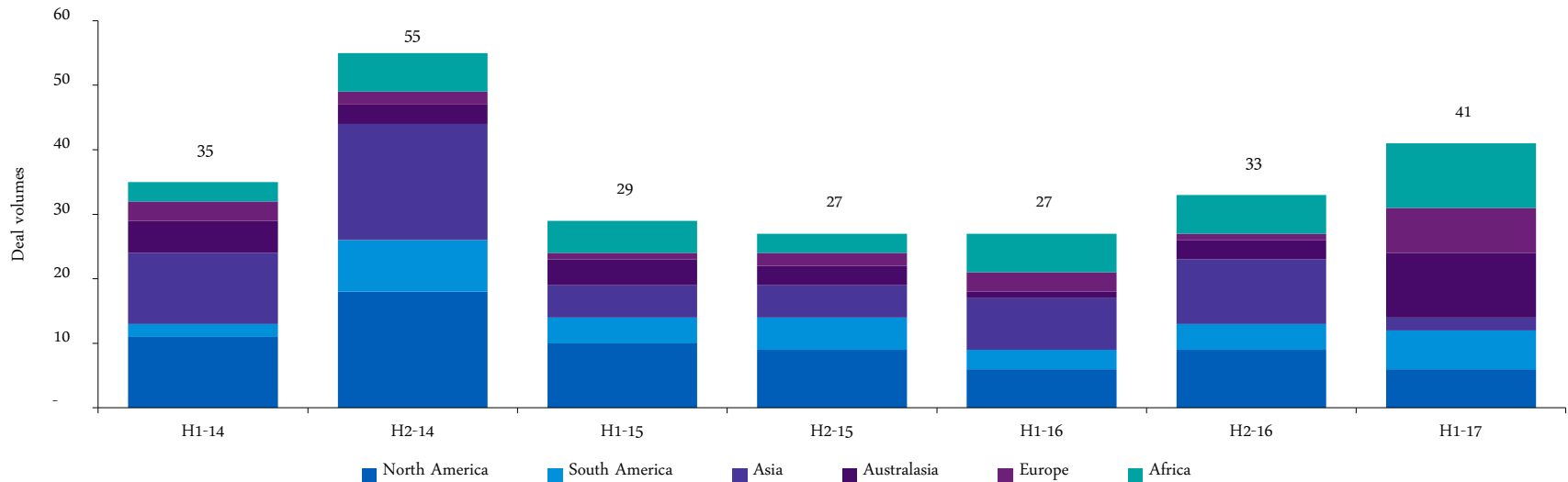
Source: Thomson Reuters, KPMG analysis

Deal volume by location (deals greater than US\$50m)

Positive trends in African deal value, sharp jump in Australasian deal activity

Positive trends in African deal value, sharp jump in Australasian deal activity

- Significant increase in number of Australasian deals
- Consistent growth in number of African deals
- PE playing a big role



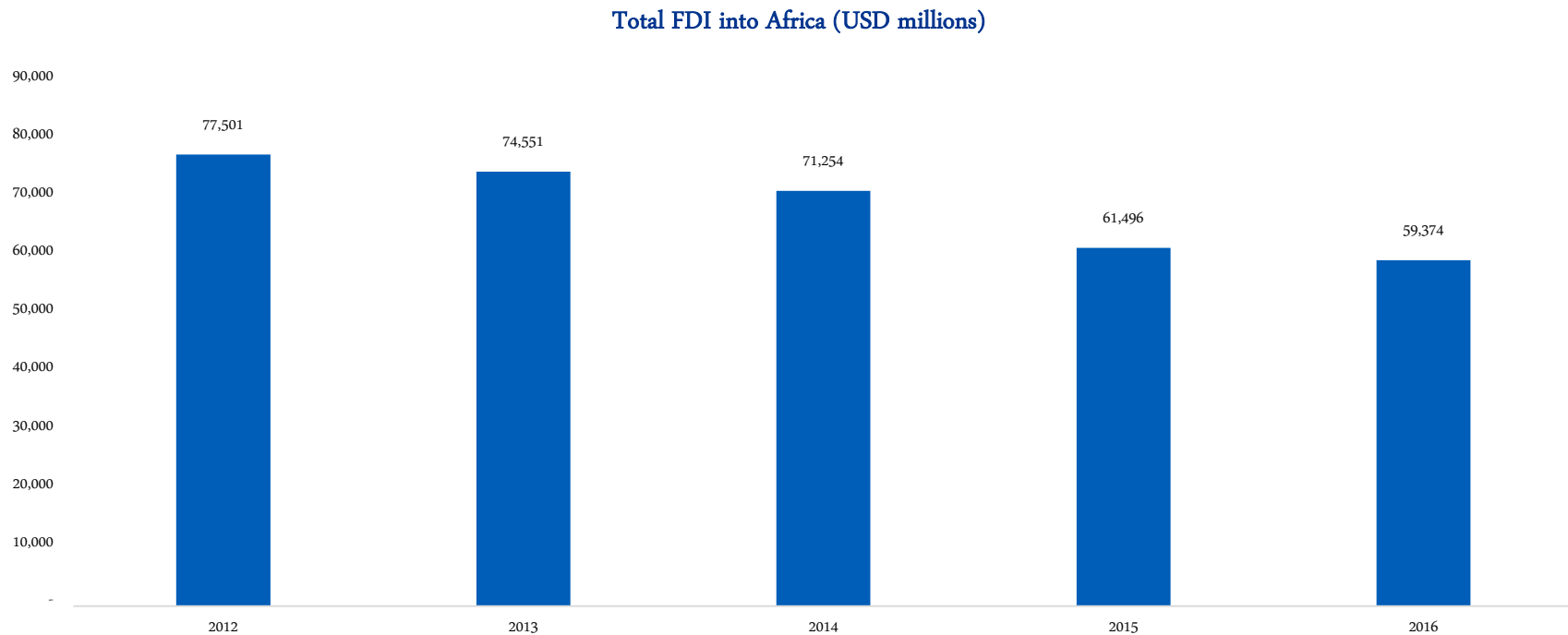
Source: Thompson Reuters, KPMG analysis



Where to invest in Africa – current landscape

FDI inflows into Africa

The year-on-year trends in FDI inflows into Africa for the years 31 December 2012 to 2016:



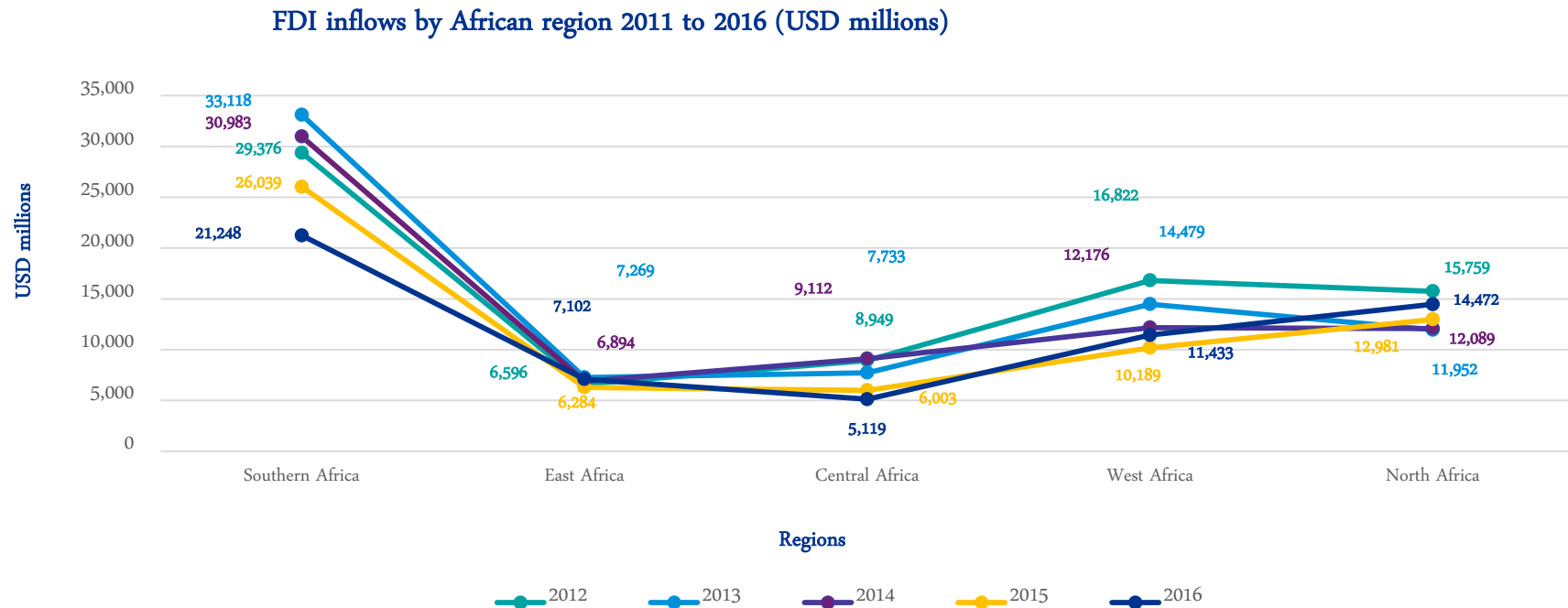
Source: [World Investment Report, 2017](#) and KPMG calculations



Where to invest in Africa – by region

FDI inflows into Africa by region – 2012 to 2016

The year-on-year trends in FDI inflows into Africa by region for the years 31 December 2012 to 2016:



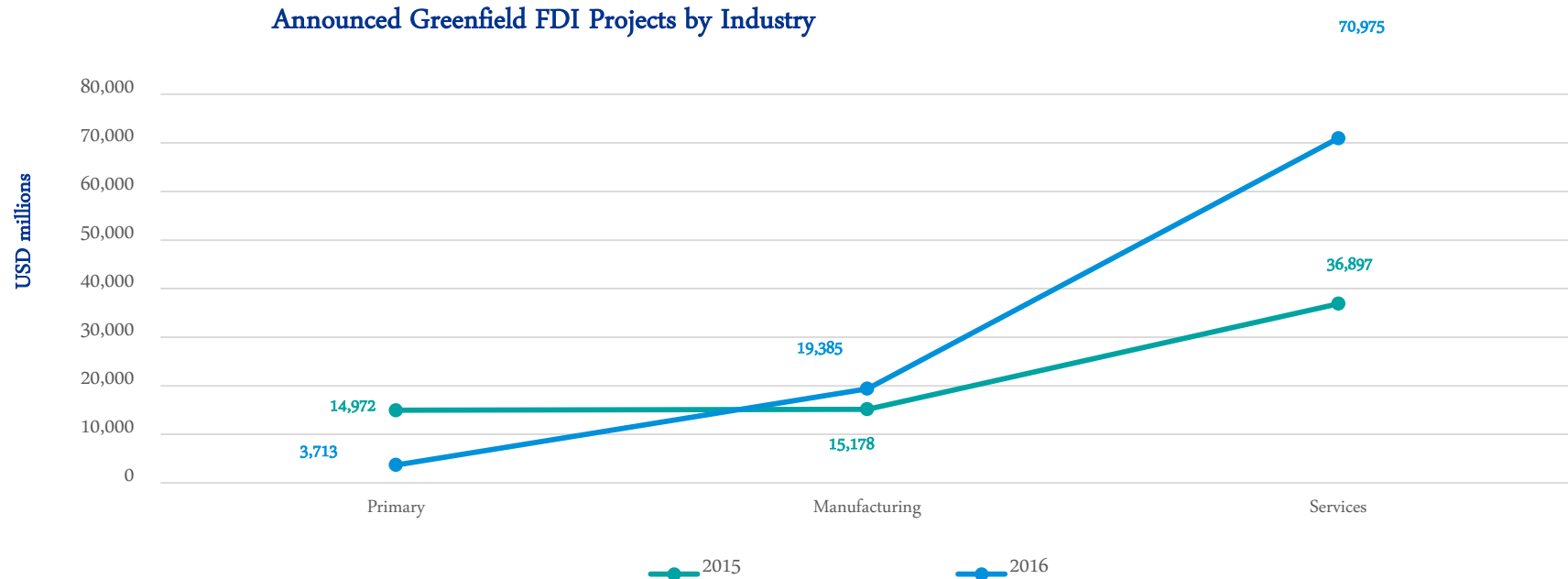
Source: [World Investment Report, 2017](#) and KPMG calculations



Where to invest in Africa – by industry

Announced Greenfield FDI Projects into Africa by industry – 2015 and 2016

The year-on-year trends in announced greenfield FDI projects into Africa by industry for the 2015 and 2016:



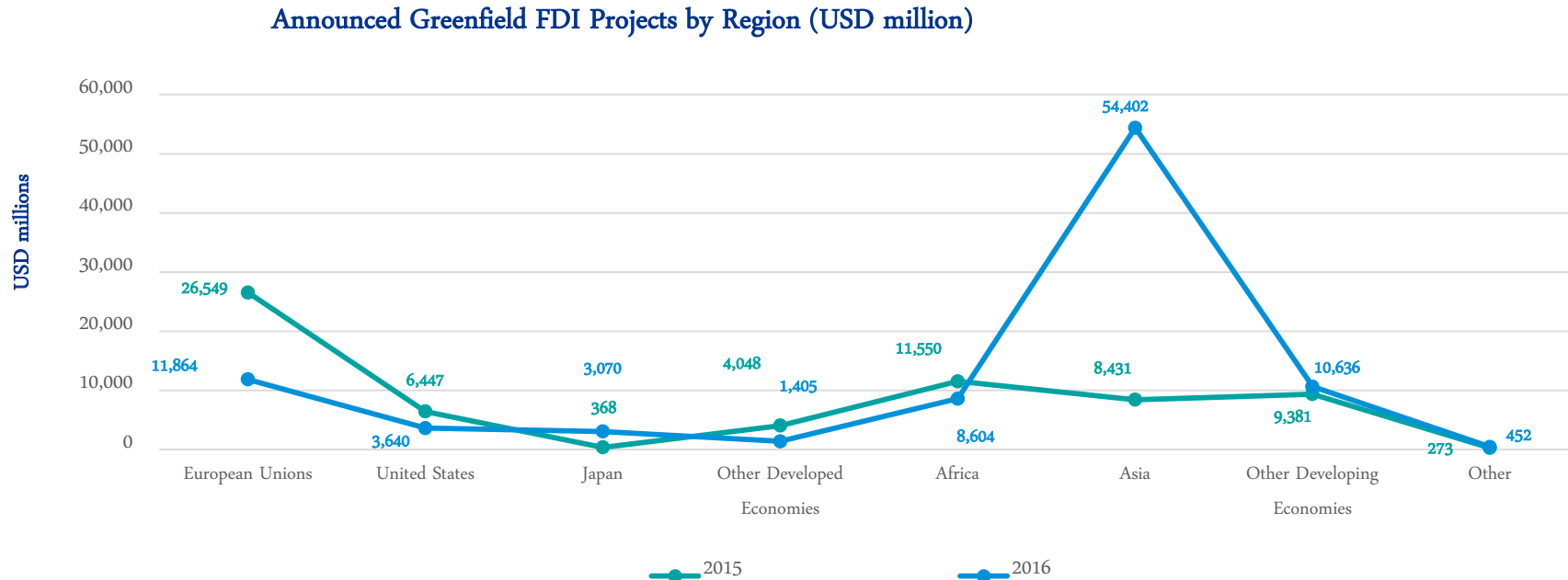
Source: [World Investment Report, 2017](#) and KPMG calculations



Where to invest in Africa – by investor

Announced Greenfield FDI Projects into Africa by investor – 2015 and 2016

The year-on-year trends in announced greenfield FDI projects into Africa by investor for the 2015 and 2016:



Source: [World Investment Report, 2017](#) and KPMG calculations

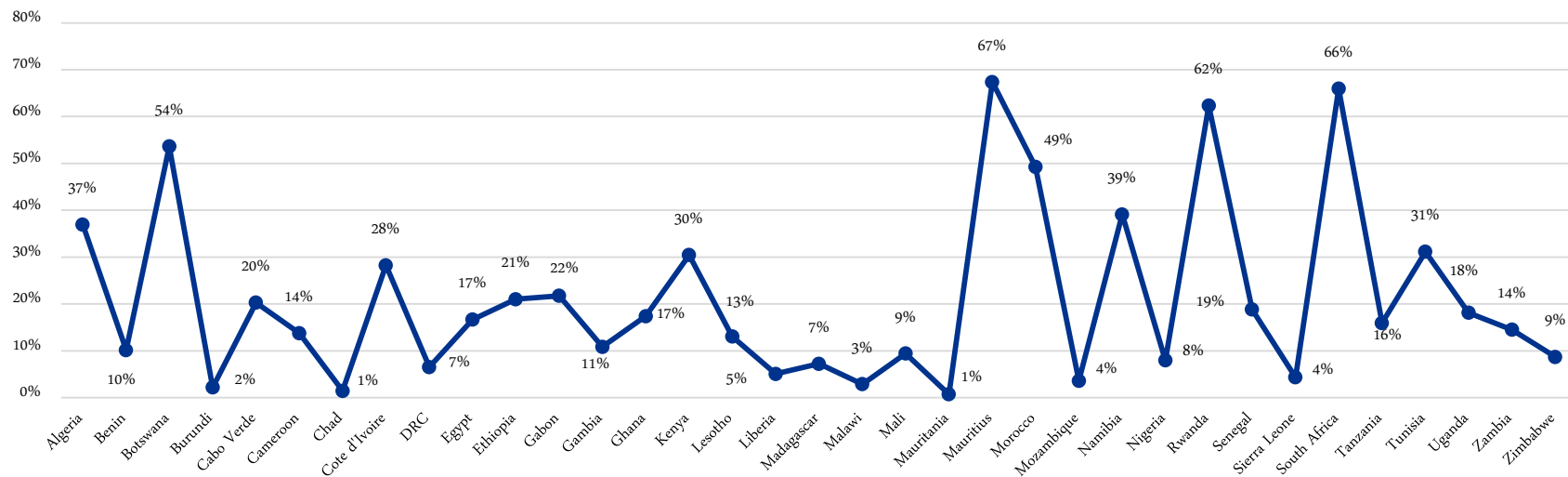


Where to invest in Africa – competitiveness

The percentage rankings of each included African country in the Overall Global Competitiveness Index, 2016 – 2017 are as follows:

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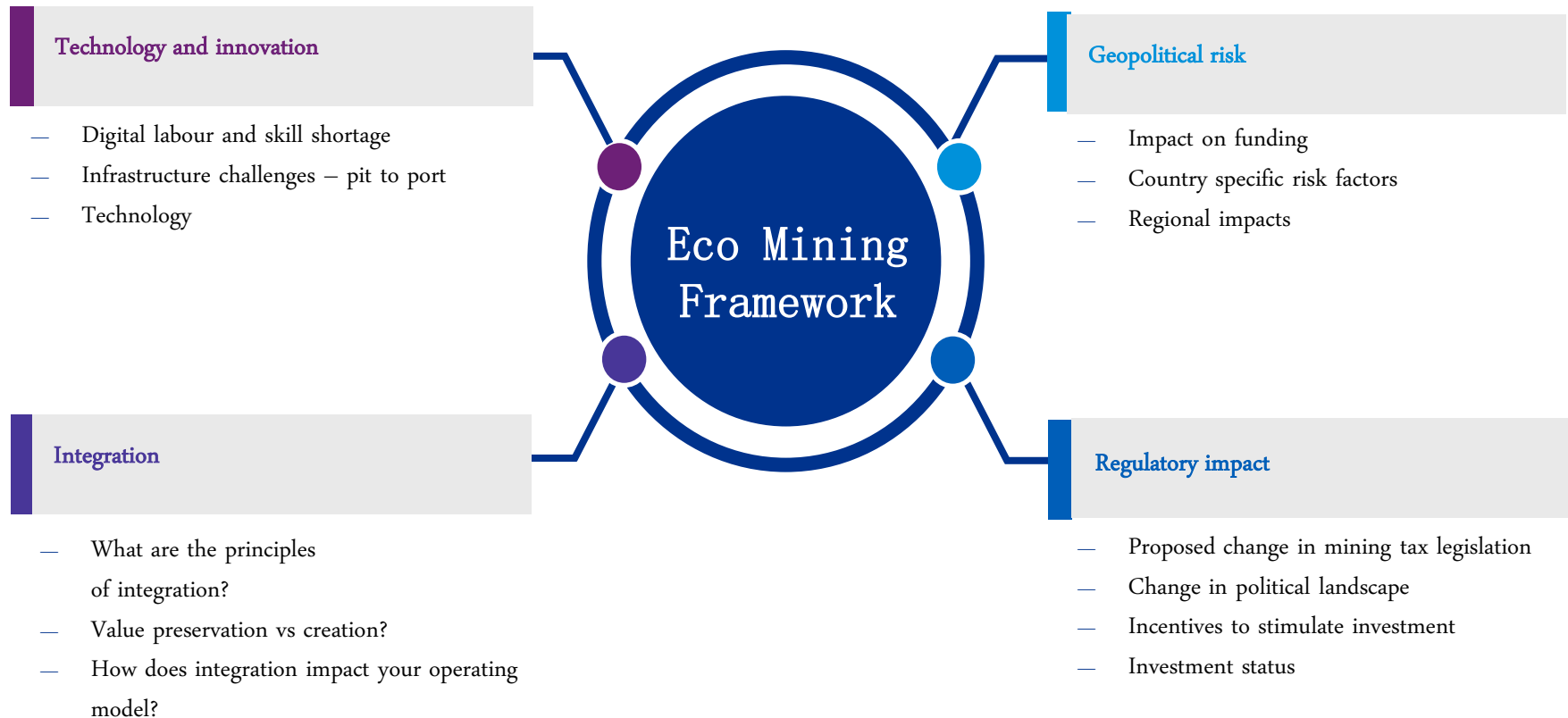
Overall Global Competitiveness Index - 2016 - 2017 Rank %



Source: [World Investment Report, 2017](#) and KPMG calculations



What is driving the investment trends?



Integration & separation of

Key trends expected in 2017 and beyond (source: KPMG Mining Outlook survey)

(source: KPMG Mining Outlook survey)

- Significant consolidation will be required to reduce the current levels of structural overcapacity...
- Most will spend...the next two years focusing on deeper cost reductions
- Growth strategies also high on the agenda....largely through geographic diversification driven by geopolitical risk (rebalancing their global footprint)
- Global economic uncertainty and price volatility continues tepid growth trend in mining sector
- Preference for operating assets then development assets
- Gold regains top share of total deal value

Implications for integrations and separations

Successfully integrating or separating is now more important than ever, in order to:

- Preserve value (business as usual)
- Realise value (the deal rationale)
- Create value (stretch case benefits)

Cost reduction still a primary driver for most transactions

Therefore a strong focus on achieving deal synergies or savings will yield success:

- e.g. operating synergies, plant utilization, shared services and central cost savings, direct cost savings, labour costs, housing etc.



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