

Case Study: The Eranove Group

Eranove's Story

Previously known as Finagestion, the Eranove Group was initially part of the French utility group Saur, a wholly-owned subsidiary of the Bouygues Group. When Bouygues made the decision to withdraw from the utilities sector in 2005 to strengthen its focus on telecommunications, it ultimately chose to sell Saur to a consortium of private equity firms. The investors opted to exclude the African affiliates from the deal, which were then transferred to Finagestion. Having had an interest in the African utility operations for nearly a decade, Emerging Capital Partners (ECP) invested in Finagestion in 2008 and acquired a controlling interest in the company the following year. In 2014, the company was renamed Eranove.

At the time of ECP's investment, Africa had significant power and water challenges due in part to large infrastructure gaps. In 2012, the African Development Bank reported that, with some national exceptions, 80-90% of the African population was not connected to a power grid and nearly 70% had no access to clean water. ECP saw an opportunity to help Eranove—which already had diverse and profitable assets—grow organically, become more efficient operationally and expand internationally.



As of 2016, Eranove manages over 1,247 megawatts (MW) of electricity generation capacity and produces approximately 423 million cubic meters of water annually. Eranove has four core subsidiaries in Côte d'Ivoire and Senegal: the water operators Société de Distribution d'Eau de la Côte d'Ivoire (SODECI) and Sénégalaise Des Eaux (SDE), the power distribution company Compagnie Ivoirienne d'Electricité (CIE), and the power generation company Compagnie Ivoirienne de Production d'Electricité (CIPREL). Eranove also has a service contract with a water operator in the Democratic Republic of Congo, and signed a concession agreement in 2015 with the Republic of Mali to build and operate a hydroelectric power plant, Kenié Energie Renouvelable.

The Role Played by Private Capital

Following its investment, ECP prioritized initiatives around maintaining and upgrading the existing subsidiaries' networks and increasing operational efficiencies. As a result, Eranove saw a 24% rise in clean water production from 2009 through the end of 2015, while maintenance projects and efforts to reduce commercial loss due to fraud contributed to a 5% increase in national network efficiency rates in Côte d'Ivoire between 2012 and 2015. In addition, the company witnessed a 50% increase in electricity and water customers from 2009 to 2016, reaching over 3.3 million combined consumers in Côte d'Ivoire and Senegal.

Alongside maintenance, ECP identified international and local investors to facilitate Eranove's expansion efforts. ECP was instrumental in raising US\$347 (€330) million for a project at CIPREL, culminating in the February 2016 inauguration of a combined gas and steam cycle facility called CIPREL IV. The new facility contributed to a 70% increase in CIPREL's total power capacity to 543 MW and solidified the plant's position as a leading independent energy provider in Côte d'Ivoire. ECP has continued to work with Eranove in building a strong pipeline of base business and new expansion projects in line with its strategy to increase access to essential services in Africa.

The Company



Essentials

Company: The Eranove Group

Website: eranove.com/en

Region: West Africa

Sector: Utilities

Business focus: Power generation, transmission and distribution; water production and distribution

Size: US\$607.6 (€575) million in revenue (2016)

GP: Emerging Capital Partners (ECP), a pan-African private equity firm focused on growth capital investments (ecpinvestments.com)

Date of investment: July 2008

Investment: ECP has a 60% stake in the company as of October 2009

Impact Highlights

ECP prioritized maintaining and upgrading the existing subsidiaries' networks and increasing operational efficiencies. As a result, Eranove saw a 24% rise in clean water production from 2009 through the end of 2015, while maintenance projects and efforts to reduce commercial loss due to fraud contributed to a 5% increase in national network efficiency rates in Côte d'Ivoire from 2012 to 2015. The company also witnessed a 50% increase in electricity and water customers between 2009 and 2016, reaching over 3.3 million combined consumers in Côte d'Ivoire and Senegal.

ECP identified international and local investors to facilitate Eranove's expansion, and has worked with the company to develop a strong pipeline of environmentally sustainable base business and new expansion projects. The combined gas and steam cycle facility CIPREL IV, inaugurated in 2016, contributed to a 70% increase in CIPREL's total power capacity while resulting in an emission of 500,000 fewer tons of carbon dioxide annually as compared to an equivalent gas-fired turbine.

ECP worked with Eranove to build the caliber of its staff by facilitating more professional development opportunities and internal promotions. In 2016 alone, Eranove spent nearly US\$1.6 (€1.5) million to train 8,636 employees with programs focused on topics such as technical know-how, customer relations and managerial growth.

The Company View

“The provision of essential services such as water and energy are fundamental to socially inclusive development in Africa and Eranove is dedicated to expanding water and energy access for current generations ethically and responsibly so as to preserve resources critical to future generations. In partnership with ECP, we have enhanced our operational performance to maintain among the highest availability rates in the industry.”

Mr. Marc Alberola
CEO, The Eranove Group

IMPACT HIGHLIGHTS

| | Initial Investment | 2016 |
|--|----------------------------|-----------------------|
| Revenue (US\$m) | 463 (€323) (December 2009) | 607.6 (€575) |
| # of employees | 5,909 | 8,575 |
| Environmental management system in place | No | Yes |
| Investments in local communities (US\$) | N/A | 1m (€990,030) |
| Local taxes paid (US\$) | 208,806 (€150,000) (2008) | 40.1m (€36.9m) (2015) |

CIPREL IV is demonstrative of Eranove’s efforts, in partnership with ECP, to promote energy efficiency—the steam turbine recycles the exhaust gases emitted by the natural gas-fired turbines and produces energy without further consumption of natural gas. The steam turbine results in an emission of 500,000 fewer tons of carbon dioxide annually as compared to an equivalent gas-fired turbine. Eranove’s other subsidiaries have also focused on promoting the efficient use of resources. For example, CIE initiated a pilot project in 2015 to develop a smart grid to improve public lighting while reducing electricity consumption. SODECI and SDE have also implemented programs to promote water conservation and more efficient consumption of water by government entities, including university campuses and military bases.

Another key element of ECP’s value creation plan was working with Eranove to build the caliber of its staff by facilitating more professional development opportunities and internal promotions. In 2016 alone, Eranove spent nearly US\$1.6 (€1.5) million to train 8,636 employees, with programs focused on topics such as technical know-how, customer relations and managerial



growth. ECP has also worked with Eranove to promote a decentralized, African-led management model across its subsidiaries that fosters ownership and accountability. For example, Eranove implemented an employee stock ownership program that ties performance goals to Eranove shares. For subsidiary senior management, remuneration is based on agreed-upon performance-based goals.

Eranove companies have established environmental, health, safety and security management systems that are often certified and evaluated per international standards, including ISO 14001 for environmental management and OHSAS 18001 for occupational health and safety. Eranove is working with its core subsidiaries to obtain ISO 50001 certification for energy management.

Beyond the Bottom Line

Eranove promotes access to basic services for the poor by applying state-moderated tariffs that reduce electricity and water rates and by facilitating subsidized connections to clean water and electricity. With the government of Côte d’Ivoire and development partners, CIE has been implementing an “Electricity for All” initiative since 2014. In 2016, CIE facilitated 141,385 grid connections through this program to households without electricity. In 2015 assessment surveys of a subsidized connection program, 100% of respondents indicated their belief that the program had slowed urban migration and 96.6% indicated that they thought it had a positive impact on school attendance and rural village development. Through SODECI, Eranove additionally facilitated 46,021 subsidized water connections in 2016.

Eranove also embraces community engagement. From 2013 to 2015, SODECI, CIE, and CIPREL partnered with the non-profit Yveo-Ouyine to provide capacity building trainings to several villages. The program aimed to support entrepreneurial development, facilitate access to microfinance, provide guidance on wealth and resource management, and raise awareness about healthy lifestyles. In addition, SDE supported communities during major Christian and Muslim religious events in Senegal, and helped the Gorée Island authorities obtain an ISO 14000 certified environmental management system in 2014 by financing an environmental audit and contributing to environmental projects, including a waste management program. In 2016, Eranove focused on revenue creation and literacy training for women.