

# Private Equity Investing in Colombia

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<p>Infrastructure Opportunities in Colombia for U.S. Companies Export-Import Bank of the United States, December 6, 2011</p>
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**DARBY**  
PRIVATE EQUITY  
FRANKLIN TEMPLETON  
INVESTMENTS

# Why Invest in Colombia?

## GDP growth and economic stability

- Consistent and stable economic growth; expected to grow 5.5% in 2011; 2011 inflation projected at 3-4%
- Fourth largest Latin American economy—investment grade
- Significant oil and minerals producer, boosting export earnings
- Never experienced hyperinflation, nor maxi-devaluation
- More resistant to financial crises than most Latin American countries; no international debt default; did not need Brady Plan restructuring

## Political stability

- The oldest constitutional government in South America
- Third most populous country in Latin America, with improving social indicators
- Liberal democracy with open elections for over 40 years—multi-party system
- Prior security concerns dissipated due to effective government actions

# Why Invest in Colombia?

## Financial Sector and Capital Markets

- Sound fundamentals in the Colombian banking sector; weathered 2008 crisis well
- Strong performance of stock exchange (30% CAGR for the last 10 years) reflects improving risk profile and increasing capital market depth
- Deepening capital markets—private pension funds: US\$100 billion in AUM in Colombia
  - Grupo Sura's acquisition of ING Latin America asset manager for US\$3.7 billion with US\$1.8 billion share offering an example of growing capital market maturity
- Active corporate bond market with growing maturities

2000-2010	Growth average
Colombia	4.0%
LAC	3.4%
U.S.	1.8%



# Why Invest in Colombia?

## Conducive environment to foreign investments

- Equitable and hospitable regulatory environment, strong investor protection
- Attractive foreign direct investment destination, 13% CAGR over last 10 years
- Continued economic liberalization policies, privatization programs and trade promotion
- Doing Business – World Bank/IFC ranked Colombia 42<sup>nd</sup> out of 183 economies, up from 79<sup>th</sup> five years ago; only Chile (39<sup>th</sup>) and Peru (41<sup>st</sup>) rank higher in Latin America<sup>1</sup>

## Darby's Experience in Colombia

### Diverse Sectors

- Petroleum–secondary recovery
- Power generation
- Mobile telecommunications
- Enterprise software
- IT hardware distribution/services

Equitable and Fair Treatment as a Foreign Investor

No Difficulty with Repatriation of Investment Proceeds

Excellent Financial Returns – three exits with combined return of 26% IRR and 7.3x money

## Darby's Investment Experience in Colombia

### Petro Santander (PSI)



- Darby and Yorktown (50:50) co-founded this oil and gas exploration & production entity in 1995
- In 1995, acquired first association contract from Ecopetrol; further expansion through acquisitions and exploration contracts
- Sold to U.S. financial investors in 2011

### TEBSA



- Largest (918 MW) and most efficient gas plant in Colombia
- Post investment in 2004, Darby led senior debt refinancing (U.S. Ex-Im and U.S. OPIC) and corporate financial management
- Sold to consortium of Colombian investors and private equity funds in 2010

### Avantel



- A mobile wireless communications company with a nationwide license for digital trunking
- Built a national network with over 100 base stations and operations in 21 cities
- Focused on the corporate/professional segment in a highly competitive market
- Sold to U.S. fund in 2010

### Sysgold / Spring Wireless



- Leader in platform technology for enterprise mobility software
- Merged with Brazilian mobile communications, Spring Wireless, provider in 2005
- Combined company is the largest provider of mobile data solutions for the corporate market segment in Latin America.

### Datapoint



- A national IT hardware distributor and service provider
- The market leader, with thirty three years of operations in Colombia
- Well established partnerships with major international IT manufacturers (HP, Microsoft, Lexmark)

# Infrastructure in Colombia

## Pressing Need for Infrastructure Investment

- Needs include both greenfield and expansion to reduce bottlenecks
- The Colombian Ministry of Transportation's recent *Infraestructura Para La Prosperidad* report proposes US\$51 billion equivalent in investment over the next ten years, US\$16 billion equivalent over the next four:

<i>In US\$ billions</i>	Investment 2011-2021:	of which 2011-2014:
Roads	\$28.7	\$9.8
Railroads	10.8	0.7
Maritime & fluvial networks	1.6	0.9
Ports	1.6	1.0
Airports	1.0	0.5
Urban development	7.2	3.3
	<b>\$50.9</b>	<b>\$16.3</b>

# FINTRA

## Darby-Colpatria Transportation Infrastructure Fund

- Private equity fund dedicated to investing in Colombian infrastructure (especially transport), but also energy, water, utilities and telecom/IT
- Managed by Bogota-based investment team with Darby's strong local partner Colpatria: a leading financial group with a 50-year history in Colombia and experience in Colombian infrastructure as operator and investor
- Fund investors include four major Colombian private pension funds and two insurance companies
- Colombian investor interest reflects the development of the domestic capital market and confidence in the local economy
- \$90 million equivalent first close with the goal of increasing the fund to \$150 million



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