



a subsidiary of First Bank Nigeria Plc.

# INVESTMENT PROCESS



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## FFL's Investment Process

FFL adopts a professional approach to making investments to ensure that only the best deals are invested in. The process covers the following activities:

- Deal Sourcing
- Deal Screening
- Investment Analysis / Appraisal
- Site Visit / Inspection
- Preparation of Investment Proposal
- Investment forum
- Investment Committee Approval
- Due Diligence Process
- Disbursement
- Investment Monitoring
- Exit/Divestment

### Deal Sourcing

FFL has a conscious and continuous strategy to engage in activities that will enhance its deal flow as a Venture Capital Fund Manager.

### Deal Screening

Good deal flow brings numerous business plans and feasibility reports to the table. Deal screening is what helps to separate the wheat from the chaff.

### Investment Analysis / Appraisal

All deals that successfully pass through the deal screening stage undergo investment analysis/appraisal. At this stage, the business model and all assumptions in the business plan or feasibility report are tested.

Extensive sensitivity analysis is also undertaken to ascertain the viability of projects and establish critical success factors.

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## Site Visit / Inspection

In almost all cases, site visit/inspection is necessary, to observe the operations of the project promoters and the production/service processes in the case of an established business.

## Preparation of Investment Proposal

Investment proposals are only prepared for projects that have positive recommendations from both the investment analysis and project inspection stages. This is the document that the Investment Committees or Board of Directors will consider for approval.

## Investment Forum

it is a 'mock investment' committee meeting and helps to raise issues and questions that may arise later.

## Investment Committee Approval

The Investment Committee comprises three members of the First Funds Board and the IDMs. The committee recognises deals above N100m to the full FFL Board.

Based on the investment proposal put before it, the Investment Committee gives its approval, usually subject to carrying out a due diligence on the company and its promoters.

The Investment Committee could also give a conditional approval, ask for a re-presentation of the proposal or turn it down outright.

## Due Diligence Process

It usually has the following components: financial due diligence, legal due diligence, technical due diligence, and character due diligence

FFL engages professionals in the relevant fields to carry out financial, legal and technical due diligence.

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corporate governance issues are resolved and agreed. Therefore, legal documents are executed before disbursement takes place.

## Investment Monitoring

Post-investment monitoring investment could take various forms. Usually, an agreement is reached on how project monitoring would be conducted before actual disbursement of funds.

Monitoring could also be done by the use of consultants, especially for those projects located in remote areas or where FFL's investment is relatively low.

## Exit/Divestment

The investment process is only complete when exit/divestment takes place.

This typically happens 3 to 5 years after investment. In more sophisticated markets IPOs are the preferred form of exit. But due to the relative illiquidity and lack of depth of our capital markets, FFL exits via third party or privately negotiated sales, sales to strategic , investors, management shares repurchase and sales through private placement.

The various exit options are discussed with and agreed to with the project promoters before disbursement, in legal documents.