ACWA POWER
أكوا باور

Invest In The Kengen Energy Park

REPUBLIC OF KENYA

MITI
MINISTRY OF INVESTMENTS, TRADE & INDUSTRY

KenInvest
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EPZA
EXPORT PROCESSING ZONES AUTHORITY | KENYA
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KDC
KENYA DEVELOPMENT CORPORATION

"Powering Growth"

DBRT
DEPARTMENT of BUSINESS REFORMS & TRANSFORMATION

Contents

Kenya at a Glance

3rd largest
economy in sub-Saharan Africa.

US$ 110.35 Bn
7.5% growth
Dominant economy in EAC
≈46% of EAC's GDP.

US$ 2,081.8
+75% growth since 2010
Growing middle-class with an increasing appetite for high-value goods and services.

- Regional economic hub
- Host to over 200 Multinational Corporations with regional & continent-wide HQs in Nairobi
- Robust financial system
    - 43 banking institutions
    - 9 representative offices of foreign banks,
    - 13 Microfinance Banks,
    - 3 credit reference bureaus
    - 19 Money Remittance Providers
    - 73 forex bureaus

- Africa's UN HQs (UNON) which is one of four main UN secretariat duty stations globally.
- Global headquarters of UNEP and UN-Habitat, together with a joint presence of 23 other UN Agencies.

- Communications & Logistics hub of the region
- Access to regional transport corridors.
    - 4 international airports
    - 2 sea ports and 2 ICDs
    - 30-freight and 2-passenger rail services daily between Nairobi and Mombasa.

Existing Bilateral Trade Treaties with Kingdom of Saudi Arabia

1. Double taxation agreement

2. Bilateral Labour Agreement on 25th May 2017

The Investment Environment is Conducive

1

- Guaranteed repatriation of capital and profits
- Constitutional protection against expropriation
- Investment guarantee against non-commercial risks: ICSID, MIGA and ATIA

2

- One stop shop facilitation
- Periodic Presidential roundtables with private sector
- Digitization of government services
- Facilitative Industrial zone programs - EPZs & SEZs

3

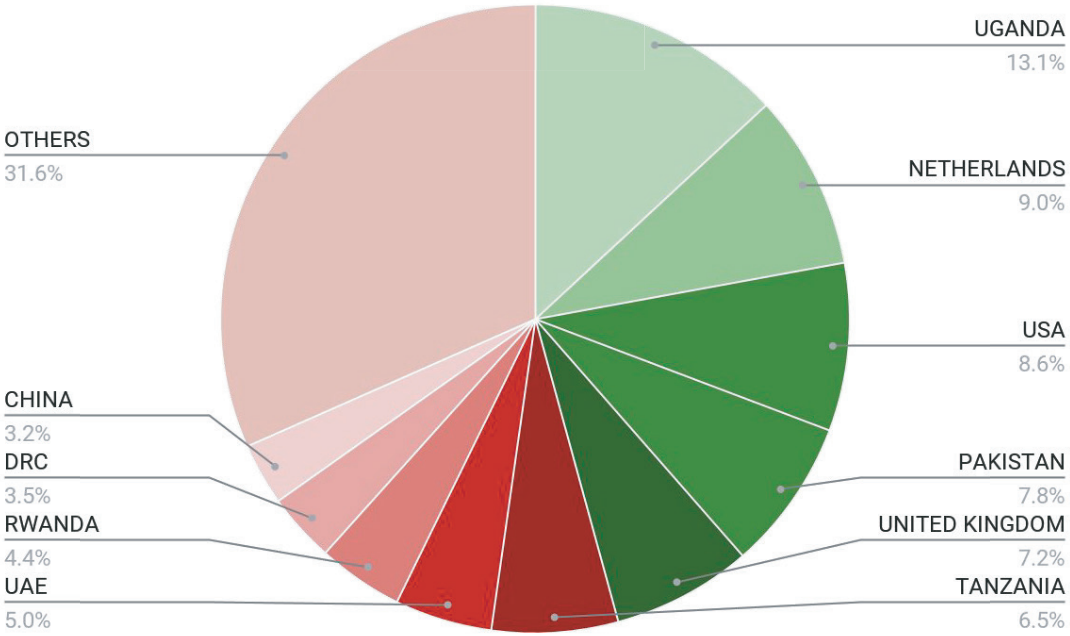
- Political and macroeconomic stability.
- High labour productivity: a large pool of youthful, trainable and literate workforce
- Globally competitive:
    - 56th in the Ease of Doing Business
    - 1st for five years in a row in financial inclusion
    - 1st globally in protection of minority investors
    - Nairobi – Africa's leading business travel destination and hub for impact investors.
    - 2nd in Africa in the logistics performance index

Source: World Bank, UNCTAD, CBK, KNBS

Wide Market Access & Good Trade Relations

US$ 17.43 Bn
Total Imports

US$ 6.09 Bn
Total Exports



Preferential Trade Agreements

1.7Bn ~ US$ 40Tn
Population Market value

AGOA · EPA Economic Partnership Agreements · COMESA · EAC · AfCFTA

Kenya's untapped export potential ~ US$ 4.1 Bn (ITC)

Contents

EXECUTIVE SUMMARY

Opportunity	KenGen Energy Park
Implementing Agency	Kenya Electricity Generation Company (KenGen)
Location	Naivasha, Kenya
Investment Value	USD 255.3 million
Investment Structure	Public-Private Partnership (PPP)
Investment Facilitator	Kenya Investment Authority
Anchor Investor	Kenya Development Corporation.

Preamble: GDC and KenGen

Geothermal Development Company (GDC)

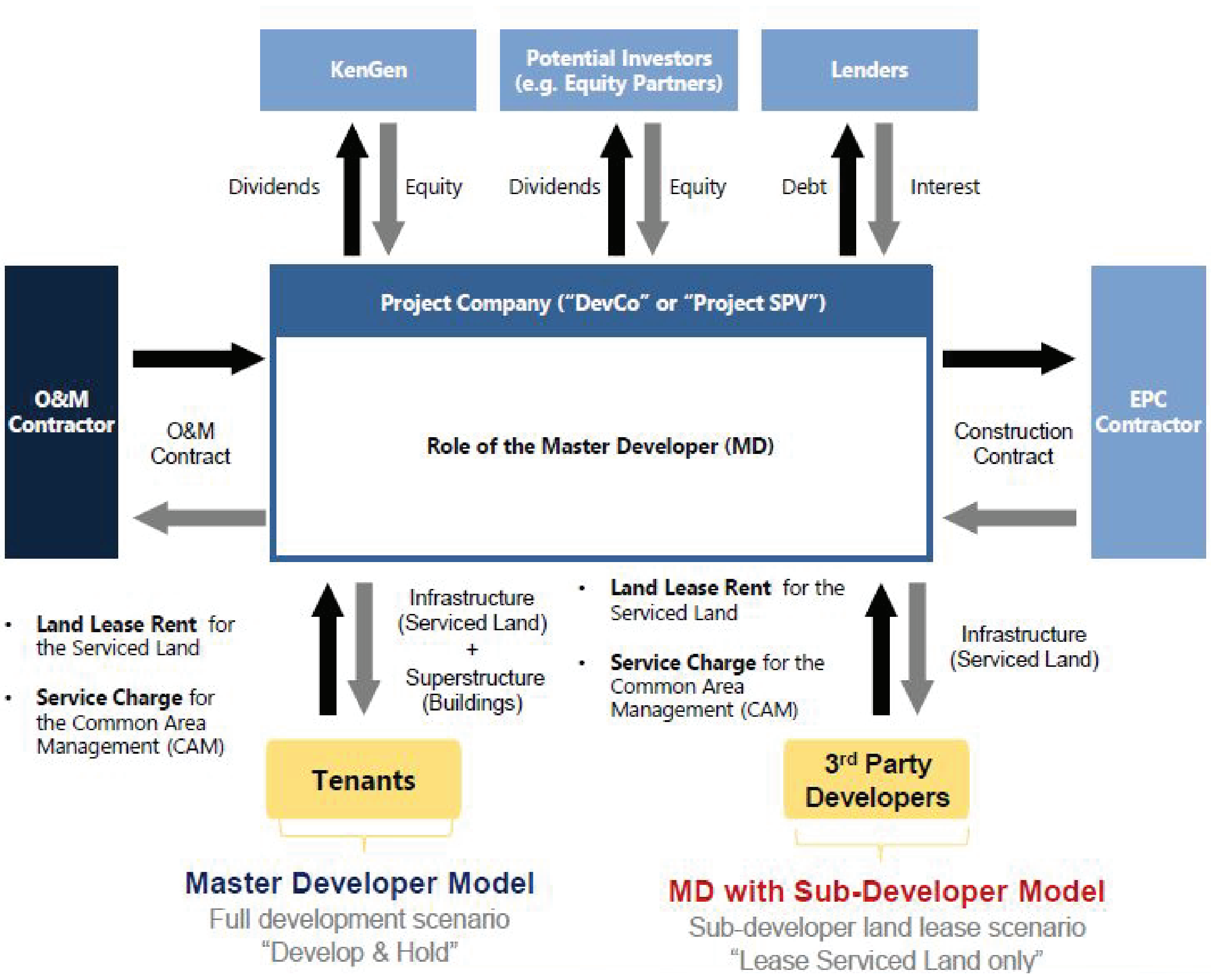
- Listed on the Nairobi Securities Exchange (NSE).
- GoK holds 70% shareholding and the public 30%, following a successful IPO in 2006.
- Africa's leading Geothermal power producer: unrivalled track record of over 66 years of expertise in running Hydro Power Plants.
- Installed capacity stands at 1,904 MW representing 62% of Kenya's installed capacity.
- 86% of generation portfolio is from renewable energy.
- Four generation modes:
  - **i.** Geothermal (799MW),
  - **ii.** Hydro (825MW),
  - **iii.** Thermal (254MW) and
  - **iv.** Wind (26MW).
- Total Assets [Kes. millions]: **502,062.**
- Total Revenue [Kes. millions]: **49,226.**

*Source: Geothermal Development Company Website: https://www.gdc.co.ke/

Proposed Salient Features

Quality of Construction	To be constructed to a high-quality standard.
Cost and Quality of Utilities/ Infrastructure	● World-class infrastructure and reliable utilities supply. ● Provision of power at competitive prices relative to other zones, along with steam and brine. ● Power from renewable sources.
Access to Transport Infrastructure	● Direct connection to Naivasha SGR ICD by road (approx. 25 km). ● Connectivity to the ICDs at Suswa and Mai Mahiu. ● Presently, the journey to JKIA is 126 km. This will reduce with the road connecting the energy park to the Kamandura-Mai Mahu-Narok Road.
Access to Labour	● The park is approximately 1-hour's drive from Naivasha town which has a population of ~200,000, approximately 40 minutes' drive from Mirera-Karagita Town ~54,000, approximately 40 minutes' drive from Kwa Muhia 6,000. ● Cost of labour is generally cheaper compared to Nairobi. ● Development of real estate near the ICD and potential use of Site 2 for residential uses will further secure access to labour.
Landscaping	High-quality landscaping in line with the proposed strategy.
Security	High-quality security provision to be implemented.
Facilities and Amenities	A range of facilities including, but not limited to, offices, data centers, community & civic facilities, hospitality and a one-stop shop.
Parking	Adequate parking to be provided.
Lease Rate/m2	US $149.6

Development Models



Master Developer Model

- No land lease to sub-developers - MD develops and operates real estate assets (excluding industrial land).
- Model exposes SPV to development and market risk. MD assumes construction and market risk
- Under the master developer model, the SPV will be developing and operating the developable assets of the energy park.
- **"Develop & Hold"** - the SPV will be collecting annual rental income from the different income generating asset classes that is has developed and is operating.
- SPV income is variable.

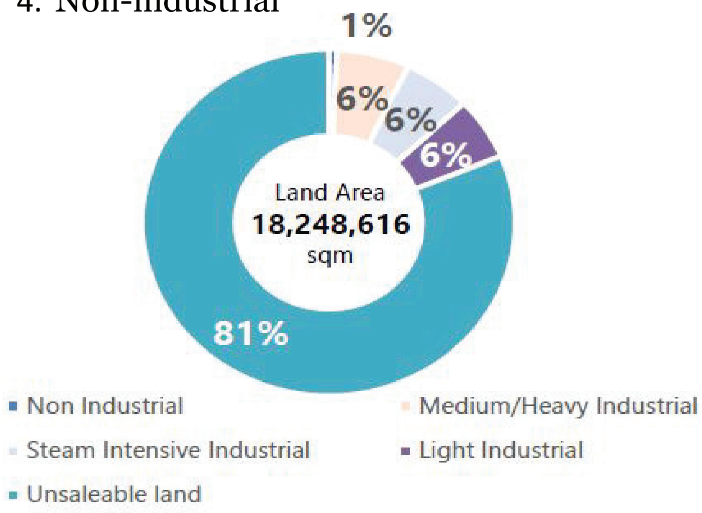
MD with Sub-Developer Model

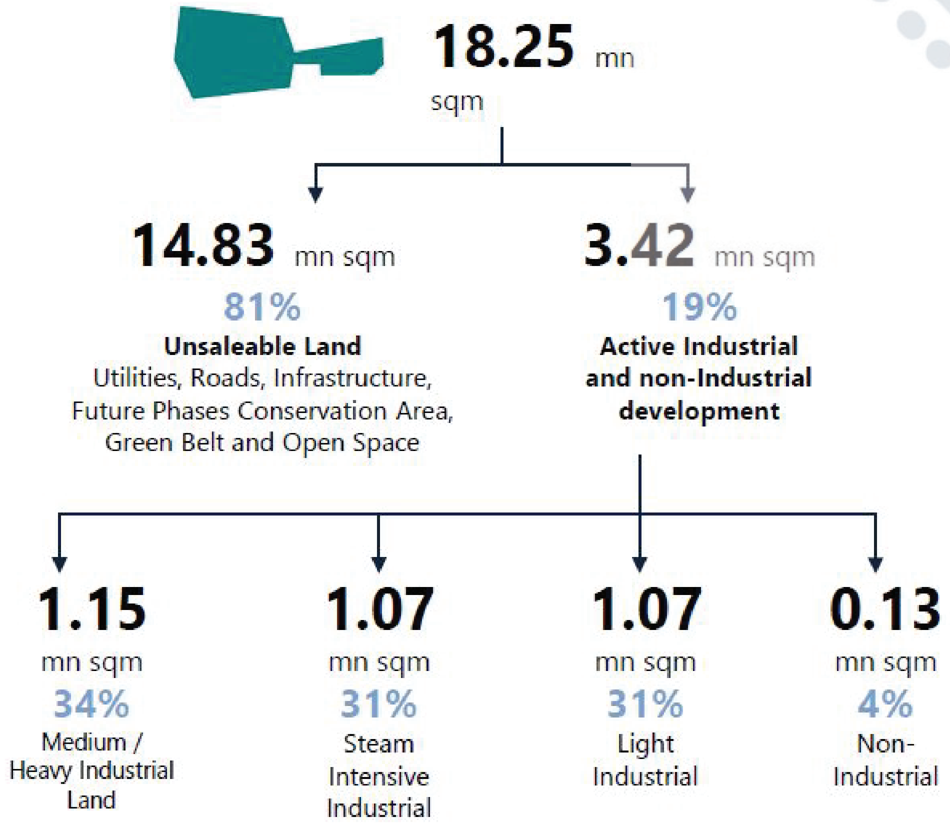
- Land lease to sub-developers: the SPV would sub-lease the commercial parcels to third-party developers who would subsequently build assets and pay the land lease to the SPV.
- Simplest model with lowest SPV exposure.
- Sub-Developer assumes construction and market risk
- SPV income is fixed.
- The land lease should allow the sub developer to attain a reasonable market level, risk-adjusted return or Internal Rate of Return (IRR).

*Source: KenGen Energy Park Financial Feasibility Study Report

Land Use Programme

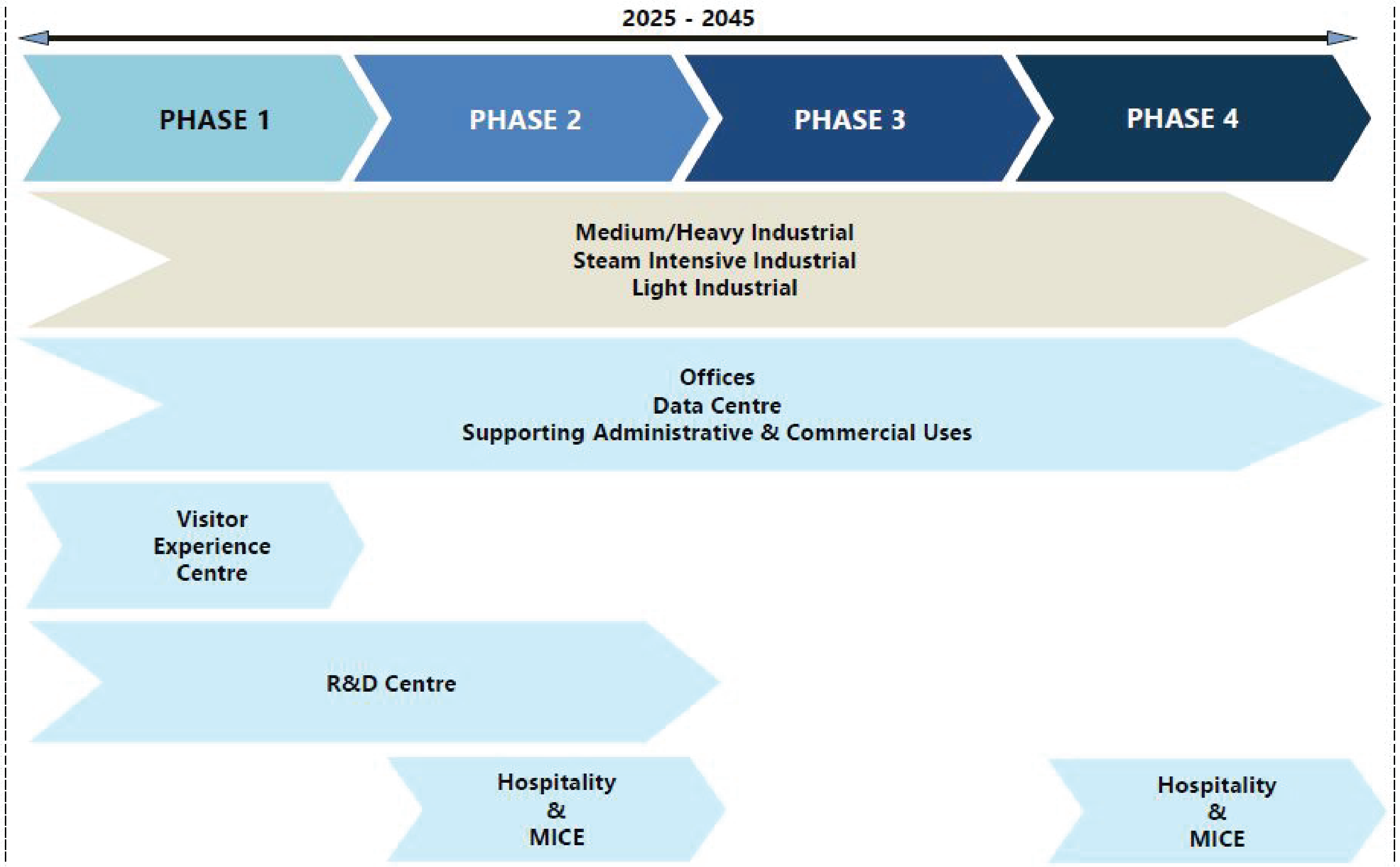
- ✔ Energy park to be developed over 4 phases (2025 to 2045)
- ✔ Total of 3.4 million sqm of land to be developed, with green belt areas.
- ✔ Total built up area : Approximately 2.1million sqm.
- ✔ 5 distinct subcomponents:
  1. Medium/heavy Industrial
  2. Steam intensive industrial
  3. Light industrial
  4. Non-industrial





*Source: KenGen Energy Park Financial Feasibility Study Report

Phasing Strategy (2025-2045)



*Source: KenGen Energy Park Financial Feasibility Study Report

Area to be developed, per phase

Land Classification		Land Use	Phase 1	Phase 2	Phase 3	Phase 4	Total (sqm)	Percentage of Total Saleable land	Site Total Land Use Proportion
Medium/Heavy Industrial		Fertilisers	230,835	294,600	280,229	346,971	1,152,635	33.7%	6.3%
		Iron & Steel							
		Plastics & Packaging							
		Fabricated Metal products							
Steam Intensive Industrial		Pulp & Paper	29,641	30,235	26,000	26,486	112,362	3.3%	5.9%
		Wood & Wood Products	34,899	44,991	39,701	45,895	165,486	4.8%	
	60%	Textiles and Apparel	206,712	201,960	191,000	190,974	790,646	23.1%	
		Food & Beverages							
Light Industrial	40%	Textiles and Apparel	124,980	134,179	120,870	138,806	518,835	15.2%	5.8%
		Food & Beverages							
		Warehousing and Logistics	124,349	142,756	127,327	152,724	547156	16.0%	
		Supporting Light Industry							
Non-Industrial		See Breakdown	29,559	37,417	25,734	38,771	131,210	3.8%	0.7%
Total			780,975	886,138	810,861	940,627	3,418,330	100.0%	18.7%
%			23%	26%	24%	28%	100%		
Non-Saleable Areas		Proposed Utilities					139,170		0.8%
		Existing Utilities					1,602,022		8.8%
		Future Phases					1,771,997		9.7%
		Conservation Area					1,829,649		10.0%
		Open Space					456,813		2.5%
		Green Belt					8,091,009		44.3%
		Road					939,626		5.1%
Total							14,830,306		81.3%
						Total Site Area	18,248,616		100%

*Source: KenGen Energy Park Financial Feasibility Study Report

Potential development models (based on land use)

- Main scenarios outlining the development approach & investment requirements under each.
- **Master Developer Model:** client aims to develop key assets of the project to create critical mass and enable future development by 3rd party developers via land lease.

Land Use	Operating Model	Configurations
Industrial Land - Warehousing and Logistics • Warehousing and Logistics	MD with Sub-Developer Model	"Develop and Lease the Serviced Land"
	Master Developer Model	"Develop, Build and Lease the assets"
• Industrial Land - Supporting Administrative & Commercial Uses (20%) • Visitor Experience Centre (100%)	Non-Revenue Generating	"Develop, Build and Operate the assets"
Industrial Land excluding Warehousing & Logistics • Medium / Heavy industrial • Steam Intensive Industrial • Light Industrial excluding Warehousing & Logistics	MD with Sub-Developer Model	"Develop and Lease the Serviced Land"
	Master Developer Model	"Develop and Lease the Serviced Land"
Non Industrial Land • Offices • Data Centre, R&D Centre • Hospitality & MICE • Supporting Administrative & Commercial Uses (80%)	MD with Sub-Developer Model	"Develop and Lease the Serviced Land"
	Master Developer Model	"Develop, Build and Lease the assets"
Non-Saleable Land • Proposed & Existing Utilities • Future Phases • Conservation Area & Green Belt • Open Space • Roads	Non-Revenue Generating	Site Development costs prorated to revenue-generating components

Site Development cost assumptions

Total Site Development Capex Costing excluding Contingency		Option A $ Mn	Option B $ Mn	Option A KES Bn	Option B KES Bn
Medium/Heavy Industrial Land	Fertilisers Iron & Steel Plastics & Packaging Fabricated Metal Products	73.3	83.8	8.3	9.5
Steam Intensive Industrial	Pulp & Paper Wood & Wood Products Textiles and Apparel Food & Beverages	70.7	80.9	8.0	9.2
Light Industrial	Textiles and Apparel Food & Beverages Warehousing & Logistics Supporting Light Industry	69.4	79.5	7.9	9.0
Non-Industrial	Offices	1.8	2.0	0.2	0.2
	Data Centre	1.2	1.4	0.1	0.2
	R&D Centre	0.4	0.5	0.0	0.1
	Hospitality & MICE	1.1	1.2	0.1	0.1
	Visitor Experience Centre	0.3	0.3	0.0	0.0
	Supporting Administrative & Commercial Uses	5.0	5.7	0.6	0.6
TOTAL		**223.3**	**255.3**	**25.4**	**29.0**

*Excludes contingency for each option

Option A: Direct Sale of power by KenGen from its geothermal power plants.

Option B: Utilizing power from the Grid via 220kV line.

*Source: KenGen Energy Park Financial Feasibility Study Report

Cost of Capital Assumptions

Based on recent financial data, the pre-tax nominal WACC applied to the Project is 11.3%, reflecting the expected rate of return required or expected by capital providers at a given point in time:

Concept	Unit	Value	Source	Comments / Underlying assumptions
Cost of Debt	%	**8.00%**	**Client (05/12/2022)**	
Cost of Equity	%	**15.59%**	**Calculation**	
Risk Free Rate	%	3.88%	Bloomberg (November 2022)	▪ Risk-free rate in the currency of the analysis ▪ US 10-Yr US Treasury
Levered Beta	Factor	1.02	Calculation	▪ Weighted Beta Ulc: 0.53 ▪ Corporate Tax Rate: 30% ▪ Gearing Ratio (D/E): 1.32
ERP	%	4.59%	Damodoran / New York University Stern School of Business	▪ ERP in the currency of the analysis ▪ US Equity Risk Premium
CRP	%	7.02%	Damodoran / New York University Stern School of Business	▪ US 10-Yr CDS Spread: 0.26% ▪ Adjusted Kenya 10-Yr CDS Spread: 6.28% ▪ Kenya Spread, net of US CDS Spread: 6.02%
Weight of Equity	%	**56.93%**	Damodoran / New York University Stern School of Business	
Weight of Debt	%	**43.07%**	Damodoran / New York University Stern School of Business	
Corporate Tax Rate	%	**30.00%**	Applicable Corporate Tax Rate	
Pre-tax nominal WACC	%	**11.27%**	**Calculation**	
Post-tax nominal WACC	%	**9.90%**	**Calculation**	

*Source: KenGen Energy Park Financial Feasibility Study Report

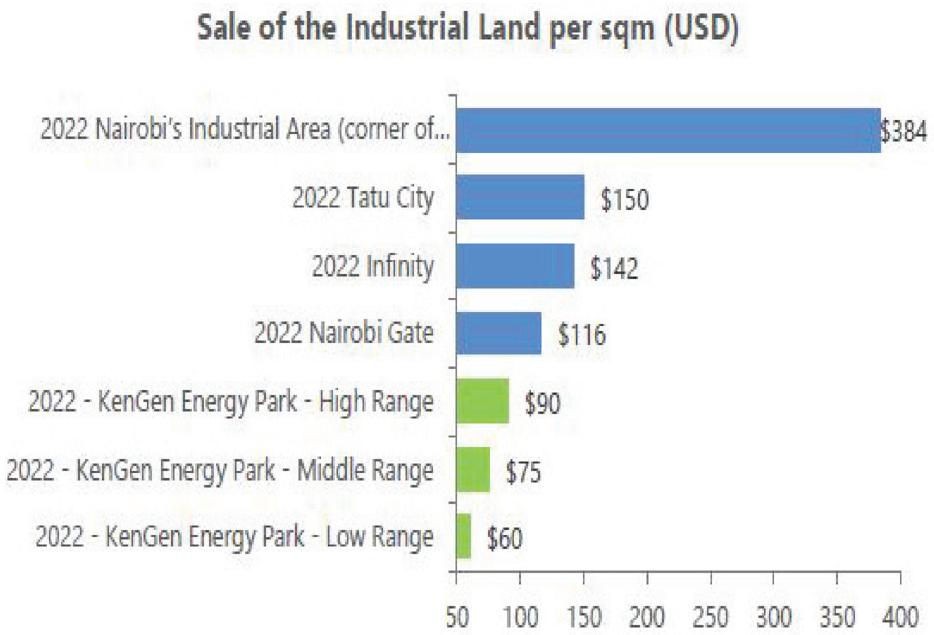
Assumptions on Revenue streams

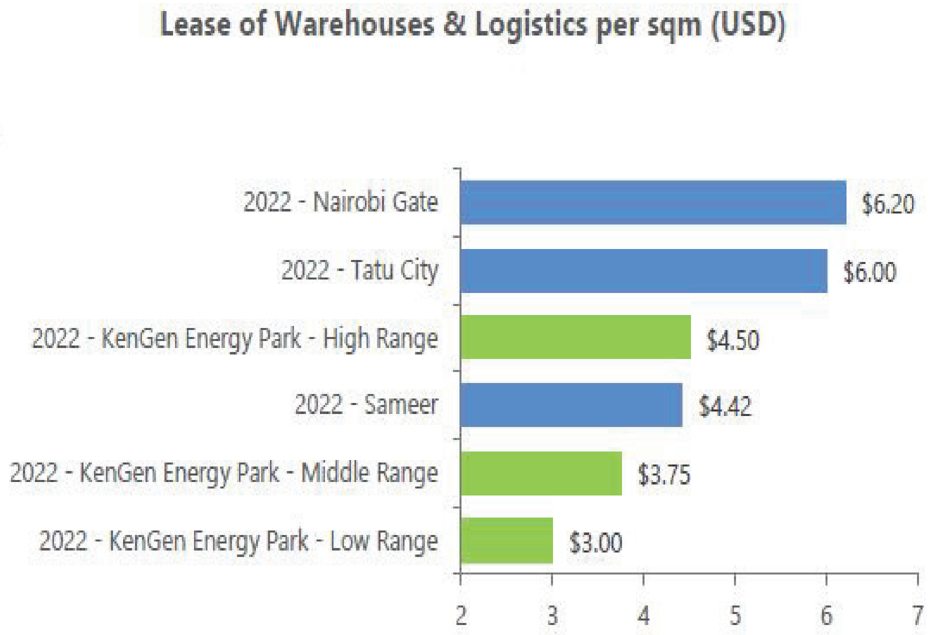
Project Revenues deriving from the direct operation of the Energy park will comprise of:

1. Sales Revenues: Plots of serviced industrial land sold to investors.
2. Lease Revenues: Rents.
3. Annual Maintenance Charges and Service Charges.
4. Water Infrastructure Allowance: a monetary margin of KES 50 per cubic meter of water sold by the Project company (DevCo) to tenants.
5. Electricity Infrastructure Allowance: a monetary margin per kWh of power sold by DevCo to tenants.

*Source: KenGen Energy Park Financial Feasibility Study Report

Benchmarking with other industrial parks





*Source: KenGen Energy Park Financial Feasibility Study Report

Project's IRR (different occupancy levels)

DevCo/Master Developer perspective	Option A			Option B		
Occupancy Sensitivity						
Occupancy on lease revenues	Peak Occupancy 50%	Peak Occupancy 60%	Base Case Peak Occupancy 95% (Average 90%)	Peak Occupancy 50%	Peak Occupancy 60%	Base Case 90%
Phase 1 IRR	14.4%	14.5%	14.7%	11.7%	11.2%	11.4%
Phase 2	20.8%	21.2%	22.3%	17.6%	18.1%	19.2%
Phase 3	19.4%	19.5%	19.9%	16.3%	16.4%	16.8%
Phase 4	23.0%	23.6%	25.2%	19.0%	19.7%	21.3%
All Phases	16.7%	16.9%	17.4%	13.7%	13.9%	14.4%

*Source: KenGen Energy Park Financial Feasibility Study Report

Contents

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