

The Investor



Actis is a global sustainable infrastructure investor focused on growth markets across Asia, Latin America, the Middle East, Africa and Central and Eastern Europe. Founded in 2004, Actis has raised approximately USD25b since inception, investing in energy infrastructure, long life infrastructure, digital infrastructure, real estate and private equity. In October 2024, Actis was acquired by global growth equity investor General Atlantic, creating a platform with approximately USD97b in combined assets under management.

FUND NAME
Neoma Africa Fund III

FUND SIZE
Confidential

TOTAL AUM
USD14.1b

The Company



Octotel operates the largest open-access fiber network in South Africa's Western Cape region, passing 350,000 homes and businesses as of October 2024. Founded in 2016, the company allows internet service providers (ISPs) to use its network—on a vendor-neutral basis—to provide customers with high-speed data connectivity. Octotel was acquired by a consortium of investors including African Infrastructure Investment Managers (AIIM), STOA and Thebe Investment Corporation in 2024.

LOCATION
South Africa

SECTOR
Digital Infrastructure

WEBSITE
octotel.co.za

DATE OF INVESTMENT

OCT '20

AMOUNT

USD167M

STAKE

85%

DATE OF EXIT

SEPT '24



Digital inclusion is a key investment theme for sustainable infrastructure investor Actis. The firm's Africa team identified a gap in the South African market for fast and reliable fiber-to-the-home services as the country's aging, low-quality copper infrastructure-run ADSL technology was failing to meet soaring demand for internet access. In 2019, the Actis team undertook an exhaustive market mapping exercise to better understand the most prominent players in the sector and, in the process, found Cape Town-based fiber network operator Octotel.

Unlike many of its competitors, which were spreading resources to build infrastructure across the entire country, Octotel had concentrated its rollout efforts in the Western Cape, resulting in significant economies of scale. The Actis team was also impressed by the extent to which Octotel's leadership was focused on efficiencies, cost control and capturing the highest return on investment. In turn, Octotel's team took comfort in the fact that Actis had already done over 30 deals in South Africa and knew the industry well.

Just as the two parties entered investment discussions, the COVID-19 pandemic led to global lockdowns. Despite a challenging due diligence process, Actis acquired an 85% stake in Octotel for approximately USD167m in October 2020. Octotel's founders stayed onboard as shareholders, benefitting the company with their historical perspective and insight.

The Deal

Octotel's growth strategy centered around increasing the number of homes passed with a fiber line as quickly as possible, in addition to working with ISPs to drive take-up rates on its network. With Actis' capital, the company set out to capture the remaining available market in the Western Cape. Post-investment, Actis had helped Octotel institutionalize the business, which included establishing management incentives tied to growth.

In November 2022, Actis led lending discussions between Octotel and African corporate and investment bank RMB, resulting in the company securing one of the first social loans in South Africa. The five-year ZAR2bn facility enabled Octotel to refinance existing debt as well as fund new capital expenditures at more favorable terms than the market interest rate. RMB recognized the positive social impact that Octotel's expanding network would have in low-income areas by enabling greater and more affordable internet access, and consequently connectivity to essential services such as education and healthcare.

Octotel's network grew significantly under Actis ownership. Between October 2020 and March 2024, the number of homes and businesses passed with fiber rose from 195,000 to 350,000, while the number of customers connected increased from 56,000 to 110,000. As of October 2024, Octotel remains the largest fiber network operator in Cape Town and the sixth largest in South Africa. It provides line rental services on its open-access network to approximately 60 ISPs. As a result of these growth initiatives, Octotel's EBITDA grew at a 27% CAGR during the investment period.

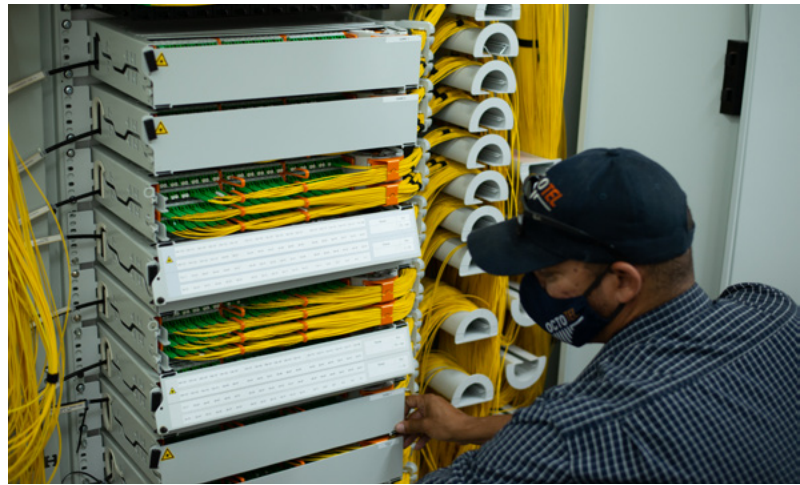
As Octotel expanded, so did its workforce—the number of full-time employees nearly doubled from 100 at the time of Actis' investment to 199 as of December 2023. During this period, the percentage of female employees rose from 12% to 20%. Actis also worked closely with the company to increase socio-economic diversity, targeting a minimum recruitment of 30% of local community-based workers for its construction and installation project teams. However, local workers have represented, on average, between 50% and 60% of most of Octotel's project teams.

Inclusive & Sustainable Growth

Sustainability was at the forefront of Actis' value creation agenda when it invested in Octotel. While the company's management team had already been thinking about ESG issues, Actis encouraged it to formally embed sustainability throughout its policies and procedures. Actis established a Social and Ethics Committee to oversee social benefits to local communities and appointed an ESG Officer.

Providing affordable high-speed connectivity to underserved markets is a priority for both Actis and Octotel. Approximately 20% of Octotel's fiber network passes through low-income areas, reaching roughly 70,000 homes. The company has also recently begun rolling out a lower cost prepaid fiber offering that better serves customers who are unbanked or receive irregular income than traditional post-paid subscription models. The product features a new payment method that will enable users to opt in and out.

Octotel connects any school located near its fiber network at no cost. As of October 2024, the company gives 1GB of fiber broadband to



over 150 primary and high schools, providing students with quick and reliable internet access. Seeking to evaluate the impact of this policy, the company's management team surveyed local schools and discovered that those without fiber saw a drop in exam pass rates from 82.3% to 79.9% during the COVID-19 pandemic, while those connected to Octotel were able to maintain pass rates of 89%.

Taking a holistic approach to sustainability, Octotel's management team has also implemented several environmental initiatives. Over the course of Actis' investment, the company converted its fleet of approximately 150 vehicles to LPG hybrids, reducing both its carbon footprint and fuel costs. Octotel has partnered with an electronic waste company to safely recycle and dispose of e-waste, including batteries, which has resulted in roughly 7,000 kilograms of waste being recycled in 2023. In addition, the company's access termination boxes—with approximately 2,800 units installed monthly—are all made from recycled plastic.

"We are proud of the role Octotel has played in bridging South Africa's digital divide. For many South Africans living in underinvested areas, their only means of accessing the internet has been through a prepaid mobile product—and they would scrape together every cent they could find for it because connectivity is so high in the hierarchy of needs. Octotel's fiber offering is up to four times more affordable, is uncapped and can benefit everyone in a household."

—Matthew McCollum, Director, Actis

Outcome

In March 2024, Actis signed an agreement to sell Octotel to a consortium of investors led by private equity infrastructure investor African Infrastructure Investment Managers (AIIM) with participation from impact fund STOA and South African investment company Thebe Investment Corporation. At the time of its investment, Actis had anticipated that market consolidation would eventually create exit opportunities—and both AIIM and STOA hold an investment stake in Metrofiber, the third-largest fiber network operator in South Africa at the time of the sale. The undisclosed exit value of the transaction exceeded Actis' expectations and is one of the best return outcomes for the fund. ●