

Southern Africa Key Findings: 2007 - 2014

341

Number of reported PE deals

US\$6.7BN

Value of reported PE deals

127

Number of PE exits

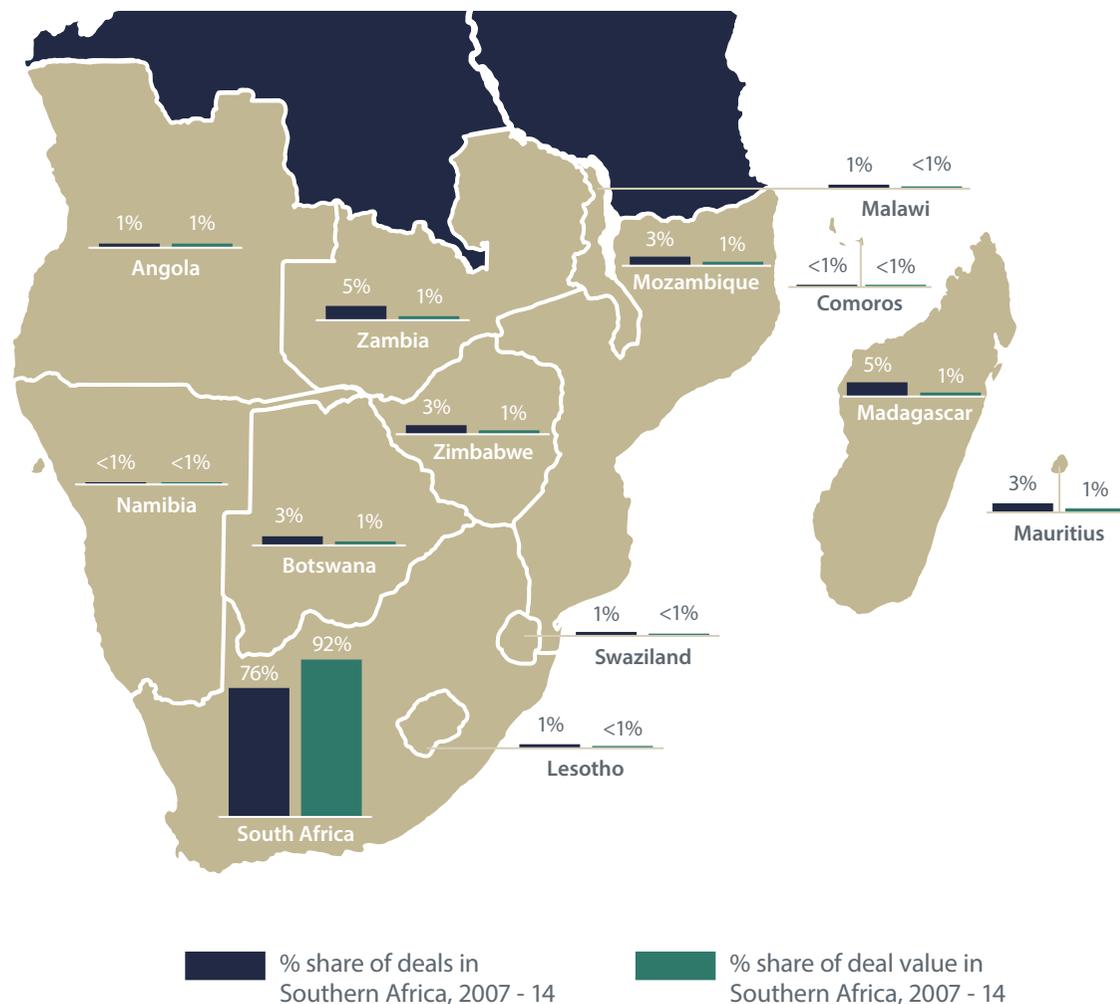
AVCA's Spotlight on Southern Africa Private Equity provides a summary of recent private equity ("PE") activity in the region.

Key findings:

- Between 2007 - 14, there were 341 reported PE deals in Southern Africa totalling US\$6.7bn
- South Africa has the most mature and sophisticated market for PE in the region (and on the continent), accounting for 76% of the deal volume and 92% of the deal value in Southern Africa from 2007 - 2014
- Annual deal volumes in the region have been trending downwards slightly since 2012, in part due to slower growth in South Africa and lower prices for commodities affecting the region. Overall, Southern Africa's share of deal activity in Africa declined from 37% in 2007 - 2010 to 31% in 2011 - 2014
- There were 127 PE exits in Southern Africa from 2007 - 2014. Sales to trade buyers – many to South African companies looking to expand their footprint within South Africa and across the region – accounted for a large proportion of exits

Further information is available to AVCA members

Number and value of PE deals in Southern Africa, by country, 2007 - 2014



Southern Africa includes Angola, Botswana, Comoros, Lesotho, Namibia, Madagascar, Malawi, Mauritius, Mozambique, South Africa, Swaziland, Zambia and Zimbabwe

Case studies of Southern Africa private equity exits

Company: Liberty Star
Consumer Holdings

Country: South Africa



PE Investor: Metier and co-investors

Sector: Consumer Staples

Entry Date: December 2006

Exit Date: October 2014

Exit Route: PE

Returns: Not disclosed

Key learnings

- South Africa offers a unique combination of world-class infrastructure, a stable emerging market economy, and convenient access to Sub-Saharan Africa
- A growing middle class, increasing urbanisation, under-penetration of private label offerings and demand for affordable product solutions is driving above-average growth in the FMCG and out of home eating sectors
- South Africa has demonstrated its ability to deploy locally-developed skills and industry expertise, acting as an ideal gateway into the region
- Falling trade barriers and increasing integration is supporting the development of the regional market

Company: Newpack

Country: Madagascar



PE Investor: Adenia Partners

Sector: Materials

Entry Date: June 2008

Exit Date: October 2014

Exit Route: Management Buyout

Returns: 3.0x multiple (Euro basis)

Key learnings

- A local office and strong relationships with domestic businesses – through extensive professional, social and community engagements – are critical in managing political, legal and business integrity risks in Madagascar.
- Proprietary deals usually take longer to secure, but are more lucrative.
- A well-constructed and executed ESG strategy is crucial for creating value, both financial and in terms of risk reduction, in portfolio companies in the country
- Careful asset selection allows strong returns, even in a context of political / macroeconomic crisis

Company: Globeleq Africa

Country: South Africa, Tanzania,
Cote d'Ivoire,
Cameroon, Kenya



PE Investor: Actis

Sector: Utilities

Entry Date: September 2009

Exit Date: September 2015

Exit Route: Other

Returns: Not disclosed

Key learnings

- Working with a variety of stakeholders (such as governments, lenders and Development Finance Institutions) helps navigate political and sector circumstances in each country and reduce risk
- Scaling up electricity assets is important in attracting potential buyers. For example, at the time of exiting, Globeleq had 1234MW installed capacity in 8 assets across 5 countries which created an effective competitive tension
- Despite numerous unsolicited expressions of interest from global strategic and financial sector players, much consideration was given to identifying the right buyer in order to ensure a continuation of governance, operational and HSE standards, while reducing uncertainty around a complex consent process with governments and regulators across all jurisdictions

Methodology

Private equity (PE) is defined as both private equity and venture capital.

Transactions cover all deals made by private equity firms across all sectors, including infrastructure. It excludes PIPE transactions where the PE firm was unlikely to have any influence on company strategy.

Transaction dates are taken to be the date on which the deal is announced, unless otherwise specified.

Deal size includes equity, mezzanine, senior debt and co-investments (where available).

Sectors for transactions are based on Global Industry Classification Standard classifications.

Vintage year of fundraising is based on year of final close, where available. If a fund has achieved a final close but the year of final close is not known, year of first close is used instead.

Qualifying funds include funds that have a sole focus on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate. It excludes funds with a global investment remit that invest in Africa.

Disclaimer

AVCA refers to the African Private Equity and Venture Capital Association Limited, a company limited by guarantee registered in the United Kingdom. AVCA is a pan-African industry body whose international members include private equity and venture capital firms, institutional investors, foundations, endowments, international development institutions and professional services firms. The views expressed in this publication do not necessarily reflect the views of AVCA's board of directors, advisory council or members. This publication has been prepared on the basis of data sourced from AVCA's database, which contains information from public sources and private equity firms that has not been independently verified by AVCA. The database is constantly updated, and as such historical and current data may change as new information becomes available. AVCA takes no responsibility for the accuracy or completeness of the information, projections or opinions included in this publication, and neither AVCA nor any of its members or related third parties shall be responsible for any loss whatsoever sustained by any person who relies on this publication. AVCA encourages personal and non-commercial use of this publication with proper acknowledgment of AVCA. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express written consent of AVCA.

AVCA

The Banking Hall,
Crophorne Court,
26 Maida Vale, London W9 1RS
United Kingdom

E: avca@avca-africa.org

C: www.avcaconference.com

W: www.avca-africa.org

T: +44 (0)20 3632 0408