African Private Equity and Venture Capital Association

2018 ANNUAL AFRICAN PRIVATE EQUITY DATA TRACKER

MARCH 2019

including

- Fundraising
- Deals
- Exits
- Regional Spotlights
- Case Studies

EXECUTIVE SUMMARY

According to the African Development Bank's (AfDB) 2019 African Economic Outlook report, Africa's economic growth will accelerate from an estimated 3.5% in 2018 to 4% in 2019 and 4.1% in 2020, as the drivers of the continent's economic growth continue to gradually rebalance. Growth in investment and net exports, fiscal consolidation in several African countries, a modest recovery in commodity prices, and decreasing inflation are some of the factors contributing to Africa's positive economic outlook. However, as noted in the United Nations' World Economic Situation and Prospects 2019 report, Africa's GDP growth remains well below what is required to meet many of the targets associated with the Sustainable Development Goals, and to keep pace with the continent's high rate of population growth.

In the context of this macroeconomic environment, private equity (PE) activity on the continent remained relatively stable in 2018. The total value of African PE fundraising increased to US$2.7bn in 2018 from US$2.4bn in 2017, indicating investors' confidence in Africa's PE industry. Although the total deal value decreased slightly to US$3.5bn in 2018 from US$3.9bn in 2017, total deal volume rose significantly reaching 186 reported PE deals in 2018 (up from 171 in 2017). Information Technology (19%), Consumer Discretionary (15%), and Consumer Staples (13%) accounted for almost half of the total number of PE deals in 2018, while Communication Services (which includes deals in Telecommunication Services) was the largest sector by value. Information Technology's share of PE deal volume has grown significantly in recent years, accounting for 19% of PE deals in 2018, compared to only 10% in 2016. This increase was mainly driven by growing deal activity in companies involved in the development of applications for the business and consumer market. One example is the notable investment in Cellulant, a pan-African payments company providing a one-stop digital payments platform.

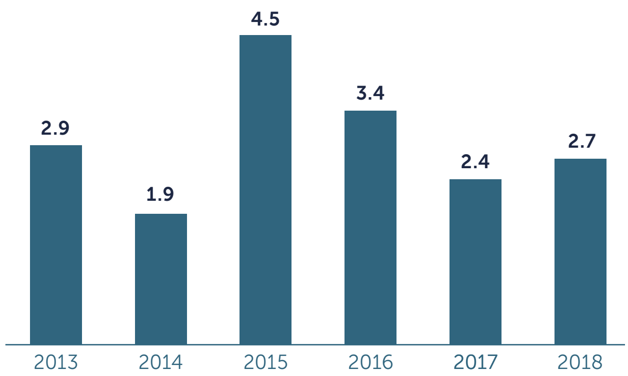
The number of PE exits recorded in 2018 dropped to 46 from 52 in 2017, largely due to a fall in the number of exits recorded in South Africa (representing 20% of exit volume in 2018, compared to 42% from 2013 to 2017). Exits to trade buyers represented the most common exit route in 2018.

KEY FINDINGS: PE FUNDRAISING

US$17.8bn **Total value of African PE fundraising, 2013-2018**

US$123mn **Median size of final closed funds in Africa, 2013-2018**

Total value of African PE fundraising, by year of final close, US$bn



Selection of PE funds that announced a final close in 2018

Fund Manager	Fund Name	Reported Final Close (mn)	Regional Focus	Sector Focus
Emerging Capital Partners	ECP Africa Fund IV	US$640	Pan-Africa	Generalist
Catalyst Principal Partners	Catalyst Fund II	US$155	East Africa	Generalist
AfricInvest	Maghreb Private Equity Fund IV	EUR194	North Africa	Generalist

KEY FINDINGS: PE DEALS

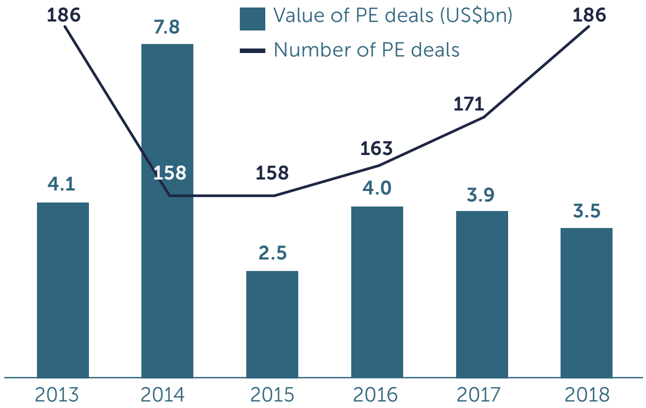
1022

Number of reported African PE deals, 2013-2018

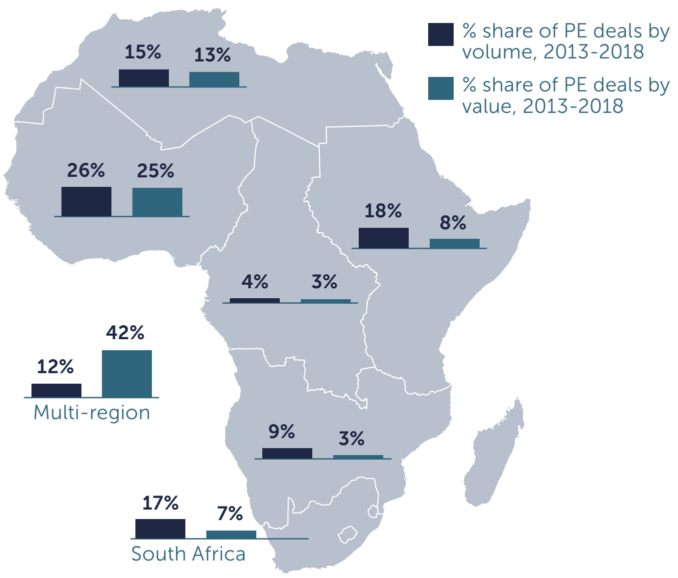
US$25.7bn

Total value of reported African PE deals, 2013-2018

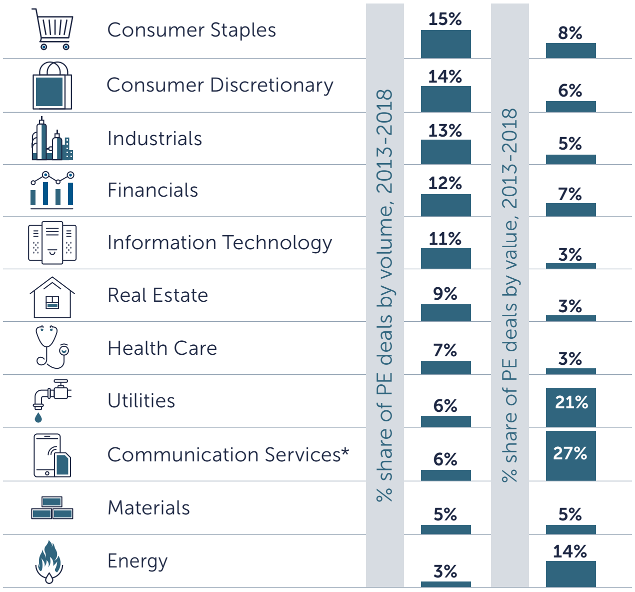
Number and value of African PE deals, by year



Share of number and value of African PE deals, by region, 2013-2018



Share of number and value of African PE deals, by sector, 2013-2018



* Please note that the sectors reflect the GICS sector reclassification that was made effective in September 2018, in which the Communication Services sector (which includes the former Telecommunication Services sector, as well as some sub-industries that were previously classed under Information Technology and Consumer Discretionary) was introduced.

Selection of PE deals announced in Africa in 2018

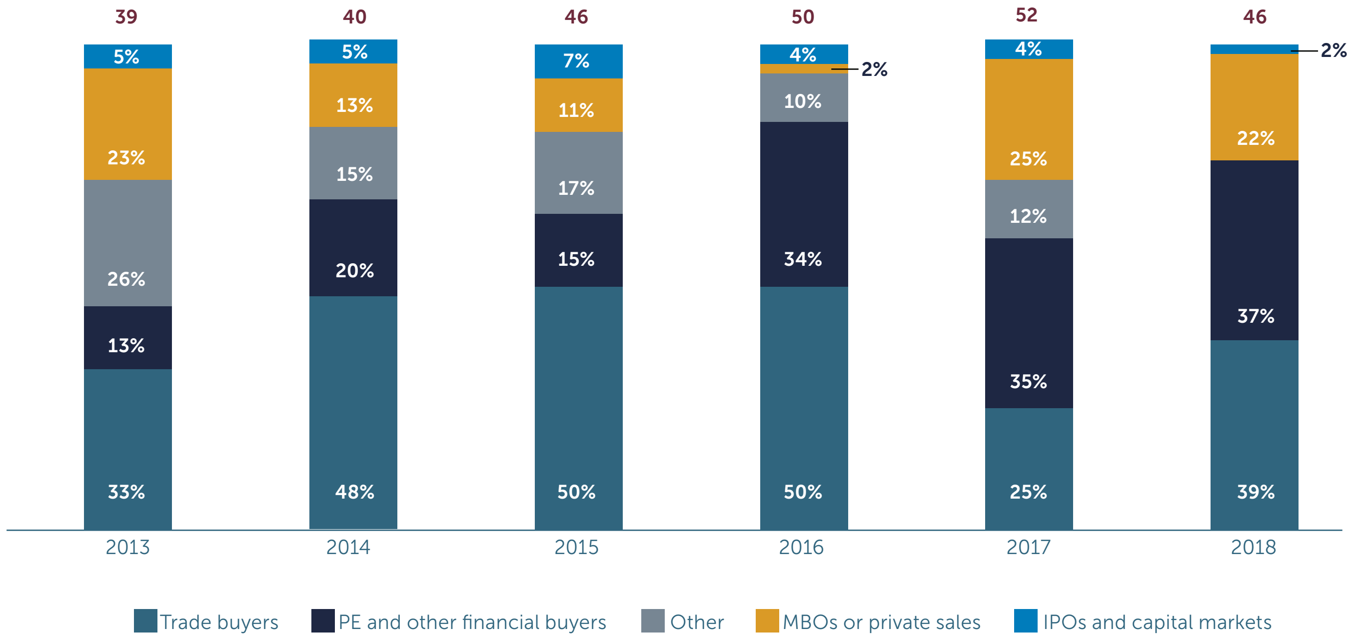
Portfolio Company	Sector	PE Investor(s)	Region
Capital Fisheries	Consumer Staples	EXEO Capital	Southern Africa
Coscharis Farms	Consumer Staples	Sahel Capital	West Africa
Daraju Industries	Consumer Staples	African Capital Alliance	West Africa
Groupe COFINA	Financials	Mediterrania Capital Partners	Multi-region
Kanu Equipment	Industrials	Adenia Partners	Multi-region
Kipeto Energy	Utilities	Actis	East Africa
Les Centaures Routiers	Industrials	AfricInvest	West Africa
MNT Investments	Financials	Development Partners International	North Africa
Novafrique Industries SA	Consumer Staples	Injaro Investments	West Africa
Rainbow Educational Services (Rainbow College and Pampers Private School)	Consumer Discretionary	Verod Capital Management	West Africa
Richfield Holdings	Consumer Discretionary	Investec Asset Management	Southern Africa
Steripharma	Health Care	CDG Capital Private Equity	North Africa
Terragon	Information Technology	TLcom Capital	Multi-region
Wilderness Holdings	Consumer Discretionary	TPG Growth	Multi-region
Yoco	Information Technology	Partech & other investors	Southern Africa

KEY FINDINGS: PE EXITS

273

Number of reported African PE exits, 2013-2018

Number of exits and share of exit routes, 2013-2018*



*Investments are recorded as exited once fully or majority exited by the PE firm

- With 46 recorded exits, 2018 marked a drop in overall exit activity compared to the previous year's high of 52 (revised up from the previously published figure of 49). This was largely due to a fall in the number of exits recorded in South Africa (representing 20% of exit volume in 2018, compared with 42% from 2013 to 2017), against a backdrop of heightened macroeconomic uncertainty in the country

- The growing trend of exits to PE and other financial buyers, which emerged in 2016, persisted in 2018. However, the year also saw a relative rebound in the share of exits to trade buyers to 39% from 25% the previous year. This led to trade buyers representing the largest volume of exit routes in 2018, followed by PE and other financial buyers at 37%. IPOs and capital market exits continued to represent the lowest share of recorded exits

Selection of PE exits announced in Africa in 2018

Portfolio Company	Exiting PE Investor(s)	Sector	Region	Exit Route
ARM Pension Managers	Helios Investment Partners	Financials	West Africa	PE and other financial buyers
CMGP	Amethis Finance	Industrials	Multi-region	PE and other financial buyers
Compuscan	Actis	Financials	Southern Africa	Trade buyers
FibreCo	Convergence Partners	Communication Services	Southern Africa	Trade buyers
GZ Industries	Verod Capital Management	Industrials	West Africa	MBOs or private sales
Kiboko Holdings	AfricInvest	Health Care	East Africa	PE and other financial buyers
Kipeto Energy	Africa Infrastructure Investment Managers	Energy	East Africa	PE and other financial buyers
Petra Trust	LeapFrog Investments	Financials	West Africa	PE and other financial buyers
Wakanow	African Capital Alliance	Consumer Discretionary	West Africa	PE and other financial buyers

SOUTHERN AFRICA KEY FINDINGS: 2013–2018

294

Number of reported PE deals

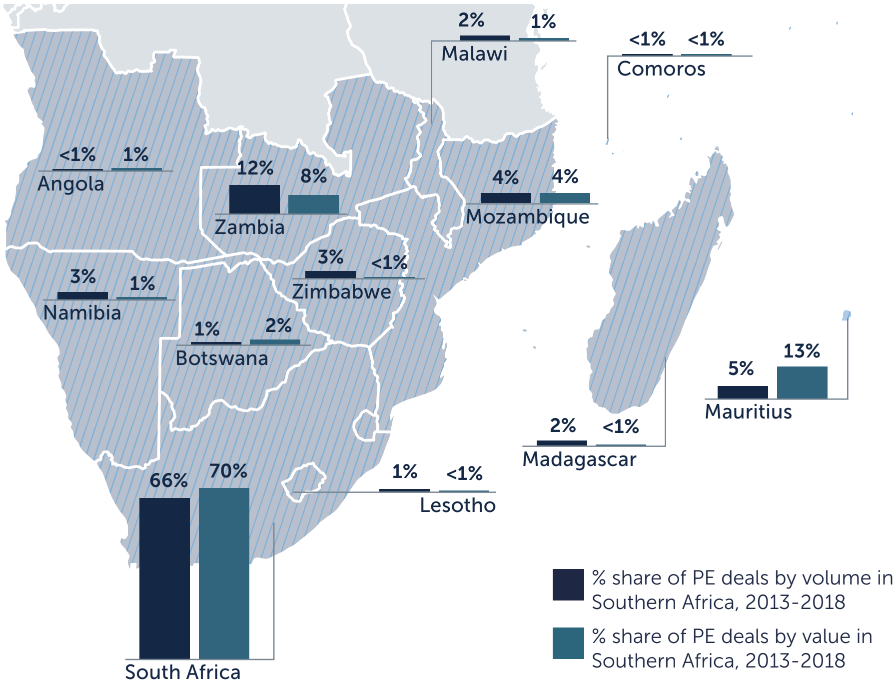
US$3.5bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in Southern Africa, by country, 2013-2018



Source: AVCA

SOUTH AFRICA

Although a change of leadership within the governing party raised hopes of improved governance, relatively low estimated 2018 GDP growth of 0.9% [1], high unemployment, and allegations of state capture weighed on the region's largest economy, with asset prices reflecting these headwinds. The depreciation of the South African Rand over the course of 2018 also contributed to higher inflation.

Commodity prices partially recovered in 2018, but they remain at depressed levels, contributing to an uncertain growth outlook for southern Africa's commodity exporters. Despite the subdued economic outlook in South Africa, the May 2019 national elections might create more clarity, politically and economically.

Contributor:

RISCURA

ZIMBABWE, BOTSWANA, NAMIBIA, ANGOLA & MOZAMBIQUE

In Zimbabwe, while the departure of former President Robert Mugabe improved sentiment, unresolved structural issues abound. Botswana and Namibia's economies, which are heavily tethered to the South African economy, have also shared South Africa's malaise. However, any strengthening in commodity prices during 2019 will have a significantly positive impact on their economic growth.

In Angola, increased oil production and prospects of modestly higher oil prices, along with possible policy changes, improve the longer-term landscape for investors in the country. In Zambia, the weak recovery in copper prices weighed on economic growth in 2018. However, investment in the tourism industry remained strong, presenting an opportunity for continued economic diversification.

In Mozambique, relatively low inflation, a stable currency, along with the gradual recovery of commodity prices and greater political stability have boosted the country's economic prospects.

1 The World Bank, Global Economic Prospects, January 2019

Investment Case Study: Merec Industries SA

Investors: Kibo Capital Partners & other investors

Country: Mozambique

Sector: Consumer Staples

Year of investment: 2018

Investment size: Not disclosed

Investment rationale

- Rapid urbanization and growing GDP per capita have increased consumer demand in Mozambique, precipitating changes in consumers' spending habits
- The company is now a national leader in the production of maize and wheat flour, pasta, biscuits and animal feed, having diversified from wheat and maize milling to become an integrated packaged food manufacturer with a diversified product base

Key learnings from doing business in Southern Africa

- Importance of identifying companies operating in defensive industries that will continue to grow despite tough economic conditions
- Southern African economies, while sensitive to external shocks mostly due to commodity price fluctuations, are nonetheless resilient and able to adjust. The timing of one's investment is key to capitalise on the upswing once conditions improve

Exit Case Study: FibreCo

Exiting Investors: Convergence Partners, Cell C and Internet Solutions

Country: South Africa

Sector: Communication Services

Entry Date: April 2014

Exit Date: November 2018

Exit Route: Trade buyers

Returns: Not disclosed

GP value-add

- Convergence Partners conceptualised FibreCo and is one of its founding shareholders and project developers
- Convergence Partners assisted in project feasibility studies, recruitment skills and resources, the procurement of various permits and wayleaves, and the sourcing of technical partners and early stage sales to anchor tenants

Key learnings from doing business in South Africa

- FibreCo proved that even in markets with strong incumbents there is still an opportunity for focused niche players
- Model of open access networks such as FibreCo's enabled the emergence of competition in the access layer, resulting in improved quality and significantly lowering price points

WEST AFRICA KEY FINDINGS: 2013–2018

282

Number of reported PE deals

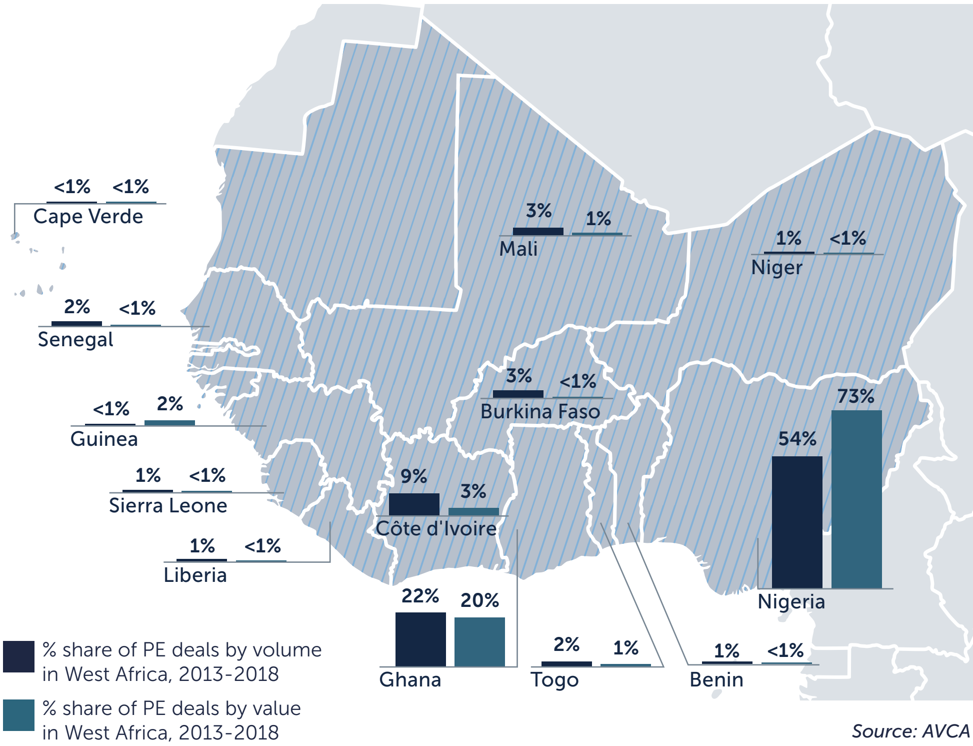
US$10.8bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in West Africa, by country, 2013-2018



Source: AVCA

NIGERIA

According to the National Bureau of Statistics (NBS), in Q4 2018 Nigeria's GDP grew by 2.38%, compared to the 2.11% growth rate recorded in Q4 2017. Efforts that were made by the Government to enhance the country's credibility contributed to the significant growth in foreign direct investment, which accounted for 18.58% (US$530.63mn) of total capital imported in Q3 2018 according to data from NBS.

In order to create a more conducive investment atmosphere, the Federal Government took the following steps to accelerate the ease of doing business in Nigeria:

- The Nigerian legislature passed a bill to repeal and re-enact the Companies and Allied Matters Act (CAMA), which introduces the individual ownership of company and the establishment of limited liability partnerships
- Enhancing cross-border trading was a priority for the Federal Government, which issued the Third 60-Day National Action Plan on the Ease of Doing Business in Nigeria, and signed the Currency Swap Agreement with the Republic of China
- The Nigerian Pension Commission, particularly through its Regulation on Investment of Pension Fund Assets, increased pension funds' allocation limit for PE to 10%

Overall, the outlook for 2019 remains positive as further growth is projected for the region. For Nigeria, there is also the key singular fact that there will be some stability from Q2 2019, given that the elections have been concluded and a cabinet should soon be in place.

GHANA, SENEGAL & CÔTE D'IVOIRE

West African countries showed resilience in the face of economic challenges, with Ghana, Senegal and Côte d'Ivoire expected to be among the strongest growth performers over the period 2017 to 2019. The World Bank has projected a 7.3% GDP growth rate for Ghana in 2019, as an increase in oil production is expected. Senegal has enjoyed a stable political environment, which led to a strong estimated GDP growth rate of 6.6% in 2018. Although private sector activity in the Ivorian economy slowed down in 2018, the World Bank estimated GDP growth for the year to be 7.5%.

Overall, an increase in the price of crude oil, improved foreign exchange reserves, and the liquidity of countries in West Africa resulted in an improvement in the region's economic environment in 2018.

Contributors:

ALUKO & OYEBODE

TNP

Investment Case Study: Wakanow

Investor: The Carlyle Group

Country: Nigeria

Sector: Consumer Discretionary

Year of investment: 2018

Investment size: US$40mn

Investment rationale

- A market leading online travel agency ("OTA") in a growing, consumer-driven sector, which benefits from favourable demographics, deep internet and mobile phone penetration, and shifting consumer behaviour that is driving faster growth and the transition from offline to online
- A founding management team with deep industry knowledge and a 10-year history of product innovation and market share growth
- A company that played to Carlyle's investment track record and institutional knowledge within the Online Travel space, having previously invested in C-Trip, CVC Brasil, and Vasco Turismo

Key learnings from doing business in West Africa

- Alignment with sponsors is key, along with adequate financial controls
- Investing in and incentivising the right talent early in the investment period is also important

Exit Case Study: Petra Trust

Exiting Investor: LeapFrog Investments

Country: Ghana

Sector: Financials

Entry Date: January 2014

Exit Date: February 2018

Exit Route: PE and other financial buyers / **Buyer Name:** African Capital Alliance

Returns: Not disclosed

GP value-add

LeapFrog's investment enabled Petra to become Ghana's largest independent pensions trustee, with over US$310mn in assets under management and average annual revenue growth of 76% at the time of LeapFrog's exit in February 2018, which was accomplished through:

- New product development: LeapFrog played a key role in the evolution of Petra's product expansion strategy, helping Petra to develop the "Savings Booster" product, thereby addressing the need for long-term savings products in the informal sector
- Implementation of global best practice standards: LeapFrog assisted Petra in improving product quality, good governance, and enterprise risk management through the implementation of LeapFrog's proprietary in-house measurement framework, FIIRM

Key learnings from doing business in West Africa

- Through its partnership with Petra, LeapFrog collaborated with the regulators to formalise and structure Ghana's nascent pensions industry, contributing to financial security for millions of emerging consumers across the country
- Although the informal financial system has historically been costly to pursue, LeapFrog tapped into the vast demand for financial inclusion in Ghana. Digital distribution and collection solutions are overcoming the informal sector's traditional barriers by allowing more consumers to be reached and improving the robustness of data collection, enabling companies to better understand the consumer

NORTH AFRICA KEY FINDINGS: 2013–2018

163

Number of reported PE deals

US$3.7bn

Value of reported PE deals

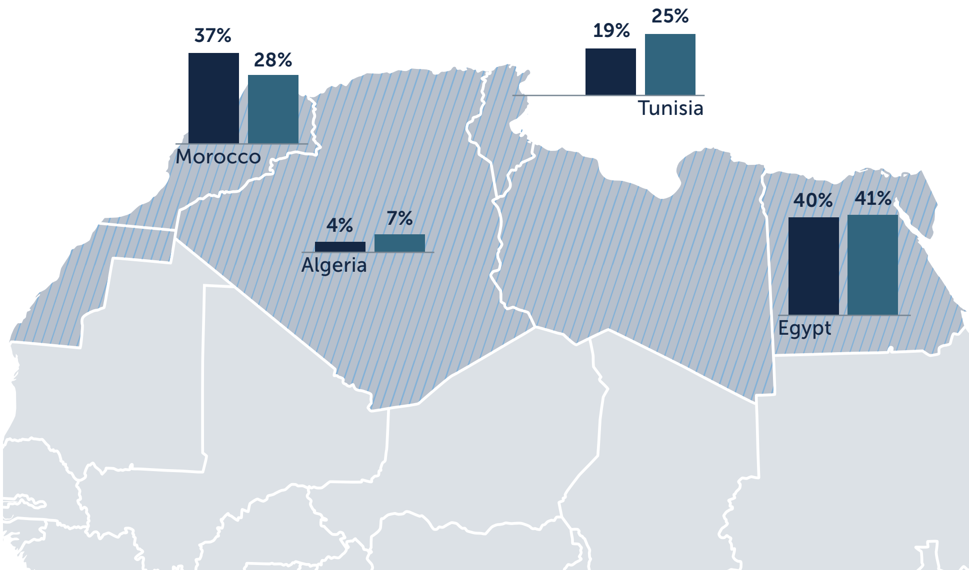
US$8mn

Median deal size

Share of number and value of PE deals in North Africa, by country, 2013-2018

% share of PE deals by volume in North Africa, 2013-2018

% share of PE deals by value in North Africa, 2013-2018



Source: AVCA

MOROCCO

Real GDP growth was estimated to be 3.1% in 2018. Debt levels remain sustainable, and the fiscal deficit - estimated at 3.9% of GDP in 2018 - is expected to gradually shrink following fiscal consolidation, tax reform, the rationalization of public expenditure, and improvements in the collection of tax revenues. As the head of the IMF mission in Morocco, Nicolas Blancher, stated, the more flexible exchange rate regime introduced in 2018 should support the economy's ability to absorb external shocks and raise competitiveness.

Morocco's political stability provides a long-term vision to investors, reinforcing its position as a hub for investments in Africa, and Francophone Africa in particular.

TUNISIA

Real GDP growth, driven by agriculture and market services, rose to an estimated 2.6% in 2018, up from 1.9% in 2017. Foreign direct investment grew by 27% in 2018 Q1 compared to 2017 Q1; a rise that was driven by a 45% growth in industrial investment.

The new investment law set up in 2018 will give foreign investors more flexibility to transfer funds out of the country, and its establishment of a new investment fund will also help the launch and financing of infrastructure projects in marginalized areas.

EGYPT

Egypt's real GDP growth was an estimated 5.3% in 2018, the highest rate in a decade. Unemployment fell from 12% in 2017 to 10% in 2018. Economic reforms and a new investment regime have improved the business environment, supporting foreign direct investment and improving the confidence of PE players.

Education has emerged as a significant sector in Egypt's PE industry. In 2018, EFG Hermes and GEMS Education's joint education platform acquired four schools for EGP1bn.

Contributor:

大成 DENTONS

Investment Case Study: TPAY Mobile

Investors: Helios Investment Partners (76%), A15 (18.5%) and management (5%); balance held by A15 chairman

Countries: Headquartered in Egypt and Dubai; TPAY operates across 15 countries, with the majority of transaction volume coming from African markets such as Egypt, Tunisia, Algeria and Morocco

Sector: Information Technology

Year of investment: 2018

Investment size: Not disclosed

Investment rationale

- High-growth, cash generative and profitable business, acquired at an attractive valuation, which provides a digital content payments solution in markets with low banking penetration and high mobile adoption
- First-mover advantage in key markets positions TPAY to become a leading broader mobile payments platform for digital, mobile and carrier commerce applications, tapping into market segments and geographies that are set to continue to experience rapid growth

Key learnings from doing business in North Africa

- Whilst demographic and macro themes are similar to those in sub-Saharan Africa, there are cultural differences across the North African region that an investor must navigate to be successful
- As always, relationships are key; building personal trust is a prerequisite to doing business effectively and sustaining a presence in the region

Exit Case Study: Compagnie Marocaine de Goutte à goutte et de Pompage (CMGP)

Exiting Investor: Amethis Finance

Countries: Morocco, Mauritania, Senegal

Sector: Industrials

Entry Date: April 2015

Exit Date: September 2018

Exit Route: PE and other financial buyers / **Buyer Name:** Development Partners International

Returns: Not disclosed

GP value-add

- Amethis helped CMGP to consolidate its leading position, and benefit from the launch of the Morocco Green Plan
- Amethis assisted CMGP to expand geographically, and win new irrigation projects

Key learnings from doing business in North Africa

- Morocco's solid emerging economy, coherent agenda of structural reforms, proximity to Europe, along with the country's commitment to free trade and regional integration, significantly boost export-driven sectors and FDIs
- Morocco is a privileged gateway to Africa thanks to the country's dense trade network, active economic diplomacy, and the existence of Moroccan business groups in other African countries

EAST AFRICA KEY FINDINGS: 2013–2018

194

Number of reported PE deals

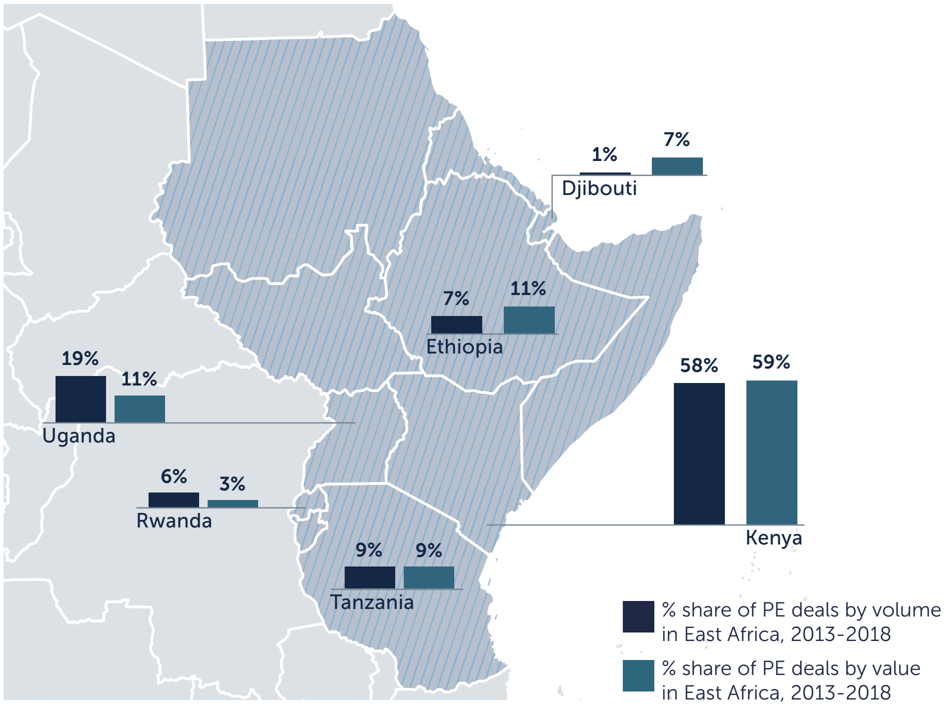
US$2.4bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in East Africa, by country, 2013-2018



Source: AVCA

According to data from the African Development Bank, East Africa achieved Africa's highest GDP growth in 2018 at an estimated 5.7%, followed by North Africa (4.9%), West Africa (3.3%), Central Africa (2.2%) and Southern Africa (1.2%)[1].

KENYA

GDP growth is expected to increase to an estimated 5.9% in 2018 from 4.9% in 2017, underpinned by stronger business confidence and private consumption, a calmer political environment, and growth in industry, services and agriculture[2]. Kenya's liberalised, diversified and advanced economy, supported by a fast-growing middle class and strong demand for high-value goods and services, has made it an attractive investment hub for global investors. According to the World Bank's Ease of Doing Business 2019 report, Kenya jumped up 19 places, from 80 to 61.

Political initiatives over the last decade have sought to boost development and investor confidence. The Kenya Vision 2030 Initiative, launched by the Grand Coalition Government in 2008, aims to create a globally competitive middle-income country with a high quality of life in a clean and secure environment[3]. The Big 4 policy initiative, introduced in 2017 by President Uhuru Kenyatta, is aligned with the Vision 2030 agenda, and aims to ensure complete food security and universal healthcare coverage, boost manufacturing, and invest in affordable housing.

DJIBOUTI, ETHIOPIA, RWANDA, TANZANIA

The average growth rate in East Africa was almost 6% from 2010 to 2018, with Djibouti, Ethiopia, Rwanda and Tanzania recording above-average growth rates[4]. Ethiopia has the potential to be a key market for PE investment given the size of its population (at 108 million, it is the second most populous country on the continent) and its relatively high economic growth rate (estimated by the World Bank to be 7.7% in 2018). According to the World Bank's Ease of Doing Business 2019 report, Rwanda moved up 12 places, from 41 to 29.

Contributor:

A&K | ALN
ANJARWALLA & KHANNA

1 AfDB, African Economic Outlook 2019
2 Ibid
3 Kenya Vision 2030, http://vision2030.go.ke/
4 AfDB, African Economic Outlook 2019

Investment Case Study: Artcaffé Group

Investor: Emerging Capital Partners

Country: Kenya

Sector: Consumer Discretionary

Year of investment: 2018

Investment Size: Not disclosed

Investment rationale

- Established and proven platform of scale: Artcaffé has demonstrated 10 years of consistent store level profitability and growth, reaching 26 outlets by 2018. The company is broadly known for high quality food and service and a heavily invested-in logistics centre
- Strong brands with loyal customers: Artcaffé's established brands enjoy strong awareness and a high degree of loyalty among Kenyans
- Long-standing experience: ECP has significant experience in the food services sector in East Africa. Over ECP's ownership period, Java House grew its new store rollout from 1 to 15 stores per year and increased total stores from 15 to 60 stores

Key learnings from doing business in East Africa

- The middle-income and upper-income population is expected to grow rapidly in Nairobi. Increasing disposable incomes and an expanding middle class will lead to a growing culture of eating and drinking out over the coming five years

Exit Case Study: Kipeto Energy Ltd

Exiting Investor: African Infrastructure Investment Managers (AIIM)

Country: Kenya

Sector: Utilities

Entry Date: January 2014

Exit Date: February 2018

Exit Route: PE and other financial buyer / **Buyer Name:** Actis

Returns:
1.6 x MOIC – for USD denominated fund
2.0 x MOIC – for ZAR denominated fund

GP value-add

- As the lead member of the development consortium, AIIM leveraged its longstanding infrastructure investment experience to negotiate a suite of bankable project agreements enabling the project to reach financial close in December 2018
- AIIM applied international best standards, with IFC performance standards being adhered to across all environmental and social workstreams, particularly in relation to the voluntary resettlement programme and the biodiversity action plan, which addressed the impact of the project on two species of critically endangered vultures

Key learnings from doing business in East Africa

- Land and community issues must be treated with sensitivity and compassion as these can be highly emotive areas in Kenya that can quickly cause major setbacks to a project if not handled appropriately
- Securing a strong and credible local partner is essential to successfully developing projects in Kenya, alongside a carefully selected team of local advisers who have scarcely-available in-country renewable energy project finance expertise

We are grateful to our members and all participants who supported this important project by giving their time and sharing their perspectives and data.

To assist AVCA's research efforts, please send your PE firm's data to research@avca-africa.org.

Methodology

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

Transactions cover all investments 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. It includes initial and follow-on investments.

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

Deals value includes equity, mezzanine, senior debt and significant co-investments (where available).

Sectors for transactions are based on Global Industry Classification Standard classifications. They reflect the GICS sector reclassification that was made effective in September 2018, in which the Communication Services sector (which includes the former GICS Telecommunication Services sector, as well as some sub-industries that were previously classed under Information Technology and Consumer Discretionary) was introduced.

Investments are recorded as exited once fully or majority exited by the PE firm.

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.

GPs that are included have raised, or are raising, third-party PE funds from institutional investors. Qualifying funds include funds that have a sole focus on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate. Funds with a global investment remit that invest in Africa are excluded.

Disclaimer

African Private Equity and
Venture Capital Association

Championing Private Investment in Africa

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