Catalyst

SA's quarterly Private Equity & Venture Capital magazine

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Private Equity Deal of the Year

SAVCA turns 20

PE Model Evolves for Africa

FROM THE EDITOR'S DESK

Towards the back-end of 2017 and into 2018, we've witnessed a shift in global markets which will translate into local markets and bode well for alternative asset classes like private equity.

Global bond yields continue to spike with former US Fed Chair Janet Yellen, now that she has her feet up, commenting that stock and commercial property valuations look full. It seems that investors are getting tetchy about this late cycle listed equity bull run.

Incoming Fed Chair, Jerome Powell, (who has now formally taken over) has been sold a hospital pass.

He either hikes too aggressively, kills growth and one the most unloved bull markets in history, or he ignores inflation to maintain economic growth, which will likely end up strangling the market's run regardless.

And what happens in the US will have major bearing on how investors approach asset allocation over the coming 12 months.

It's something that Ethos CE, Stuart MacKenzie has picked up on of late. Speaking to me recently, he recounts how he is encountering heightened awareness among investors for alternatives, of which private equity is just one subset, because of the view that public equity markets, particularly in SA, have run their course and are probably going to underperform over the next five years compared to developed markets. Managers, therefore, are going to need to look for alpha outside of the traditional public equities they've been investing behind.

"We're getting a lot more inbound inquiry about the asset class and how it works and whether there are ways we can be clever about structuring products for them that deal with the liquidity issues. It's starting to feel like we're having many more productive conversations in that space than we were two years ago," says MacKenzie.

On the point of being innovative and clever around structuring private equity to deal with the evolving asset class challenges and issues raised by investors MacKenzie is quite frank about the future on page (10).

The outlook for dealmaking in the private equity arena across Africa is improving too, based on a forward-looking survey conducted by Deloitte and released in November last year.

The competition for new investments is expected to increase, particularly in East and West Africa, where competition is expected to be substantially higher than in the previous year. This will mean general partners will have to guard against overpaying assets to ensure that 2018 doesn't become a disappointing vintage for funds.

Catalyst would like to welcome Medu Capital to the DealMakers Editorial Advisory Board, the first private equity fund to be admitted. This demonstrates the increasing acceptance of the important role the private equity asset class plays in the broader corporate finance community. Medu Capital, in particular, is one the country's leading black-owned private equity firms and has demonstrated its ability, not only to drive returns, but also the country's transformation objectives under the leadership of CEO, Nhlanganiso Mkwanazi. ◆

Michael Avery

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Gleason Publications

This is the 13th year in which the Gold Medal is awarded for the Private Equity Deal of the Year. Nominations were received from advisory firms which, together with nominations from the DealMakers editorial team, were passed on to the Independent Selection Panel who produced a short-list of three transactions.

Criteria used for the selection of the shortlist for Private Equity Deal of the Year

- Asset with good private equity characteristics:
  - Cashflow generative business and able to service an appropriate level of debt?
  - A business model that is resilient to competitor action and downturns in the economic cycle?
  - Strong management team that is well aligned with shareholders and capable of managing a private equity balance sheet?
  - Predictable capex requirements that can be appropriately funded?
- Deal size is a factor to filter deals but plays a limited role for acquisitions. It does carry more weight for disposals.
- Potential/ actual value creation:
  - Was the asset acquired at an attractive multiple?
  - If the deal is a disposal was it sold at attractive price?
  - What is the estimated times money back and/or internal rate of return?

There is limited information available in the public domain on the private equity deals, and even somewhat educated guess work doesn't provide all answers in all instances.

2017 Private Equity Deal of the Year

This year's shortlist for the Catalyst Private Equity Deal of the year is testament to the model, which continues to build value, not only for limited partner investors but the broader stakeholders such as the portfolio companies that general partners nurture into sustainable profitability and the people and communities in which these businesses are located and operate in.

There was a demonstration for the appreciation of the private equity model in the acquisition by Investec Asset Management and RMB Ventures of a 72% stake in Kamoso Distribution from existing private equity owners. Clearly value was still being unlocked from the good work started by Standard Chartered Private Equity and Development Capital Partners.

There was sheer timing and elegant brilliance in Capitalworks' whiteknight buyout of Sovereign Foods following a nasty hostile takeover bid by Country Birds.

And ultimately, the winner was again Capitalworks, for exiting its stake in Much Asphalt to listed chemicals and agro business AECI. Originally acquired from M&R, Much Asphalt is undoubtedly an asset with exceptional private equity characteristics – cashflow generative with a business model in the asphalt space that is resilient to competitor action and downturns in the economic cycle with an entrenched position in the market. Capitalworks have played a key role in the success of Much Asphalt, alongside the focused and experienced management team in the period that they held the investment.

This is also one of AECI's largest ever deals in the 121-year history of the firm.

2017 Private Equity Deal of the Year Short-listed Finalists

- **The sale by Standard Chartered Private Equity and Development Capital Partners of their 72% stake in Kamoso Distribution to a consortium led by Investec Asset Management and RMB Ventures.**

  (Announced August 2017)

  Kamoso's operations span across multiple customers and countries in Southern Africa.

  Standard Charted Private Equity's (SCPE) loss was Investec Asset Management's gain as private equity dealmaking veteran, Peter Baird, spearheaded the buyout of Kamoso, a

Botswana-based retailer and consumer goods company, as part of a consortium that includes RMB Ventures, local partners and Kamoso's senior management team, in October.

The transaction is believed to be Botswana's largest ever private-equity investment and Baird was part of the SCPE team that formed Kamoso, a leading manufacturer and supplier of consumer goods and healthcare products to retailers in Botswana, South Africa, Zimbabwe, and Zambia, in 2015, as part of an investment by Development Capital Partners.

The Company operates from facilities in Botswana and South Africa. Kamoso also operates Liquorama, Botswana's leading liquor retailer, and Builders Mart, a leading DIY and hardware chain.

Both firms have now exited Kamoso.

Over the last few years, Kamoso has expanded from its roots in Botswana to supply retailers across Southern Africa. But its growth can be traced to the rise of another Botswanan retail power, and key customer, Choppies, which listed on the JSE in 2015. Choppies has been recorded as one of the fastest growing retailers on the continent. Choppies' primary listing is on the Botswana Stock Exchange and it is currently the top supermarket chain in that country.


Peter Baird

Baird is also a non-executive director on the Choppies board.

"Kamoso has a long track record of supplying top quality products at the best prices," says Baird. "It has built a strong business on providing value for money, including in its retail offerings. In partnership with RMB Ventures and management, we plan to build a regional champion from our strong base in Botswana."

This is borne out by the fact that the company has also invested heavily in new capital equipment to expand its consumer product offerings, which range from paper products to pharmaceuticals, and from bottled water to milled grains. Kamoso also distributes an increasing number of imported consumer brands. The new ownership consortium will continue investing in Kamoso's growth.


Andrew Aitken

RMB Ventures co-head, Andrew Aitken, believes Kamoso exhibits many of the elements of a very successful investment – a passionate and dedicated management team, market leading products, and deep and long-standing customer relationships.

"We are particularly excited about our first investment in Botswana," says Aitken, "and we hope to provide impetus to the economy through our plans to significantly grow Kamoso's franchises."

Law firm ENSafrica represented the buyers' consortium while Bowmans represented the sellers.

- **The acquisition by Capitalworks of Sovereign Food Investments for R907m. This was a value-unlocking deal involving a Scheme and general offer with shareholders presented with a cash offer and a re-investment option.**

(Announced August 2017)

The South African poultry sector served up some juicy, and at times fiery, deal activity during the year, epitomised by Capitalworks' buyout of Sovereign Food Investments.

Sovereign Foods has a proud history of chicken farming in the Eastern Cape, dating all the way back to 1948. The company was started as a family business in the Rocklands Valley near the town of Uitenhage

and over time grew into a fully-fledged and integrated poultry business. To this day the entire operation is still based in and around the Rocklands and Uitenhage region.

In 1991 the company was sold to an investment group and subsequently listed on the JSE. Since becoming a public company, Sovereign Foods has seen several periods of remarkable financial performance. In 2007, the company was elected as one of the Top 20 JSE-listed companies in South Africa, on the back of strong financial growth.

Today Sovereign Foods remains one of the major poultry producers in Africa. Whilst being the 4th largest producer in South Africa, it is still firmly tied to its local roots in the Eastern Cape.

The poultry sector is starting to enjoy some relief following years of steepling input costs, which were thanks to a nationwide drought, and competitive foreign imports. These factors sparked a bout of dealmaking activity over the last few years largely premised on consolidation.

There was sheer timing and elegant brilliance in Capitalworks' whiteknight buyout of Sovereign Foods following a nasty hostile takeover bid by Country Birds.

Unlisted Country Bird was the first fox in the Sovereign henhouse going directly to shareholders in July 2016 with a R9 conditional cash offer after several approaches to the Chris Coombes-led Sovereign Board had failed. The CBH approach hatched in hostility quickly turned acrimonious. Already a minority shareholder with 9.7%, Country Bird saw the opportunity to combine its broiler might (it held 7% of the broiler industry in SA at the time) with Sovereign's fully integrated poultry business in South Africa, spanning business units including breeding, hatchery, broiler operation, feed mill, processing plant and sales and marketing.

Country Bird's approach was to insert a key condition precedent to the transaction that, simply put, the transaction would not take place if Country Bird did not obtain the number of acceptances it required to afford it a 50% plus one share holding of Sovereign post the transaction.

By September 5th that year, five days before the offer expired, Country Bird had not yet reached the required level; in fact it had only secured 12.7%, outside of the 34.1% shareholding it had built up directly, bringing Country Bird's potential post-deal shareholding to 46.1%, just shy of the 50% plus 1 threshold required.

Country Bird first approached the Takeover Regulation Panel (TRP) for an extension and then withdrew this application eight days later on September 13th. That same day it tried to amend the offer releasing a circular waiving the acceptance condition. Coombe's rejected the amended offer on the basis that it failed to conform to the TRP rules and the TRP referred the matter to a sub-committee known as the Takeover Special Committee (TSC), which decided that the amended offer was indeed invalid. This meant that, in company law terms, the offer had lapsed with the ruling handed down on 8th November 2016. Section 127(3)(a) of the Companies Act prohibits an offeror in a lapsed offer from making another offer for the relevant securities for 12 months and as such Country Bird's wings were clipped temporarily.

The costs of defending the hostile takeover were laid bare at Sovereign's next results announcement in May 2017 for the full year.

After a thumping H1 loss, the group reported a headline loss per share of 46.5cents a share compared with headline earnings of 108.4c in 2016.

Profits took a knock as the group reported a loss of R35million compared to R81m profit a year ago.

As small-cap analyst Anthony Clarke of Vunani Securities wrote in a note at the time, "[w]hat was clearly detailed in living colour was the 41,1cps cost to earnings, equivalent to R31.4m, that this little company's management has spent of shareholders money in protecting themselves from the advances of Country Bird Holdings (CBH)."

But what this extravagant legal defence did was buy was time for Coombes and his team to court the market for alternatives, before the September deadline when Country Bird could re-enter the henhouse.

The feathers flew as Capitalworks plucked Sovereign Foods from under the noses of Country Bird in August 2017 with a R907m offer, weeks before the hostilities could resume.

The offer at a 33.33% premium to the failed offer from Country Bird, vindicating the Sovereign Food board's strong recommendation to its shareholders at the time not to accept the Country Bird offer.

The R12 offer also came at a 44.58% premium to the closing price of a Sovereign Food share on November 9, 2016, the day after it became known that the Country Bird offer had failed.

While it has been incorrectly reported in the media that the offer was made "in conjunction with Sovereign board and management..." and/or that the offer is a "management buy-out", this is not the case. The offer was made solely by Capitalworks, through Bidco (Gallus Holdings), although the Sovereign board and management are supportive of the offer.

At a special general meeting of shareholders held on 9 October 2017, shareholders holding 89.84% of the total Sovereign shares in issue (including treasury shares), were present in person or represented. The scheme was approved with approximately 100% of votes cast at the general meeting. The scheme required at least 75% approval in terms of the Companies Act.

Clarke is full of praise for Capitalworks, particularly the timing of the deal, which he reckons, based on his rough assumptions, was secured at "a 5 or 6 times" multiple. That's thanks largely the positive macro tailwinds of lower maize costs and higher selling prices improving margins and many analysts believe there's more to come as earnings forecasts are revised upward in the poultry sector over the next 12 to 18 months.

"This turns out to be an extremely elegant deal for Capitalworks and allowed sovereign management to escape the rationalisation that would have meant their jobs," concludes Clarke.

- **The disposal by Capitalworks of Much Asphalt to AECI for a total consideration of R2,27bn Much Asphalt is South Africa's leading asphalt producer, servicing a range of customers engaged in road construction and maintenance activities.**

(Announced October 2017)

Much Asphalt's period as a private equity portfolio company ended in October, after four years under the stewardship of Capitalworks Private Equity-led consortium, involving the Mineworkers Investment Company

Much Asphalt's products are used by national, provincial and local government, the South African National Roads Agency (SANRAL), the Airports Company of South Africa (ACSA), the private sector from large corporations to one-man businesses, and the public at large. It has 17 static plants, four mobile asphalt plants, three static emulsion/modified binder facilities and a bitumen converter across SA. It also has one static asphalt plant in Namibia. It employs more than 500 people and its production capacity represents over 50% of South Africa's installed asphalt capacity.

Spend on roads in South Africa has increased by a compound annual growth rate of 12.7% over the past six years, evidence of government's commitment to infrastructure development. According to the 2017 Budget Review, government and state-owned companies plan to spend R327,7bn on transport and logistics over the medium term. At the same time, SANRAL's reviewed plan is to expand its road network from about 22 000km to 25 000km, through the transfer of roads previously administered by provincial and local authorities. It has been allocated R36,8bn to upgrade and maintain the national road network over the medium term, including R4,8bn for the Moloto Road, R29,6bn for road rehabilitation and R2,4bn for coal haulage roads. R34,5bn has also been allocated to fund the resealing and

Mark Dytor

The bitumen player started life in 1965 as Murray & Roberts' hot mix asphalt supplier unit and is southern Africa's largest commercial producer of hot and cold asphalt products for the construction and maintenance of all types of roads, runways, and other applications ranging from industrial and commercial surfacing requirements to small domestic asphalt projects.

rehabilitation of provincial roads. All this places Much Asphalt in a good position to realise its growth ambitions and justify one of the largest acquisitions ever concluded in the 121-year history of AECI.

AECI Chief Executive, Mark Dytor, said that Much Asphalt has huge capability in terms of intellectual property and R&D and there is a good opportunity to grow the business in South Africa and beyond.

"The development of road infrastructure on the continent is a prerequisite for economic growth," explains Dytor. "Given AECI's extensive footprint, there is plenty of scope to build the business and the dream of a prosperous, thriving Africa."

Much Asphalt has a market leading position with long-established customer relationships, a robust order book and project pipeline, and a highly experienced management team, to go along with a strong track record of innovation supported by a leading R&D capability, excellent technical capabilities and provides specialist, proprietary solutions for customers.

There is potential to extract benefits by combining supply chains, geographic networks and best practices in complex, heavy industrial manufacturing processes, R&D and AECI's innovation initiatives.

Much Asphalt will operate as a standalone entity in the AECI Group.

There are a number of conditions precedent, namely:

- Approval by the Competition Authorities in SA and Namibia;
- Consent to the change of control in Much Asphalt from certain parties; and
- Finalisation of a management transaction.

Comment from the Independent Panel:

Capitalworks spotted a good opportunity when they first acquired Much Asphalt and then worked closely with the management team over the next four years to grow shareholder value. The exit process was also an elegant one.

It is often said that it takes a community of leaders to build a great organisation and this old aphorism is demonstrated in the creation and evolution of the Southern African Venture Capital and Private Equity Association (SAVCA).

SAVCA: Two Decades of Advocacy

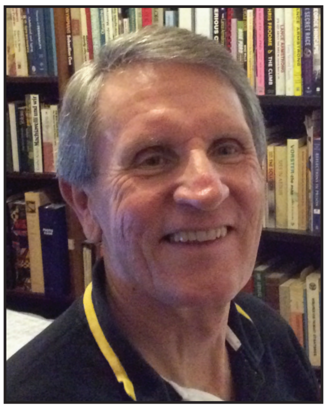
SAVCA turns 20 in 2018 and Catalyst spoke to past and present Chairpersons and CEOs to find out how it all began and what the future holds for the private equity industry's advocacy champion.

The year was 1998, Blackberry was among the largest IPOs, and Long-Term Capital Management's Hedge Fund was hogging the headlines globally for a bailout that wasn't an ideal advertisement for financial leverage. Armed with an idea and a vision, a group of passionate private equity practitioners including former MD of Business Partners, Jo Schwenke, and current SAVCA Chair, Craig Dreyer, and founding partner at Ethos, Andre Roux, formed SAVCA with a few others. And over the years it has been the ability of the organisation to attract and retain the industry's leaders in key positions that has been the hallmark of its success.

Several years before the formal incorporation of SAVCA, Schwenke tried to cobble together the nascent venture capital and private equity industry, with little success.

"It actually all started in the late 1980s. I used to research and keep tabs on all the VC players and I started a club, which never came to anything," Schwenke reveals.

But Schwenke, a great admirer of the European business ethic, wanted to emulate the European Venture Capital and Private Equity Association (EVCA) launched in 1983 (now called Invest Europe) and so called upon his Chairman at Business Partners in 1998, after the early failed attempts to scratch this particular itch. "Johan Rupert," as Schwenke



Jo Schwenke

recalls, "was always one to allow you the freedom to pursue projects, so naturally he didn't object."

The "why" centred on wanting to largely self-regulate and for regulators to understand the importance of the industry to the South African economy and allow it to reach its ultimate potential. This while ensuring that the "fly-by-nighters" as Schwenke calls them, were isolated through membership and accreditation, because there were stories at the time of sharks taking little old ladies pensions and the like.

"We borrowed the memorandum of incorporation from EVCA and made small adjustments in a matter of hours and adopted it with six board members in the court at the first meeting," Schwenke recalls. "Craig Dreyer played a huge role in the early days and I never returned for follow up stints because I went to Luxembourg".

"Going back to 1998, when we started the Association, very few people knew what private equity was about, including myself," says Dreyer, who is the current Chairman of SAVCA, "because I was a new player to the industry then. The initial coffee table meetings we had at Jo Schwenke's Business Partner's offices were initially focused on asset class promotion so that when we spoke to the regulators, SARS, National Treasury – and for that matter financial journalists – they had a basic understanding of private equity."

"In the early days there were a handful of us sitting around the table being allocated tasks," recounts Dreyer. "Today, we've got a fully-fledged office and a well-functioning board. In the last 6 months regulation has become such a big theme that we've also employed a half-day chartered accountant to spearhead that initiative, because there's just so much work to do."

Handling the "tsunami" of regulation, and assisting regulators in understanding the impact of various laws on the sector, was identified by all past and present chairmen and chief executives as one of the core reasons for SAVCA's existence.

Malcolm Segal

After laying the foundations, Schwenke handed over to Malcolm Segal in 2002.

"My objective was to consolidate and to become recognised as the representative of the industry," explains Segal. "Not many people knew or understood the asset class at the time. It was, if I were to use one word, about advocacy. And in order to be acknowledged and regarded as the advocate we needed representation and that meant membership. I would say a big part in the initial phase was to consolidate the membership and get all the major players on board and to recognise the need for an industry and to be contributing not only their time but to pay membership fees."

If one extrapolates from there to pay membership fees there had to be a value proposition, so the board identified research, training, events, professional standards and responding to regulation as its core business.

"When I took over from Jo [Schwenke] it was really a committee and a part-time secretary, and I suppose at the end of [my tenure] JP [Fourie] was full time CEO [appointed in 2006]," says Segal.

Before Fourie joined SAVCA, he was the JSE's representative on the board.

JP Fourie

"[SAVCA] never had a full-time CEO and I joined in [the middle of] 2006, at the advent of the JSE becoming concerned about these public to private transactions happening, Edcon, Consol and the like," explains Fourie. "The industry was being measured by these five or six mega transactions yet at the time was doing, even without Business Partners, probably four or five times that number of transactions with underappreciated positive economic impacts."

"The industry was being measured by these five or six mega transactions yet at the time was doing, even without Business Partners, probably four or five times that number of transactions with underappreciated positive economic impacts." says Fourie

Fourie is quite candid about those pre-global financial crises leveraged buyouts and the importance of having difficult conversations with Treasury.

"All chips down, some of those LBOs [leveraged buyouts], where debt was provided by non-SA banks or institutions, represented a net loss to the fiscus. That was obviously very concerning to Treasury at the time. So those type of responses were very important, and the overriding one was that you cannot measure this entire industry by five or six LBOs."

And tucked away in those many conversations with Treasury was one of the very early successes in the industry for SAVCA (that many of the new members might be unware of): the repeal of Section 9b (s9b) and replacement with Section 9c (s9c) of the Income Tax Act going back to 2005. Dreyer was personally involved.

"The previous s9b recognised only listed instruments as having a safe haven of five years, so if you held a listed instrument for longer than five years it was deemed capital," explains Dreyer. "When it came to private investments there was complete uncertainty in the industry whether you held it for ten years or one year was it capital or revenue? No-one could really tell you. SAVCA then lobbied SARS very seriously at Head Office in Brooklyn, [Pretoria], and we were requested to draft a large research paper on international practice on private instruments."


Craig Dreyer

"When it came to private investments there was complete uncertainty in the industry whether you held it for ten years or one year was it capital or revenue? No-one could really tell you." explains Dreyer

"We did that study for about nine months and we presented it to SARS. This resulted in the repeal of s9b and s9c was issued on the back of that paper to include private investments as well as listed investments. Plus the period was changed from five years to three years and that was an enormous win for the industry. It also gave investors into the industry a lot of comfort that should they hold those private instruments through partnerships, that they would have tax certainty," says Dreyer.

Fourie also joined an organisation that was not financially self-sustaining and he reveals that SAVCA had to rely on an underwrite (which was never called on) from larger members to fund projects undertaken at the time. He left with the financial cupboards far better stocked and placed SAVCA on a sustainable financial footing.

It wasn't all plain sailing in those heady early days. From financial challenges to managing the characters that come with the territory "it was quite tough in the beginning," reveals Segal.

"Some of it was around egos and competitiveness. Ethos in the form of Craig Dreyer, who has been associated with the industry for a long time, and Andre Roux then CEO, they were really stalwarts and supporters. They were quite key, when the going got tough you could always rely on Ethos. Then we needed to get the Braits and RMBs and the other big players on board and sit in the room as colleagues as opposed to viewing each other as competitors and viewing each other with suspicion."

"For example, we participated in the formulation of the international valuation standard, the IPEV (International Private Equity & Venture Capital Valuation Guidelines), we sat on the international task force, we gave input to the standard and that was a fundamental thing to say that this is the way you value your private equity and your venture capital investments, it gave a credibility to the information that was being put out."

Ethos CEO, Stuart MacKenzie, believes every industry needs an advocacy body representing member interests and that the private equity industry has been particularly well served by SAVCA over the years: "Without a strong industry body that can work with key stakeholders from regulators through to fund investors the industry would just be a disparate fragmented collection of people with no common voice. The importance of the common voice is critical particularly for an industry that is still not fully formed from an asset allocation perspective".

Then along came the Global Financial Crisis and Regulation 28.

In 2007, the world had just been introduced to Steve Jobs' iPhone and was about to suffer another crippling blow to confidence as Lehman Brothers collapsed a year later.

At the board level, Mutle Mogase, who was co-founder and executive chairman of the Vantage Capital Group, followed Malcolm Segal as SAVCA chairman in 2006.

"I took over the chairmanship at a very challenging but exciting time," recalls Mogase. "During my tenure we dealt with a number of key transformative initiatives for the private equity industry. I worked extensively on the Financial Sector Charter and BEE codes and the definition for Private Equity to ensure PE was correctly considered in terms of its transitional nature as a capital provider which involved numerous and detailed interactions with the DTI, [National] Treasury and other regulators.


Mutle Mogase

Mogase was also extensively involved with the tax treatment of realisation gains and the inclusion of unlisted debt, mainly mezzanine, in the Regulation 28 definition.

"I had and incredibly committed executive and fellow board members that made it possible to complete these significant tasks, and for that I am truly grateful."

In 2008, as the global financial crisis hit, Cora Fernandez, then deputy CEO of Sanlam Private Equity and already a seasoned SAVCA director, succeeded Mogase, becoming the first female Chair of SAVCA, followed by Emile du Toit in 2011.

"The thing that stands out most for me from that time was the tsunami of regulation," recalls Fernandez. "It was post the GFC and financial regulators globally were thinking of how to get participants in the financial services sector to behave in a better way."

Cora Fernadez

Fernandez, being a self-confessed optimist, chose to view the experience as an opportunity for the industry to learn.

"We were very fortunate that the regulators had an appetite to listen to us, which, in hindsight, is down to the proactive approach we took."

"It was a difficult time," recalls du Toit. "We had just gone past the credit crisis and following that we had been hit by lots of regulation on various fronts both locally and internationally. Since 2009, even before I was chair, we'd seen a ramp up in regulation, which required intensive engagement with the FSB, SARS, a lot of it was internal. That was also the time that JP [Fourie] decided to leave the organisation in 2012 [and] we had Malcolm Segal as an interim CEO. We actually lost so much institutional memory and capacity at that time and we brought in Erika Van der Merwe, an outsider to the industry but very much a financial commentator and journalist, who really brought a different dynamic."

Emile du Toit

Erika van der Merwe

"I would say that my mandate was to raise the profile of the organisation as well as the industry," reflects Van der Merwe. "How we did that was to think about what we communicate, how we communicate and to whom we communicate. We were quite deliberate and clear on our key messaging about the industry so all those things – the nature of the industry, the force for good, stewardship – existed but it was about deliberately showcasing that and showing it off whenever we speak about the industry."

Under Van der Merwe's leadership, SAVCA also doubled its research efforts.

"There were already well-established research programmes and reports in the annual calendar, but we looked at those and how we could fine tune them and added some research publications, to demonstrate the scale of the industry, the impact of the industry, impact on communities, on businesses, and the broader economy."

Dave Stadler was the chairman during the bulk of Van der Merwe's tenure, and she credits him with playing a significant role in helping her adapt to the cut and thrust of private equity.

"I almost can't put words to it, on a personal level, what it meant to have someone like Dave guiding me, his immense wisdom, experience in the industry in the corporate setting, in the private equity setting, just the way he thinks; he's strategic, he takes in all angles and all possibilities, he's refreshingly open-minded yet passionate about the industry, always wanting to do the right thinking for the industry."

Stadler tells how he sat down with his new CEO in 2014 and reset SAVCA's vision, mission, values, went "back to basics" and set out the strategic goals.

"Largely we recognised that, whereas emerging markets had been the flavour, after 2008, emerging markets were far more segmented and, leading the way were emerging markets Asia and Southern Africa was sort of bottom of the pile," explains Stadler. "So that set our focus to create a greater profile for the private equity industry to aid in fundraising, particularly in Southern Africa, and deal flow. To raise the profile for it to be an acceptable asset class for institutional pension funds. That became the prime strategic goal."

Dave Stadler

She says,"We wanted to give emphasis to research to support our strategic goals; where do we need research? What is the good coming out of private equity? How does it affect the economy? What is the impact? What are pension funds doing in relation to private equity and how acceptable is it as an asset class? And we did all of those [research reports] but clearly the changes to Reg 28 in 2011 have not been fully taken up by pension funds."

Stadler and Dreyer are in complete agreement that this remains the long-term challenge for the asset class, alongside dealing with regulation.

"We desperately need our own regulation from the FSB as the private equity industry," comments Dreyer. "We've been hobbled in the general FAIS legislation, which in my view is very retail orientated. To the FSB's credit, they acknowledge that we need our own regulation, but we need to get there."

Another important aspect is transformation.

Dreyer points out that SAVCA as an industry body is well transformed. However, he believes that the real driver of transformational change sits with SAVCA and its members and, in turn, how the fund managers influence their portfolio companies.

"SAVCA has an active transformation subcommittee. Recently, however, we expanded its mandate to include promoting transformation amongst SAVCA members. The subcommittee has been tasked with developing a plan and coming back to the SAVCA board in February 2018 to identify initiatives the industry needs to establish."

Tanya van Lill

From global terrorism and the global financial crisis, the world was introduced to an equally disturbing geopolitical trend towards the end of 2016, the rise of the political right and a pushback against globalisation embodied by controversial US President Donald Trump, Brexit and a wave of pro-right political parties in Europe.

Van der Merwe is certain that new SAVCA CEO, Tanya van Lill, can carry SAVCA forward in this new era.

"Handing over to Tanya provided a fresh set of eyes," explains Van der Merwe. "The foundation was laid with myself and JP, and our previous execs in the industry. And I think at every level it requires creativity, new ways of looking at really extending the research, going deeper into those relationships with regulators, investors and stakeholders at home and abroad, further institutionalising the organisation, which enables it to generate more resources, a more sustainable infrastructure to serve the industry well."

Dreyer is also optimistic about the future, particularly the progress being made on cracking the "pension fund nut".

"I sense a change especially in the last six months with many of the pension fund administrators wanting to talk now about private equity where previously it was a bit of a closed shop. There is a recognition that we should be doing something but the how perhaps is not yet done (and getting the commitment is another matter), but I think there are small green shoots. The industry is in a far better space than we were two or three years ago."

Van Lill says with the strong foundations built by JP, van der Merwe and the previous Chairs, SAVCA is well positioned to continue being the voice of the industry.

"SAVCA will continue focusing on promoting the asset class, strengthening its advocacy efforts, providing relevant and thought-provoking research and training, and be of value to its members. We are in exciting times, and the SAVCA board, executive team and I are honoured to represent this remarkable industry."

As the world gears itself up for a period that is hopefully less volatile than the global financial crisis era, South Africa will undoubtedly benefit from the improving "Goldilocks" macro-economic environment being forecast by the International Monetary Fund (IMF) and World Bank.

Much has been achieved by SAVCA over the last twenty years and casting one's eye over the horizon the future for the industry and SAVCA looks bright. ◆

The private equity business model in Africa is in the midst of an evolutionary change largely determined by an environment that is placing demands on the General Partners (GP) that are unique to the continent. *Catalyst* caught up with Ethos CEO, Stuart MacKenzie, to talk about the model as its stands and how its DNA is branching off into interesting mutations.

Evolution of the PE Funding Model

The model itself has come in for some criticism for being too favourable to GPs when it comes to fees.

The "2 and 20" fee structure is the way that most private equity firms are compensated. The 2 represents the 2% annual management fee on capital deployed that is used to pay salaries, cover overheads and generally "keep the lights on." The 20 represents the 20% carry over of a certain return threshold that the private equity firm gets to keep.

"If you dig into those numbers, and how the model actually works, I don't think you get a better aligned model with investors," says MacKenzie. "The private equity manager only earns carry when the investors in the fund have earned a minimum hurdle, and we're at the back of very long queue."

MacKenzie points out that the incentive is there to manage every asset, up to the very last asset, out of the fund, to maximize value. That's because the model in South Africa and the rest of Africa is a fund model, which means GPs don't earn deal-by-deal carry, they earn on the total fund return and only participate in the upside if the investors have made the hurdle.

"There's a lot of valid debate about how much of the upside you participate in [as a fund manager] that is beta, and how much of that is alpha, and those are healthy debates to be had," says MacKenzie, "but the fundamental alignment of the managers' interests to the investors' interests is very strong."

One of the key challenges is how to overcome the expensive nature of the business model. Operationally, GP teams are packed with highly skilled professionals and in today's world where you must be very good at several activity sets, building a functional, sustainable private equity firm costs a lot of money.

"Equally, on those fees we don't participate in carry until we've made a hurdle on the fund, with the fees taken into account," adds MacKenzie, "so the nett returns need to outperform a hurdle and not the gross returns. Again, we're incentivised to be frugal on fees but not to the point where you put the investment strategy of the firm at risk."

Against this backdrop, the rise of permanent capital vehicles (PCV), and other hybrids, is unsurprising.

A PCV differs from the 'normal' PE fund structured as a limited life, self-liquidating limited partnership (which is your typical PE fund) in several key areas, but as private equity law doyen, Bowman Gilfillan's head of private equity, John Bellew, believes, the primary constraint with the current model is an operating cash-flow crunch affecting the general partners' ability to focus attention on harvesting at the end of the fund's lifecycle. A mismatch of declining fees, as the fund enters its final years, and rising overheads.

This forces GPs to go back and raise capital every five years, which creates a lack of business certainty, especially in a market where the time taken now to raise a new fund can be anywhere from 12 months up to three years.

The team's attention also shifts focus from harvesting at a critical stage to deal making.

MacKenzie sees this an enormous opportunity that's been lobbed into the private equity pool, giving rise to a wave of innovation around the funding model, which is an integral part of what makes the private equity asset class special.

"The discipline of investing in companies with a very definitive timeline within which to extract, or drive, value on a sustainable basis, puts a lot of discipline into managers. You have this opportunity to invest in a company, to assist in its life-cycle, where you can drive outsized returns."

Ultimately, every company will go through a period where their returns will average down to the market returns, until they innovate around their business model, or adjacent to their business model. But that discipline of being required to invest in return is one of the great enabling ingredients inherent in the private equity model.

However, the corollary is that it creates a vulnerability or a constraint in the manager that could potentially create expedient decision making, and that might be driven by issues that are not at all in control of the manager, such as the macro-economic environment or the business cycle generally. That constraint is something that GPs globally are trying to work their way through.

"The advent of permanent capital vehicles is part of that. We raised a funding vehicle through the JSE called Ethos Capital [in 2016] partly addressing that constraint in our model," explains MacKenzie. "Our choice, and view, is that we'd like to have a hybrid mode with an anchor investor in the form of Ethos Capital that is capable of seeding our funds to avoid the hiatus between funds and we can move from one fund to the next with relative speed when we need to. However, we equally want to continue to raise money from our traditional investor base and continue to manage it on the basis that we have managed our prior six funds."

Stuart MacKenzie

It's clear we are going to see many more ways in which the industry is going to innovate around its funding model, because it is a key constraint. The disciplines that private equity has evolved in its own life-cycle are now well understood and there are firms that have built great capabilities and excellence in the key levers of value but still wrestle with the funding model. ◆

"The discipline of investing in companies with a very definitive timeline within which to extract, or drive, value on a sustainable basis, puts a lot of discipline into managers. You have this opportunity to invest in a company, to assist in its life-cycle, where you can drive outsized returns."

The latest RisCura-SAVCA South African Private Equity Performance Report revealed that the South African private equity industry outperformed listed equity over the short-term. The industry also outperformed the FTSE/JSE All Share Total Return Index (ALSI TRI) and FTSE/JSE Shareholder Weighted Total Return Index (SWIX TRI) in the long term as at 31 March 2017.

PE continues to affirm its value

The first quarter 2017 report – which tracks the performance of a representative basket of private equity funds in South Africa – showed that the industry's ten-year performance relative to the listed market remains favourable over this period. The public market equivalent (PME) measure, which has a value of more than one when private equity outperforms listed equity, is greater than one when calculated against the FTSE/JSE Shareholder Weighted Total Return Index (SWIX TRI) and the FTSE/JSE All Share Total Return Index (ALSI TRI). The latter reported the greatest outperformance by recording a PME ratio of 1.11.

Graph: Public market equivalent results by time period

Tanya van Lill, CEO of the Southern African Venture Capital and Private Equity Association (SAVCA), says that this sustained outperformance demonstrates the value that the private equity asset class is able to bring to a portfolio in times of market volatility and lagging economic growth. "While South Africa continues to exhibit sluggish levels of growth, certain industries remain ripe with opportunity for private equity capital and, as a result, the asset class continues to deliver impressive returns," she says.

While a ten-year measurement period is considered appropriate for private equity, given the long-term characteristics of the asset class, the report reveals a similar pattern of returns over shorter time periods.

The report shows private equity returned 14.2% from 1 January 2007 to 31 March 2017, compared with the return of 9.8% from the FTSE/JSE All Share Total Return Index (ALSI TRI) over the same period.

The industry outperformed the FTSE/JSE Shareholder Weighted Total Return Index (SWIX TRI), which recorded a 10.6% return over the equivalent ten-year period. Private equity slightly underperformed the FTSE/JSE Financial and Industrial Index (FINDI TRI), which yielded 14.3% over the decade to 31 March 2017.

Time period	Pooled IRR	ALSI TRI*	FINDI TRI*	SWIX TRI*
2007Q1 - 2017Q1	14.2%	9.8%	14.3%	10.6%
2012Q1 - 2017Q1	13.4%	12.5%	18.5%	13.3%
2014Q1 - 2017Q1	14.7%	6.0%	9.8%	7.1%

*Listed index returns are before fees.

Table: Compound Annual Growth Rate for each period compared to private equity IRR

Deborah O'Hanlon

Deborah O'Hanlon, Junior Associate at Independent Valuations at RisCura, says that despite the persisting low-return environment, South African private equity has managed to remain resilient for the most part. "The South African economy experienced extreme pressure in the first quarter of 2017, driven by multiple ratings downgrades and growth devaluations," she adds. "While this understandably has an effect on any asset class, the report demonstrates private equity's ability to outperform, despite these challenging conditions."

Van Lill concludes that in addition to outperforming the listed markets, private equity remains uniquely positioned to address some of the material risks facing stable long-term economic growth in South Africa. "Private equity investments are long-term and growth-focused in nature, which allows the industry to positively contribute to the real economy in a variety of ways, such as enterprise development, job creation and transformation," she says.

Local and International news

National news

The 2017 Deloitte Africa Private Equity Confidence Survey titled Translating potential into investment growth, which is forward looking, paints an improving picture for private equity deal activity into 2018 on the back of the vastly improved commodities outlook for Africa and continued spending on infrastructure.

The majority of respondents expect PE activity to increase over the next 12 months. This is most prevalent in West Africa.

VC on the rise

Westbrooke Alternative Asset Management is now South Africa's largest Section 12J manager, looking after almost half of the capital invested in s12J funds in the country.

Westbrooke has raised approximately R885m in the last two years and, according to statistics released by the South African Venture Capital Association, the size of the market is approximately R1,8bn. There are over 80 registered s12J companies in SA.

At the annual AfricaCom conference in November, pan-African ICT investor, Convergence Partners and 4Di Group, announced a recently concluded acquisition of a significant minority stake in ESET Southern Africa by Convergence Partners.

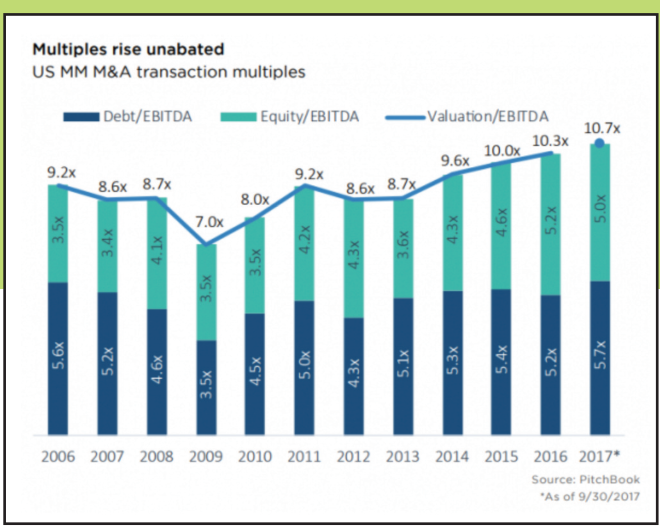
ESET Southern Africa is the local distributor and brand operator for leading global internet and endpoint security software vendor ESET, for the Southern African region.

Jeff Miller and Malcolm Segal launched the latest breed of s12J funds recently, called Metta Capital. Adrian Saville sits on the investment committee of what is essentially a VC fund of funds. The fund profile is moderate risk, yielding 16% with regular cashflow and a long-term hold profile.

This interesting addition to the alternative asset class universe is likely to spawn other sector-specific s12J fund-of-funds. ◆

International

Limited partners in PE funds should be concerned by the latest figures from Pitchbook on how much people are paying for companies worth less than $1bn:



Pitchbook attributes the high valuations to "the abundance of dry powder and fierce competition for limited targets". Of course, that "dry powder' — unused capital available for general partners to buy companies — is itself partly a reaction to the shortage of reasonably-priced companies. (Limited partners are also hobbled by the higher share of deal value funded by equity compared to the pre-crisis period.)

Buying low also gives investors room to make money from rising valuations even if the general partners can't boost operational performance as promised. That's exactly what's happened since 2010, according to an analysis from Bain & Company that we reported on in March 2017. ◆

PRIVATE EQUITY DEALS Q1 – Q4 2017 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Disposal by	Wendel to Capital Group Private Markets	35% stake in Tsebo	Webber Wentzel; Cliffe Dekker Hofmeyr	undisclosed	Jan 4
Acquisition by	The Carlyle Group	majority stake in Global Credit Rating	Webber Wentzel; Cliffe Dekker Hofmeyr	not publicly disclosed	Jan 16
Acquisition by	Grindrod Financial Services (Grindrod)	minority stake in Lenmed	Webber Wentzel	not publicly disclosed	Jan 25
Acquisition by	African Infrastructure Investment Managers	60% effective interest in DSM Corridor Group Tanzania		undisclosed	Feb 2
Disposal by	HBD Venture Capital to management	stake in FlightScope		undisclosed	Feb 3
Acquisition by	Capitalworks from Aon	Aon's shareholding in 10 employee benefit, insurance and reinsurance brokerage operations in Angola, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Uganda and Zambia	Bowmans; Webber Wentzel; Webber Newdigate; Engling Stritter & Partners; Robinson Bertram	undisclosed	Feb 20
Acquisition by	Medu Capital	15% stake in Hero Telecoms (Herotel)		R74,25m	Feb 20
Acquisition by	Quona Capital and Velocity Capital	stake in Yoco (series A funding)		undisclosed	Mar 2
Acquisition by	Sanlam Private Equity via The Bruce Fruit (Sanlam) from the Barnard Trust	JAB Dried Fruit Products	Werksmans	not publicly disclosed	Mar 7
Acquisition by	Fairtree Hospitality Real Estate Private Equity Fund	Borrowdale Gates Hotel in the Lake District, UK		undisclosed	Mar 8
Acquisition by	Energy Partners (PSG Group)	Dryden Combustion	PSG Capital	undisclosed	Mar 13
Acquisition by	Kleoss Capital	undisclosed stake in Debt Rescue		undisclosed	Mar 16
Acquisition by	Sanlam Emerging Markets (Sanlam) from PineBridge Investments	major stake in PineBridge Investments East Africa (PIEAL), Kenya	Bowmans	undisclosed	Mar 22
Acquisition by	African Rainbow Capital	20% stake in A2X Markets		undisclosed	Mar 29
Acquisition by	KNF Ventures	stake in Quicket		undisclosed	Mar 31
Acquisition by	Precrete (PSG Group)	Platchro	Cliffe Dekker Hofmeyr	undisclosed	not announced Q1
Acquisition by	Bid Corporation from Miura Private Equity	90% stake in Guzman Gastronomia and Cuttings	Standard Bank	R1,1bn	Apr 5
Acquisition by	RMB Corvest (RMB Holdings) from founding shareholders	stake in Feedem Pitseng		undisclosed	Apr 6
Acquisition by	Agile Capital and management	stake in Feedem Pitseng	Step Consulting; Renmere; Forssman Consulting; Cliffe Dekker Hofmeyr	undisclosed	Apr 6
Acquisition by	Ethos Fund VI (Ethos Capital)	majority shareholding in Little Green Beverages	Webber Wentzel; Cliffe Dekker Hofmeyr	undisclosed	Apr 24
Acquisition by	Accion Frontier Inclusion Fund	a stake in AllLife		undisclosed	May 3
Acquisition by	Vostok New Ventures	stake in CarZar		$1,5m	May 11
Acquisition by	Africa Special Opportunities Capital (ASOC) Fund I	OptiCo t/a Opti-Baby & Kids		undisclosed	May 12
Acquisition by	Riskowitz Value Fund LP from Finbond Group minority shareholders	shares not already held in Finbond Group in terms of mandatory offer [only 6 182 660 shares (0,79% stake) tendered]	Grindrod Bank; BDO Corporate Finance; Bowmans	R1,4bn [R17,99m]	May 26
Acquisition by	Assa Abloy from Metier	Inhep Electronic t/a Inhep Digital Security (IDS)	Hogan Lovells (South Africa); Cliffe Dekker Hofmeyr	undisclosed	May 29
Acquisition by	Agile Capital (Zico Capital 2)	26% of Bluhm Burton Engineering	Cliffe Dekker Hofmeyr	undisclosed	May 29
Acquisition by	AlphaCode and BoE Private Equity Investments	minority stakes in Entersekt	Cliffe Dekker Hofmeyr	undisclosed	Jun 7
Acquisition by	African Infrastructure Investment Managers	44% stake in Albatros Energy Mali		undisclosed	Jun 13
Disposal by	Sanlam Emerging Markets (Sanlam) to Black Star	stakes in Enterprise Life Assurance, Enterprise Trustees and Enterprise Insurance	Deutsche Securities	$130m	Jun 23
Disposal by	Adcorp to Value Capital Partners	12.59% stake in Adcorp	Deloitte	undisclosed	Jun 27
Disposal by	Brandcorp (Bidvest) to European Quality Houseware	one ordinary share and 489 'B' shares in Prestige Quality Housewares	Werksmans	not publicly disclosed	not announced Q2
Disposal by	Powertech Industries (Allied Electronics) to Trinitas Private Equity Partnership	majority stake in AutoX	Bowmans	undisclosed	not announced Q2
Acquisition by	Sphere Investments from Capital International Private Equity Fund and Capital Group Private Equity	4.91% stake in Consol Glass	Webber Wentzel	undisclosed	not announced Q2
Acquisition by	Sphere Investments	5.36% stake in Consol Glass	PwC; Webber Wentzel; Bowmans	not publicly disclosed	not announced Q2

PRIVATE EQUITY DEALS Q1 - Q4 2017 - SOUTH AFRICA (Continued)

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Disposal by	Agri-Vie Fund I	its stake in Fairfield Dairy		undisclosed	Jul 3
Disposal by	Torre International (Torre Industries) to Phatisa and management	remaining stake in Kanu Equipment	Bowmans; Cliffe Dekker Hofmeyr	undisclosed	Jul 7
Acquisition by	Moshe Capital and Sanari Capital	majority stake in Jaycor International		undisclosed	Jul 7
Acquisition by	Sanari Capital	a 51% stake in Fernridge Solutions		undisclosed	Jul 9
Acquisition by	Actis	Management College of Southern Africa (MANCOSA) and Regent Business School	Webber Wentzel; Norton Rose Fulbright (South Africa); Shepstone & Wylie; Clifford Chance	undisclosed	Jul 11
Acquisition by	LGC Capital and AfriAg	60% stake in House of Hemp		undisclosed	Jul 23
Disposal by	Convergence Partners Investments	its stake in Dimension Data Middle East & Africa		undisclosed	Jul 27
Acquisition by	African Rainbow Capital	20% stake in Multisource Telecoms (Rain)	Webber Wentzel	R1,708bn	Jul 28
Acquisition by	Dundee Precious Metals from Corvest 7, HP Beteiligungs, Shalamuka Capital and Emerald Panther Investments 99	a majority stake in MineRP and combination of its propriety wireless underground communications technology with MineRP	Cliffe Dekker Hofmeyr; Webber Wentzel	$20m	Jul 31
Acquisition by	4DI Exponential Tech Fund I	stake in Sensor Networks	Bowmans	undisclosed	Aug 1
Acquisition by	4DI Exponential Tech Fund I and Savannah Fund	stake in Aerobotics	Bowmans	R8m	Aug 1
Acquisition by	RMB Ventures (RMB Holdings) and Investec Asset Management (Investec) from Standard Chartered Private Equity and Development Capital Partners	72% stake in Kamoso Distribution	Bowmans; ENSafrica; Webber Wentzel	not publicly disclosed	Aug 6
Disposal by	Ethos Capital to Jesiflex (RMB Holdings)	Kevro Holdings	Barclays Africa; Rand Merchant Bank; Webber Wentzel; Cliffe Dekker Hofmeyr; Werksmans	not publicly disclosed	Aug 7
Acquisition by	Capitalworks Private Equity from Sovereign Food Investments minorities	Sovereign Food Investments	One Capital; BDO Corporate Finance; Deloitte; Cliffe Dekker Hofmeyr; Webber Wentzel; Allen & Overy LLP; Deloitte	R907m	Aug 10
Acquisition by	Kalon Venture Partners and the Smollan Group SA	40% (20% each) stake in SnapnSave	Bowmans	R14m	Aug 10
Disposal by	Teal Minerals (African Rainbow Minerals) to ERM Capital Bidco	40% stake in Lubambe Copper Mine	Standard Bank; Deutsche Securities; Bowmans; Fasken Martineau	$48,55m	Aug 15
Acquisition by	Enko Africa Private Equity Fund	stake in AMI Logistics		undisclosed	Aug 15
Acquisition by	Elma Investments	stake in Mwabu		undisclosed	Aug 21
Acquisition by	Secha Capital	stake in Stoffelberg Biltong		undisclosed	Aug 27
Acquisition by	Futuregrowth Asset Management	a stake in Retail Capital	Cliffe Dekker Hofmeyr	undisclosed	Sep 5
Acquisition by	Actis and Dacosbro	Impact (Improvon Group) - Sub-Saharan industrial property investments	Bravura Capital; Perigeum Capital; Webber Wentzel; BLC Robert; Werksmans; Bowmans	R1,2bn	Sep 5
Acquisition by	Arise	12% stake in Equity Group		undisclosed	Sep 12
Disposal by	Powertech (Allied Electronics) to Musa Capital Namibia (on behalf of the Namibian Government Instituions Pension Fund)	Swanib Cables	Baker McKenzie	N$53m	Sep 27
Acquisition by	Netcare from Apax and others	minority interests in General Healthcare Group	Deutsche Securities	R1,76bn	Sep 28
Acquisition by	Ethos Capital from Brait SE	26% stake in Primedia	Webber Wentzel; PwC Legal; Bowmans	undisclosed	not announced Q3
Acquisition by	MICROmega to First Carlyle Growth V	The Nosa Group	Merchantec Capital; Marsh; PwC; Webber Wentzel; Latham & Watkins; Nexia SAB&T	R747,8m	Oct 13
Acquisition by	Old Mutual Alternative Investments (Old Mutual) from Faircape Group	a 50% interest in Faircape Life Right Holdings	Cliffe Dekker Hofmeyr; Bowmans	undisclosed	Oct 17
Investment by	Apis Partners	second investment in Direct Pay Online		$5m	Oct 19
Acquisition by	AECI from Capitalworks Private Equity, MIC Investment and management	Much Asphalt	Standard Bank; Deloitte; Deutsche Bank; Webber Wentzel; ENSafrica	R2,27bn	Oct 30
Investment by	Knife Capital, King Digital Entertainment and other investors	stake in Mobile and Sensory Technology (MOST)		R22m	Nov 2
Acquisition by	Digital Growth Africa Middle East Investment Company (DiGame)	a stake in 10X	Webber Wentzel	not publicly disclosed	Nov 6

PRIVATE EQUITY DEALS Q1 – Q4 2017 – SOUTH AFRICA (Continued)

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Convergence Partners	a significant minority stake in ESET Southern Africa	Bowmans	undisclosed	Nov 9
Acquisition by	Convergence Partners	a stake in Esro	Bowmans	undisclosed	Nov 9
Acquisition by	Secha Capital	undisclosed stake in Geestep		undisclosed	Nov 12
Acquisition by	Kalon Venture Partners	a minority stake in i-Pay		R10m	Nov 17
Acquisition by	Sanlam Private Equity (Sanlam) from Henchick	Ahead Trading (28 KFC outlest in Western Cape) and Six Sense (performs marketing functions for the KFC outlets)	Webber Wentzel	undisclosed	Nov 20
Disposal by	Investec Asset Management Private Equity (Investec) to Daraju Industries	equity holding in Ashwah Holdings	Bowmans	undisclosed	Nov 21
Acquisition by	Redsun Dried Fruit & Nuts (One Thousand & One Voices)	stake in RTE Snacks		undisclosed	Dec 4
Acquisition by	3 Health Holdco Mauritius (Abraaj)	51% stake in Newshelf 1273 (Joint Medical Holdings)	Webber Wentzel	undisclosed	Dec 20
Disposal by	RMB Corvest (RMB Holdings) and Lily Capital to RM1	shares held in Q Link	Cliffe Dekker Hofmeyr; ENSafrica	R305,7m	not announced Q4
Acquisition by	Old Mutual Alternative Investments (Old Mutual) from MMI	Long-term Insurance Annuity Policy	Webber Wentzel; Cliffe Dekker Hofmeyr	undisclosed	not announced Q4

PRIVATE EQUITY DEALS Q1 – Q4 2017 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Africa	Disposal by	Wendel to Capital Group Private Markets of a 35% stake in Tsebo	Webber Wentzel; Cliffe Dekker Hofmeyr	undisclosed	Jan 4
Africa	Acquisition by	Capitalworks from Aon of Aon's shareholding in 10 employee benefit, insurance and reinsurance brokerage operations in Angola, Kenya, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Uganda and Zambia	Bowmans; Webber Wentzel; Webber Newdigate; Engling Stritter & Partners; Robinson Bertram	undisclosed	Feb 20
Africa	Acquisition by	Helios Investment Partners of 100% Fertilizers and Inputs from the Louis Dryfus Company	Credit Suisse; Standard Chartered; Société Générale; Norton Rose Fulbright; Vinson & Elkins	undisclosed	Jul 24
East Africa	Acquisition by	Mitsui from Pembani Remgro Infrastructure Fund, Standard Chartered and ETG founders of a 30% stake in ETC Group	Bowmans	$265m	Nov 22
Southern Africa	Acquisition by	Enko Africa Private Equity Fund of a stake in AMI Logistics		undisclosed	Aug 15
Southern Africa	Acquisition by	Actis and Dacosbro of Impact (Improvon Group) - sub-Saharan industrial property investments	Bravura Capital; Perigeum Capital; Webber Wentzel; BLC Robert; Werksmans; Bowmans	R1,2bn	Sep 5
West Africa	Acquisition by	Synergy Capital of Dimension Data Nigeria and Dimension Data Ghana	Orrick (London)	undisclosed	May 17
Botswana	Acquisition by	RMB Ventures (RMB Holdings) and Investec Asset Management (Investec) from Standard Chartered Private Equity and Development Capital Partners of a 72% stake in Kamoso Distribution	Bowmans; ENSafrica; Webber Wentzel	not publicly disclosed	Aug 6
Burkina Faso	Disposal by	Injaro Investments of its remaining 30% stake in NAFASO SA		undisclosed	Feb 16
Burkina Faso	Acquisition by	Amethis of a minority stake in Sodigaz		undisclosed	Aug 31
Burkina Faso	Acquisition by	Novamed (Amethis) of Polyclinique Internationale de Ougadougou		undisclosed	Sep 28
DRC	Investment by	XSML in Maison Galaxy		undisclosed	Jun 16
DRC	Investment by	XSML in Monishop sarl		undisclosed	Jul 8
Egypt	Investment by	Africa Finance Corporation in Carbon Holdings		$25m	Mar 9
Egypt	Disposal by	Actis of its remaining 7.5% stake in Edita Food Industries	CI Capital; EFG Hermes	undisclosed	Apr 7
Egypt	Acquisition by	BPE Partners and MM Group for Industry & Int. Trade S.A.E of a 60% stake in TBE for Payment Solutions and Services (Bee)		EGP156m	Oct 3
Egypt	Investment by	A responsAbility-managed private equity firm in Fawry		undisclosed	Oct 3
Egypt	Disposal by	SPE Capital of its stake in Orchidia Pharmaceutical Industries to the Egyptian American Enterprise Fund	Arqaam Capital; Matouk Bassiouny; DLA Piper	undisclosed	Nov 1
Ethiopia	Investment by	The Norwegian Investment Fund for Developing Countries (Norfund) in Verde Beef Processing		$7,4m	Mar 24

PRIVATE EQUITY DEALS Q1 – Q4 2017 – REST OF AFRICA (Continued)

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Ethiopia	Disposal by	KKR of a majority stake in Afriflora to an affiliate of Sun European Partners	Rabobank; William Blair; Houlihan & Lokey; Kirkland & Ellis; Clifford Chance; Van Benthem & Keulen; Deloitte; Ernst & Young; Londen & Van Holland	undisclosed	Dec 20
Gabon	Acquisition by	Assala Energy (Carlyle Group) of Shell's onshore assets in Gabon		$628m	Mar 24
Ghana	Disposal by	Development Partners International of it's 27.7% stake in CAL Bank to Arise	IC Securities; Norton Rose Fulbright; N. Dowuona & Co; Webber Wentzel; Bentsi-Enchill, Letsa & Ankomah	undisclosed	Feb 12
Ghana	Investment by	Oasis Capital Ghana in Everpure		undisclosed	Apr 28
Ghana	Investment by	AfricInvest in International Community School		undisclosed	Jun 6
Ghana	Disposal by	Sanlam Emerging Markets (Sanlam) to Black Star of stakes in Enterprise Life Assurance, Enterprise Trustees and Enterprise Insurance	Deutsche Securities	$130m	Jun 23
Ghana	Acquisition by	Milost Global of a stake in Eco Medical Village (plus $200m debt financing)		$100m	Jul 10
Ghana	Investment by	Atlantic Coast Regional Fund (AFIG) in Primrose Properties Ghana		undisclosed	Oct 4
Ghana	Acquisition by	Usawa Venture Capital of a stake in Logiciel		undisclosed	Nov 5
Ghana	Investment by	Oasis Capital Ghana in Legacy Girls College		undisclosed	Dec 20
Kenya	Acquisition by	Amethis Finance and Metier of a significant minority stake in the Kenafric packaged food business	BellHouse Capital; Pratul Shah; KPMG; Bowmans; Anjarwalla & Khanna	undisclosed	Feb 20
Kenya	Investment by	CDC and IFC in Africa Logistics Properties		$35m	Mar 10
Kenya	Acquisition by	Ascent Capital of a stake in Kisumu Concrete Products		undisclosed	Mar 16
Kenya	Acquisition by	Sanlam Emerging Markets (Sanlam) from PineBridge Investments of a major stake in PineBridge Investments East Africa (PIEAL), Kenya	Bowmans	undisclosed	Mar 22
Kenya	Investment by	Creditinfo in Alternative Circle		$1,1m	Mar 27
Kenya	Acquisition by	Catalyst Principal Partners of a significant minority stake in Kensta Group		undisclosed	Apr 24
Kenya	Acquisition by	Catalyst Principal Partners of Jambo Biscuits		undisclosed	May 8
Kenya	Investment by	DOB Equity in Africa Logistics Properties		$4m	May 10
Kenya	Investment by	The Moringa Partnership in Asanta Capital		$6m	May 14
Kenya	Investment by	Google, Convergence Partners, International Finance Corporation and Mitsui & Co in CSquared		$100m	May 16
Kenya	Acquisition by	Synergy Communications (Convergence Partners) of Wananchi Business Services	Bowmans	undisclosed	May 18
Kenya	Acquisition by	Abraaj of Java House from Emerging Capital Partners	PwC; Rothschild; KPMG; Freshfields Bruckhaus Deringer; Bowmans; Anjarwalla & Khanna Advocates	undisclosed	Jul 3
Kenya	Investment by	Kibo Capital Partners in Blowplast	Grant Thornton; Bowmans	undisclosed	Jul 3
Kenya	Investment by	Engineers Without Borders in M-Shule		$40 000	Jul 11
Kenya	Disposal by	Aureos East Africa Fund of a 5.53% stake in Deacons (East Africa) to Centrum Investment Company		undisclosed	Jul 28
Kenya	Acquisition by	Wamda Capital, Omidyar Network, DOB Equity, Uqalo, 1776, Blue Haven Initiative, Alpha Mundi and AHL Venture Partners of a stake in Twiga Foods plus $4m in debt		$6,3m	Jul 31
Kenya	Investment by	Safaricom Spark Venture Fund in iProcure		undisclosed	Sep 7
Kenya	Acquisition by	Abraaj of a 56.2% stake in Avenue Group		undisclosed	Sep 10
Kenya	Acquisition by	Arise of a 12% stake in Equity Group		undisclosed	Sep 12
Kenya	Investment by	Series C Funding led by CRE Venture Capital and including CDBL Partners, Amplo, Salesforce Ventures and Tlcom Capital in Andela		$40m	Oct 10
Kenya	Disposal by	QGIAM (Quantum Global) of its stake in Savannah Cement		undisclosed	Oct 19
Lesotho	Acquisition by	One Thousand & One Voices of a stake in SanLei		undisclosed	Aug 29
Malawi	Acquisition by	CDC and AgDevCo of a stake in Jacoma Estates		$11,5m	Mar 20
Mali	Acquisition by	AfricInvest III of a stake in Azalaï Hotels		€17,3m	Jan 3
Mali	Acquisition by	African Infrastructure Investment Managers of a 44% stake in Albatros Energy Mali		undisclosed	Jun 13

PRIVATE EQUITY DEALS Q1 - Q4 2017 - REST OF AFRICA (Continued)

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Mauritius	Investment by	Fairfax Africa in Ascendant Learning (Nova Pioneer)		$20m	Jun 30
Mauritius	Disposal by	Torre International (Torre Industries) to Phatisa and management of the remaining stake in Kanu Equipment	Bowmans; Cliffe Dekker Hofmeyr	undisclosed	Jul 7
Morocco	Disposal by	CDG Capital Private Equity of its stake in Intelcia to Altice Group		undisclosed	Jan 10
Morocco	Disposal by	Mediterrania Capital Partners and AfricInvest of Grupo San Jose & Lopez to Investec Asset Management		undisclosed	Apr 10
Morocco	Acquisition by	EuroMena of a minority stake in Retail Holding		undisclosed	Jun 21
Morocco	Disposal by	CDG Capital Private Equity of its stake in Jet Contractors		undisclosed	Nov 1
Morocco	Acquisition by	CDC Group and CIC Capital of stakes in Onomo Hotels		€106m	Nov 21
Mozambique	Acquisition by	Kibo Capital Partners of a stake in Tropigalia	KPMG; Miranda Law Firm	undisclosed	Nov 8
Namibia	Acquisition by	Stimulus Investments of a 67.6% stake in Khomas Solar Saver		undisclosed	Feb 17
Namibia	Disposal by	Powertech (Allied Electronics) to Musa Capital Namibia (on behalf of the Namibian Government Institiutions Pension Fund) of Swanib Cables	Baker McKenzie	N$53m	Sep 27
Nigeria	Investment by	Sahel Capital and CardinalStone Capital Advisers in Crest Agro Products		undisclosed	Mar 1
Nigeria	Acquisition by	TA Associates of a minority stake in Interswitch from Helios Investment Partners	Latham & Watkins; Debevoise & Plimpton	undisclosed	Mar 6
Nigeria	Acquisition by	Synergy Capital of a stake in Northstar Finance Services	PwC; Udo Udoma & Belo-Osagie; Banwo & Ighodalo	undisclosed	Apr 17
Nigeria	Acquisition by	GBfoods and Helios Investment Partners through their JV : GBfoods Africa Holdco of culinary brands and manufacturing assets in Africa	Rand Merchant Bank; Loyens & Loeff; Clifford Chance; Aluko & Oyebode	undisclosed	May 2
Nigeria	Acquisition by	Verod Capital Management of a significant minority stake in Greensprings Educational Services		undisclosed	Jul 24
Nigeria	Acquisition by	Apis Growth Fund I of a stake in Bankers Warehouse	Stanbic IBTC Capital; Udo Udoma & Belo Osagie; Olajide Oyewole	$30m	Sep 12
Nigeria	Investment by	Advanced Finance and Investment Group (AFIG Funds) in FSDH Merchant Bank	Aluko & Oyebode	undisclosed	Sep 22
Nigeria	Investment by	Vantage Capital in Purple Capital		$12,5m	Nov 20
Nigeria	Disposal by	Investec Asset Management Private Equity (Investec) to Daraju Industries of an equity holding in Ashwah Holdings	Bowmans	undisclosed	Nov 21
Nigeria	Acquisition by	Argentil Capital Partners of a 49% stake in Chocolate City Lounge	Olajide Oyewole	undisclosed	Dec 8
Senegal	Investment by	Teranga Capital (Investisseaurs & Partenaires) in OuiCarry		undisclosed	Apr 13
Sierra Leone	Investment by	CDC Group in Solon Capital		$20m	Aug 30
Tanzania	Acquisition by	African Infrastructure Investment Managers of a 60% effective interest in DSM Corridor Group Tanzania		undisclosed	Feb 2
Tunisia	Acquisition by	Abraaj of a 35% stake in Tunisie Telecom from Dubai Holding's Emirates International Telecommunications (EIT)	Arab Banking Corporation; Freshfields Bruckhaus Deringer; Meziou, Knani & Khlif	undisclosed	Nov 27
Uganda	Investment by	XSML in KARE Distribution		undisclosed	May 23
Uganda	Investment by	XSML in Qualicoff		undisclosed	Jul 31
Uganda	Acquisition by	Agilis Partners of Joseph Initiative from minorities including DOB Equity		undisclosed	Aug 22
Uganda	Investment by	XSML in Telcare		undisclosed	Nov 6
Uganda	Investment by	XSML in Ecopharm		undisclosed	Nov 21
Uganda	Acquisition by	Ascent Africa Investment of a 60% stake in Guardian Health	Bowmans	undisclosed	not announced Q2
Zambia	Disposal by	African Rainbow Minerals and Vale International of their 80% indirect interest in Lubambe Mine to EMR Capital Bidco	Standard Bank; Deutsche Securities; Bowmans; Fasken Martineau	$97,1m	Aug 15
Zambia	Investment by	AgDevCo in Katito Farming (follow on investment from 2016 of $5.05m)		$1,95m	Dec 13
Zimbabwe	Acquisition by	Arise of stakes in NMBZ from FMO and Norfund (total shareholding now 69,14m shares)		undisclosed	Aug 27