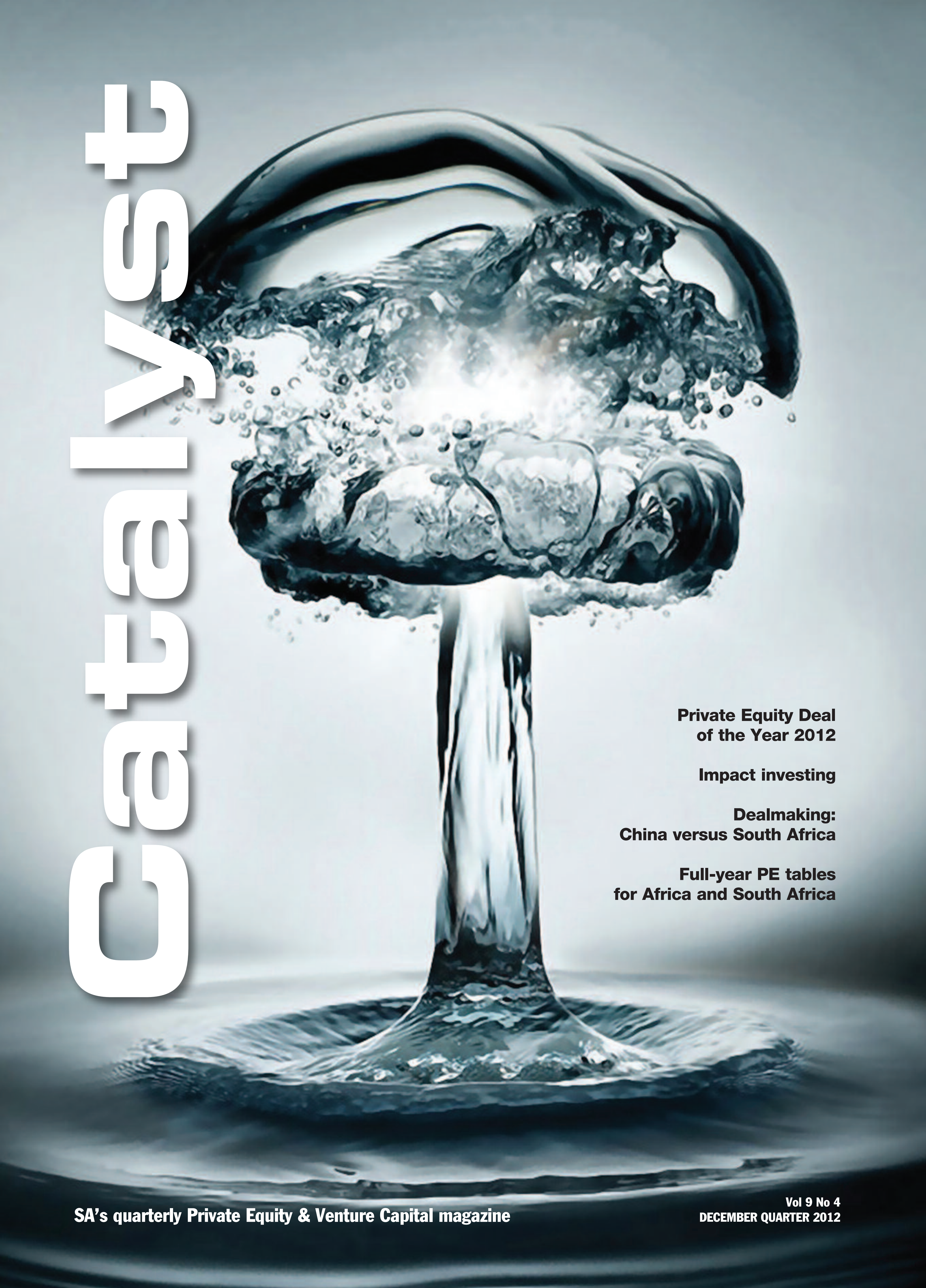

Catalyst

Private Equity Deal of the Year 2012

Impact investing

Dealmaking: China versus South Africa

Full-year PE tables for Africa and South Africa

SA's quarterly Private Equity & Venture Capital magazine

Vol 9 No 4
DECEMBER QUARTER 2012

FROM THE EDITOR'S DESK

Twenty four private equity deals were transacted locally this year compared with 27 in 2011. So fairly flat in terms of deal activity in South Africa then.

It's when one starts unpacking the numbers in the "Rest of Africa" table that the real story starts to emerge. Deal flow is up a staggering 92% year-on-year from the 14 Catalyst tracked in 2011 to 27 in 2012.

Clearly the African growth story is in full swing and there are lessons to be learned and questions that must be asked.

Are the Reserve Bank and the Treasury doing enough to ease the ability of locally-based PE funds to invest outside South Africa's borders to take advantage of this phenomenal growth? What impact is this growth going to have on investor appetite for deals in South Africa and by extension valuations?

One of the notable themes coming out the World Economic Form in Davos was that South Africa has comprehensively stuffed its status as the much vaunted gateway into Africa. Any advantages in a dynamic market must be seized upon – not nonchalantly fritted away.

But then it's not surprising that sentiment towards South Africa has soured considerably. It has been contaminated by continued labour unrest, ratings downgrades, the ruling party's continued brazen hostility towards business of any kind and a host of regulatory impediments that make doing business here unnecessarily challenging.

Take for example the notorious section 23k interest deductibility provision of the Income Tax Act introduced by SARS last year.

s23K(2) of the Act reads: "*...no deduction is allowed in respect of any amount of interest incurred by an acquiring company in terms of a debt instrument if that debt instrument was issued or used directly or indirectly – (a) for the purpose of procuring, enabling, facilitating, or funding the acquisition by that acquiring company of any asset in terms of a reorganization transaction...*"

This interest deductibility plays a pivotal role in enabling private equity transactions. These are the same transactions that generate growth and create jobs.

I suspect, from what I hear, that some transactions employing interest deductibility have been met with disapproval from SARS when deductibility submissions are made. The excuses range from the gearing level being too elevated to the syndication arrangements for lenders being too open-ended.

If this is true then we should expect to see the local private equity industry chunter along the bottom for some time still, while the rest of Africa gallops ahead. This is what we will get for being pig-headed.

Q.E.D ◆

Michael Avery

Contents

Catalyst

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Gleason Publications

It was another relatively lean year in volume terms when it came down to selecting a short-list for the Catalyst Private Equity Deal of the Year but the quality of dealmaking on display was still of a notably high standard.

Catalyst Private Equity Deal of the Year 2012

After some considerable debate between members of the Independent Selection Panel the short-list was distilled into two contenders: the Ethos-led secondary buyout of Waco and the minority investments made by the Pembani Remgro Infrastructure Fund and Carlyle into Export Trading Group as part of a transaction led by Standard Chartered's Africa Private Equity division (SCPE).

Unsurprisingly, Ethos featured heavily in the deliberations. The firm is an undisputed powerhouse in the local private equity industry and is never far away from the really big or clever buyouts or exits.

Ethos led a consortium including RMB Ventures, Standard Bank and Waco management, in the secondary Buyout of Waco International, featured in the third quarter of Catalyst, stood out for a number of reasons, not least Ethos's regular ability to unearth great management and run with them.

As Ethos partner Stuart MacKenzie said at the time, there's little merit in the thesis that secondary buyouts are great ways to spend dry powder in uncertain time. "By all accounts secondary buyouts have mixed reviews internationally," he ventured, before adding hastily, "but Waco's management team had a growth vision that stood up to the due diligence and we're backing them."

The Ethos-led buyout followed the successful sale in 2011 of the group's large Australasian relocatable modular building business, Ausco Modular. Mackenzie says the sale of Ausco changes significantly the geographical focus of the business, which was weighted roughly three quarters EBITDA to Australia, but is now weighted towards the African growth story.

Before the sale of Ausco Modular, Waco's turnover for 2011 was almost R50bn delivering an EBITDA of roughly R800m. That's a measly margin of 1,6% and, despite the business now looking significantly different without Ausco, the clever lads at Ethos will be licking their lips at the opportunity to drive that margin higher.

The second finalist, featured on page (2), captured the attention of the adjudication panel for its focus on Africa and the role the investment can play in delivering on some important socio-economic goals in the Sub-Saharan region.

Pembani Remgro Infrastructure Fund – a joint initiative established by renowned rainmaker Phuthuma Nhleko and Remgro – and Carlyle Group announced mid-November that they will make a strategic minority investment as part of a US$210m (R1,87bn) transaction with Export Trading Group (ETG), an African agricultural commodities supply chain manager.

"SCPE led the initial round of equity investment into ETG in January 2012," explains Peter Baird who leads the Standard Chartered Private Equity team for sub-Saharan Africa. "After a lot of work with the company, we co-ordinated and led the second wave in November 2012, bringing in Remgro and Carlyle as our partners."

> The Export Trading Group deal is proof that sometimes deals can make Limited Partners, General Partners, Management, upstream and downstream clients and service providers, and broader society all winners.

While not matching the Waco transaction in terms of size – Baird says it is still the largest PE transaction in East African history – the deal more than held its own when the independent adjudication panel consisting of Neil Penman, David Gleason, Martin Irish, and chaired by Peter Schneider, ran it through their various performance metrics, speed/time, regulatory challenges, shareholder benefits/market acceptance, size, complexity and uniqueness.

The feedback from Schneider when he conveyed the panel's decision at arriving at its choice for deal of the year was clear.

"We feel that the Export Trading Group deal delivers not only in terms of jurisdictional complexity but also in terms of providing smallholder African farmers with an increased opportunity to participate in the mainstream African economic growth story of the time. While this is important we also believe that the investors, such as Carlyle, will be able to bring their vast management knowledge and expertise to bear on the business to generate significant returns as well."

The export Trading Group deal is proof that sometimes deals can make Limited Partners, General Partners, Management, upstream and downstream clients and service providers, and broader society all winners. ◆

The Pembani Remgro Infrastructure Fund and Carlyle Group announced mid-November that they will make a strategic minority investment as part of a US$210m (R1,87bn) transaction with Export Trading Group (ETG), an African agricultural commodities supply chain manager. This is the first investment by Carlyle's Sub-Saharan Africa Fund and the Pembani Remgro Infrastructure Fund. Standard Chartered's Africa Private Equity division (SCPE), the first private equity investor in ETG, is increasing its investment from January 2012 and ETG's founders have also subscribed for additional equity.

Carlyle Group landed in the country one year ago on the wings of promise. The American eagle was thought to be the forerunner to a feeding frenzy consisting primarily of developing market prey scurrying around in the short grass.

Eagles, not vultures

On the contrary, if Carlyle thought it was going to swoop in and be "big bird" due to its size and reputation it received a sobering reminder that, in Africa at least, it isn't the only bird of prey in the jungle, nor the most feared. In controversial circumstances during the latter half of 2011 the Eagle was outmanoeuvred by Actis to the prize of Savcio, a maintenance and repair firm for rotating electrical equipment and transformers in Africa.

Perhaps slightly chastened by the experience, the announcement that Carlyle's first investment by its SSA Fund would be as part of a consortium, including local knowledge in the form of Pembani and Remgro and alongside Standard Chartered Private Equity, came as no surprise.

As it stands, the deal, a minority stake in Tanzanian-based Export Trading Group, satisfies many that the Savcio affair was a steep learning curve and Carlyle is starting to read the African future growth playbook assiduously. Food prices in Africa and globally for that matter are rising rapidly.

Founded in 1967, ETG owns and manages a vertically-integrated agriculture supply chain with operations in procurement, processing, warehousing, transportation, distribution and merchandising.

It's no small fry either. ETG has more than 7 000 employees across 30 African countries and operates 26 processing plants and 600 warehouses. ETG connects African smallholder farmers to consumers around the world by procuring, processing and distributing agricultural commodities including maize, pulses, wheat, rice, cashew nuts, soya, fertilizer, sugar, coffee and tea. In the fiscal year ended March 31, 2012, ETG procured and distributed nearly 1,4 million metric tons of 25 different commodities.

Marlon Chigwende, Managing Director and Co-Head of the Carlyle Sub-Saharan Africa Fund, said "This is a remarkable opportunity to invest in a business with a proven model that is highly scalable, has delivered impressive financial performance and has tremendous development impact on Africa and its economies. Carlyle has a strong track record of helping companies in emerging markets become highly competitive, global companies. We

look forward to accelerating ETG's growth, building value for its shareholders and supporting African smallholder farmers."

This deal certainly goes a long way in dispelling the tiring myth that private equity firms are vultures. In Carlyle, we have the perfect example of the need for a private equity firms' predatory instincts in keeping the economic ecosystem in a state of stasis and maximum efficiency. By infusing a company with new investor blood, through many decades of collective management and expert experience, Carlyle and its co-investors will attempt to upscale the business, which in turn impacts positively in the African smallholder farmer.

Eighty percent of the Company's Africa-originated stock is procured from smallholder farmers. Individually, these farmers have no opportunity to integrate into the global economy. However, ETG consolidates hundreds of thousands of farmers into a supply chain and creates the scale and efficiency necessary to be globally competitive.

"The new capital will allow us to expand operations across Sub-Saharan Africa, India, China and South-East Asia," explains Ketan Patel, Managing Director of ETG, "and create new markets for African smallholder farmers."

Herc van Wyk, CEO of Pembani Remgro Infrastructure Managers, is understandably bullish about ETG's future prospects.

"ETG offers a unique combination of strong sector knowledge and access to both the agriculture supply chain in Africa as well as key markets in China and India," says van Wyk. We believe that it offers an exciting growth opportunity."

Herc van Wyk

Clifford Chance advised Carlyle on the multi jurisdictional deal, winning the role for Carlyle with a team led by London private equity partner and Africa practice co-head Kem Ihenacho, alongside antitrust partner Alastair Mordaunt, tax partner Nick Mace and Singapore counsel Valerie Kong.

Linklaters acted for Standard Chartered and ETG. Corporate and capital markets partner Stuart Bedford led the team from Singapore.

Webber Wentzel, which concluded an exclusive alliance deal with Linklaters in 2012, acted for Pembani Remgro on the deal, with a team led by partner Marita van der Walt.

Van der Walt points out that Webber Wentzel's relationship with Remgro was key in securing the work and the tie up with Linklaters, after the deal was set in motion, is purely coincidental.

This investment heralds a new level of maturity in the regional private equity sector as growth continues to outstrip the developed world and companies seek more avenues to access growth capital and investor expertise. ◆

Private equity firms around the world are bracing for tough conditions for both fundraising and deal-making, according to the 2012 Global Private Equity Report, released by Grant Thornton.

Private equity firms to go global in the face of slowing growth

Now in its second year, the report is the result of 143 in-depth interviews with senior private equity practitioners around the globe.

The report provides insight into private equity general partners' expectations for numerous aspects of the fundraising and investment cycle.

Fundraising fears

The report sees a marked decline in fundraising expectations of GPs around the world, with nearly three-quarters (72%) describing the fundraising outlook as either "negative" or "very negative". In 2011, the figure was just 46%.

The most dramatic decline in optimism from 2011 is evident in the BRICS: Brazil, Russia, India, China and South Africa. This year, 78% of respondents in these markets described the fundraising outlook as "negative" or "very negative". In 2011, the figure was 39%.

Private equity firms are expecting to have to turn to a greater number of new investors – or limited partners – and rely less on their existing LPs to make follow-on commitments to their next funds. This year, 40% of respondents said they expect their next fund to be majority funded by first time investors. In the 2011 report, this figure was only 24%.

Martin Goddard

"Though fundraising remains a key challenge, for those firms with a successful track record, a coherent strategy and a quality team that can deliver that strategy, fundraising will be more straightforward. This evolution will see a widening of the gap between the successful and less successful firms and inevitably winners and losers in the industry, as raising funds for those underperforming firms becoming increasingly challenging, if not impossible," said Martin Goddard, global service line leader, transactions, Grant Thornton Interntational.

Global exit routes

Private equity firms are looking across borders for exit routes, in particular to overseas trade buyers. More than half of respondents (52%) expect the majority of the trade buyers they transact with in the near term to be foreign, while a further 20% expect the split between foreign and domestic buyers to be 50-50. Only 28% expect to deal mostly with domestic trade buyers.

"Of particular interest is the expected significance of Japan, reflecting the fact that the strong Yen coupled with sluggish domestic demand is encouraging international expansion. PEs globally expect to see Japanese buyers, and this is particularly the case in Europe, India and Asia Pacific." – Global Private Equity Report 2012, Grant Thornton

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Globally, China and Japan, Europe and North America are the regions from which most GPs expect non-domestic strategic buyers to originate.

Indonesia tops list of new "high growth" markets

Private equity firms based in high growth markets, such as those in Latin America, South Africa and the Asia Pacific, most frequently cited Indonesia when asked to identify foreign markets with the most potential for private equity investment.

Top 10 new "high growth" markets

1	Indonesia
2	Peru
3	Colombia
4	Turkey
5 =	Myanmar
5 =	Egypt
5 =	Saudi Arabia
8 =	Mexico
8 =	Ghana
8 =	Malaysia

Source: Global Private Equity Report 2012, Grant Thornton

"While growth in "high-growth" countries outstrips that seen in Western markets, the search for growth leaves local private equity firms to keep a watchful eye on where tomorrow's dealflow will originate, particularly as some of their home markets show signs of overheating.

"Whereas a move to new unknown territories may be a risk too far for many Western funds, investors based in high-growth regions typically have good visibility of the next frontier markets within their region."

Deal slowdown in China and India

While respondents globally expect private equity investment activity to increase over the coming year, expectations are more cautious than they were in 2011 and differ significantly from region to region.

New deal activity in Western Europe is widely expected to remain subdued, with only 27% of respondents predicting an increase in the next 12 months. This contrasts with North America, where 59% of respondents predict an increase, and MENA, where the figure is 60%.

Notably, There is enormous expectation for growing new deal activity in Latin America (78% expect this), which represents only a slight dampening of last year's sentiment; in 2011, 89% of respondents expected deal activity to increase in the region.

Many private equity executives expect both China and India to suffer a decline in deal activity in the next 12 months. This represents a dramatic turnaround in sentiment for both countries. In 2011, 78% of respondents expected investment activity in India to increase, with the remaining 22% expecting it to remain steady. This year, 45% expect it to decline.

The challenge for local PE firms looking to raise funds will be finding a way to buck the overwhelming negative sentiment. 2013 promises to be another tough year.

4Di Capital is an independent early-stage technology venture capital firm based in the 'Silicon Cape' in Cape Town - the technology and VC hub being modelled around the famous Silicon Valley.

Getting a leg-up from SA's most famous entrepreneurial family

Amid increased calls by the private and public sectors for greater support of South Africa's growing pool of entrepreneurial talent as a vital job creation and economic growth strategy, local venture capital firm, 4Di Capital, announced an illustrious, and deep pocketed, new investor in the last quarter of 2012. E. Oppenheimer & Son has joined 4Di Capital Fund 1 as its newest investor.

Nurture capital is the term that best describes 4Di Capital's purpose and philosophy. It employs a philosophy that emphasises support, mentoring and access to networks as being equal to seed capital in terms of importance to success.

Justin Stanford

4Di Capital has already made seven investments in South African ventures, and recently announced its first profitable exit of mobile community startup Motribe Networks to the hugely successful venture-backed MXit, now the largest social network in Africa.

The addition of the Oppenheimer family investment will double the size of the Fund, enabling 4Di to expand into further new investments while also having more capital available to accelerate the growth of its current portfolio.

E. Oppenheimer & Son International has an extensive private equity portfolio through Stockdale Street, an investment company that invests in leading private equity funds in the United States, Europe and Asia; and through Stockdale Street South Africa, which invests directly in South African companies, often working alongside leading South African corporations and private equity firms.

"We believe that South Africa has exceptional entrepreneurial talent," Rachel Slack, a Director at E. Oppenheimer & Son enthused, "and are excited to join the 4Di Capital family, where we hope we can assist in leveraging the resources available to us in support of young, high-impact entrepreneurs wishing to develop and launch their new innovations onto the global stage."

4Di Capital focuses on investing in early-stage technology ventures with global potential. This new addition to the firms investor base brings together the extensive global networks of the Oppenheimer family with those of the current 4Di investors - including Reinet Fund S.C.A.,F.I.S. - and the venture investing and operating experience of the 4Di management team.

Justin Stanford, Founding Partner of 4Di Capital and co-founder of the Silicon Cape Initiative, said, "4Di Capital is well positioned to take full advantage of South Africa's potential as a global technology innovation hub."

"We are very pleased to have the Oppenheimer family on board to assist us in capitalising on the growing number of exciting new technology opportunities that need startup capital and support to penetrate the global market," he added.

The 4Di team comprises a combination of experienced global venture capitalists and successful young entrepreneurs, and has already established itself as a leading new generation venture capital management firm. It is ideally positioned to capitalise on the dynamic global trend towards micro venture capital or seed accelerators, involving smaller investments and a quicker turn around to exit.

Laurence (Laurie) Olivier, US based Senior Partner of 4Di Capital, believes the time is right for the local VC scene to witness an era of unprecedented success.

"Recent shifts in technology and the global venture capital arena have created opportunities for entrepreneurs in emerging markets to take advantage of an increasingly integrated global technology landscape and lower cost of market entry, especially in the software, mobile and internet sectors," explains Olivier.

"Barriers to entry have dropped significantly and now technological talent anywhere in the world has the potential to flourish if provided with the right enabling environment, capital and support." ◆

As the concepts of inter-generational equity and sustainability become deeply embedded in the psyche of a new generation of investors, so has the concept of impact investing blossomed in popularity among the global investment community.

Impact investing

The effect is to encourage investments into companies and funds with the intention of generating positive, measurable social and environmental impact alongside a financial return.

Increasingly, potential local and international investors are using independently assessed fund rating systems, such as the Global Impact Investment Rating System (GIIRS), to assess the social and environmental impact of South African and African companies and funds, as part of their investment selection criteria.

Herman Marais

According to Herman Marais, managing partner at Agri-Vie, the sub-Saharan private equity fund investing in food and agribusiness, impact investments differ from socially responsible investing, which uses a negative fund screening approach to avoid 'harmful' companies.

"Impact investors use, in addition, a positive screening approach and actively seek to invest capital in businesses and funds that can harness business and investment disciplines to solve social or environmental challenges in a sustainable manner. It is geared towards positively influencing fund manager practice and offer investors market-rate, or even market-beating financial returns."

He explains that, against a backdrop of food security issues, environmental challenges, employee well-being and global upheaval as a result of stagnant and volatile financial markets, the GIIRS utilises a ratings and analytics approach, similar to Morningstar, a recognised global leader in the provision of independent investment research, which is intended to change investor behaviour and unlock the potential of this new asset class.

"The GIIRS recognises the positive impact generated by a fund and its investee companies and provides investors with rigorous, transparent, comprehensive and comparable ratings of a fund's impact, grading the fund's impacts on a scale of one to five stars and an overall score.

"It also allows investor companies to allocate investments into the most ideal fund of their choice, benefiting from benchmark reporting performances, while tracking the impact of their investments," says Marais.

The GIIRS Fund Rating is comprised of a weighted average of the fund's 'Investment Roll-up' score and its 'Fund Manager Assessment' score. To determine the investment roll-up (a technique used by investors, most commonly private equity firms, where multiple small companies in the same market are acquired and merged.), a weighted average of the scores of the investments in the fund's portfolio and the total amount invested in each investment (company) are aggregated, which comprises of four impact categories: Governance; Workers; Community; and Environment.

The Fund Manager Assessment score is measured against three categories regarding a fund's policies and practices in deploying and managing its capital: Targeted for Investment; the Investment Criteria; and Portfolio Management.

The Agri-Vie Fund has completed eight investments across Southern and East Africa and has completed more than 60% of its investment programme. Agri-Vie is among the highest rated impact investments internationally in the food &

agribusiness sector. Marais says that the fund is also on track to delivering its targeted, risk adjusted return in keeping with private equity investment performance benchmarks in emerging markets.

"The fund's mission is to generate an above average investment return, as well as demonstrable socio-economic development and environmental impacts through its private equity investments in food and agribusinesses, and envisages to complete its current investment programme over the next two years." The Agri-Vie fund manager intends to introduce further investment opportunities to the market in due course.

In December Agri-Vie won the *Agribusiness Investment Initiative of the Year* award at the African Investor Agribusiness Investment Awards 2012.

Quite clearly, private equity fund managers are going to have to consider carefully their broader responsibilities outside of the usual profit mandates in order to remain competitive in this rapidly changing socio-business environment. ◆

Natalie Kolbe, a director at pan-emerging markets private equity investor Actis, reflects on the differences between the deal-making environments in South Africa and China.

Between a rainbow and a rising sun

Natalie Kolbe

The label 'emerging markets' may help us summarise prevailing global economic trends but it can also conceal and simplify: masking the myriad differences between the countries it describes. China and South Africa are both commonly referred to as emerging markets but the differences between the countries are significant. By comparing private equity deal-making in each country we can reveal different aspects of the emerging market story and unravel the complexity behind the terminology. At the same time, the differing deal environments require disparate skills sets which adds a further dimension to the situation.

When contrasting the deal environment in China to that in South Africa, two areas of stark contrast stand out: competition and growth.

Immense competition in China means high prices

The scale of the industry in China is vast and the level of competition is intense with international players competing with local funds. China's current popularity as an investment target feeds this competition. With its mouthwatering growth rates, China is a favoured destination for many funds. South Africa, by contrast does not have the same growth opportunities. Although competition in South Africa had been gaining momentum ahead of the 2007/8 financial crisis, in its wake many foreign players with intentions to enter the country failed to do so. With the recession over, this trend is being reversed.

Intense competition in China has led to high earnings multiples being paid; price earnings multiples in excess of 20 times are not uncommon. This is compounded by the massive amount of liquidity in China where broad money supply has expanded to 182% of GDP.

Growth rates in South Africa lag those of China's

In China, almost all businesses are growing. It's a matter of by how much they are growing – 20% or 40% – rather than whether there is growth or not. In South Africa, it's unusual to find businesses that are able to grow ahead of the general economy – which in nominal terms is growing at circa 8%-9%. This disparity is driven by arithmetic: today there are some 50 million South Africans, compared with 1.3 billion Chinese.

Though South African company growth rates may not touch those of China, the access it provides to the rest of Africa and its well-regulated business environment make it highly attractive to foreign firms wanting to move into the continent; this is exemplified by Wal-Mart's recent purchase of Massmart as a stepping stone in to Africa.

Different private equity skills are needed in the two countries

First, there is the issue of access to information. In South Africa, deals tend to be proprietary meaning there is more time for due diligence. As a highly-regulated market, documentation, detailed track records and reliable financials are available, making it an easier environment in which to gather the information required to assess the attractiveness of a deal.

In China, reliable information can be thin. Decisions need to be made more rapidly, with less information available. This is compounded by the high level of competition, so if deal comes to market, the players need to move swiftly. Essentially, a deal maker needs to have information well before the deal comes to the market in China. The only way to retrieve this information is to have a local team on the ground with years of experience and a network of local contacts built up over time.

Second, with the intensity of competition in China, a player needs to differentiate on something other than price. This requires getting close to the management team, understanding the company and finding different angles to the deal. The ability to develop deep sector expertise and add value operationally has become an important differentiator.

Structuring the deal may also differ. In South Africa, with more mature and slower growing companies, it is possible to use leverage and let the target company's cash flow pay for the deal. In China, businesses are growing so rapidly they generally need all their cash to grow the business. In addition, leverage in South Africa helps investors to achieve better returns, and therefore approach the returns in China. While there are increasing opportunities to structure LBOs in China, even for foreign invested enterprises, these deals remain the exception rather than the norm.

The skills required to structure deals therefore differ. In South Africa, it is essential to understand the cash flow and earnings cycles, to forecast them accurately and to be able to structure leveraged buyouts and negotiate debt terms with banks. In China, such skills are important, but less so.

The relationships that are useful for deals are also very diverse. Banks are strategically important for deal-making in South Africa, whereas direct relationships with entrepreneurs are more useful in China. Having people on the ground in each market is essential and for this reason Actis relies on local talent in its offices in Beijing and Johannesburg.

There is considerable variance in the regulatory environments including labour laws and working conditions. Although regulations exist in China, they are not universally enforced, while the strict laws in South Africa makes labour considerably costlier than in China. In South Africa, companies are relatively advanced in terms of attaining most ESG (Environmental, Social & Governance) requirements; in China, investors can provide intensive support to help portfolio companies become complaint.

Though there are similarities in deal-making around the globe, the differences between doing deals in the various emerging markets are significant. Each market has its own nuances, opportunities and risks and it requires a deep understanding of the market to ensure that you are able to capitalize on these. ◆

Local and International news

National news

Following extensive discussions between the SAVCA regulatory sub-committee, initiated in 2009, and the Financial Services Board (FSB), the FSB has gazetted certain exemptions for private equity funds from Category II licensing requirements in terms of the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002).

Undoubtedly this will be viewed as a significant win for the industry body in its attempts to lobby and inform the regulator regarding the nuances of private equity in the financial services landscape.

Yet another victory was secured with the announcement the FSB has confirmed that, "where private equity funds hold private equity investments on behalf of pension funds, there is no requirement to be approved as an administrator in terms of Section 13B of the Pension Funds Act". ◆

Agri-Vie, a major Sub-Saharan Africa private equity fund investing in food and agribusiness, won the *Agribusiness Investment Initiative of the Year* award at the African Investor Agribusiness Investment Awards 2012, held on 3 December 2012 in Johannesburg ◆

National news

Ethos Private Equity has raised US$800m in its latest fund - Fund VI. The Fund exceeded the firm's initial target despite challenging global financial markets.

Fund VI secured blue chip investors, expanding Ethos' investor base geographically and by investor type. The investor base spans four continents, and includes more corporate pension and sovereign wealth funds, and fund of funds, than in Ethos' prior fund.

"We are delighted to have exceeded our fundraise target. The amount raised is testament to Ethos' global reach and local expertise," says Andre Roux, Ethos CEO.

"The fundraising market has been tough. Investors are constrained. They are looking beyond the developed markets for pockets of growth and have identified South Africa as an investment opportunity. Due to its proximity, investors also recognise South Africa's potential as a gateway into sub-Saharan Africa. Our investors believe that Ethos has the expertise to deliver on these prospects."

Fund VI's investment strategy will focus on investing alongside experienced management teams into medium-to-large businesses.

The Fund is being deployed, predominantly in South Africa and selectively into sub-Saharan Africa. It has already made two investments: Kevro and Waco. The prospective investment pipeline is healthy. ◆

International

PEHub, a global private equity news agency, reports that global PE-backed M&A totalled US$267bn in 2012, a 12% drop from 2011, according to preliminary data from Thomson Reuters.

Washington D.C.-based Carlyle Group was the most active of all PE firms in 2012 and their deals totalled the most in terms of deal value. Carlyle not only completed the most transactions, 101, but their deals represented a total value of US$49,5bn, according to Dealogic data. ◆

The updated International Private Equity and Venture Capital Valuation (IPEV) Guidelines ('Valuation Guidelines') have been updated and are available for download on the African Venture Capital Association's website.

The Valuation Guidelines set out recommendations, intended to represent current best practice, on the valuation of private equity investments. The term "private equity" is used in these Valuation Guidelines in a broad sense to include investments in early stage ventures, management buyouts, management buy-ins, infrastructure, mezzanine debt and similar transactions and growth or development capital. ◆

The word from the World Economic Forum at Davos is that Leveraged Buyouts might make a strong comeback in 2013. That's according to **The Wall Street Journal's Deal Journal** blog.

A range of finance executives said in the small Swiss alpine town that they expect the buyout business to boom in 2013. In conversations Blackstone Group's John Studzinski, Lazard CEO Kenneth Jacobs, and Guggenheim Partners chief investment officer Scott Minerd all expected LBO volume to surge.

The reason: Debt is cheap, companies are trading at reasonable multiples, and bond investors are dying to get their hands on paper with even trace amounts of yield.

Minerd made the most compelling case for a private-equity rebound, saying in an interview that "there is no supply and so much demand."

"There is so much money chasing yield. Every pension fund has had to scale back their actuarial assumptions." ◆

Reuters reports that private equity funds quadrupled their investment in India's primary healthcare in 2012, betting the sick and ailing will stop seeing family doctors in often cramped and dingy quarters and check into modern chains sprouting up across Asia's No.3 economy.

Goldman Sachs Group Inc, Warburg Pincus LLC, Sequoia Capital and the Government of Singapore Investment Corp are among investors that pumped US$520m into India's basic healthcare industry last year, compared with US$137m in 2011, according to Thomson Reuters data. Some analysts predict investment will surpass US$1bn in 2013.

"The family doctor concept is slowly phasing out as migrants in cities look out for a brand rather than visiting a general physician next door," Santanu Chattopadhyay, CEO of NationWide Primary Healthcare Services told Reuters in December.

The opportunity is vast: India's unorganised primary healthcare system is worth US$30bn and is growing at least 25% a year. The challenge will be convincing the sick to give up their trusted family doctors ◆

PRIVATE EQUITY DEALS Q1 – Q4 2012 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Standard Chartered Private Equity	minority stake in ETC Group Mauritius	Norton Rose	$74m	Jan 17
Acquisition by	RMB Corvest and Shalamuka Capital	majority shareholding in DLM		not disclosed	Jan 24
Acquisition by	Ethos Private Equity Fund VI	72% stake in Kevro	Webber Wentzel	R850m	Jan 30
Acquisition by	Agri-Vie	37% stake in HIK Abalone Farm		not disclosed	Feb 15
Acquisition by	Capitalworks	majority stake in Duro Pressings		not disclosed	Feb 16
Disposal by	Ethos Private Equity Technology Fund One to Atio	shares held in Atio		not disclosed	Mar 2
Acquisition by	Imbewu SPV4 (Imbewu Capital Partners) from Erbacon to	BO's Hire and Sales	PSG Capital	R30m	Mar 15
Acquisition by	Capitalworks	stake in Rosond		not disclosed	Mar 16
Acquisition by	RMB Corvest and Shalamuka Capital	37% stake in Fintech	Cliffe Dekker Hofmeyr	not disclosed	Mar 22
Disposal by	Ethos	remaining 12.4% stake in Holdsport	UBS	R218m	Apr 5
Acquisition by	RMB Corvest and Zico	25% stake in Vital Products		not disclosed	Apr 23
Acquisition by	Consortium of key management, RMB Ventures, RMB Corvest, Pan-African Private Equity Fund 1 and the Oppenheimer family's Stockdale Street private equity vehicle	management buyout of JoJo Tanks	Cliffe Dekker Hofmeyr	not disclosed	May 2
Acquisition by	Ethos Private Equity	12m shares in Transaction Capital		R100m	May 3
Acquisition by	Atterbury Investments from Actis	85% stake in Accra Mall, Ghana		not disclosed	Jun 1
Acquisition by	RMB Corvest and Shalamuka Capital from Women's Private Equity Fund	Stake in Respiratory Care Africa		not disclosed	Jun 4
Acquisition by	Ethos-led consortium including RMB Ventures, Standard Bank and management	Waco International	Standard Bank; Cliffe Dekker Hofmeyr; Webber Wentzel	not disclosed	Jul 9
Acquisition by	Country Road (Woolworths) from Gresham Private Equity	Witchery Group	Rand Merchant Bank	A$172m	Aug 1
Acquisition by	Oakleaf Investments 89 a consortium led by RMB Corvest from Gijima	MineRP	Rand Merchant Bank; PwC Corporate Finance; KPMG; Webber Wentzel; Cliffe Dekker Hofmeyr	R175m	Sep 26
Acquisition by	Capitalworks Private Equity Partnership from Ivor Ferreira Trust and Bruce Henderson Trust	Rhodes Food Group	Webber Wentzel; Edward Nathan Sonnenbergs	not publicly disclosed	Oct 3
Acquisition by	RMB Ventures	minority stake in The Studio 88 Group	Cliffe Dekker Hofmeyr	not disclosed	Oct 3
Acquisition by	RMB Ventures, Pan African Private Equity and management	Grapetek	Edward Nathan Sonnenbergs	not disclosed	Oct 18
Acquisition by	The Pembani Remgro Infrastructure Fund and the Carlyle Group	minority stake in Export Trading Group	Webber Wentzel; Clifford Chance; Linklaters; Anjarwalla & Khanna Advocates	$210m	Nov 14
Acquisition by	Community Investment Holdings	51% stake in VME Group		not disclosed	Nov 22
Acquisition by	Trinitas Private Equity en Commandite Partnership	100% of Sunpac, New Wescsler, New Just Fun Group and Main Street Asia	Webber Wentzel	not publicly disclosed	not announced

PRIVATE EQUITY DEALS Q1 – Q4 2012 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Africa (West)	Investment by	Fond Cauris Croissance II in Banque Atlantique, through Atlantic Financial Group		€ 6,3m	Dec 27
Cameroon	Investment by	African Agricultural Fund SME in West End Farms		not disclosed	Nov 5
Central African Republic	Investment by	XSML in Millenium Telecom		not disclosed	Jun 13
Central African Republic	Investment by	XSML in Café Gbako		not disclosed	Nov 30
Central African Republic	Investment by	XSML in Bamara Transports DJ		not disclosed	Dec 18
Cote d'Ivoire	Disposal by	Cauris Croissance of it's stake in Petro Ivoire		not disclosed	Mar 9
DRC	Investment by	XSML in Le Palmier		not disclosed	Jun 25
DRC	Acquisition by	African Agricultural Fund in 2 tranches : 42m + 46m shares @ C$0.12 per share in Feronia		C$10,5m	Sep 12
Egypt	Disposal by	Golden Crescent Investments (Citidel Capital) to Sea Dragon Energy of 100% of it's interest in National Petroleum Company Egypt		$147,5m	Jan 9
Ethiopia	Acquisition by	Duet Africa Private Equity (through Duet Beverages Africa) of an equity stake in Dashen Brewery		not disclosed	Jan 31
Ghana	Investment by	Adlevo Capital Managers and Intel Capital into Rancard Solutions		not disclosed	Jul 10
Ivory Coast	Disposal by	Emerging Capital Markets of it's 24.9% stake in Batim Africa		not disclosed	Jan 31
Kenya	Acquisition by	Emerging Capital Partners of a majority stake in Nairobi Java House	Bowman Gilfillan	not disclosed	May 28
Kenya	Investment by	Actis in Garden City - a 32 acre mixed use development in Nairobi		not disclosed	Jul 5
Kenya	Disposal by	Pearl Capital Partners of it's 36% stake in Africert		not disclosed	Dec 17
Mali	Investment by	Fond Cauris Croissance II in Azalaï Hotels		€6m	Dec 6
Morocco	Investment by	Abraaj Capital in Saham Finances		$125m	Mar 7
Morocco	Acquisition by	IFC and 2 IFC Asset Management Company funds of a 5% stake in Banque Centrale Populaire		$204m	Sep 27
Nigeria	Investment by	Africa Health Fund (Aureos) in Therapia Health (holding company for The Bridge Clinic)		$5m	Apr 2
Nigeria	Investment by	Tiger Global Management in Iroko Partners		$8m	Apr 4
Nigeria	Investment by	Adlevo Capital Managers, Omidyar Network, Acumen Fund, Capricorn Investment Group and Goodwell West Africa Microfinance Development Company into the parent company of Pagatech		not disclosed	Jun 26
Rwanda	Disposal by	Actis to I&M Bank, Proparco and DEG of it's 80% stake in Banque Commerciale du Rwanda		not disclosed	Jul 18
Tanzania	Acquisition by	Pearl Capital Partners : quasi-equity debt intrument in Highland Seed Growers		$1,25m	Sep 27
Togo	Investment by	Aureos Capital in Clinique Biasa		$1,7m	Jul 2
Tunisia	Disposal by	Actis of it's shareholding in Poulina Group		not disclosed	Aug 15
Uganda	Disposal by	Actis of 38% of it's shareholding in Umeme, via an IPO (Actis retained a 60% stake)		$66,73m	Oct 15
Zambia	Acquisition by	The African Agriculture Fund and management from Aureos and other shareholders of 100 % of Golden Lay. Aureos' stake was 49%.		$24m	May 16


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Sources in descending order: Charles Dederich, René Descartes, John Lennon, Winston Churchill.

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