Catalyst

SA's quarterly Private Equity & Venture Capital magazine

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Brait restructuring analysed

Why is SA slipping down the global PE & VC rankings?

Horizon Equity's Tech Fund close

Catalyst

From the Editor's desk

The Carlyle Group has landed. If any sceptics needed convincing that sub- Saharan Africa's time as a leading global investment destination was upon us (the theme being repeatedly punted at the recent World Economic Forum gathering in Cape Town), then the arrival of global alternative asset manager The Carlyle Group – ranked as the second largest private equity firm in the world according to a ranking called the PEI 50 based on capital under management – in March, surely settles matters.

This isn't Carlyle's first foray into Africa as the global giant first entered the African continent with the establishment of its Middle East North Africa team in November 2006. But as a signal that the investment winds are changing this is surely the ultimate harbinger for the region and the continent.

The politically well-heeled Carlyle, which lists US presidents, one former British Prime Minister and Nikolas Sarkozy's half brother, Olivier, among its former and current advisors, unveiled a formidable team to conduct buyout and growth capital investments in Sub-Saharan Africa (SSA).

The team will be co-headed by Managing Directors Marlon Chigwende, former Managing Director & Head of Private Equity Africa for Standard Chartered Bank, and Danie Jordaan, former Executive Committee Member and Partner of Ethos Private Equity. The team also includes Managing Director Genevieve Sangudi, most recently a Partner and Managing Director of Emerging Capital Partners.

Jordaan, a chartered accountant by qualification, is a seasoned private equity professional with 20 years' experience in all aspects of the industry. He was most recently with Ethos Private Equity in Johannesburg, where he was a member of the leadership team and is a prize addition for Carlyle.

Greg Summe, Carlyle Managing Director and Vice Chairman of Global Buyout, said at the launch that "Sub-Saharan Africa is one of the fastest growing regions in the world, driven by favorable demographics, expanding domestic industries and an improving political environment."

That won't stop the Afro-pessimists from banging on about corruption and bureaucratic mismanagement (which is a significant problem) but the post 2010 (and Soccer World Cup euphoria) analysis must consider that international investors, swimming in ever deeper pools of cash while staring at unappetizing low interest rate cocktails, will undoubtedly be attracted to the higher interest rate and growth story being sold all across the African continent.

However, that's not to say that the outlook for private equity in 2011 is all peaches and cream. As Richard Flett, MD of Horizon Equity, points out on page 3, there is still much that can be done to loosen the regulatory ropes that are constricting deal flow in South Africa. And to this end he makes special mention of the sterling work that is being undertaken in this regard by SAVCA executive officer J-P Fourie, who is at the forefront of the industry's efforts to lobby government for the requisite relaxations.

It is appropriate then that **Catalyst** will be introducing, for the first time, a compilation of PE deal activity from across the continent. Thanks for this must go to Vanessa Aitken who spends countless hours studiously compiling the local and African private equity deal table. ◆

Catalyst

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In a move that some observers are calling "extremely brave," Brait, the doyen of the local private equity industry, has unveiled a change in business model so dramatic in its structure and scale, that it will most likely be hailed in years to come as a watershed in the South African PE space regardless of whether it succeeds or fails.

Brait blazes brave new trail

Speculation that Brait was struggling to raise new funds through the usual channels in the current, highly risk sensitive environment, had been rife in the market for some time.

It certainly didn't come with the attendant shock factor when the firm announced in early March that it is "evolving its business model from being a manager of third party funds to becoming an investment company."

"The move," Brait explained in a circular to shareholders, "will support the company's growth strategy and enable it to continue leveraging its extensive investment experience while raising capital in a more efficient manner."

The newly evolved model will see the Brait investment team utilising its unique skills and track record for the direct benefit of shareholders in Brait in addition to its Limited Partners.

Christo Wiese

Instead of only raising private capital from third party investors to fund its private equity investment programme, Brait will raise capital from time to time in the public equity capital markets and invest this capital directly into predominantly privately owned companies based in South Africa.

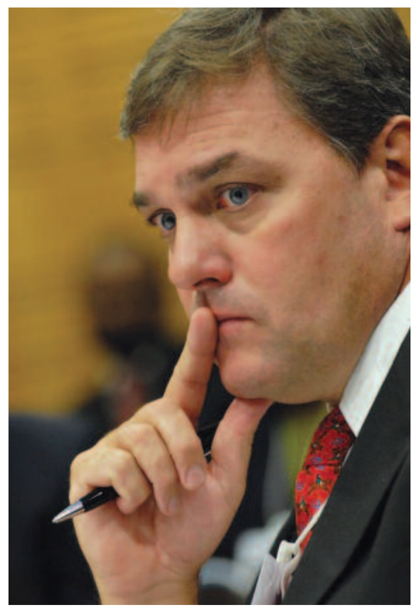
Brait will raise an initial R6bn through a fully underwritten rights issue.

Most notably, Brait's business model will change from being a fund management business with annuity income streams to an investment business underpinned by the valuation of the underlying portfolio assets. As a result, the Net Asset Value (NAV) per share basis is the most tangible and verifiable basis by which to measure the firm.

This move will ensure that Brait's highly experienced and undoubtedly successful investment team can focus purely on deploying capital and driving value from underlying assets.

There will also be an organisational restructuring in line with the shift in the business model and as part of that Brait CEO and co-founder, Antony Ball, will step down after leading the firm for just over four years, with Brait executive director John Gnodde assuming executive leadership of the group as CEO of Brait South Africa. Ball will become a non-executive director of the newly restructured group and will retain his responsibilities towards Brait IV (the third party fund raised in 2006 and which is currently substantially fully invested).

Gnodde joined Brait in 1995 after serving in the investment banking division of Goldman Sachs International in London, and was until recently the CEO of Brait Private Equity as well as a principal for Brait III and IV. He has been responsible for numerous investments in consumer products, construction, pharmaceutical manufacture, beverages, resources, media, mobile telecommunications, and recruitment outsourcing, amongst others. Gnodde represented Brait on the boards of over 22 private and public companies. He has managed Brait I, II and III and led the fundraising and investment programme for Brait IV.



John Gnodde

The Board will take the format of a European-style investment vehicle which is made up exclusively of non-executive directors that oversee the Company investment management function as the de facto investment committee. As a result, the function of the Board will change from overseeing strategic operating decisions to that of making investment decisions.

When the restructuring was announced, Gnodde said in a statement that Brait was looking to evolve.

"As our track record shows, we have always strived to be at the forefront of the most efficient and effective investment models, with long term capital appreciation as the ultimate goal. The reorganisation means that Brait can evolve into an even more efficient, longer-term value-driven, investment-growth business. We'll be able to deploy capital more efficiently and with greater flexibility and I think the move positions us to become a shareholder of reference in market leading businesses."

"The reorganisation means that Brait can evolve into an even more efficient, longer-term value-driven, investment-growth business."

– Gnodde

With its move towards being a listed investment vehicle, Brait has taken steps to ensure that there is legal certainty and efficiency with respect to its corporate structure. This has necessitated the proposed migration from Luxembourg to Malta.

Brait was incorporated in Luxembourg 35 years ago as a 1929 Holding Company and is listed on the Luxembourg Stock Exchange (LuxSE) and the JSE. In December 2006, Luxembourg abolished all laws relating to the 1929 Holding Company dispensation following the European Commission's decision on the incompatibility of the 1929 Holding Company with the Laws of the European Union. This change resulted in a number of inefficiencies with regards to the current Luxembourg corporate structure and hence the migration to Malta.

On January 1 this year Brait converted from a 1929 Holding Company to a normal, fully taxable, Luxembourg holding company normally referred to as a Société de Participation Financiére or SOPARFI.

Subsequently, all the current Brait fund management business units will now be treated as portfolio companies and accounted for as financial assets fair valued through the Statement of Comprehensive Income. This is in line with NAV growth being the key valuation metric for the Company.

The net capital raised through the rights issue will be applied to capitalise Brait Malta, which will in turn be used to capitalise its wholly-owned subsidiary Capital Partners Group Holding Limited (CPGHL) to enable it to acquire investments.

Exchange Control approval has been obtained for the restructuring, including maintaining the exemption from foreign inward status for both the new Brait shares and the existing shares. The funds raised by the rights offer will be maintained in a SARB Rand restricted account to ensure that investments are acquired in South Africa.

In a most welcome harbinger for deal activity in the private equity sector Brait also announced two major "anchor" acquisitions, in the retail and food sectors respectively, as part of the restructuring process.

Brait, through CPGHL, will acquire 24,6% of the issued ordinary share capital of Pepkor for R4,17bn. This values Pepkor at R17bn. Brait will obtain a further exposure of 10,3% to Pepkor through an SPV.

Once again through CPGHL Brait will acquire 49,9% of Premier Foods, together with shareholder loans of R221,2m from Brait IV, AJL Trust and Ernest Trust for R1,07bn.

Another intriguing aspect to the joint announcements is the emergence of Pepkor chairman and the 782nd ranked billionaire on Forbes's list, Christo Wiese, through a targeted shareholding of 33%, as an anchor shareholder in, and non-executive director of, Brait.

Weise's stake, when combined with the current Brait management (The Investment Team), who will acquire 18% of the enlarged equity of the firm, will ensure that these two powerful blocks of shareholders will be able to influence the direction of the new-look investment company.

Wiese joined Pep Stores as Executive director in 1967. Seven years later he left Pep Stores to practice at the Cape Bar. He rejoined Pepkor and has been executive chairman of Pepkor since 1981. He is chairman of some major South African companies including Shoprite, Tradehold and Invicta to name a few.

There's no doubt that the highly successful and vastly experienced entrepreneur will bring complementary expertise to the Brait Investment Team. His investment in Brait is also a strong endorsement of the proposed new business model.

The R6bn capital raising through the rights issue is underwritten by Titan, an entity controlled by Wiese, the Brait Investment Team and Rand Merchant Bank (RMB).

The Investment Team will invest alongside shareholders to ensure complete alignment of interests and interestingly the old 2 and 20 fee rule for traditional private equity falls away as no net fees will be payable to the Investment Team, ensuring the maximum return for ordinary shareholders.

Shareholders looking to take up the offer would be mindful of the fact that liquidity may become an issue further down the line as Brait shares are not actively traded.

Expanding on the rationale for such a bold move the board of Brait believes that there is an opportunity to maintain the existing strengths of the private equity model while, for the first time, tapping into the strategic benefits of raising funds from the public equity markets through a listed vehicle.

"Public equity markets will provide a more permanent form of capital, thereby complimenting the existing private equity funds. As part of the re-organisation process, the company expects to realise significant cost savings because of the reorganisation."

The new model means shareholders can participate directly in investments through a capital efficient structure. There will be minimal cash drag, efficient and prudent use of bank debt and an alignment to proven private equity style returns with full value accrual to shareholders. The transactions also provide concentrated, large exposures in successful private portfolio companies.

In addition, capital raising cycles should be significantly shortened, thereby ensuring that the Investment Team remains focused on the deployment and active management of capital;

Post the Transactions, it is anticipated that Brait will have between R1bn and R2bn in cash (exact amounts will depend on whether either or both of the Placements are implemented). New deals might not be too far away as the intention is to make further investments within 12 to 18 months post the Transactions utilising this additional capital. ◆

At the time of going to press shareholders had voted in favour of Brait's capital raising.

Horizon Equity Partners, one of the best established and more successful private equity firms in South Africa, announced the sale of portfolio firm Peresys to Australian IRESS for R375m in the first quarter.

What's on the Horizon for private equity in 2011

Catalyst spoke to Richard Flett, managing director of Horizon, about the exit and the outlook for the local PE industry for 2011.

The sale of Horizon's investment in Peresys, originally made in 2003, marks the full realisation of Horizon's TechVentures Fund, which began investing in 2001 with R150m in committed capital. The return to the Fund from the Peresys transaction was 14x cost and brings the overall IRR on the Fund's portfolio to almost 40% per annum.

Richard Flett

Flett says this deal adds value for both companies.

"For IRESS, they instantly get a dominant position in South Africa in order execution, post-trade, and FIX-based routing. For Peresys, they can bring the IRESS product portfolio to South Africa over time and get the backing of a much larger company to grow from its already strong position. It's a classic case of 'win-win' and vindicates our underlying investment thesis in the TechVentures fund, that South Africa can produce technology winners whose IP, market position and management team are attractive to international acquirers."

Peresys is the third company in Horizon's TechVentures fund to be acquired by a listed international company, following in the footsteps of Prism and Medikredit. Horizon sponsored the management buyout of Peresys from Peregrine in December 2003, since when the firm has seen its revenues triple and employees double.

When **Catalyst** put it to Flett that Horizon displayed considerable courage buying out an IT firm in 2003 after the global dotcom meltdown and the local IT bubble of the late nineties, he responded with the frank and honest demeanour of a savvy and seasoned investment professional.

"Actually, it was a great time to buy because they were all trading at very low valuations," explained Flett.

"In the case of Perysys, the main attraction was that it was, essentially, a non-core asset for its then owner Peregrine, which was primarily a wealth management business."

Flett concedes that Horizon would have kept the asset for a "little longer" if it could have but was bound to observe the investment timeframe as is the case with the private equity model. That being said, however, Flett pointed out that he doesn't feel the market will be going anywhere in a hurry over the next one to two years anyway.

Horizon is currently investing its Fund III, a generalist fund that targets growth capital investments across a number of industry sectors, including but not limited to ICT. It has invested in @Source, a processer of rehydrated and dried fruit for the retail market, S. Bacher& Co, a distributor of watches, fragrances, other branded consumer goods, and Lincoln Lubrication SA, which supplies lubrication and fluid handling systems for industrial applications.

Outlook for private equity in 2011

Flett was quite candid about the short-to-medium-term outlook for the industry in South Africa expressing his belief that a certain degree of normalcy had returned to the local market.

"Deal flow has already returned to more normal levels this year after a drought in 2009, and particularly 2010, and this should feed through into more concluded transactions as the year goes on," enthused Flett.

Notwithstanding this encouraging prognosis, Flett was forthright in his critique of the ever-increasing reams of red tape being placed around the industry's neck.

"I actually think we have moved to a situation where raising funding has become an extremely protracted and difficult process," cautions Flett. "We have seen experienced fund managers with great track records (such as Brait for example) seek alternative, quicker ways of raising capital over the traditional closed end, fixed lifetime, limited partnership model.

"Not only have investors' become much more demanding, it also takes longer to make decisions, but we also have to deal with a regulatory overhead that has dramatically expanded over the last five years.

Flett stresses that a very important consequence of this is likely to be consolidation amongst private equity fund managers, with smaller fund managers in particular finding the regulatory overhead makes their business model no longer viable.

"Unfortunately larger fund managers means larger funds with larger deal sizes and will exacerbate the existing shortage of capital for SMEs."

Overheated regulation

"Private equity has moved from being a largely unregulated industry to one now that is targeted by regulators locally but even more so internationally. It's almost as if we're always on the back foot trying to defend ourselves against perceptions held by the regulators that somehow private equity is a threat to the financial system, even though it had absolutely nothing to do with the last financial crisis. In fact private equity has been proven, time and again, to be a force for economic good when the relevant studies are done; investee firms grow faster, export more, create more jobs, all those positive economic outputs that you would want.

When probed about his pick for areas of increased stress over the year ahead Flett provided a bearish take on delistings, which he reckoned will face increasing regulatory difficulty.

"There is significant risk associated with transactions of that nature and whoever attempts a delisting will have to incur significant upfront costs before he or she knows whether the deal is complete. It's a risky business from a private equity perspective.

"The nature of these deals is that you now have to, essentially, get 75% approval from the shareholders. And at the same time there is a significant amount of regulatory work such as circulars etc that has to be put in place before a delisting can happen, all of which costs a lot of money."

Encouragingly Africa continues to be a huge opportunity for PE investors according to Flett, a trend that has been sustained against the drag of the global credit crisis and subsequent economic malaise.

"I think the barriers to doing deals [in Africa] are quite different. They revolve less around regulatory constraints and more around commercial and political constraints. It doesn't mean that South Africa is going to stop being a fertile source for deal flow. We believe that there is a large opportunity in the SME mid-market sector where companies still struggle to raise the capital they need when they need it." ◆

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>
> **– Flett.**

The launch of a comprehensive quarterly performance report for South African private equity, compiled by RisCura Fundamentals, highlights the impressive track record of the local industry over the past ten years. The rigour, frequency and methodology of the survey bring performance measurement in line with global best practice and is expected to advance interest and participation in local private equity investing.

Groundbreaking performance report for the South African private equity industry

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Speaking at the Johannesburg launch of the report, Rory Ord, head of RisCura Fundamentals, said, "[t]he results from the report show that private equity has had strong historic returns. This performance certainly justifies its increasing prominence in institutional portfolios."

Rory Ord

Preparation for the performance report has taken the best part of a year. The initiative arose from a need within the industry for a benchmark against which to measure performance. Since the majority of investible South African private equity funds in the mid to upper end of the industry are tracked by the survey, comprehensiveness is assured.

The final product is endorsed by the Southern Africa Venture Capital and Private Equity Association (SAVCA).

"The regular reporting of performance data has always been a concern raised by investors into private equity," says SAVCA chief executive J-P Fourie. "In association with RisCura we are now able to provide verified performance benchmarks, which are vital in asset allocation decisions by investors and their consultants."

Greater transparency

The enhanced information flow on private equity is consistent with the trend in the industry of increased transparency, which in turn underpins investor relations, helps to manage investors' expectations and reduces the perceived risk of the asset class by giving account of historical performances.

The unveiling of the first performance report, which covers ten years of data up to 30 September 2010, coincides with new regulations that allow greater allocations by pension funds to private equity. "These regulatory changes, together with a growing awareness of the economic benefit of investing in the unlisted market, are likely to increase significantly the flows to private equity in coming years," says Ord.

The RisCura benchmark has the additional benefit of further increasing the appeal of South African private equity funds for offshore investors. "Like all asset classes, private equity has been affected by the financial crisis," Ord says. "However, the data shows that South African private equity compares favourably with the highly leveraged investment strategies of private equity in developed markets."

What's more, the availability of a formal benchmark is likely to smooth the way for offshore investors, who need thorough performance data as part of their risk assessment processes.

A methodology that matches global best practice

Performance data in the RisCura report are presented each quarter, on a three-year, five-year and ten-year horizon, with the ten-year returns presented as the headline figure; this is in line with the view that private equity investment is a long-term vehicle.

The internal rate of return (IRR) – the implied rate that discounts all cash flows to zero – is internationally accepted as the best measure of private equity performance, and is the approach adopted in the report. It is combined with the "times money" measure – the ratio of the current value of the fund to the net cash invested by investors – to give a fuller picture of performance.

Returns are presented as pooled net IRRs, which reflect aggregate performances for the private equity industry, taking account of cash flows into and out of the industry. This method has the benefit of implicitly giving larger funds a greater relative weighting and thus creates comparability with ALSI-returns.

Returns are measured net of fees, expenses and carried interest.

Private equity outperforms listed asset classes

The findings from the first performance survey are positive for the industry. The pooled net IRR for private equity beats the compound annual growth rate from the FTSE/JSE All Share Index (ALSI), the FTSE/JSE Financial and Industrial Index and the BEASSA All Bond Index (ALBI) on a three-year, five-year and a ten-year view.

Another approach to comparing asset class returns is the public market equivalent (PME) measure, which invests private equity cash flows in a public index to determine out/under performance. A value greater than 1 implies outperformance by private equity.

The PME calculation confirms that private equity outperforms the ALSI total return index over all three time horizons.

SA private equity outshines US and UK counterparts

The survey findings are similarly positive for the South African private equity industry relative to its developed-market peers. In aggregate, local private equity funds outperformed US and UK private equity over a three-year, five-year and ten-year period.

Ord ascribes the higher relative IRRs in South Africa partly to the more conservative use of leverage here. "US and UK markets have historically followed a higher leverage model than South African private equity. As portfolio company earnings fell during the recession, these declines were magnified and the funds consequently showed poor returns." ◆

	PE Pooled IRR	CAGR (ALSI TRI)	CAGR (SWIX TRI)	CAGR (FINDI TRI)	CAGR (ALBI)
10 year	0.22	0.17	N/A	0.11	0.11
5 year	0.21	0.15	0.14	0.10	0.07
3 year	0.11	0.02	0.03	-0.01	0.07

	PME (ALSI TRI)	PME (FINDI TRI)	PME SWIX (TRI)
10 year	1.15	1.19	N/A
5 year	1.18	1.13	1.19
3 year	1.15	1.04	1.14

	10 YEAR	5 YEAR	3 YEAR
SA Pooled IRR*	21.7%	21.2%	11.5%
UK Pooled IRR#	13.1%	17.3%	4.40%
US Pooled IRR•	8.1%	9.1%	1.30%

* Source: RisCura Fundamentals

\# Source:British Private Equity and Venture Capital Association Private Equity and Venture Capital Performance Measurement Survey 2009.

• Source: Cambridge Associates

The second edition of the Global Venture Capital and Private Equity Country Attractiveness Index, which is developed by IESE Business School's International Centre for Financial Research [University of Navarra, Barcelona; said to be one of the world's top ten business schools] in collaboration with Ernst & Young, reveals contrasting levels of opportunity and diverse challenges in today's post-recession economy for international risk capital.

African countries moving up the PE charts while SA slips down

A total of 80 countries spanning six continents are covered by the index, including eight African countries.

Encouragingly, the 2011 index sees African countries moving up the rankings. Better economic forecasts are central to this improvement, just as they are to the overall increase in PE activity and interest in Africa.

> **Unfortunately, South Africa is rated in 26th position having fallen two places over the year, with the dampened economic activity, entrepreneurship and social environment readings the main reasons for the fall.**

The International Monetary Fund (IMF) projects output growth in sub-Saharan Africa to accelerate to 5,5% in 2011, with GDP forecast to grow by more than 7% in oil exporters Nigeria and Angola, at nearly 6% in Kenya and at a steadier, yet still largely unsatisfactory, 3,5% in regional hub South Africa.

As economies grow, Africa's expanding middle class and consumer markets are becoming key drivers of PE activity. According to the Index this phenomenon is particularly strong among the larger and more developed economies in the region and where it operates most forcefully – in large urban areas – the growth dynamics can be compelling.

The IMF and *the Economist* have included seven African countries in their top 10 fasting growing economies for 2011 to 2015, albeit from extremely low bases. These are Ethiopia (8,1%), Mozambique (7,7%), Tanzania (7,2%), Congo (7,0%), Ghana (7,0%), Zambia (6,9%) and Nigeria (6,8%).

The Economist also predicts that, over the next five years, the average African economy will grow faster than its Asian counterpart. Analysis provided by the IMF and *the Economist* that is also compelling for Africa is that six of the 10 fastest growing economies over the last decade (2001 to 2010) were from Africa. This included Angola in the no. 1 spot with 11,1% and Nigeria (8,9%) and Ethiopia (8,4%) in four and fifth respectively – though it has to be said that the Angolan growth rate is something of a mirage, coming as it does from an exceptionally low base and dependent almost entirely on its crude oil exports.

Economic growth in North Africa has also been forecast to be strongly positive in 2011, although political unrest may yet have an effect on IMF forecasts that are mainly in the 4% - 5% band, including 5.5% in regional powerhouse Egypt.

Unfortunately, South Africa is rated in 26th position having fallen two places over the year, with the dampened economic activity, entrepreneurship and social environment readings the main reasons for the fall. It is still the top-ranked African country out of eight.

Graham Stokoe, Associate Director in Transactions Advisory Services at Ernst & Young says that, "South Africa is viewed as [hosting] one of the most sophisticated VC and PE industries among emerging markets."

According to Stokoe the key strengths for South Africa are having one of the largest and most diverse economies among developing world countries, a sophisticated capital and debt market and access to significant growth potential in the rest of Africa.

Stokoe adds that there "is also a limit in terms of competition from international VC and PE firms, at least for the time being."

Looking at the rankings, the top ten emerging countries include:

1. South Korea (17)**
2. Malaysia (18)
3. China (20)
4. Israel (21)
5. Saudi Arabia (25)
6. South Africa (26)
7. Taiwan (27)
8. United Arab Emirates (28)
9. Chile (29)
10. India (30)

** Note that each country's actual index ranking is indicated in brackets

Other notable large emerging markets include Brazil (43), Russia (41), Mexico (42), Argentina (66), Turkey (39) and Egypt (55).

The index covers 80 countries and is based on six key criteria that investors cite as most important to them: economic activity; depth of capital market; taxation; investor protection and corporate governance; human and social environment; and entrepreneurial culture and deal opportunities.

The aim of the index is to serve the investor community through the analysis of comprehensive socio-economic data, as well as to provide a tool for policy-makers who seek to boost entrepreneurial activity, economic growth and access to finance for SMEs.

Unsurprisingly the United States came out first in the ranking, and was used, therefore, as the world benchmark. The study reveals that major emerging market economies, Brazil (14 place improvement) and China (5 place improvement) have taken major strides over the last four years in boosting their appeal to VC and PE investors. From Africa, Tunisia improved its ranking from 64th to 56th, Kenya improved from 69th to 63rd and Nigeria improved from 66th to 64th.

South African regulators and lawmakers would do well to take a leaf out of the U.S.'s book as it continues to be the leading magnet for VC and PE investment due in no small part to the country's common law legal system, which provides both flexibility and protection for VC and PE transactions, as well as the depth of the US capital markets.

The rest of the top 5 countries are the United Kingdom, Canada, Singapore and Switzerland. ◆

PRIVATE EQUITY DEALS Q1 2011 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Capital Partners (Brait SA) from Pepkor	24,6% stake in Pepkor plus a further 10,3% through purchase of pref shares	Rand Merchant Bank; Edward Nathan Sonnenbergs; Webber Wentzel; Cliffe Dekker Hofmeyr; M Partners	R4,18bn + R671m	Mar 3
Acquisition by	Brait SA from Premier Foods	49,9% stake in Premier Foods	Rand Merchant Bank; Edward Nathan Sonnenbergs; Webber Wentzel; Cliffe Dekker Hofmeyr; M Partners	R1,1bn	Mar 3
Acquisition by	Agri-Vie	Hygrotech		not disclosed	Feb 18
Acquisition by	Standard Chartered Private Equity	30% stake in Afrifresh	Bowman Gilfillan	not disclosed	Mar 8

PRIVATE EQUITY DEALS Q1 2011 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Africa	Sale by	Dutch Shell Plc of the majority of it's downstream businesses in Africa to Helios Investment partners and Vitol		$1bn	Feb 19
Botswana	Acquisition by	African Development Corporation of a 20% stake in ABC Holdings (BancABC)		€ 9,7m	Mar 15
Kenya	Acquisition by	African Development Corporation of a 25.1% stake in Resolution Health East Africa	Webber Wentzel	KES184m	Jan 13
Nigeria	Acquisition by	Helios Investment Partners and Adlevo Capital of a 67% stake in Interswitch	FT Advisors; KPMG; Roland Berger Strategy Consultants; FCMB Capital Markets; Debevoise & Plimpton LLP; Aelex	$110m	Jan 4
Nigeria	Equity Investment by	Investec Asset Management, the International Finance Corporation and the Netherlands Development Finance Company (FMO) in HIS Nigeria		$79m	Feb 17
Nigeria	Re-Capitalisation	MOA between Union Bank of Nigeria Plc and the African Capital Alliance Consortium		$750m	Mar 23
Tanzania	Acquisition by	Principal Investments division of HSBC and Satya Capital of a stake in Chemi and Cotex Industries		not disclosed	Feb 16

First Quarter 2011:

Local and international private equity news roundup

The Times reports that former International Finance Corporation executive and banker George Manyere has launched Zimbabwe's first private equity fund. The US$20-million private equity company is reportedly keen to do empowerment deals in agriculture, financial services, mining and telecoms and take "advantage of Zimbabwe's indigenisation of the economic sector."

Operating under the banner of Brainworks Capital Management, the company aims to raise the money needed by selling nearly 400m ordinary shares of $0.0001 at $0.05 cents, mainly to pension funds. ◆

Africa offers plenty of scope for private equity investments, with at least another decade of strong growth expected from consumer goods, broadband internet and financial services, according to the co-head of one of the continent's top private equity groups reports ***Independent Newspapers***.

Washington-based Emerging Capital Partners (ECP) told the newspaper that Africa has already produced years of explosive growth in cellphones and banking, but new sectors such as television over internet, insurance and real estate are set to form part of the next wave.

"I can assure you there's no bubble in Africa at the moment. Every guy in the elevator's not pitching a deal here yet," co-chief executive Hurley Doddy was quoted as saying in Lagos. ◆

Actis has been named African Private Equity Firm of the Year for the fourth year in a row by Private Equity International ('PEI') magazine. The award is given to the best private equity firm operating in the region as voted for by investors, advisors, investee companies and other stakeholders.

During 2010, Actis consolidated its leading position on the African continent: Actis's pan-African payments processing platform EMPH invested in Egyptian company MSCC; and Actis made an US$151m investment in the Vlisco Group, a producer of designer wax fashion fabrics for the West African market ◆

In India, the ***Wall Street Journal*** reports that private equity–backed infrastructure projects worth US$45bn have been stalled over the past decade, but investors remain eager to finance new projects.

Regulatory hurdles, ecological concerns and opposition to land acquisition are mainly responsible for delaying projects worth nearly $150 billion, of which 30% were funded by PE firms, says a study by Orkash Services Pvt. Ltd, a risk advisory firm.

But investors remain bullish. According the ***WSJ*** report there were 48 PE deals worth US$3bn in the infrastructure sector last year, up from 44 deals worth US$12bn in 2009, according to VCCEdge, a financial research platform. ◆

Reuters Hong Kong writes that private equity deals in Asia got off to a steady start in 2011, as buyout funds provided capital to companies in rapidly growing China and India, and some analysts say competition is pushing up valuation in some Asian countries.

Asia has traditionally been a growth market for PE funds, but increasingly, buyout funds are settling for minority stakes in listed and unlisted companies in an effort to deploy an estimated US$73bn of untapped funds in Asia, according to Thomson Reuters estimates.

Private equity investments in Asia totalled US$2,6bn in the first quarter of 2011, with China accounting for 34%, followed India with 26%, according to Thomson Reuters data. ◆

In a move that signals the increasing pressure on private equity and hedge funds to conduct business in a more transparent and accountable manner, the famed private equity firm Kohlberg Kravis & Roberts (KKR) has said that it endorses private equity best practices guidelines issued by the not-for-profit Institutional Limited Partners Association (ILPA).

"We are pleased to formally endorse the ILPA principles," KKR's Henry R. Kravis and George R. Roberts Co-CEOs and Co-Founders wrote in a statement released in March. "We believe that the entire private equity industry - limited partners and general partners - will benefit from increased focus on the three basic tenets...For KKR, we believe the principle of alignment is at our very core, as evidenced by the fact that we have a meaningful amount of capital, more than $6 billion, from our executives and our balance sheet, at work in our private equity investments." KKR further noted that while the firm's existing and future funds will not adhere to each and every term outlined in the Principles, its endorsement reflects a general support for the efforts of ILPA and other industry supporters with the mission of improving the private equity industry for the long-term benefit of all of its participants.

The Private Equity Principles outlined three guidelines for private equity funds: 1) aligning investment firms and investors' interests, 2) governance and 3) transparency. They also included recommendations on issues such as carry clawback and financial reporting. ◆

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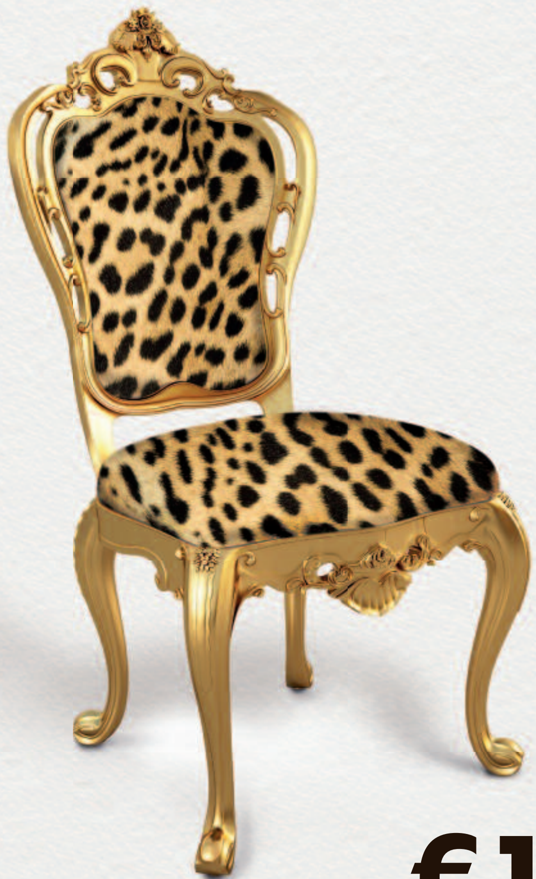

€1.2 billion Tour de force in **France.**

Corporate and Investment Banking

We acted as South African Investment Banking advisor on Steinhoff's acquisition of Conforama SA and were underwriter and funder of the related R3bn perpetual preference shares and co-manager on their two offshore convertible bonds that raised a further EUR857m. Contact **David Veale** on **011 636 8195.**

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