

# Catalyst

SA's quarterly Private Equity & Venture Capital magazine

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Value creation in an increasingly  
competitive African market

Trends and outcomes of private equity in Africa

SAVCA Conference Review

## FROM THE EDITOR'S DESK

With a middle finger firmly extended to the private sector and those outside President Zuma's inner circle, Finance Minister Pravin Gordhan, the man who had kept the ratings wolves at bay since 9/12, and his Deputy, Mcebisi Jonas, the man who couldn't be swayed by a R600m inducement to do the Gupta's bidding (not allegedly but sworn, in an affidavit lest we forget), were removed from their positions in a midnight game of political reshuffle that has become the President's Soviet-inspired hallmark.

Speaking to Anthonie de Beer, a Partner at Ethos, about what this means for the private equity sector, he is disturbed by what this portends for the long-term prospects of the local economy and what this signals from a strategic perspective, but he also sees some opportunity.

Consolidation inevitably follows economic stagnation as players look to use scale as bulwark against low rate of growth. So this will present some deal activity.

On the flipside, raising capital in this environment is becoming tougher, especially offshore, with the currency's wild swings and continued depreciation trend. So we might start to see the emergence of ever more innovative fund-raising vehicles, à la the Ethos Capital listing last year.

Writing this from the 27th World Economic Forum in Durban, the mood from investors towards the African continent is far more sanguine. Speaking on a panel, Wendel Chairman, Frédéric Lemoine spoke about how its investments into IHS (telecoms towers across Africa) and others are long-term strategic decisions, and about how the firm is finding it easier to sell Africa in Europe.

This is further underlined by Bain's Andrei Vorobyov and Stephen York, on page 3, but they also highlight that there's an increasingly large wave of capital chasing fewer quality deals and so multiples are on the rise and the race for value extraction is becoming harder to win.

GIBS' loss is SAVCA's gain, as Tanya van Lill took over the reins as CEO from Erika van der Merwe in March after a rigorous search for the new head of the industry organisation.

Having coffee with Van Lill recently, I was struck by her passion for education and empowering women, so we can expect to see these as key features of her tenure.

As always the industry is looking to grow its sphere of influence with policymakers, regulators, investors (especially pension funds) and having someone with van Lill's skills set will go a long way towards achieving these outcomes.

I'd like to wish her well as she steps into the large shoes left behind by Erika, who is happily starting her new chapter in the Netherlands. ♦

**Michael Avery**

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## Catalyst

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**Private equity often gets the headlines for the leveraged structuring or adroit opportunism with which general partners have become synonymous.**

## PE value creation: a case in point

*CASE STUDIES ATTEST TO THE VALUE OF PRIVATE EQUITY IN SOUTH AFRICA*

But arguably the greatest unheralded advantage that private equity investors bring to business and the economy at large is the ability to leverage their expertise and networks to assist management teams through whatever the business cycle can throw at them.

This was ably demonstrated with the release of the SAVCA 2017 Case Study Compendium, which highlights how private equity investment is resulting in more sustainable business practices and positive community outcomes.

The publication – comprising of sixteen case studies showcasing successful private equity and venture capital partnerships between fund managers and the businesses in which they invest – underscores the long-term nature of these collaborations and confirms the value add offered to both start-up and established businesses.

Tanya van Lill, newly-appointed CEO of the Southern African Venture Capital and Private Equity Association (SAVCA), says that these case studies confirm that partnerships of this nature represent a great deal more than just monetary investment. “Private equity plays a vital role in corporate governance, job creation, employment equity initiatives, skills programmes, and social upliftment,” says Van Lill, “rendering the portfolio company more resilient, more efficient, with healthier governance structures and with an expanded footprint.”

She refers to the case study of Tsebo Solutions Group (Tsebo) as an example of this, highlighting the instrumental role taken by investor Rockwood Private Equity in guiding the adoption of best practice global corporate governance – and one of the Catalyst Private Equity Deal of the Year finalists for 2016.

“Through the transformation of Tsebo’s corporate governance risk management and control framework to reflect global best practices, Rockwood supported Tsebo in successfully competing for the African component of global marketplace bids, which it had not done before. To date, Tsebo has been successful in five out of six bids with leading global multinational brands.”

Pieter Erasmus, Senior Portfolio Manager at Rockwood, explains just how the best laid investment thesis, crafted in calm economic waters, can run aground on the rocks revealed underneath by unforeseen financial storms.

“In the case of Tsebo, at the time we invested there were some nice tailwinds, which obviously backed the investment case.

Unfortunately for us, within twelve months of having invested, that view changed dramatically, on two fronts. On the one hand we started experiencing our first phase of load shedding and Tsebo, among others, is a catering business, managing catering in remote locations spread across the country, and when you don’t have power your ability to preserve food comes under massive



Pieter Erasmus

“Where I think we added critical value was at critical strategic junctions [where] we would step in and give management the comfort and the confidence to stay the course.” – Pieter Erasmus

pressure. And on top of that your catering business has very thin margins and so we started having lots of food wastage and the catering business started losing money.”

To add to that Tsebo had to manage through the global financial crisis, which dented business confidence and also affected consumer spending.

“In that context, our investment case looked like it was at massive risk,” says Erasmus frankly. “We faced two strategic



choices. The one was that we would cut the business back to size and basically see this difficult period through and once the conditions changed we could start scaling up again. Or the other more counterintuitive one was let's stick to our strategy, which was to grow market share, which would cost us in the short-term – we may even lose some money – but when the conditions turn we would have achieved one of the strategic initiatives we had, which was to grow market share and off the back of that we would then get the sort of growth we were looking for.”

Fortunately for Tsebo and Rockwood they opted for the latter and when the market conditions turned the business achieved turbocharged growth rates.

But how did Rockwood step in and change where the firm was going?

“In these times of turmoil, it's a bit of back to basics approach. For example, if you had quite an ambitious growth strategy you probably have to recognise that it has to be put on hold.”

“In the case of Tsebo,” says Erasmus, “where I think we added critical value was at critical strategic junctions [where] we would step in and give management the comfort and the confidence to stay the course. That speaks to what happened during the 2008 crisis, because at a management level they're very close to the detail and probably more prone to panic at that level whereas if you have an outside voice of reason that provides perspective.”

The other area where Rockwood added discernible value is in the area of South Africa's legislated transformation requirements.

“In Tsebo's case BBBEE credentials are a significant component of its ability to play in the market,” explains Erasmus. “What we did when we bought Tsebo is we essentially led the empowerment process, in other words conducting the due diligence process on potential black empowerment partners as well as providing them with the funding to get into the structure. When the revised codes came out more recently, we were proactively involved, assisting the firm to work towards a level one rating. That involved getting 50% black ownership into the company. It just gave us another edge in the market.”

And the final part, in terms of Rockwood's investment thesis, was inorganic growth by acquisition. Erasmus reveals that Rockwood was closely involved in driving the M&A engine that the company developed both on the local front - moving into new service lines, cleaning, security, energy services and the like - as well as then growing into Africa.

“And we were lucky enough to have a multinational customer base that was moving into Africa, so that was the push for us, and on top of that we then identified companies that were already operating in Africa that we could acquire.”

Technology is another recurring theme from the SAVCA 2017 Case Study Compendium, adds Van Lill. “Some of these companies have introduced systems to manage their operations more efficiently, while others have introduced new technology to the market. An example of this is seen in the Emfuleni Voerkrale case study, where the sheep feedlot company was backed by IDF Managers in 2015 to acquire a state-of-the-art electronic scale to weigh animals. This allows management to easily access and analyse data on each animal, which has enabled faster and more efficient decision-making.”

While these case studies leave little doubt as to how fruitful partnerships between fund managers and portfolio companies can aid in driving economic growth, Van Lill points out that this is very much dependant on securing the right investor as a partner. “Identifying the right business in which to invest, as well as the right partner with whom to invest, is vital to success. Key to this decision, from the perspective of a portfolio company, is whether a potential partner can bring tangible value to the business.”

The SAVCA 2017 Case Study Compendium also showcases 14 other successful cases of fruitful partnerships between private equity fund managers and portfolio companies.

More than 200 African private equity deals were reported over the past year – of which approximately 65% were in South Africa, while SAVCA's most recent VC survey reported 168 new venture capital deals from 2011 to 2015.

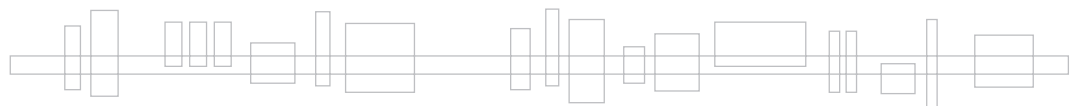
Now that South Africa has been downgraded to sub-investment grade by two of the major ratings agencies, Erasmus has a few simple words of advice to share with companies or GP's looking to steer their investee companies through these turbulent seas.

“In these times of turmoil, it's a bit of back to basics approach. For example, if you had quite an ambitious growth strategy you probably have to recognise that it has to be put on hold.”

It's back to basics approach that the Rockwood dealmaker says involves looking at the business and focusing on the ability of the firm to create cash.

“We put significant levels of debt into the company and when you're in this environment where your performance comes under pressure that means your cash conversion starts to decrease and therefore your ability to service debt becomes harder, so what we would do is then refocus and say your number one priority is to preserve your cash generation. In that way you are able to meet your covenants and you're not taking any major risks.”

Once again GP's will be tested to the limit as the South African business environment throws up yet another challenge for them to demonstrate why they have become masters of the unlisted universe. ♦



**The emergence of African private equity as a popular asset class has had much to do with Africa's compelling economic fundamentals. As private equity matures in Africa, a greater focus on alpha is required to deliver attractive returns, write Andrei Vorobyov and Stephen York.**

## Private equity: Value creation in an increasingly competitive African market

*Andrei Vorobyov and Stephen York*

Over the past decade, African private equity has emerged as an attractive asset class, underpinned by favourable fundamental trends. However, stronger competition for deals, recent macroeconomic headwinds and operational challenges in Africa are requiring private equity funds to put greater emphasis on value creation to continue delivering attractive returns. We examine some of the archetypal approaches to value creation used globally and examine how they are being deployed in Africa.

Since the turn of the millennium, Africa has become increasingly attractive for private equity investors. The emergence of African private equity as a popular asset class has had much to do with Africa's compelling economic fundamentals. Sub-Saharan Africa's real GDP has grown by an average annual rate of about 5% since 2000, according to the Economist Intelligence Unit. This rapid economic expansion has been supported by a growing population, greater market liberalisation and increased macroeconomic stability.

As a result, Africa has seen rapid growth in the number of private equity funds operating on the continent – from 12 funds in 1997 to more than 200 today, based on data from the African Private Equity and Venture Capital Association (AVCA). Predominantly local private equity funds that have operated in Africa for decades (such as Ethos in South Africa or African Capital Alliance in Nigeria) have grown their fund sizes, while regional funds (such as Actis, Helios and the Abraaj Group) have also expanded their African presence; Abraaj alone has made 14 investments in sub-Saharan Africa since 2012. Major global players have entered the market as well: In 2014, The Carlyle Group raised a nearly \$700m dedicated

fund, and KKR made a \$200m investment in Ethiopian flower company, Afriflora.

Private equity investors in Africa, however, face some very real challenges, including greater competition for a limited number of attractive assets, renewed macroeconomic headwinds and distinct local operational challenges.

According to AVCA's Annual African Private Equity Data Tracker, private equity fund-raising in Africa grew at an annual rate of 15% from 2010 to 2015, while the number of typical target private equity companies (those with more than \$100m in revenues) grew annually by just 2% during that same period. This has led to a large increase in competition, raising the valuations and multiples being paid for assets.

Recent years have also brought renewed macroeconomic challenges. The brisk decline in key commodity prices since 2014 hurt the many African countries still reliant on the export of natural resources. That was compounded by recent political uncertainty across Africa, including three of the largest African markets – South Africa, Nigeria and Kenya – resulting in the rapid depreciation of many African currencies.

Lastly, private equity funds are also facing some very real operational challenges in Africa. Many companies are still run by their original founders or their families, afraid to relinquish control to new investors. There is often limited depth to the management skills and capabilities. This is particularly true below the top management level. Opaque business practices prove challenging, with some businesses still reliant on informal practices





Vorobyov



York

such as providing “gifts” to obtain an import licence. And indigenisation trends are on the rise, with many African governments encouraging local economic empowerment by limiting the extent of foreign ownership.

Faced with these challenges, African private equity funds are increasingly looking to promote value creation in their portfolio companies in order to deliver compelling returns for investors.

Since the global financial crisis, private equity funds around the world have benefited from market beta – underlying economic growth, rising equity values and readily available low-cost debt – to help deliver attractive returns. With these passive forces now waning, private equity firms

need to further develop the strategic and operational skills required to create alpha in their place through active value creation. Alpha is the measure of the active return on an investment relative to a suitable market index.

Based on Bain & Company’s extensive global experience, we have outlined four archetypal approaches to creating value at portfolio companies:

- The adviser-led model. Private equity firms that adopt an adviser-led approach typically take a less interventionist methodology to their portfolio companies. They will selectively lean in on particular investments to help shape the management team’s goals and supply resources to help deliver on those goals. Adviser-led value creators typically assemble a network of external experts who can address specific needs.
- The functional playbook model. Some activists take a more hands-on prescriptive approach to creating value in portfolio companies. Private equity funds that adopt the functional approach typically employ full-time experts who implement a dedicated playbook with initiatives that improve business processes, reduce costs or deliver other operational improvements.
- The maestro model. This places considerable emphasis on early, high-level and continuous engagement with portfolio management, but is well suited for private equity funds that lack the resources or the desire to staff expensive in-house

operating teams. Private equity funds that adopt the maestro approach typically designate a seasoned leader within the firm to coordinate a flexible team comprising deal team members and external resources to develop and implement value-creation plans.

- The general-activist model. Some larger private equity funds build portfolio activism into their DNA. Their multidisciplinary operating teams bring a high level of engagement to each investment. These multidisciplinary portfolio groups work closely with the newly acquired companies to provide deep strategic analysis, support the development of value-creation blueprints and help management teams put them into operation.

Increasingly, leading African private equity firms are recognising it is only by generating alpha through active portfolio management that they can deliver attractive returns. In the African context, funds may use different value-creation models for different investments, with the chosen model depending on the extent of control that funds have over the portfolio company. Where funds have minority stakes, direct value addition is considerably harder, and softer skills such as influence become key.

Despite Africa’s distinctive investment climate, Bain has observed these archetypal global approaches being applied by funds across the continent. We believe Africa is an attractive investment destination for private equity funds, but it is becoming increasingly clear that these funds cannot rely on market beta alone. Rather, they require a greater emphasis on portfolio value creation to generate alpha and attractive returns.

Bain believes that any properly structured approach to value creation should flow organically from a private equity fund’s unique size, strategy and values, and depends on the fund’s philosophy (its objectives for value creation), its engagement model (how and when it will intervene) and its organisation (what internal and external talent it needs). In general, a balance should be struck between developing dedicated expertise in-house and flexibly using trusted external resources with a track record of delivering results.

Finally, given the challenges inherent in investing in Africa, it is critical that private equity funds continually adapt and innovate their value-creation models to react to local market conditions, by examining where and how they can achieve the highest returns on their costly investment in portfolio management resources. ◆

**Vorobyov, a partner in Bain & Company’s Johannesburg office, leads the firm’s Private Equity and Mergers & Acquisitions practices in sub-Saharan Africa.**

**York is a principal in the Johannesburg office of Bain & Company, with experience in many areas, including corporate strategy, private equity and performance improvement.**





**New research shows private equity activity in Africa will inject billions of US dollars of sustainable investment over the next five years.**

## Africa breeds distinctive private equity models

Private equity deals in Africa are growing from a low base equivalent to 0.18% of Africa's GDP in 2016. Every 0.01% increase will mean \$200 million more investment and could easily reach \$1.1bn over the next five years.

*A growth engine: Trends and outcomes of private equity in Africa*, commissioned by global law firm Baker McKenzie with The Economist Corporate Network, also shows private equity investors in Africa are distinct from other parts of the world. They hold investments for longer than in developed markets, use less debt and improve corporate strategy and governance.



Scott Nelson

They invest more in growth and job-creation, often scaling small businesses to a size viable for trade buyers.

"The long-term opportunities across African economies for private equity are extremely robust and demonstrate long term value creation and returns," said Scott Nelson, a private equity partner at Baker McKenzie. "Returns can be far higher than in

developed markets and at the same time private equity investors play a catalytic role in Africa. Investment in this sector tends to focus on growth capital, helping companies to improve governance and strategy, expand their footprint and contribute positively to the region's broader commercial ecosystem."

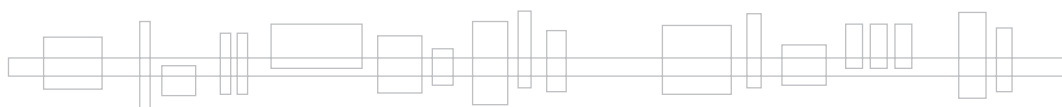
"While recent political events and associated/consequent rating agency actions in South Africa have no doubt driven further levels of uncertainty and lack of confidence to one of the continent's key markets, the opportunity arising, continent-wide remains both viable and compelling. Turning a corner and 'bottoming out' such issues, engenders greater levels of near-term stability, and will no doubt deliver tremendous value-based opportunity for the long-term benefit of key economies in due course," says Nelson.

PE activity in Africa has increased significantly in the last few years. From 2010 to 2016, private equity firms (General Partners

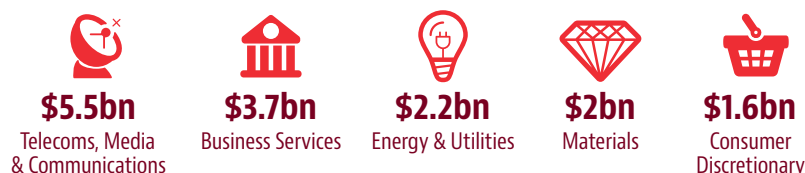
or GPs) invested around \$25.6bn across a variety of sectors from consumer goods to financial services, communications health care and infrastructure.

Environmental Social and Governance (ESG) investing has also improved in Africa. GPs, and the limited partners investing in their funds, prioritise meeting acceptable ESG standards.





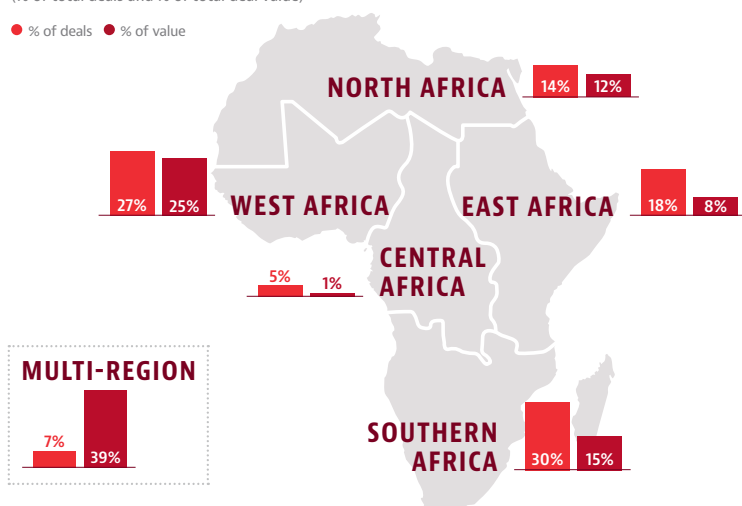
### TOP 5 SECTORS BY INVESTMENT 2011-2016



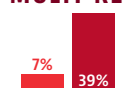
### REGIONAL INVESTMENT 2010-2016

(% of total deals and % of total deal value)

● % of deals ● % of value



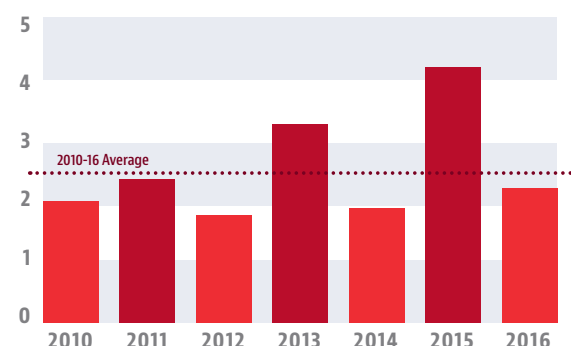
#### MULTI-REGION



Research performed by The Economist Corporate Network, sources include AVCA and Preqin

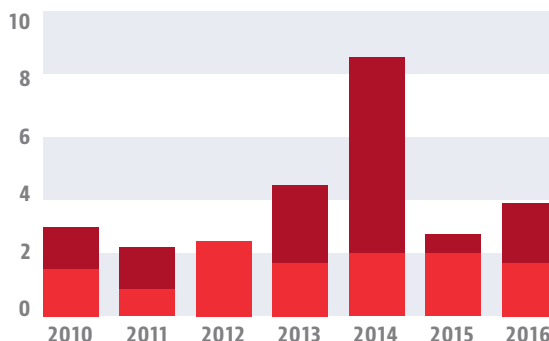
Correct to April 2017

### VALUE OF PRIVATE EQUITY FUNDRAISING (US\$ BN)



### TOTAL DEAL MIX BY VALUE (US\$ BN)

● Value of deals below US\$250m ● Value of deals above US\$250m



Energy efficiency, staff training and qualifications, green-house gas emissions, highest standards of governance and best business practices, and litigation risks are some factors considered in ESG investing.

"GPs that are successful in the region have a competence for helping investees, particularly family-owned and closely-held businesses, to up-scale and corporatise," says Herman Warren, ECN's Africa director.

More than 1000 PE deals were concluded between the beginning of 2010 and the end of 2016 in Africa, according to data from AVCA and Preqin. In particular:

- The Southern Africa region accounted for around 30% of completed transactions.
- South Africa, the largest and most sophisticated PE market in Africa, accounted for 22% of concluded transactions by volume and 13% by value between 2010 and 2016.
- West Africa contributed one-quarter of the capital invested in African PE transactions over the period.
- The East Africa region contributed 18% of PE transactions, but just 8% of total deal value.

Most GPs based in East and West Africa expect to raise most of their investor funding offshore (primarily in the US and Europe), due to shallow pools of African institutional capital. Currency volatility also remains a challenge to fundraising efforts, and to transaction execution in general. Investment returns have been negatively impacted by the strengthening of the dollar against most major currencies in Africa. However, even in tough commercial operating environments, GPs are generating above-average returns.

It was found that the low capital-market base is one of the contributing factors towards trade sales being a dominant form of exit for PE investments. In the period 2014-15, trade sales accounted for 53% of Africa-based exits, up from 44% over the period 2007-13. However, a growing category of exit in the region is sales to other GPs and financial buyers.

In 2017, it is expected that nine out of the twenty fastest-growing economies will be in Africa. Even in those countries that have experienced slow growth, there are still strong returns to be made, which supports the thesis that private equity will remain resilient across the continent this year. ♦





**At the recent Southern African Venture Capital and Private Equity Association (SAVCA) 2017 Private Equity in Southern Africa Conference - which was attended by over 400 delegates from the private equity community - there was a wide consensus that, while volatility in local and international markets remains top of mind, the industry remains robust and determined to drive deals.**

## Private equity takes root to bear fruitful partnerships in SA

*Tanya van Lill*

Last year alone, more than 200 African private equity deals were reported and of these, based on transaction information disclosed, around half were transacted in Southern Africa, of which some 65% were in South Africa.

These deals enable collaboration between private equity managers and institutional investors to mobilise capital from international and local sources for productive deployment and economic stimulation in the region. The teamwork between private equity managers and investee companies results in the building of better businesses, which in turn creates new employment opportunities and shapes healthier communities.

The conference theme "Fruitful Partnerships" showcased, among other things, the multiple layers of enabling networks and relationships that the private equity and venture capital industry offers its investee companies, creating value that results in the subsequent positive impact of these partnerships on businesses, communities and economies.

Hosting both institutional investors and private equity and venture capital managers at the conference, it is evident that the industry remains bullish about transaction activity opportunities – both on the acquisition and the realisations side.

In 2016 – according to the SAVCA Quarterly Data Tables, prepared in collaboration with Webber Wentzel – there were 203 reported acquisitions and 41 exits in Africa. During this same period, there were 99 reported deals and 14 exits in Southern Africa. Of the acquisitions, a third were in South Africa, with Nigeria, Kenya and Namibia also featuring prominently.

A prominent transacting trend emerging from the conference's panel discussions was the reference to a shift towards a "broader regional perspective" in terms of acquisitions, with some members noting the trend through the number of deals crossing multiple African borders. This shows a growing understanding of the value of private equity on the continent.

It was also clear that the current complex, competitive and low

growth environment is not a total obstacle to finding attractive opportunities, but rather that it is influencing a more defensive, careful deal selection strategy and due diligence processes. This, along with mindful support for investee companies, will be a clear focus for the industry in order to ensure investor returns are maximised.

Indications are already showing that the positive transaction trend recorded in 2016 is continuing in 2017 due to the good pipeline of deals that spilled over into the first quarter of 2017.

In terms of the fund raising appetite for African private equity, the vibrant conversations at the conference were reflective of how the industry is seeking to create more fruitful partnerships in the year ahead.

While the industry continues to thrive – with many exciting prospects on the horizon – SAVCA will continue to promote fruitful partnerships within the industry, and enhance the appreciation amongst investors for the role of the asset class in boosting returns, and in bringing about environmental, social and governance improvements in businesses. As an industry body lobbying for the private equity and venture capital asset classes, we would like to see the benefits from the various collaborative efforts within the industry continue to bear fruits both in business and from a socio-economic perspective. ♦



*Tanya van Lill*

**Van Lill is CEO of the Southern African Venture Capital and Private Equity Association (SAVCA).**



**The global private equity industry has seen a sustained period of strong fundraising in recent years, with funds closed in 2016 alone securing \$669bn in investor commitments.**

## Tsunami of private capital around the world shows no signs of stopping

This momentum has continued in Q1 2017, as 253 private capital funds closed, raising \$156bn. PE research firm Preqin expects these figures to rise by around 10% as more information becomes available.

Typically, the first quarter of the year tends to see less activity, as many funds will look to close at the end of the preceding year. However, this does not seem to be the case in 2017: activity in the quarter is comfortably above the corresponding quarter of last year, and the total capital raised approaches the \$170bn raised in the first quarter of 2008, the highest ever Q1 fundraising total.

However, continued momentum in the fundraising market is becoming a source of increasing concern for fund managers and investors alike. Such strong activity has resulted in record levels of dry powder becoming available to managers, as investors seek to gain greater exposure to the industry. Having so much capital ready to deploy means that competition among fund managers for the best deal opportunities is fierce, and consequent upwards pressure on asset pricing is calling into question the ability of firms to sustain their recent high level of returns going forward.

Nonetheless, private capital remains an important element of institutional investment portfolios, and investors are continuing to commit ever-larger amounts of capital to fund managers. The number of funds seeking to secure this capital continues to grow, surpassing 3000 at the start of Q2.

The key concern for the industry is to avoid the emergence of a two-tier fundraising market. Currently, the largest private capital firms are able to quickly raise mega funds that are hugely oversubscribed, while emerging managers face a long and difficult fundraising process. As investors are tending towards consolidation in their private equity programs, this trend will be monitored closely by sponsors and investors alike.

Looking ahead, Christopher Elvin, Head of Private Equity Products, reckons there is cause to believe that 2017 may

ultimately come to be a record fundraising year for the industry.

"The three largest funds currently in market comprise, by their target sizes, the largest buyout fund raised since the GFC, the largest ever venture capital fund and the widely covered Vision Fund, which already dwarfs every other private capital vehicle ever raised after holding a first close at \$80bn."

The first quarter of 2017 marked a record quarterly fundraising total for unlisted infrastructure fund managers, as 16 vehicles raised a combined \$30bn. Preqin expects these figures to rise by around 10%, but capital commitments are already more than double those seen in Q4 2016 (\$13bn), and exceed the previous record total of \$26bn seen in Q3 2016.

The \$15.8bn final close of the largest ever vehicle, Global Infrastructure Partners III, was the main driver behind this record, as it surpassed the \$14bn secured by Brookfield Infrastructure Fund III in Q3 2016, while four more multibillion-dollar vehicles also reached final closes in Q1.

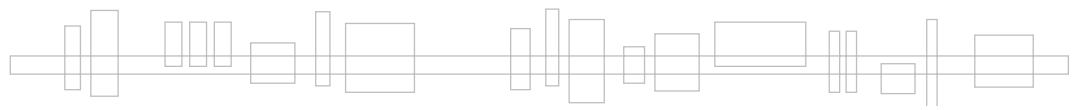
The established markets of Europe and North America offer investors a landscape of relative economic and political stability, and so it is of little surprise that these regions continue to attract the vast majority of capital. Through Q1, North America-focused fundraising totalled \$18bn, while investors committed \$6.7bn to Europe-focused vehicles, accounting for 60% and 23% of the aggregate total respectively as both regions neared record levels. Only one Asia-focused fund reached a close, but four vehicles focused on opportunities outside these markets secured \$4.8bn.

Tom Carr, Head of Real Assets Products at Preqin, says that investors continue to see strong risk adjusted returns from their infrastructure portfolios, and thus remain committed to the asset class. However, fund managers will be aware that a competitive deals environment is pushing up valuations, and blue-chip assets are increasingly difficult to acquire.

"This pricing pressure could potentially eat into eventual returns, but with the majority of investors under-allocated to the industry, firms will still be confident of attracting capital," says Carr.

The fundraising pipeline remains robust, and with countries looking to add and improve their national infrastructure as well as addressing challenges such as meeting Paris Agreement obligations, the future has seldom looked brighter for the asset class. ◆





# Local and International news

## National news

Tanya van Lill succeeded Erika van der Merwe as CEO of the Southern African Venture Capital and Private Equity Association on March 1 2017.

Van Lill's mandate is to increase the industry profile and deepen relationships with all stakeholders. SAVCA was established in 1998 and represents 160 members who account for more than R165bn in funds under management. The organisation engages with regulators and policymakers and promotes the positive impact of the asset class to local, regional and international institutional investors.

Previously Van Lill held the position of director for Academic Programmes at the Gordon Institute of Business Science (Gibs) and served on the board of the Executive MBA Council. She holds an MBA from Gibs. ♦

Pan-African law firm Bowmans recently advised Helios Credit Partners on a landmark transaction representing one of the first significant financings by a private credit fund in sub-Saharan Africa.

The transaction was one of the largest debt financings secured by a Namibian company in the private sector.

The loan of up to \$40m was made available to JSE-listed Trustco Group, through funds advanced by Helios Investment Partners through its direct lending platform, Helios Credit Partners.

Trustco is a Namibian-based conglomerate with operations in the real estate, insurance, microfinance, retail, banking and education sectors. The loan will be used to capitalise the growth of Trustco's Namibian property portfolio and provide credit solutions to growing enterprises that require hard currency and term funding, with a focus on structuring flexibility, speed of execution, and risk mitigation and management. ♦

Disrupt Africa reports that South African venture capital firm KNF Ventures has invested in online ticketing services startup, Quicket, with the funding set to help the company expand into key African markets.

Launched in February of last year by Knife Capital, KNF Ventures is a SARS-approved section 12J fund with R100m (\$6.4m) to invest in innovation-driven ventures with proven traction.

Its investment in Quicket will help the startup to streamline its service offering in the local market and focus on key markets in the rest of Africa. The cloud-based ticketing solution allows anyone to instantly start selling tickets their own event within minutes. ♦

## International

The FT reports that the expected sale of east Africa's largest chain of coffee shops is being regarded as a bellwether deal to measure international private equity groups' interest in the region.

TPG and Carlyle, two of the world's largest buy out groups, have in the past few months expressed an interest in purchasing Java House, with the owner hoping any deal will value the coffee chain at as much as \$100m, according to people with knowledge of the situation.

The possible deal for Nairobi-based Java is being closely watched by businesses and their advisers in the region given the size of the transaction. ♦

A group of investors are backing a greenfield hospital development in Lagos sponsored by AXA Mansard Insurance.

According to Africa Capital Digest, private equity general partner African Capital Alliance and the IFC, the World Bank's development finance institution, are among them.

The cost of the development is expected to reach \$82m, 50% of which will be funded in equity and 50% which will be funded in debt.

When finished, the AXA Mansard Hospital will consist of a 150-bed multi-specialty hospital and two 10-bed primary healthcare centres. The hospital will be located in Lekki, with one clinic on Lagos Island and the other on the mainland.

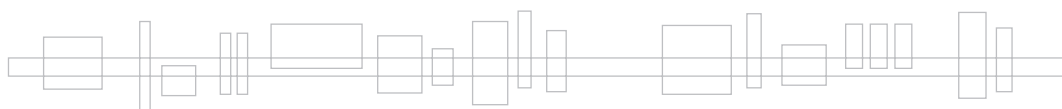
African Capital Alliance, the Nigeria-based private equity firm, is expected to provide up to 40% of the equity via its CAPE IV fund, with AXA Mansard furnishing 20% of the equity. The IFC's Board of Directors is considering an \$8.2m equity investment in exchange for a 20% stake in the project, and will meet to make its decision on April 30.

The project is expected to be structured as a Mauritius-domiciled holding company which will invest in a Nigerian investment vehicle specially set up to develop the project. ♦

Pan African private equity firm Phatisa is aiming to raise \$300m for the Phatisa Food Fund II, a successor fund to the Africa-focused private equity firm's African Agriculture Fund. The new fund will target opportunities in the food and fast moving consumer goods value chain in sub-Saharan Africa.

The 10-year fund, which is targeting a first close by the middle of this year, has already received a commitment of \$75m from OPIC, the US Government's development finance institution. The fund expects to deliver strong commercial and developmental returns by backing mid-sized FMCG and agri-business related companies well-positioned to modernise and grow the continent's domestic food production industry. ♦





## PRIVATE EQUITY DEALS Q1 2017 - SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Disposal by	Wendel to Capital Group Private Markets	35% stake in Tsebo		undisclosed	Jan 4
Acquisition by	The Carlyle Group	majority stake in Global Credit Rating	Webber Wentzel	undisclosed	Jan 16
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	undisclosed	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		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	Zico Capital 2	26% of Bluhm Burton Engineering	Cliffe Dekker Hofmeyr	undisclosed	not announced Q1

## PRIVATE EQUITY DEALS Q1 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		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	undisclosed	Feb 20
Burkina Faso	Disposal by	Injaro Investments of its remaining 30% stake in NAFASO SA		undisclosed	Feb 16
Egypt	Investment by	Africa Finance Corporation in Carbon Holdings		\$25m	Mar 9
Ethiopia	Investment by	The Norwegian Investment Fund for Developing Countries (Norfund) in Verde Beef Processing		\$7,4m	Mar 24
Gabon	Acquisition by	Assala Energy (Carlyle Group) of Shell's onshore assets in Gabon		\$587m	Mar 24
Ghana	Disposal by	Development Partners International of its 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
Kenya	Acquisition by	Ametis 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		undisclosed	Mar 22
Kenya	Investment by	Creditinfo in Alternative Circle		\$1,1m	Mar 27
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 Azalai Hotels		€17,3m	Jan 3
Morocco	Disposal by	CDG Capital Private Equity of its stake in Intelcia to Alice Group		undisclosed	Jan 10
Namibia	Acquisition by	Stimulus Investments of a 67,6% stake in Khomas Solar Saver		undisclosed	Feb 17
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
Tanzania	Acquisition by	African Infrastructure Investment Managers of a 60% effective interest in DSM Corridor Group Tanzania		undisclosed	Feb 2