Catalyst

SA's quarterly Private Equity & Venture Capital magazine

Vol 12 No 4
DECEMBER QUARTER 2015

2015 Private Equity Deal of the Year

The changing face of PE

Unicorns at the gate

FROM THE EDITOR'S DESK

What to make of the 2015 South African PE vintage? Pour all the activity into a glass and hold it to the light and you will notice a rich depth of dealmaking, both acquisitive and exit. Swirl it around though, and one might be forgiven for expecting bolder fundraising legs.

But fundraising is one area of private equity that is starting to drag on the industry, particularly in Africa.

As private equity law doyen John Bellew explains on page 8: "[T]he fund-raising environment worldwide has been difficult for some years. Fund-raising is hard work. Even the most successful managers are unlikely to raise a fund within 18 months, and in some cases this has extended for up to three years. The protracted process of raising new funds results in team resources that would otherwise be deployed in investment activities being diverted to fund-raising, to the potential detriment of investors. Some funds solve this problem by employing dedicated investor relation teams, but this is expensive and beyond the reach of many African funds."

Bellew doesn't believe this to signal the death of the fund formation model of PE in Africa, just that practitioners will have to start thinking outside of the box as times get even more challenging in the face of some stiff macroeconomic headwinds billowing across the continent.

Internationally the picture is rather more optimistic.

As part of Preqin's 2016 Global Private Equity and Venture Capital Report, a survey of private equity investors finds that 30% feel their investments have exceeded their expectations over the past year, up from 17% that felt that way in December 2014. Only 6% of surveyed investors reported that their investments had fallen short of expectations in 2015. A record $475bn was distributed from private equity funds in 2014, and a further $189bn was returned to investors in H1 2015 (see page 15).

All this means many investors will need to reinvest more capital to maintain their allocations to the asset class, and over half (51%) of investors anticipate making new private equity commitments in the first half of 2016.

Just how badly fund raising and deal activity in Africa will be hit by the tide of sentiment turning against emerging markets in the face of the global commodities depression remains to be seen. ◆

Michael Avery

Contents

Catalyst

Editor: Michael Avery

Sub-editor: Gail Schimmel

Design & Layout: Janine Harms, Gleason Design Studio

Catalyst is published by the proprietor Gleason Publications (Pty) Ltd, reg no: 1996/010505/07 from its offices at 30 Tudor Park, 61 Hillcrest Avenue Blairgowrie, Randburg 2194.

Tel: +27 (0)11 886 6446

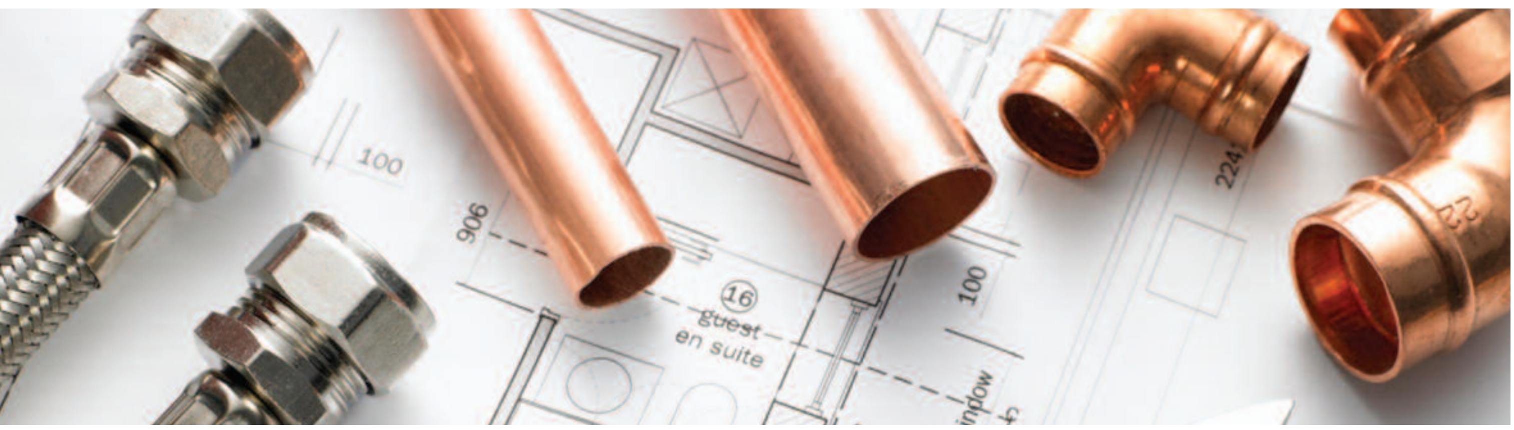
Gleason Publications

When I was informed that the adjudication panel had arrived at its decision replete with an "interesting explanation" for deal of the year I was unsurprised that Plumblink got the nod.

Sometimes true strength is only revealed when we plumb the depths

As I explain in more detail in the deal dissected on these pages it is a shining example of all the things private equity frequently doesn't get the plaudits for. How experienced financial partners can help, not only keep a business afloat when the macro-economic assumptions are torpedoed by external factors, but actually reengineer the business to sail with the new prevailing economic winds.

That said there were some incredibly strong contenders for the award and the 2015 vintage finalists can all be proud of the sleepless nights, endless due diligence, relationship building and fundraising that went into executing these transactions and ensuring that private equity as an asset class continues to outperform most others in South Africa.



Ethos – Plumblink

Come rain or shine, we're in the same boat

Every so often a deal stands out not for its ability to sail smoothly through the expected IRR gears, but for surviving the roughest of seas intact and emerging stronger on the other side. That is exactly what the Plumblink exit to Bidvest signaled for the team at Ethos.

Private equity deals can be tough.

Ethos Partner and COO, Jos van Zyl, and Principal, Titi Sekhukhune, had to make some tough decisions, when, after acquiring Plumblink in 2006 and after two years of smooth sailing, the economic waters started to get ever choppier in the wake of the global financial crisis. Proving that despite painstaking analysis of industry and company fundamentals, things don't always go to plan.

Ethos acquired Plumblink in 2006 premised on a buoyant outlook for the South African building and construction market. For the first 24 months its rationale was correct. However, in the wake of the Global Financial Crisis (GFC) the business was significantly adrift from target.

In the depths of the financial trough, many scuttled their ships. But that's not the Ethos philosophy.

"We had to change the business because of where we found the economy and where we found the world," explains Sekhukhune. "When we bought the business it was mainly a distributor, as opposed to a retailer, to contractors mostly – the guys who build the big hospitals, schools, commercial building contractors. When the GFC hit, those guys stopped building so that obviously became an issue. We had to make a couple of very tough decisions as a shareholder and the one big decision that we had to make was to reassess the strategic direction of the business. Should this business continue selling into that contract customer segment?"

Ethos believed in the business' fundamentals. And, crucially, that with the right management team Plumblink could be repositioned for recovery and return to the trade winds.

And so the real work began.

"We got to a point where we realised that the business required a more defensive customer segment, what we call the trade plumber, the bakkie plumber," says Sekhukhune. "The guy you call when the geyser in your house bursts, for example. And the reason we decided to focus on that customer segment is that it's a recurring market, plumbing goes wrong in houses and commercial buildings all the time".

"With that in mind we obviously had to reconfigure and re-engineer the business model itself and we had to reassess everything from the manner in which you service your customers, because you now have a different customer base, to distribution," says Sekhukhune. "We used to have huge distribution nodes in each province where we'd hold a lot of stock so that when the contractor needs anything we'd be able to supply that into their contract as and when they needed it. However, we had to change our stockholding too, our operations. We had to re-look at our finance systems, our information systems. You need different KPIs when you are servicing a trade plumber versus a contactor."

Jos van Zyl

Titi Sekhukhune

Plumblink went from having around 26 of these large distribution nodes to having much smaller stores, called express stores initially but now simply known as Plumblink stores, which are significantly smaller, around 200 m^2 and are much closer to the travelling routes of these plumbers.

"A plumber's most valuable resource is time," explains Sekhukhune, "so we managed to reconfigure the business to be able to service them more efficiently and faster so we are able to churn out more installations of them during the day."

Van Zyl adds that the strategy yielded improvements for the trade plumbers that underpinned the success of the turnaround.

"We developed their ability to do five jobs a day from three jobs per day and for them that's extra money," explains van Zyl. "But to enable us to do that we had to get our service levels right, we had to get the stock right. We operated it a like a real retail distribution business; we've got four major distribution centres and then these distribution centres will distribute to the Plumblink stores and they will service the trade plumber."

So strong was Ethos' conviction, that it twice injected additional capital to make headway. And twice this courage paid off.

Today, Plumblink is a different business to that which Ethos acquired nine years ago. It is stronger, more robust and more sustainable than it was prior to Ethos' ownership. In fact, the tide has shifted so significantly that earlier last year JSE-listed Bidvest pursued and successfully acquired the business through a nine-month long competitive auction process that Sekhukhune says attracted interest from both local and international trade and financial buyers.

Investing is not all plain sailing. You can't direct the wind. But Ethos proved with Plumblink that you can adjust your sails.

Actis – Food Lover's Market

For the love of good food (and growth)

Actis brought its international expertise in helping family owned and managed businesses transition through testing times to bare on the recent purchase of a stake in Food Lover's Market. Its ability to do such tantalizing deals through all economic cycles is what sets it apart from the rest of the private equity funds.

Actis, a leading emerging market investor, lifted the lid on the R760m ($54m) deal in November; it had been simmering away for almost two-and-a-half years. Food Lover's Market is estimated to be the largest independent food retail group in Africa. Actis is acquiring a substantial minority stake in the business and backing highly respected founders Brian and Mike Coppin, together with the existing management team, who have created a remarkable success story based on a market leadership position in fresh produce retail.

Food Lover's Market is one of the last few independent food retailers of scale on the African continent. It has a strong brand and a growing footprint across Africa. With over 120 Food Lover's Market stores and a presence in 11 countries, it has, in recent years, added categories such as bakery, grocery, butchery and deli foods to complement its market leading position in fresh produce. The Food Lover's Market Group also operates over 200 FreshStop convenience stores in Caltex service stations; Market Liquors, a convenience liquor offering, an import export business;

Actis, a leading emerging market investor, lifted the lid on the R760m ($54m) deal in November; it had been simmering away for almost two-and-a-half years.

and has recently acquired artisanal coffee brand, Seattle Coffee. The newly launched Food Lover's Eatery brand with stores in Cape Town and Brooklyn, Pretoria, is testament to the retailer's ever-evolving approach to retail innovation and growth.

Commenting on the investment, David Cooke, Director at Actis, said Actis was attracted to the business for a few key reasons, despite it operating in a highly competitive space, which he labelled "familiar territory for us".

"Firstly, is the brand itself," Cook says. "Brand plays a very important role in the assessment of our consumer opportunities. We did an enormous amount of commercial due diligence and found that here was a brand developed by the Coppin family that was punching considerably above its weight against the various public and obvious competitors. And that confirmed that despite being considerably smaller, it was a brand clearly loved by consumers in South Africa."

Cook says the second part of the brand story revolves around the slightly differentiated proposition in what it offers in terms of fresh produce.

A paper published in 2015 by McKinsey entitled *A fresh take on food retailing* highlights that fresh categories—fruits and vegetables, meat, fish, dairy, and baked goods—typically account for up to 40% of grocery chains' revenues. They are also strong drivers of store traffic and customer loyalty.

Fresh food, however, has always been exceedingly complex to manage: prices are volatile, suppliers are fragmented, the products are perishable and sometimes fragile, and replenishment and quality-control processes are laborious. And the Coppins have got this mix right more often than not, which has helped them compete with the bigger players in the South Africa market.

"What we know from our global research is that fresh produce and butchery are often the two categories within a food retail store that attract consumers and customers to walk into a store," explains Cook. "And again in our consumer due diligence, we saw that in those two categories - its two core categories - the business outstripped its competitors. So put all of that together and from a retail point of view, we thought here's a differentiated proposition with a very strong brand and then, from an ownership point of view, a business that had grown up in a highly entrepreneurial growth directed culture and family culture."

Actis has constructed a global reputation for partnering family owned or run businesses through the growth curve.

"We may not be as well known for it in South Africa other than transactions like Tekkie Town, but Actis is known across markets like Brazil, India and Egypt, for assisting in the transition of family businesses," says Cook, "and the journey they go on is something that we are extremely familiar with."

And that journey has moulded the Coppins into the highly regarded food retail specialists they are today. The Coppin family has a long history in retail, with Brothers Brian and Mike following in their father's footsteps; he was a director of OK Bazaars. They started Food Lovers as Fruit & Veg City in 1993, very much ahead of their time spotting the trend towards fresh artisanal produce. They even managed to get an early investor who backed a failed venture prior to their Fruit & Veg exploits to invest again, which demonstrates the sort of chutzpah that Cook knows and loves.

Cook doesn't hide his admiration for the way the Coppins and management, operating in a hard-nosed competitive space, have driven the transition of the original Fruit & Veg City concept into something where "the best Food Lover's Market Store could compete anywhere in the world in terms of its retail proposition. "The theatre of food as you walk into a well-run store is just tremendous," enthuses Cook.

David Cook

The other ingredients that made this deal so successful were the ability of the Coppins to recognise they had hit a point where, and this is to their credit, having a fresh pair of eyes around the boardroom table, to take their business to the next level, is what they need.

"For them it was about finding the right partner. Almost everyone in South Africa has knocked on the door of the Coppins, from investment bankers and the like, and continued to do so right throughout our relationship build. I spent two-and-a-half years building a relationship with the Coppins before we actually did a deal. And we just have a very strong alignment in terms of what we do particularly in South Africa and sub-Saharan Africa. The business has got a big sub-Saharan African growth drive and we've been there and done it before."

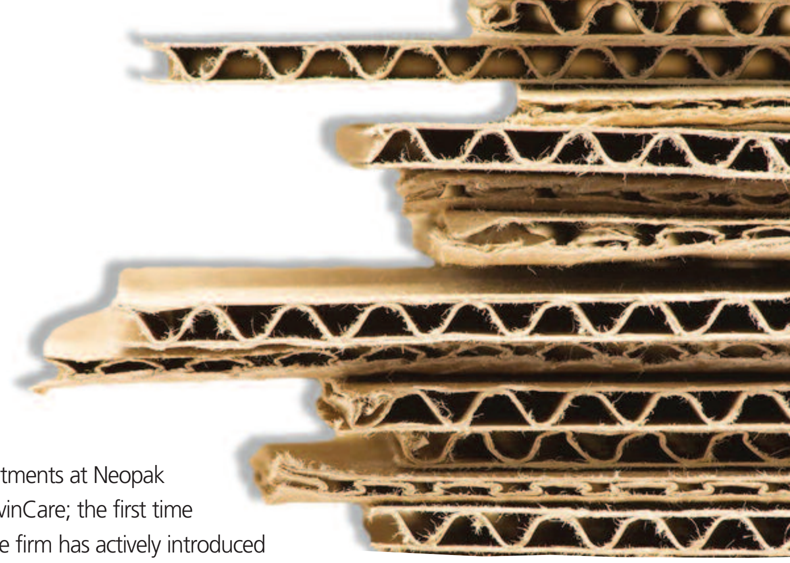
Actis hasn't gone public in the split of how much of the R760m is for the acquisition of shares and how much is being injected into the company, but Cook can reveal that a significant portion is capital going into the business.

"It's about expanding in sub-Saharan Africa; it's about funding the store roll-out in South Africa and there's enormous room for growth with this differentiated proposition; and the other thing that Food Lover's has done very successfully is look at adjacencies and integration in terms of acquisition opportunities in South Africa, an example of that is Seattle Coffee. We will continue to selectively look of M&A opportunities in South Africa and in the rest of sub-Saharan Africa."

The Coppins have been at this for a number of years. They've got 20 stores outside the country, in nine different countries. Cook says they've taken a franchise approach to that expansion strategy and from a continued sub-Saharan Africa expansion strategy that will remain.

What many people don't realise is behind the retail facade of Food Lover's is a very big fruit and vegetable import and export business.

"Clearly that gives it a competitive edge because modern retail in sub-Saharan Africa markets are, on the whole, sourcing



a lot of their produce from South African farmers. Having said that the business is actively looking at local sourcing in terms of places like East Africa, they have a very long history of good quality crops being grown. The very high quality crops are exported but by driving a retail strategy we can then do a nice matching piece of local supply chain management into local retail stores,” says Cook, further demonstrating the partnerships value proposition for both parties.

“The other big thing here is that we understand, as well as anyone, the rise of modern retail in these markets. Local informal markets still dominate in fresh produce but a Nigerian or a Ghanaian consumer is no different from you or me, wanting a good quality product, at a competitive price, in a decent shopping environment. Through a separate lens we've been investing in shopping mall developments in our real estate fund so when we brought those kinds of conversations to Food Lover’s, it transitioned the conversation from just talking about it to really understanding the ups and downs because it's not easy in Africa.”

The transaction is Actis’ fourth in the last 18 months and the PE giant is clearly confident of the South African and sub-Saharan African story at a time when there's an awful lot of doom and gloom around the place.

Cook laughs a little and references the last two months in South Africa following the surprise sacking of the former Finance Minister Nhlahla Nene.

“We remain very confident. We are medium to long-term investors, clearly the challenging macro environment we've got at the moment makes it more difficult to assess investment opportunities, but what hasn’t gone away is the overall consumer growth story in sub-Saharan Africa on a long-term basis. We can afford to ride out short-term ups and downs. But I think what we're seeing in the recent South African investments is a common theme of an underpin of value, whether its Tekkie Town, or Coricraft, or Food Lover’s. There is real strong proposition which we test through commercial due diligence of offering value. That's the combination of quality and price. During tough times consumers, whether you’re at the top of the LSM category or right at the bottom, are increasingly looking for value. It might be very high quality but you want to pay a reasonable price.”

And it’s that philosophy that is reflected throughout the Food Lover’s deal.

Ethos – Nampak transactions

Sometimes thinking about the box is thinking outside the box

It was no April fool’s joke as Ethos lifted the lid on the strategic acquisitions of the Tissue and Corrugate divisions from Nampak.

The divisions have become autonomous entities under Ethos’ control, reflecting separate, new leadership and operating structures. And both businesses have been rebranded to reflect the new vision as Neopak (corrugate) and TwinCare (tissue).

Critically, Ethos has also announced a number of strategic appointments at Neopak and TwinCare; the first time that the firm has actively introduced new management as part of an acquisition since 2006.

Early last year, Ethos identified Nampak’s corrugate division as a business requiring lift.

“The business was two-dimensional,” recalls Richard Fienberg, Ethos’ Value-Add Partner. “While robust and reputable, it lacked vitality and purpose.”

Due diligence confirmed significant opportunities to stimulate innovation and inject fresh thinking into customer orientation and manufacturing excellence.

“However, key to realising our strategic ambition was the introduction of executive leadership,” recalls Fienberg. “We sought expansive thinkers and found Kevin Clayton and Brian Jacobs to shape and implement the operational strategy. Our approach shifted from thinking about the box to believing we could animate it.”

Shaun Zagnoev

Together, the management team and Ethos share a vision of a revitalised, innovative packaging company.

Fienberg believes the growth agenda will lift Neopak to new heights and thinking differently about the ordinary pushes boundaries.

“Institutionalising innovation drives long-term success. That’s why we encourage our teams and management to think detail and dream big,” he says.

Spotting potential is one thing. Believing in potential is quite another. Last year, Ethos also identified latent opportunity within Nampak’s Tissue division. Following a comprehensive due diligence process, they saw something that others didn’t.

“We saw loyalty,” says Fienberg. “Employee loyalty and – critically - customer loyalty to the iconic South African Twinsaver brand. Loyalty can’t be bought, which is why we sought to invest behind it.”

Hence, Ethos pursued an acquisition based on the conviction that it could amplify past successes by injecting new leadership capacity, strategy and resources.

“Vitally, we also envisaged a new strategic direction: the shift from a packaging, manufacturing-led company to a consumer-led, FMCG brand powerhouse,” says Fienberg. “Our belief in this vision was so compelling that we were able to attract and appoint seasoned executives Garth Towell, Joanne Gould and Dion de Graaff to lead this revitalisation, alongside Ethos' established value-add team."

As Ethos partner, Shaun Zagnoev summarised: "Today we are buying machines and products. Tomorrow we are investing in people and brands. Our sights are firmly set on converting TwinCare's potential into reality."

"Ethos identified both investment opportunities in 2014 and actively pursued them given our confidence in the business fundamentals," says Zagnoev. "Drawing on the expertise of our value-add team, led by [Ethos partner] Richard [Fienberg], we believe we can bring something new to each business - something exciting - and catalyse meaningful growth."

Incoming TwinCare CEO, Garth Towell, agreed. "TwinCare is about to commence an exciting journey of reinvigoration. Twinsaver is a legendary South African brand and forms the bedrock of the business. Together with Joanne, Dion and the broader team, we believe we can rapidly migrate TwinCare into a leading FMCG business. Ethos' capital, strategic ambition and operational expertise will come to bear. Together, we intend to grow the brand, improve our customer experience and ultimately expand the product range."

Old Mutual Private Equity – MoreCorp

Mastering the art of ruining a good walk is all part of the cycle

The team over at Old Mutual Private Equity is now making waves with their proprietary deal-making ability flowing from Fund V, after taking the last decade to really get their eyes in.

Talking to Jacci Myburgh, Head of Old Mutual Private Equity, and Chumani Kula (CK to his teammates), Investment Principal at Old Mutual Private Equity, one gets the sense that the Big Green private equity machine is having fun while making money.

When news broke in December that they had closed the MoreCorp deal – best known as the owner of The Pro Shop, World of Golf, Playmoregolf and Cycle Lab – the market could sense that something big was brewing out of Fund V in the mid-market space.

It had been an evolution of sorts according to Myburgh.

"We've been under the radar for a long time, and so not that well understood because we've not really raised third party money in any big way, so we haven't needed to be above the parapet,"

Jacci Myburgh

explains Mybrugh. "But of our R10bn under management, the majority of that, roughly R7bn, is actually direct investment and then only around 25% is the fund-of-funds business. So we are actually much more a direct business, and around 90 to 95% of our time is spent on our direct investments."

OMPE Fund I began in 2003/4. A R2bn fund that returned a 40% IRR, including investments like Pepkor, Life Healthcare, Savcio and Foodcorp.

"Fund II was a 2006-8 vintage, a R3bn fund which is still in exit process," says Myburgh. "We expect a real IRR of 10%, which for that vintage isn't that bad and includes companies such as Consol, Idwala, Tourvest, Actom, Shanduka."

"Fund III we mainly invested in Libstar which OMPE sold with a roughly 40% IRR. Then we decided to move to a proper GP/LP structure," says Myburgh. "This was the start of Fund V, and that was two years ago. It's a R4bn fund and the largest investor is Old Mutual but there are some third party investors as well."

The investments in Fund V are Primedia, TiAuto, Tiswalo, 10X, MoreCorp is the fifth and the sixth is iIn2Food, announced in January 2016.

"The top six guys in our team have now been together for 9 or 10 years. We started off relatively inexperienced ten years ago and now clearly there's a lot more experience and comfort to lead transactions. We've moved from passive co-investment ten years ago to more active co-investment partners maybe five six years ago, to being quite comfortable to lead our own transactions at this point."

Chumani Kula

And that's when MoreCorp came onto the radar screens.

In 1976, the founder of MoreCorp, Rhys Hughs, started The Pro Shop business, which he has built along with his partner Daryl Edges, into the largest retail player in the golf sector, with its large format speciality golf stores selling all major golf brands. It has used its retail stores to support and build other golf-related businesses such as themed golf practice ranges and online golf booking platforms. More recently, it has transported this model to include cycling, which it identified as a fast-growing sport in the high LSM sector. In 2013, MoreCorp acquired Cycle Lab, South Africa's largest cycling retail chain, which it has combined with other cycling-related businesses such as cycle parks, cycling clubs and cycling training programmes.

"The opportunity to buy MoreCorp arose when Rhys decided to sell his share in the company allowing us to also buy out the group's other significant shareholders," says Kula. "We saw MoreCorp as an entrepreneurial, cash generative business with a great management team, a strong market position in its niche and attractive growth prospects."

The deal was roughly R300m, for the 70% stake and for growth capital to help Edges pursue his Cyclelab strategy.

"The deal happened in two phases actually," says Kula. "We had a go at it in June 2014 over six months and that didn't work out for a variety of reasons and we were lucky enough to have another crack at it last year and then we closed the deal in December [2015]."

As a team Kula explains that OMPE has spent a lot of time deciding on where to focus their energy, and with MoreCorp there were a couple of themes that they played into.

"There's the high-end, upper LSM element to it which we think is going to be more resilient. We also think that people are inclined to pursue health and wellness today. Third, we think that the black executive community, as they migrate to the higher LSM category, will take up golf, which is what our research has shown. And the fourth theme for us, if you look at the private equity market at the upper end of cheque size, the pricing there has been challenging so we're finding the mid-market space to be more palatable and your ability to execute on a proprietary deal is that much more accessible too."

Myburgh adds that they positioned Fund V in such a way that OMPE is still able to play in the big buyout space but it also makes the mid-market more accessible.

The second element that really excites Myburgh and Kula is the cycling element, not only because the sport's popularity is on the rise in the country but because MoreCorp is going to have a crack at the mega store format in Cyclelab, where other big box type retailers have been quite successful in the South African market, and roll it out across the country. The capital injection is placed firmly behind that strategy.

There is a group called Stadler out of Germany that have made a huge success of this sort of strategy in cycling. But the format is far from ubiquitous globally, as most cycling stores are run by ex pro cyclists. However, the team at OMPE believe that Daryl and Rhys's tack record with the Pro Shop will stand them in exemplary stead when it comes to tackling this new format store in cycling.

"By the time we made the investment, they had been operating their first store in Fourways, which is a 2 500 m² store, for about a year," says Myburgh, "and the success was phenomenal where they had taken significant market share in a very short space of time. We've done a lot of work on the size of the market in other metropoles in South Africa and then we needed to take a bet on their ability to take significant market share and with their buying power, that ability to drive the margin."

"They've been going at it now for two-and-a-half years, with two megastores, one in Pretoria and one in Boksburg, and they've obviously got the one in Fourways," adds Kula.

Quizzed about the future and exit plans, both men play their cards close to their chest by keeping all doors open; from IPO to trade buyers and financial buyers depending on how big the business is by that stage.

"We've got a lot of exciting plans for this business, part of our investment thesis is that we want to build scale in this business, we want to access other sporting codes and grow the sport, wellness and leisure theme. We think this investment might be longer than normal but the business will always tell you when the right time to exit is."

Myburgh is quick to stress that Hughs is not exiting the business, he's staying on board, and is still employed by the MoreCorp.

"He was just at a stage [close to retirement] that he wanted to exit his stake," explains Myburgh, "and what Daryl was looking for was a partner who could buy out his former partners to make capital available to have a go at the Cyclelab strategy. Larry Nestadt of Global Capital will stay on the board as Chairman as well."

With that kind of commitment from former founders and lifetime shareholders, the MoreCorp deal looks set to make OMPE's Fund V one of the better vintages. As the team have so ably demonstrated, sometimes like fine wine, exceptional private equity deal-making ability improves with the passage of time. ◆

The Africa rising narrative has stalled somewhat on the Chinese rebalancing story. As commodities plunge to their lowest level in decades and oil dependent nations struggle to balance the fiscal books, some commentators have questioned whether investors were jumping the gun on their African investment safaris.

Africa's infrastructure revolution

However, infrastructure is the one sector standing firm in the commodities induced storm, firmly rooted to the African agenda. Despite declining government revenues, those at the sharp edge of infrastructure investment reckon creative solutions will be found to fund Africa's multibillion dollar shortfall over the next decade.

Old Mutual Alternative Investments' (OMAI) November buyout of the 50% of African Infrastructure Investment Managers (AIIM) that it does not already own is further evidence of this optimism about the future of infrastructure investment on the continent.

Paul Boynton, CEO of OMAI, says that the transaction allows Old Mutual to secure a business with strategically significant growth opportunities. "The global alternative investment industry is estimated to be worth around $13tn by 2020, and is predicted to be the fastest growing segment of the asset management industry globally over the next 10 years. In addition, the African market is becoming increasingly attractive to global investors and as an established pan-African asset manager, AIIM is ideally positioned to capitalise on this key growth sector," he explains.

"AIIM was a JV set up in 2000 between ourselves and Macquarie, who had some significant experience in infrastructure globally. We got together and purchased from Standard Bank management rights for a fund that Standard Bank had established called the South African Infrastructure Fund," recalls Boynton. "We called the JV AIIM and the first fund that we had under management was this fund, which had had a few difficulties under Standard Bank's management. I think Standard Bank did the honorable and correct thing by saying look let's try and get in some guys who can make a better cut at this."

Paul Boynton

Macquarie is now a global powerhouse in infrastructure investment, the largest infrastructure manager on the planet. "When Macquarie did this transaction with us it was their first foreign JV so we've always had warm place in their hearts as result," says Boynton.

Looking back over the last fifteen years, AIIM has become a major player in the road toll concession arena and cellular towers, which has provided ample learning, according to Boynton. "I think attention to detail is critical. And also trying to leverage the experience that you've gained. So for instance, in the toll road sector, we were an early investor in the toll road space and we went on to make multiple different investments into that area driven off the experience we gained from the first one or two transactions we executed."

One of the perennial challenges facing Africa's infrastructure requirements is in the actual project scope and concession, something Boynton points to as the key to unlocking private sector capital.

Akinwumi Ayodeji Adesina

"The other learning I would put out there is that from governments point of view – because often on the other side of an infrastructure investment there's a concession made by government – is that if governments plan and put out a well-structured investment programme then they attract capital, they attract guys who will concentrate on the opportunity with resources and effort to be able to bid on the concession. And if there is ready or continuous stable pipeline of opportunity then you build a strong investor community around the space and I think that's important," explains Boytnon.

The renewable energy independent power producer programmme (or REIPP) is a model of how government and the private sector can and should work together to clear bottlenecks to growth in South Africa. According to data from SANEDI it has attracted R192,6bn investment of which 28% is foreign investment – equal to 85% of the country's total FDI in 2014.

"The Government has done a considerable job in the renewable energy space here recently with that specific approach," says Boytnon. "It keeps pricing very tight. Tariffs have been driven down enormously to the benefit of the consumer and ultimately the taxpayer. That's how we as a country and a continent can think about getting infrastructure built, because there's an enormous amount that we need to put into infrastructure over the next decade. We need to be consistent about what we're trying to attract private sector capital into and have a programme that is predictable and consistent over time."

At the recent World Economic Forum meeting in Davos, African heads of state and various development finance institutions were unanimous in their call for investment into power infrastructure in particular.

"More than a century after Edison invented the light bulb, half of Africa is still in the dark," said Akinwumi Ayodeji Adesina, President of the African Development Bank (AfDB), Abidjan. "We talk about the Fourth Industrial Revolution, but it all starts with the need for electricity, which is like blood in the system. If we don't have it, we can't live."

With 645 million Africans deprived of electricity, schools, hospitals and homes suffer. Some 600 000 women die each year from inhaling the smoke of cooking with wood or dung. To secure universal access by 2025, African heads of state have launched a new deal on energy, focused on power, potential and partnership.

"Africa has an infrastructure investment requirement of R100bn per year over the next decade," explains Boynton. "Of that amount approximately 40% needs to go into power generation, so that is the biggest opportunity and that is where we are focusing. If you look at a country like Nigeria over the next eight years they need to install 16 000MW and given their current installed capacity is only around 500MW, it's an enormous jump."

"The second major deficit in Africa is transport infrastructure. It costs three to four times as much to get goods to port in Africa as it does in Europe - so rail, road and port logistics, there is just a heap of investment that needs to go into that space as well."

Overall the AIIM deal underlines Old Mutual Investment Group's African strategy, which focuses on expanding its presence in Africa where infrastructure plays a crucial role. "This acquisition facilitates the leveraging of AIIM's resources and infrastructure across the broader Old Mutual Group, while also broadening Old Mutual's geographic footprint, most notably in Africa, and introducing new client opportunities for the enhancement of cross-selling and distribution opportunities," says Boynton.

> : "... if governments plan and put out a well-structured investment programme then they attract capital, they attract guys who will concentrate on the opportunity with resources and effort to be able to bid on the concession..."

All the talk at this year's World Economic Forum meeting in Davos has been of the fourth industrial revolution.

The only thing that worries Africa's political and economic leaders about disruptive revolutions in industry, energy, trade and education is that they won't be fast or big enough to keep up with growing demand for them. Ultimately though, revolutions are public-sector-enabled, but private-sector-led.

“Reports of my death have been greatly exaggerated,” Mark Twain is alleged to have said on hearing reports of his demise.

Private equity is dead, long live private equity

John Bellew

Mark Twain is an unlikely source of quotations for private equity, but if the traditional model of private equity could speak, these may well be words it would utter, if not more in hope than in expectation.

The traditional model of private equity, reduced to its elegant essence, embodies the following basic economic features:

- The fund is typically formed as a limited partnership, or equivalent. Sometimes companies or trusts are also used, but the limited partnership is the well understood and much-loved vehicle of choice, as it marries the two essential elements that investors demand – tax transparency and limited liability. Tax transparency is important because key investors in private equity are tax exempt (think pension funds and development finance institutions). The need for limited liability speaks for itself;
- The fund has a typical life of 10 years, with provision made for two one year extensions. Investors commit capital to the fund for a “Commitment Period” of five years. The remainder of the life of the fund allows for investments to be harvested;
- The fund manager charges a management fee of 2% per annum. During the Commitment Period, the fee is based on capital commitments and thereafter on unreturned invested capital;
- Once all monies drawn down from investors have been returned to them, together with a hurdle, the manager or its affiliates participate disproportionately in the distributions made by the fund, typically to a maximum of 20%.

Within the African private equity context there have been murmurings for some years about whether the traditional model is appropriate for Africa. The main causes underlying the murmurings seem to be the following:

- the fund-raising environment worldwide has been difficult for some years. Fund-raising is hard work. Even the most successful managers are unlikely to raise a fund within 18 months, and in some cases this has extended for up to three years. The protracted process of raising new funds results in team resources that would otherwise be deployed in investment activities being diverted to fund-raising, to the potential detriment of investors. Some funds solve this problem by employing dedicated investor relation teams, but this is expensive and beyond the reach of many African funds;
- there is a view that in the African context a 10 year fund (which implies a holding period of investments of between three and seven years) is too short. Many of the deals being done in the African market are quite small. Considerable effort needs to be expended in growing those businesses and in making them better corporate citizens. Often this requires recruitment of stronger management teams and a focus on improved governance. To create businesses of size managers will also often buy a number of businesses in complementary industries, and aggregate them in a platform. All these initiatives take time to take root and grow, and forcing sales within the typical fund lifespan could result in premature disposals, to the prejudice of investors;
- managers who have assembled strong portfolios are reluctant to sell them (especially prematurely) where quality assets to replace those sold are perceived to be scarce or expensive.

Bellew

In light of the above concerns there is renewed interest in permanent capital vehicles. These are considered to reduce the fund-raising burden, but come with the drawback of having to offer investors liquidity – whilst some investors like the long term nature of the vehicles others still want to know that their capital is not tied up indefinitely. This means that permanent capital vehicles that start out as unlisted will expressly contemplate a listing at some point, to allow both fresh capital to be raised and existing investors a liquidity event. Most will also offer investors the right to require an exit through a sale of fund assets if a listing has not occurred or if no other buyer can be found (there is a growing market for secondary fund stakes, but it is not yet as well developed as it might be).

We are also starting to see a move towards upfront listings. During 2015 we saw the first listings on the JSE of the new SPACS (special purpose acquisition companies). The SPAC rules allow the listing of a company with no commercial or business operations but with a clear investment policy. Cash raised by the listing must be placed in escrow and must be deployed in whole or in part to acquire qualifying assets within 24 months of the listing.

SPACs are an exciting development as they enable capital to be raised expeditiously. They also open up the possibility of private equity investment to the man in the street. However, care must be taken to ensure that the SPAC can meet the tax transparency requirements demanded by so many private equity investors if the maximum benefit is to be obtained.

In conclusion, although there will always be a market for the traditional fund, fund formation practitioners will need to be able to offer a much wider range of solutions than has been the case to date. There is room to be creative to accommodate the needs of investors and general partners. ◆

Bellew is Head of Private Equity at Bowman Gilfillan

A newly launched venture capital fund, Grotech, is looking to ride some unicorns to the (profitable) aid of corporate South Africa's disruptive technology problem.

Unicorns in the land of the big five

Craig McLeod, a tech veteran who has founded a number of high impact startup companies, is CEO. Clive Butkow, former COO of Accenture South Africa, serves on the board and as chief investment officer. Clive also held the position of managing director of Accenture's technology business for many years prior to taking on the COO role. Private equity veteran Malcolm Segal and seasoned business executive Fatima Habib will serve on the board, with Segal as chairman. They are committing R7m of their own funds and will be actively involved post investment to reduce risk.

"Our strategy is to build a portfolio of innovative digital companies that provide technology based solutions with innovative business models to existing and emerging institutions and their clients," says Butkow. "It started out many years ago when the government realized that we needed to create another source of capital, funded by the government, to invest in start-up and early stage businesses. Grovest was the first VCC that was started in South Africa roughly three years ago and now at the last count there's about 20 – I don't think they're all operational – but we are launching a new disruptive technology fund called Grotech under the same terms of s12J."

So how does s12J tax relief work?

Let's assume that you have a taxable income of R100 000. Instead of paying R41 000 to SARS, you pay the R100 000 to Grotech and you pay nothing to SARS.

"So you have risk-adjusted capital of 41% going into a venture capital company where we're looking at a potential IRR of 30% or five times money over the five to six years," explains Butkow.

A Grotech investor is eligible for a 41% tax break (for an individual tax payer at maximum marginal rate) at the time of investment. If the investment in Grotech is held for a minimum of 5 years, there is no recoupment of the tax benefit when the investment is realised.

Clive Butkow

"So you have risk-adjusted capital of 41% going into a venture capital company where we're looking at a potential IRR of 30% or five times money over the five to six years" - Butkow

That's bullish vision for an economy currently in the doldrums, but Butkow is confident for a few reasons.

According to the latest South African Venture Capital Association (SAVCA) survey, the South African venture capital (VC) industry is experiencing significant growth with an encouraging rise in the number of new fund managers, an increase in deal flow and in profitable exits.

"VCC is a risky asset class," admits Butkow. "If I use a baseball metaphor we use the two-six-two principle: Two strikeouts, six you'll make your money back and two you'll hit the lights out. And that's we're hoping to do. We're comfortable with the team that we've assembled and the deal flow that we're seeing at the moment, we're seeing some exceptional dealflow in South Africa. I hear from my time in Silicon Valley and other parts of the world that there's no disruption happening in South Africa and I think that's incorrect. Where the challenge is, is in the lack of capital and lack of mentorship capital to help these businesses really grow and scale and exit at sizeable number."

Butkow also sees a role for smaller providers of innovative technology-driven disruptive solutions selling their solutions to big businesses that have taken the strategic decision to outsource the innovation function.

"From my 28 years at Accenture I used to walk into businesses and say how can we make you world-class? This is good, but how can we make you great? These organisations had what I call 'dead leaders walking' where the leaders didn't see how the technology toolbox was disrupting their organization and they would not take that leap of faith and disrupt it themselves," says Butkow. "What we're seeing now is with the younger leadership out there in the insurance industry, wellness industry, obviously fintech, media and entertainment we're seeing this disintermediation happening all over the place."

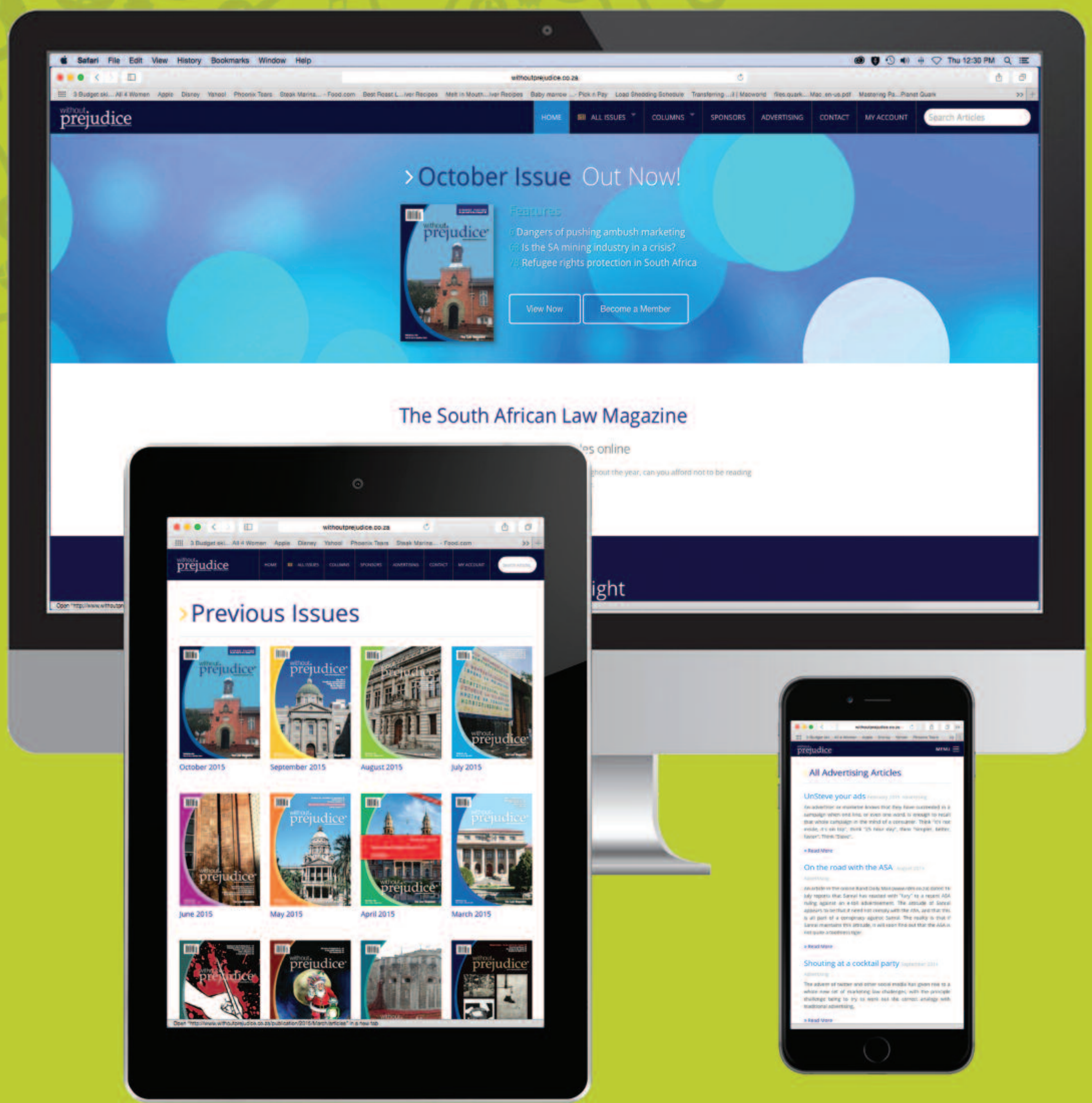
Butkow explains, "Why we've actually launched the fund now is that the leadership now realise that they're not good at innovation and they rather have to buy in innovation than try and disrupt themselves and we see corporates looking to buy in this innovation rather than develop internally hence our bullishness on our IRR."

Grotech intends to raise between R50 to R100m with the option to increase to R200m. There is a R200 000 minimum investment and maximum of R10m.

Grotech will invest in, build and exit a portfolio of disruptive technology companies, commonly referred to in Silicon Valley as Unicorns. It will invest minority stakes in established high-growth companies using stringent investment criteria including strong management teams, highly competitive positioning, scaleable business models with revenues and high growth potential.

Riding these Unicorns has become a little uncomfortable for many investors in Silicon Valley over the last few months, as an article in the *New York Times* (20 January 2016) highlights. The steep decline in global markets is almost certain to force a number of unicorns to raise money to support growth at valuations far under their earlier levels. These later, lower-valuation capital raises are known on Wall Street as "down rounds" and often open up a difficult-to-resolve can of worms for unicorn founders, angel investors and common shareholders.

But here in South Africa, Butkow and his team are confident that the demand for technology solutions, incubated by start-ups and exited to blue chips, hungry for ways to insulate themselves against the coming disruptive wave, will provide



October Issue Out Now!
Dangers of pushing ambush marketing
Is the SA mining industry in a crisis?
Refugee rights protection in South Africa
View Now
Become a Member
The South African Law Magazine
Previous Issues
October 2015
September 2015
August 2015
July 2015
June 2015
May 2015
April 2015
March 2015
All Advertising Articles
On the road with the ASA
Shooting at a cocktail party

Local and International news

National news

The Carlyle Group has promoted Bruce Steen to Principal/Director of sub-Saharan Africa Fund, based in Johannesburg, and Stephen Guillette to Partner, Emerging Markets, based in New York.

The Carlyle Africa team engages in buyouts and strategic minority investments in partnership with experienced management teams throughout sub-Saharan Africa.

Steen is advising on Pan-African buyout opportunities. Prior to joining Carlyle, Steen was a Senior Associate at 31 and worked in their UK private equity team. Steen received a Bachelor of Business in Science from the University of Cape Town and is a CFA charter holder.

Guillette joined Emerging Sovereign Group (ESG) in 2009, in which The Carlyle Group is a shareholder. Prior to joining ESG, Guillette spent three years with the Merrill Lynch Capital Introductions team, where he worked closely with a multi-billion dollar hedge fund client base and institutional investors.

Prior to Merrill, he was a sales associate for HBV Alternative Strategies, an event driven and distressed fund. He began his career with Goldman, Sachs & Co., as a financial analyst in the Equities Soft-Dollar & Directed Brokerage group, and also spent two years distributing sell-side research for TheMarkets.com.

Guillette received a BA from Hamilton College in 2001 with a major in East Asian Studies and a minor in Mandarin Chinese. ◆

International

Afkinsider.com reports that African private equity funds raised a record $3.89 billion in 2015, a 51% jump from the $2.57bn they accumulated in 2014, according to data collected by Private Equity International.

This is a culmination of a success story that has characterised Africa's fundraising scene, from funds targeting the continent to startups — mostly in tech, as global investor discover the allure of the region's business opportunities.

Encouraged by political stability in a number of African countries, and a revolutionary win by an opposition presidential candidate in Nigeria, the continent's largest economy, investors poured capital into funds that operate in the region.

Henry Kravis called it private equity's golden age. From 2005 to 2007, buyout firms paid fat prices to buy about 20 supersized companies, from Hilton Worldwide Holdings Inc. to Hertz Global Holdings Inc.

Now, a decade later, the results of that debt-fuelled spree can be tabulated -- and it's hardly golden. The mega-deals produced mostly mediocre returns, falling well short of the profits that leveraged buyout shops typically seek, according to separate compilations by ***Bloomberg*** and asset manager Hamilton Lane Advisors. In more than half the deals - each valued at more than $10bn - the firms would have been better off if they had put their investors' money into a stock index fund.

Ventureburn reports that Tech startups in Africa raised an estimated total of over $185m in 2015, in a recent report titled African Tech Startups Funding Report 2015, by startup news site Disrupt Africa. This polled hundreds of startups, investors, hubs and other ecosystem players over the course of two months.

It found that 125 tech startups secured a total of $185 785 500 during the course of 2015. To little surprise, South Africa, Nigeria, and Kenya made up the bulk of the overall figure.

In South Africa, 45 startups raised funding, 36% of the overall total. An estimated 24% of deal value was recorded in Nigeria, while Kenya made up 14.4%. Other investor hotspots include Egypt, Ghana, and Tanzania. ◆

2015 Private Equity-Backed Buyout Deals and Exits

5th January 2016

Fig. 1: Annual Number and Aggregate Value of Private Equity-Backed Buyout Deals Globally, 2006 - 2015

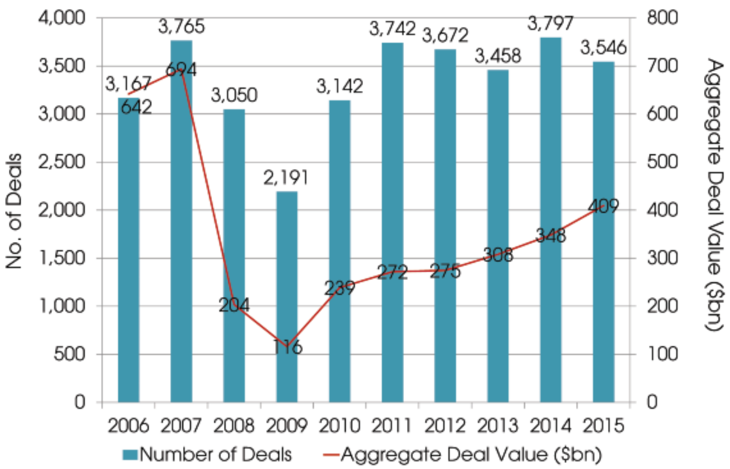


Fig. 2: Aggregate Value of Private Equity-Backed Buyout Deals by Region ($bn), 2006 - 2015

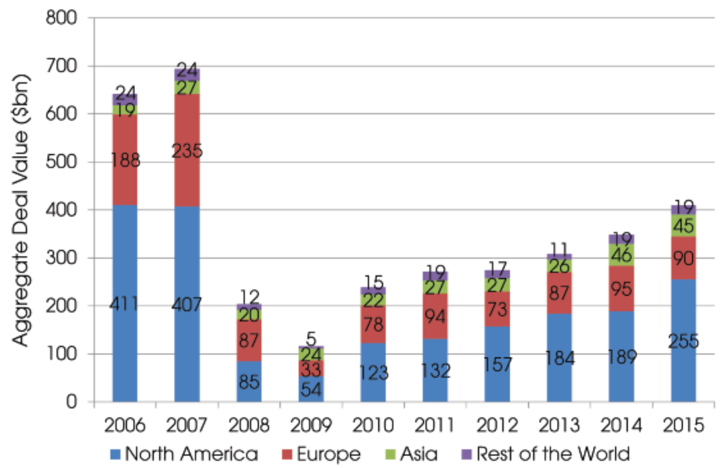


Fig. 3: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals in 2015 by Type

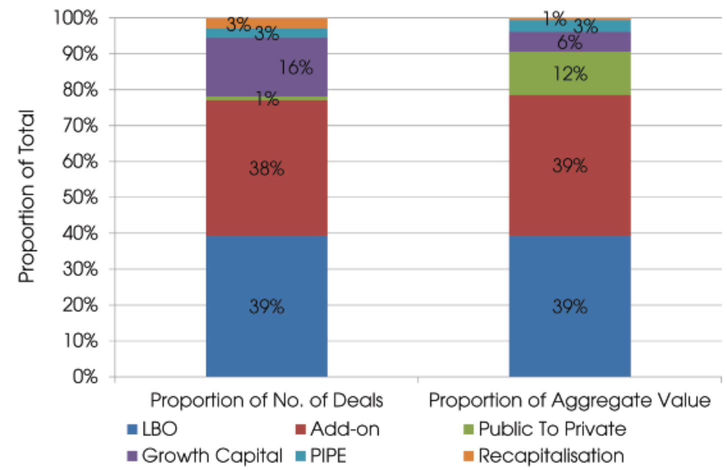


Fig. 4: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals in 2015 by Value Band

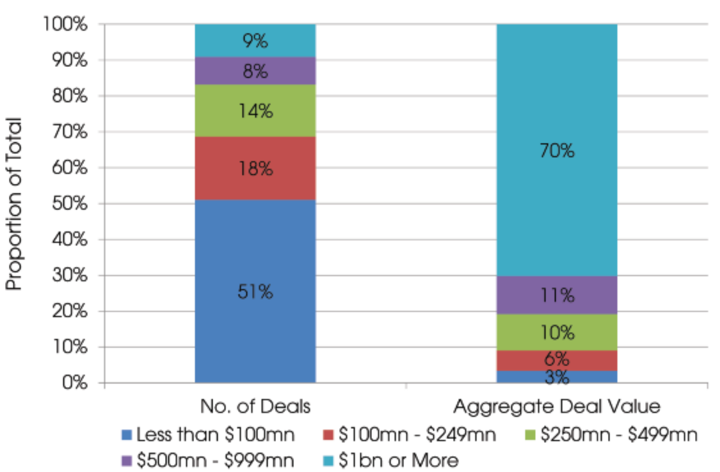
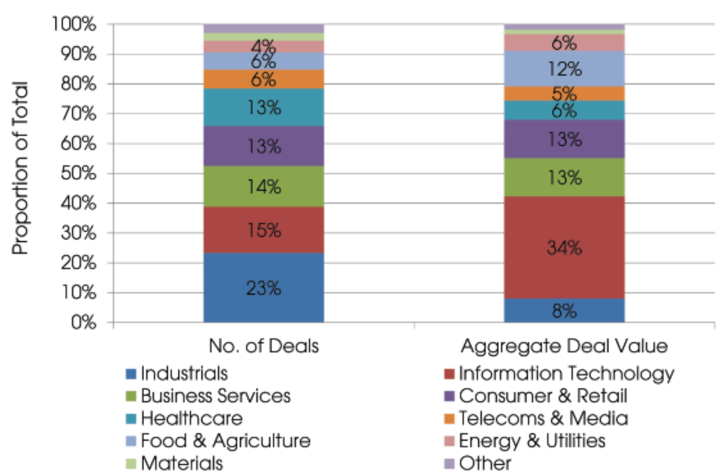


Fig. 5: Breakdown of Number and Aggregate Value of Private Equity-Backed Buyout Deals in 2015 by Industry



Key Facts

72% Proportion of aggregate private equity-backed buyout deal value represented by deals worth $1bn+

33% Increase in private equity-backed buyout deal value in North America from 2014 to 2015.

$67bn Value of biggest deal in 2015 - Merger of EMC and Dell.

PRIVATE EQUITY DEALS Q1 – Q4 2015 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Old Mutual plc from The Abraaj Group, AfricInvest and Swedfund	a further 37,3% stake in UAP Holdings	Standard Bank; Merrill Lynch; Nedbank CIB; Cliffe Dekker Hofmeyr; Webber Wentzel; Coulson Harney	$155,5m	Jan 26
Acquisition by	One Thousand & One Voices	stake in RedSun Dried Nuts & Fruit		R70m	Feb 2
Acquisition by	Nedbank Capital Private Equity	effective 32.9% stake in GloCell	Nedbank CIB	undisclosed	Feb 11
Joint Venture	Actis and Mainstream Renewable Power	Lekela Power	Webber Wentzel	$220m	Feb 17
Disposal by	Nampak to Ethos Private Equity	Corrugated and Tissue divisions and Recycling business	UBS; Webber Wentzel	R1,6bn	Mar 25
Disposal by	Pioneer Foods to Libstar	shares in Maitland Vinegar	Cliffe Dekker Hofmeyr; Webber Wentzel	not publicly disclosed	not announced Q1
Acquisition by	AgriGroupe	85% stake in Clean Energy Africa Investments	vdma; Cliffe Dekker Hofmeyr	R310m	not announced Q1
Acquisition by	Spirit Capital, MIC Capital Partners and management	Multiknit	Werksmans; ENSafrica	not publicly disclosed	not announced Q1
Disposal by	Vantage Capital and the Netherlands Development Finance Company	stake in Safripol	Werksmans	not publicly disclosed	Apr 8
Acquisition by	Grovest	stake in SMEasy		undisclosed	Jun 5
Acquisition by	Bounty Brands from vendors including Spirit Capital (50% stake)	Annique Health and Beauty	Werksmans; Cliffe Dekker Hofmeyr	undisclosed	Jun 17
Acquisition by	Bidvest from Ethos Private Equity	Plumblink	Standard Bank; Rand Merchant Bank; Webber Wentzel; Werksmans	not publicly disclosed	Jun 18
Acquisition by	One Thousand & One Voices	minority stake in Beefmaster		undisclosed	Jun 26
Acquisition by	Investec Asset Management	stake in IDM Group	Bowman Gilfillan	undisclosed	not announced Q2
Acquisition by	Acorn Agri	additional stake in BKB - total stake now 14%	undisclosed	not announced Q2	
Acquisition by	Leaf Capital Private Equity	Strategic stake in VHF Holdings (Vital Health Foods)	Leaf Capital	undisclosed	not announced Q2
Acquisition by	Silvertree Capital	stake in Faithful to Nature	U-Start; Werksmans	R10m	Jul 8
Disposal by	Minemakers to Spearhead Capital	remaining legacy assets in South Africa		R10,86m	Jul 16
Acquisition by	Investec Asset Management	minority stake in wiGroup	Bowman Gilfillan	undisclosed	Aug 17
Acquisition by	Actis, Westbrooke and management	stake in Coricraft Group	Rand Merchant Bank; ENSafrica; Cliffe Dekker Hofmeyr; Webber Wentzel	undisclosed	Sep 1
Acquisition by	Capitalworks	majority stake in Robertson & Caine	Cliffe Dekker Hofmeyr; Werksmans; Webber Wentzel	$25m	Sep 2
Acquisition by	Marlow Capital	Just Batteries		undisclosed	Sep 14
Acquisition by	Mondi and Mondi plc from Schloss Neugattersleben	Ascania nonwoven Germany	UBS	€54m	Sep 18
Acquisition by	Paean Capital	Stake in Ralo Cosmetics	Xigo	undisclosed	not announced Q3
Acquisition by	Acorn Agri from Acorn general Fund One	37% stake in Grassroots		undisclosed	not announced Q3
Acquisition by	Private Equity Partners from Herbert Martin Teubner	Sinetech	Werksmans	not publicly disclosed	not announced Q3
Acquisition by	Investec Principal Investments	minority stake in Vumatel	Cliffe Dekker Hofmeyr	undisclosed	Oct 14
Acquisition by	Adapt IT from Ethos, Kapela Investments, A Cohen, La Luna Trust and R Hampton	CQS Investments	Java Capital; Merchantec Capital; Norton Rose Fulbright; Garlicke and Bousfield; Java Capital; Bowman Gilfillan	R216,8m	Oct 19
Acquisition by	Old Mutual Alternative Investments from Macquarie	50% of Africa Infrastructure Investment Managers	Cliffe Dekker Hofmeyr; Webber Wentzel	undisclosed	Nov 9
Acquisition by	Hyprop Investments from Actis, RMB Wesport and Paragon	75% stake in Ikeya City Mall, Lagos		undisclosed	Nov 17
Acquisition by	Attacq from Actis, RMB Wesport and Paragon	25% stake in Ikeya City Mall, Lagos		undisclosed	Nov 17
Disposal by	Investec to management and group of investors	55% stake in Investec Principal Investments (unbundled into new vehicle Investec Equity Partners)	Investec Bank; Cliffe Dekker Hofmeyr	R7,6bn	Nov 26
Acquisition by	Old Mutual Private Equity	70.62% stake in MoreCorp	Cliffe Dekker Hofmeyr; Webber Wentzel	not publicly disclosed	Dec 2
Acquisition by	Actis	substantial minority stake in Food Lovers Market	Webber Wentzel	R760m	Dec 4
Disposal by	Ethos (via a bookbuild)	approx imately 43,8m Transaction Capital ordinary shares	Rand Merchant Bank; Webber Wentzel	R490m	Dec 8

PRIVATE EQUITY DEALS Q1 – Q4 2015 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Africa	Acquisition by	Norfund of a 30% stake in Globeleq Africa from Actis. CDC will transfer it's 70% stake and Norfund, it's 30% stake into a joint venture company.	Goldman Sachs; DLA Piper	$227m	Feb 3
Africa	Joint Venture	Actis and Mainstream Renewable Power : Lekela Power	Webber Wentzel	$220m	Feb 17
Africa	Issue	Eaton Towers : new equity resources from existing shareholders and a new consortium led by Ethos (comprising Ethos, Hamilton Lane and HarbourVest) and Standard Chartered Private Equity	Webber Wentzel	$350m	Apr 30
Africa	Disposal by	The Carlyle Group of its stake in Export Trading Group to the compnay founders		undisclosed	Jul 27
Africa	Investment by	Investec Asset Management of an additional equity investment in IHS Towers		undisclosed	Jul 31
Africa	Disposal by	AfricInvest, FMO, FinnFund, Bank of Africa Group and Gras Savoye of a 59.34% stake in Alios Finance S.A. To TLG Finance		undisclosed	Sep 21
Africa	Disposal by	Emerging Capital Partners and its investment partners of C-Re (which holds a 53.6% stake in Continental Reinsurance) to Saham Finances	LiquidAfrica; Stanbic IBTC Capital	undisclosed	Sep 22
Africa	Investment by	AfricInvest in Salvador Caetano Auto Africa		undisclosed	Dec 1
West Africa	Acquisition by	CDC of a stake in Miro Forestry (Ghana and Sierra Leone)		$15m	Mar 30
Benin	Disposal by	Cauris Croissance to Les Eaux Minerales d'Oulmes of its stake in ETE		undisclosed	Aug 24
Cote d'Ivoire	Acquisition by	Amethis Finance and the National Bank of Canada of a 26.24% equity stake in NSIA Participations from ECP Africa III PCC		undisclosed	Mar 26
Cote d'Ivoire	Acquisition by	Investisseaurs & Partenairs (I&P) of a minority stake in Enval Laboratoire		undisclosed	Sep 25
Cote d'Ivoire	Acquisition by	Amethis of a minority stake in HMAO Group		undisclosed	Nov 19
DRC	Investment by	XSML in Ets Lejack		undisclosed	Jun 13
Egypt	Disposal by	Orascom Telecom Media and Technology to Orange of its entire stake in the Egyptian Comapny for Mobile Servies (ECMS)		undisclosed	Feb 23
Egypt	Disposal by	The Abraaj Group of its stake in ECCO Outsourcing to Saham Services		undisclosed	Mar 10
Egypt	Acquisition by	FEP Egypt Direct Investment and Asset Management of a 67% interest in White House Securities		undisclosed	Mar 10
Egypt	Acquisition by	Valeant Pharmaceuticals International of Mercury (Caman), the holding company of Amoun Pharmaceuticals from Citi Venture Capital, Capital International and Concord International	Baker & McKenzie	$800m	Jul 17
Egypt	Partnership	The Abraaj Group and Tiba Group : Education Management Company		undisclosed	Sep 30
Egypt	Disposal by	ASEC Cement (Qalaa) of a 46.5% stake in ASEC Minya Cemnet and a 55% stake in ASEC Ready Mix Co to Misr Cement Qena		EGP1bn	Nov 1
Egypt	Acquisition by	Consortium comprising the Egyptian-American Enterprise Fund, Helios Investment Partners and the MENA Long-Term Value Fund of a majority stake in Fawry	EFG Hermes; Khodeir, Nour & Taha; Norton Rose Fulbright; Zaki Hashem & Partners; Ibrachy & Partners	undisclosed	Nov 12
Egypt	Disposal by	The Abraaj Group to Actis of part of its stake in Integrated Diagnostics		undisclosed	Dec 16
Ethiopia	Acquisition by	Ascent Capital of a stake in Medpharm Holdings Africa		$2,5m	Feb 10
Ethiopia	Investment by	The AAF SME Fund (managed by Databank Agrifund) in Norish		undisclosed	Jul 26
Ghana	Investment by	Advanced Finance and Investment Group (AFIG) in Primrose Properties Ghana		undisclosed	Apr 23
Ghana	Investment by	Injaro Agricultural Venture Capital in Agricare		undisclosed	Jul 15
Ghana	Acquisition by	Adenia Partners of a stake in Cresta Paints		undisclosed	Aug 2
Ghana	Acquisition by	Investisseaurs & Partenairs (I&P) of a minority stake in PEG Africa		undisclosed	Sep 25
Kenya	Disposal by	Helios to Norfininvest of half its stake in Equity Bank (12.22% sold)	Goldman Sachs International; McKinsey & Company; Anjarwalla and Khanna; KPMG	undisclosed	Jan 16
Kenya	Investment by	Phatisa African Agriculture Fund in General Plastics	Coulson Harney, a member of Bowman Gilfillan Africa Group	$14,2m	Jan 28
Kenya	Financing by	Emerging Capital Partners / Maarifa Education of The Institute of Certified Public Accountants of Kenya College of Accountancy (ICPAK)	Coulson Harney, a member of Bowman Gilfillan Africa Group	$17,5m	Feb 24

PRIVATE EQUITY DEALS Q1 - Q4 2015 - REST OF AFRICA (Continued)

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
Kenya	Acquisition by	Fanisi Capital of a stake in European Foods Africa		$2,1m	Apr 9
Kenya	Acquisition by	NSSF Uganda of a 2.44% stake in Equity Group from Helios	African Alliance Uganda; Anjarwala & Khannna Advocates; MMAKS Advocates	undisclosed	Jun 24
Kenya	Disposal by	AfricInvest and other shareholders of their stakes in Brookhouse Schools to Educas		undisclosed	Sep 7
Kenya	Acquisition by	Catalyst Principle Partners of a minority stake in Jamii Bora Bank		undisclosed	Nov 7
Madagascar	Disposal by	Adenia Partners of its stake in Hôtel du Louvre to a group of local investors		undisclosed	Oct 27
Madagascar	Disposal by	Adenia Partners of its stake in Newpack		undisclosed	Oct 27
Mali	Investment by	Injaro Agricultural Capital in Comptoir 2000		undisclosed	Sep 10
Mauritius	Acquisition by	LeapFrog Investments of a minority stake in AFB Mauritius	ENSafrica	$25m	Feb 26
Mauritius	Acquisition by	Amethis Finance of a 17% stake in CIEL Finance		undisclosed	Feb 26
Morocco	Acquisition by	TPG and Satya Capital of a minority stake in Ecols Yassamine - a group of private schools		$25m	Sep 17
Morocco	Acquisition by	Intaj Capital II Fund (Swicorp) of a minority stake in Venezia Ice		MAD125m	Oct 23
Morocco	Acquisition by	The Abraaj Group of a majority stake in Centre de Traitement Al Kindy and Clinique Spécialisée Menara		undisclosed	Nov 4
Nigeria	Disposal by	Verod Capital of its 33% stake in HFP Engineering		undisclosed	Mar 23
Nigeria	Disposal by	Verod Capital of part of its stake in GZ Industries		undisclosed	Mar 23
Nigeria	Acquisition by	AfricInvest of a minority stake in Elephant Group	Standard Chartered Bank	undisclosed	Mar 24
Nigeria	Investment by	Omidyar Network in Hotels.ng		undisclosed	May 26
Nigeria	Acquisition by	The Abraaj Group of a majority stake in Mouka from Actis	Stanbic IBTC Capital; KPMG; Freshfields Bruckhaus Deringer; Olaniwun Ajayi	undisclosed	Jul 7
Nigeria	Acquisition by	Convergence Partners Communications Infrastructure Fund of a strategic, minority stake in Venture Garden Nigeria		$20m	Aug 11
Nigeria	Acquisition by	Synergy Capital of a stake in Viathan Engineering		undisclosed	Aug 23
Nigeria	Investment by	440.ng (L5Lab and 88mph JV) in online video learning platform, DavtonLearn		undisclosed	Sep 8
Nigeria	Investment by	Synergy Private equity Fund in Riggs Ventures West Africa		undisclosed	Oct 28
Nigeria	Acquisition by	Actis of a majority stake in Sigma Pensions	Clifford Chance	$62m	Nov 26
Rwanda	Acquisition by	Atlas Mara of a 45% stake in Banque Populaire du Rwanda (BPR)	Stanbic Bank Ghana	$20,4m	Apr 27
Tanzania	Acquisition by	Fanisi Capital of a significant minority stake in Kijenge Animal Projects		$6m	Jul 9
Tunisia	Acquisition by	Mediterrania Capital partners of a 23% stake in Société Meuniére Tunisienne (SMT)	undisclosed	Oct 13	
Tunisia	Disposal by	The Abraaj Group and Société de Promotion et de Participation pour la Coopération Economique (Proparco) of 83% of their combined stakes in Unité de Fabrication de Médicaments (Unimed)		undisclosed	Dec 22
Uganda	Acquisition by	8 Miles of a 42% stake in Orient Bank from Keystone Bank	KPMG (Int); Clifford Chance	undisclosed	Feb 24
Uganda	Disposal by	Kibo Capital Partners of its entire 40% stake in International Medical Group to a consortium comprising of Ciel Group and Fortis		undisclosed	Jul 1
Uganda	Acquisition by	Ascent Africa of a stake in Chims Africa		undisclosed	Sep 17
Zambia	Acquisition by	Enko Capital Managers of a minority stake in Madison Financial Services		undisclosed	Mar 4
Zambia	Investment by	The Abraaj Group in the Lusaka Trust Hospital	Coulson Harney, a member of Bowman Gilfillan Africa Group	$1m	May 31
Zambia	Investment by	Kukula Capital and eVentures Africa Fund in Dot Com Zambia, through a combination of debt & equity		$500 000	Sep 8
Zambia	Acquisition by	Atlas Mara of 100% of Finance Bank of Zambia		$60m	Nov 2
Zimbabwe	Disposal by	Atlas Mara of it's 10.1% stake in Brainworks Capital		$8,72m	Jun 18

WITH RMB, IT’S MEDICLINIC SANS FRONTIÈRES.

RMB
A division of FirstRand Bank Limited
Traditional values. Innovative ideas.

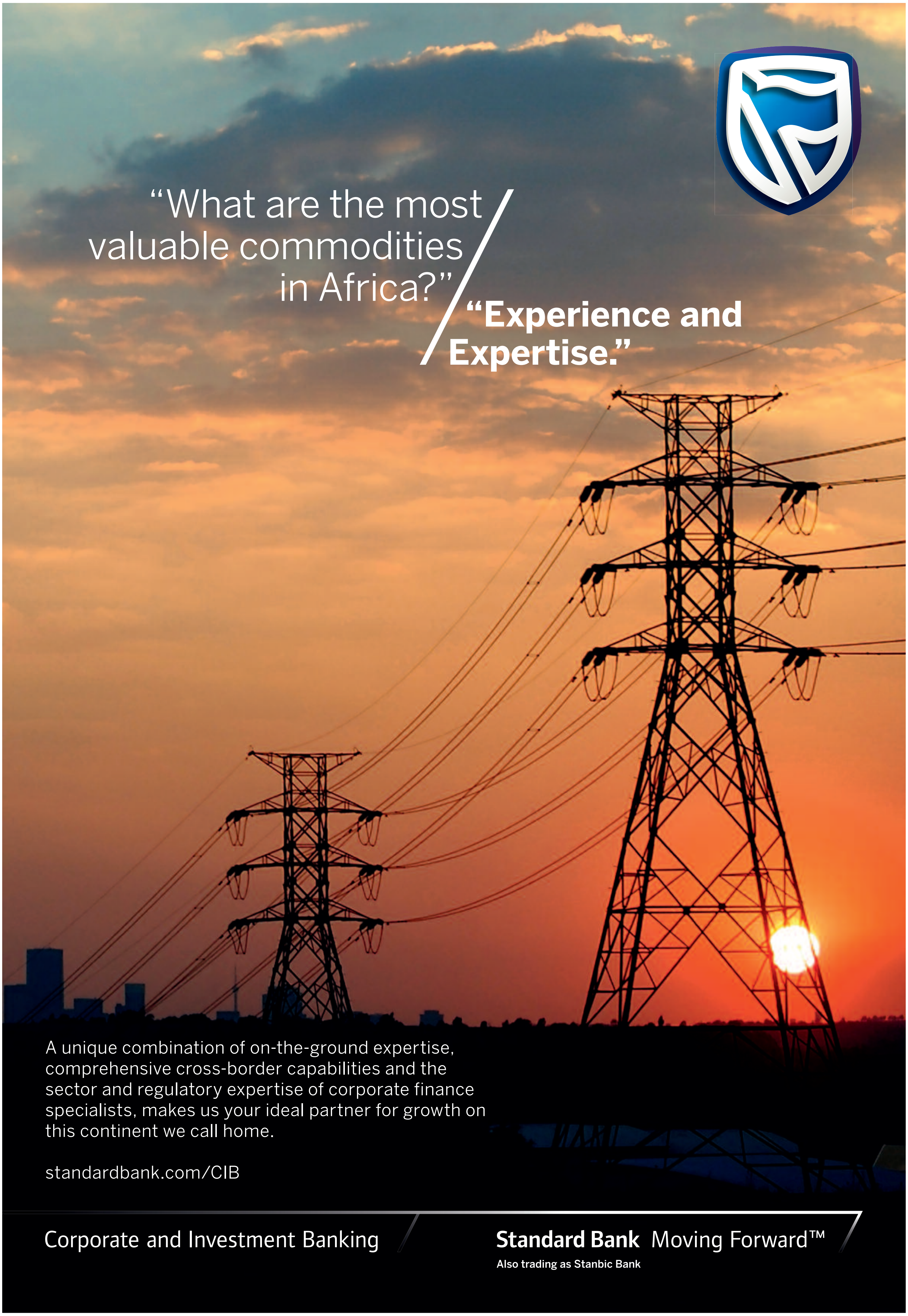
THINK OFFSHORE.
THINK RMB.

RMB advises Mediclinic on its ZAR32-billion reverse take-over of Abu Dhabi-based Al Noor Hospitals Group plc and subsequent primary listing on the London Stock Exchange

Rand Merchant Bank is proud to act as joint financial adviser and investment bank to Mediclinic in their reverse take-over of LSE-listed Al Noor Hospitals Group in an innovative transaction that substantially enhances Mediclinic’s presence in the United Arab Emirates. The transaction will result in Mediclinic becoming the third largest non-US private hospital group globally, with a primary listing on the LSE and secondary listing on the JSE. In addition, RMB acted as joint mandated lead arranger, underwriter, debt adviser and bookrunner for the GBP1-billion (ZAR24-billion) funding required for the transaction. The deal showcases RMB’s ability to provide holistic, multi-jurisdictional solutions for our clients. **For more information contact Paul Roelofse on +27 11 282-1274, email paul.roelofse@rmb.co.za or Gareth Armstrong on +27 11 282-1819, email gareth.armstrong@rmb.co.za**

www.rmb.co.za

Rand Merchant Bank is an Authorised Financial Services Provider


"What are the most valuable commodities in Africa?"
"Experience and Expertise."
A unique combination of on-the-ground expertise, comprehensive cross-border capabilities and the sector and regulatory expertise of corporate finance specialists, makes us your ideal partner for growth on this continent we call home.
standardbank.com/CIB
Corporate and Investment Banking
Standard Bank Moving Forward™
Also trading as Stanbic Bank