Catalyst

SA's quarterly Private Equity & Venture Capital magazine

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PE Investments Break Record

Old Mutual Laces Up Footgear Deals

Upping The s12J Ante

FROM THE EDITOR'S DESK

At a recent private equity foundation programme hosted by the Gordon Institute of Business Science and SAVCA, David Cooke, partner at Actis, took the elephant bull in the African private equity market by the horns and placed it firmly on the table for all to discuss. 4%. That is the return that, when one strips out currency conversions and fees, African and especially South African private equity is offering global investors right now. And Cooke is right to point out that, considering the risk and liquidity premia, fund managers need to be offering better returns in order to grow the industry.

That figure is, of course, averaged out and exceptional managers are offering much more in dollar terms as outliers.

There is a strong tailwind for the industry globally with private markets going mainstream. Private equity's net asset value has grown more than sevenfold since 2002, twice as fast as global public equities according to McKinsey research. And consider the growth in US PE-backed companies, which numbered about 4 000 in 2006. By 2017, that figure rose to about 8 000, a 106% increase.

Even some large investors that had previously stayed away are now allocating to private markets, seeing them as necessary to get diversified exposure to global growth.

Here in South Africa we may well be a little behind the US but we still lead the pack in Africa when it comes to private equity.

We are in the midst of a delisting period, thanks largely to the pullback in valuations of so-called SA Inc small and mid-cap stocks that have derated on the back of a seemingly intractable low-growth economy. This will provide some deal pipeline in the immediate future and the family-owned business sector is always a fertile bed of activity along with potential buy and build consolidation that presents in downtimes.

But in order to continue to attract offshore limited partner funds, returns will have to be enhanced. That's why it was encouraging to see the substantial bounce in funds raised in the latest SAVCA Survey for 2018 (page 2), an increase of 60% from R7,5bn raised in 2017 to over R12bn raised in 2018. This surely indicates that foreign investors believe that South African assets are at bargain valuations that make up for the enhanced political and sovereign risk that they carry.

What fund managers will be sweating on now is some swift action on Eskom, for perpetrators of state capture to be hauled before the courts by the NPA (how much longer do you need Ms Batohi?) and for the political tides to turn decisively in the president's favour.

"President Cyril Ramaphosa is the last hope of this country," Lin Songtian, China's ambassador to South Africa, told Reuters, in an article published on July 29th.

The stakes have never been higher. ◆

Michael Avery

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Gleason Publications

Fund raisings bounce back from a dismal 2017 underlines the private equity asset classes' resilience during the lasting economic winter, according to the latest Southern African Venture Capital and Private Equity Association annual industry survey.

New and follow-on private equity investments reach record-high

- Southern Africa's private equity industry had R171bn in funds under management (FUM) at 31 December 2018, representing a compound annual growth rate of 9.3% since 1999, when the survey first began.
- R12,8bn was raised in 2018, with 55.5% of the funds ear-marked for South African investments, and the rest Pan Africa.
- Of the funds raised during 2018, 56.6% were from South African sources (2017: 49.9%). South Africa has been the source of 64% of cumulative funds raised to date and not yet returned to investors (2017: 50%).
- South Africa's private equity capital penetration was equal to 0.8% of GDP in 2018 (2017: 0.7%). This compares with 0.02% for Nigeria, 0.1% for Brazil, 0.01% for Russia, 0.47% for India, and 0.2% for China.
- Funds returned to investors in 2018 totalled R15,6bn, compared with R17,6bn in 2017.

To obtain survey results, SAVCA, along with research partner Deloitte, surveyed 47 managers, representing 82 funds with a mandate to invest in South Africa and in other African markets.

SAVCA CEO Tanya van Lill was pleased by the turnaround. "What we've seen is that there's been an increase in funds raised which is unique given the tough economic situation the country has found itself in during the last few years," says van Lill. "We've seen an increase from R7,5bn raised in 2017 to over R12bn raised in 2018. We are sitting with over R171bn in funds under management."

Tanya van Lill

Investment activity in 2018 stands out with the value of new investments and follow-on investments reaching a record-high of R35,4bn, compared with an annual average of R15,2bn over the preceding 10 years. This seems to indicate that valuations are either at very attractive levels for buyers, or a pile up of dry powder that had to be deployed in terms of mandates.

"We are very impressed with the jump in investment activity as it shows that there's still a lot of value that can be unlocked from investments in South Africa and the Southern African region," says van Lill. "Interestingly, we saw an increase in follow-on investments, meaning private equity fund managers are reinvesting in existing portfolio companies. Asked why, our members said the focus is on growth and extracting more growth from these assets; they expect to see more scale from the assets they have already invested in so they have concentrated on follow-on investments because the growth opportunities are there."

The services and retail sectors remain the most attractive for private equity as was the case in 2017.

"Interestingly, we saw the energy and related sector jump to number three in terms of investment activity last year, with just over 14,3% of investments made into the energy sector."

The exit market continues to underwhelm though, which comes as little surprise in the depressed South African market.

"Exits were a little subdued in comparison to previous years," laments van Lill, "the number of exits increased but the value of exits declined."

The funds returned to investors was over R15,6bn, which is still strong because the number also includes dividends and repayments of loans, but in terms of exits, van Lill believes there is still area for improvement.

A total of 260 investments were written off during 2018, inclusive of sales for nominal amounts (2017: 79 investments). The net loss on these investments (cost less proceeds) was R1,4bn in 2018 (R14,3m in 2017), an alarming number.

Van Lill says that this is because fund managers want to focus on the quality assets and invest their time and resources in the good deals they have, which is also reflected in the follow-on numbers. Instead of trying to throw good money after bad, they are focusing on those assets that display potential for growth and make a positive impact.

In addition, South Africa's private equity capital penetration continued its upward trend, having risen to 0.8% of GDP in 2018, which compared sizably with 0.02% for Nigeria, 0.1% for Brazil, 0.01% for Russia, 0.47% for India, and 0.2% for China.

"This means that although the South African private equity industry as a whole is relatively small in comparison with more developed economies, it is still well-established and significant in the regional market," said van Lill.

Van Lill says that SAVCA is looking to conduct more detailed research on the impact that private equity has on transformational future surveys by measuring BEE level at exit. It is already measured at entry and, in 2018, 34.2% of investments made were in businesses with ratings levels 1 to 4 of the Department of Trade and Industry (the dti) B-BBEE codes.

Additional highlights from the survey include the significant advances made in terms of transformation, with the percentage of female and black professionals within the industry increasing to 29.6% and 34.9%, respectively, from 21.8% and 29.9% in 2017.

"Investment activity in 2018 stands out with the value of new investments and follow-on investments reaching a record-high of R35,4bn, compared to an annual average of R15,2bn over the preceding 10 years".

SAVCA, as an industry body, is excited to see the positive trend of female and black professionals within the private equity industry and would like to see this trend extend to fund manager executive and ownership level.

"The exciting new Fund Manager Development Programme – a SAVCA initiative that aims to accelerate the entry of black and women-owned fund managers – is committed to driving a transformative change in the industry over the coming years," van Lill concludes. ◆

Farhad Khan, Investment Principal at OMPE, who co-led the transaction with his colleague, OMPE Principal Chumani Kula, revealed to Catalyst that the team has been trying the athleisure wear sector on for size for almost ten years now.

Sole mates

Old Mutual Private Equity (OMPE) laced up a deal with the management of athleisure footwear company Footgear in early June, acquiring a majority interest in the leading South African retailer of branded footwear, and in July quickly slipped another foot into a bolt-on acquisition of Edcon's Edgars Active and High Key chain stores, leading retailers of branded sport and lifestyle footwear, clothing and accessories.

"We started getting interested in the athleisure-wear industry around 2010 and started doing some research," explains Khan. "We felt, based on our research, that there was a very strong tailwind behind a shift to informal wear. This was also borne out through personal experience within the team, with some team members who had worked in the retail environment in the 80s and 90s. Where the average consumer in the past would buy a fine leather pair of shoes on lay-by and wear them for twenty years, the trend now is to wear sneakers and often own 10 to 20 pairs. We also found that people are much more willing to spend on sneakers because the price points are more affordable compared with other items of clothing and the feel-good factor brought about by owning prominent brands."

Athleisure is a trend in fashion in which clothing designed for workouts and other athletic activities is worn in other settings, such as in the workplace, at school, or at other casual or social occasions. Most notably in South Africa, Investec recently unveiled a new flexible workplace dress policy allowing employees to lace up those sneakers for work. The idea is that gym clothes are supposedly making their way out of the gym and becoming a larger part of people's everyday wardrobes (something Khan says he sees much of the younger generation adopting but he still prefers shoes to sneakers when at work).

"Branded footwear remains a robust and growing market," explains Kula, "and has shown relative resilience, in times of slower macro-economic growth. We are culturally and commercially aligned to Footgear's high-quality management team and are proud to back a team that has a long and successful track record".

Khan points to chemistry as one of the key ingredients that led to the successful consummation of the transaction.

Kula and Khan have been engaging with Footgear CEO Neil Stephens and his team for more than two years.

"This business is a long-term game and you want to be sitting alongside people that you can work with. We have an internal mantra that we adhere to at OMPE: we work with people we like, trust and admire and what we found in Neil and his team is exactly that," explains Khan.

Founded in 2001, Footgear is a retailer of branded footwear with 63 stores nationwide. Footgear's footwear offering is family-orientated, catering across categories, gender and age groups, servicing men, women and kids, underpinned by high levels of customer service, in a unique shop setting, delivered by an energetic and motivated staff complement. Its offering includes an array of sports performance footwear, sports-inspired lifestyle, casual and leisure footwear, and fashion and outdoor footwear.

Chumani Kula

In addition to being a strategic partner to the management team who hold the remaining shares, OMPE will also provide capital to support the growth of the Footgear business.

In terms of OMPE's value-add proposition, Khan stresses that OMPE "are not shopkeepers".

Farhad Khan

"We don't take the keys to the shop home every night. We back the jockey. Neil and the team keep the keys to the shop and they run the operations. Our modus operandi is centred upon adding value at a strategic level and being a sounding board to the operators. Engaging on big ticket items like this [Edcon] acquisition that we recently concluded, (which is still subject to regulatory approvals), balance sheet optimisation and proper financing structures are where we play a key role. If there were to be any potential bolt-on acquisitions, we would play a key role there with corporate finance skills for the business, and helping them execute those transactions."

"We don't take the keys to the shop home every night. We back the jockey." Khan

Despite the market's highly competitive landscape, Khan believes the Footgear formula helps it stride away from the competition.

"We like to walk the streets and experience what is happening on the ground and when we visited stores and conducted research into competitors, we found that the service levels in all the competition is lethargic to non-existent while the service at Footgear is energetic."

"Quality, service and expertise are deep-rooted in the Footgear culture," explains Stephens, "and we are delighted that this has enabled our growth and our brand's adoption by suppliers and customers. We look forward to the next stage of growth, supported through a partnership with a market-leading private equity firm like OMPE."

"The reason we wanted to do the deal was because of that proven formula that Neil and his team employ in the stores," explains Khan. "And then we found the Edcon assets presented an elegant way to gain immediate scale and become a key player in the industry. Edcon being a landmark brand in retail, they had attractive sites."

"We feel that there's sufficient room for growth in the space that we play. Once the Edcon transaction is concluded and approved we will have close to 200 stores. We feel there is a route where we stay within our tram lines, so to speak, but we are not completely discarding the option of potentially acquiring suitable businesses over time."

OMPE is one of the most established private equity players in South Africa. Since 2004, the firm has invested over R8bn (nearly $650m) in 31 transactions and returned in excess of R15bn ($1,18bn) to investors. OMPE has one of the best track records and most experienced teams in the market, with over 100 years of collective experience.

And that experience shines through when Khan is asked about how the team approached the thorny issue of the divorce, the exit, before the so-called first date is even concluded.

"Alignment, alignment, alignment," is his response.

"What we try to do from the start is to ensure that we have that in place and the conversations we have to ensure the divorce clauses, as you put it, you land quite early on, and if you have the right chemistry with your partner, those conversations aren't difficult to have. Conversely, if you are in an antagonistic relationship, you can't have those conversations."

"Neil and his team are material shareholders alongside us in the business. We are all aiming for the same goal and are in tune with achieving that goal. We should be able to exit the business comfortably through all available avenues depending, of course, on market conditions at the time." ◆

Unsurprisingly, many see the dire state of South Africa's energy sector as a precursor to even tougher economic times.

Opportunities in Eskom Detritus

Paul Semple

Unsurprisingly, many see the dire state of South Africa's energy sector as a barometer of the increasing financial strain that consumers are battling with every day. Weaker economic growth, rising inflation and job losses are on most peoples' minds. Unpredictable electricity supply is blamed on Eskom, and rightly so, but provided that the government can wrest control of the situation, the utility has the potential to facilitate a game-changing transition in our energy future. However, some hard decisions will have to be made to convert Eskom's historical monopoly into a conduit for new private sector investment, energy diversification and job creation.

The problem

From being one of the most revered utilities in the world, Eskom is now considered to be one of the biggest risks to South Africa's economy. Due to a massive failure of strategic and financial management over many years, the utility is burdened with huge debt, inflated operating costs and power plants which, on average, have reached at least 70% of their originally intended lifespan.

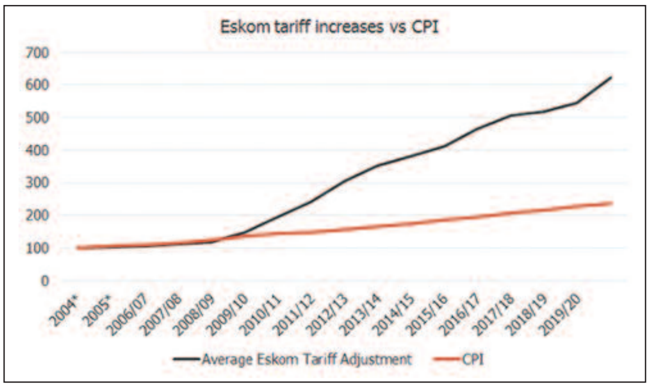
Over the next 15 years, almost 50% or 20GW of our existing coal-fired generation is scheduled to be decommissioned. Drastic and urgent decisions are needed to ensure that Eskom remains operationally sustainable and relevant, and that sufficient power is procured to meet future energy demands.

Semple

The challenge

As the world increasingly moves away from carbon-intensive energy, South Africa is faced with the challenge to embrace this new normal, as it grapples with day-to-day pressures to keep the lights on. Over and above the need to replace decommissioned power plants, additional capacity is required to underpin the growth and development of our economy.

Since 2007, the cost of power has risen dramatically as Eskom has struggled to remain profitable and grow its investments in new power capacity, most notably the Medupi and Kusile coal power plants. With an increase in the price of electricity of around 520% over the 15 years from 2004 to 2019, it has far outstripped consumer price inflation of 136% over the same period. This trajectory is not sustainable for our country.



Source: Futuregrowth

Figure 1: Regression diagram - the cost of power vs inflation

The opportunity

A significant amount of private sector capital, both locally and internationally, is looking to invest in our energy sector, provided that the prevailing regulatory constraints are lifted further. Until it stalled in 2016, the country's Renewable Energy Independent Power Producer Procurement (REIPPP) initiative was widely recognised as the world's leading clean energy development programme, and over the past seven years it has introduced more than R200bn of fixed capital investment into South Africa.

South Africa is blessed with some of the best natural resources in the world. Apart from our geographic diversity, which supports a distribution of sun and wind over large parts of the country, there is also opportunity to develop multiple other forms of power generation such as natural gas, biomass and hydro capacity. Much of this can be built in outlying areas and will facilitate investment in social and economic development where it is needed most.

Investment in local manufacturing started on the back of

"Although many South Africans are horrified by the financial and operational deterioration of Eskom and the impact this has had on our economy, South Africa can still claim to have the most developed and penetrative national grid and power distribution system on the continent."

REIPPP, and although it has waned since the slowdown of the programme, there is potential to revive these industries if there is consistent demand, driven by a clear and sustained energy development strategy. The success of REIPPP has proven that South Africa has the ability to attract new international investment and can grow its own manufacturing capabilities to supply both local energy development and exports.

The solution

Given the regular shutdowns and maintenance interventions required by the country's aging coal plant fleet, there is increasing urgency to install new power capacity to satisfy future demand. Whilst Eskom's power generation is still crucial to the medium-term national supply, it is imperative that the utility does not continue to monopolise the energy sector. Increasing partnerships with independent power producers, supported by local content manufacture, should be pursued as soon as possible.

The speed and efficiency of the rollout of new energy production by the private sector was demonstrated by the REIPPP programme. Had this new investment in renewables not been made over the past seven years, the recent extent of load shedding would have more than doubled. Established best practice from REIPPP can be replicated in other energy programmes envisaged under the recently updated Integrated Resource Plan (IRP-2018).

Although many South Africans are horrified by the financial and operational deterioration of Eskom and the impact this has had on our economy, South Africa can still claim to have the most developed and penetrative national grid and power distribution system on the continent. This valuable national asset can be better utilised to facilitate the connection and transmission of multiple sources of new energy supply across the country – and earn Eskom a critical source of revenue.

New energy production can be built by independent power producers far more cheaply and quickly than Eskom can build its own capacity, as proven by the huge budget over-runs experienced at Medupi and Kusile. Most importantly, the cost will have a full pass-through to the consumer via the existing tariff regime approved by Nersa, with no additional financial burden on the utility, and should serve to contain electricity price increases in future.

Eskom's supply of base load power should provide the core energy solution in the interim and be supplemented by renewable sources, pending the longer-term replacement of coal by gas proposed by IRP-2018. As was recently confirmed by the significant contribution by renewables to national energy supplies during the spate of load shedding, alternative energy can complement Eskom's thermal capacity and help to address peak demand requirements.

Conclusion – The Trade-off

South Africa cannot afford more job losses, but at the same time must adapt and reposition itself to meet future energy demand by embracing the potential evolvement of the sector, in line with international trends. New sources of energy generation, together with associated local content procurement, should be prioritised.

The challenge to reduce carbon emissions is pressing, but there is an opportunity to manage a carefully-planned and systematic transition from coal to cleaner forms of energy, in line with the recent update to the IRP-2018, which envisages increased sources of energy diversification.

This will entail a natural attrition of jobs as coal plants are decommissioned over the next 15 years, but can be mitigated by retraining staff to work in new manufacturing industries that support new energy development. These new developments should be located in the same areas as the existing coal-fired power stations.

There is significant opportunity for our energy sector to catalyse the growth and development of our economy, provided that the role of Eskom is changed to facilitate new investment rather than to monopolise power generation. The cost to the future of our country for not taking on the challenge will be far greater than the cost of the action required now to start the journey down this new energy path. ◆

Semple is Portfolio Manager and Joint Head: Unlisted Equity at Futuregrowth

Innovative deal-making readies SA's premier mohair sock maker for export growth.

Upping the section 12J ante

The world's leading manufacturer of mohair socks, Cape Town-based Cape Mohair, is uniquely positioned for export-led growth following an innovative deal that addressed its need for new machinery and extra working capital. The firm is the latest in a long list of local small, medium and micro-sized enterprises (SMMEs) to benefit from the popular section 12J tax incentive scheme.

"Our acquisition of a 46% interest in Cape Mohair is one of many investments aimed at generating long-term shareholder value by matching capital with carefully-selected business opportunities," says Neill Hobbs, co-founder at Anuva Investments.

The section 12J compliant venture capital company paid for its stake in Cape Mohair with a combination of cash and assets, chipping in new working capital alongside 'state of the art' sock machinery bought out of a competitor firm's insolvency. The competitor – Impahla – had gone into liquidation after decades of supplying high volume, low margin clothing and socks to the retail market.

"Anuva initially approached us to manage the sock plant they had purchased out of the Impahla liquidation," says Denys Hobson, founder of Cape Mohair. "It soon became clear that 'moving' our sock manufacturing operations into the newer plant made business sense, despite the respective product ranges and target markets being different".

Hobson adds that the timing of the transaction was perfect: "Our Epping factory had become too small for our needs, while the Impahla plant had loads of spare capacity".

A deal was accordingly structured and Anuva became a shareholder in 2017.

The focus, post-acquisition, has been on exiting unprofitable retail contracts, repurposing the new plant and machinery for high-end sock manufacture and expanding the Cape Mohair product range. "We want to grow off our current base into the high end of the market where we see a lot of potential, especially in exports," says Hobson. "Any bottom-end, high volume business that we retain is simply 'filler' to ensure that we fully utilise our manufacturing capacity".


Neill Hobbs

Hobbs notes that the Cape Mohair acquisition illustrates the versatility of the section 12J scheme in structuring innovative business deals. "In this case, our section 12J investment was made in support of a company that was already in the sweet spot. We contributed much-needed working capital and ensured that Cape Mohair was adequately capitalised for its immediate needs".

Cape Mohair has come a long way since its humble beginnings as a small-scale mohair sock manufacturer based in Epping, Cape Town, some 25 years ago. Today it operates from 'state of the art' facilities in Elsies River and supports 130 jobs in the extremely competitive clothing manufacturing industry. The product range has grown over the years to include leisure socks, medical socks and outdoor sport and adventure socks – each made from different combinations of bamboo, cotton, mohair and wool fibre. "The star in our portfolio is our Medi Sock range which is made from a mix of bamboo and mohair fibres," says Hobson. "They are leisure socks that are popular with people who struggle with diabetes, poor circulation or concerns over foot infection".

The Cape Mohair story illustrates the value in the section 12J scheme, in that it empowered investors to complete an innovative deal that will set an already impressive firm on an even stronger growth trajectory. Thanks to Anuva and section 12J, the business is adequately capitalised to meet its immediate operational needs – with a motivated investment firm as shareholder to assist with future capital intensive projects if needed. "This type of tax incentive has a lot of merit as it takes much of the risk out of SMME investments – the net result is extremely positive," concludes Hobson. He has ambitious plans to fully utilise the new sock manufacturing facilities on high-end production by 2022, and to double Cape Mohair's turnover by 2025. ◆

Founders of businesses will usually inject large amounts of intellectual capital into their ventures, apart from economic capital from banks and seed capital from investment pundits.

Founder Shares: do the tax rules follow the commercial reality?

Michael Rudnicki

Tax is hardly a consideration at the commencement stage of a business venture and, if it is, the dream of capital growth is usually equated to a capital gains tax liability at some future date.

Not only will the founder of the business be a shareholder in the investment vehicle, having injected limited economic capital, but will usually be a director of the company. Could the directorship cause the founder's shareholder interest to be tainted with an employees' tax exposure? Could a disposal among co-founders who are directors of the investment vehicle be taxed in a way other than qua shareholder?

The conundrum lies in the infamous section 8C of the Income Tax Act, 1962; the law that taxes so-called 'restricted equity instruments' which are acquired "by virtue of his or her employment or office of director of any company". The effect of these rules is to subject otherwise capital gains to income tax, and to defer the tax event until the said restrictions cease to have effect, or the instrument is disposed of. If the share value grows, the amount subject to income tax at the later date is higher.

But the provisions go one step further and seek to bring within the net a 'restricted equity instrument' acquired during the period of his or her employment by any company or office of director of that company from either:

- that company
- or a related company
- or any person employed by, or that is a director of that company or a related company.

The key requirement for this element of the section to apply is that the instrument must be 'restricted'. This is defined to mean many things but is primarily focused on restrictions from transferability at market value, as well as forfeiture restrictions other than at market value. There is no requirement that the instrument had to be acquired by virtue of employment. An objective test is applicable in this instance, which includes a determination as to whether the shares were acquired after the person became an employee or director.

Rudnicki

In a founder business, where the founder is also a director, the seed funder may require the founders to be locked-in to the business in such a way that the transferability of their shares is restricted for a period of time. This may cause the shares to be 'restricted' and, on the face of it, the shares may constitute 'restricted equity instruments', subject to employees' tax. Not only could the founder that subscribes for the shares be subject to section 8C, but also the transferee of the shares that acquires the shares from the founder, provided both are either directors or employees of the company whose shares are transferred.

Albeit that this provision of section 8C was meant to deal with anti-avoidance considerations relating to employment shares, the wording may cause so-called founder shares to be caught within the income tax net.

Accordingly, consideration must be given to restrictions imposed on founder shares in shareholders agreements and incorporation documents so as not to be met with an employees' tax liability. Furthermore, consideration should be given to the timing of the introduction of shareholder restrictions, as well as contracts of employment and directorship arrangements, in order to assess the application of the section. ◆

Rudnicki is an executive in the Bowmans Corporate department and a member of the Johannesburg office Tax practice.

PRIVATE EQUITY DEALS Q2 2019 – SOUTH AFRICA

NATURE	PARTIES	ASSET	ADVISERS	ESTIMATED VALUE	DATE
Acquisition by	Newtown Partners	a stake in Ovex		undisclosed	Apr 2
Disposal by	Vantage Capital	its stake in Thebe Timrite		undisclosed	Apr 15
Acquisition by	Calvin Ayre	a stake in Centbee		£1m	Apr 17
Acquisition by	Blue Garnet Ventures (Crossfin) and Crossgate	a significant stake in Nobuntu		undisclosed	Apr 30
Disposal by	Ascendis Health to a consortium (RMB Ventures Seven, Nedbank Private Equity and certain management)	Afrikelp, Efekto and Marltons businesses within the Biosciences division		R480m	May 2
Acquisition by	Lightswitch Solutions	a stake in OurHood		undisclosed	May 2
Acquisition by	Investec Asset Management, Crossfin, Virgin Money and Smollen	additional stakes in WiGroup	Bowmans	undisclosed	May 10
Acquisition by	Investors through crowdfunding platform, UpriseAfrica	25% stake on Integreatme		R31,1m	May 21
Joint Venture	Sun International with Pacifico, Cliarvst and Valmar	creation of a merged entity of Sun Dreams and Marina in which SI will hold a 31% stake	Investec Bank	$80,6m	May 24
Acquisition by	Apis Growth Fund I and Crossfin Technology-led consortium from Tradebridge	Sureswipe	i capital advisers	undisclosed	May 28
Acquisition by	RMB Ventures (RMB Holdings)	Eureka DIY Solutions		undisclosed	May 31
Acquisition by	Ethos Artificial Intelligence Fund (Ethos Capital Partners)	8% stake in TymeBank	Rand Merchant Bank; Webber Wentzel	R200m	Jun 10
Acquisition by	Old Mutual Alternative Investments (Old Mutual)	majority interest in Footgear	Cliffe Dekker Hofmeyr; EY	undisclosed	Jun 12
Acquisition by	Goodwell Investments, Allan Gray, RGAx and other angel investors	a stake in Inclusivity Solutions		$1,56m	Jun 13
Disposal by	Silvertree Internet to SureStart	CompareGuru		undisclosed	Jun 19
Acquisition by	Naspers Foundry (Naspers)	stake in SweepSouth	Webber Wentzel	R30m	Jun 20
Acquisition by	K2019135490 (South Africa) (Apis Partners) from Paycorp Group	stake in Tutuka Software	Webber Wentzel	undisclosed	Jun 20
Acquisition by	IFC and Quona Capital	a stake in Lulalend (Series A funding)		$6,5m	Jun 26
Acquisition by	Footgear (Old Mutual Private Equity/Old Mutual) from Edcon	Edgars Active and High Key chain stores	Rothschild & Co	undisclosed	not announced Q2

PE deals are classified by asset location, except in the case where the PE firm is based in any African country and invests outside of the continent

PRIVATE EQUITY DEALS Q2 2019 – REST OF AFRICA

COUNTRY	NATURE OF DEAL	DETAILS	ADVISERS	ESTIMATED VALUE	DATE
DRC	Investment by	XSML in SOS Medecins de Nuit (follow on investments)		undisclosed	May 20
Egypt	Investment by	Algebra Ventures, Endure Capital and including 500 Startups, Flat6Labs and anegl investor in Brimore (seed funding)		$800 000	Apr 2
Egypt	Acquisition by	Helios Investment Partners Lorax Capital Partners (Egyptian-American Enterprises Fund) of 96.7% of Misr Hytech Seed International	Gulfstone Capital; Norton Rose Fulbright; Matouk Bassiouny; DLA Piper; Nyemaster Law Firm; Al Tamimi & Company	undisclosed	Jun 3
Egypt	Investment by	Vostok Ventures, BECO Capital, MSA, Endeavor Catalyst, OTF Jasoor Ventures, Sawari Ventures, Arzan VC, Bluestone, Autotech Michael Lahyani in Swvl (Series B funding)		$42m	Jun 20
Ghana	Acquisition by	Founders Factory Africa of a stake in Kudigo		undisclosed	Apr 15
Guinea	Loan by	The Emerging Africa Infrastructure Fund to Guinea Alumina Corporation		$40m	May 30
Kenya	Acquisition by ■	Foundation Capital, Visa and existing shareholders of a stake in Branch International (plus debt of $100m)		$70m	Apr 7
Kenya	Financing by ■	Foundation Capital, Visa and existing shareholders of Branch International (plus equity of $70m)		$100m	Apr 7
Kenya	Acquisition by	Founders Factory Africa of a stake in LipaLater		undisclosed	Apr 15
Kenya	Investment by	Africa Healthcare Master Fund in MYDAWA		$3m	May 7
Kenya	Acquisition by	TPG Growth of the Abraaj Growth Markets Health Fund (to be renamed The Evercare Health Fund)		undisclosed	May 13
Kenya	Capital raise by ■	Carepay International in Series A funding to expand into Nigeria and Tanzania		$45m	May 20
Kenya	Investment by ■	DILA Capital, Shell Foundation, Engie RDE Fund, EcoEnterprise Fund, EDFIMC, Endeavour Catalyst, CoCapital, Triodos, Alpha Mundi and others in Sistema.bio		$12m	May 27
Kenya	Investment by ■	Warburg Pincus in Inspired	Freshfields Bruckhaus Deringer; Rodrigo, Elias & Medrano; Brigard Urrutia; Stephenson Harwood; Rebaza, Alcazar & De Las Casas; Bowmans	undisclosed	Jun 3
Kenya	Financing by	AgDevCo to a consortium of macademia processors and exportors which includes Afrimac		$5m	Jun 6
Kenya	Acquisition by	Havaic of an undisclosed stake in Mpost		undisclosed	Jun 10
Kenya	Investment by	Chandaria Capital in Savannah Brands (seed funding)		undisclosed	Jun 11
Kenya	Investment by	TLG Capital in Platcorp Holdings (debt funding)		$10m	Jun 27
Madagascar	Acquisition by	Adenia Partners of 100% of Newpack		undisclosed	Apr 23
Madagascar	Disposal by	Adenia Partners of its stake in Socolait		undisclosed	Apr 26
Mauritius	Disposal by	Phatisa of its 85% stake in Meridian to Ma'aden Marketing and Distribution Company	Rothschild & Co; DLA Piper; Baker McKenzie (SA)	undisclosed	Apr 23
Mauritius	Acquisition by	Inside Equity Fund of a stake in Reneworld		$1,5m	May 3
Mauritius	Acquisition by	Emerging Capital Partners of a substantial stake in Inter Africa Transport Forex		undisclosed	Jun 12
Morocco	Investment by	CDG Capital Private Equity in Oncorad		undisclosed	Apr 22
Morocco	Disposal by	Mediterrania Capital Partners of a 40% stake in Cash Plus to Groupe Richbond		undisclosed	May 2
Morocco	Acquisition by	Glen Invest of a stake in Ma-Navette from Maroc Numeric Fund	Burj Finance; LLSCA Counsel; Hilmi Law Firm	undisclosed	Jun 13
Morocco	Acquisition by	CDC of a 5% stake in BMCE Bank of Africa		$200m	Jun 20
Morocco	Investment by	SEAF Morocco Growth Fund in SOS Credit		undisclosed	Jun 24
Morocco	Disposal by	Amethis to Mouncef Belkhayat of its stake in Dislog Group		undisclosed	Jun 25
Namibia	Acquisition by	Allegrow (Eos Capital) from Avbob Mutual Assurance Society of a majority stake in Avbob Namibia		undisclosed	May 31
Nigeria	Disposal by	MDaaS Global of a stake in MDaaS to 12 investors		$1m	Apr 2
Nigeria	Investment by	Partech, Michael Seibel, Khosla Ventures and YC in Kudi (Series A)		$5m	Apr 4
Nigeria	Debt funding by	African Development Bank to Infrastructure Credit Guarantee Company comprising of a subordinated loan ($10m) and a risk sharing facility ($5m)		$15m	Apr 12
Nigeria	Acquisition by	Founders Factory Africa of a stake in Schoolable		undisclosed	Apr 15
Nigeria	Acquisition by	Founders Factory Africa of a stake in Eazyhire		undisclosed	Apr 15
Nigeria	Investment by	Venture Platform in Trove		undisclosed	May 2
Nigeria	Disposal by	Verod Capital Management of its entire 100% stake in Rotoprint		undisclosed	May 14
Nigeria	Investment by	Fund for Agricultural Finance in Nigeria (Sahel Capital) in Ladgroup		undisclosed	Jun 10
Nigeria	Financing by	FinnFund of Startsight Power Utility (long-term senior debt)		$5m	Jun 10
Nigeria	Investment by	Novastar Ventures, yamaha Motor Co, Breakthrough Energy ventures, Zrosk Investment Management and Goodwell Investments' uMunthu Fund in MAX.ng		$7m	Jun 20
Nigeria	Investment by	Breakthrough Energy ventures, Norfund, EDFI ElectiFI and All on in Arnergy		$9m	Jun 24
Nigeria	Investment by	Growth Capital in DrugStoc		undisclosed	Jun 27
Rwanda	Mezzanine loan by	AgDevCo to Minimex		$3m	Apr 8
Rwanda	Investment by	The Rise Fund in Zipline		undisclosed	May 17
Tanzania	Investment by	DOB Equity in Jibu Tanzania		undisclosed	May 7
Tanzania	Investment by	DOB Equity in Zanrec		undisclosed	May 24
Uganda	Acquisition by	Founders Factory Africa of a stake in Digest Africa		undisclosed	Apr 15
Uganda	Investment by	GOJEK and Allianz X in SafeBoda (series b round)		undisclosed	May 7
Zambia	Loan by	The Africa Agricultural and Trade Investment Fund to Mount Meru Millers Zambia		$5m	Apr 9
Zambia	Investment by	GreenTec Capital in WidEnergy Africa		undisclosed	Jun 24

■ Foreign Deal

PE deals are classified by asset location, except in the case where the PE firm is based in any African country and invests outside of the continent