# Catalyst

SA's quarterly Private Equity & Venture Capital magazine

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BEE provides niche for private equity

s45 creates a storm

KPMG/SAVCA Survey paints steady picture

Brait's record fundraising

Catalyst

# From the Editor's desk

It's been a busy end to the second quarter with the announcement of the largest ever African fund raising by London-based Helios investment Partners, followed hot on its heels by the announcement of an even bigger capital raising by the team over at Number 9 Fricker Road .

The KPMG/SAVCA Private Equity Survey for 2010 revealed an industry that may be starting to turn the corner with a relatively stable picture emerging through last year.

And deal activity is starting to show signs of increased activity too.

Ethos successfully exited its investment in Holdsport, owner of Sportsman's Warehouse among others through an IPO in July. And news was trickling out at the time of writing that Actom, formerly Alstom SA which was snaffled by Actis in 2008, is making a play for local equipment repair firm Savcio.

The details are still sketchy at this stage as no formal announcements have been made yet but if it goes through it will provide a remarkable case study as Actis will be dealing on both sides of the fence as seller and purchaser.

Actis and Ethos led the buyout of Savcio in 2005 meaning that the time is about right for it to be sold according to private equity investment standards. The firms have, most likely, realised above average IRR on their investment having ridden the best part of the infrastructure boom through to the Football World Cup.

But Actis must be thinking the infrastructure play is still well worth backing, hence the move to spin Savcio into Actom. There's a neat fit between the two businesses as well with Actom in the power generation and supply side and Savcio able to provide repair and maintenance work. Actis familiarity with the two businesses and its ability to drive value creation through integration is an appealing strategy.

Savcio has an enterprise value, or combined debt and equity, of US$400 million to $500 million making it a substantial transaction for South Africa's growing private equity market.

**Catalyst** will be following developments with a keen interest.

Sadly, things have been less than salutary on the regulatory front.

Chief among the list of regulatory bugbears at the moment is the uncertainty around s45 of the Income Tax Act, which deals with intra-group transactions.

Ostensibly SARS is unhappy with what it perceives to be an abuse by companies looking to avoid tax unfairly

A senior figure in the private equity industry reckons government first looked at s45 after the Edcon private equity deal in 2007. Primarily because the debt funding for this deal was secured from offshore banks and therefore the interest payments on that debt were seen to be capital leakage out of SA.

In most private equity and BEE deals tax-inefficient equity funding is replaced by tax-efficient debt funding. The tax efficiency stems from the fact that in terms of s45 of the Income Tax Act, the interest paid on the debt is tax deductible

The main bone of contention within the industry is that the proposal will make the cost of capital/debt more expensive. This means that the premium offered to foreign investors as an incentive to invest (roughly 4%) in South Africa will be lost and that foreign capital will go elsewhere to find return.

There is some hope, however, as it transpires that the legislation and in particular Treasury's views are changing.

Let's hope that South Africa's economic regulators don't stall the engine as the industry tries to get out of second gear. ◆

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**In response to the uproar caused by the proposed amendments, the National Treasury and the South African Revenue Service (SARS) invited affected stakeholders to engage in further discussion. Following the series of public hearings and discussions which ended on July 9, the National Treasury published revised proposals on August 3 (August draft), with public comments on these to be received by August 17, and a TLAB incorporating these comments to be tabled in Parliament in September – The Editor**

# Section 45: private equity and baby equity

**Pierre Du Toit**

By now everyone will be familiar with the current proposed "suspension" of Section 45 of the Income Tax Act (s45). The question is what to do about it?

Whatever the changes towards the ultimate version may be, the next version(s?) will be materially different from the current draft. Treasury and SARS (as a combined team) have been involved in in-depth exchanges with important players in the broader finance industry, as well as with the professions. KPMG has experienced this as an honest attempt to get rid of what Treasury/SARS consider to be the bathwater, without darkening the horizons with screaming, half washed babies.

Cutting through the unproductive complexity of that first attempt, the real bathwater Treasury/SARS see is what they see as a lack of tax neutrality – effectively, an arbitrage between interest deducting borrowers and interest exempt, or rate favoured, lenders. That sounds quite reasonable until one remembers that there are many litres of perfectly clean bathwater in our tax system where that happens, and indeed is intended to have that result. Consider the good parents of one of those babies selling their personal residence to a property speculator who will get a normal tax deduction for the cost, while the parents will derive untaxed proceeds and, depending on the price, a special CGT exemption.

Quite simply, the real issue is the degree to which such lack of tax neutrality should be legitimised, even positively used, as a matter of sound, developmental tax policy, while still protecting the fiscus against (ab)use or exploitation.

There is a very real case to be made that legitimate use of s45 should be protected, or even particularised in a new provision.

On the national level specifically the private equity (PE) industry makes a vital contribution to the country's economic wellbeing. Whether we use the United Nations or the CIA Gini Index , or even the lowest/highest 20% version, South Africa is either at or very near the bottom – i.e. we have a dangerously (and immorally) huge chasm between the very rich and very poor.

In the small business sector there is assistance, including through the Small Enterprise development Agency (SEDA). The top corporate giants have been assisted in their capital needs with relaxed exchange controls and foreign listings.

Yet, in that vast in-between area, SA has a huge economic potential, but one that thirsts for capital in a capital scarce world. And that is where PE plays a crucial role.

The PE industry not only brings capital to this middle/upper level business, but also other major benefits. They bring a more directly invested form of investment and therefore greater commitment and energy to many of their client companies. They help companies to build an appropriate network in the local and international business communities.

> **"Quite simply, the real issue is the degree to which such lack of tax neutrality should be legitimised, even positively used, as a matter of sound, developmental tax policy, while still protecting the fiscus against (ab)use or exploitation."**

PE funding allows management greater freedom to take the sometimes drastic measures necessary to save or improve their company. There are fewer regulatory obligations, while existing regulation is generally viewed as positive. There is less focus on additional and sometimes inhibiting public and listed share price sensitivities during a recovery or expansion phase. (*Fortune Magazine – November 2006:* "Talking to shareholders, analysts and the media may be important jobs for a public-company CEO, but they're massive distractions from the company's operations.")

For a developing yet financially sophisticated economy like ours, there is also a major international dimension in that a strong PE industry that has done very well brings and syndicates material foreign funding, frequently with a significant level of foreign direct investment (FDI).

Another highly important regional role for the South African PE industry is emphasized by Warren Watkins, head of KPMG's PE practice (SAVCA/KPMG 2010 survey on the PE market): "It is also good to note that investor interest and that of PE fund managers extends north of our borders...".

Then there is the important role PE plays in enabling BEE. With PE's fundamental corporate efficiencies, driven by closer owner/lender funders, these BEE participations often have more real commercial substance than some token gestures so rightly criticised.

With or without a bath, these precious babies, including capital access, FDI, corporate recovery, management efficiency etc, are the future of an inclusive South African economy. We cannot let them perish out on the horizons.

As we know, the Treasury/SARS' difficulties with the s45 roll-over relief probably originated in the BEE context where they perceived some wide spread "abuse" of the provision.

However, our impression after extensive consultation with Treasury/SARS is that they genuinely want to understand better how PE really operates, and that they appreciate many of the above points. They welcomed a clearer understanding of the commercial and financial need for using debt instruments, including phenomena like PIK debt or Mezzanine. They understand the risk/security factors the PE professional must manage in ways common around the world. The PE community's input in this discourse has been very important and should not stop here.

Treasury/SARS' concerns around the s45 issue is based on a practical and valid concern at abuse by some.

However, It is our impression that where a taxpayer can show that the case-specific use of PE funding is driven by valid commercial considerations, they do not want the new provisions to interfere. Nevertheless, any tax advantage should be clearly contextualised as perhaps an important tool towards valid commercial objectives, but not an objective in itself.

Thought is also being given to slicing the whole PE/funding issue out of s45 and dealing with it in a dedicated provision. (That may involve some prior Treasury/SARS approvals before tax relief will be granted?)

On the other hand it would be only normal that Treasury/SARS would err on the side of their apprehension. It therefore remains crucial that the PE community and their advisors are meticulous in their evaluation of any new proposals, and be as forthright in their comment as they have been in the first round. They should keep alerting Treasury/SARS to the major economic advantages beyond an apparent tax non-neutrality and that, apart from a bigger tax base, in many cases even that apparent tax non-neutrality is more apparent than real.

In the meantime, it would be wise to consider any proposals very closely for impact on older but still live transactions. Even completed transactions will remain possible targets for pre-amendment GAAR attacks.

Existing PE structures should be carefully reviewed as to the evidence available to conduct a defence. Where evidence was not properly recorded or effectively preserved, honest corrective action, capable of openly withstanding a robust challenge, should be taken.

Contracts, even existing contracts, should be reviewed for possible exposure. In this regard actual implementation should be reviewed for whether it took place in accordance with those contracts, and whether deviations would exacerbate a problem or even strengthen a defence. Conditionality stipulations are notoriously difficult to interpret. Were such clauses conditionally conditional in nature or mere terms? Were they resolutive or suspensive? How might implementation support or contradict honestly held views on these provisions? Plan for future structures, and imagine a future GAAR attack and how it can be defended.

The majority of South Africans are capitalists without capital. Being equitable to the PE babies will help correct this, and further strengthen the ever present magic of our land. ◆

***Adv Du Toit is a special advisor with KPMG Tax and Legal***

**The emergence of Senatla Capital is evidence that Black Economic Empowerment (BEE) is taking a necessary evolutionary step in the economic environment of South Africa.**

# Pioneering equity

Senatla Capital has seized on what its erudite Chairman and CEO, Owen Maubane, terms a "huge and obvious gap" in the market, to assist black investors in BEE schemes who are looking to exit their positions but are struggling with lock-ins and dealing with highly illiquid scrip.

The firm, a private equity fund manager specialising in BEE and property across two funds, was launched in October 2010 following its first investment management mandate in the Senatla Capital Empowerment Fund I in June 2010. One other fund is in the process of being launched, being the Senatla Capital Property Fund.

Maubane boasts an impressive track

Owen Maubane

record having been in investment banking for about 18 years.

"I started off at Standard & Merchant Bank, studied overseas in the US and returned to join Citigroup after which I joined African Merchant Bank. I spent about seven or eight years there and was deputy CEO when the A2 banking crisis struck, we were delisted from the JSE and gave back the banking license," Maubane says with a hint of 'been there, done that and learned the lesson' in his tone.

"I subsequently started doing my own deals on a principle level with a firm that I set up and concluded a few interesting deals including the Brait BEE deal.

"And then I caught up with a colleague of mine who was ex-HSBC and UBS and he had set up a firm looking at resources and I basically set up the financial services wing of that."

Maubane signed a three-year service contract with IDG Financial Services and proceeded to build a niche financial services boutique, which he left in 2009.

"The reason for leaving was because I was always interested in the BEE opportunities as it seemed to me that there were a lot of people in that space at the front-end but there weren't too many people actually looking at enabling BEE groups to monetize their positions, get upside and then go on and do other things with those positions.

Maubane, who was a founder and first secretary-general of the Association of Black Securities and Investment Professionals, recalls the bad old days of empowerment from the late 1990s.

"We had the situation where people had basically built up positions, through Johnnic for example, and were looking for exits but the share prices came off and the funders of those deals took up the equity value and the black investors basically ended up with nothing. This kind of structuring eventually took on a very bad name."

Following those early learning years things settled down with the introduction and refinement of the BEE Codes of Good Practice and all the sectoral charters that followed.

The bigger players, who were more financially sophisticated and had the means to manage their positions, enjoyed an advantage over the smaller players – medium-tier and below – who couldn't monetize their positions.

"So I saw the gap to help those smaller players exit their funds. And being invested in Brait also sparked that interest; thinking well, why can't you export the private equity model into [the BEE] space."

"In terms of putting the group together, a colleague of mine, whom I had worked with at AMB, Tamuka Kaseke, an insurance expert, was also looking at this space and said to me 'let's go for it'. He's very strong in derivatives so we had a complementary skills set."

The primary investment focus in Senatla Capital Empowerment Fund I (SCEF) is on transactions in unlisted companies, including through special purpose vehicles, trusts and individuals. Typically, in these transactions, there is an underlying exposure to a publicly traded or private company and there is a feature in that underlying exposure that results in a non market anomaly that creates an arbitrage opportunity.

"We are at an early stage as we are currently an R85m fund and we are planning our final closing for the end of this year with a target in mind of approximately R300m to R400m. Right now were not aiming for size. We just want to prove the concept."

The opportunity is "huge" according to Maubane, specifically around second round BEE deals.

"Many deals concluded in the early 2000's have lock-in periods of around five years so the BEE investors are now in a position whereby they can realize their investments. The issue is that in terms of the agreements they can only sell to other black investors so there's very definitely a gap in the market that focuses on this, a black private equity manager. And quite frankly people like the PIC [Public Investment Corporation] are much more interested in the initial or new deals than existing deals that people need to exit."

As the model is still in its infancy there is an education process that goes along with selling it to Limited Partners (LPs). "We're looking at domestic pension funds because we felt we had to prove the concept before we could go the international route," explains Maubane.

"What's happening with Regulation 28 [of the Pension Funds Act] is also very positive for us, with the limit being raised from 2,5 percent to 10 percent, there's a lot of interest out there.

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>
> **– Maubane**

Senatla is not limiting its sources of funding to pension funds though.

"We are also looking at the multi-managers. Some of them are not in the private equity space now, for example Investment Solutions, but they're looking to get into it."

The timeline for investment is not dissimilar to the traditional private equity model with an investment commitment of four years and then two to three years to realise a return at the typical 2/20 structure.

What really sets Senatla part is the ability it has to negotiate great capital terms, thereby ensuring the highest probability that the IRR will be in the top quartile of funds.

"We always do our homework on who the counterparties are in these transactions and the one thing that we insist on is a discount because of the liquidity factor that we provide.

Senatla also purchases capital protection on a case-by-case basis, which is quite unique in the private equity space, by using hedging instruments.

Maubane explains why:

"Some of our underlying exposure is to a listed company and, therefore, we are exposed to some market risk in the investment. Obviously the driver of value is earnings, which we track and model, but we also want to ensure that we're protected against a 2008-type credit crunch for example. So, to some degree, capital protection is very important.

"On the one hand we're ensuring capital protection through the discount and then there's the hedging, which is simply buying put options from the big five banks.

"For example, a deal we're finalising now, was concluded at a 50% discount – 30% discount and 20% capital protection. We're very conscious of the fact that we're not ripping people off because we're providing a way out of an illiquid position."

Maubane certainly ascribes to the theory that BEE will experience a third or even fourth wave of activity in the short-to-medium-term future as deals that were struck at the top might have to be refinanced and new deals are announced in sectors that have been slow to get charters together.

"One must remember that seven of the twenty scorecard points are for value creation." So there's no point in doing a BEE transaction if there's no value created."

Senatla's vision is premised on a very simple yet effective philosophy.

"For us the rationale for all of this is to create capital into black communities so, hopefully, that will be used for entrepreneurial endeavours. Once people have bought a home and a couple of cars, the idea is that it's actually taking them towards entrepreneurial endeavours because they develop that meaningful capital with which to invest in a small business. And that's great for the economy." ◆

**The mood at the unveiling of this year's KPMG/SAVCA Private Equity Survey 2010 was dominated by the recent fallout over s45 of the Income Act, which is thoroughly examined in this issue of *DealMakers*. But when the pall of doom and gloom was stripped away, the Survey revealed a much more positive outlook for the local private equity (PE) industry, especially when benchmarked against South Africa's developed market peers.**

# Survey paints steady picture

Investor confidence in the sector can be attributed to a number of factors, including the relative insulation of SA financial institutions during the downturn, falling to low interest rates and 2010 infrastructure development commitments.

"Our joint survey revealed that despite an overall decrease in funds from R105,4 billion to R97,6 billion, we see undrawn commitments in the region of R31 billion (2009: R33 billion). This represents many investment opportunities for the private equity industry," said Warren Watkins, SA and Africa Head of Private Equity Markets at KPMG.

The Survey's growing importance as a bellwether of local private equity activity was evidenced by an increase in the 2010 Survey respondents to 63 fund managers, representing 75 funds completed from 41 and 61 in 2009 respectively.

Funds raised rose from R3,8 billion (2009) to R11,1 billion (2010).

"That's very encouraging," enthuses Watkins, "even though a portion of that percentage has come from new participants in the survey. Nonetheless, it helps us present a more accurate picture of what's happening in the sector and displays some significant market confidence."

In more developed markets, PE sector growth has stabilised and, in many cases, has dropped.

"The PE sector represented 3,6% (excluding undrawn commitments) of SA

Warren Watkins

GDP in 2010, up from three percent in 2009. This falls behind the UK and US norms which have been in excess of four percent, but compares very favourably with the other BRICS countries. These figures indicate that SA has a vibrant market with adequate potential to grow," said Watkins.

"From a BEE point of view, BEE remains a vital cog in the PE industry, as funds with some form of BEE ownership account for R75,4 billion, or 77% of the total funds under management. This is a slight drop from 79% in 2009. In addition, black investment professionals in the industry now total 43% of the industry's total."

Watkins is also optimistic that both SA and Africa represent significant growth opportunities for international funds, which in recent months have displayed interest in the African continent.

"It is also good to note that investor interest and that of PE fund managers extends north of our borders as well."

Lending further confidence to continental growth in the PE sector are the projected growth rates of four to eight percent in the African economy, says Watkins. "These are significantly higher than those of mature markets and should lead to further investment." KPMG has found a number of international private equity houses making serious enquiries into the SA market in the last six months.

Looking ahead, regulatory changes being implemented by government should also have a positive effect on the sector. J-P Fourie, CEO of SAVCA, contends that new prescriptions in SA regulations make it possible to accelerate PE sector growth.

"In the past, PE fund managers were held to a limit of 2,5% for pension fund investments in PE. This has changed. The limitations have been raised for PE and Hedge funds, from 2,5% to 10%. This is not only a significant change for the industry, but a beneficial long-term regulatory modification," said Fourie.

While the proposed change to the regulation will cap pension fund investments into PE at 10%, most pension funds have been conservative in the past and only taken up a portion of the regulated limit. This trend is expected to continue despite the raised levels now offered to pension funds. The new ceiling will promote more capital being released into the PE sector.

"This is very important. When international investors consider investing in PE funds, a key consideration for them is the extent of local participation by investors in the industry and the specific funds into which they want to invest. A situation that limits this local participation will hamper the extent to which international investors will invest and in this way limit private equity as an important source of foreign direct investment for South Africa," said Fourie.

Watkins states in the survey that the private sector must be lauded for leading the way, creating growth and jobs along the way.

"The rise of the Independent and Captives-Financial Services funds over the past 10 years have been significant and the primary driver to the growth in the industry. In 1999 these funds totalled just R16,8 billion, today they total R80 billion. It is the private sector and its entrepreneurial spirit that has helped drive and maintain the industry at its current heights." ◆

**Helios Investment Partners (Helios is the young Greek god of the sun), a leading pan-African private equity firm, announced in June the final closing of its second Africa-focused fund at the fund's US$900 million cap – a record for an African private equity fund until Brait announced its closing later that month at US$950m.**

# Stellar fund raised by Helios

Established in 2004 and led by co-founding partners Tope Lawani and Babatunde Soyoye, Helios is one of the largest investment firms focusing on Africa and is among the few independent pan-African private equity investment firms to be founded and managed by Africans.

Helios said that, in line with investment strategies in Helios' previous fund, the new fund, Helios Investors II, L.P., (Helios II), will invest US$25 to US$250 million of equity per transaction in various forms, including business formations, growth equity investments, structured investments in listed entities and large leveraged acquisitions.

The fund's investments will be focused on high-growth sectors which have been deregulated, are core to the economy and are sectors in which the firm has particular expertise.

These include Telecommunications & Media, Financial Services, Power & Utilities, Distribution & Logistics and fast moving consumer goods.

In recent months, Helios has made three investments through the Helios II fund: the acquisition of Interswitch, Nigeria's leading electronic payments processing company; the establishment of Helios Towers Africa which builds and operates telecommunications tower businesses across Africa, and the acquisitions of tower portfolios in Ghana, Tanzania and the DRC; and the acquisition of Continental Outdoor Media (COM), Africa's largest outdoor advertising company.

Tope Lawani

In December 2009, an investor group led by Helios completed the $146.8 million acquisition of INM Outdoor (since renamed Continental Outdoor Media) from Independent News & Media PLC. With operations in South Africa and 13 additional countries in Sub-Saharan Africa, COM offers its customers access to a network of over 38,000 advertising opportunities.

In addition, Helios recently announced the acquisition of Shell's downstream fuels business across Africa.

Helios II was substantially oversubscribed, despite the challenging global fundraising market conditions, with demand exceeding US$1 billion. Lawani is understandably upbeat about Africa and he has the investor capital to back him up.

"Continued political and market liberalisation and strong economic growth have prompted global investors to evaluate investment opportunities in Africa more closely," says Lawani.

"The Fund's potential to make attractive risk-adjusted returns with comparatively low correlation to developed markets enabled it to attract a diverse investor base, which includes support from institutional investors in the predecessor Helios fund, as well as first time commitments to Africa from a broad range of endowments and foundations, funds of funds, corporate pension funds, sovereign wealth funds and development finance institutions across the USA, Europe, Asia and Africa." ◆

**Investors prepare to allocate between $125bn and $195bn in next 12 months.**

# Global hedge fund investment could reach $195bn

The latest Preqin hedge fund investor study, released in July, has revealed that just under one third of investors plan to make a commitment to the asset class in the coming 12 months, investing up to a combined $195bn. Of these investors, 47% are seeking opportunities to invest in funds of hedge funds. The research also found that more than half of funds of hedge funds are seeking new investments themselves.

The bulk of this new investment activity stems from pension funds, with up to a third of public pension funds looking to make extra allocations to the asset class in the next 12 months. Of these, more than half are looking to make fund-of-funds commitments.

Sixty seven percent of private sector pension funds that are planning to increase allocations to hedge funds in the next year are looking for opportunities to invest in funds- of-hedge funds. And 50% of those with investment plans are looking to commit to North America-based managers.

Europe-based investors have the greatest appetite for new commitments: 45% are seeking new opportunities, compared with 29% of North American, and 32% of Asia and Rest of World-based investors.

The report's author, Katherine Johnson, is unquestionably bullish on the outlook for hedge funds looking into next year.

"With nearly a third of the investors on the Preqin database having fixed plans for new investments in the next 12 months, and many others investing opportunistically or considering new allocations, the future is looking bright for the industry," she says.

Nearly 90% of the funds surveyed and are planning to invest include long/short equity as a strategic preference, and 58% are taking an opportunistic approach.

"Investors could invest up to US$195 billion in the next 12 months, with up to 2,000 funds currently being sought. Funds of hedge funds, pension funds, insurance companies and a large number of other investor groups are looking to increase their hedge fund portfolios in the next year. These investors are seeking a wide range of strategies and structures and therefore it is vital that managers have the best intelligence on these investors if they are to gain a slice of this capital," advises Johnson.

The overwhelming consensus is that the industry has reached his its nadir and any further movements are likely to be out of the red and into the black again. However, there is one very large caveat to that assessment and that remains the stability or not of the EU and US sovereign debt situations. ◆

# Brait's is the biggest

Brait's new business model (Catalyst Q1 2011, Vol 8 No 1) has reaped rapid dividends as investors piled in to what has become the largest ever capital raising in South African and African private equity, eclipsing the record held by Helios for a few weeks.

The R6,4 billion (approximately US$950 million) raised represents the largest pool of private equity capital raised in Africa to date and in the shortest period – within four months. This allowed for the successful completion of the Pepkor and Premier acquisitions.

Brait said in a prepared announcement that "[i]mportantly, 80% of the cash that was raised was deployed immediately upon receipt, ensuring minimal cash drag on the balance sheet."

The Investment Team private placement of 30,2m additional shares resulted in the the targeted 18% shareholding being achieved, thereby ensuring alignment with Brait Shareholders to the tune of R500m personally invested in the company's continued growth.

Christo Weise's Titan also achieved its desired shareholding of approximately 33,33% by acquiring shares in the market, and exercising rights during the rights offer period and at the auction.

And the new Brait shareholders were rewarded for their commitment with the announcement that Brait's net asset value had been upwardly adjusted to R17,80 per share (R9 billion), from R16,50, primarily due to the increased valuation of Pepkor in early July. Pepkor was revalued using the June 30 2011 financial year estimated EBITDA of R2,470bn and the same EBITDA multiple of 7,5 times per the transaction circular. Premier has been held at the same valuation levels.

Brait still has a sizeable R1,7bn warchest to deploy, which equates to 18.9% of the revised NAV. So perhaps a return to some mega-deals in the not-too-distant future in the R5bn to R6bn range are not inconceivable. ◆

# Second Quarter 2011: Local and international private equity news roundup

SAVCA has partnered with *FT Business* and the Emerging Markets Private Equity Association, for the annual Private Equity in Southern Africa Summit, which will take place on 1 Feb 2012 at the Hilton Hotel, Johannesburg. This replaces the previous events which were held in Cape Town and brings the conference into the heart of private equity in the SADC region.

***SAVCA*** reported that it and some members made presentations on specific private equity deals to National Treasury and SARS on July 11 in a follow-up to its formal written submissions. Following on from this, National Treasury and SARS issues a statement on the way forward on s45 and ss8E and 8EA, and there will also be a short period for comment on the way forward, all of which SAVCA said it will circulate to members.

***This Day*** Nigeria reports that Actis, a private equity firm specialising in emerging markets, is in negotiations with investors to sell its controlling interest in Nigerian mattress-maker, Mouka, after acquiring the company four years ago.

Sources in Mouka revealed to ***This Day*** that Actis, which holds more than 60% of the equity in Mouka acquired from the founders, the Moukarim family in 2007, may divest its stake in the next few months.

African fund raising could hit a record $8bn to $10bn this year, ***Preqin*** believes. If those funds make attractive returns, Africa should move further into investors' sights.

***Business Day*** reports the number of private equity- backed initial public offerings (IPOs) in SA and elsewhere in Africa could increase in line with improved global sentiment for such deals, quoting Ernst & Young.

The global surge in private equity-led IPOs followed frenetic activity which saw 45 private equity companies raise $17,2bn in the second quarter of this year. There were twice as many deals than in the first quarter and the value was 24% higher, Ernst & Young told the newspaper.

It said private equity-backed companies had raised $31,1bn in 68 separate IPOs, which was on track to exceed the $58,3bn raised at the 2007 market peak.

According to ***Reuters*** a small spate of mid-sized deals has pushed private equity-backed activity up 42% so far this year, but there is scepticism the mega-buyouts that characterized the latest boom will return.

"It's a bridge too far," said David Roux, co-founder of U.S. private equity fund Silver Lake earlier in June, when asked by *Reuters* if there could be a US$15bn buyout in the technology sector.

## PRIVATE EQUITY DEALS Q1 – Q2 2011 – SOUTH AFRICA

| NATURE | PARTIES | ASSET | ADVISERS | ESTIMATED VALUE | DATE |
|---|---|---|---|---|---|
| Disposal by | Horizon Equity Partners to Iress Market Technology | Peresys | | R375m | Jan 9 |
| Acquisition by | Agri-Vie | Hygrotech | | not disclosed | Feb 18 |
| Acquisition by | Capital Partners (Brait SA) from Pepkor | 24,6% stake in Pepkor plus a further 10,3% through purchase of pref shares | Rand Merchant Bank; Standard Bank; Edward Nathan Sonnenbergs; Webber Wentzel; Cliffe Dekker Hofmeyr | R4,18bn + R671m | Mar 3 |
| Acquisition by | Brait SA from Premier Foods | 49,9% stake in Premier Foods | Rand Merchant Bank; Edward Nathan Sonnenbergs; Webber Wentzel; Cliffe Dekker Hofmeyr | R1,1bn | Mar 3 |
| Acquisition by | Standard Chartered Private Equity | 39.77% stake in Afrifresh | Bowman Gilfillan | not disclosed | Mar 8 |
| Acquisition by | Inspired Evolution | 25% stake in Abagold | | R52,5m | Mar 28 |
| Acquisition by | Marlow | significant stake in DNAlysis Biotechnology | Marlow | not disclosed | Apr 1 |
| Disposal by | Medu Capital to Titan Nominees | 5,97m shares (3.75%) in Pepkor | Rand Merchant Bank; Standard Bank | R661m | Apr 18 |
| Disposal by | Old Mutual to Titan Nominees | 32,67m shares (20.52%) in Pepkor | Rand Merchant Bank; Standard Bank | R3,6bn | Apr 18 |
| Disposal by | Capital Africa and South Africa Private Equity Trust III (Brait) to Titan Nominees | 32,67m shares (20.52%) in Pepkor | Rand Merchant Bank; Standard Bank | R3,6bn | Apr 18 |
| Acquisition by | Pinebridge Gateway Partners | significant minority stake in Thuthuka Group | | not disclosed | Jun 1 |
| Disposal by | HBD Venture Capital to Visa | 25.65% of Fundamo | Edward Nathan Sonnenbergs | $28,2m | Jun 10 |
| Acquisition by | Targe Capital-led consortium | 30% stake in MDA Property Systems | | not disclosed | Jun 10 |

## PRIVATE EQUITY DEALS Q1 – Q2 2011 – REST OF AFRICA

| COUNTRY | NATURE OF DEAL | DETAILS | ADVISERS | ESTIMATED VALUE | DATE |
|---|---|---|---|---|---|
| Africa | Acquisition by | Helios Investment partners and Vitol from Dutch Shell Plc of the majority of it's downstream businesses in Africa | | $1bn | Feb 19 |
| Botswana | Acquisition by | African Development Corporation of a 20% stake in ABC Holdings (BancABC) | | € 9,7m | Mar 15 |
| Ghana | Investment by | Aureos in Bio-Plastics | | $5.35m | Jun 16 |
| Kenya | Acquisition by | African Development Corporation of a 25.1% stake in Resolution Health East Africa | Webber Wentzel | KES184m | Jan 13 |
| Nigeria | Acquisition by | Helios Investment Partners and Adlevo Capital of a 67% stake in Interswitch | FT Advisors; KPMG; Roland Berger Strategy Consultants; FCMB Capital Markets; Debevoise & Plimpton LLP; Aelex | $110m | Jan 4 |
| Nigeria | Equity Investment by | Investec Asset Management, the International Finance Corporation and the Netherlands Development Finance Company (FMO) in HIS Nigeria | | $79m | Feb 17 |
| Nigeria | Re-Capitalisation | MOA between Union Bank of Nigeria Plc and the African Capital Alliance Consortium | | $750m | Mar 23 |
| Rwanda | Acquisition by | Kaizen Venture Partners of a controlling stake in Caferwa SARL | | not disclosed | May 13 |
| Tanzania | Acquisition by | Principal Investments division of HSBC and Satya Capital of a stake in Chemi and Cotex Industries | | not disclosed | Feb 16 |