# Catalyst

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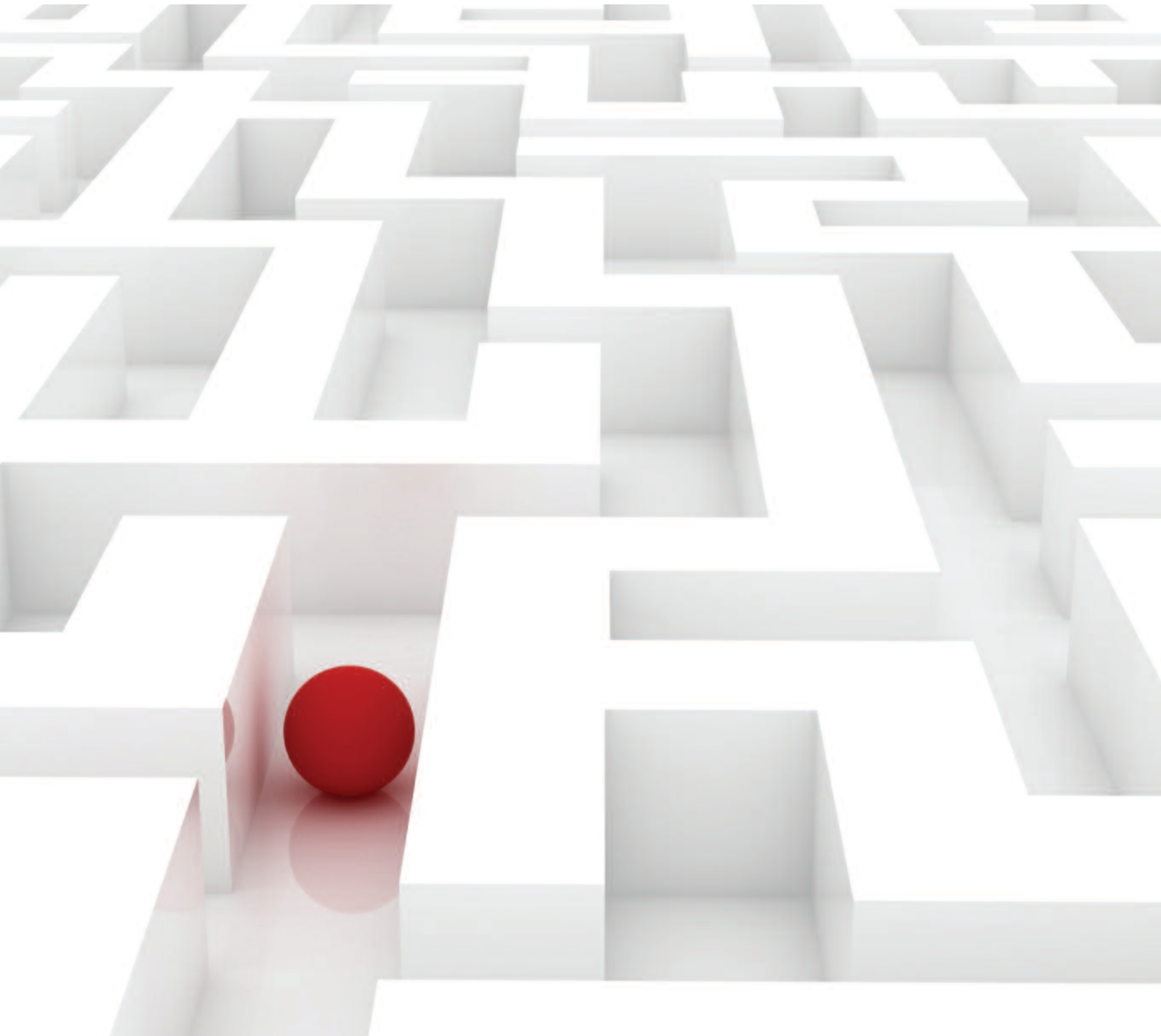

Medu Capital Plays the Long Game

Exits in North Africa Rise

SAVCA Conference Review

# FROM THE EDITOR'S DESK

It's a hallmark of late cycle equity markets that we've seen an upswing in listings in the first quarter of 2018, as bankers and insiders fall over themselves to take advantage of the attractive multiples on offer.

But Consol's canned listing plans shattered perceptions that investors are going to be easily convinced in this market. Following on from the scandals that have bedevilled JSE-listed entities from Steinhoff, EOH and Capitec to the Resilient stable, investors and institutions are asking probing questions on valuations.

How this translates into the private equity exit market over the year will be keenly watched.

The good news is that sub-Saharan Africa's biggest economies will benefit from a global upswing this year, as long as the US's trade battle (it's not yet even close to a war) with China over tariffs does not disturb improving global trade flows.

A Reuters poll taken in April showed economic growth forecasts for South Africa, the continent's most industrialised nation, have got an unusually strong nudge up.

In January, economists projected growth this year at 1.3% but expectations have improved each month. The rate is now put at 1.9%, buoyed by an improving services industry and supported by renewed political stability since Cyril Ramaphosa replaced the scandal-plagued Jacob Zuma as South African president.

In Nigeria, Africa's biggest economy, forecasts were lifted to 2.6% for this year, compared with 2.4% at the beginning of 2018.

"Sub-Saharan Africa's economic growth remains on track for a solid recovery this year," Absa Capital wrote in a note.

Kenya's economy, largely focused on agriculture, is still expected to grow 5.5% this year, the same as in January.

Ghana will probably be one of Africa's fastest growing economies at 7.8% this year, the poll predicted. This is up from 7% in January.

General partners will be praying that this improving macro picture helps with fundraising, which is a hard slog at the best of times as Medu Capital co-founder and CEO, Nhlanganiso Mkwanazi, reveals in a profile piece on page 1.

Medu Capital is welcomed to the DealMakers Editorial Advisory board as the first ever private equity firm, it's recognition of the growing importance the asset class plays in local corporate finance and of the indisputable success that Medu has enjoyed since raising its first fund fifteen years ago. ◆

***Michael Avery***

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**Medu Capital is coming to market later this year to raise its fourth fund, a fitting way to mark the celebration of its fifteenth anniversary on the back of an exemplary track record, of which co-founder and director, Nhlanganiso Mkwanazi, is rightfully proud.**

# PE Discipline in Medu Capital's DNA

Since its inception, Medu Capital has raised over R2bn of capital for respective investments across its three funds, namely MEDU I, MEDU II and MEDU III. Funds are sourced through local and international institutions and the money is invested locally in South Africa, and the rest of Africa, in entrepreneurially run businesses.

"We set out in 2003 to provide capital for, and partner with, entrepreneurs in established, medium-sized businesses to help them grow and develop," reflects Mkwanazi. "We do that by providing growth capital for the business or replacing shareholders or partners whose legs are tired, or need to retire or whatever the case may be. We ensure they don't draw on their capital in the business, which will negatively impact the business."

Mkwanazi explains that it's very much a philosophy premised on partnership that goes beyond just passive providers of capital, to providing Medu's ideas about the trajectory of the business and working with other shareholders to grow and develop the business.

"We've been doing that fairly successfully over the last fifteen years and when we stop and take stock and ask: 'is that changing, is that particular opportunity gone?' Interestingly enough, we feel like there's still plenty to do; the basic premise holds firm."

## Laying the foundations

Medu Capital was started by Mkwanazi and fellow director, Ernest January, who met while working at Deloitte, completing their articles.

"We went our separate ways for a number of years," recalls Mkwanazi, "I spent some time in management consulting with Gemini and then joined what was then Capital Partners, which became Brait, in 1998. I was there for five years and Ernest stayed on at Deloitte before joining Anglo American in their investment management division, essentially investing the pension funds of the Anglo Group companies, until the listing on the London Stock Exchange. Then with the [Anglo] unbundling, he moved on to RMB Asset Management, focusing on the listed equity market."

When the former Deloitte articled clerks teamed up to form Medu in 2003, they had traversed a path that saw them acquire some of the most important skills, so vital to success in the demanding world of private equity; the CA foundation shared by so many successful professionals in the industry, management consulting and business strategy, investment management, networking. But equally vital was the support of Brait, which held a minority stake in the business and helped establish Medu's first fund.

"That provided us with the base to build the business with our first pool of capital, R300m. We then raised our second vehicle on our own track record, which was R900m. And then we raised R1,2bn in 2014 for our third fund."

*Nhlanganiso Mkwanazi*

> "The clock is ticking from the moment you invest and there's a sense of urgency around the plan, the implementation of the plan and that is the hidden hand that makes the model work effectively." Mkwanazi

Mkwanazi believes the support from Brait was critical to Medu's early success but the story is not atypical of how many successful General Partners are established.

"If you take Brait for example, Capital Partners was backed by Fedsure. Kagiso Ventures used to have a fund, a JV supported by RMB. Tiso Capital was backed by Investec. The alternative - for a manager to set up the fund on their own - is very difficult but not impossible."

Mkwanazi and the team at Medu have certainly used this base to build a formidable track record, which reads 26 investments and only one of those out of the money.

Mkwanazi and the team at Medu have certainly used this base to build a formidable track record, which reads 26 investments and only one of those out of the money.

His formula sounds deadly simple: "partnering with proven managers inside established businesses with a track record of success, and basically building off that base where we provide capital and additional skill sets to take a medium-sized business into a corporate business." But its success has hinged on one key ingredient, the human element. In fact, Mkwanazi cites this as his most important investment lesson he's learned over the years.

"After fifteen years at Medu and five at Brait, I think some of the things that might be a nice theoretical debate get confirmed through experience and one of them is obvious, (yet it's always interesting to see the absolute difference it makes,) which is that the quality of our partners is a critical factor in the outcomes of the performance of the investment," opines Mkwanazi. "It's interesting that when you are evaluating a new investment opportunity, most of the professionals in the sector are CA's, or highly numerate, and they can tell you about the income statement and the free cash flow and margin, and that's important of course, but it's a much harder thing to evaluate the potential partners in terms of their competence, their value system and how they react to different situations."

He's obviously reaped other investment lessons through the school fees of time and experience, such as approaching investment in cyclical businesses with a specific framework and being especially mindful of timing.

Venturing into the evolution of the model, Mkwanazi is acutely aware of the tensions inside the model around fundraising and the limited holding period for assets, especially the diamonds in the portfolio. One of the companies he wishes he could have remained invested in is Pepkor. Medu used to be invested alongside a few other PE firms and was forced to divest at the end of the holding period in 2011.

"We saw a very impressive return on that, and none of us got fired for harvesting such an impressive return, but you think if you are a long-term holder of that asset maybe there would have been even greater value to be realised [if you could hold it without time constraints]."

Mkwanazi goes on to explain that there's a strong argument inside the industry that it makes sense for all parties that you should hold on to quality assets and not offload prematurely.

"In a fund we've got 8 to 10 investments and for us to make those we've had to investigate over a period of a few years; we've seen easily 500 companies. Out of the 8 to 10 [investments] we make, you'll find that 3 to 5 are really outstanding businesses, so in terms of our mindset we want to make sure we turn a profit on every investment. Out of 26 investments we've only lost money on one deal - it's something that is in our DNA - but notwithstanding that, you'll find that if you were not constrained that these are businesses with very attractive long-term fundamentals. So going through the rigmarole of divesting from these investments, sending the money back to my investors, spending a year or two trying to convince them to get the money back and then evaluating another 200 to 300 companies to replace these 5 feels like a waste of time."

Having said that, Mkwanazi is quick to point out the counter argument that the business model imposes a certain discipline.

"The clock is ticking from the moment you invest and there's a sense of urgency around the plan, the implementation of the plan and that is the hidden hand that makes the model work effectively."

"Probably the fund's biggest fundamental [consideration] is that when the investor commits to an illiquid investment such as PE, it's fair that at some point in time, if they choose, the investor may have an ability to have liquidity. That's where the current model has tried to reach some compromise."

The biggest misconception about private equity from his vantage point in Melville Road, in the heart of the continent's most mature and arguably successful private equity sector is that consistency and hard work are often overlooked in the analysis, in favour of the attention given to the dealmaking headlines.

"From the outside it looks glamorous, and maybe easy, but it is a hard slog. Returns are made over time and there are a variety of drivers that make for a success. Growing your profit one year is great but if you don't sustain that over a five or seven year period, it doesn't mean much. It requires a lot of patience and a long-term orientation as an individual."

The other difficulty that he believes is under-appreciated is fund raising. Even with three funds notched on his belt and an enviable track record, fund raising is still a significant battle for all GP entities.

Obviously South Africa's seemingly interminable political and policy uncertainty and the currency roller-coaster, hasn't helped matters when it comes to fund raising, but Mkwanazi feels this clouds what is fundamentally a compelling story.

"If you look at SA compared with the broader emerging market basket, in terms of skills base, the ecosystem and diversity of opportunity and, more importantly, in terms of track record, we have a very good story to tell and there is a fair amount of depth that is less appreciated."

And importantly there are opportunities to exploit in the local market, underpinned by the quality of the country's private equity practitioners.

"We see the PE opportunity informed by a few drivers," begins Mkwanazi. "One is that while we have a very well-developed capital market in SA, it's still geared toward the listed market. And there's very limited capital available for unlisted equity. As a result, when one has the capital there is a good investment opportunity because it's not overly competitive. There are a number of players that are established and active but not overly competitive."

"From a sector perspective there are some themes that are well articulated around changing demographics - we still have a youthful population, the whole consumer story, unmet infrastructure demands and requirements - so across the economy there is a lot of opportunity."

Mkwanazi adds one caveat that whether you can make money and earn a good return within a three-to-five-year window is debatable. It remains a very short period of time to invest on a basis of long-term secular trends.

Whatever the practical and philosophical debates that are currently being had in the industry, Medu has demonstrated, through practice, that the skills required to compete successfully are coded into its DNA. The discipline to remain steadfastly aligned to a strategy, to play the long game and, most importantly, the ability to identify and work with quality people, is embedded in its partnership philosophy or model.

The ability to motivate, persuade and partner with people will once more come to the fore when it comes to market later this year to raise Medu Fund IV. ◆

**Agri-Vie, a private equity investment fund focused on food and agribusiness in sub-Saharan Africa, and Norfund - a Norwegian, government-backed, direct fixed investment fund - announced a US$17m co-investment into Marginpar Flower Group Holdings.**

# East Africa Blooms

"The Kenyan cut flower industry is sophisticated and now one of the world's leading suppliers of cut flowers with a reported 35% market share in the European Union" – Herman Marais

The Marginpar Group has expanded its business through the acquisition of Carzan Flowers in Kenya, Marginpar Ethiopia and Marginpar BV in the Netherlands. These acquisitions add to the group's existing investments in Kariki Limited, a Kenyan summer flower producer.

Since inception in 2008, Agri-Vie has invested $125m in the food and agribusiness sector in Africa. The right mix of capital, active partnership and business-building expertise enables them to unlock value for investors, while positively impacting on communities and their environment.

The Agri-Vie Funds are managed by EXEO Capital.

Herman Marais, Agri-Vie co-founder and managing partner at EXEO Capital, says this investment is a perfect fit for the fund.

*Herman Marais*

*Richard Fernandes*

"Our vision remains to be a catalyst for sustainable growth through investing in foundation sectors of Africa's economies. As an increasing proportion of global cut flowers are grown in and exported from East Africa, supporting the sustainable growth of this industry is very much in line with this vision."

"The Kenyan cut flower industry is sophisticated and now one of the world's leading suppliers of cut flowers with a reported 35% market share in the European Union. Ethiopia is positioned as the second-largest flower exporter in Africa after Kenya, with over 100 grower companies on 1,700 hectares. The consolidation of production and marketing capabilities brought about by this transaction is in line with global trends in the industry and will enable a competitive advantage," he explains.

"The joining of forces will facilitate a future strategy of sustainable growth and amalgamation of innovation, production and marketing within the supply chain of niche and varied summer flowers. Through this consolidation, the individual companies will build on each other's expertise whilst still being able to focus on their core activities," says Richard Fernandes, a Director within the Group.

*Kjell Roland*

"Norfund is delighted to contribute to the growth of floriculture in East Africa, which is a primary employer and foreign exchange contributor to the East African countries", says Managing Director of Norfund, Kjell Roland. He adds, "This investment is focused on employment creation and export, and fits very well with our strategy to contribute to sustainable enterprises and economic development in Africa". ◆

**In a welcome sign for foreign direct investment into Africa, the Emerging Africa Infrastructure Fund (EAIF), managed by Investec Asset Management (IAM), recently announced that it has successfully completed its latest fundraising round, raising US$385m in new long-term debt capital to invest in Africa.**

# Achtung African Infrastructure

It's notable for a number of reasons, not least of which is the fact that it managed to secure almost a third of that amount from global insurer Allianz, making it the first large European commercial lender to commit long-term funding to an African infrastructure vehicle underwritten by western development agencies.

The lending group on the fundraising are existing lenders KFW, the German development bank, FMO, the Dutch development finance institution, and Standard Chartered Bank. The African Development Bank (AfDB) returns as a lender.

Nazmeera Moola, Head of EAIF and Co-Head of Africa Fixed Income at Investec Asset Management, believes the inclusion of Allianz demonstrates that global institutional investors are starting to realise that there's a yawning gap between perception and reality in Africa.

"Often, the perceived risk that investors have of investing in Africa is higher than the realised risk," explains Moola. "For example, this particular fund has been going since 2002. It was set up from investment by the governments of the UK, Sweden, Switzerland and Holland, with some commercial financing added on top of that and in its entire history of seventeen years it has [only] had two write offs – one of accrued interest and one of capital in the seventy-odd projects that it's invested in."

Why is it that the actual experience of providing debt capital into African infrastructure is less risky than the general perception? Particularly when one hears that the countries the fund supports, the likes of Mali, Burkina Faso and Mozambique, are all countries that have had quite a lot of turbulence with their sovereign fiscal balances over the time of the fund's existence.

Moola points to three primary reasons.

First, only the best infrastructure projects get done in Africa because the others just don't attract the requisite financing so there's a huge "willowing out" effect.

The second is that the projects that are done are extremely highly structured.

"Both from the debt providers like ourselves [at Investec] and the selection and the crafting of the transaction," explains Moola. "One of the examples I continually cite is where we support energy projects and the government is the purchaser of that energy. If the government terminates early they have to guarantee a termination payment but they also have to guarantee the convertibility of that termination payment into hard currency. That's quite a lot of protection that is built in."

The third factor is that the EAIF takes a long-term time horizon.

"We are not a short-term investor where, when one payment is missed, we call default and we start trying to secure the assets. We try and work with the problem children and history has shown that is the best way to deal with infrastructure around the world. Not only ourselves, but the likes of the [World Bank subsidiary] IFC have had the same experience."

EAIF is part of the Private Infrastructure Development Group (PIDG), a donor-backed organisation that encourages private sector infrastructure investment in the world's lowest-income countries. PIDG blends public and private finance to reduce investment risk, promote economic development and combat poverty. Allianz's investment in EAIF marks the start of a drive by PIDG companies to attract greater levels of funding from institutional and commercial sources.

The participation of Allianz was structured in such a way that its investment was deemed 'risk remote', but what does that mean and how was it achieved?

"What this fund offers is the perfect mix of this new buzzword, blended finance," says Moola. "In this instance it means that the money from the European government would need to be lost first before Allianz was impacted. There's protection built into this."

Since its foundation in 2001, EAIF has invested around $1,3bn, which has been instrumental in attracting over $10,9bn of private capital investment to over 70 projects in some 22 sub-Saharan countries. The EAIF portfolio has also been mapped against the UN's Sustainable Development Goals, ensuring that projects can directly, demonstrably and quantifiably contribute to positive impact across the continent.

As a leading proponent of innovative impact investment, Allianz is financing €75m and $25m, both over 12 years. The EAIF debt financing was run by Allianz Global Investors (AllianzGI) on behalf of Allianz Group, investing for their insurance portfolios.

"We believe in Africa's growth potential and will invest across different asset classes across the continent. The partnership with EAIF and Investec Asset Management is an important contribution to this initiative and illustrates how to create attractive risk and return profiles with the necessary downside protection for our policyholders," says Sebastian Schroff, Global Head of Private Debt, Allianz Investment Management.

Since winning EAIF's fund management mandate in 2016, Investec Asset Management has delivered all of the key performance indicators set for the Fund.

"Bringing the vision and support of a lender of Allianz's calibre on board represents a milestone in terms of mobilising private capital into infrastructure projects across the continent," says Moola. "This debt raising exemplifies the gains to be made from PIDG's blended finance approach."

*Nazmeera Moola*

EAIF ended 2017 with ten new transactions signed, representing c.$200m in loan commitments and bringing EAIF's committed loan portfolio to $750m.

"We currently have 41 investments in the portfolio and some of the projects we signed in 2017 include a solar project in Mali where we were the lead arranger on the debt side, also one of the first water PPPs in Rwanda - Kigali Water - which was signed late last year."

The World Bank estimates that if sub-Saharan Africa's economies had dependable electricity, GDP growth across the region could be up to 2% higher per year than current rates. Additional to the need for electricity is the increasing drive towards renewable energy.

> It's notable for a number of reasons, not least of which is the fact that it managed to secure almost a third of that amount from global insurer Allianz, making it the first large European commercial lender to commit long-term funding to an African infrastructure vehicle underwritten by western development agencies.

"Combatting climate change is an important priority for our donor nations," says EAIF Executive Director, Emilio Cattaneo. "Harnessing renewable energy sources, particularly solar, is the most sustainable and quickest way of bringing power to countries that need infrastructure to encourage business growth, jobs and stability."

In 2017 alone, EAIF provided finance to independent power producers that will bring 90MW of new solar power to Africa.

In a separate interview with the FT, Moola said that since the 2008 financial crisis and the imposition of Basel III, which imposes stricter capital requirements, banks' appetite for lending to infrastructure projects in Africa had "completely dried up." However, while there were legitimate concerns about the risk of default or regulatory changes, she said, deals could be structured in such a "belt and braces" way that they were relatively insulated from political risk. ◆

**African private equity and venture capital deal-making, so far this year, has been dominated by investments in technology companies, particularly fintech and business-to-business platforms, together with encouraging activity in the agribusiness & food sector. This is according to data provided by *Africa Private Equity News*, an industry information service.**

# African fintech and agribusiness companies attract interest from investors

Fintech investments were mostly in mobile-enabled banking and financial services companies. These include: French development-finance institution Proparco's US$3m backing of JUMO, which helps customers to access loans and savings products in East and West Africa; and a $70m round, led by US-based Trinity Ventures, into credit provider Branch International. Digital payments network MFS Africa also raised $4,5m in funding, led by LUN Partners Group, thereby becoming one of the first fintech players on the continent to receive funding from a China-based venture capital firm.

Business-to-business solutions remains an attractive theme, with TLcom Capital announcing two investments in the space – a $5m injection in Nigeria-based mobile marketing company Terragon, and a $3,5m Series-A round for Kenyan consumer-feedback platform mSurvey, which plans to use the capital to scale and expand into more countries.

Asoko Insight, a provider of data on African companies, attracted $3,6m in additional funding from its early shareholders and some new ones, while South African-based Giraffe, which enables businesses to recruit high volumes of medium-skilled staff, closed a second round of investment, supported by FirstRand's Vumela Fund, with participation from Omidyar Network, the Brozin family's Forever Young Capital and Catapult Trust.

The continent's rapidly-growing food market could be worth more than $1trn annually by 2030 as imports are substituted with high-value, locally-produced food, according to the Alliance for a Green Revolution in Africa. With 60% of the world's unused arable land, Africa's potential in the broader agribusiness sector is also enormous.

The sector continues to attract interest from private equity firms such as DOB Equity, which backed Rwanda-based grain trader Sarura Commodities in March. Furthermore, Agri-Vie and Norfund announced a $7m co-investment in Marginpar Flower Group Holdings, which has floriculture interests in Kenya and Ethiopia.

In addition, South African-based The Beverage Company, in which Ethos Private Equity and Nedbank Private Equity own a stake, signed an agreement to acquire 100% of SoftBev, the sole licensed bottler for Pepsi and its related brands in South Africa, from Bowler Metcalf and the original founders.

"In South Africa specifically, we're seeing agro-processing and food production becoming quite topical. If you pick the right investments here you can generate superior returns," commented Tshego Sefolo, CEO of Agile Capital, in an exclusive interview with Africa Private Equity News.

When it comes to private equity exits, glass packaging manufacturer Consol, which counts the Brait Fund IV as a significant shareholder, in early April announced its intention to list on the Johannesburg Stock Exchange (JSE), only to later withdraw its IPO plans, citing unfavourable market conditions.

However, private equity firm Abraaj might soon realise its investment in South Africa's Libstar Holdings after the food and personal care manufacturer said it would list on the JSE in May. Also on the exit front, Helios-backed Vivo Energy, a retailer and marketer of Shell-branded fuels and lubricants in Africa, announced that it too plans to float on the London Stock Exchange and the JSE. ◆

**The winds of expectation were blowing through the picturesque surrounds of Spier in Stellenbosch at the annual private equity industry Conference where the industry body, the South African Private Equity and Venture Capital Association (SAVCA), celebrated its 20th anniversary.**

# Riding 'Ramaphoria'

"With the change in [political] leadership and the renewed energy in the country we felt that there's a sense of renewal and optimism [in the sector] and in the investment landscape in South Africa as a whole," says SAVCA CEO, Tanya van Lill.

"Fundraising in 2017 was very difficult for our members, specifically given the political landscape, but in our conversations, we've picked up that there is more opportunity for co-investing and more opportunity for fundraising, and different fundraising models, and also a few good exits on the horizon from our members."

Van Lill said SAVCA has seen an increase in pension funds investing in the asset class.

"Of the total funds raised in 2017, 40% came from pension funds, which is a five percent increase, so there is definitely an increase but what SAVCA is doing is engaging with more pension funds and also creating and developing a training course for pension fund trustees to be able to understand what PE and VC is."

To take advantage of this increased interest by pension funds in the private equity asset class, van Lill said players need to make what they offer relevant, demonstrate their track records, show that they are investing in the local economy and that they are driving transformation.

When it comes to fund raising in general, the head of SAVCA said that how private equity is packaged is still an issue in the industry. Foreign LP's (Limited Partners) are still listening with their notebooks, not with their cheque books and that pointed to a deep misunderstanding of exactly how established and professional the local private equity market in South Africa had become.

As part of the organisation's 20th anniversary celebration, SAVCA also announced the launch of the inaugural SAVCA Industry Awards. These annual sector accolades will recognise portfolio companies that have thrived from private equity and venture capital investment in the region.

All investee companies (headquartered in Southern Africa) currently benefitting from these types of investments, or those that have had investors exit within the last 12 months, are eligible for consideration by the judging panel. Judges will comprise business leaders and captains of industry, with the awards being supported and sponsored by Investec Corporate and Institutional Banking.

"With an increased government focus on small business as a contributor to overall GDP and employment growth, these awards will serve to highlight the achievements of portfolio companies as they relate to innovation, environmental and social impacts, profit and investor returns, job creation and reputation," says van Lill.

Categories include:

- Small Companies - seed/early stage growth investments with an enterprise value of under R50m and revenue of under R200m.
- Medium-sized Companies - expansion stage investments with an enterprise value of R50m to R1bn and revenue of R200m to R2bn.
- Large Companies - with an enterprise value of more than R1bn and revenue of above R2bn per annum.
- Chairman's Award - recognising exemplary work within the sector, awarded at the judges' discretion.

"We are looking for businesses that stand out amongst their peers, demonstrating skilled execution of particular projects, as well as evidence of bold and authentic leadership. The positive impact that private equity/venture capital has had on the business also needs to be reflected – this includes mentorship, strategic advice, governance and new market access."

*Tanya van Lill*

Private equity and venture capital investors can nominate investee companies or these businesses can nominate themselves by submitting an entry form via the SAVCA Awards website. Judges will select a shortlist of finalists across the outlined categories who will be assessed and interviewed. These findings will be presented to the judging panel, with the process culminating in winners being announced at a gala dinner and awards ceremony at Monte Casino in November 2018.

2018 is going to be one of those remarkable vintages in the industry.

**RMB Corvest, in partnership with Agile Capital and the Management, acquired a significant holding in local catering service provider, Feedem in March 2017.**

# RMB Corvest helping Feedem Group sparkle a year into its investment

Mike Donaldson, director at RMB Corvest, explains that they invest in established businesses with proven track records, across sub-Saharan Africa.

"We focus on creating long-term, profitable partnerships that are both stable and supportive," explains Donaldson, "and by partnering with Agile Capital and the management team, we have facilitated the creation of a black-owned services enterprise that is headed by Bazil Lauryssen as Feedem Group Chief Executive Officer."

Feedem is one of the largest, independently-owned service providers within the local outsourced catering and cleaning industry, with more than 4500 employees managing over 450 sites nationally.

The group is further diversified through a synergistic cleaning services company, rebranded as Cristal Solutions. Cristal Solutions offers a comprehensive range of cleaning, hygiene, pest control, wash-bay cleaning and labour resource services. Clients include malls, corporates, business parks, hospitals, government facilities, mines, factories and warehouses. The business is ready for expansion, having restructured the management team and recently acquired 100% of Versatex Trading 182 (Pty) Ltd, a company that provides specialised Data Centre cleaning services nationally.

> Feedem is one of the largest, independently-owned service providers within the local outsourced catering and cleaning industry, with more than 4500 employees managing over 450 sites nationally.

The Feedem Group's Black Economic Empowerment credentials have been enhanced as a Level One B-BBEE contributor with a 77% Black Ownership and 32.27% Black Female Ownership providing access to new markets, whilst strengthening and adding further value to existing contracts.


*Bazil Lauryssen*


*Mike Donaldson*

Phumi Twantwa and Genevieve Alberts, senior transactors at RMB Corvest are on the Board, along with partners from Agile Capital.

Alberts says that by using Feedem as a platform, the Board recognises the very real potential to develop a new focused-services group through both organic growth and further acquisitions.

"On the anniversary of our investment into Feedem, we are even more confident than ever that we have the right team in place to accelerate the growth ambitions in the near future," says Alberts. "We view Feedem as a remarkable opportunity to make a significant contribution to the South African services industry offering, by creating much needed employment, training and improvement to the quality of people in the sector."

"The Catering Division has shown substantial growth and extended its contract base nationally. We have added various prestigious contracts in the Catering services sector such as Engen and Nestle (national contract), Woolworths Financial Services, Roedean School for Girls, St Michael's School for Girls, Collegiate Junior School, numerous institutional clients and retained most of our existing contracts."

"In order to manage our expanding base, the Feedem Group has promoted and recruited a number of skilled individuals nationally. We are excited about the future and remain committed to delivering service excellence to our many loyal clients," concludes Alberts. ◆

# Local and International news

## National news

The Beverage Company, parent of Gauteng and Eastern Cape-based beverage producer Little Green Beverages, announced an agreement to acquire 100% of SoftBev from JSE-listed Bowler Metcalf and the original founders in March. The acquisition - which is subject to a number of key conditions including confirmatory due diligence, regulatory and Competition Commission approval - will strengthen The Beverage Company's objective of building a truly African business of home-grown beverage brands.

Established in 2006 by entrepreneurs Lance Sheppard and Vimal Gowan, Little Green Beverages was acquired by Ethos Private Equity, Nedbank Private Equity and management in 2017. Michael Benjamin was appointed at that time to lead the management team in driving a growth vision for the company.

Commencing business in 2015, SoftBev is an innovative, 100% South African owned company formed after the merger between two well established businesses, Shoreline Sales and Distribution and Quality Beverages. Their well-established brands include Coo-ee, Jive, and Reboost, and Capri-Sun under licence. SoftBev is also the sole licensed bottler for Pepsi and its related brands across South Africa, Lesotho and Swaziland and has distribution rights in Botswana and Namibia. Following the acquisition, these brands and trade relationships will sit alongside The Beverage Company's extensive Refreshhh! range of carbonated soft drinks, mineral water, mixers and energy drinks (all variants of the Refreshhh! brand) and private-label products for leading retailers. ◆

Knife Capital announced an investment in Cape Town-based machine learning company, DataProphet, in March, which will boost the company's innovation capabilities and accelerate global expansion.

DataProphet develops and implements bleeding-edge product development solutions to a wide range of industries, with a specific focus on the manufacturing sector. They assist data-heavy businesses to discover the insights and predictive capabilities hidden in their data.

The company has now received a multi-million dollar funding round from Knife Capital - a leading venture capital firm with offices in Cape Town and London. Knife Capital invests via a consortium of funding partnerships, including SARS section 12J Venture Capital Company KNF Ventures and Draper-Gain Investments. ◆

## International

**Robert Jenkins joins Phatisa as Senior Partner and acting Chief Investment Officer**

Jenkins was one of the pioneers of the private equity industry in the UK. He was a founding partner of Phildrew Ventures, which went on to raise five funds totalling over US$1bn of assets under management. The business was sold to UBS Capital in 2000. Jenkins then worked for Bridgepoint Capital, Europe's leading private equity firm, in a portfolio company management role for underperforming assets where he was director or chair of 10 businesses.

Jenkins's interest in Africa started over 10 years ago. He has mentored two African-based SME funds, is a trustee of a Malawian microfinance business, chairs a grant-making trust and has an MSc from the School of Oriental and African Studies, University of London, in development economics. More recently he was an Investment Director of Gatsby Africa, an East African developmental institution managing an annual budget of $20m and Chief Investment Officer of Msingi, an institution established to encourage transformative sector development in East Africa. ◆

DOB Equity, a leading Dutch family-backed impact investor, recently completed its first investment in Rwanda, in Sarura Commodities – a grain trading company.

DOB Equity's investment means it is now present in all five East African countries.

Sarura Commodities links smallholder farmers to reliable input and service providers to increase grain quality and farmer productivity. It also supports farmers by providing training on post-harvest management.

DOB Equity's investment will allow Sarura to strengthen its storage infrastructure, support its sourcing platform and scale up its operations in Rwanda's niche premium grain market. ◆

The 15th Annual Conference of the African Private Equity and Venture Capital Association (AVCA) held in April hosted the top 600 private equity leaders, representing more than $1,3trn in assets, to discuss key trends that are impacting investment on the African continent during 2018 and beyond.

As part of the event, the fourth annual GP-LP Summit - co-chaired by Hurley Doddy, MD and Founding Partner of Emerging Capital Partners and Murray Grant, MD, Head of Intermediated Equity at CDC Group - provided a platform for fund managers and investors to discuss relevant issues facing the African private equity and venture capital industry.

Lamia Boutaleb, Secretary of State to the Minister of Tourism, Air Transport, Handicraft and Social Economy of Morocco, opened the conference with a speech on the opportunities of risk capital in the tourism sector, before participating in a conversation during which she praised Morocco's progress and highlighted the positive prospects for investment in the country. ◆

## PRIVATE EQUITY DEALS Q1 2018 – SOUTH AFRICA

| NATURE | PARTIES | ASSET | ADVISERS | ESTIMATED VALUE | DATE |
|---|---|---|---|---|---|
| Disposal by | Ethos Capital and RMB Ventures to Abraaj Private Equity | Waco International | Rand Merchant Bank; Webber Wentzel; Cliffe Dekker Hofmeyr | undisclosed | Jan 16 |
| Disposal by | Gold Fields to CD Capital Natural Resources Fund III | palladium-rich polymetallic Arctic Platinum Project | | $40m | Jan 4 |
| Acquisition by | Old Mutual Alternative Investments (Old Mutual) | minority stake in Amandi IPP power plant in Ghana | | undisclosed | Jan 05 |
| Acquisition by | Old Mutual Alternative Investments (Old Mutual) | stake in Starsight Power Utility | | undisclosed | Feb 05 |
| Acquisition by | Afri-Vie Fund II (Exeo Capital) | a stake in TerraSan | | undisclosed | Feb 07 |
| Acquisition by | Ethos Mid Market Fund I (Ethos Capital) | 31,2% investment in Echotel | Webber Wentzel | not publicly disclosed | Feb 28 |
| Acquisition by | Ethos Private Equity Fund VI (Ethos Capital) | additonal 9,39% stake in RTT to 54,35% | Webber Wentzel | not publicly disclosed | Feb 28 |
| Acquisition by | Main Street 1511 (Abraaj) | Roossenekal Foods Investments (KFC franchisee owning 62 KFC stores) | Webber Wentzel; ENSafrica | undisclosed | Mar 05 |
| Acquisition by | Ethos Healthcare Investments (Ethos Capital) | Amayeza Abantu Bio Medical | Webber Wentzel | undisclosed | Mar 14 |
| Disposal by | Phatisa | part of its stake in Kanu Equipment | Standard Bank; Bowmans | undisclosed | Mar 14 |
| Acquisition by | Knife Capital | a minority stake in DataProphet | | undisclosed | Mar 22 |

— Failed deal

## PRIVATE EQUITY DEALS Q1 2018 – REST OF AFRICA

| COUNTRY | NATURE OF DEAL | DETAILS | ADVISERS | ESTIMATED VALUE | DATE |
|---|---|---|---|---|---|
| Cote d'Ivoire | Acquisition by | Amethis of a minority stake in Afriwara | | undisclosed | Jan 17 |
| Ghana | Acquisition by | Old Mutual Alternative Investments (Old Mutual) of a minority stake in Amandi IPP power plant | | undisclosed | Feb 5 |
| Kenya | Disposal by | Actis of its 79,5% stake in Mentor Management to Turner & Townsend | I&M Burbridge Capital | undisclosed | Feb 6 |
| Kenya | Acquisition by | Ascent Rift Valley Fund in partnership with SFC Finance, of a majority stake in Auto Spring East Africa | | undisclosed | Feb 12 |
| Kenya | Acquisition by | Uqalo of a stake in Big Square | Bowmans | $4m | Mar 7 |
| Kenya | Acquisition by | Kuramo Capital Management of a majority stake in GenAfrica Asset Managers from Centum Investment Company | | undisclosed | Mar 21 |
| Kenya | Disposal by | Centum Investment Company of its remaining 25% stake in Platcorp to Suzerain Investment | | undisclosed | Mar 21 |
| Namibia | Acquisition by | Eos Capital of majority stakes in Heat Exchange Products and Namibia Aqua Mechanica | | undisclosed | Feb 15 |
| Nigeria | Investment by | Amaya Capital, Omidyar Network and CRE venture Capital in Rensource | | $3,5m | Jan 29 |
| Nigeria | Acquisition by | Old Mutual Alternative Investments (Old Mutual) of a stake in Starsight Power Utility | | undisclosed | Feb 5 |
| Nigeria | Acquisition by | Milost Global of a stake in Resort Savings & Loans Plc (plus $150m debt funding) | Palewater Advisory | $100m | Feb 26 |
| Nigeria | Investment by | Sahel Capital in Coscharis Farms | | undisclosed | Mar 21 |
| Nigeria | Investment by | Tlcom Capital and other investors in Terragon | | $5m | Mar 26 |
| Nigeria | Investment by | Alta Semper in HealthPlus | CardinalStone Partners; Olaniwun Ajayi; Hogan Lovells International; Banwo Ighodalo | $18m | Mar 27 |
| Tunisia | Acquisition by | Mediterrania Capital Partners of a stake in Groupe Scolaire René Descartes | | undisclosed | Jan 11 |