



An overview of private equity in Southern Africa

Tanya van Lill

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Private equity

- Broadly defined, is:
a long-term, equity investment in a private business across sectors and stages of growth, which entails fund managers raising third-party funds from various classes of investors





Around **160**
members,
including
100+ private
equity fund
managers

Established
1998

SAVCA's mission

To promote the asset class in Southern Africa by:

- Being a single industry voice to **regulators and policy makers**
- Providing up-to-date and relevant **research**
- Offering **training** and education for industry stakeholders
- Creating **networking** opportunities for industry players



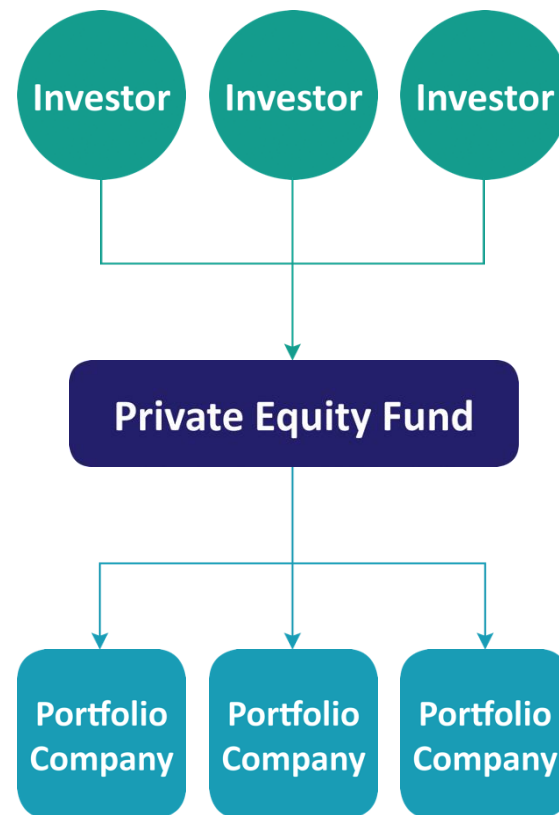


The private equity ecosystem

Pension funds, Endowments, Development Finance Institutions, Sovereign Wealth Funds, Life Offices, Fund of Funds, Family Offices, High Net-Worth Individuals

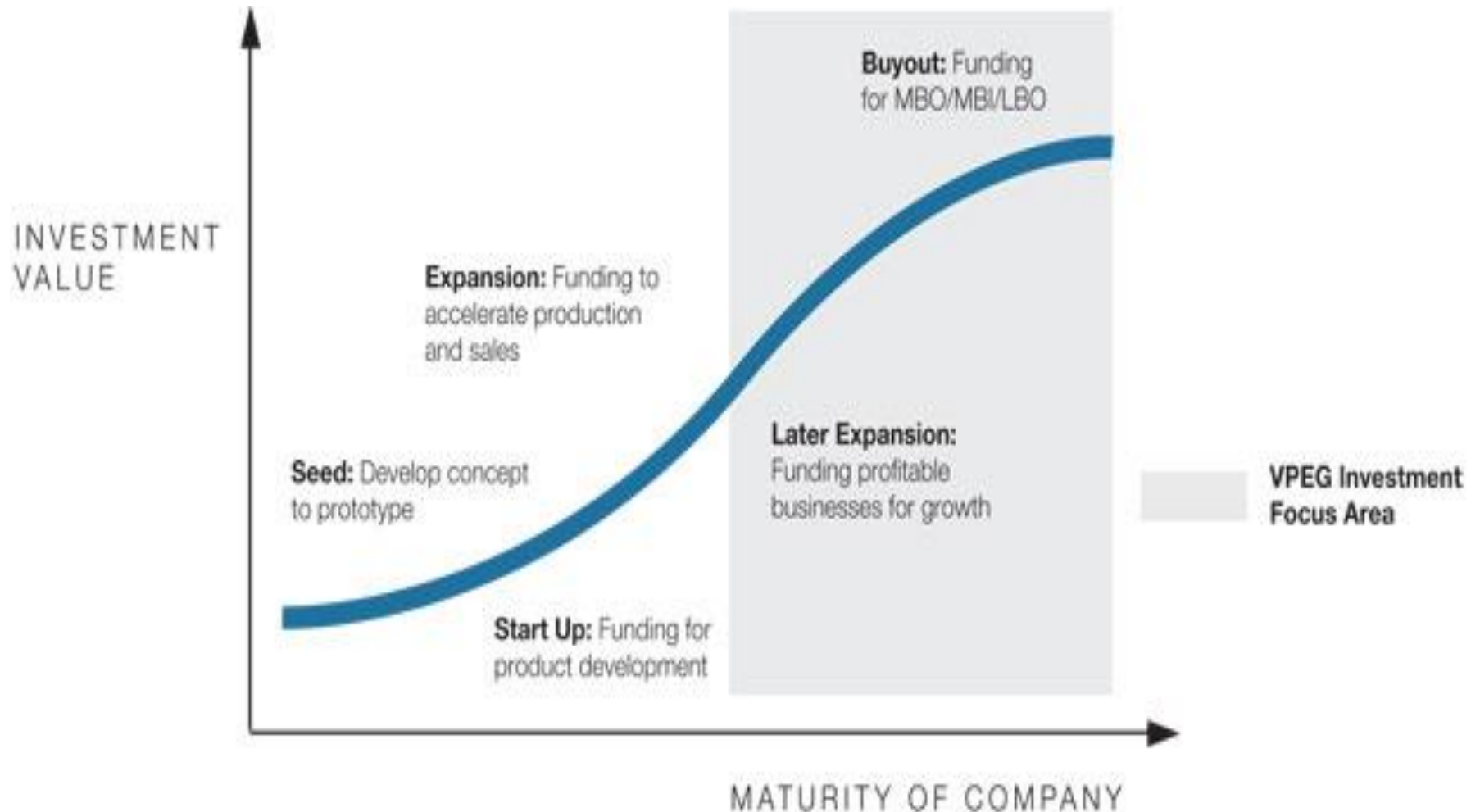
Fund size and **investment mandates** vary:
Generalist vs specialist funds, geographic focus, type of capital provided

The fund's shareholding in the portfolio company varies, depending on fund philosophy and nature of investment opportunity





Stages of investment





Characteristics of private equity

Long-term investment

Minority or majority stake

Ongoing and active involvement by fund manager

Provides portfolio diversification

A tool for meeting developmental mandates

Returns tend to outperform listed equity

Provides access to growth, via small to medium-sized companies and to sectors under-represented in listed markets



Fund vehicle Types & Characteristics

Common SA Fund Vehicles:

- En Commandite Partnership (Limited liability partnership)
- Trust
- Companies (Section 12J)

SA Investment vehicle characteristics:

- Limited liability
- Tax transparency
- Passive investment
- Ease of flows into and out of Country





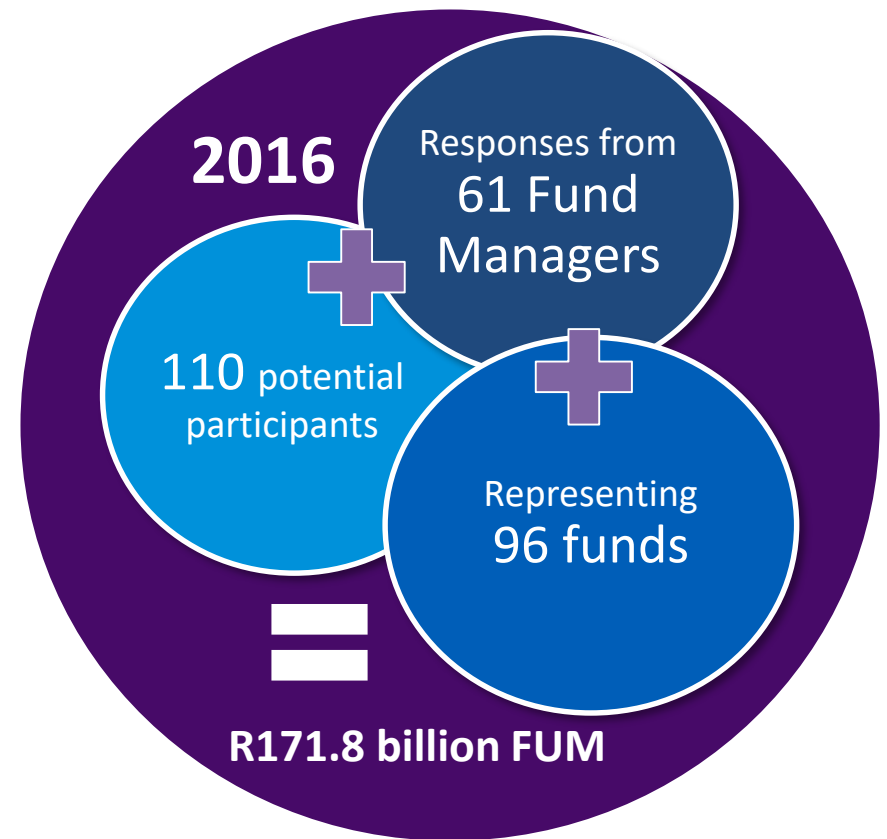
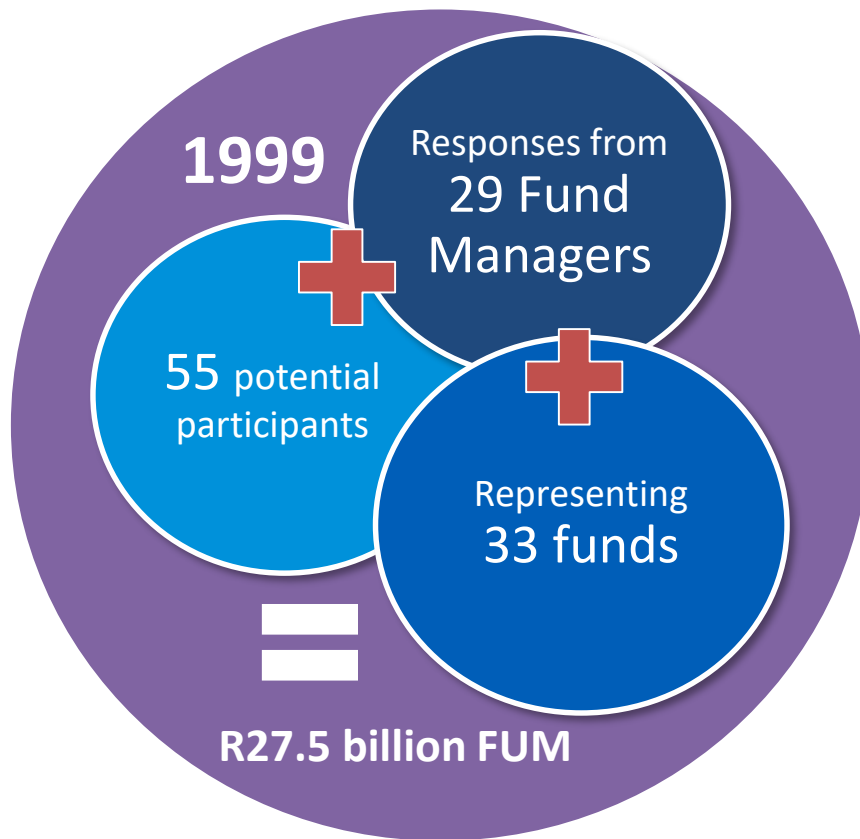
SAVCA

SOUTHERN AFRICAN VENTURE CAPITAL
AND PRIVATE EQUITY ASSOCIATION

SAVCA 2017 Private Equity Industry Survey

SAVCA Venture Capital and Private Equity Industry
Performance Survey of Southern Africa covering the
2016 Calendar Year







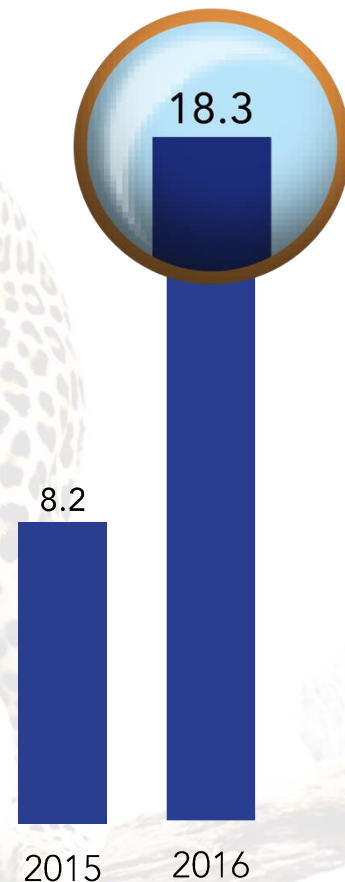
Funds returned



The standout theme for 2016 was the healthy flow of funds that were returned to investors

R18.3bn

A 123.2% increase from 2015





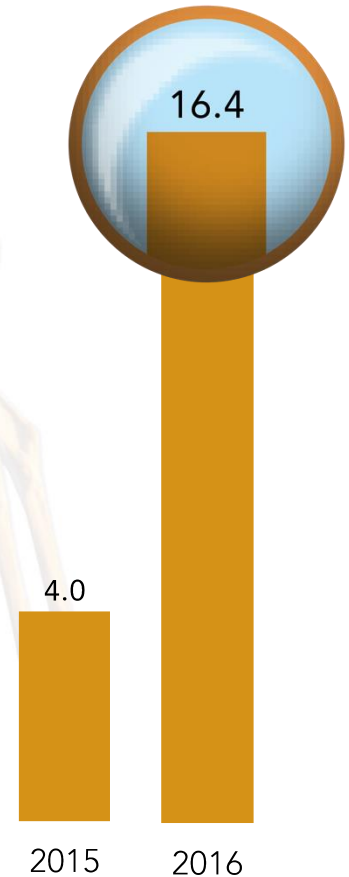
Exits



R16.4bn in exits

Top two exit routes, by value:

- Trade sale (**75.6%**)
- Sale to another private equity firm or financial institution (**22.0%**)





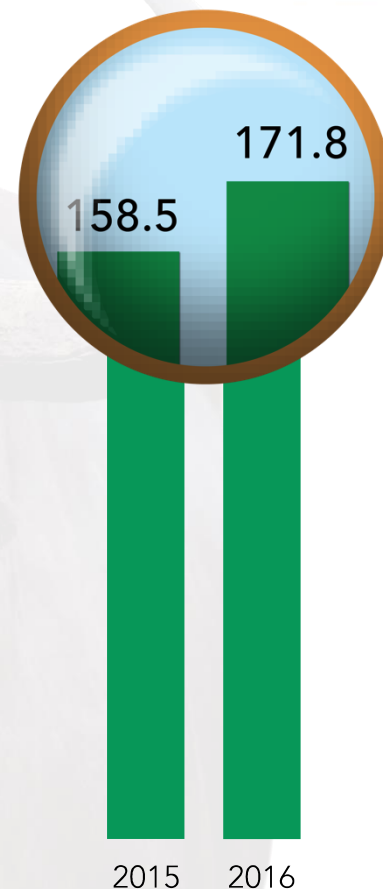
Funds Under Management

Industry funds under management:

R171.8bn

(158.5bn in 2015)

11.4% compound annual growth rate in the industry since 1999





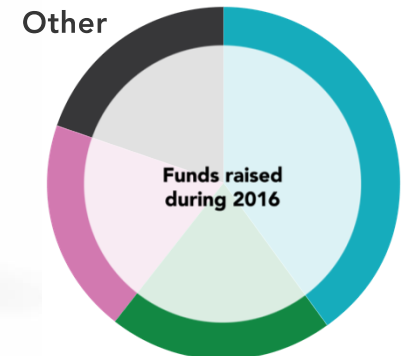
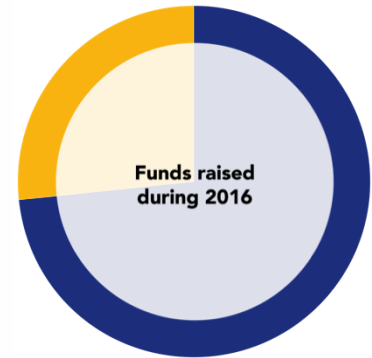
Fund raising activity

Of the R10.2bn funds raised:

- 73.5% of this was raised in South Africa
- 26.5% was raised outside of South Africa

AND

- 40.2% from pension and endowment funds
- 20.6% from DFIs, governments and aid agencies
- 19.6% from Insurance companies/institutions

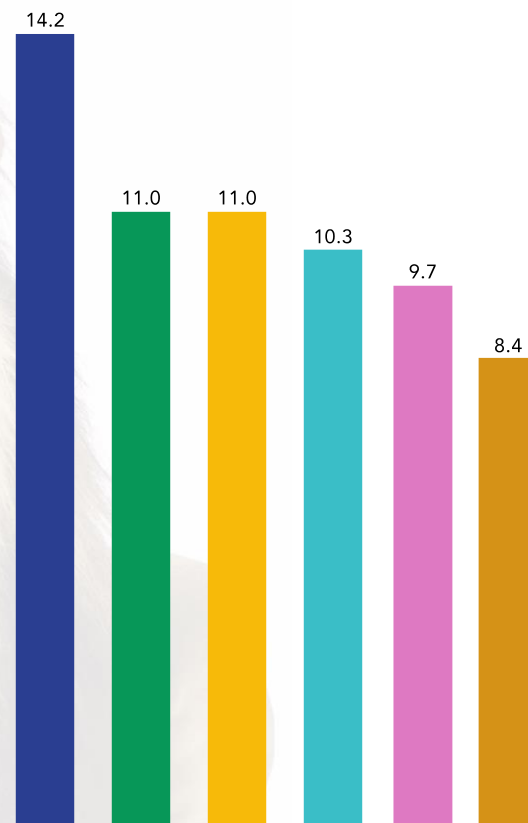




Investment activity

Top sectors by value

- 14.2% Real Estate
- 11.0% IT
- 11.0% Energy
- 10.3% Services
- 9.7% Manufacturing
- 8.4% Retail





Performance

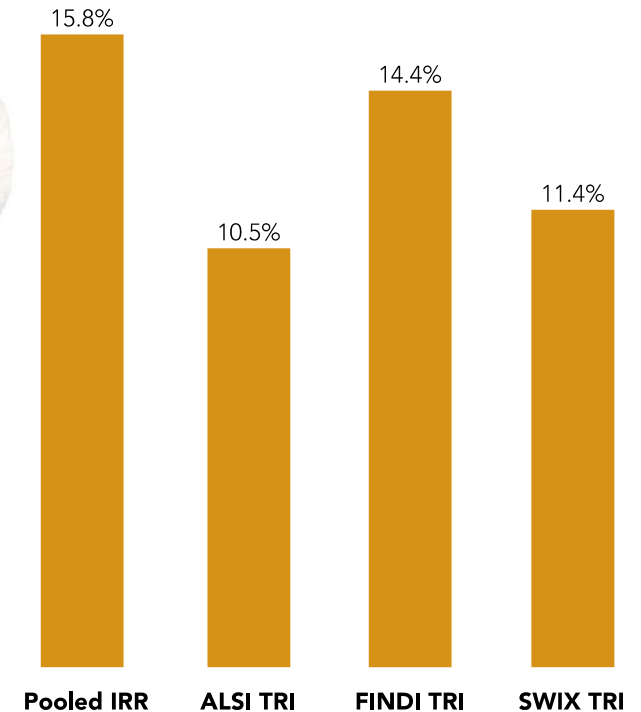
Compound annual growth
rate over 10 years

Pooled IRR – 15.8%

ALSI TRI – 10.5%

FINDI TRI – 14.4%

SWIX TRI – 11.4%



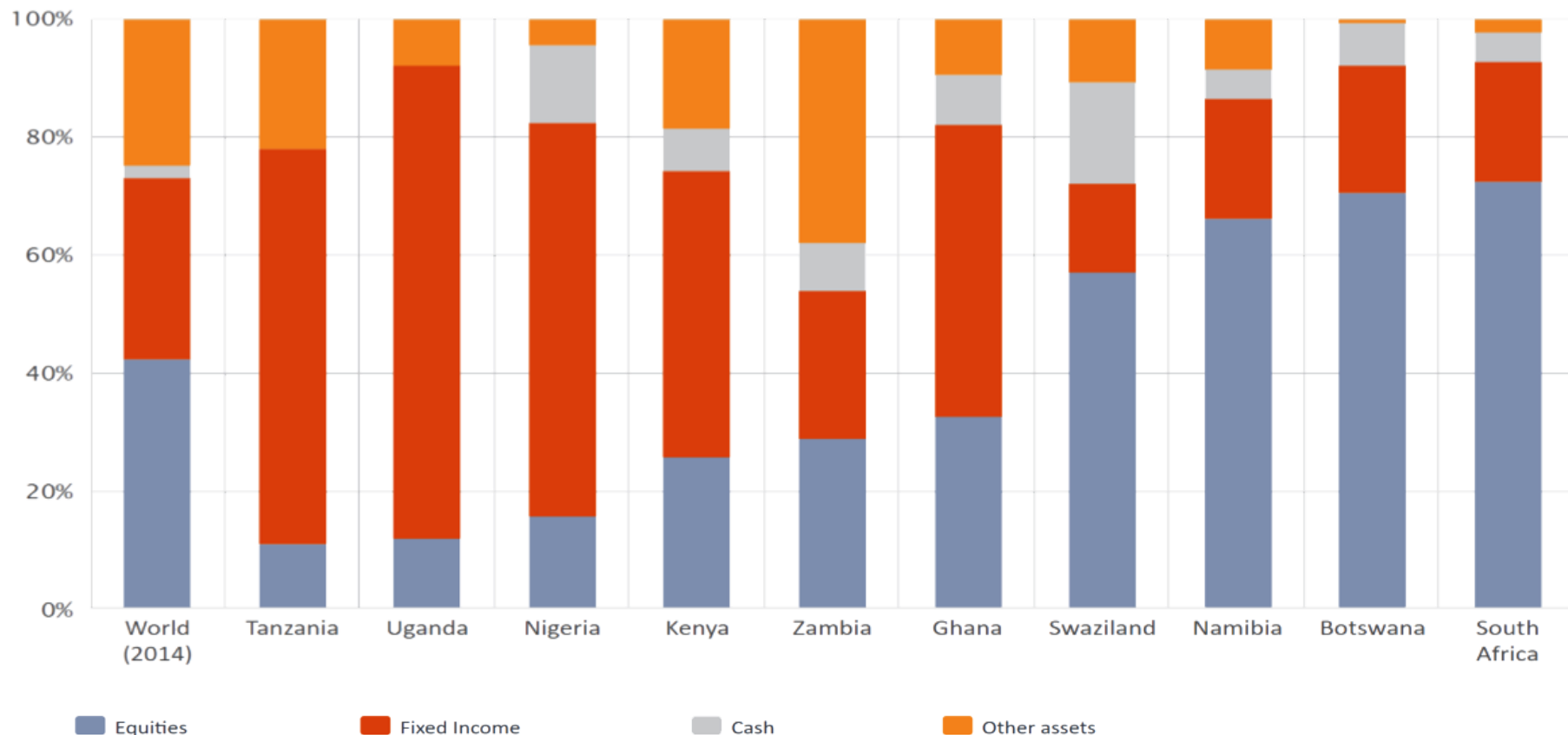
Private equity: A force for good

A survey of private equity portfolio companies shows:

-  • Private equity drives good corporate governance
-  • Private equity is valued for its strategic guidance
-  • Private equity supports capex and expansion plans, and innovation
-  • Private equity is a driver of BEE
-  • Businesses reported notable employment gains during the private equity partnership



African Pension Fund asset allocation



Source: Regulator annual reports and websites, other industry sources, EAC review of pension sector (Callund Consulting), Towers Watson Global Pension Study 2015, RisCura analysis



Thank you

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