SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

SAVCA 2019

Private Equity Industry Survey

Insights into the Southern African Private Equity Industry covering the 2018 Calendar Year

Research Partner Deloitte.

CONTENTS

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FOREWORD

In this, the 19th annual *SAVCA Private Equity Industry Survey*, we provide an in-depth analysis of the trends and influences within the industry during 2018.

The region's Venture Capital and Private Equity fund managers play a pivotal role in the world of financing. They are considered important drivers of economic growth, job creation and generating above-average returns for investors. This is particularly true of the Southern Africa region which, in spite of a variety of challenges, is brimming with potential.

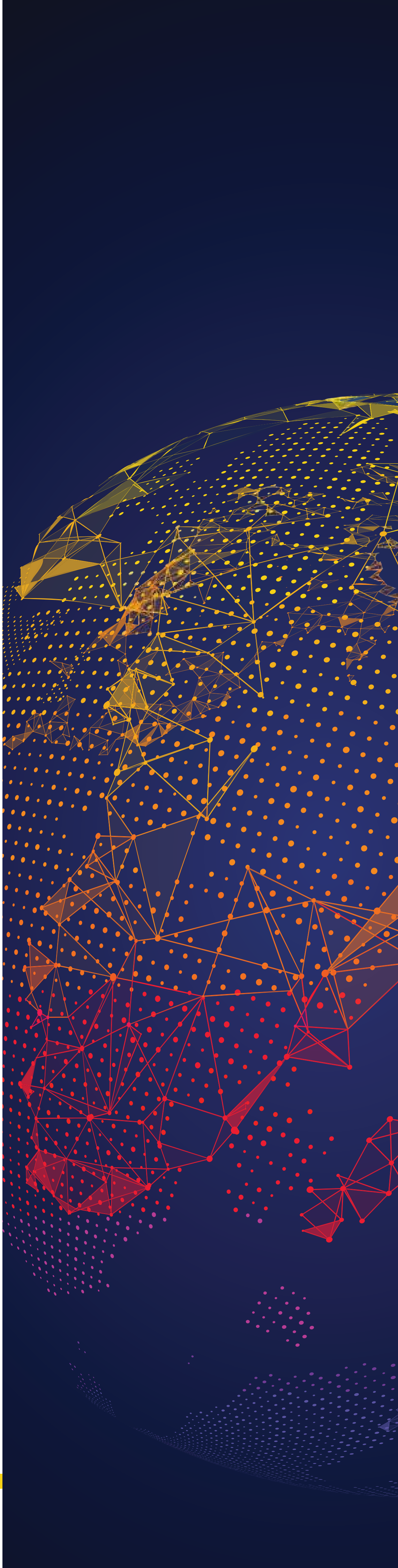
The Sub-Saharan African economy saw some positive growth in 2018, and we expect this to continue over the next two years. Malawi, for instance, is expected to see GDP growth of 4.5% over the next two years, while Botswana and Mozambique should reach 4% and Mauritius 3.9%. As the region's economies continue to expand, so will the demand for the financing offered by Private Equity. It is for this reason that the insights contained in the annual *SAVCA Private Equity Industry Survey* play an increasingly important role, helping us to identify past and future trends impacting our sector.

The 2019 report has seen some surprisingly positive developments within the industry, such as a 71.6% increase in funds raised during 2018 in comparison to 2017, and a considerable increase in investment activity of R35.4 billion in 2018 with a particular focus on expansion and development funding. The report also highlights how quickly trends change within the investment landscape. In 2018, for instance, the top sectors by cost of investment were Services, Retail, Energy, Healthcare and Real Estate, whereas in 2017 the top sectors were Retail, Services, Real Estate, Infrastructure and Media. In addition, in 2018 we again saw a significant amount of funds returned to investors which totalled R15.6 billion, compared with R17.6 billion in 2017.

We would like to take this opportunity to thank all our members who participated in the survey, which makes this report possible. It is our assertion that a better understanding of the industry will ultimately allow invested parties to make more informed decisions when operating in the Private Equity space, helping the sector to reach its fullest potential in terms of both growth and impact.

We hope you find this year's SAVCA report both insightful and beneficial.

Tanya van Lill
CEO: SAVCA



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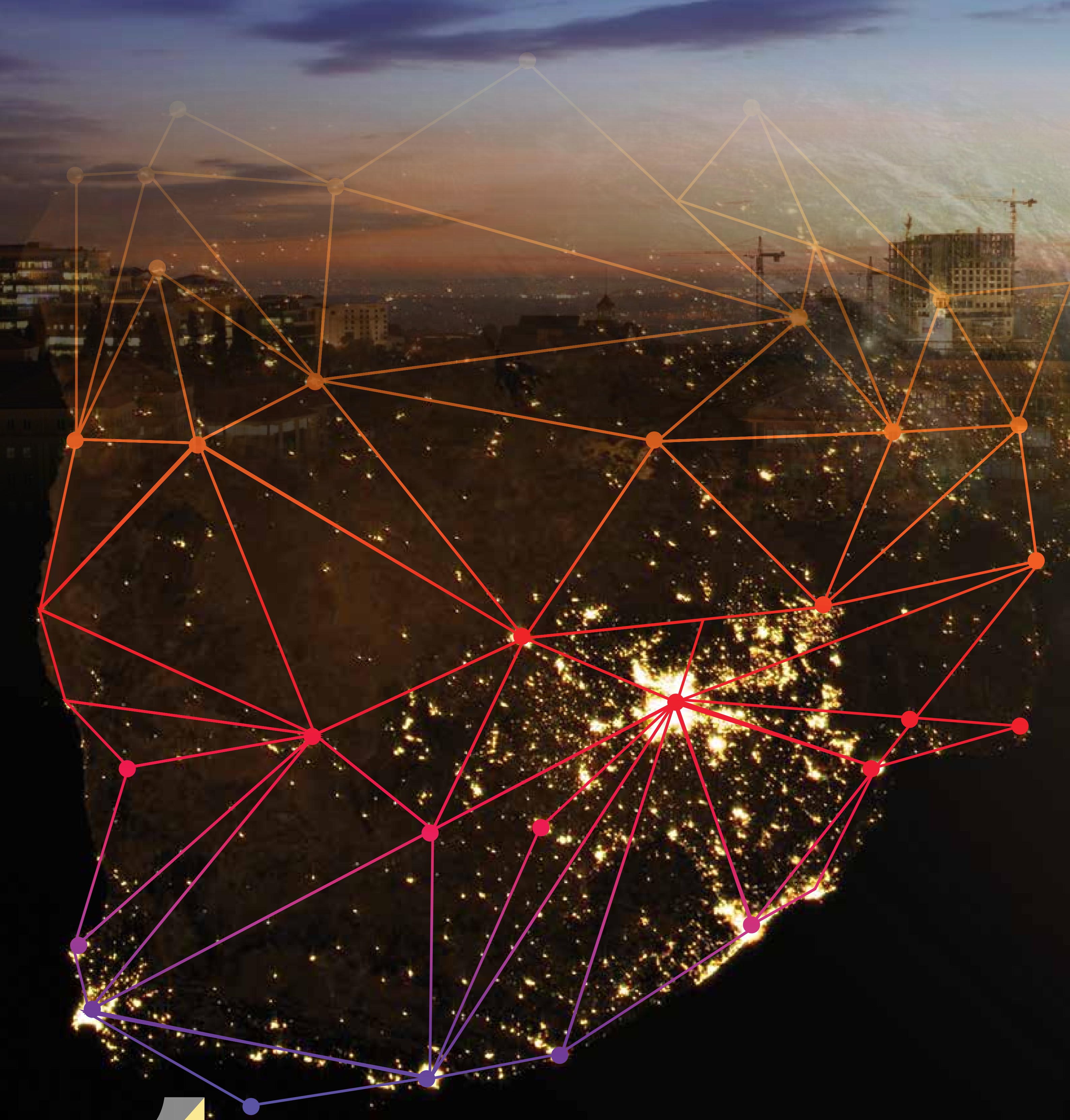


1 REFLECTIONS AND MACROECONOMIC CONTEXT

REFLECTIONS AND MACROECONOMIC CONTEXT

1

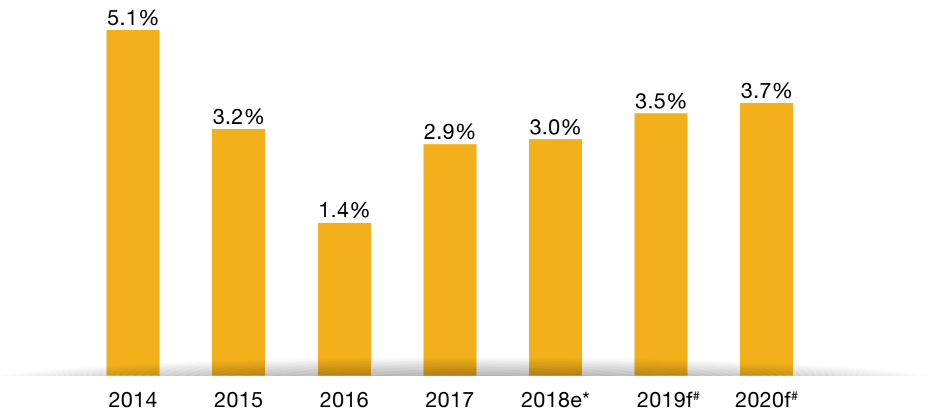
Once envied for its stellar regional growth, Sub-Saharan Africa's (SSA) prospects suffered sharply in the wake of the oil price shock in mid-2014. With the worst of the crisis over, the region bounced back for a second consecutive year in 2018, and is projected to continue this trend in 2019 and 2020.[1] From a private equity (PE) perspective, insights from Deloitte Africa's forward-looking *Private Equity Confidence Survey* indicate that PE practitioners across East, West, and Southern Africa are investment ready, with favourable sentiment going into 2019.[2] This aligns with findings from the *SAVCA 2019 Private Equity Industry Survey*, with investment activity reaching record highs in 2018 in Southern Africa. On a sectoral basis, there was a strong focus on "expansion & development" investments, further illustrating the growth and optimism of the industry. Similarly, strong fundraising numbers in 2018 exemplifies the resilience of the PE industry and bodes well for confidence going forward.

SSA's ongoing recovery emphasises SSA's fortitude, with structural reforms, improved macroeconomic policies, and rising domestic demand across the continent contributing to higher and more stable economic output, albeit it at more fragmented rates on a per country basis.

In its *African Economic Outlook 2019*,[3] the African Development Bank (AfDB) notes that *"perhaps the most significant decision by African political leaders last year was their collective willingness to move forward with Africa's economic integration"*. Indeed, in April 2019 The Gambia became the 22nd country to officially ratify the African Continental Free Trade Area (AfCFTA) agreement, thereby reaching the minimum requirement to bring the AfCFTA into force. Once in place, the AfCFTA will be the largest free trade area since the establishment of the World Trade Organisation. It is expected to cover around 1.2 billion people and US$2.5 trillion in gross domestic product.[4] It is further anticipated to enhance intra-Africa trade, reduce high tariffs and generate employment.

This lays the foundation for accelerated economic growth and a more globally competitive Africa. Regional integration allows industries to develop across borders, creating more viable opportunities for investors as they look at larger and more integrated markets that hold the potential for attractive returns.

Figure I Sub-Saharan Africa real GDP growth, 2014-2020f# (%)[5]



* *Estimated*

\# *Forecast*

[1] *International Monetary Fund (IMF), April 2019. World Economic Outlook (WEO). See also: www.imf.org/en/Data*

[2] *Deloitte Africa, January 2019. 2018 Deloitte Africa Private Equity Confidence Survey. See also: https://www2.deloitte.com/za/en/pages/finance/articles/private-equity-confidence-survey-2018.html*

[3] *African Development Bank (AfDB), 2019. African Economic Outlook 2019. See also: https://www.afdb.org/en/knowledge/publications/african-economic-outlook/*

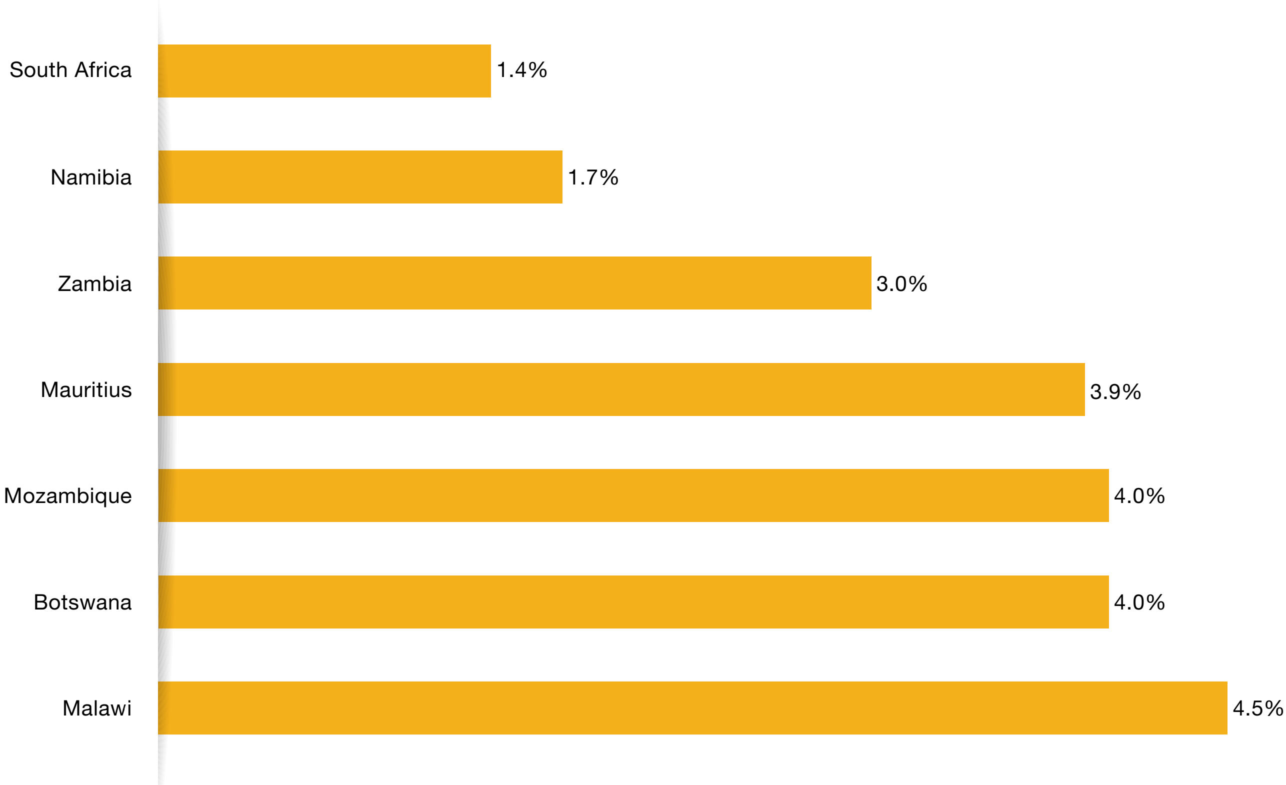
[4] *Quartz Africa, April 2019. Africa's historic free trade deal now has enough signed up to go into force. See also: https://qz.com/africa/1586526/africa-free-trade-deal-gets-gambia-signature-to-go-into-force/*

[5] *International Monetary Fund (IMF), April 2019. World Economic Outlook (WEO). See also: www.imf.org/en/Data*

REFLECTIONS AND MACROECONOMIC CONTEXT

In line with the wider SSA region, Southern Africa has also been enjoying a period of recovery, albeit a more muted one. On a weighted basis, South Africa's lacklustre economic growth translates into weak GDP growth for Southern Africa as a region, given South Africa's large economic size. Nevertheless, there are pockets of strong performance in the region. Malawi is forecast to grow by 4.5% per year over the 2019-20 period, while Botswana and Mozambique are both projected to expand by 4% per year over the same period.

Figure II Forecast real GDP growth in key Southern African economies, 2019-2020 average (%)[6]



In South Africa, the regional powerhouse, there has been a sense of optimism, although the economy remains mired in low growth territory. South Africa is by far the largest economy in the region, is both a key export market for its neighbours' merchandise commodities and an important source of imports for them, and the majority of multinationals that conduct operations across the region are based in the country. Consequently, South Africa's economic performance is of paramount importance to that of the region as a whole. Efforts by the government during 2018 to drive foreign direct investment has started to bear fruit, emphasised by strong fundraising figures in the PE industry.

In order to take advantage of the numerous investment opportunities available in South Africa and the wider region, investors are increasingly looking to PE. The industry provides investors with exposure to the private sector via private or unlisted companies and provides a foothold in what were previously difficult markets to enter. According to RisCura,[7] PE offers institutional investors the opportunity to invest in an asset class which has historically outperformed listed equity over the long term. Indeed, PE is fast becoming the preferred source of value-add financing for growing companies in emerging markets. The emerging markets PE industry not only offers attractive returns, but also the opportunity to truly make a positive impact as investors and investees walk their journey together.

[6] *International Monetary Fund (IMF), April 2019. World Economic Outlook (WEO). See also: www.imf.org/en/Data*

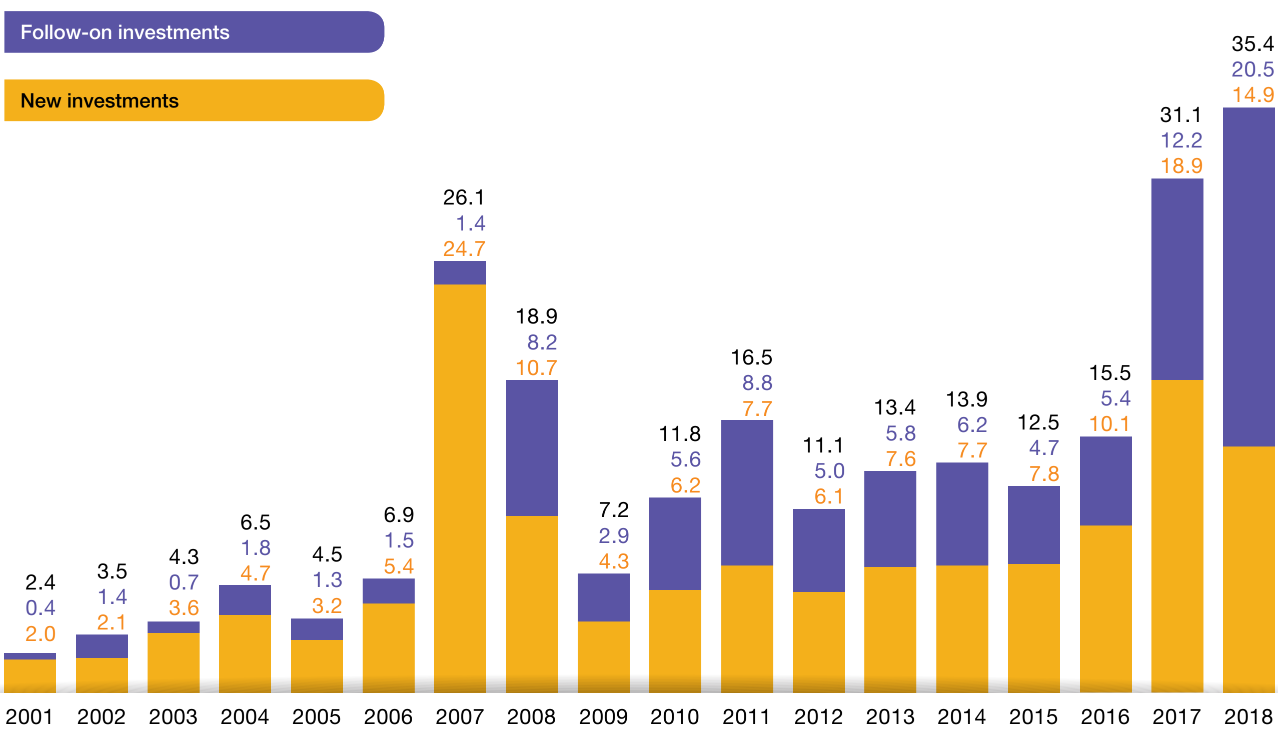
[7] *RisCura – SAVCA South African Private Equity Performance Report, as at 31 December 2018. See also: https://www.riscura.com/wp-content/uploads/2019/06/RisCura_-SAVCA-Report_-Q4-2018.pdf*

SURVEY HIGHLIGHTS: 2018

SURVEY HIGHLIGHTS: 2018

- Southern Africa's private equity industry, (including private sector and government funds), had R171 billion 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.
- Of the FUM at the end of 2018, R30.1 billion was in undrawn commitments. R13.1 billion was available for future investments exclusively in South Africa and R16.9 billion for Pan-Africa (the latter includes the mandate to invest in Southern Africa and the rest of Africa).
    - o Of the R30.1 billion in undrawn commitments, 90.8% was committed to Independents (R27.3 billion), 4.4% to Captives – Financial Services (R1.3 billion), and 4.8% to Captives – Other (R1.4 billion).
- A total of R12.8 billion was raised in 2018, with the bulk of the funds ear-marked for late-stage investments (R11.8 billion or 92.1%).
- 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 PE 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.
- The cost of investments made during 2018 totalled R35.4 billion. Of this, R20.5 billion was for follow-on investments and R14.9 billion for new investments.
- Funds returned to investors in 2018 totalled R15.6 billion, compared to R17.6 billion in 2017.

Investment Activity Cost of investment made during the year, analysed by new and follow-on investments, 2001-2018 (Rbn)

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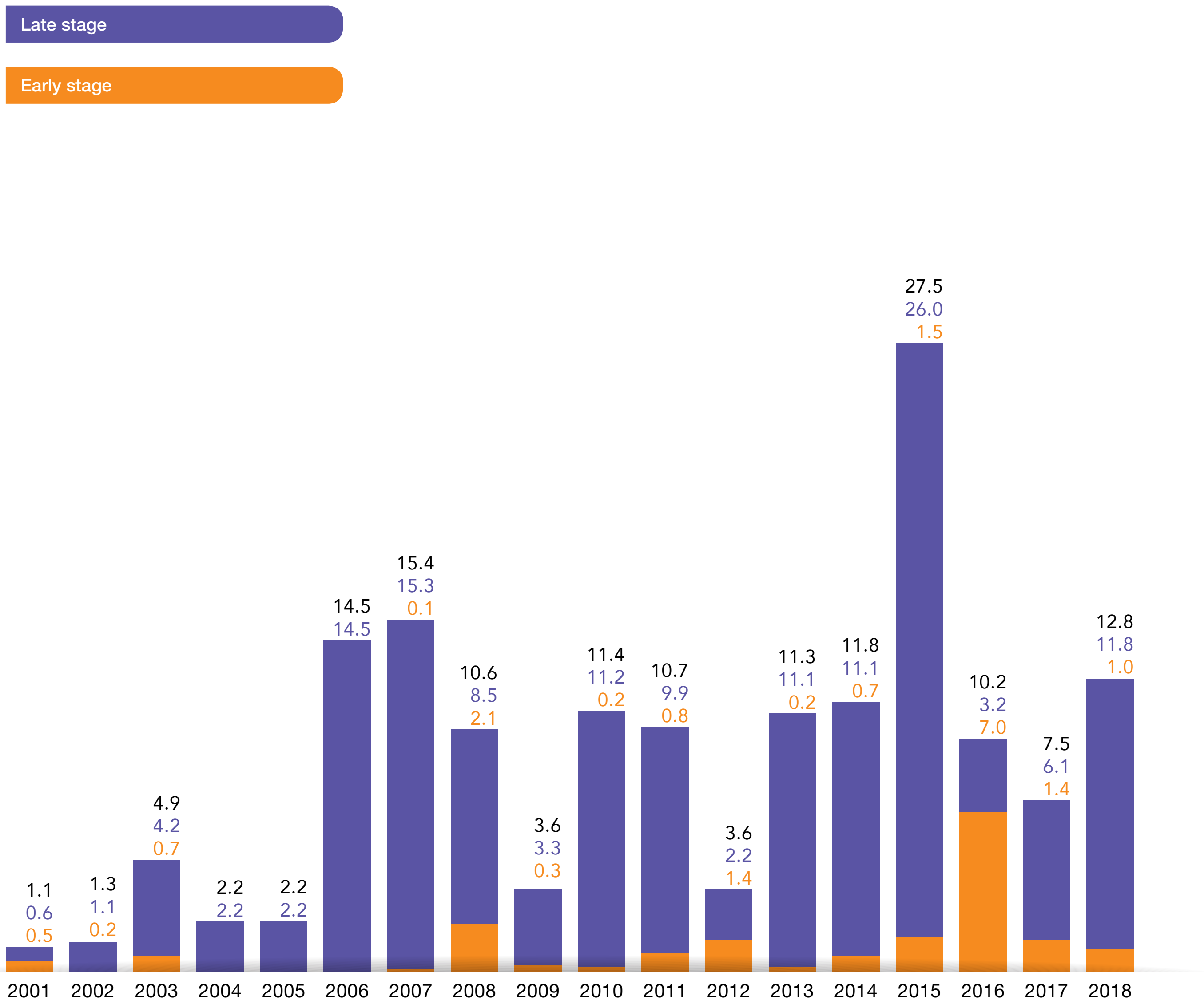
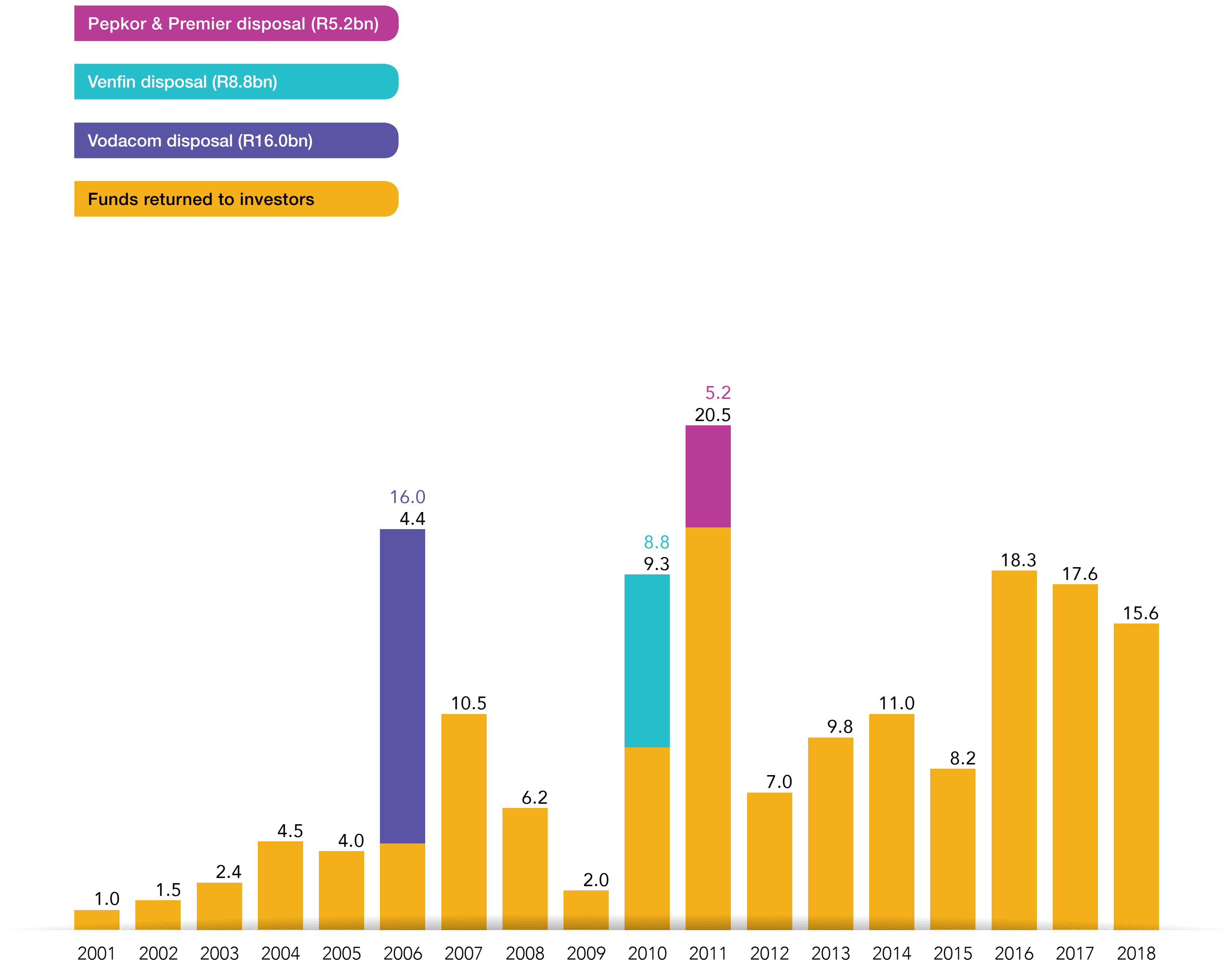
SURVEY HIGHLIGHTS: 2018

Fundraising Activity Third-party funds raised during the year, analysed by fund stage, 2001-2018 (Rbn)



Exits

Funds returned to investors during the year, 2001-2018 (Rbn)



2 INVESTMENT ACTIVITY

INVESTMENT ACTIVITY

2

Southern African PE ended the 2018 calendar year with a considerable increase in investment activity. The value of new investments and follow-on investments reached a record-high of R35.4 billion in 2018, compared to an annual average of R15.2 billion over the preceding 10 years. The total number of investments reached 818 in 2018, compared to an annual average of 584 over the preceding 10 years.

- The total number of investments increased by 68, from 750 in 2017 to 818 in 2018.
- The cost of new investments during 2018 amounted to R14.9 billion (2017: R18.9 billion) and the cost of follow-on investments during 2018 amounted to R20.5 billion (2017: R12.3 billion).
    - While reasons and factors relating to the uptick in follow-on investments, not only in 2018 but also over the last few years, are manifold and diverse, there are some key takeaways that can be gleaned from the overall trend:
        - During tough economic times, as seen in South Africa of late with low real GDP growth over the 2015-18 period, those that have invested in good assets will look to get further growth from these quality assets and will continue to invest to increase growth and scale.
        - Similarly, as investors look for quality deals at the right price, which is difficult enough during strong economic periods, a difficult macroeconomic climate as experienced over the last few years would help explain the fall in new investments. Instead, investors look to increase their investments into known assets that have already proven themselves, hence the follow-on investments.
- Real estate comprised 15% of the value of all unrealised investments at 31 December 2018, with manufacturing and retail accounting for 11.6% and 10.8%, respectively.
- Expansion and development, as a proportion of investments made by cost, increased from 27.5% in 2017 to 45.2% in 2018. Replacement capital increased from 21.3% of investment by cost during 2017 to 23% in 2018.
- In terms of the reported investments for 2018, Business Partners:
    - Was again by far the most active investor in the Southern African private equity market, contributing 310 (37.9%) of the total number of reported investments made during 2018 (2017: 368, 49.1%);
    - By value, represents 2% of the cost of total investments made during 2018 (2017: 3.4%); and
    - Reported an average deal size of R2.7 million in 2018 (2017: R2.9 million).
- Excluding Business Partners, the total average deal size of investments during 2018 decreased marginally to R68 million (2017: R79.1 million), the average deal size of new investments during 2018 decreased to R68.3 million (2017: R101.4 million) and the average deal size of follow-on investments during 2017 increased to R67.7 million (2017: R59.6 million).
- Of the investments made during 2018 that exclude those made by Business Partners and classified into sectors by value, 17.4% were in the services sector, 17% in the retail sector and 14.3% were in the energy sector.
- Overall, including Business Partners, the average investment deal size increased to R43.3 million during 2018, from R41.5 million during 2017. The average deal size for new investments was R36.9 million during 2018, compared to R42.8 million during 2017, while the average deal size for follow-on investments increased to R49.4 million during 2018, from R39.6 million during 2017.

INVESTMENT ACTIVITY

Figure 1 Cost of investment made during the year, analysed by new and follow-on investments, 2001-2018 (Rbn)

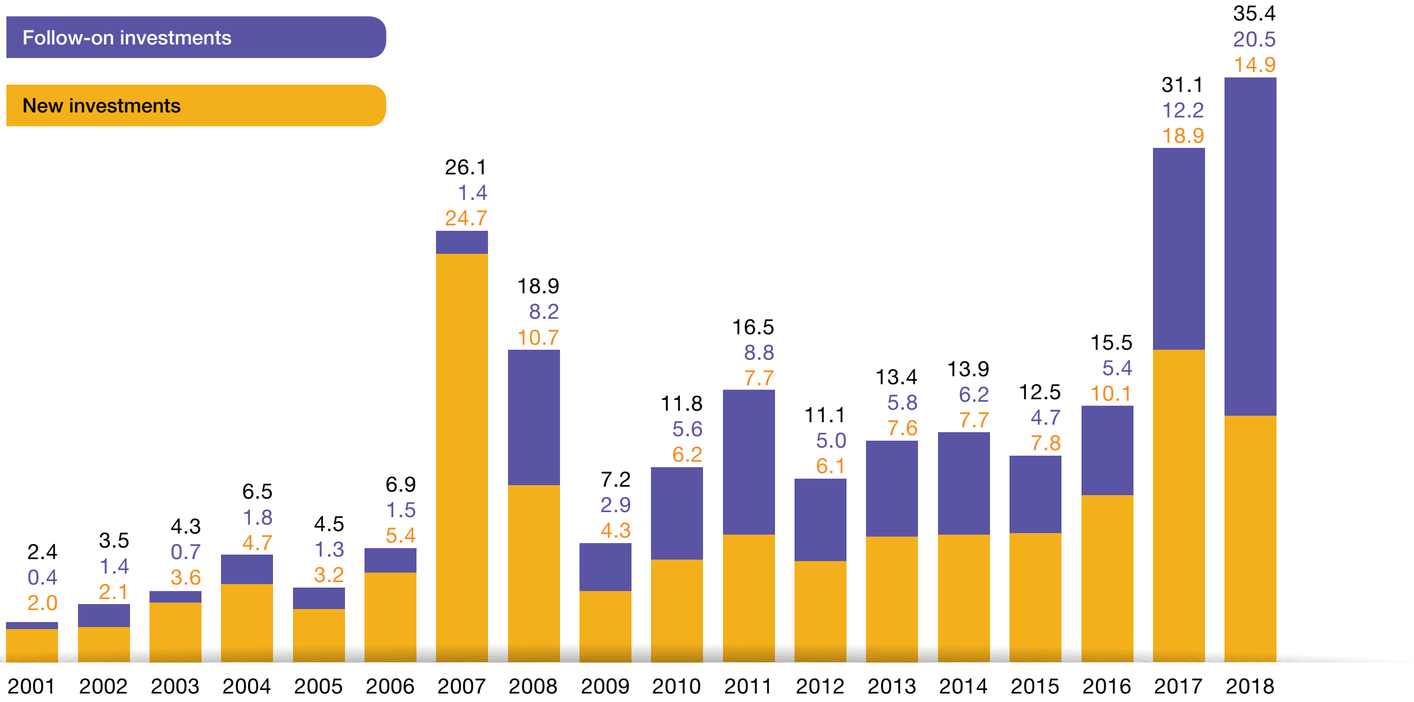


Figure 2 Number of investments made during the year, analysed by new and follow-on investments, 2001-2018

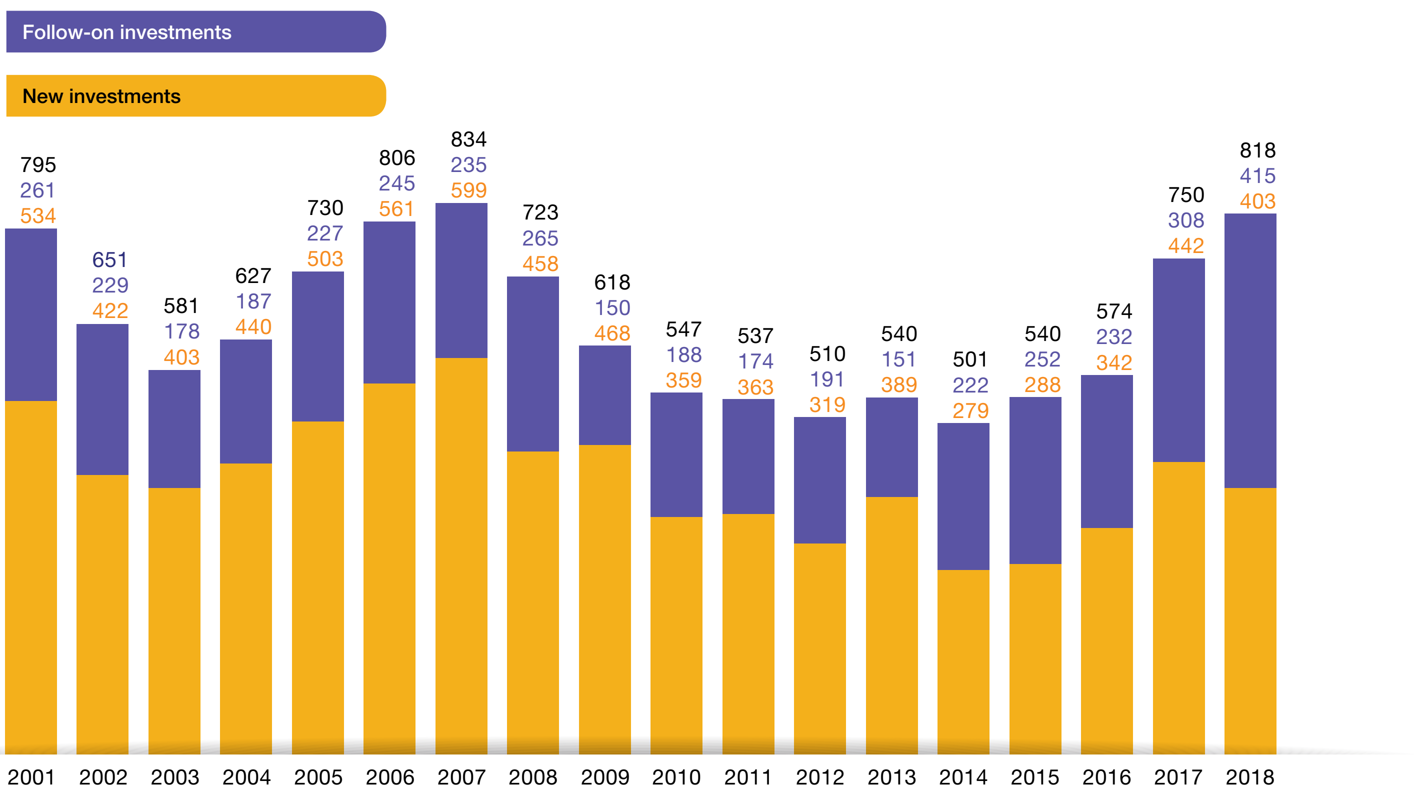


Figure 3a Cost of investments made during the year, analysed by type of fund manager, 2017 and 2018 (Rbn)*

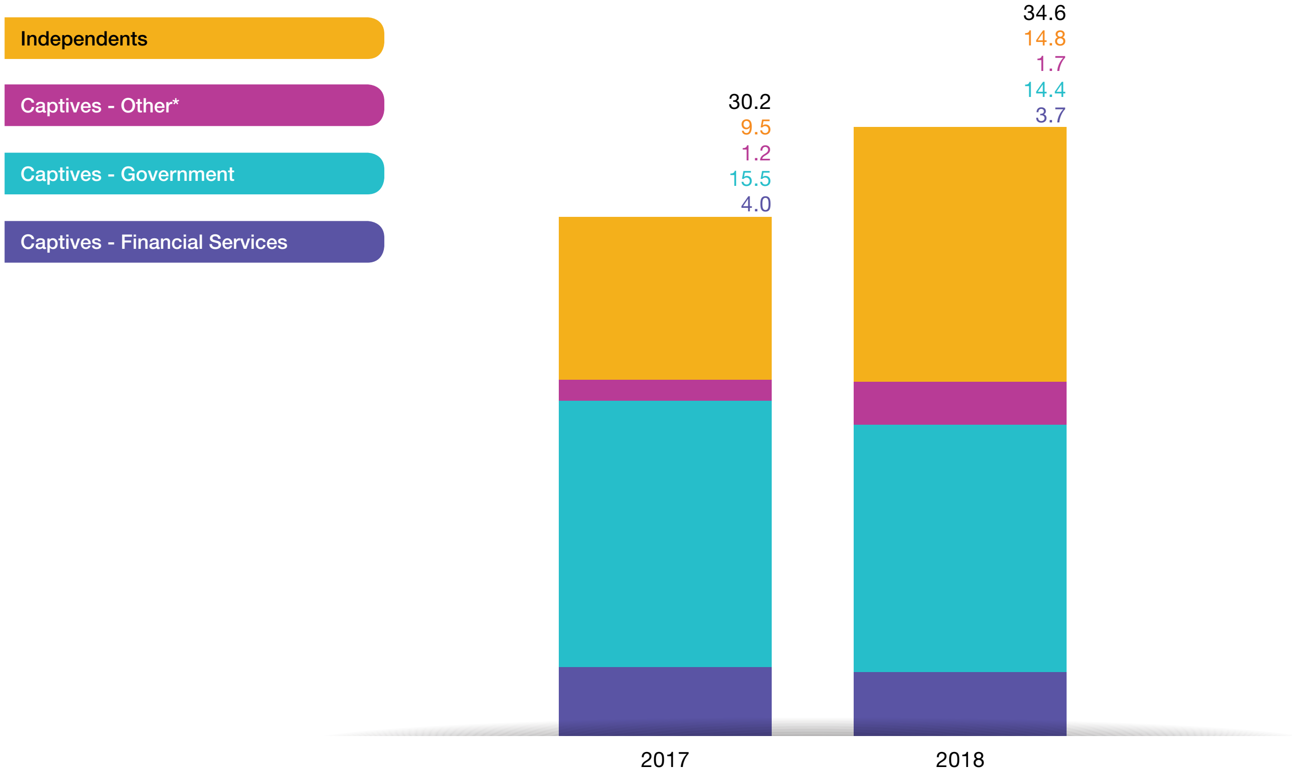
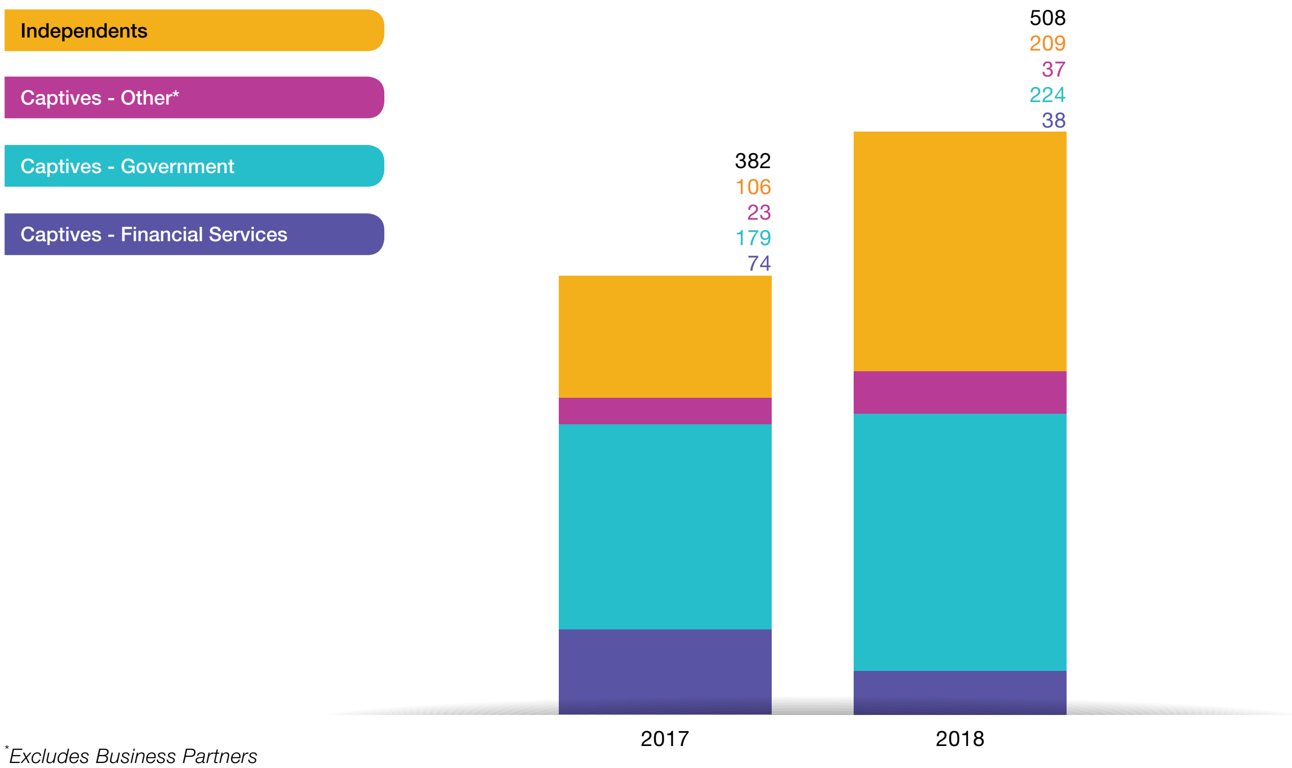


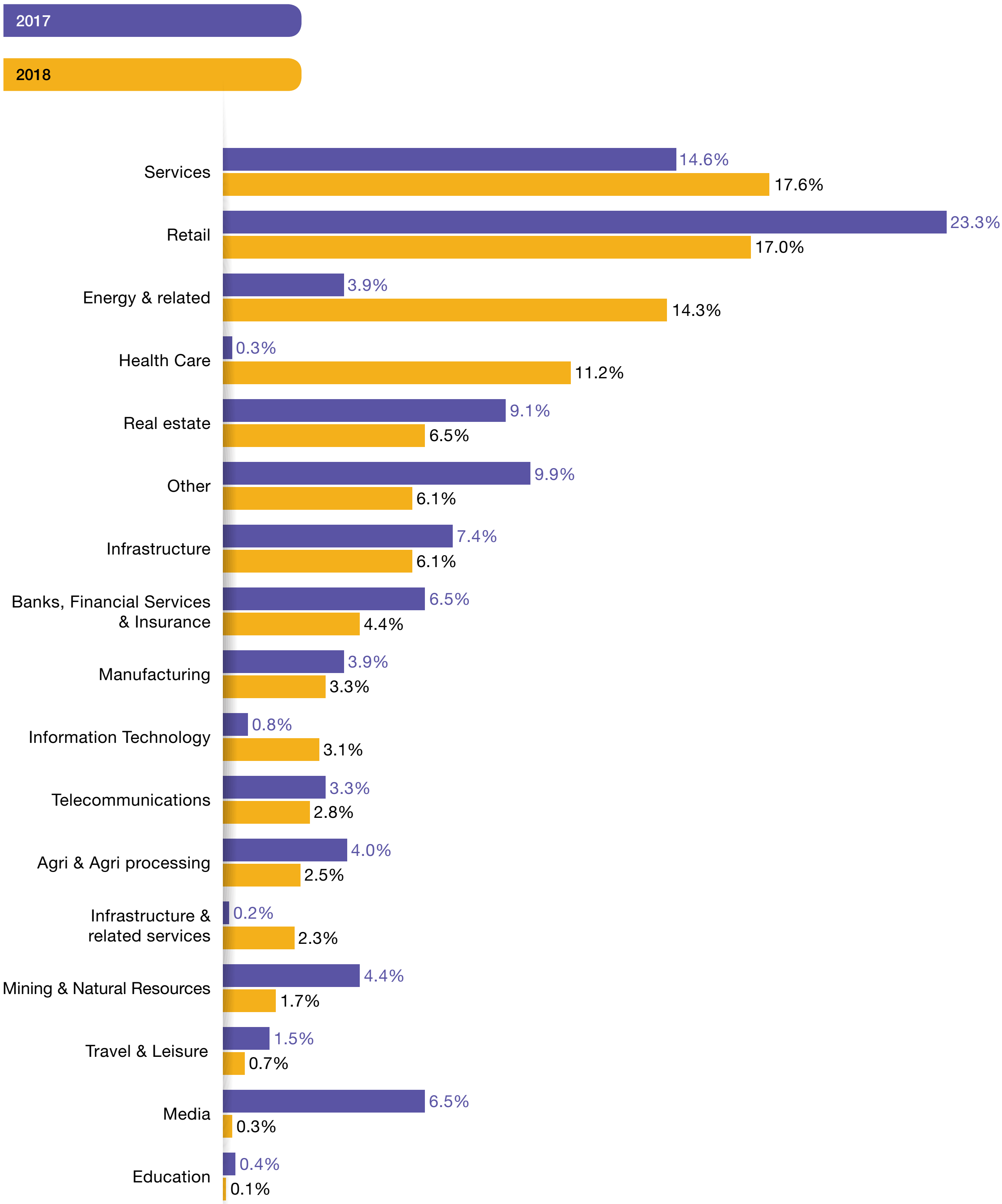
Figure 3b Number of investments made during the year, analysed by type of fund manager, 2017 and 2018*



Excludes Business Partners

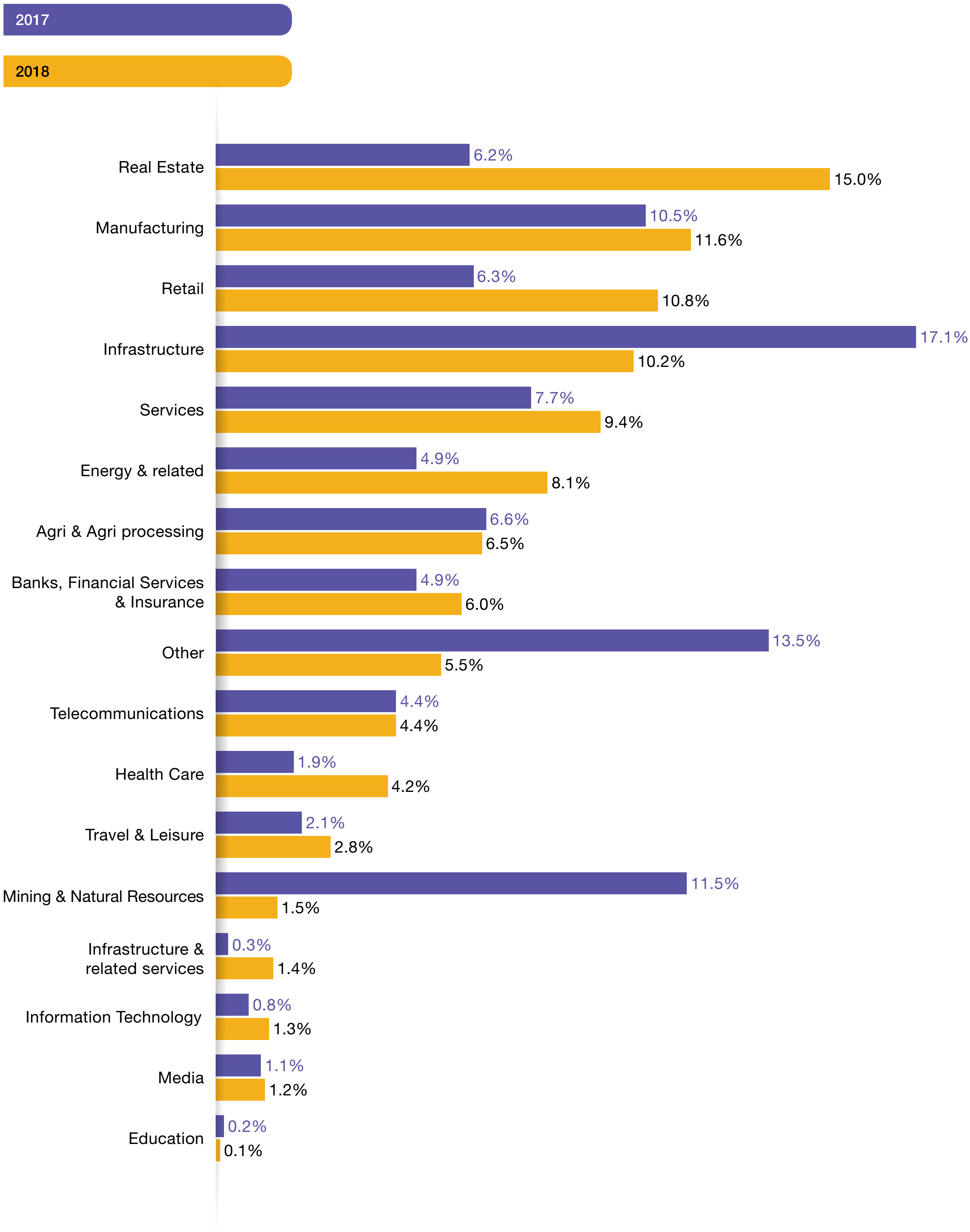
INVESTMENT ACTIVITY

Figure 4 Investments made during the year, analysed by sector, 2017 and 2018 (% of total cost)*



**Excludes Business Partners*

Figure 5 Unrealised investments at year end, analysed by sector, 2017 and 2018 (% of total cost)



INVESTMENT ACTIVITY

Figure 6a Analysis of investments by stage based on cost of investments during 2018 (% of total)

INVESTMENTS MADE

Buyout	19.5%
Expansion and development	45.2%
Replacement capital	23.0%
Start-up and early stage	8.6%
Unclassified	3.7%

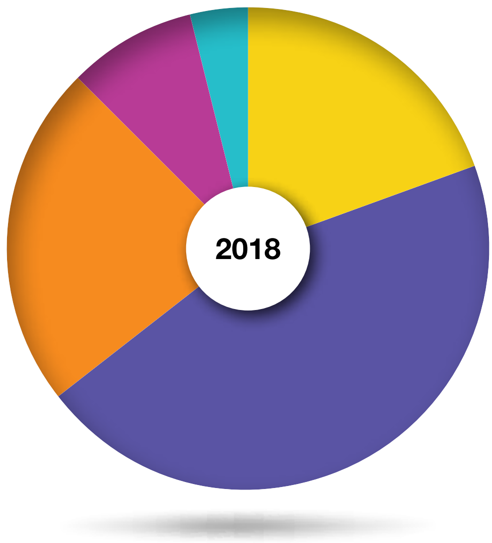


Figure 6b Analysis of investments by stage based on cost of investments during 2017 (% of total)

INVESTMENTS MADE

Buyout	21.4%
Expansion and development	27.5%
Replacement capital	21.3%
Start-up and early stage	29.8%

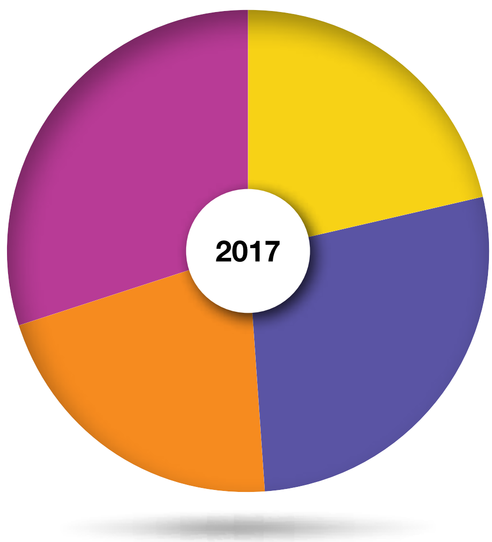


Figure 7a Analysis of investments by stage based on unrealised investments during 2018 (% of total)

UNREALISED INVESTMENTS

Buyout	31.0%
Expansion and development	39.0%
Replacement capital	17.0%
Start-up and early stage	13.0%

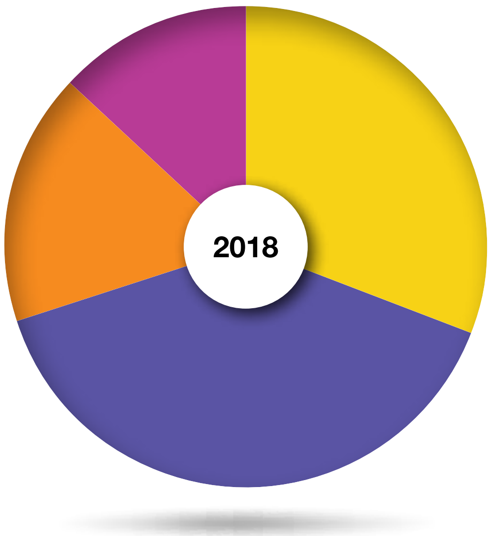
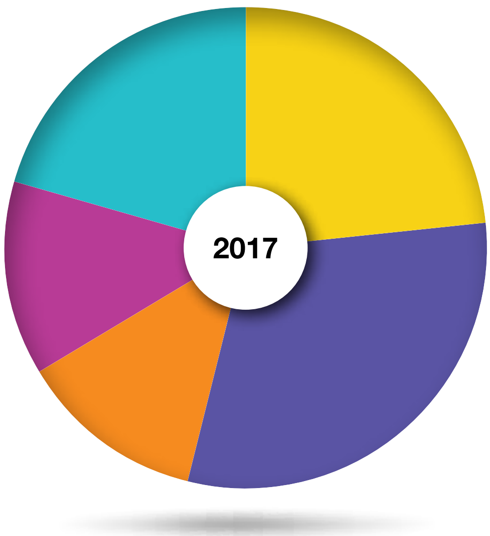


Figure 7b Analysis of investments by stage based on unrealised investments during 2017 (% of total)

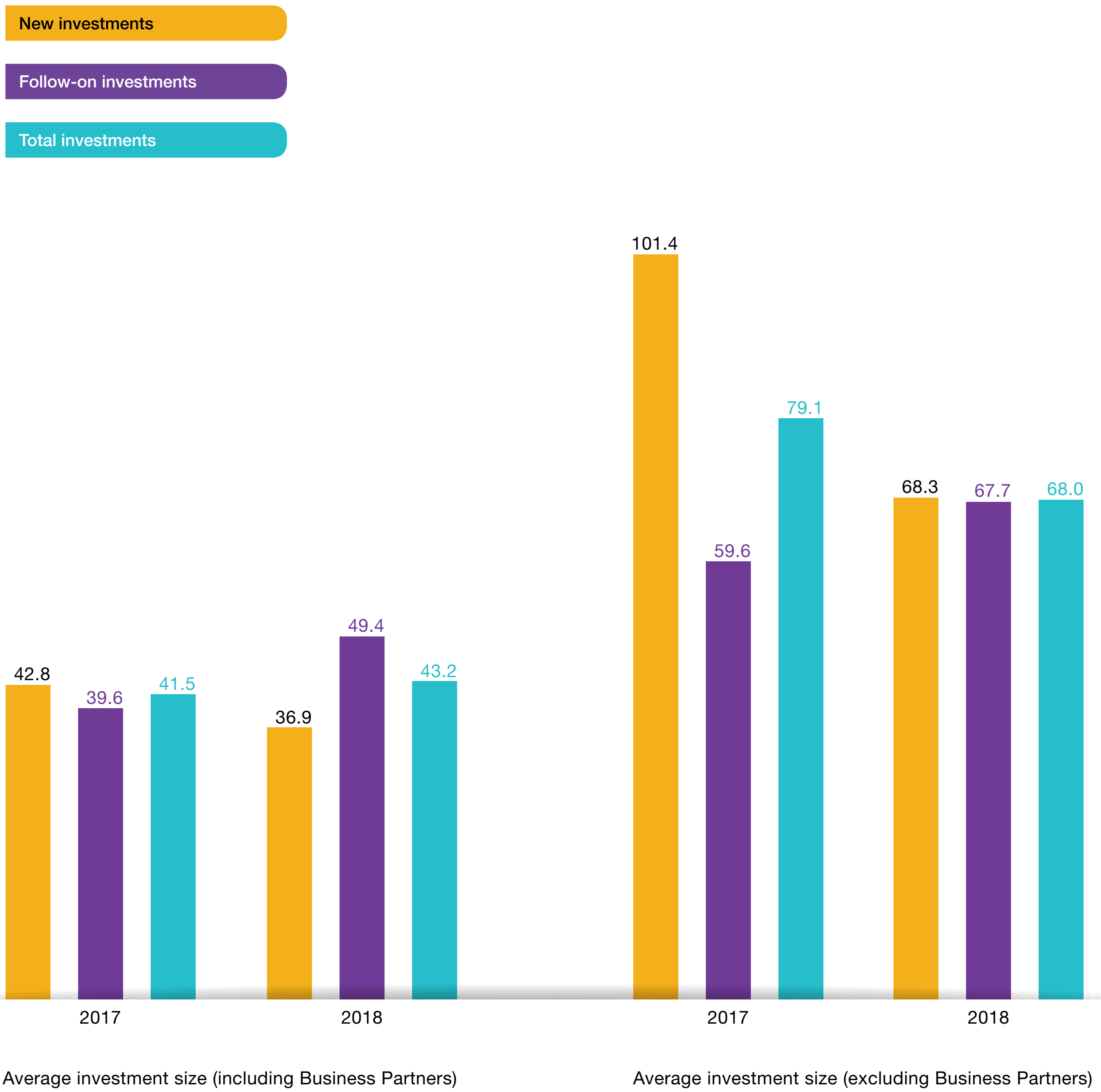
UNREALISED INVESTMENTS

Buyout	23.6%
Expansion and development	30.5%
Replacement capital	12.4%
Start-up and early stage	13.0%
Unclassified	20.5%



INVESTMENT ACTIVITY

Figure 7c Average investment size during 2017 and 2018 (Rm)



Below are the top investments made in Southern Africa,* according to data disclosed by participants in the annual SAVCA Private Equity Industry Survey:

Figure 8a Top Southern African investments made during 2018

Private equity fund	Investee company	Total enterprise value (Rm)	Interest	Sector focus
Ethos Fund VII, Ethos AI Fund, Convergence Partners	CVAS Consortium SPV (Channel VAS BVI)	4 000.00	0% - 24%	Banks, Financial Services & Insurance
Evolution II Fund, FMO, Norfund, Swedfund	d.light	2 201.64	over 50%	Energy & related
Evolution II Fund	Alten Hardap	901.66	25% - 50%	Energy & related
Novare Africa Property Fund I	Urshday Limited	611.76	25% - 50%	Real Estate
Old Mutual Alternative Investments	Medhold Group (Pty) Ltd	523.86	25% - 50%	Health Care

Figure 8b Top Southern African investments made during 2017

Private equity fund	Investee company	Total enterprise value (Rm)	Interest	Sector focus
4Di Exponential Tech Fund I & various	LifeQ	1 440.00	n/a	Health Tech
Capitalworks	Petmin Ltd	1 144.00	over 50%	Mining and natural resources and related
Capitalworks	Sovereign Food Investments Ltd	997.00	over 50%	FMCG
Ethos	Little Green Beverages (Pty) Ltd	847.00	over 50%	General/No specific focus
4Di Exponential Tech Fund I, Quona Capital, Omidyar Group, Accion Africa, Asia Investment Company, International Finance Corporation	Zoona	660.00	n/a	FinTech

**Additional information on the latest deals/investments may be found on the Dealmakers' website: www.dealmakerssouthafrica.com*

3 EXITS

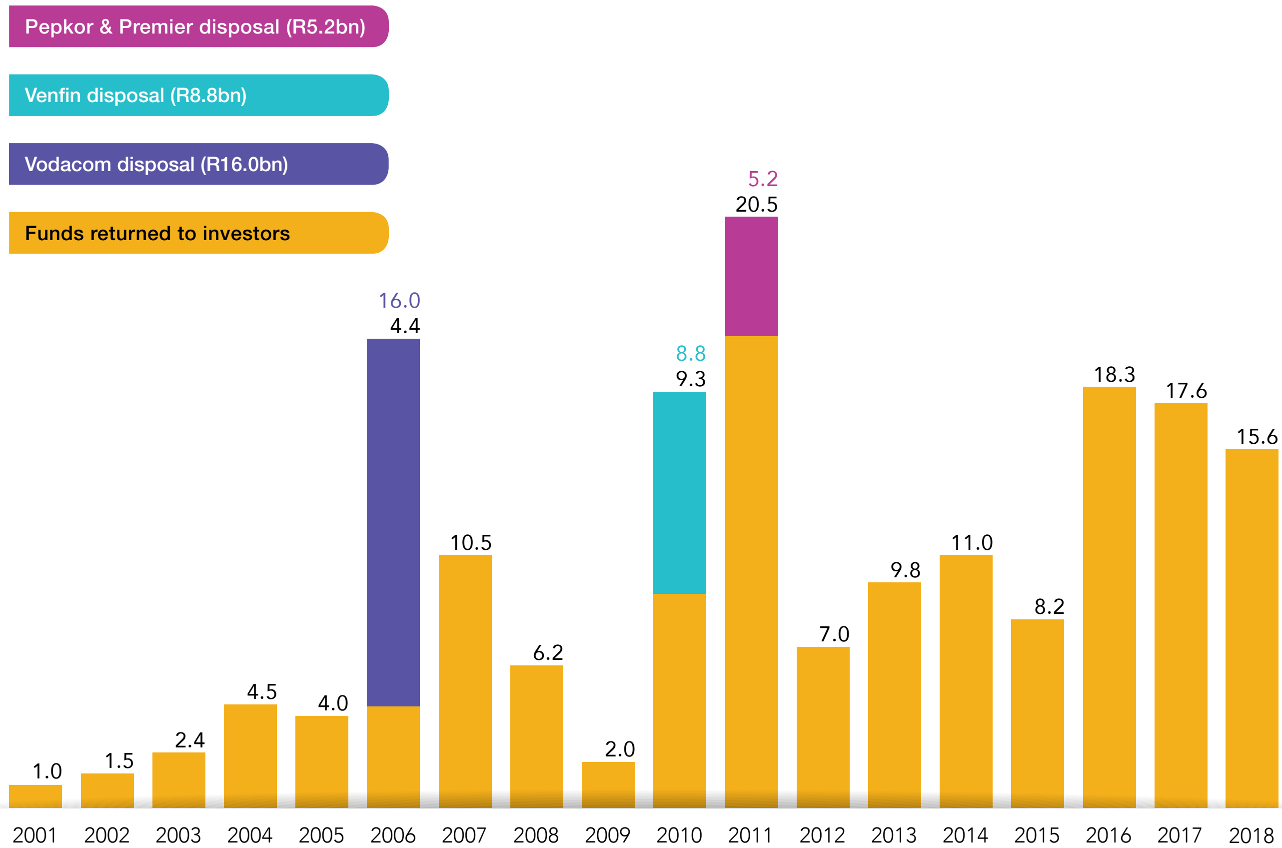
EXITS

3

Funds returned to investors[8] in 2018 totalled R15.6 billion, with disposals[9] during the year amounting to R6.7 billion. In comparison, the annual average funds returned to investors over the preceding five years was R13 billion, with disposals averaging R8.3 billion over the 2013-17 period.

- Looking at funds returned to investors (by proceeds) during 2018, trade sales was the most popular by value (R5.6 billion), followed by repayment of preference shares or loans (R4.1 billion).
- When looking at the most popular method of disposal by number, Sale to Management (Buy-back) is the most popular at 45 (2017: 40). However, the rand value of this method of disposal is nominal, equalling a mere R42.1 million in 2018 (2017: R42.8 million). This implies that, while there are a large number of management buy-backs, the valueof these transactions are quite small.
- The average size of funds returned in 2018 was R34.1 million.
- 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 R1.4 billion in 2018 (R14.3 million in 2017). While disconcerting at first glance and likely a consequence of the challenging economic climate, the large number of write-offs is another sign that PE managers are looking for high-quality deals and are writing off the bad deals while investing more capital, time and resources in quality follow-on investments.

Figure 9 Funds returned to investors during the year, 2001-2018 (Rbn)



[8] *Funds returned represent all cash flows returned to investors including the proceeds of an asset realisation (i.e. an exit), dividends, interest and repayment of loans. The term "disposals" refers only to proceeds from the realisation of an investment.*

[9] *Disposals include: sales of listed shares and IPOs; sales to another private equity firm or financial institution; sales to management (i.e. buy-back); share buy-backs by portfolio company; and trade sales.*

EXITS

Figure 10 Nature of funds returned during the year based on proceeds, 2017 and 2018 (Rbn)

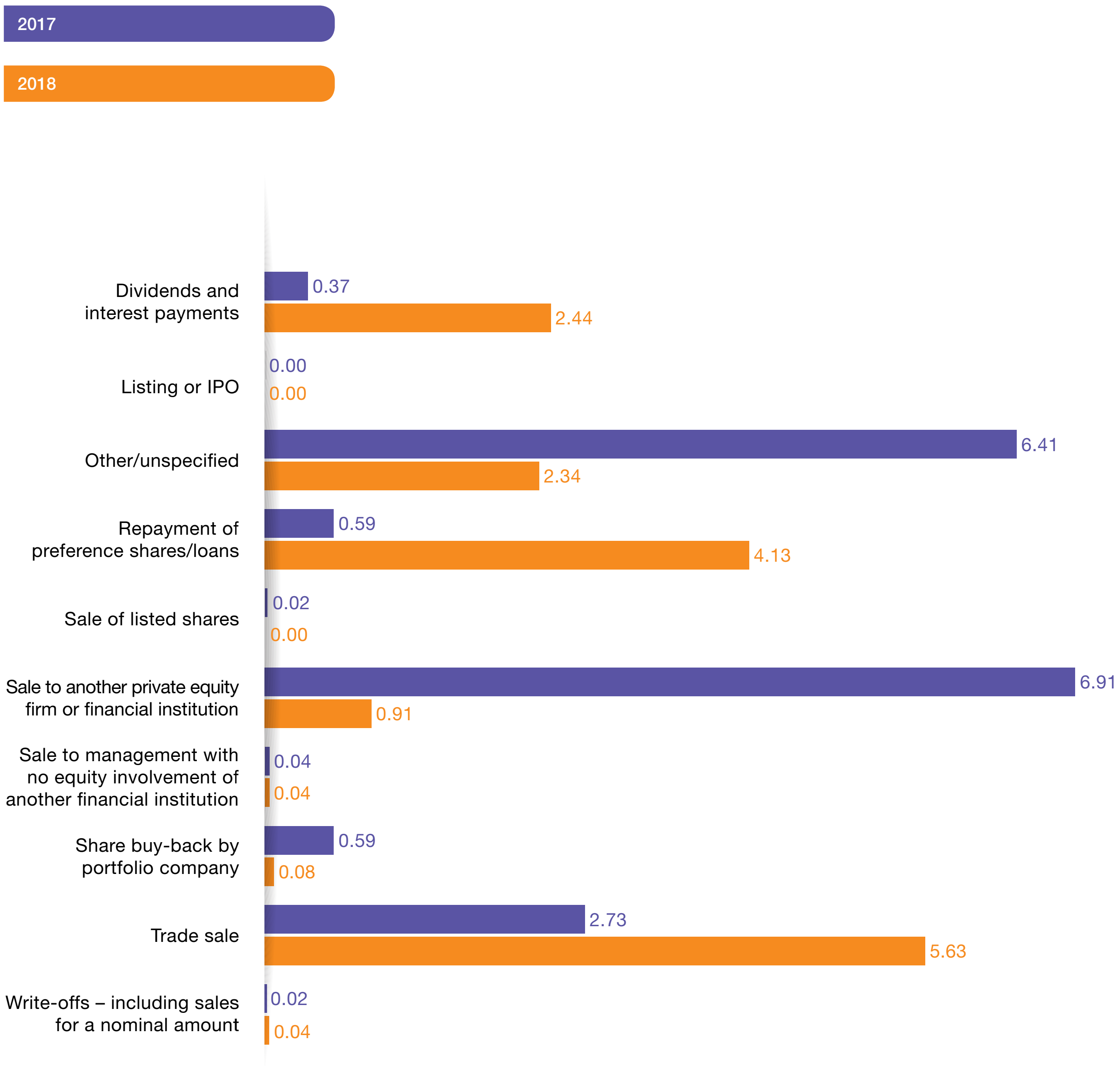
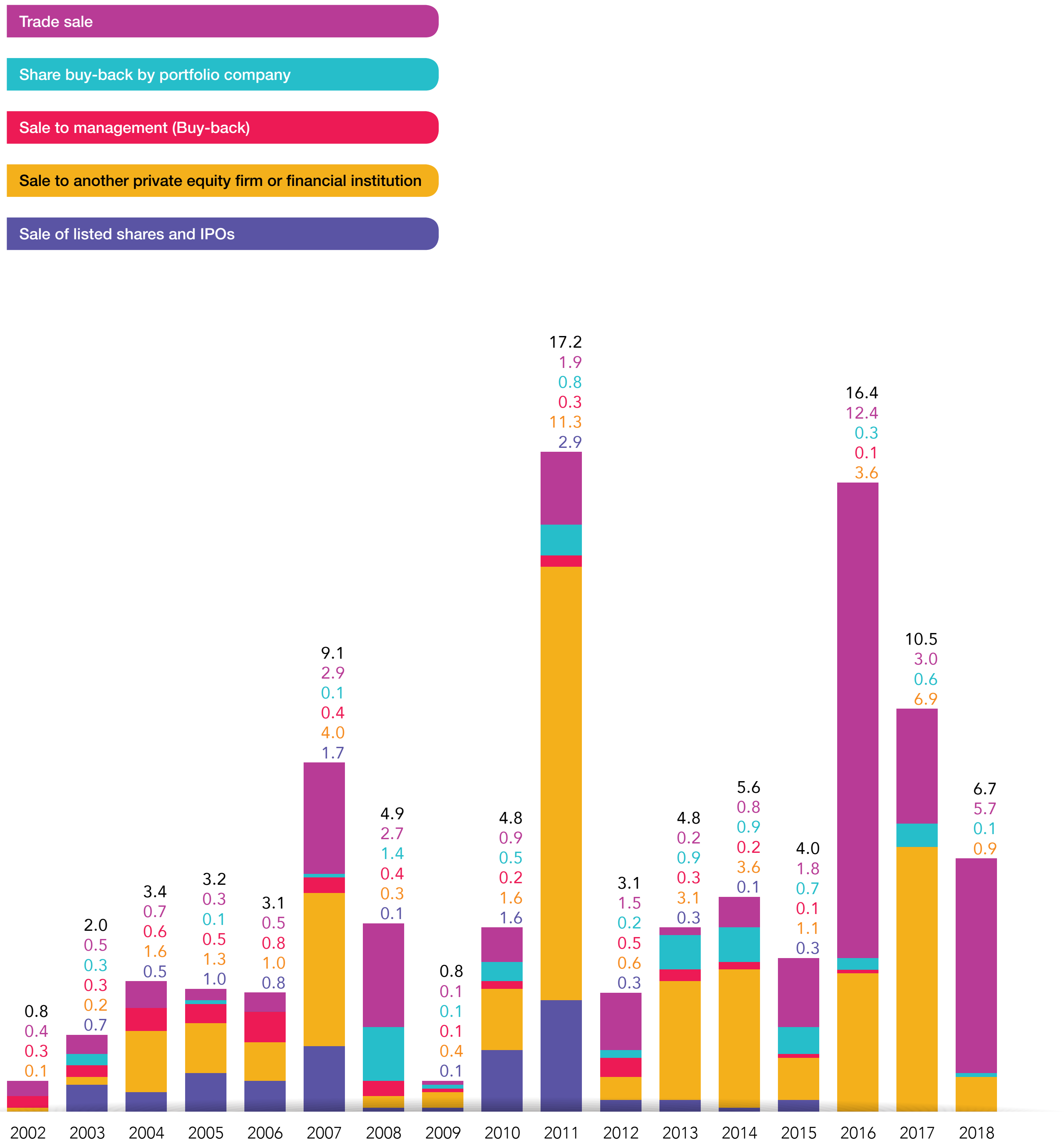
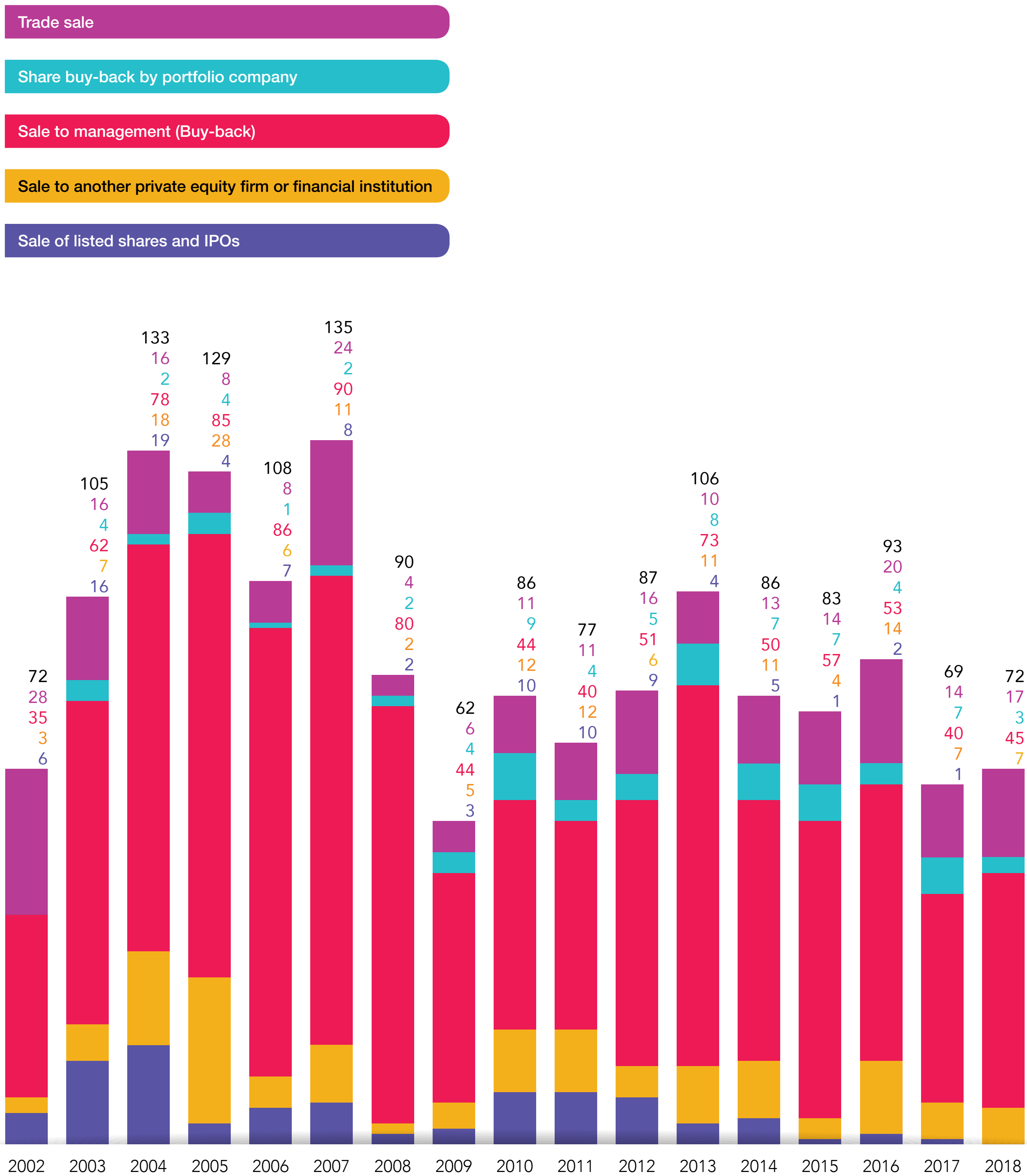


Figure 11 Analysis of disposals made during the year based on proceeds, 2002-2018 (Rbn)



EXITS

Figure 12 Analysis of number of disposals made during the year based on proceeds, 2002-2018*



*Excludes the Vodacom disposal during 2006, the Venfin disposal in 2010 and the Pepkor & Premier disposal in 2011.

Figure 13a Proceeds and cost of investments exited during 2018 (Rbn)

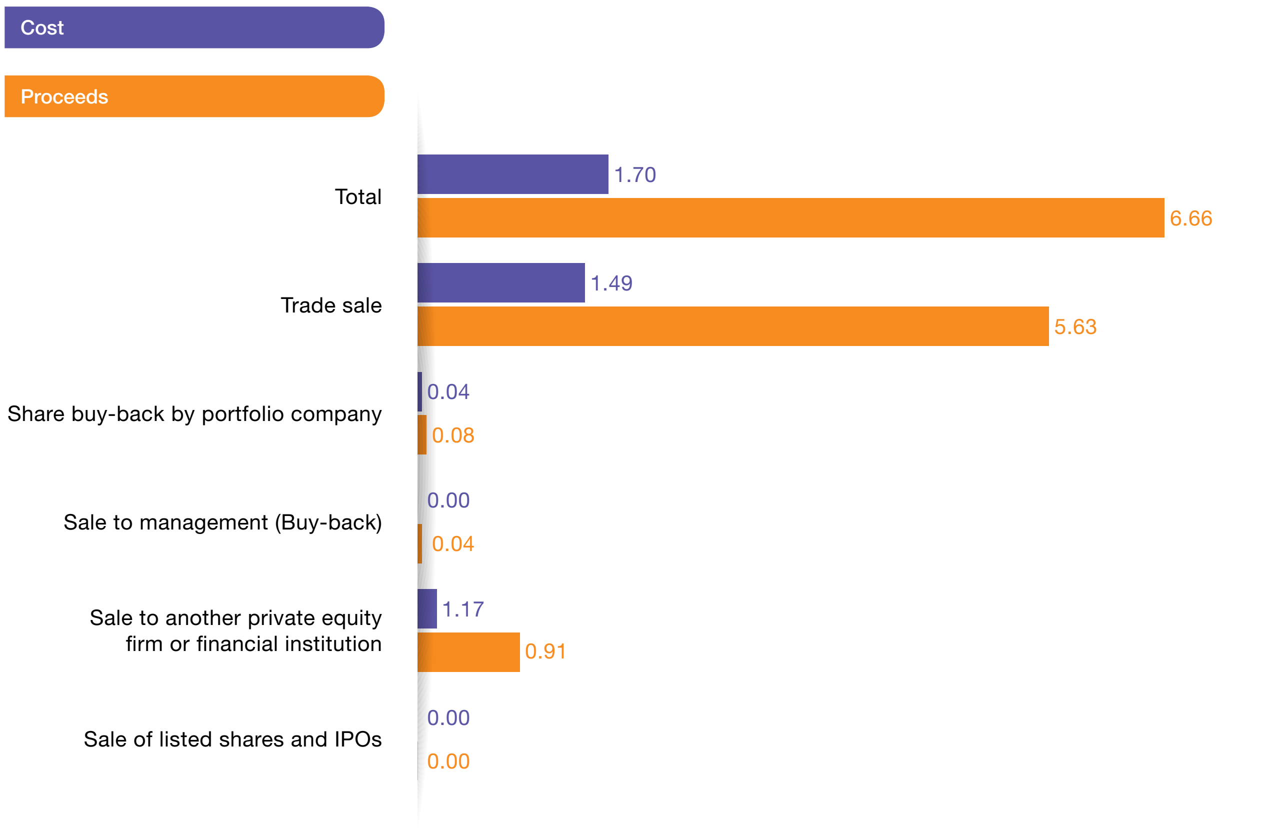
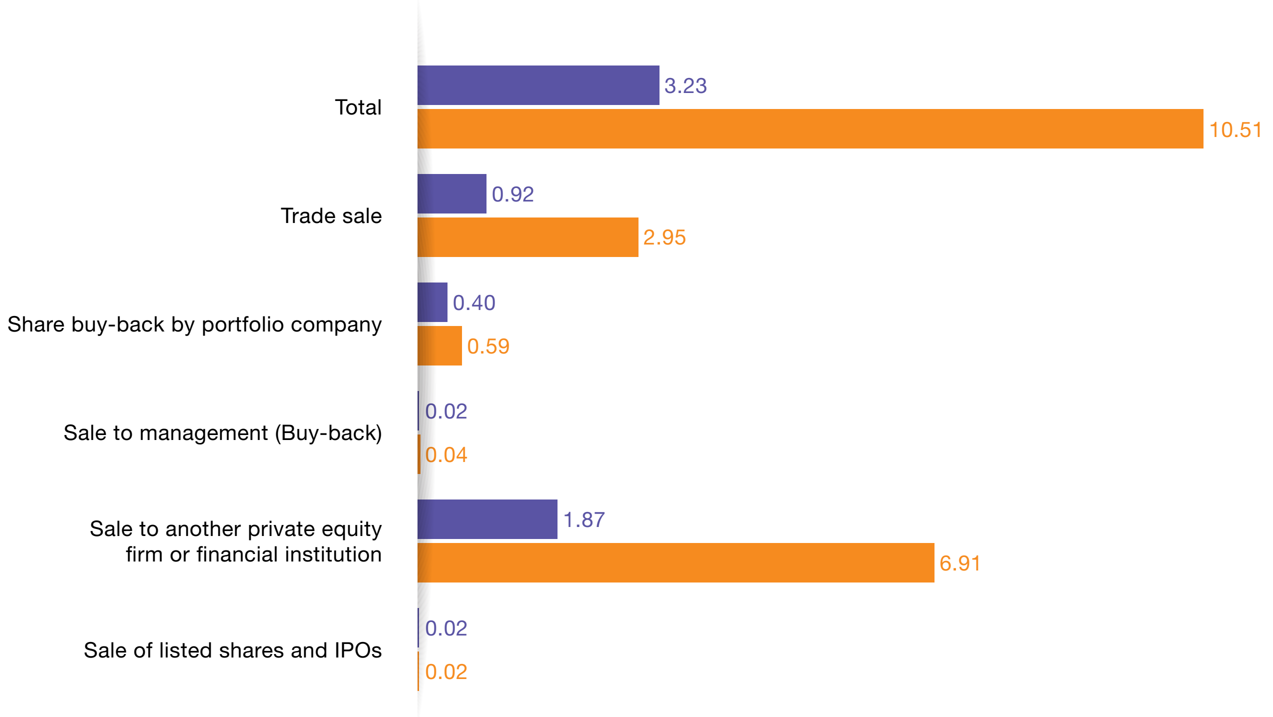


Figure 13b Proceeds and cost of investments exited during 2017 (Rbn)



EXITS

Below are the top disposals/exits made in Southern African,* according to data disclosed by participants in the annual SAVCA Private Equity Industry Survey:

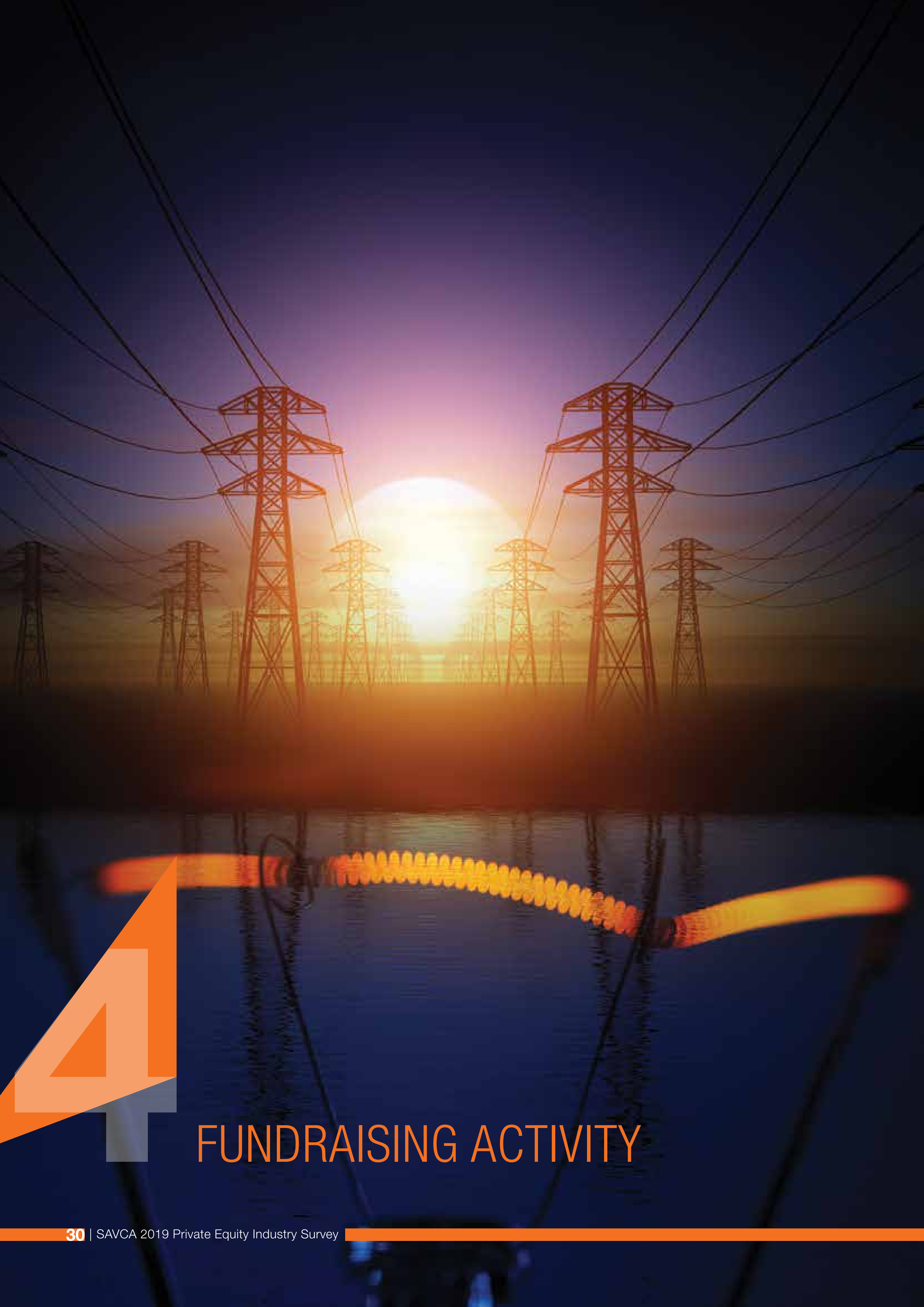
Figure 14a Top Southern African disposals/exits during 2018

Private equity fund	Investment company	Total enterprise value (Rm)	Interest	Sector focus
Capitalworks	Much Asphalt (Pty) Ltd	2 039.00	over 50%	Infrastructure
Vantage Mezzanine III Southern African Sub Fund Partnership	New GX Capital Holdings (Pty) Ltd	1 300.00	0% - 24%	General/No specific focus
Novare Africa Property Fund I	Gray-Bar Alliance Limited	216.90	0% - 24%	Retail
Exeo Capital	Hygrotech	115.75	25%-50%	Agric & Agri Processing
Sanlam Private Equity	Zico	77.50	25%-50%	Banks, Financial Services & Insurance

Figure 14b Top Southern African disposals/exits during 2017

Private equity fund	Investment company	Total enterprise value (Rm)	Interest	Sector focus
Rockwood Private Equity Pty Ltd	Tsebo Solutions Group	5 350.00	over 50%	Services
Ethos	Kevro Holdings (Pty) Ltd	1 683.00	over 50%	General/No specific focus
Lereko Metier Capital Growth Fund	Astrapak Limited	1 400.00	>25%	Industrial FMCG
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Rustmo1 Solar Farm (RF) (Pty) Ltd	327.30		Renewable Energy
Exeo Capital	Fairfield Diary	223.00		FMCG

Additional information on the latest disposals/exits may be found on the Africa Global Funds website: https://www.africaglobalfunds.com/



4 FUNDRAISING ACTIVITY

FUNDRAISING ACTIVITY

4

Total funds raised increased by 71.6% in 2018. This is an impressive figure, given the relatively downbeat macroeconomic climate in South Africa (real GDP was recorded at a mere 0.8% in 2018). Still, strong fundraising is indicative of the resilience of the PE industry, which also benefitted from the government's drive for foreign investment during the year. Several fund managers pointed to funds raised in foreign currency that, when exchanged to South African Rands, equal a sizeable amount. Of the R12.8 billion raised, R7.1 billion (55.7%) stemmed from South African sources, with the bulk of the funds ear-marked for late-stage investments (92.1%).

- Pension and Endowment Funds were the source of 12.6% of all third-party funds raised during 2018 (2017: 12%). Governments, aid agencies and DFIs accounted for 35.5% in 2018 (2017: 44.2%) and insurance companies/institutions made up 14.1% of funds raised in 2018 (2017: 2.6%).

- Of the cumulative funds not yet returned to investors, South Africa is the main source of funds raised (64%), ahead of Europe (17.7%) and the rest of Africa (6.6%).

- Similarly, funds raising specifically for investment in South Africa is on the rise, totalling R7.1 billion in 2018, compared to R3.6 billion in 2017. This implies that 55.7% of total funds raised is specifically aimed at South Africa, compared to an average of 40.9% over the preceding three years.

FUNDRAISING ACTIVITY

Figure 15 Third-party funds raised during the year, analysed by fund stage, 2001-2018 (Rbn)

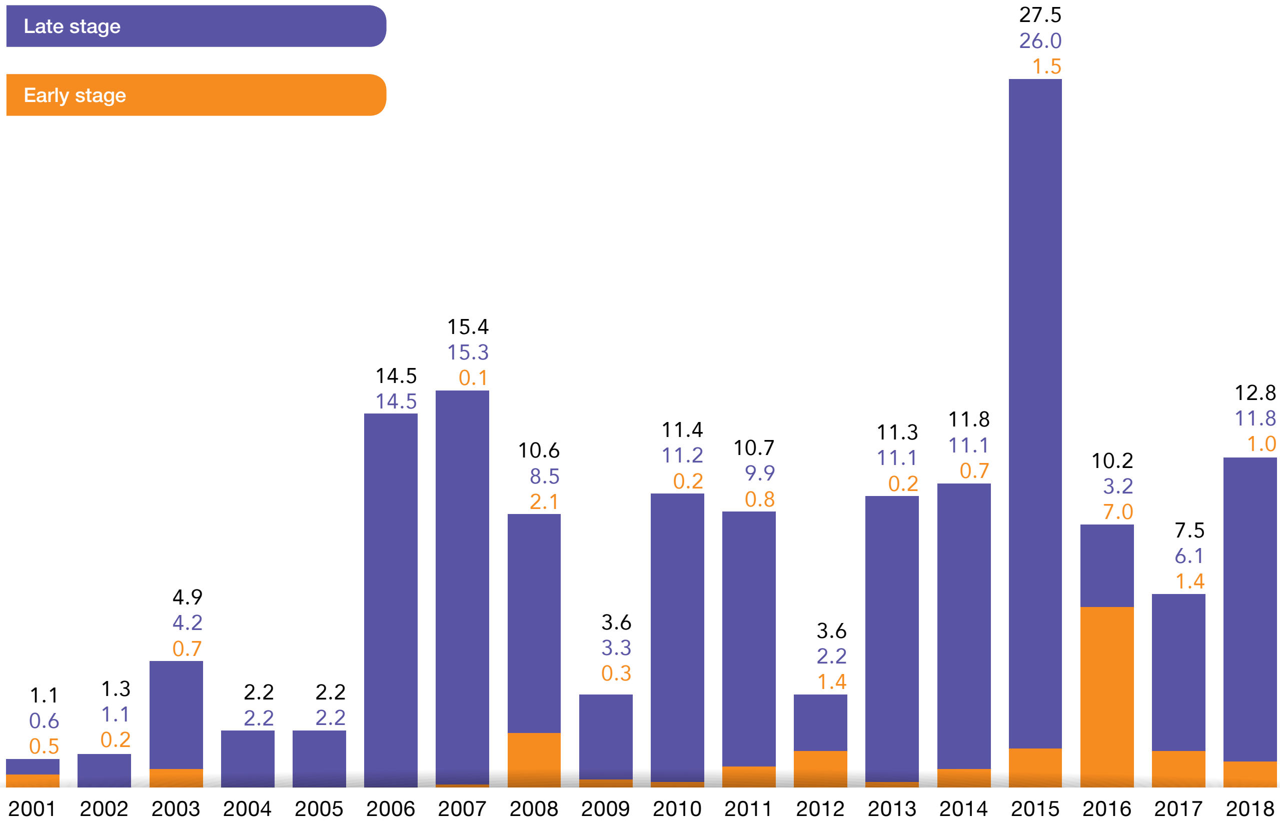


Figure 16 Third-party funds raised during the year, analysed by investment destination, 2016-2018 (Rbn)

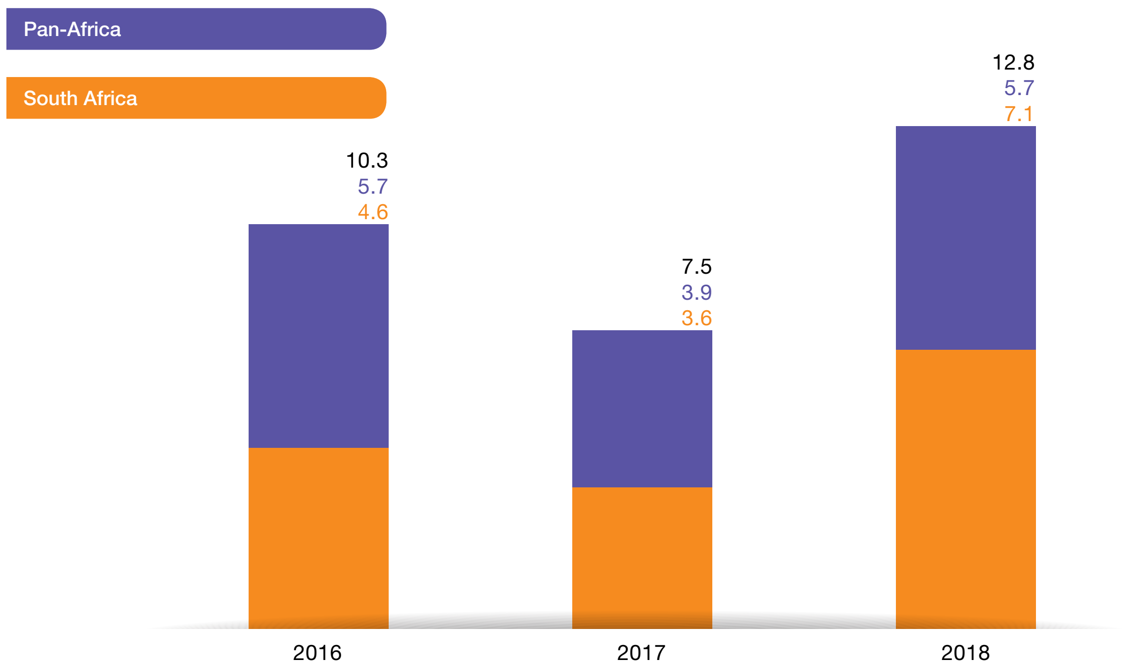


Figure 17a Source of third-party funds raised during 2018 (Rbn)

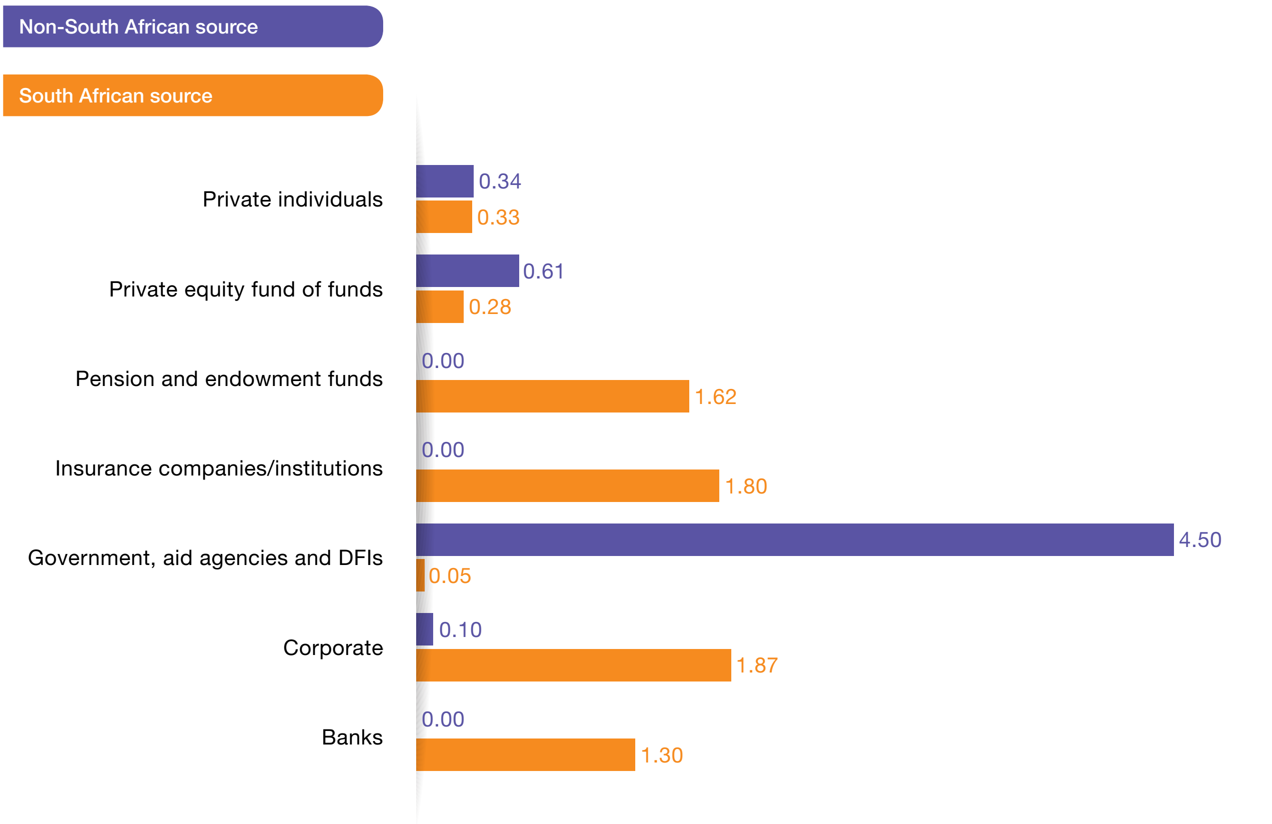
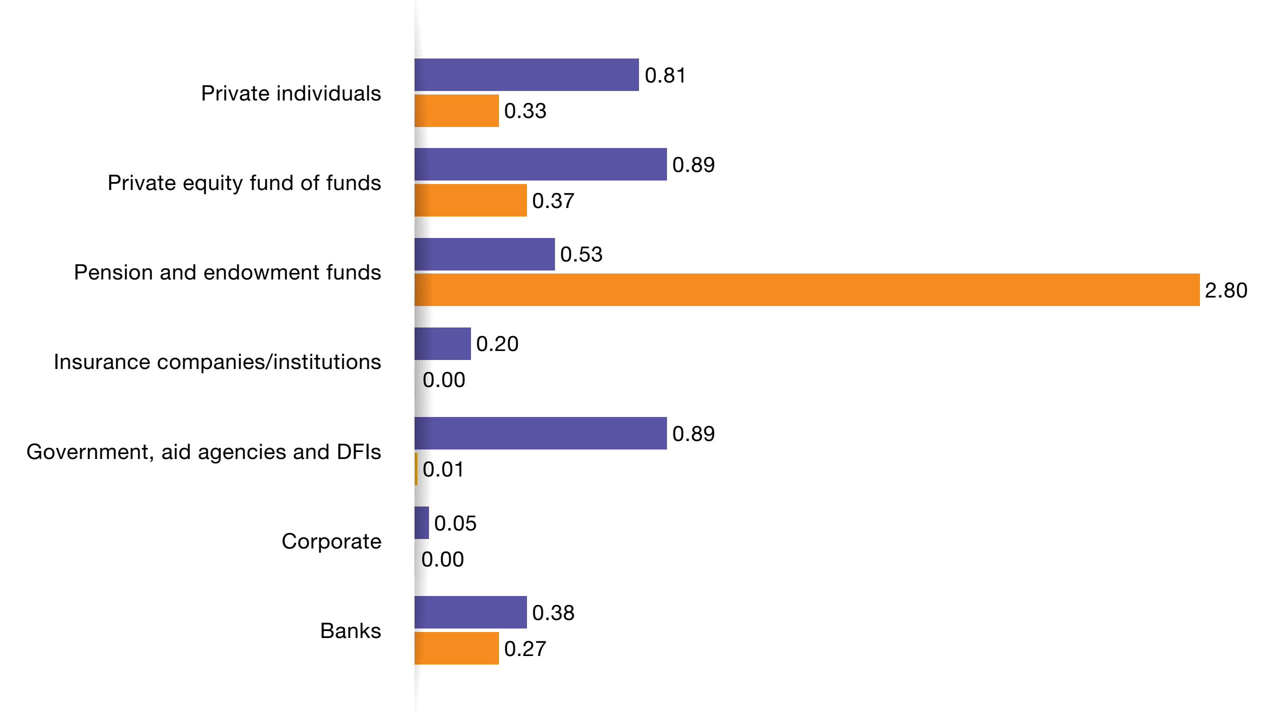


Figure 17b Source of third-party funds raised during 2017 (Rbn)



FUNDRAISING ACTIVITY

Figure 18a Geographical sources of third-party funds raised during 2018 (% of total)

FUNDS RAISED

Rest of Africa	13.0%
Rest of Europe	16.5%
South Africa	56.6%
United Kingdom	3.9%
United States	10.0%

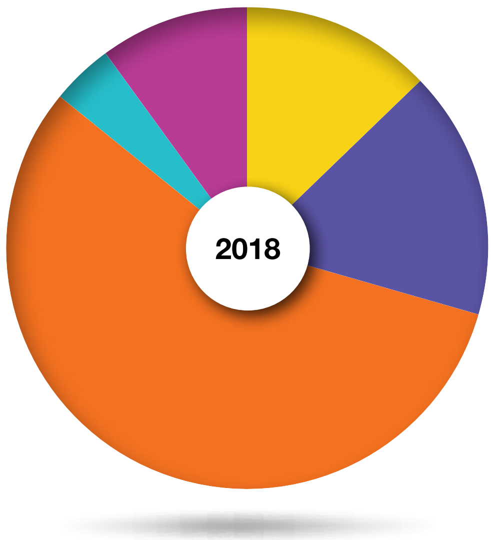


Figure 18b Geographical sources of third-party funds raised during 2017 (% of total)

FUNDS RAISED

Rest of Africa	8.3%
Rest of Europe	41.6%
South Africa	49.9%
United Kingdom	0.1%
United States	0.1%

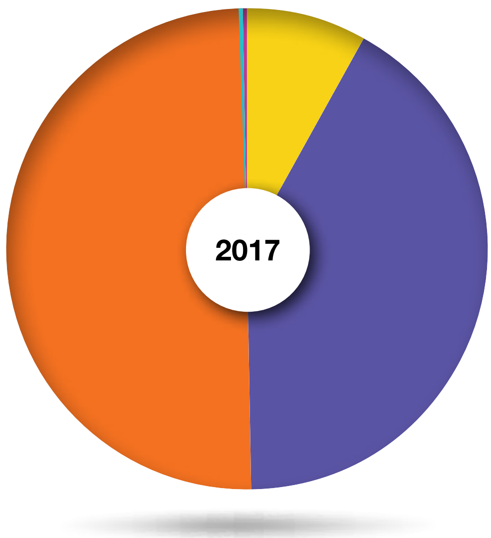
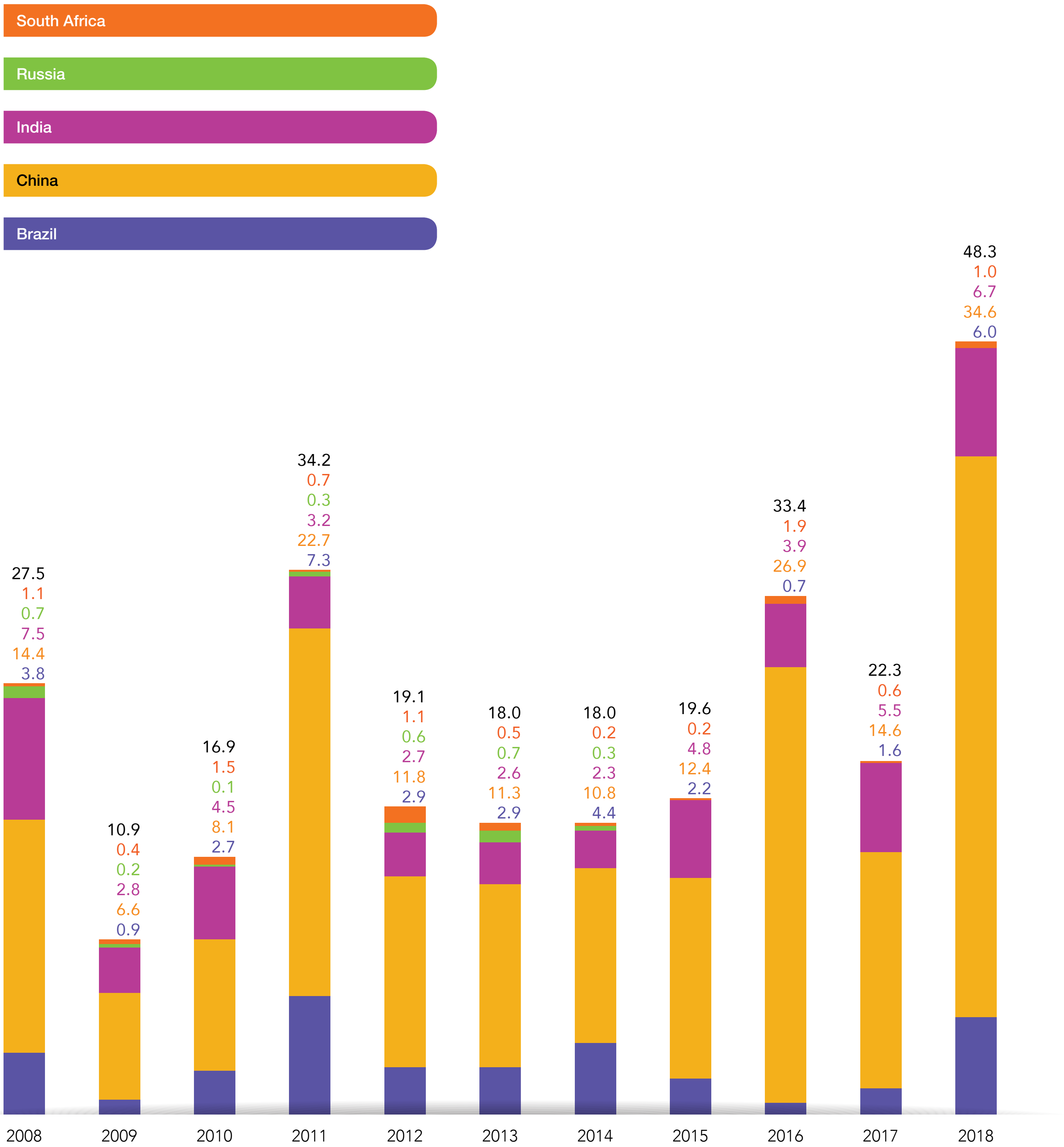


Figure 19 Emerging markets private equity fundraising totals by select markets, 2008-2018 (US$bn)[10]



[10] *Data for Russia, India, China, and Brazil is sourced from EMPEA. For South Africa, the data is collated from the survey.*

5 FUNDS UNDER MANAGEMENT

FUNDS UNDER MANAGEMENT

5

Southern Africa's private equity industry recorded R171 billion in funds under management[11] at the end of 2018, marking a compound annual growth rate of 9.3% since the first edition of the SAVCA Private Equity Industry Survey, published in 1999. In 2018, 82.4% (R140.9 billion) of funds under management were unrealised investments, with the remaining R30.1 billion classified as undrawn commitments.

- Total FUM by Captives – Other increased by R15.2 billion in 2018.
- FUM by Independents increased by R10.2 billion, from R88.4 billion at 31 December 2017 to R98.6 billion at 31 December 2018.
- The Captives – Government category recorded R26.1 billion under management in 2018, R2.1 billion less than in 2017.
- Total undrawn commitments at 31 December 2018 reached R30.1 billion (2017: R35.9 billion), of which R27.4 billion (2017: R32.4 billion) reflects the undrawn commitments of independent fund managers.
- Private equity fund managers predominantly have a generalist mandate, with 79.0% of the FUM at 31 December 2018 in the Generalist category (2017: 64.9%).

[11] *Funds under management (FUM) is the total amount of funds available to fund managers for future investments plus the amount of funds already invested (at cost) and not yet exited from.*

FUNDS UNDER MANAGEMENT

Figure 20a Composition of total FUM in 2018 (% of total)

FUNDS UNDER MANAGEMENT

Independents	57.6%
Captives - Financial Services	13.9%
Captives - Government	15.3%
Captives - Other	13.2%

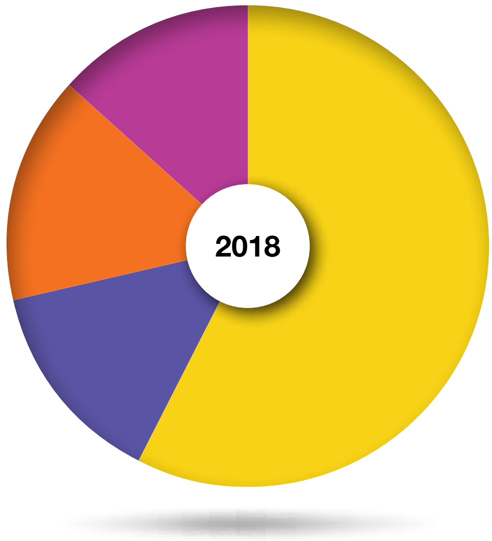


Figure 20b Composition of total FUM in 2017 (% of total)

FUNDS UNDER MANAGEMENT

Independents	55.7%
Captives - Financial Services	21.9%
Captives - Government	17.8%
Captives - Other	4.6%

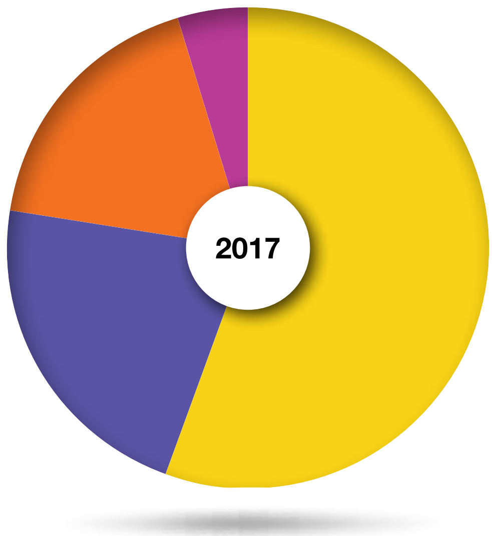
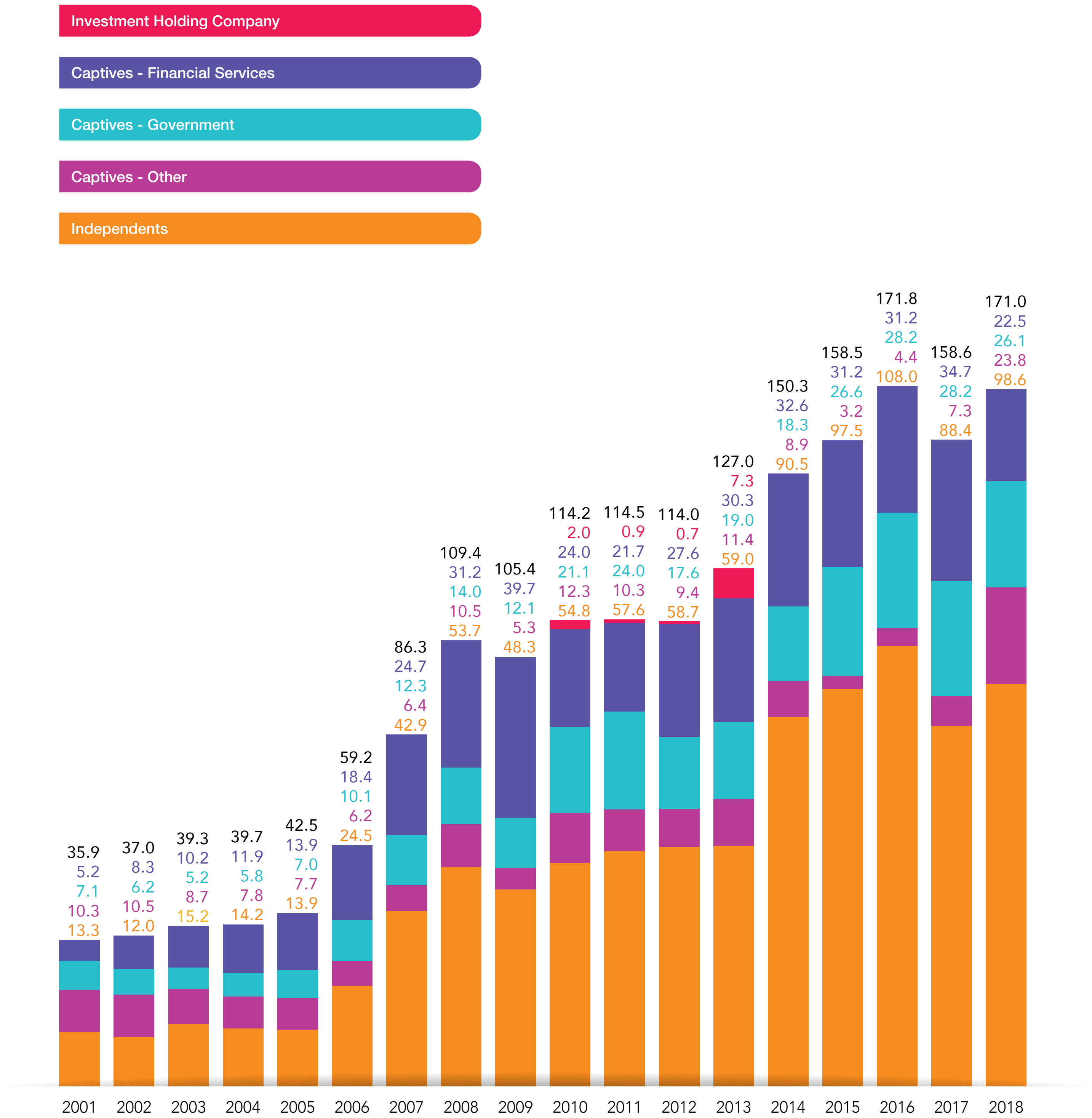


Figure 21 Composition of FUM, 2001-2018 (Rbn)



FUNDS UNDER MANAGEMENT

Figure 22a Composition of total FUM at 31 December 2018 by focus of the fund (% of total)

Agri & Agri processing	0.4%
Energy & related	1.1%
Financial Services	0.3%
Generalist	79.0%
Health Care	0.1%
ICT	0.3%
Infrastructure	14.7%
Manufacturing	0.1%
Other	0.6%
Real Estate	3.4%

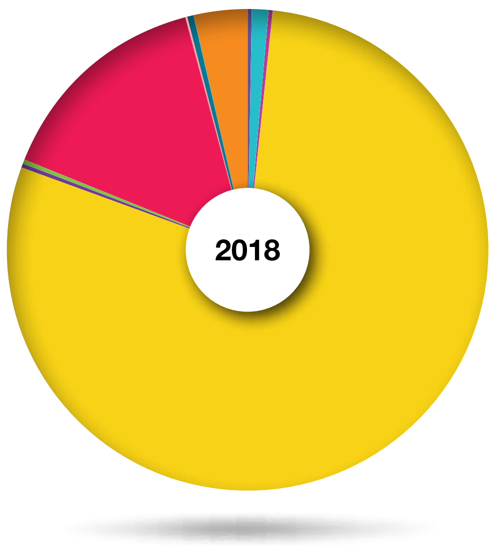


Figure 22b Composition of total FUM at 31 December 2017 by focus of the fund (% of total)

Agri & Agri processing	2.9%
Energy & related	2.5%
Financial Services	0.3%
Generalist	64.9%
Health Care	0.1%
ICT	0.3%
Infrastructure	21.9%
Manufacturing	1.7%
Other	0.2%
Real Estate	5.2%

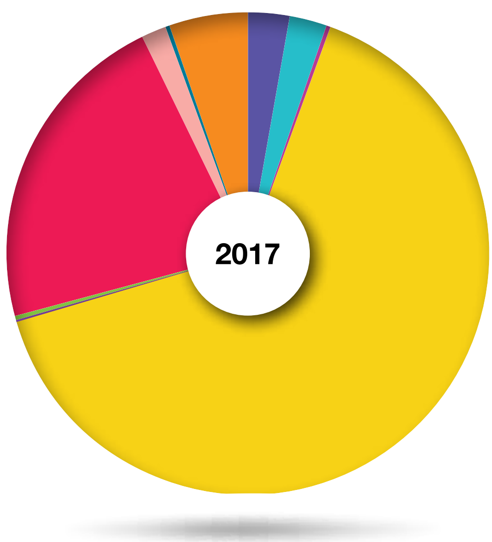
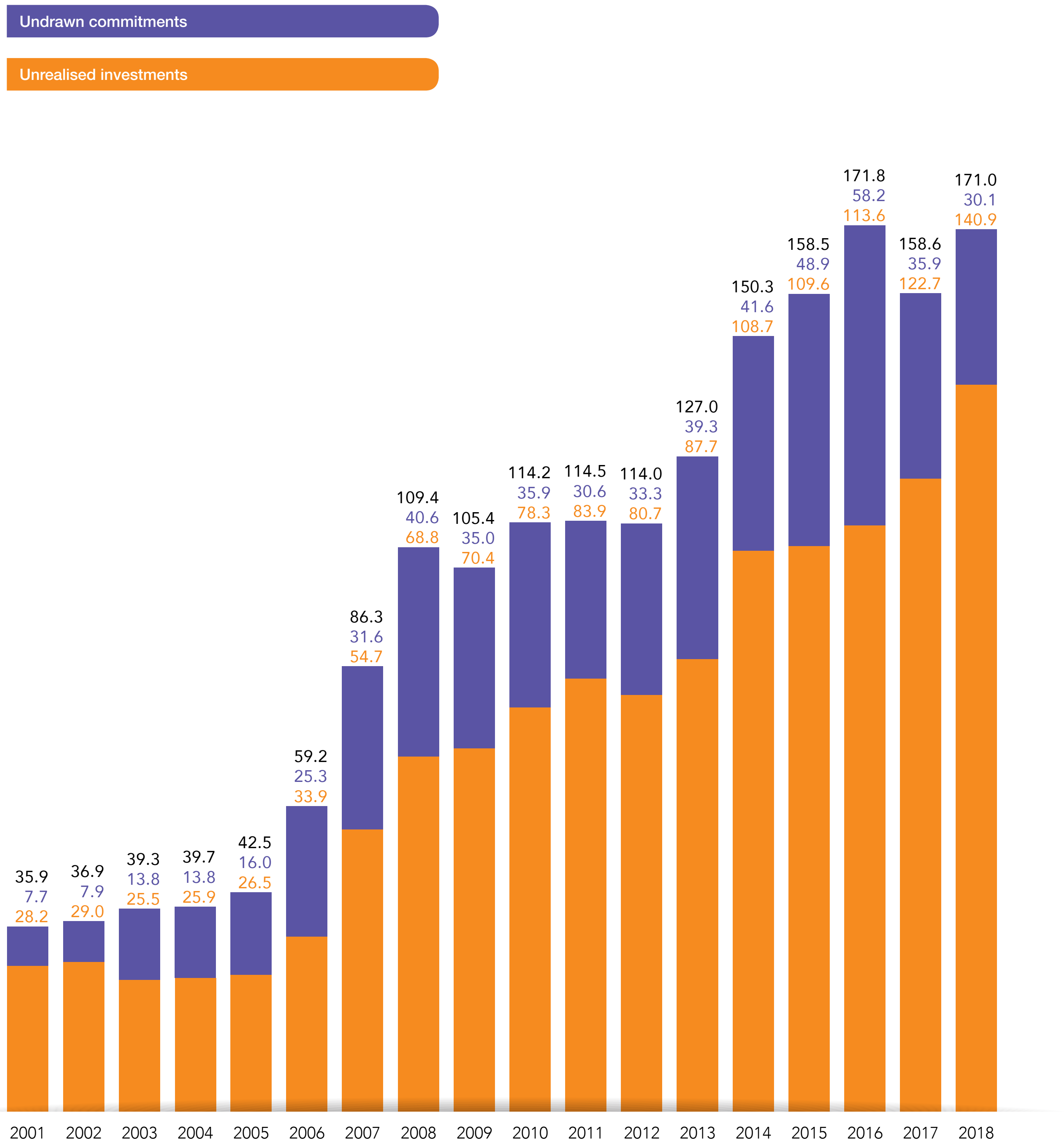


Figure 23 Total FUM, split by undrawn commitments and amounts invested, 2001-2018 (Rbn)



FUNDS UNDER MANAGEMENT

Figure 24a Total FUM by type split by undrawn commitments and amounts invested, 2018 (Rbn)

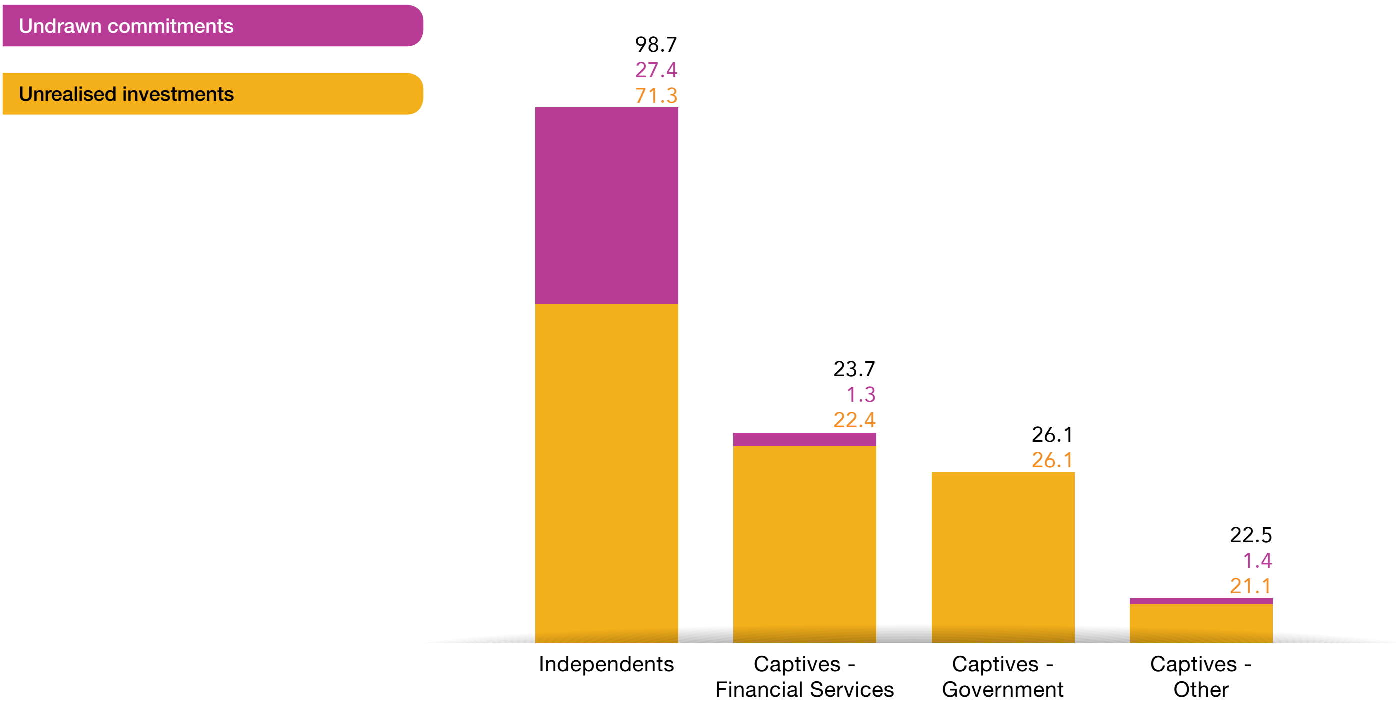


Figure 24b Total FUM by type split by undrawn commitments and amounts invested, 2017 (Rbn)

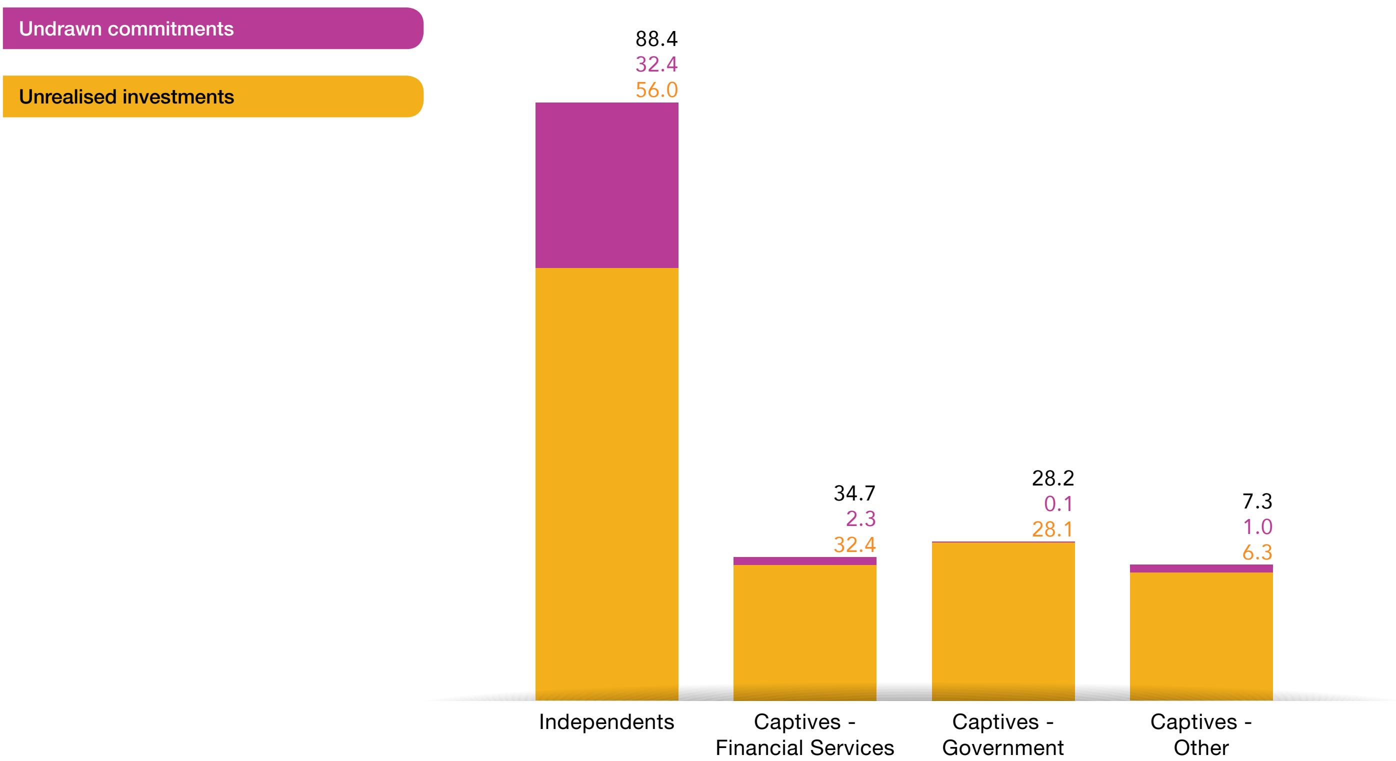
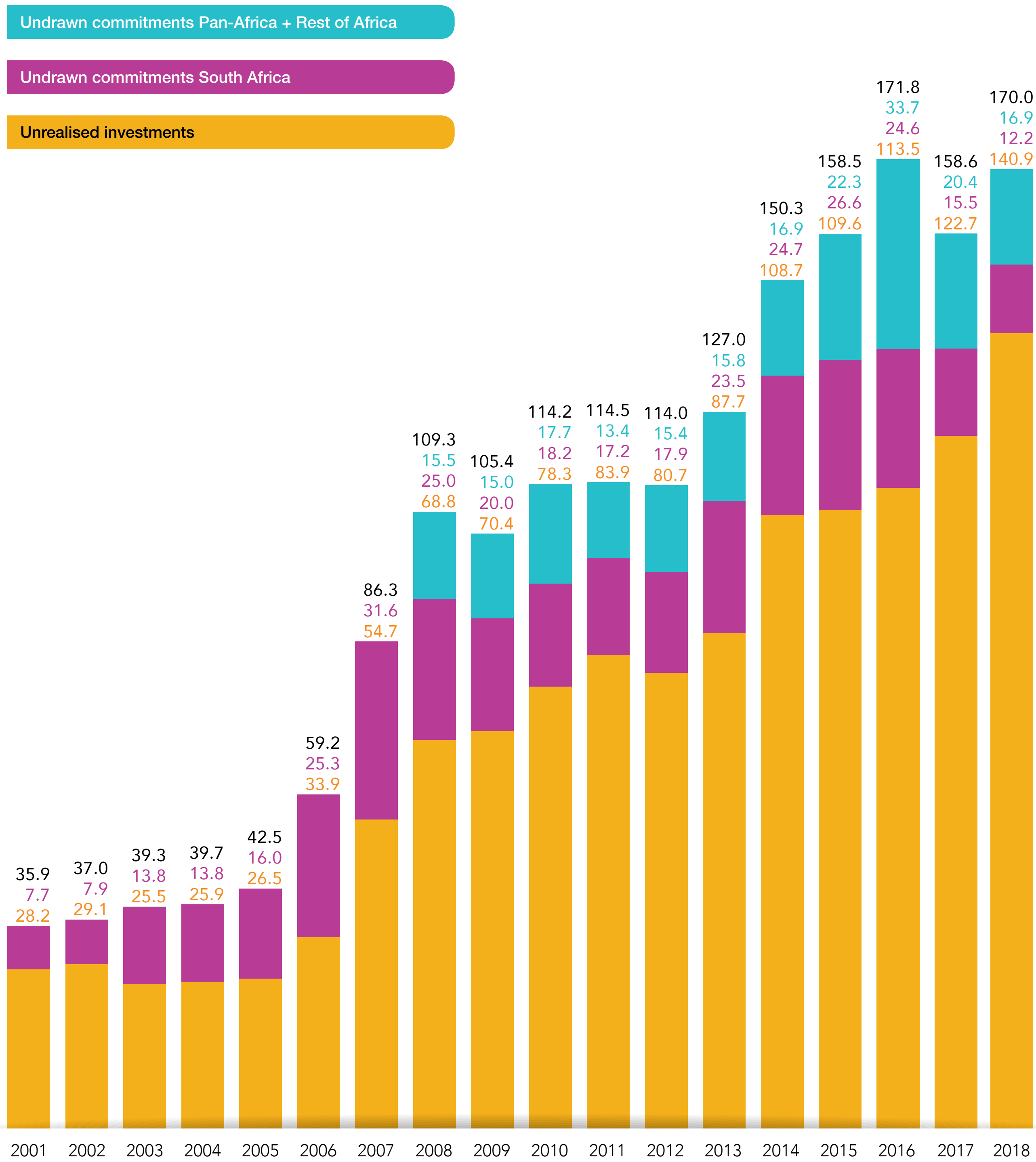


Figure 25	Total FUM at year end, split by amounts invested and geographical undrawn commitments, 2001-2018 (Rbn)



FUNDS UNDER MANAGEMENT

Figure 26 Classification of undrawn commitments by stage of investments, 2008-2018 (Rbn)

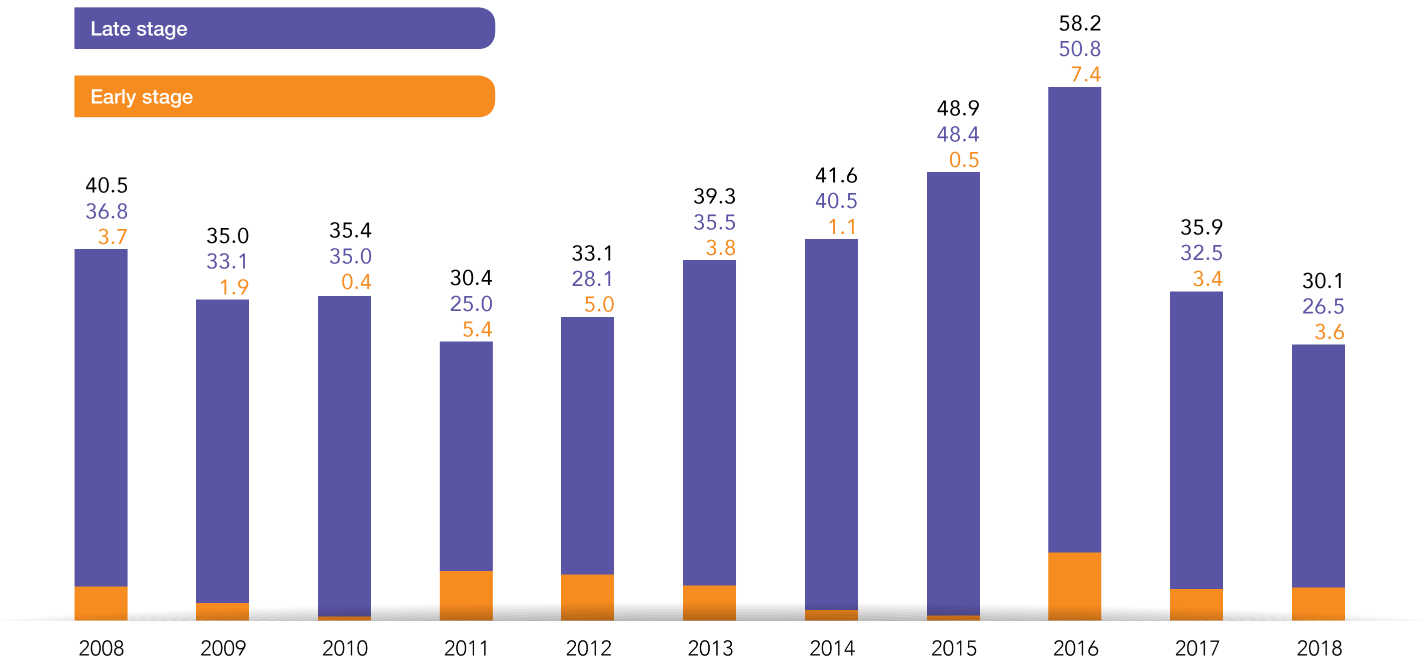


Figure 27 Composition of undrawn commitments by type of fund manager, 2008-2018 (Rbn)

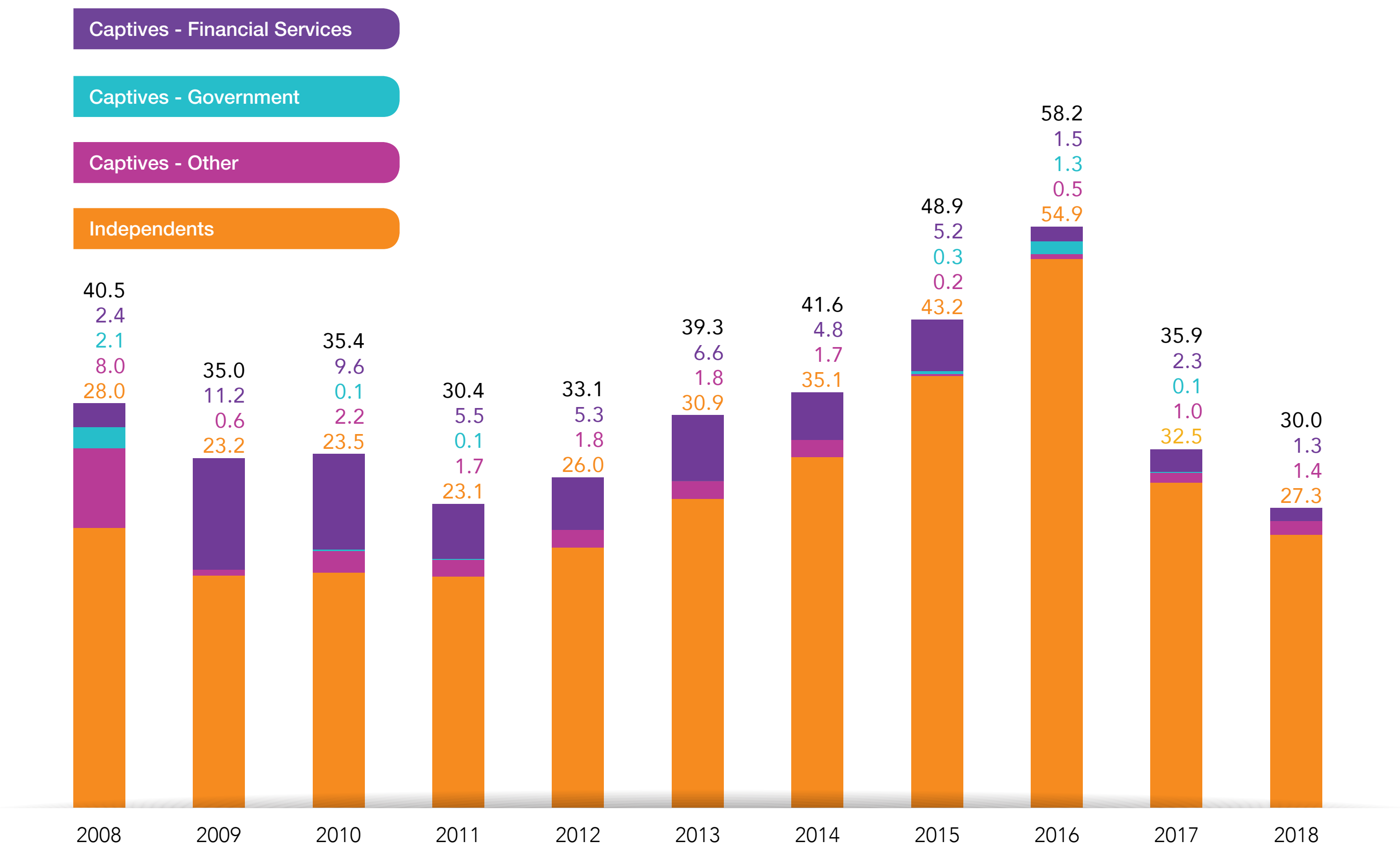
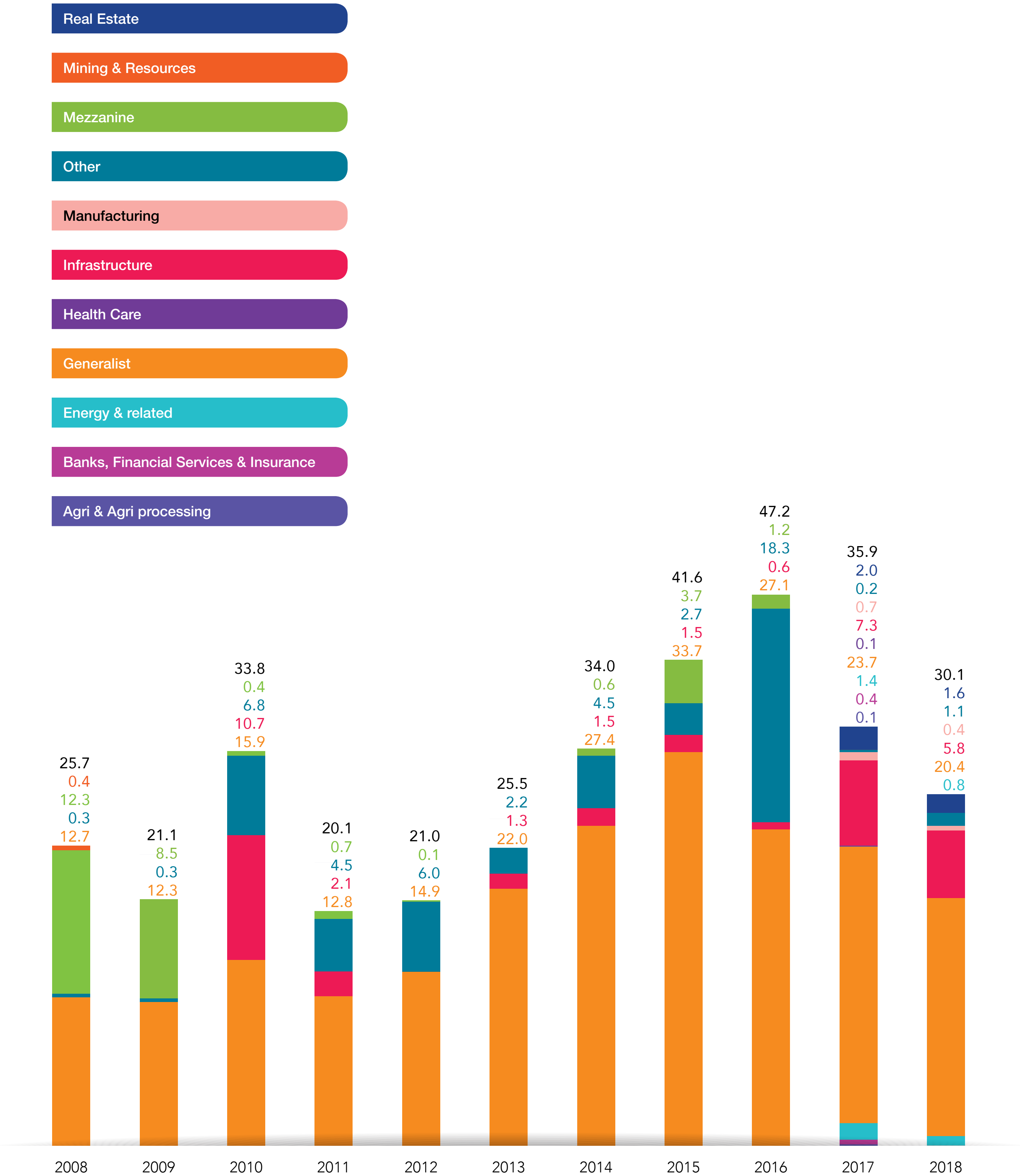


Figure 28 Composition of later stage, independent undrawn commitments by focus of the fund, 2008-2018 (Rbn)



FUNDS UNDER MANAGEMENT

Figure 29a Composition of FUM by BBBEE level of fund manager, 2018[12]

Level 1	2.7%
Level 2	27.9%
Level 3	10.7%
Level 4	23.4%
Level 5	0.0%
Level 6	2.2%
Level 7	0.0%
Level 8	2.9%
Not disclosed or non-compliant	30.2%

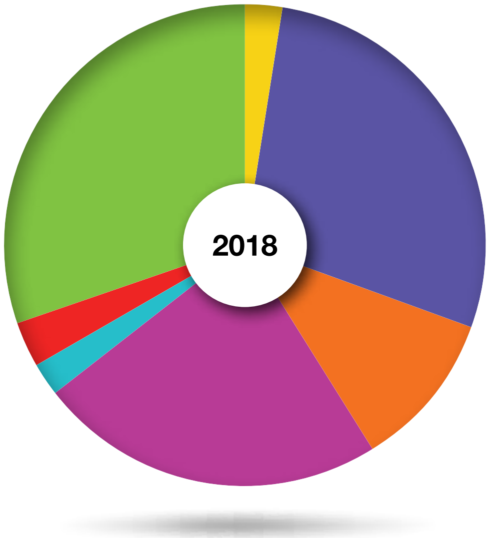
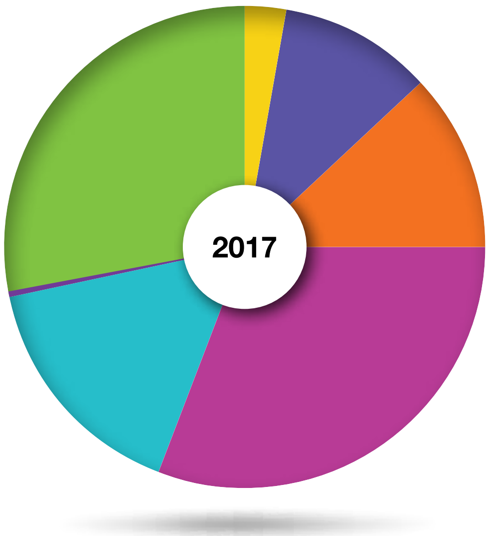


Figure 29b Composition of FUM by BBBEE level of fund manager, 2017[13]

Level 1	2.8%
Level 2	10.5%
Level 3	11.8%
Level 4	30.9%
Level 5	0.0%
Level 6	15.7%
Level 7	0.2%
Level 8	0.0%
Not disclosed or non-compliant	28.1%



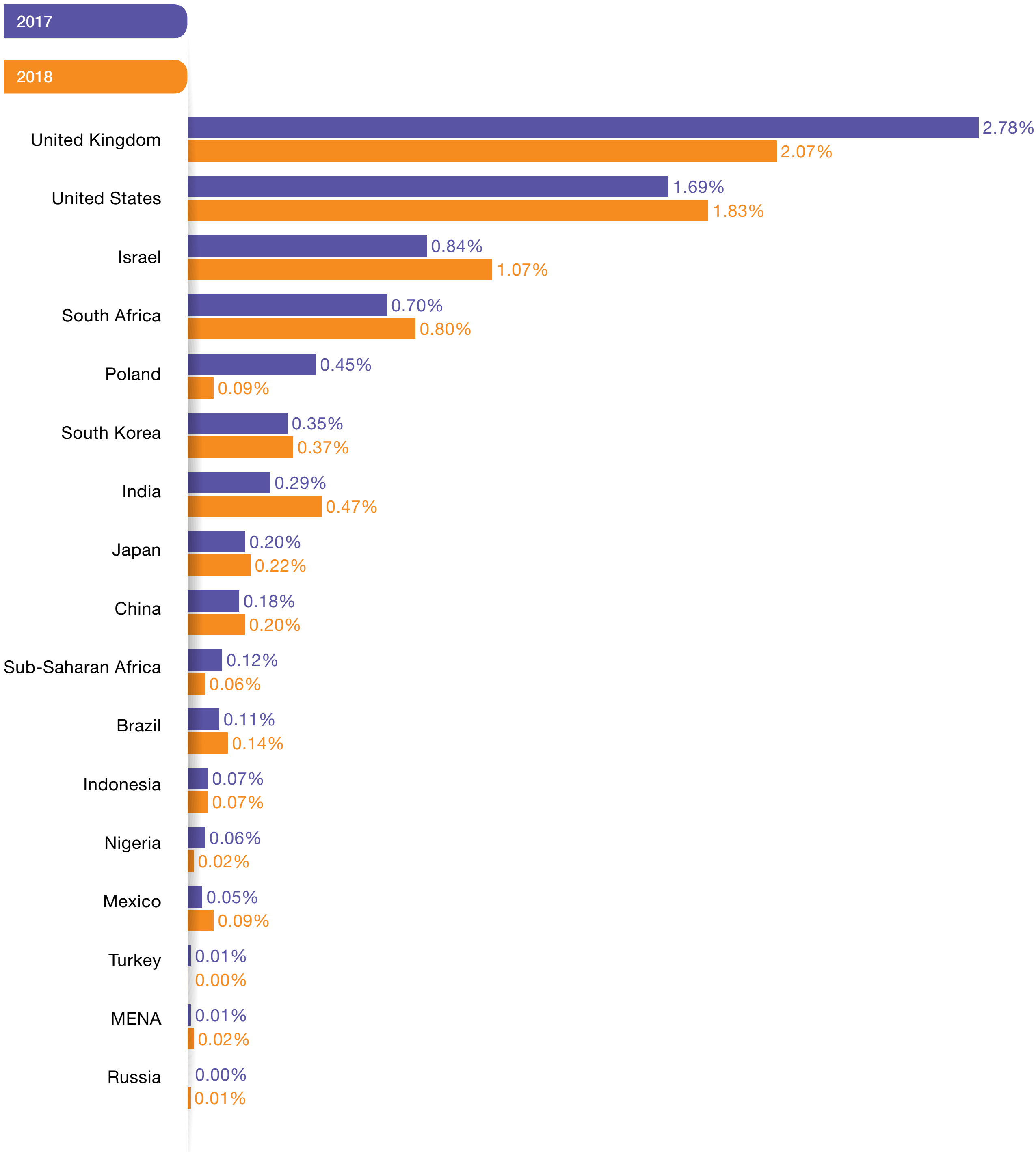
[12/13] *Excludes fund managers not based in South Africa that are consequently not affected by BBBEE legislation.*

Comparison to the global market

- Although the South African private equity industry as a whole is relatively small in comparison to more developed economies, it is still well-established and significant in the regional market.

- Using Emerging Markets Private Equity Association (EMPEA) information, together with survey data for South Africa, South Africa's investment activity as a percentage of GDP for 2018 stands at 0.8% (2017: 0.7%).

Figure 30 Global private equity capital penetration, 2017 and 2018 (as a % of GDP)



6 REAFFIRMING TRANSFORMATION

REAFFIRMING TRANSFORMATION

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) BBBEE codes. These figures are in line with the general ratings for South African companies. Not only does the emerging markets PE industry provide investors with exposure to the private sector via private or unlisted companies and attractive returns, but also the opportunity to truly make a positive impact as investors and investees walk their journey together. For example, PE investors actively look to transform the companies they invest in from BBBEE perspective.

Figure 31a Investments by BBBEE recognition level in 2018 (excluding Captives - Government)

BBBEE LEVELS	
Level 1	4.5%
Level 2	21.4%
Level 3	25.7%
Level 4	3.9%
Level 5	0.0%
Level 6	1.8%
Level 7	0.0%
Level 8	6.0%
Not disclosed or non-compliant	36.7%

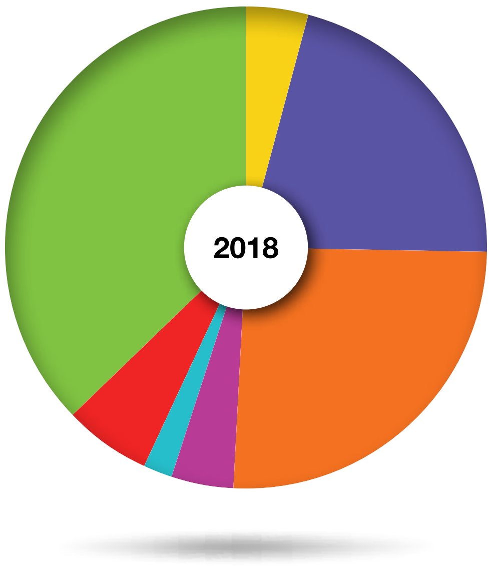
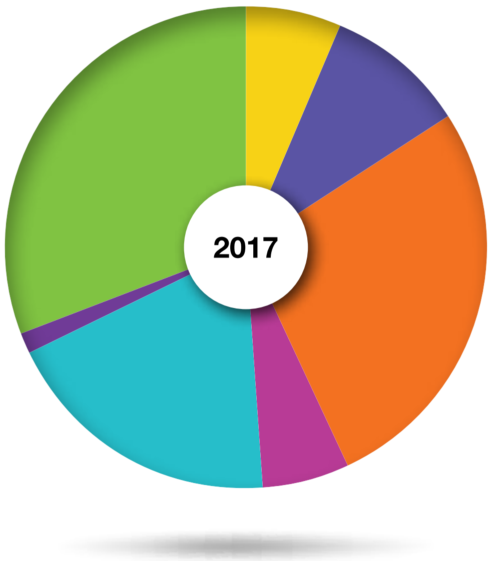


Figure 31b Investments by BBBEE recognition level in 2017 (excluding Captives - Government)

BBBEE LEVELS	
Level 1	6.3%
Level 2	9.8%
Level 3	26.8%
Level 4	6.0%
Level 5	0.0%
Level 6	19.1%
Level 7	1.5%
Level 8	0.0%
Not disclosed or non-compliant	30.5%



7 RESILIENT PERFORMANCE

7

RESILIENT PERFORMANCE

RisCura (a global, independent provider of professional investment services) in conjunction with SAVCA, produce a quarterly *South African Private Equity Performance Report*, which tracks the performance of a representative sample of South Africa's private equity funds.

The latest reported private equity returns over different time periods are as follows:

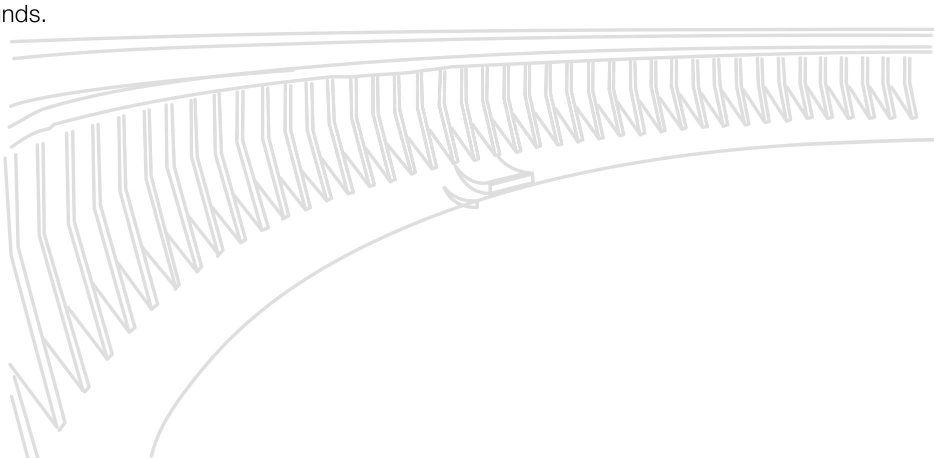
Figure 32a Returns over different time periods ending in December 2018 § (returns are calculated using rand values)

Times money				
Time Period	**Pooled IRR**	**Realised**	**Unrealised**	**Total**
10 year	12.7%	0.98	0.53	1.51
5 year	10.2%	0.68	0.57	1.25
3 year	3.6%	0.43	0.64	1.07

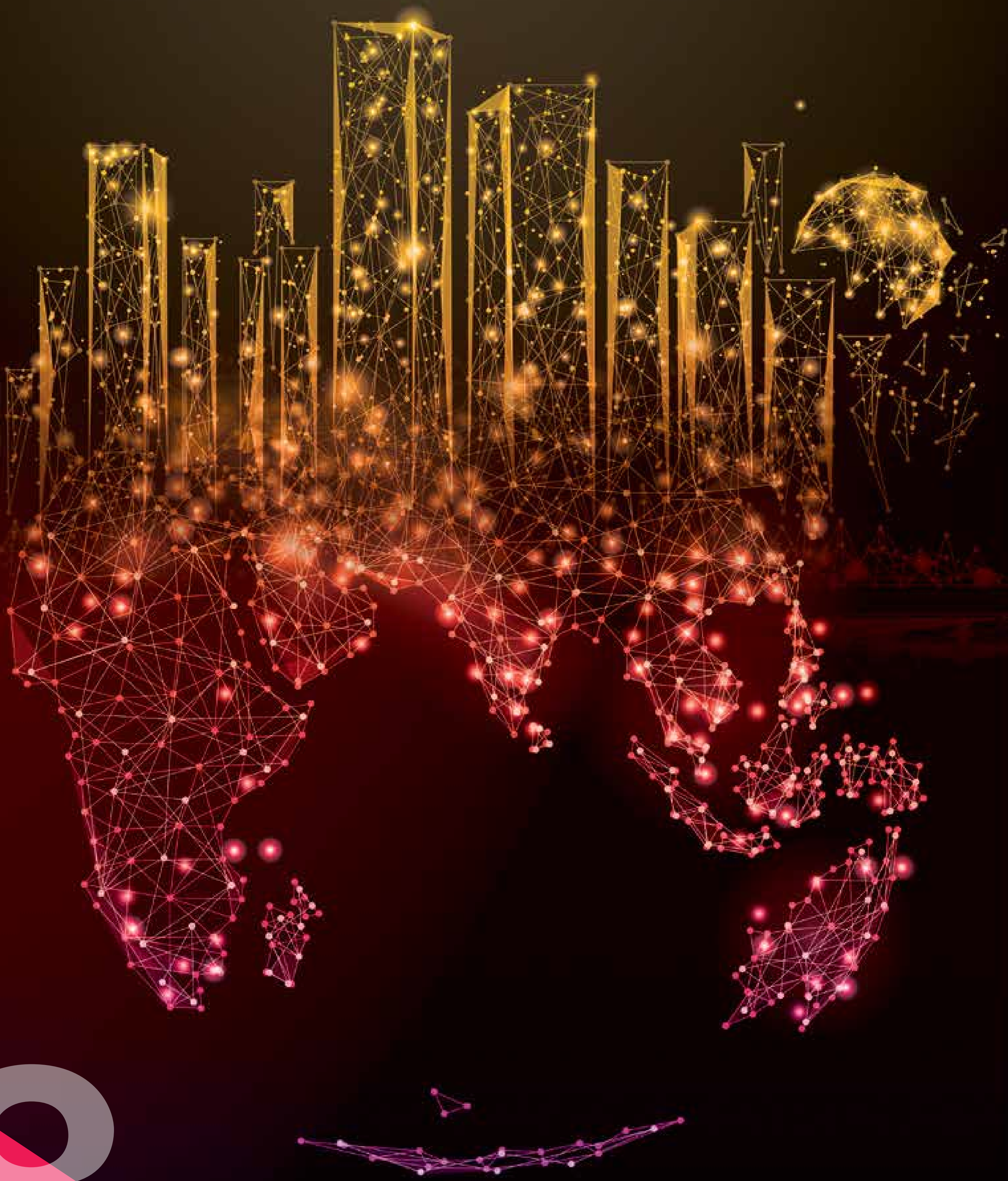
Figure 32b Returns over different time periods ending in December 2018 § (returns are calculated using rand values)

Compound annual growth rate (CAGR)				
Time period	**Pooled IRR**	**ALSI TRI***	**FINDI TRI***	**SWIX TRI***
10 year	12.7%	12.6%	16.5%	13.0%
5 year	10.2%	5.8%	6.8%	5.9%
3 year	3.6%	4.3%	0.4%	3.7%

The overriding principle of the International Private Equity and Venture Capital Valuation (IPEV) Guidelines is to show a fair valuation of investments to the investor. These guidelines were released during 2005 and adopted by the majority of global private equity associations, including SAVCA. This methodology is used as the basis for measuring the performance of private equity funds.



*Listed index returns are before fees



8 PRIVATE EQUITY INVESTMENT PROFESSIONALS

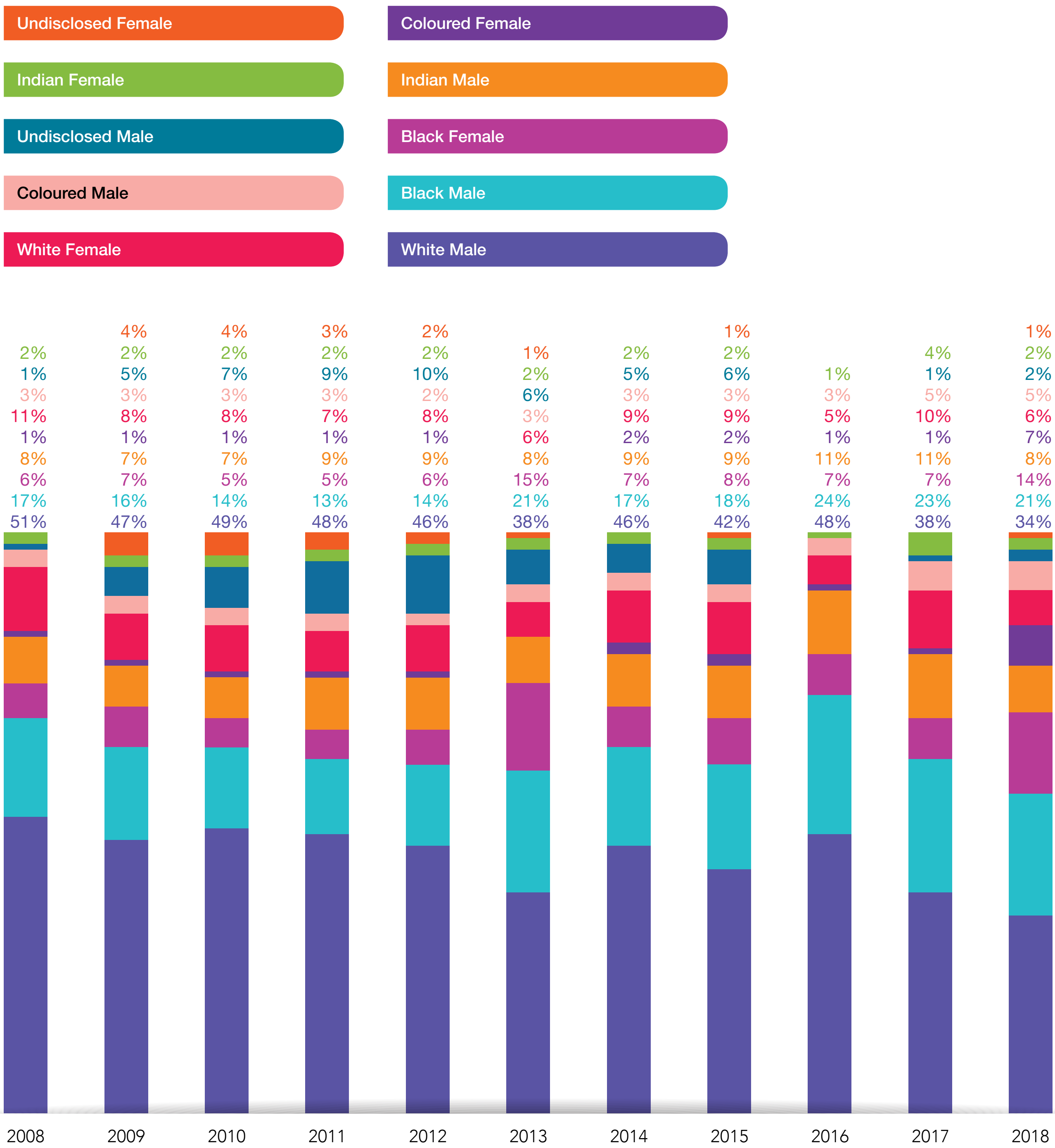
PE INVESTMENT PROFESSIONALS

8

The heartbeat of the private equity industry is its people. Looking at 2018:

- At 31 December 2018, Black professionals accounted for 34.9% of the total of all professionals (2017: 29.9%), Coloured professionals 11.8% (2017: 6.2%), Indian professionals 10.2% (2017: 14.8%) and White professionals 40.7% (2017: 47.4%).
- At 31 December 2018, 29.6% of all professionals were female (2017: 21.8%).

Figure 33a Distribution of professionals by race and gender, 2016-2018



PE INVESTMENT PROFESSIONALS

Figure 33b Distribution of professionals by gender, 2016-2018

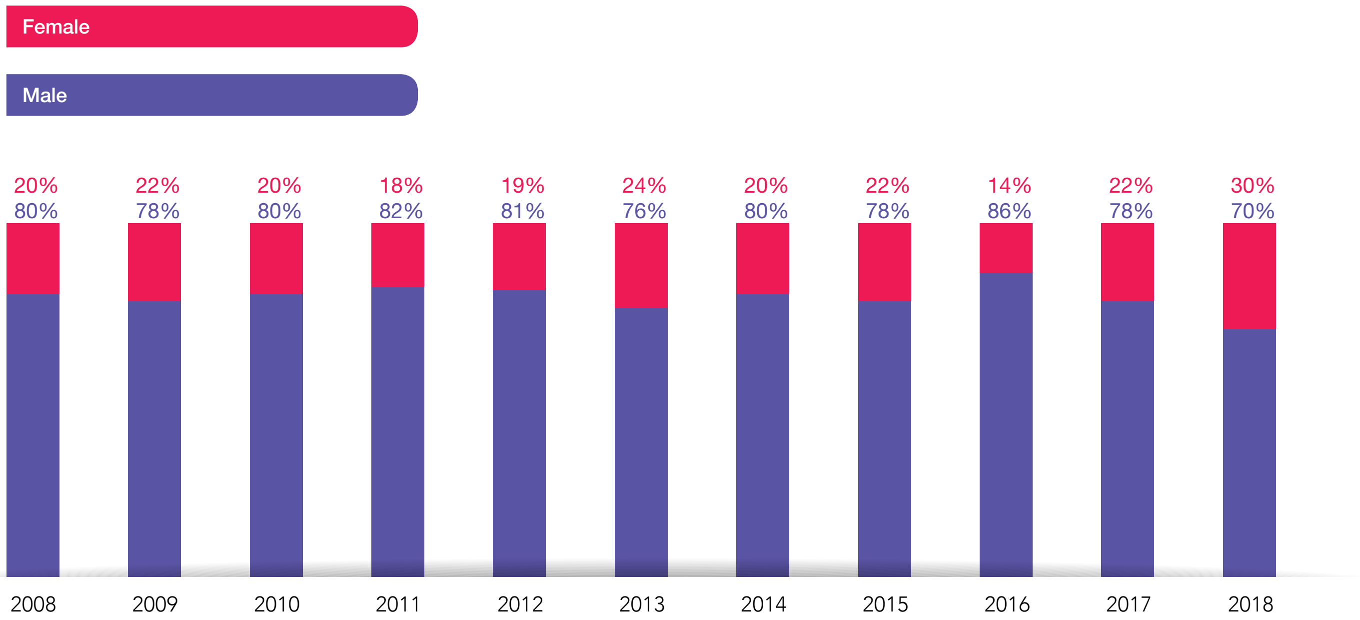
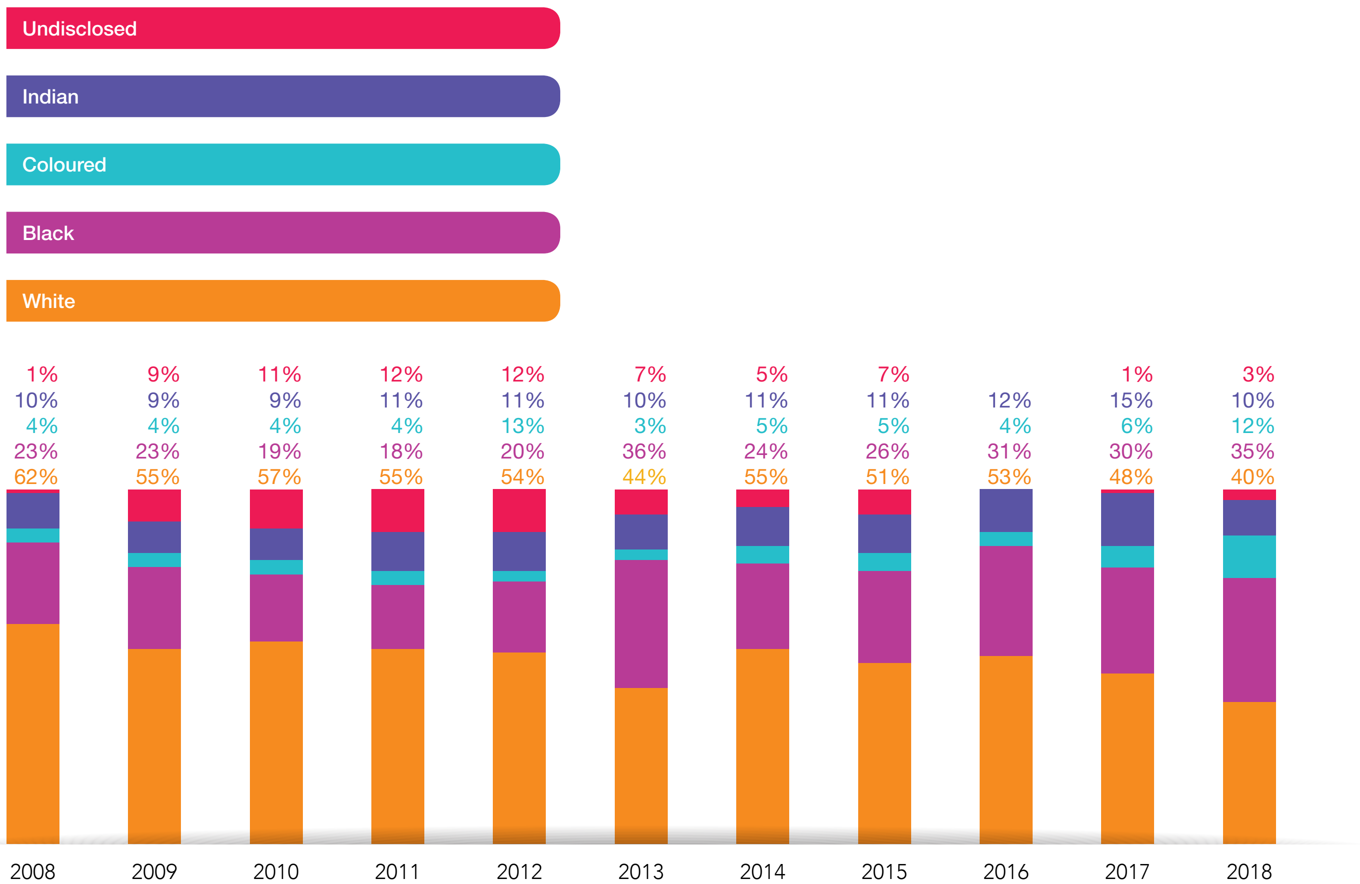


Figure 33c Distribution of professionals by race, 2016-2018



9 DATA TABLES

DATA TABLES

9

Year ended 31 December 2018	Total funds under management at year end	Undrawn commitments at year end	Fund raising activity during the year	Investment activity during the year	Funds returned to investors during the year
	R millions	*R millions*	*R millions*	*R millions*	*R millions*
Early stage funds					
- Independents	9 064.83	3 583.55	1 006.94	614.53	2 395.66
- Captives (Financial Services)	0.00	0.00	0.00	0.00	0.00
- Captives (Government)	0.00	0.00	0.00	0.00	0.00
- Captives (Other)	0.00	0.00	0.00	0.00	0.00
	9 064.83	*3 583.55*	*1 006.94*	*614.53*	*2 395.66*
Later stage funds					
- Independents	89 545.49	23 713.00	10 494.36	14 166.12	8 081.03
- Captives (Financial Services)	23 753.04	1 331.05	300.00	3 689.80	3 381.84
- Captives (Government)	26 123.65	0.00	0.00	14 364.21	0.00
- Captives (Other)	22 501.12	1 441.76	1 000.00	2 520.59	1 759.99
	161 923.30	*26 485.81*	*11 794.36*	*34 740.72*	*13 222.85*
	170 988.13	*30 069.36*	*12 801.30*	*35 355.25*	*15 618.52*

Year ended 31 December 2017	Total funds under management at year end	Undrawn commitments at year end	Fund raising activity during the year	Investment activity during the year	Funds returned to investors during the year
	R millions	*R millions*	*R millions*	*R millions*	*R millions*
Early stage funds					
- Independents	11 201.00	3 410.40	1 404.00	1 128.34	237.24
- Captives (Financial Services)	0.00	0.00	0.00	0.00	0.00
- Captives (Government)	0.00	0.00	0.00	0.00	0.00
- Captives (Other)	0.00	0.00	0.00	0.00	0.00
	11 201.00	*3 410.40*	*1 404.00*	*1 128.34*	*237.24*
Later stage funds					
- Independents	77 240.67	29 066.60	5 601.07	8 580.75	10 394.71
- Captives (Financial Services)	34 704.55	2 334.47	150.06	4 028.42	6 704.05
- Captives (Government)	28 193.70	93.50	0.00	15 521.37	78.07
- Captives (Other)	7 305.08	1 036.70	362.00	2 025.51	140.98
	147 444.00	*32 531.27*	*6 113.13*	*30 156.05*	*17 317.81*
	158 645.00	*35 941.68*	*7 517.13*	*31 284.39*	*17 555.05*

10 RESPONDENTS

RESPONDENTS

10

Name	Min investment	Max investment	Contact	Contact telephone
Abraaj Investment Management Limited	R0.5 million	R49 million	Samantha Sperring	+27 21 659 2000
Actis	US$80 million	US$250 million	Tarryn Butcher	+27 11 778 5919
African Infrastructure Investment Managers (Pty) Ltd	R150 million	R800 million	Olivia Miller	+27 21 670 1238
Agile Capital	R20 million	R200 million	Bulumko Ndema	+27 11 217 3300
Ata Capital (Pty) Ltd	R0	R125 million	Maredi Mampuru	+27 11 321 1629
Awethu Project Capital Proprietary Limited	R1 million	R30 million	Gigi Nyanin	+27 11 024 1606
Business Partners Limited	R10 million	R50 million	Nicole Badenhorst	+27 11 713 6628
Capitalworks Equity Partners (Pty) Ltd	R100 million	R500 million	Bronwyn Lee	+27 11 301 3000
Collins Private Equity	R0	R40 million	Bruce Chelius	+27 31 536 8004
Convergence Partners Management	R5 million	No maximum	Yolande Tabo	+27 11 550 5320
Edge Growth Capital	R2 million	R20 million	Richard Chapman	+27 21 671 2658
Ethos	R100 million	R1 billion	Rohan Dyer	+27 11 328 7431
Exeo Capital	R65 million	R260 million	Niel du Toit	+27 79 983 0031
Growth Capital Partners	R5 million	R25 million	Tim Page	+27 11 513 4049
Harith General Partners (Pty) Ltd	US$20 million	US$100 million	Nakedi Kgapane	+27 11 384 4000
Heritage Capital (Pty) Ltd	R30 million	R100 million	Xolisile Ntanzi	+27 10 597 7708
Horizon Equity Partners (Pty) Ltd	R15 million	R50 million	Shelley Lotz	+27 11 268 0041
IJG Capital (Pty) Ltd	R8 million	R40 million	Jakob de Klerk	+26 46 138 3517
Imbewu Capital Partners	R2.5 million	No maximum	Gcina Zondi	+27 31 566 1484

RESPONDENTS

Name	Min investment	Max investment	Contact	Contact telephone
Medu Capital (Pty) Ltd	R50 million	R200 million	Leone Boshoff	+27 11 268 9140
Metier	R50 million	R750 million	Wendy Diamond	+27 11 268 4020
Nedbank Private Equity	R50 million	R300 million	Tshifhiwa Magondo	+27 11 294 0043
Novare Equity Partners	R69 million	R274 million	Elzaan Kotze/ Siewert Groenewald	+27 21 914 3944
Old Mutual Alternative Investments	R75 million	R2 billion	Jody Matthee	+27 21 509 8483
PAPE Fund Managers (Pty) Ltd	R50 million	R180 million	Wiseman Magabane	+27 10 007 4467
Pembani Remgro Infrastructure Managers (Pty) Ltd	R0	No maximum	Stella Mpofu	+27 11 290 0238
Phatisa Fund Manager	R100 million	R400 million	Vincent Destieu	+27 11 463 1920
RMB Corvest	R50 million	R750 million	Cornelie Read	+27 11 380 8319
RMB Ventures	R50 million	R1 billion	Khuthadzo Masindi	+27 11 2821039
Sanari Capital	R50 million	R150 million	Moushmi Patel	+27 76 456 3339
Stanlib Asset Management Proprietary Limited	US$10 million	US$50 million	Greg Babaya/ Marisa Bester	+27 11 448 5211
Summit Africa	R100 million	R500 million	Langa Madonko	+27 82 486 1928
Temo Capital (Pty) Limited	P20 million	P70 million	Daudi Mtonga	+26 46 122 006
The SA SME Fund Limited	R25 million	R125 million	Caryn Winter	+27 11 883 3766
Trinitas Private Equity Fund Manager Proprietary Limited	R40 million	R150 million	Gayle Burbaitzky	+27 11 994 9700
Umthombo Wealth	R10 million	R80 million	Nokuthula Mthombothi	+27 11 318 0171
Vantage Capital Fund Managers (Pty) Ltd	R50 million	R350 million	Thivesan Govender	+27 11 530 9100

RESEARCH METHODOLOGY

11

The survey

The Southern African Venture Capital and Private Equity Association Private Equity (SAVCA) survey is based on responses received from private equity participants in the Southern African market. The values reported represent the equity component of transactions only. We do note that there are a small number of industry participants that elect not to participate.

Data integrity/privacy policy

All data submitted is kept strictly confidential, with only the Deloitte staff who oversee and compile the survey results authorised with access to the raw data. SAVCA, the SAVCA sub-committee members who review the report, SAVCA directors, and other Deloitte directors and staff have no access to the underlying survey data. SAVCA, other Deloitte directors and staff, as well as the public have access only to the aggregated data, which is published in the SAVCA Private Equity Industry Survey report. Once Deloitte has completed the research on SAVCA's behalf, all data is placed in custodianship with a legal firm.

Comparative data for 2017 and earlier may have been restated by participants for errors or omissions. In addition, 2017 data may also have been restated for the inclusion/exclusion of funds that did or did not participate in the survey covering the 2018 calendar year.

About SAVCA

The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry body and public policy advocate for private equity and venture capital in Southern Africa. SAVCA represents about R170 billion in assets under management through 180 members that form part of the private equity and venture capital ecosystem. SAVCA promotes the Southern Africa venture capital and private equity asset classes on a range of matters affecting the industry, providing relevant and insightful research, offering training on private equity and creating meaningful networking opportunities for industry players.

For more information visit **www.savca.co.za**

About our research partner

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The principal source of information for this survey was the survey questionnaire. Further sources include the SAVCA 2018 Members' Directory, discussions with private equity industry participants, and public information on private equity funds that include international surveys.

The survey questionnaire was developed by SAVCA, with research support provided by Deloitte.

The guidelines for participation in this survey are as follows:

Participants must:

- Include investments if they are made in Southern Africa, regardless from where they are managed;
- Have as their principal business the management of funds (third-party and/or proprietary capital) for the provision of capital (equity or quasi-equity) primarily to unlisted companies;
- Employ professionals dedicated to the management of the capital and the investments made using the capital (and capital from other providers); and
- Aim to generate returns mainly through medium to long-term returns on the sale of investments and/or social devel opment returns.

Questionnaires were e-mailed to fund managers representing 112 funds. Of these, 47 (2017: 47) fund managers, representing 82 funds (2017: 80), completed the questionnaire.

Other empirical data have been obtained from various sources, including:

- EMPEA Industry Statistics Q1 2019 – Industry Statistics for Emerging Markets Private Capital
- RisCura-SAVCA South African Private Equity Performance Report – Quarter ended: 31 December 2018
- Statistics South Africa

SAVCA reviews the document prior to its public release. SAVCA does not have access to any of the individually completed questionnaires submitted to Deloitte or any other information not presented in this publication.

While care has been taken in the compilation of the survey results, SAVCA and Deloitte do not guarantee the reliability of its sources nor of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

REVIEW OF TERMS

12

BBBEE	Broad-Based Black Economic Empowerment BBBEE, as defined in the Financial Sector Charter, means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies.
Buy-out	Leveraged and/or management buy-out or buy-in.
Captive funds	Funds making investments mainly on behalf of a parent or group, typically an insurance company, bank or institutional asset manager, often from an indeterminate pool of money.
Development capital	Funding for growth and expansion of a company.
DFIs	Developmental Finance Institutions.
Early stage funds	Funds focused on seed capital, start-up and early-stage investments.
EMPEA	Emerging Markets Private Equity Association.
Follow-on investments	Investments into companies where at least one round of funding has already been made.
FUM	Funds under management.
GDP	Gross Domestic Product.
Independent fund	Those private equity companies, managers or funds raising and disbursing capital which has been sourced mainly from third party investors.
IPO	Initial public offering: when a company's equity is offered and listed on a formal stock exchange.
IRR	Internal Rate of Return.
Late stage funds	Funds focused on buyout, replacement capital and growth capital.

Mezzanine debt	Debt which ranks behind senior secured debt but ahead of trade credit and shareholders' funds in terms of security. Mezzanine debt is often used in higher leveraged transactions to maximise funding availability from a company's own balance sheet. It may provide for equity-like features such as attached share purchase warrants or participation in cash-flow.
Pooled IRR	The pooled internal rate of return (IRR) aggregates or "pools" all cash flows and end-period net asset values to calculate a money-weighted return.
Replacement capital	Funding for the purchase of existing shares in a company from other shareholders, whether individuals, other venture-backers or the public through the stock market. Unlike venture and development capital, the proceeds of replacement capital transactions are generally paid to the previous owners of the entity.
SAVCA	The Southern African Venture Capital and Private Equity Association.
Seed capital	Funding for research, evaluation and development of a concept or business before the business starts trading.
Start-up and early-stage funding	Funding for new companies being set up or for the development of those which have been in business for a short time.
Total funding	Total funds raised by all providers of capital during a transaction. This could include the purchase consideration, funds to pay advisors fees, or funds required for immediate working capital requirements. This could be in the form of equity, shareholder loans, senior, mezzanine and junior debt and working capital facilities.
Trade sale	Sale of a business to an industry third party.
UK	United Kingdom.
Undrawn commitment	Capital committed to a private equity fund, but not yet drawn down for investment purposes.
US	United States of America.
Venture capital	Seed capital or capital for start-up and early stage.

SAVCA CONFERENCE
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25 - 27 February 2020
Stellenbosch

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