



**Southern African Venture Capital Association**  
**2010 SAVCA Venture Solutions VC survey**

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For and on behalf of  
The Southern African Venture Capital Association (SAVCA)



November 2010



## Notable results from the SAVCA Venture Solutions 2010 VC survey

33 funds surveyed recording 251 VC transactions (2000 to July 2010); 47 in 2008.

R2.6 billion invested in the VC asset class (2000 to July 2010).

Real figure could be in the region of R3.5 billion, considering no data from known activities in Corporate venturing, Business Partners, and VC funds that ceased activity in early part of the survey period.

60% of transactions by private VC fund managers, 5% Angels, and 35% government backed VC fund managers.

17 VC fund managers were open for new transactions at time of survey (Aug-Oct 2010).

50% of deals were into businesses in the start-up phase.

41% of transactions involving life sciences (biotechnology, medical devices, health technology).

27% of deals involving ICT<sup>1</sup> and electronics.

13 current VC fund managers were not in business five years ago.

Gauteng was the largest base for VC transactions but Cape Town received more VC money than Johannesburg or Pretoria.

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**SAVCA and Venture Solutions would like to thank the fund managers and anonymous Angels that happily parted with their time, experience and insights in contributing to this survey.**

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<sup>1</sup> Information and Communication Technologies

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## Foreword

**T**he South African private equity (PE) and venture capital (VC) industry has over R100 billion under management.

The supply of VC to the small and medium enterprise (SME) segment is an integral part of a healthy functioning economy. Typically the supply of risk capital enables the formation and growth of businesses that would not be able to raise other forms of finance due to the risk profile of such investments.

In essence, VC is a sub set of the PE asset class and generally refers to funding (predominately equity or mezzanine funding) of high growth potential businesses, whose growth potential is typically achieved through radical global scaling, and which normally have technological or other innovative concepts at their core.

Despite various research studies and reports, including the annual SAVCA KPMG Industry Performance survey, little is known of the exact nature, scope, impediments, and opportunities and associated data regarding VC activity in South Africa.

In 2010, SAVCA commissioned a review of all VC funding in the last ten years based on our belief that an adequately large body of empirical evidence has developed in South Africa, making possible a comprehensive and useful analysis of VC activity.

I am proud to announce the completion of the survey and the formulation of the results into the SAVCA Venture Solutions 2010 VC survey, reported on in this document. It not only gives a first and holistic overview of the past decade's activities, but also offers a platform from which to achieve the following:

- Begin to inform an understanding of the structural strengths and weaknesses of the South African VC system;

- Provide strategic guidance for VC fund managers, government interventions such as the DTI SME support instruments and the Technology Innovation Agency (TIA), and other interventions including the VC/SME tax incentives that have recently been promulgated; and
- Provide empirical proof for South African investors that VC is an attractive asset class for investment.

SAVCA partnered with Venture Solutions, a South African innovation management and commercialisation consultancy, to conduct this inaugural survey.

A questionnaire-based survey was conducted and entailed two components:

1. Reviewing and interpreting all available and appropriate data, reports, analysis and findings from previous efforts in the last ten years to quantify, inform and understand the South African VC asset class.
2. Conducting one-on-one interviews with key stakeholders in the VC industry, comprising all existing active VC managers as well as a number of past VC managers that could shed light on the VC sector.

The nature of the survey output was structured to report on aggregate data, trends analysis and recommendations so as not to put a specific light on any individual investor or fund manager, but rather to offer an overview of the industry.

I trust that you will find this report useful, especially in light of the remarkable evidence of an active albeit emergent VC industry in South Africa.

**J-P Fourie**  
**Executive Officer**  
**SAVCA**

## 1. Survey mandate and objectives

The objective of the analysis was to investigate three aspects of the VC industry in South Africa being:

- **Past activity** (2000 – first half of 2010)
  - Gain knowledge of past investment and fund raising activities.
  - Identify relevant role-players to be included in the survey and report.

- **Current activity**
  - Compile a complete list of investors and managers currently investing in VC type deals.

- **Future activity**
  - Define and communicate views on the future of VC in South Africa.
  - Ascertain, if possible, future investment activity.
  - Make suggestions on the development of the industry.

## 2. Methodology

Various disparate views exist regarding VC: what it is, who offers it, and what its role is in a developing economy.

Several challenges face any first-time survey. In the VC asset class, numerous perceptions exist, both informal and formal, about the stage and nature of the asset class, often echoed in the popular media. These challenges are aggravated when fund managers possibly overstate investment figures for marketing purposes, or in trying to save face, conceal key information such as write-offs or non-spending of funds under management.

Different definitions and interpretations of VC make the analysis harder, especially with the current incomplete view of the industry. Given the relative small size of the South African VC sector, 'case studies' and so-called 'best practices' are often based on the exponentially larger US VC sector or instances of VC market successes, such as those found in Israel or the greater City of London.

These add to the complications in understanding the local market.

To address these issues, the survey approach was to employ a bottom-up view by collecting and reviewing verifiable information about concluded VC transactions in the period 2000 to end of July 2010. This removed elements of bias and speculation and introduced a solid platform from which to build a holistic view and use that for industry-wide analysis.

Information about transactions and the fund managers/operators, was gathered through a combination of sources, including:

- The annual SAVCA year books;
- Information listed on the internet about fund managers, investees and industry associations;
- One-on-one interviews with 33 stakeholders;
- Referrals from stakeholder interviews; and





- Past reports, media articles, media releases, investment reports, etc.

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**A comprehensive, industry wide picture was developed using information about each transaction, including the nature of the investment, the date, scope and stage of the investment, as well as a large number of attributes about the fund managers.**

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This allowed for a comprehensive overview of activities based on actual investment information, spread annually over the

full period of the review, and allowing for further analysis of trends, deal characteristics and fund managers.

It is important to keep in mind that the purpose of the first SAVCA Venture Solutions VC survey is to create a holistic view of the magnitude of VC in South Africa, defining the asset class as a whole.

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**The approach to this review is therefore not judgemental, with no disclosure of per-company information and/or contributions.**

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### **3. SAVCA definitions and defined stages of venture capital**

For the purpose of this survey, the official SAVCA VC Working Group definitions were adopted, with VC defined as:

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**A subset of the private equity asset class which deals with predominantly equity funding of high tech, high growth-potential businesses, whose growth is typically achieved through radical global scaling.**

**The need for VC stems from the specific requirements of businesses in start-up and early growth phases, and the part that experienced VC fund managers can play in structuring and nurturing investments into these businesses.**

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The following four stages of venture capital were considered for the survey:

**Seed funding:** The initial capital used to start a business. Seed capital often comes from the company founders'

personal assets or from friends and family. Seed money is typically used to pay for preliminary operations like market research and product development. Seed funding is not normally associated with VC fund managers, especially not in South Africa.

**Start-up capital:** Funding used for setting up operations (hiring staff, renting office space, equipping the production system, etc), commercialising intellectual property, and other activities.

**Development capital (mostly pre-revenue deals):** Finance used after start-up capital to further launch the business and grow market share in order to become profitable.

**Growth capital (post-revenue deals):** Equity type investments used to assist established but still high-risk ventures in expanding activity such as launching into foreign markets, creating new product/technology lines, accelerating production and/or acquiring competitors.



#### 4. Survey scope and attributes

A comprehensive survey questionnaire was developed, probing a large number of attributes about:

- VC funds (fund origin, ownership, contributions, location, structure, portfolio details, etc);
- VC fund managers (team, location, mandate, source of funds, funds under management, management fees, experience, fund raising activities, deal flow and investment history, exit strategy and history, etc); and
- Suggestions as to the development and future of the VC asset class in South Africa.

It should be noted that this is the first official SAVCA Venture Solutions VC survey and that it is intended to be a comprehensive and ambitious exploration into as many aspects as possible.

The actual responses from participants showed that most information was simply not available in full.

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**In other words, even though every available respondent participated in the survey, not everyone completed each and every part of the survey. The implications of this are that the aggregation of information and cross-referencing between stakeholders was not possible for each and every attribute included in the questionnaire.**

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The main reasons given for non-submission of information were a combination of confidentiality, limited knowledge amongst current incumbents of events and associated information pertaining to transactions concluded in the first part of the survey period (2000 – 2005); and lastly that many of the newer fund managers have simply not yet encountered all the aspects of the VC lifecycle covered in the survey.

The data analysis sought to identify attributes with as much complete information as possible, so as to make possible verifiable and informative analysis and reporting.



The survey analysis considered the following main attributes:

1.	<p><b>Transaction description</b></p> <ul style="list-style-type: none"> <li>- Location</li> <li>- Sector</li> <li>- Source of transactions</li> </ul>
2.	<p><b>Investor</b></p> <ul style="list-style-type: none"> <li>- SAVCA classification: <ul style="list-style-type: none"> <li>• Venture capital</li> <li>• Private equity</li> <li>• Angel</li> <li>• Other</li> <li>• Combination</li> </ul> </li> <li>- Investor classification: <ul style="list-style-type: none"> <li>• Captive (government)</li> <li>• Captive (family office)</li> <li>• Captive (corporate venturing)</li> <li>• Captive (single sponsored funds)</li> <li>• Independent</li> </ul> </li> <li>- Status: <ul style="list-style-type: none"> <li>• Active</li> <li>• Investing</li> <li>• Other</li> </ul> </li> <li>- Location of head office</li> <li>- Manager BEE status</li> <li>- Funds under management</li> <li>- Other</li> </ul>
3.	<b>Year of investment</b>
4.	<b>Amount (actual)</b>
5.	<p><b>Stage of the deal</b></p> <ul style="list-style-type: none"> <li>- Seed capital</li> <li>- Start-up capital</li> <li>- Development capital</li> <li>- Growth capital</li> </ul>
6.	<b>Equity</b>
7.	<p><b>Current status of transaction</b></p> <ul style="list-style-type: none"> <li>- Invested</li> <li>- Exited: <ul style="list-style-type: none"> <li>• Year exited</li> <li>• Type of exit: <ul style="list-style-type: none"> <li>Profitable</li> <li>Loss</li> <li>Wound-up</li> <li>Other</li> </ul> </li> </ul> </li> </ul>





## 5. Angels, Corporate investors and Business Partners

### Angels

Angel investors<sup>2</sup>, so-called high net worth private/individual investors, globally account for a significant portion of overall investment activity involving risk capital. For example, it is reported that the total amount of Angel investment in the US is more than the combined investments by VC fund managers. The same may very well apply to South Africa.

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**The question of Angel investors arose during the first round of interviews with local VC fund managers as part of the 2010 survey. Local Angel investors impact on quality deal-flow to VC fund managers, given the general low deal-flow for VC type transactions in South Africa and the suggestion that Angels are more active in the earlier stages of investment.**

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Some VC fund managers reported that local Angel investors operate differently than expected, and different from the text book US Angel investor in so far as making much larger investments in single deals (some reported transactions as high as R30 million) and importantly, staying invested from start to end, thus not offering follow-on deal flow opportunities by exiting to VC fund managers.

Angels can play a synergistic role with VC fund managers in the developed VC markets of the US and Europe by aiding deal flow to VC fund managers. It appears from both the data and interviews that

local Angel investors are not contributing to VC deal flow and in some instances may be competing with VC fund managers for earlier stage transactions.

This may not necessarily be negative for entrepreneurs since more investors mean more risk capital to new start-ups.

Nevertheless, SAVCA decided to launch a limited Angel survey as part of this SAVCA Venture Solutions 2010 VC survey in order to probe the local Angel sector. The survey was conducted through a simple questionnaire distributed to all VC fund managers and stakeholders participating in the main survey, with the request to distribute the Angel survey amongst personal networks and return it anonymously.

The overall results were thought provoking and will be discussed later in the report, but it is important to note that the figures throughout this report, except where expressly indicated to the contrary, include transactions sourced from the Angel survey.

### Corporate venturing

A number of South African corporations, both listed and not, such as Anglo American, SASOL, Vodacom, NASPERS/Media24 and many others reportedly have over the years made investments in external entities, with said transactions conforming to the SAVCA definition of venture capital investments. Corporate venturing is a vital part of the global VC asset class with the VC fund of Intel Corporation the largest VC fund in the world.

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<sup>2</sup> *Angel investors are defined as private investors, often with entrepreneurial experience, that invests some of their own money and experience in small entrepreneurial ventures. The US has almost 3 million Angel investors, who invest around \$50 billion annually in young firms. The Business Angel market is exploding in size, particularly in the US.' – Angel Investing, Mark Van Osnabrugge & Robert J Robinson, Harvard Business School*



Most corporate venture funds interviewed did not choose to reveal data as part of the SAVCA Venture Solutions 2010 survey. This was for various reasons, including the possible limitations imparted on listed entities and associated media obligations for revealing data to third parties. Some participated in the survey but did not wish to reveal any deal-specific information.

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**The important fact to note is that South Africa has an established culture of Corporate venturing and that the actual transactions disclosed as part of this report, excludes a perceived vast number of such transactions concluded by Corporate venturing.**

**The overall figures expressed in this report, outlining the magnitude of the South African VC asset class are therefore lower than the actual size of the industry, meaning that the VC asset class is larger than indicated, given the non-inclusion of many such Corporate venture transactions.**

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### **SME finance instruments**

There are a number of mostly public funded entrepreneurial support instruments that offer start-up loans, finance and sometimes even equity-type solutions to SMEs. These instruments form a vital component of the entrepreneurial support system. Examples include Khula, offerings from the Industrial Development Corporation (IDC), Small Enterprise Development Agency (SEDA) and on the private side, Business Partners (see next section for more on the latter).

However, these instruments are mostly focused on entrepreneurial support and SME sector development. They are not set up to pursue large multiples for return on capital

invested, as intended with funds conforming to the VC definition.

### **Business Partners**

Lastly, probably the largest private investor in risk capital in South Africa is Business Partners. This fund manager annually outstrips other investors in this asset class.

However, most of Business Partners' transactions, although of risk nature, don't fall within the typical definition of VC, because they do not present the same opportunities for scale, and don't have the same exposure to risk as would be typical of a normal start-up investment involving new technology commercialisation.

Business Partners mitigates start-up risk through the quantification of transactions based on years of investment experience and subsequent large data sets with which to compare new transactions to historical investment performance. This is not possible for normal VC transactions given the relative small deal flow and high-variability in deal types in South Africa.

SAVCA did consult with Business Partners to pinpoint that proportion of its overall portfolio falling clearly within the VC definition. However, given that only a small portion of its investments comply with the definition, the information was not included in the survey results.

The reason for mentioning Business Partners is the fact that it plays a vital role in start-up and growth funding. This implies, as with Corporate venturing, that the overall data in this report should represent a lower figure than actual transactions, since some, although a small portion of Business Partners' transactions, could fall within the VC definition.

# Is there VC in South Africa?

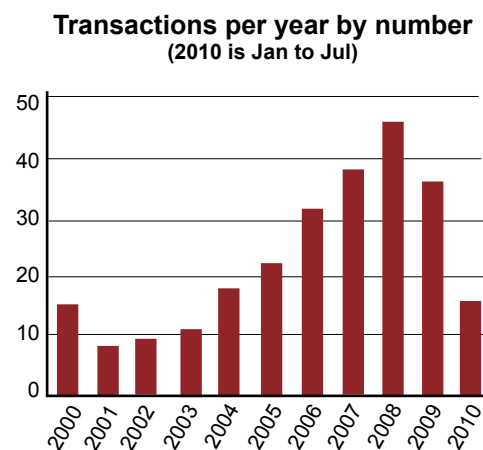
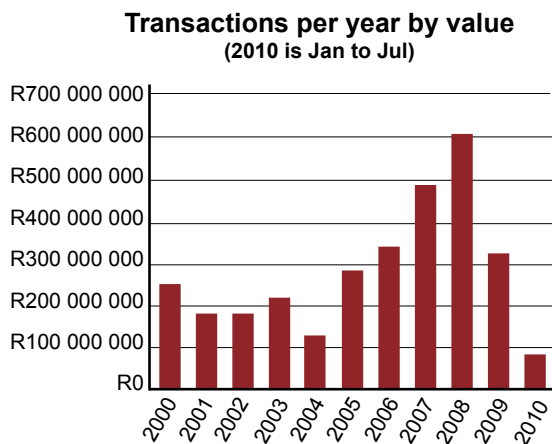


Can good ideas in South Africa find risk money for translation into successful ventures? Many parties claim to offer VC in South Africa. The purpose of this survey was to establish whether or not such funding really exists and if so, whether or not such funds are actually

allocated to new and growing ventures.

The following section outlines the main findings from the SAVCA Venture Solutions 2010 VC survey and offers confident and verifiable answers to the above questions.

## 1. Recorded VC transactions from 2000 to July 2010



South Africa experienced an upswing in VC activity prior to 1999 in line with the global interest in VC surrounding the infamous dot-com era. This survey did not probe information prior to 2000 but it is clear that all activity surrounding the dot-com era virtually seized in 1999 with only a handful of operators making new investments after 2000.

VC activity remained fairly stagnant with the introduction of one or two new funds between 2000 and 2003. The most notable was the HBD Fund 1 linked to South Africa's own internet billionaire Mark Shuttleworth as well as a number of funds backed by the IDC as part of a strategy to stimulate the local VC sector. These include Horizon Private Equity, Argil Venture Capital and Bioventures.

The situation remained dire until 2004/2005 with the introduction of new activity through the increased involvement of the public sector and the emergence of new private funds.

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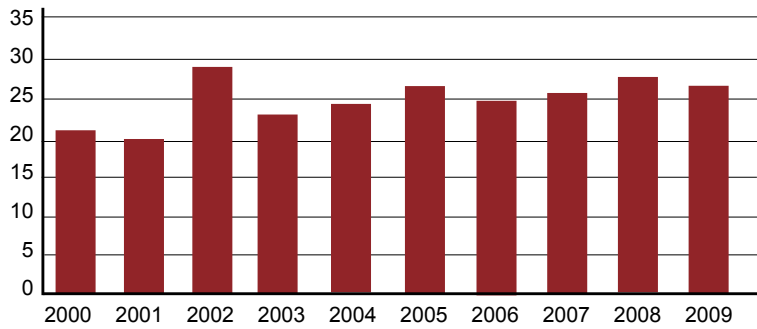
**A number of new and mostly private sector fund managers started offering VC from 2007 resulting in 2008 reporting the highest number of VC deals in recorded SAVCA history.**

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The peak of the recent upswing in activity is centred around 2008, dropping off slightly in 2009, with 2010 showing half-year figures. The drop-off around 2009/2010 can be attributed in part to fears surrounding the global recession.



**VC fund managers per year**

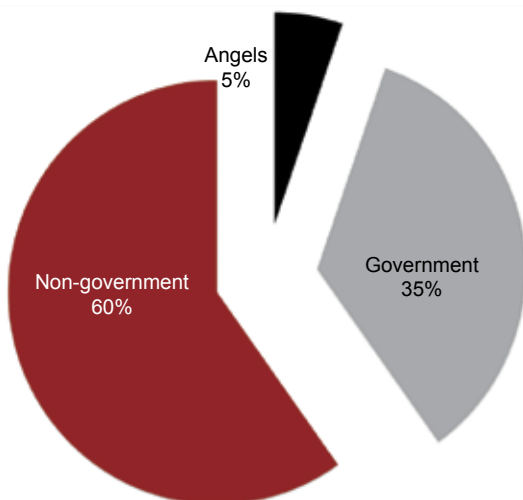


However, by analysing the investment figures of new fund managers in 2007/2008, it is clear that the drop-off in 2009/2010 can be attributed in large to the fact that most of their newly raised funds

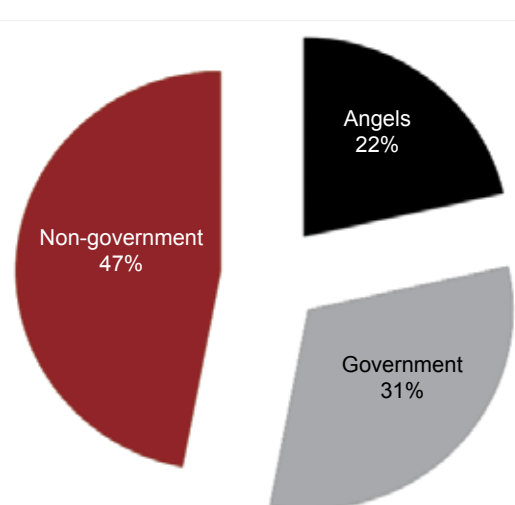
were invested within the first two years of existence, leaving fund managers to now focus on maturing their investments before considering new rounds of fund raising.

## 2. Summary of VC activity since 2000

**VC fund managers contribution to VC asset class**  
(Total value of transactions 2000 to July 2010)



**VC fund managers contribution to VC asset class**  
(Total number of transactions 2000 to July 2010)





**Non-government related VC fund managers concluded the majority of transactions between 2000 and the first half of 2010 (71% of total investment value and 56% of total number of transactions).**

This conforms to expectations with Angel and public-funded VC fund managers normally interested in, or mandated to invest in early stage ventures, where the size of investment is typically smaller than later stage VC transactions.

Government related VC fund managers<sup>3</sup> and Angel investors account proportionally for a larger share of deal flow when considering number of transactions, compared to value of transactions.

The overall share of activity between private and public VC fund managers appears healthy since it isn't dominated by one player and with the make-up of investors spread across the different stages of investments.

#### Summary of VC investments surveyed in the South African VC asset class from 2000 to 2010<sup>4</sup>

Number of VC fund managers with recorded investments in period	25
Number of unique VC funds with recorded investments in period	33
Total invested in period (Government backed VC fund managers only)	R629 million
Total invested in period (Non-Government backed VC fund managers only)	R2.009 billion
Total invested in period at cost	R2.638 billion
Total number of VC transactions recorded in period (including Angels)	251
Total number of VC transactions recorded in period (VC fund managers only)	197
Average value of VC transaction	R10.5 million
VC fund managers operational and making investments at time of survey	17
VC fund managers operational but not open for new investments, at time of survey	13

<sup>3</sup> 'The Industrial Development Corporation (IDC); as well as the Innovation Fund, Cape Biotech, LifeLab, BioPad and PlantBio – all four being former instruments of the Department of Science and Technology now amalgamated into the Technology Innovation Agency (TIA).

<sup>4</sup> The above figures for the period from 2000 to July 2010, as elaborated on in other sections, reflects only those transactions declared by VC fund managers participating in the survey. The actual quantity of investments during the survey period will therefore be larger than shown here as the figures in this survey exclude information about VC type investments made by for example Business Partners, Venfin, Msele Nedventures as well as a range of Corporate venturing transactions, as such data was either excluded for confidentiality reasons or was unavailable at the time of the survey.



### 3. Who invested in the VC asset class?

The 33 individual respondents to the survey, responsible for transactions complying with the VC definition, were representative of the full investor spectrum:

- **Angel investors**

Angel investors are defined as private investors, often with entrepreneurial experience that invest some of their own money and experience in small entrepreneurial ventures.

- **Independents**

An independent firm raising and managing VC funds from a number of third party investors and capital sources.

- **Captive (government)**

An investment firm/operation tied to a single fund/capital source, raising (or

drawing) its funding from National Treasury or the public sector.

- **Captive (family office)**

An investment firm tied to a single fund/capital source, raising (or drawing) its funding from a private family.

- **Captive (corporate venturing)**

The process by which a large company (private or public) invests in new business opportunities (start-ups or small businesses) for strategic reasons.

- **Captive (single sponsored fund)**

An investment firm/operation tied to a single fund/capital source.

**Type of VC fund managers with transactions in the period**

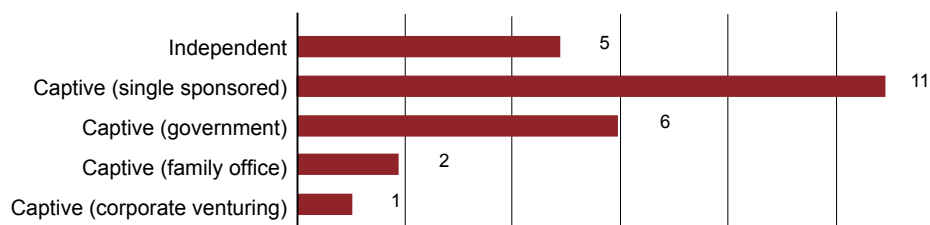


Figure 1: Note that Angel investors not shown here given the large number of individual investors compared to the other types of VC fund managers

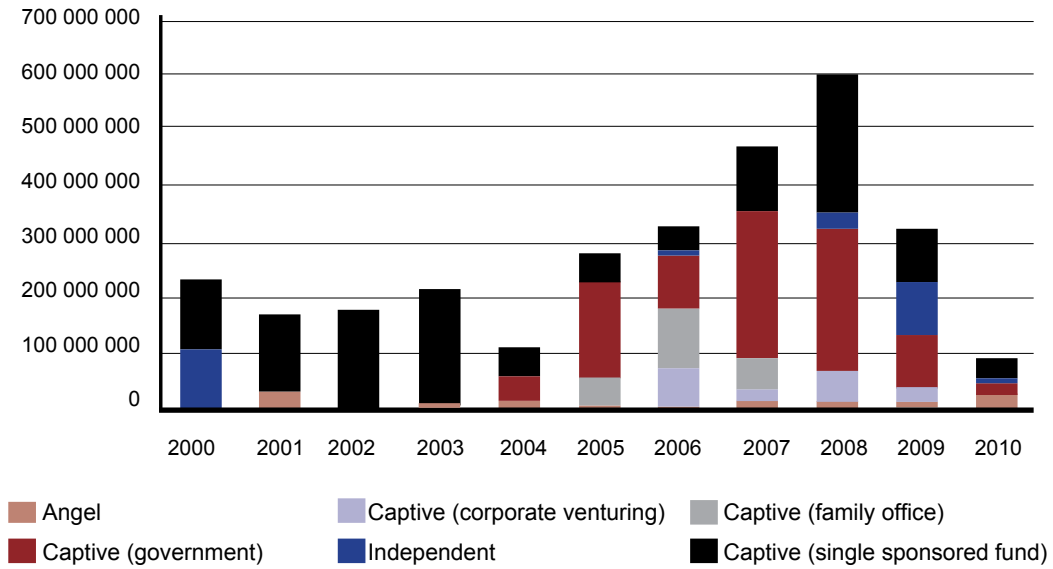
No specific VC fund manager type dominates the VC asset class with the largest single investor grouping being

Captive (government) accounting for 35% of all investments by value (or 31% by number of transactions).

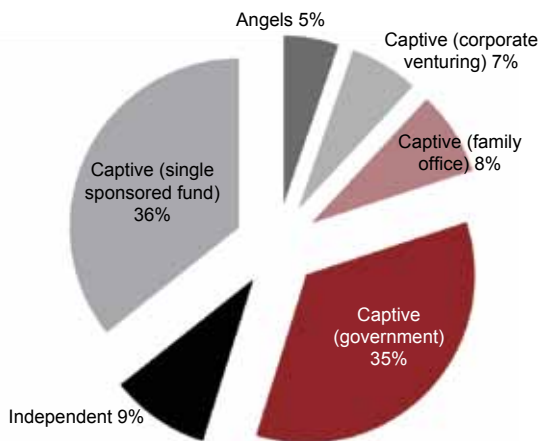




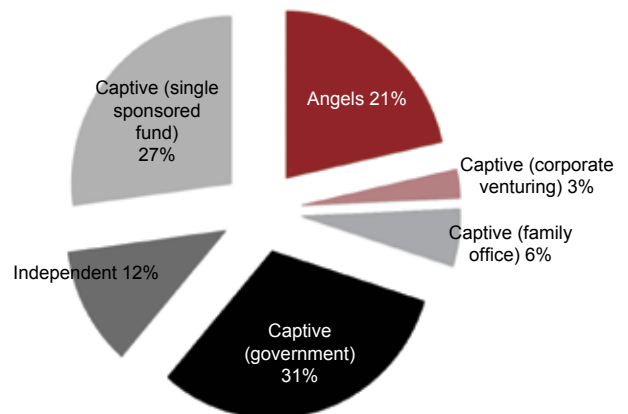
**Value of transactions by type of VC fund manager  
(2000 to July 2010)**



**Value of transactions by type of VC fund manager  
(Total for 2000 to July 2010)**

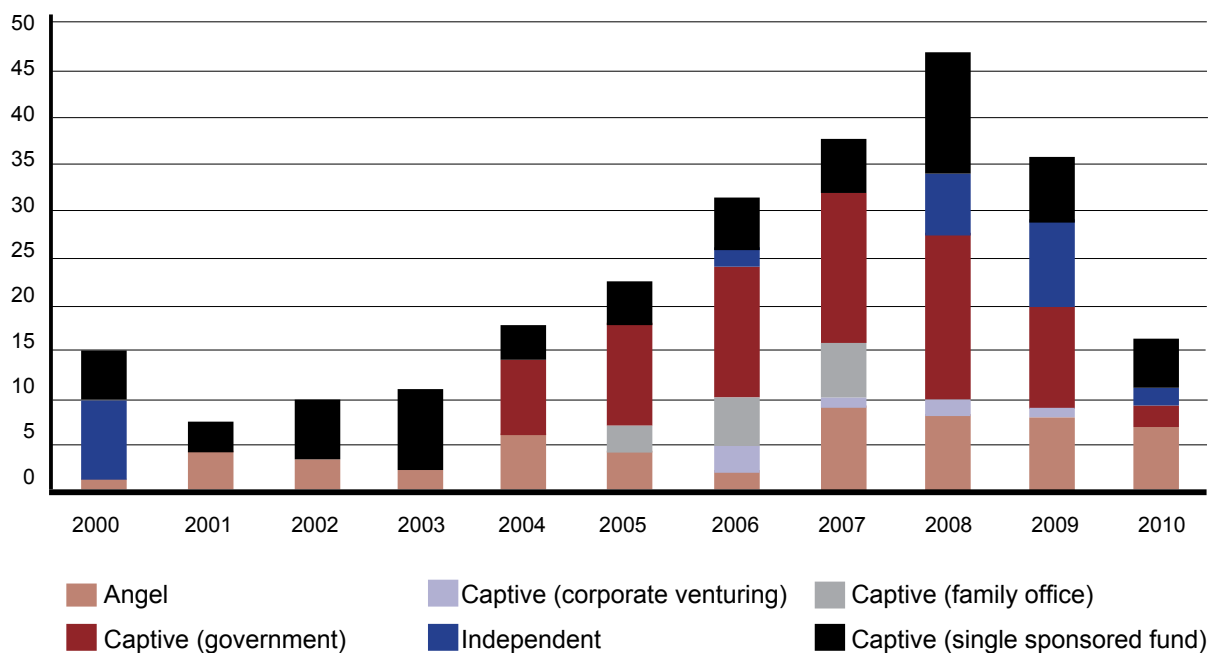


**Number of transactions by type of VC fund manager  
(Total for 2000 to July 2010)**





**Number of transactions by type of VC fund manager  
(2000 to July 2010)**



The survey was only able to capture a limited set of Angel transactions, due to the nature of Angel investing in South Africa, which is inclined to operate under the public radar. However some comments on this category can be made.

Angel investments were evenly represented in each of the different years in the survey; indicating the importance of this source of start-up and risk-funding to entrepreneurs because they are less restricted by negative investment climates that generally hamper the ability to raise funds.

It should be noted that the limited size of the South African VC asset class is such that the introduction in any particular year of a new fund will skew the entire dataset for the year in which the fund becomes active.

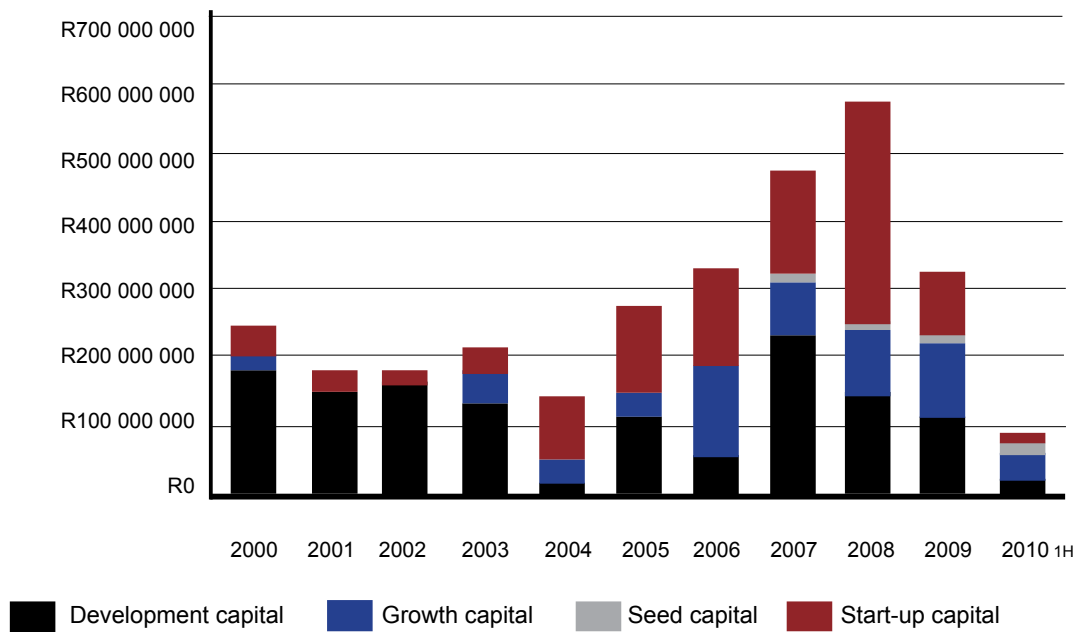
One should therefore be cautious to draw conclusions from spikes in the information.

A case in point is the exponential increase in Independents in 2009/2010, which can be attributed to the investments of one or two specific newcomers in those years.

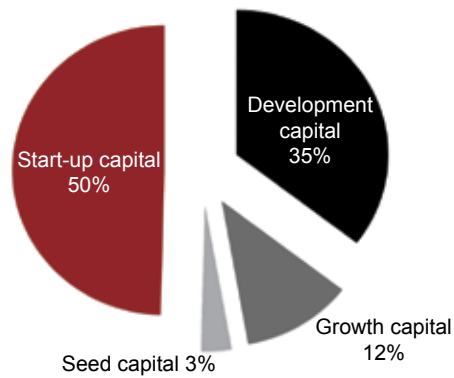


## 4. Stage of investments

Contribution by stage of deal (by value, per year)  
(2000 to July 2010)



Contribution by stage of deal (by value)  
(2000 to July 2010)





## Seed capital

Seed investments did not feature in any of the years except 2008. Many critics of the South African VC asset class quickly point to the lack of seed investment in South Africa, however seed capital is normally the domain of non-VC operators such as capital from own savings, money from family, friends or other personal acquaintances.

Note that the public sector from time to time does conclude seed type transactions, through government programmes aimed at stimulating economic growth and entrepreneurship. Such programmes do not necessarily invest using equity instruments, and therefore do not report this as VC type activity.

The absence of seed capital on the above graphs is due to the fact that the survey did not and could not differentiate seed capital from own capital, money from family, friends or other personal acquaintances because a different methodology is required to do so.

It is therefore not possible to make deductions about the presence or absence of seed capital. Experience in working with local South African entrepreneurs has shown a similar trend in boot-strapping<sup>5</sup> new start-up ventures as observed in the US and Europe indicating that seed capital in South Africa from personal sources is probably available in similar proportions as in those international markets.

## Balanced investment in the VC asset class

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**A key finding from the SAVCA Venture Solutions 2010 VC survey is the healthy**

**distribution of investments across the three main deal stages typically associated with VC fund managers, being start-up, growth and development capital.**

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The introduction of new players from 2004 onwards, especially government captives, resulted in a more even distribution of deals in comparison to the first three years of the decade where no growth capital was reported.

## Start-up capital biggest share of VC investments made to date

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**The largest single grouping of investments by stage is in the start-up capital segment, accounting for half the number of all transactions.**

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Reviewing transactions since 2000, it is noteworthy that investments in the start-up capital segment featured significantly in each of the years. It is therefore not only public funding instruments that have appetites for early stage transactions, as the private fund managers have themselves made early stage investments across the entire survey period. However, the proportion of start-up funding increased significantly after the introduction of the public funded VC fund managers in 2004 and beyond.

This data clearly refutes the often-heard criticism that there is no start-up capital in South Africa, which is also generally stated to imply a total absence of VC.

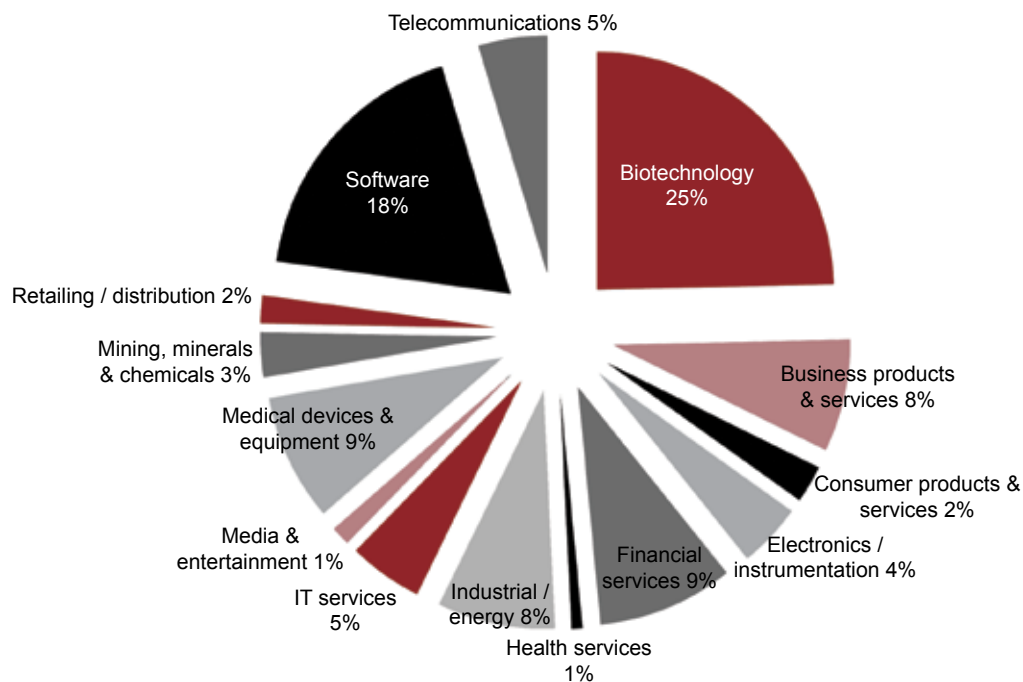
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<sup>5</sup> *Bootstrapping is a method used by most entrepreneurs to self-finance the start-up of a new venture. It normally involves using personal finances to fund the business venture, including accessing overdrafts, taking second bonds on properties, drawing on credit cards, etc.*



## 5. Sector preferences

**Contribution by sector (value of transactions)  
(2000 to July 2010)**



Transactions since 2000 indicate a fairly even distribution across deals in the different sectors of the VC asset class, except in regards to biotechnology.

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**The biggest recipient of VC money has been biotechnology-based ventures (25%). The preference for life science related transactions, which include investments in biotechnology, health and medical devices, contributes to almost 41% of all transactions concluded.**

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The main reason for this is the presence of a number of public funded VC fund managers with a specific mandate to invest in the life sciences, operating within the objectives of the 2001 National

Biotechnology Strategy.

One private VC fund manager managed to raise capital on the back of the dot-com era to invest solely in biotechnology, further strengthening the statistics in favour of biotechnology.

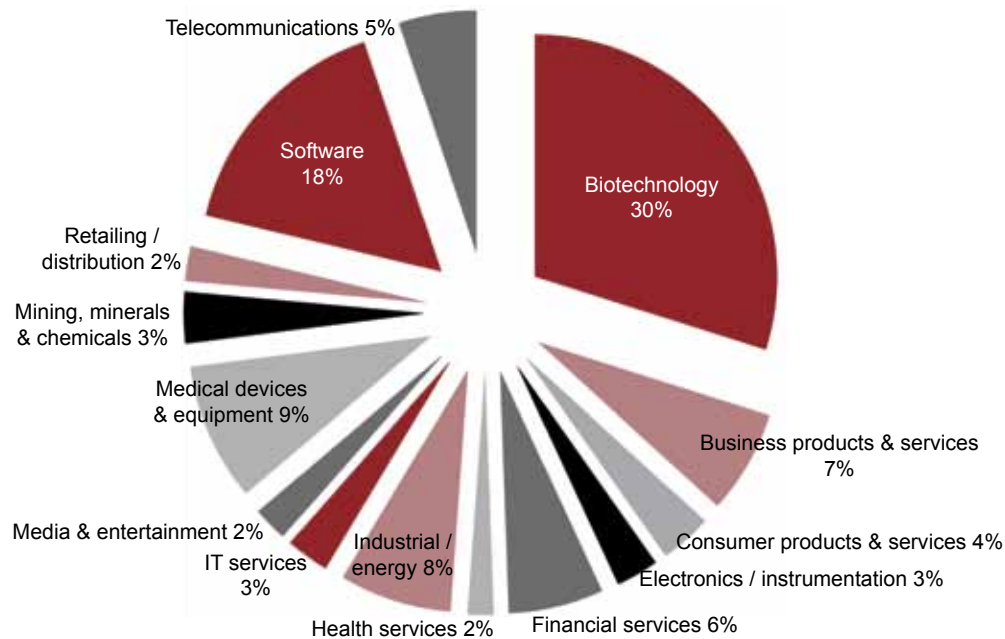
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**The South African environment is extremely challenging for private biotechnology investors, given substantial gaps in the indigenous pharmaceutical sector and constraints related to exchange control and regulatory impediments to taking intellectual property offshore. It is highly unlikely that anyone will raise private funds in the near future purely for VC transactions in biotechnology.**

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**Contribution by sector (number of transactions)  
(2000 to July 2010)**



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**The contribution of deals allocated to the information, communications, technology and electronics segment amount to roughly 27% of actual transactions (and 32% by value). This sector typically forms the biggest portion of VC investments in most VC asset classes around the globe, accounting for 40% of VC investments in the US during 2009<sup>6</sup>.**

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However, the total contribution to this segment is probably substantially higher considering that a large number of transactions classified as business products and services, financial services and consumer products and services have ICT and electronics as underpinning platforms. The future allocation of VC money to different sectors will probably not

continue the significant preference for biotechnology, because the historic transactions from public VC fund managers were driven mostly by the introduction of the National Biotechnology Strategy and not necessarily through opportunity for return on investment.

This observation is strengthened by the fact that very few recent transactions concluded by non-public funded VC fund managers entailed any form of biotechnology.

This comment is specific to the biotechnology sector and does not suggest the same for investments in medical devices or health technology, both of which have received public and private VC money in recent times.

The structuring of the newly formed Technology Innovation Agency's asset

<sup>6</sup> PriceWaterhouseCoopers/National Venture Capital Association MoneyTree™ report





allocation in specific sectors will impact government's investment portfolio in the VC asset class. This may act in favour of opportunities in areas other than biotechnology, such as clean energy and ICT.

2009/2010 has seen a lot of policy debate

about supporting firms with R&D, products and service offerings for clean energy. It is forecasted that energy will subsequently attract a disproportional amount of investment from both public and private VC fund managers in the next five years.

## 6. Observations

### In general

The above figures clearly confirm that South Africa has an established VC asset class, investment diversity, and growth surprising for a developing economy, especially if considering robust investment activity during the recent global recession.

It is nevertheless important to understand that the South African VC asset class is a very niche and very small component of the overall market for equity investments. The number of investments surveyed over the course of the investment period is small in comparison to the number of transactions concluded in the broader private equity asset class, or when compared to VC investments in the US, Europe or Israel.

Upwards of 250 transactions in risk-type ventures over a decade signifies an established VC industry with skilled and experienced operators, as each transaction would have required at least one completed due diligence review.

This signals the presence of a growing pool of professional skills and experience to conduct over 250 due diligences, especially if considering the capacity needed to process large volumes of investment

proposals, interviews, mentoring, etc and the maintenance of networks with which to drive deal flow.

This is even more significant if considering about 50 transactions were concluded annually between 2007 and 2009.

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**It is possible to conclude from the survey that the South African VC asset class is not a fly-by-night industry in the hands of one or two operators. Despite being a niche sector of the economy, it does have an established pool of skilled and experienced investors able to source capital, find deals, make investments and offer returns to investors with which to attract further capital.**

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### Balanced offerings, players and make-up

The balance in investment between government and the private sector indicates a holistic offering to potential entrepreneurs seeking risk-capital finance as it offers choice, although still from a relatively small pool of potential investors.

The contribution of VC is evenly spread amongst those sectors of the economy



that normally feature in the portfolio of a developed VC asset class. Some investors are purely focused on one or two key market segments whilst others don't exclude any sectors. This points to a diversity in players, not only in preferences related to the stage of the deals, but also in terms of sector.

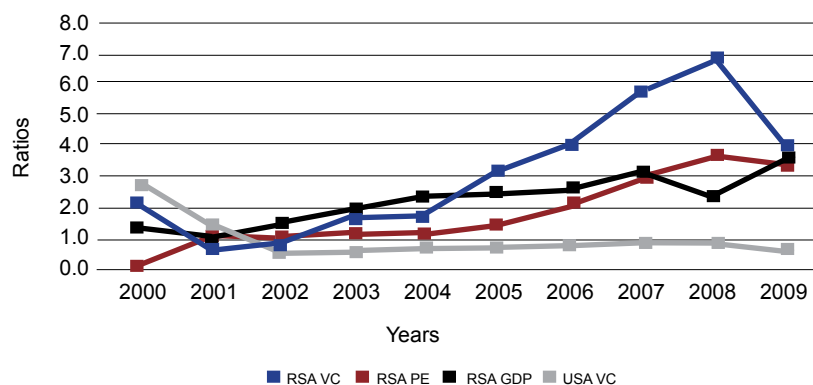
The growth trend in VC transactions starting in 2001 and tapering after 2008 points to the same cyclical investment trends seen in other countries and asset

classes. It should not be read as the South African VC sector losing steam but rather as a period of consolidation as all active investors, bar two, are currently nurturing investments before looking at next rounds of raising capital.

Furthermore, SAVCA is aware that in the past year new funds have come into existence, whose investments will start during the latter half of 2010, hopefully bucking the downward trend.

### Comparatively speaking

**South African VC compared to global investment trends**

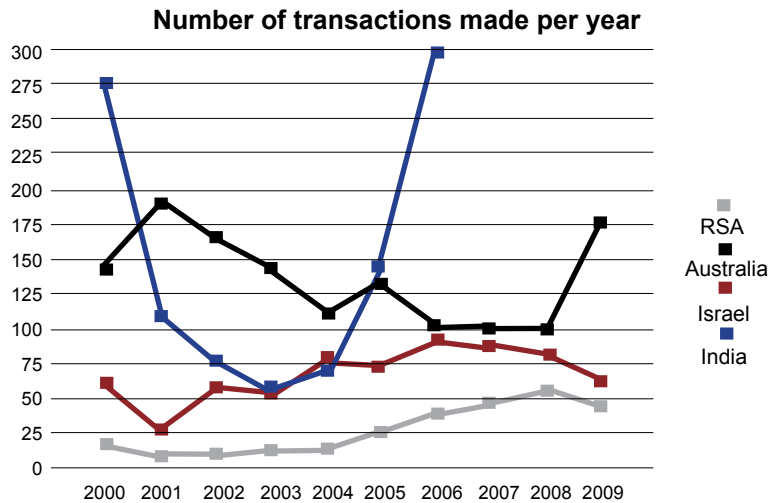


The above graph charts the investment trends of the South African VC asset class since 2000, compared to the investment trends of the local PE sector, the SA GDP and investment trends in the US VC asset class. 2001 was used as the base year for comparison.

The data indicates a disproportionate growth in the South African VC asset class between 2005 and 2009 when compared to the relative decline of investment in the US

VC asset class. Although this is a positive trend, it needs to be borne in mind that the growth builds off a low base.

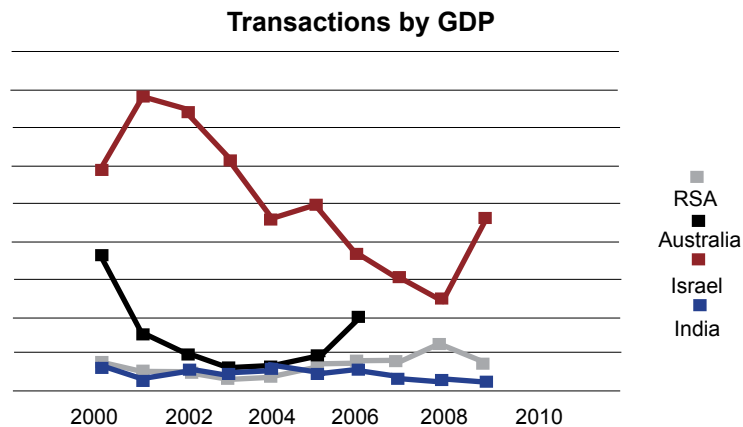
Investment in the South African VC asset class followed a similar trend as that of the SA GDP with the spike in VC investment activity in 2008 probably matching the spike in the SA GDP in 2007 – VC fund managers spending money in 2008 based on their ability to raise money on the strength of the economy up to 2007.



The South African VC asset class produced a noteworthy increase in the number of deals following the dot-com era. It is significantly smaller in number of transactions compared to Israel and Australia, and substantially

lower in recent times compared to India.

The following graph shows the number of annual VC transactions normalised against each country's GDP.



### Conclusion

#### Can good ideas in South Africa find risk money for translation into a successful venture?

Yes.

Studying validated transactions incurred by 25 VC fund managers, through the investment of 33 VC funds, it is safe to conclude that there is risk-type finance available for good ideas in South Africa and yes, VC fund managers offering risk capital have been and are still making investments in the VC asset class.



# VC in South Africa - an overview: the period 2000 to July 2010

## 1. Periodic breakdown of investments in the South African VC asset class

Reviewing the data from the survey, four distinct periods of VC investment can be identified from 2000 to the present. The distinction arises from the difference in average annual transactions made during each period that can be explained through specific economic and growth factors.

### The crazy days (before 2000)

Accounts from respondents with experience in the VC industry during the dot-com era indicate that the same exuberance and lack of caution associated with the US VC industry during the same period applied to South Africa.

Many incumbents were able to raise VC funds from institutional and other investors and quickly invested in a large number of predominantly ICT related transactions. One of the key mistakes made in those days appear to be an overvaluation of deals during the peak of the dot-com period, with subsequent disaster caused by more realistic valuations after the dot-com crash.

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**As a result of this phenomenon, many deals were regarded as having been outright failures because they couldn't exit at the impossible valuations offered at investment and were written off, never to be talked about again. But many dot-com era investments were into viable business operations that had merits but simply ran out of investor patience.**

**The result was a total closure of most VC funds in South Africa or a shift in the mandates of surviving VC funds into lower risk, later stage PE type**

**transactions. Both VC and investing in ICT-based start-ups were left with a virtually permanent negative label, with many scars remaining even today amongst operators from the dot-com era.**

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### The drought (2000 – 2003)

It was virtually impossible to raise new funds following the dot-com era and the number of transactions in this period was the lowest for the entire period covered in this survey (43 transactions in three years at an average of 11 transactions per year).

The period did see the introduction of the HBD Venture Capital Fund 1, which created a lot of interest and awareness in the VC sector amongst entrepreneurs. Even today, HBD (now managed by PoweredbyVC) probably has the most recognised brand in the South African VC sector.

### Emergence (2004 – 2007)

The IDC played a vital role in stimulating the emergence of a growing local VC asset class. It did so by making available grants and/or funding as a limited partner to local VC fund managers, or corporate entities able to establish and coordinate VC fund management activities.

So for example the IDC was contributing in one way or another to several VC fund managers from the beginning of the decade, but especially in the period from 2004 up to the establishment of its own dedicated VC fund strategic business unit. It is today still invested in some of the active VC fund managers that received IDC



support during the decade, though the IDC is not actively pursuing this route any more as it prefers to invest directly.

Around the turn of the millennium, the then Department of Arts, Culture, Science and Technology (DACST) established the Innovation Fund, as an outcome of the White Paper on Science and Technology. Over time this instrument's management was outsourced to the National Research Foundation.

The DACST later split into two ministries, one being the Department of Science and Technology (DST). It further initiated a National Biotechnology Strategy, which spelled out the need to create a number of investment and innovation support entities with which to stimulate the development and growth of a local biotechnology sector.

The four Biotechnology Innovation Centres (Cape Biotech, LifeLab, BioPad and PlantBio), along with three other DST entities, including the Innovation Fund, recently amalgamated to become the TIA.

Together, the IDC, Innovation Fund and the four Biotechnology Innovation Centres contributed to resurgence in early stage investments and this lifted the number of transactions from an average of 11 per year during the 2000/2003 period, to almost double that for the next three years.

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**The IDC efforts and the DST instruments should be credited with pumping much needed life into the VC landscape following its dire status after the dot-com era.**

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This makes for interesting discourse in the arguments related to the pros and cons of government interventions in the VC asset class.

### **A healthy (but small) industry (2008 to present)**

During 2007 and 2008, several new VC fund managers were successful in raising new funds or managed to negotiate draw down facilities with which to start making new VC type investments. This resulted in further resurgence of the local VC asset class, helped along with the deployment of the IDC's own venture capital unit.

The combined strength of all these role-players lifted the local VC asset class to its highest investment activity in recorded history, making a total of 47 investments in 2008 alone.

During this period, new and existing VC fund managers were able to raise new funds, find suitable deals, make investments, mature investments and have a small number of exits. This means that, while small in size, the local VC asset class was able to mature into a full lifecycle of VC activity towards the latter part of the survey period.

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**Yes, exits were difficult and yes it was hard to raise new funds. But local investors overcame most if not all of the apparently impossible obstacles to VC activity, indicating that the South African economy can and does offer sufficient opportunities with which to sustain a VC asset class.**

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## 2. The VC fund managers

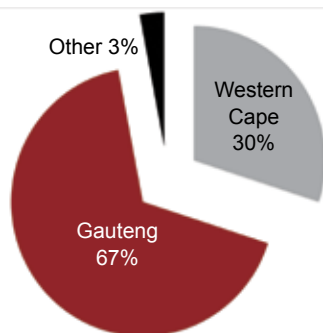
### Location of VC fund managers

The majority of fund managers and investors surveyed were / are based in the Gauteng province, with the balance located in and around Cape Town.

Significant though is that twice the number of recent new comers to the VC asset class have opted to setup head office in the Western Cape, compared to Gauteng.

This could be attributed to a number of reasons including the fact that new funds were mostly sourced from wealthy individuals either based in or preferring the Western Cape for the location of its business operations, as well as the reported entrepreneurial eco-system of the region.

#### Location of fund manager(s)



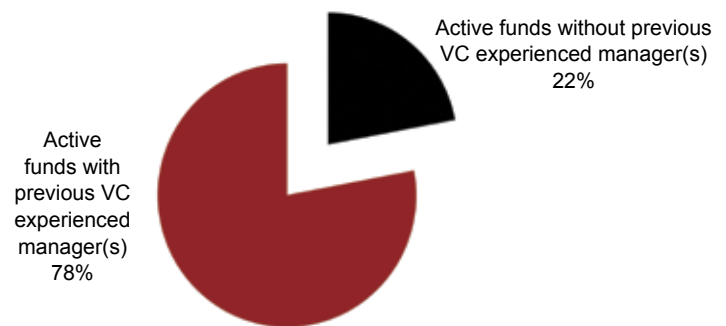
### Experience

The average age of fund management teams appear to be lower than that of their US counterparts. The survey attempted to quantify this observation but insufficient data made it difficult to give a clear median age for fund manager personnel.

Thirteen of the VC fund managers currently active were not in business five years ago.

### VC experienced managers

#### Previous VC experience of manager(s) of active funds



The complement of VC fund managers with prior VC experience has grown significantly in the last few years, with the vast majority of current operators having at least one senior team member that has experience from previous employment with a VC fund manager.

This is a far cry from the VC industry in the first part of the decade when mainly new incumbents not having prior VC experience operated the few active VC fund managers.

### Accounting dominates training

The majority of fund managers have accounting backgrounds. The survey attempted to probe the exact training backgrounds of VC fund managers but it was difficult to quantify exact numbers as most candidates had a combination of qualifications.





The most common background for fund managers is in accounting with experience in investment and / or banking and many have second qualifications in MBA.

Very few investors reported entrepreneurial start-up experience.

It is telling though that government is not alone in offering Start-up funding as such investments make up respectively 43% and 50% of private sector investments by Captive (single sponsored fund) and Independents.

### Investment preferences

The following graph grouped the different types of investors by stage of investment to give an appreciation of the investment stage typically preferred by the different types of investors.

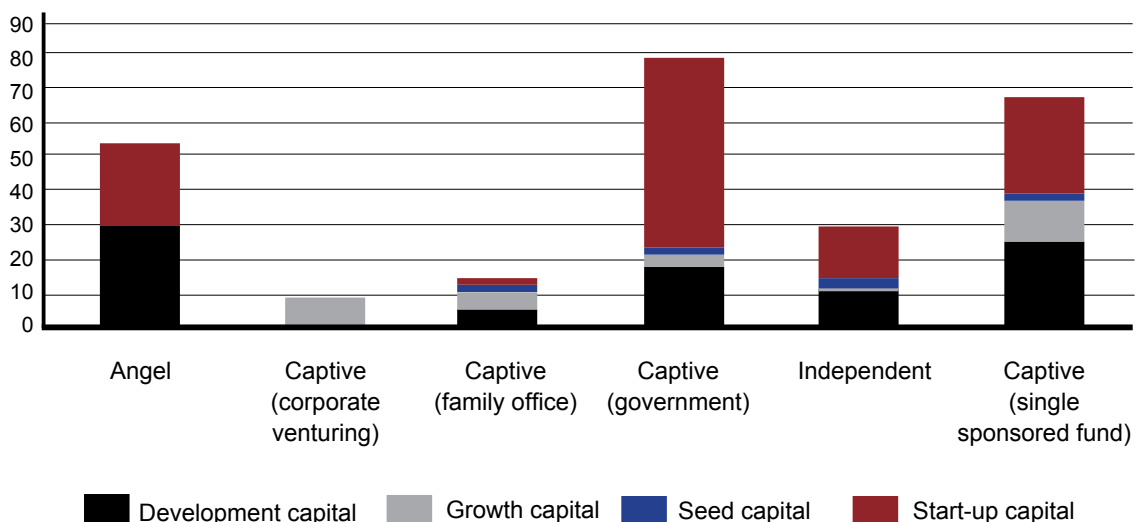
Public funded investors (Captive: government) is seemingly well positioned to predominantly offer start-up capital (70% of all public investment transactions were in the start-up stage), meeting the mandate of increasing access to start-up funds for new ventures.

The only investor type apparently limited to single-stage investments is Captive (corporate venturing). This is a function of the survey respondents and not reflective of the industry as not all Corporate venturing VC fund managers submitted transaction data for inclusion in the survey. Those interviewed clearly did make start-up type investments but these were not included in the data set.

Note though that Corporate venturing typically does not choose to invest in start-up type transactions as corporate boards ideally shy away from over exposure to risk and therefore opt to consider transactions predominantly involving post-revenue deals.

### Stage of deal per type of VC fund manager

(number of transactions 2000 to July 2010)

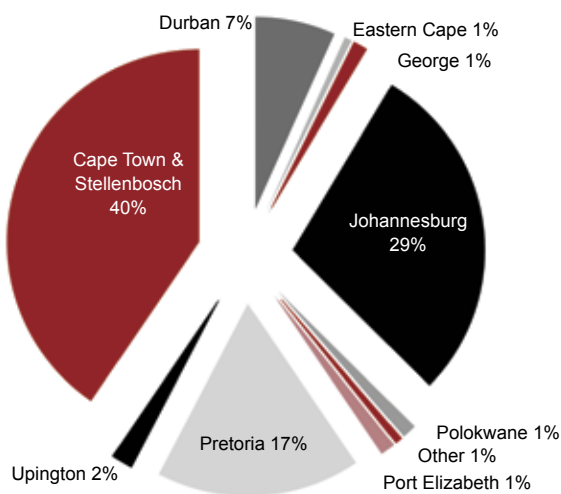




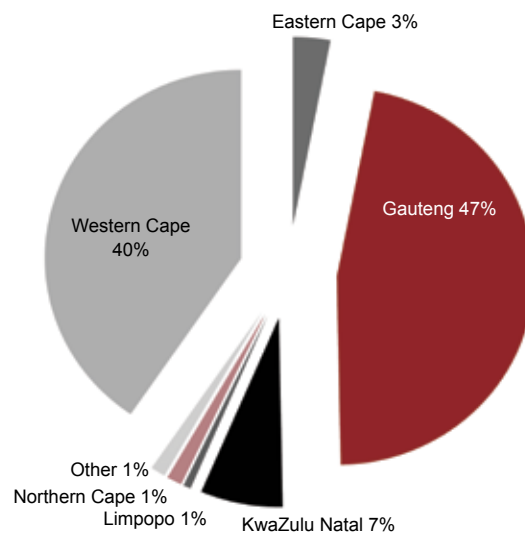
### 3. Transactions concluded

#### Location of transactions

**Contribution by deal location**  
(number of transactions 2000 to July 2010)



**Contribution by province**  
(number of transactions 2000 to July 2010)



**The greater Cape Town Metropolitan region together with Stellenbosch account for the largest share of entrepreneurs receiving investment from VC fund managers.**

There could be various reasons for the high number of transactions concluded involving recipients from Cape Town including a functioning entrepreneurial eco-system, large numbers of students from academic institutions with technical, engineering, science and/or medical facilities, and so forth.

More research into the reasons for this is required as understanding the underlying drivers could be very useful in terms of developing and enhancing the entrepreneurial eco-systems in other

parts of the country, including the main economic hub of Gauteng province.

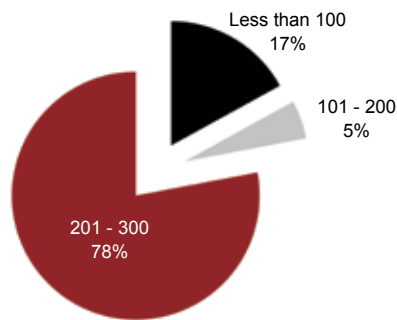
Comparing the location of the VC fund manager to the location of entities receiving VC investments, it appears that the increase in fund managers setting up office in the Western Cape (8 of the 12 new VC managers setting up office since 2006) is not only due to lifestyle, but rather the large proportion of early stage deal flow from entrepreneurs based in the Western Cape.

#### Deal flow reported

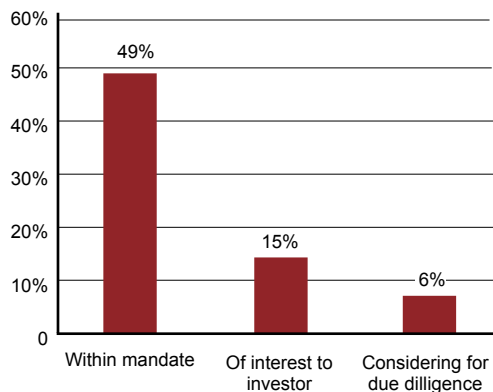
Respondents were asked to estimate the number of investment proposals received on an annual basis. The responses indicate that each fund manager, on average, received between 200 and 300 proposals annually.



### Average annual deal flow reported



### Deal flow fitting the mandate (% of total proposals received)



It is impossible to determine whether each fund manager received the same investment proposals as their peers because fund managers either don't keep record of submissions received, or don't make such information available to third parties. It may therefore very well be that the majority of fund managers see the same investment proposals.

Fund managers indicated that roughly 50% of investment proposals received fell within the fund managers' investment mandate with only 15% of all proposals being of interest to the fund.

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**The majority of proposals therefore didn't fit the mandate of the fund manager or got discarded before passing through to the due diligence stage.**

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Responses from VC fund managers to these statistics point to a combination of factors. Firstly candidates are not spending sufficient time to study the investment mandates as communicated by the fund managers before submitting proposals, which corroborates the belief that a high number of proposals are simply shopped around with candidates submitting the same proposals to all fund managers.

A second reason put forward by fund managers indicates that South African entrepreneurs – not unlike most international first-time entrepreneurs – have a lack of understanding the role and modus operandi of VC fund managers.

This results in entrepreneurs submitting investment proposals that are either incomplete, not suited to VC investment, not properly researched and/or one dimensional (i.e. focusing on one or two components of the business plan such as technology and not covering all aspects required from an investor to carefully assess risk and opportunity).

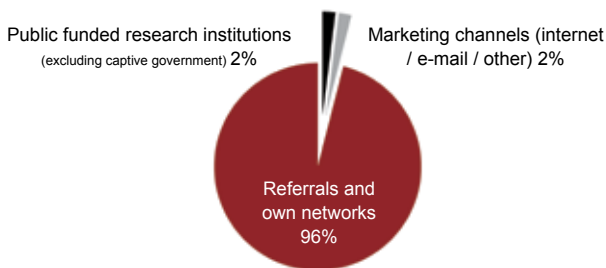
Traditionally, besides for collateral, the inability of entrepreneurs to provide well conceived and thoughtful business plans, and to understand VC mandates have often been stumbling blocks for raising funds.



### Origin of deal flow

The vast majority of respondents indicated that deal flow that resulted in eventual transactions were almost entirely sourced through own networks and references as opposed to unsolicited proposals received via the internet or similar public channels.

#### Origin of transactions



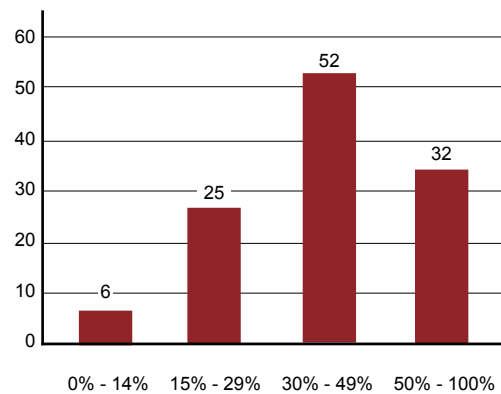
**Less than 2% of all transactions involving private VC fund managers were received from, or based on, research outputs directly commercialised from publicly funded institutions.**

### Equity preferences and equity ranges by investor type

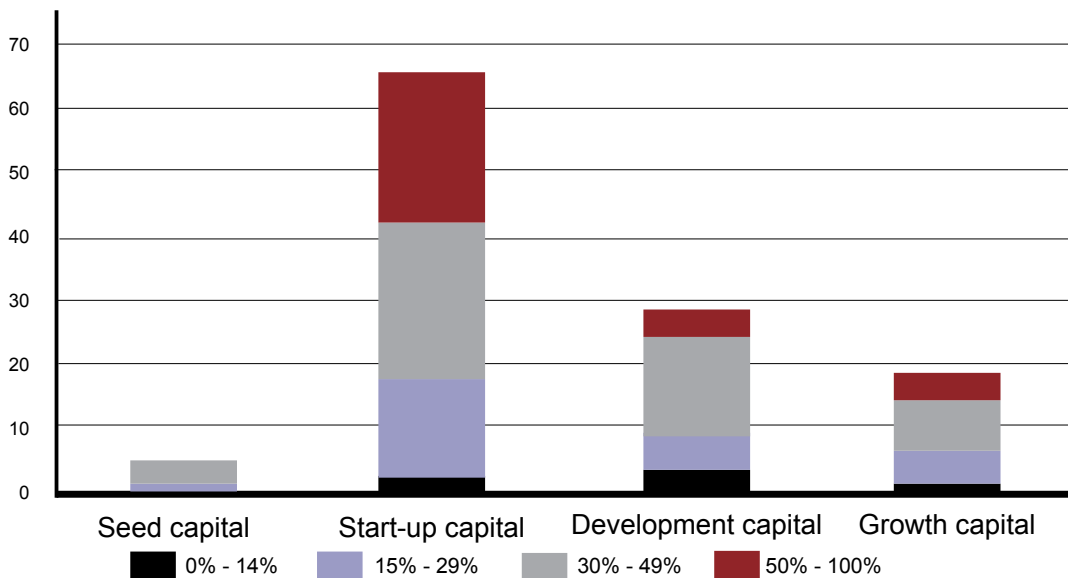
Not all respondents were willing to reveal the final equity percentages negotiated with investments. However, the graph below, based on roughly 46% of all transactions indicates that the majority of investors prefer taking a minority (or less than 50%) stake in their investments.

Most investors by virtue of averages prefer taking a 30% to 49% stake in their investments.

#### Equity negotiated by fund managers



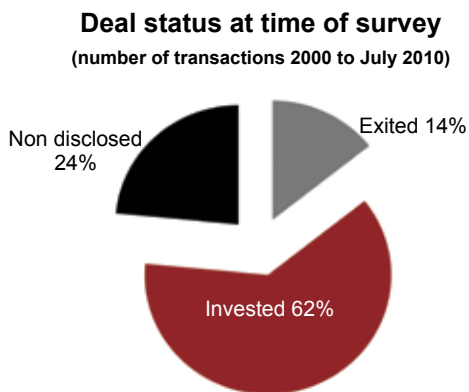
### Stage of investment by equity range





## 4. Exit history and options

62% of all transactions recorded through the survey were classified as ‘invested’ because the VC fund manager was still invested in the deal at the time of the survey. A quarter (24%) of transactions were not classified by the respondents and 14% were classified as the VC fund manager having exited the deal.



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**The high percentage of active deals can be attributed to the fact that most transactions were recorded in recent time, as indicated with the overall investment peak around 2008/2009. VC fund managers reportedly plan for an investment horizon of 3 to 7 years. One can conclude therefore that if most transactions were made in the last 3 to 5 years, then most investments should still be of active status.**

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The survey did not obtain sufficient detailed information from respondents related to the nature of those deals that were exited. This is because the information is regarded as highly confidential by most VC fund managers and was not disclosed as part of the survey. The fairly low number of exited opportunities aggravates this.

As the industry matures, and numbers of transactions exited becomes greater, there is likely to be more scope for reporting such information in an aggregated, therefore more confidential, manner.

The majority of exits were reported for transactions that took place in the first half of the survey period, being mostly transactions that were invested during, or shortly after the dot-com era. This was a very difficult period for VC locally and globally.

Many such transactions were exited at a loss or break-even at best. This is consistent with what can be expected in the VC asset class: out of every 10 transactions, several will fail, several will yield break-even returns at best, and only one or two will yield the exceptional growth required to provide meaningful return across the fund portfolio.

The options for exits were discussed at length with all respondents. Indications show that respondents were confident that exit opportunities do exist in the context of the South African VC asset class.

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**The majority of recent exits reported were classified as ‘trade sales’ with no data indicating the use of formal public listings or exiting to other VC fund managers.**

**Those VC fund managers that had recent exit experience were satisfied with the payback and exit mechanisms, although overall VC liquidity is still a constraining factor, given the relative low number of exits from the industry as a whole.**

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One has to question whether sufficient exit multiples are possible in South Africa (i.e. exits with multiples of 3 to 10 times the original capital invested) to justify the overall portfolio risk of each VC fund manager.

The fact that such multiples were not reported could to some extent be explained by reasons of confidentiality. However, the conclusion from the survey is that such multiples are rarely possible in South Africa given the relative small scale of the current VC asset class and the relative young nature of the industry.

How then is it possible for VC fund managers to raise capital in an environment that has not seen sizeable exits on an industry wide scale (as opposed to the few outliers such as the \$ 560 million Thawte exit by Mark Shuttleworth at the height of the dot-com boom)?

The conclusion to this question from the survey and interviews with stakeholders is the fact that most recent fundraising by VC fund managers was from private and wealthy individuals, as well as from government. In both instances, ROI was reported as a key determinant in the fund raising exercise, however, the overall

reported focus has been on the cultivation of per-deal success, rather than portfolio-wide return on investment as well as other primary investment objectives such as government's mandate for industry development and the like.

It is noteworthy that many of the VC fund managers, especially Family office and Corporate venturing did not have fixed exit horizons, rather opting to remain invested for the life of the transaction, or incorporating the investment into the main business of the capital source.

The same can be said for the majority of deals by Angels.

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**Exit information is vital to the growth of the VC asset class as it is the ultimate indicator of the economic attractiveness of the sector.**

**It is therefore important that VC fund managers carefully record and in a non-compromising way report on aggregated figures so as to enable SAVCA and other industry players to ensure the global appeal of the VC asset class.**

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## The role of Angels

The SAVCA Venture Solutions 2010 VC survey included a separate Angel investment survey that was distributed as an anonymous questionnaire to each of the stakeholders participating in the main survey. The questionnaires were then distributed within the private networks of VC fund managers and returned anonymously.

**The results were surprising when noting that the sample group was very small, being limited to the few stakeholders participating in the main survey.**

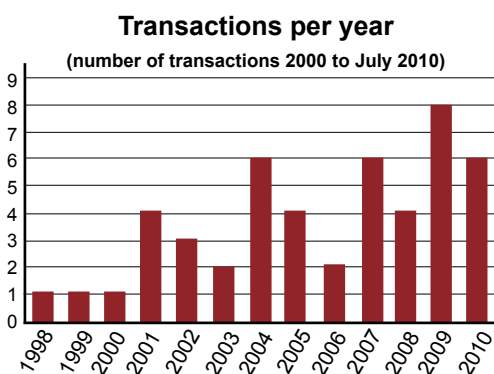
**Nevertheless, transactions sourced through the Angel investor survey accounted for almost 1 in 5 transactions recorded in the SAVCA Venture Solutions 2010 VC survey, amounting to a total investment amount of well over R100 million.**

## Angel investments generally increasing

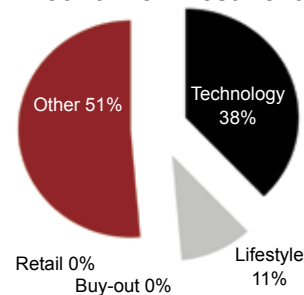
**It is estimated that the true number of Angel investments are several orders bigger in magnitude than those recorded here. This assumption is strengthened by the fact that Angel investments in the US and EU reportedly outnumber those made by VC fund managers.**

The number of Angel investments made over the past 10 years has increased even though three dips occurred. The increase is primarily due to more investments taking place, but is also influenced by the level of awareness of Angel investments that were made.

Results from the Angel survey indicate a general upward trend in the number of transactions concluded.

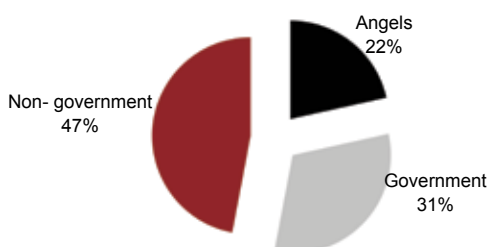


## Economic investment sector



## VC fund managers contribution to VC asset class

(number of transactions 2000 to July 2010)



## Sector preferences

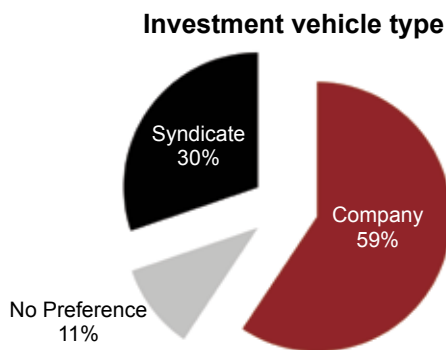
The technology and lifestyle sectors constitute a large part of the investments made, with 37% and 10% respectively. The majority of investments were classified as other, with no candidates selecting the remaining available options for retail and buy-out transactions.



It would make sense that the Angels responding to the survey had a preference for technology, given that many of those fell within the technology networks of VC fund managers asked to distribute the survey.

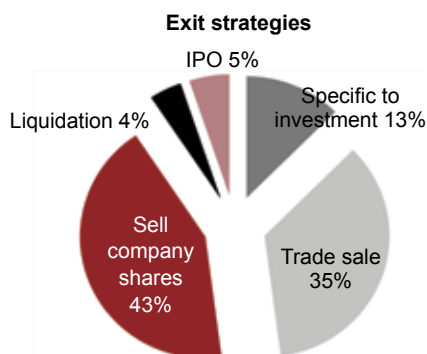
It is expected that a very large portion of Angel investors are active in the BEE, property and franchise industries, but this could not be confirmed given that the sample group, of very small size, did not probe such networks.

**Preference for formalised investments**



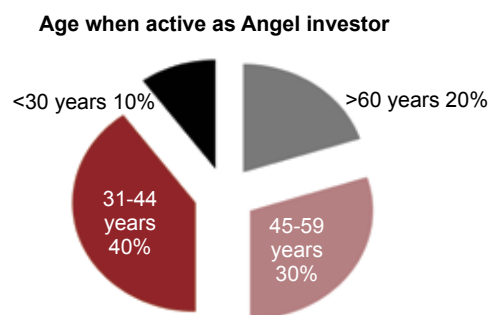
Angel investors indicated a greater preference towards investments that are made into registered companies (59%), rather than in syndicate investment types. 11% of the Angels had no preference as to the investment vehicle.

**Exit options**



When it comes to exiting an investment, Angel investors showed a greater preference to trade sales (35%) and selling company shares (43%).

**Angel backgrounds and age when active**

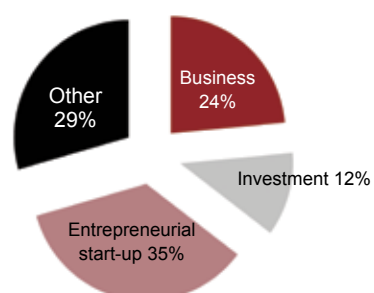


It was found that 40% of the Angel investors were between the ages of 31 and 44 years at the time when investments were made.

The second largest age group was from 45 years to 59 years (30%). Only 20% of the Angel investors surveyed were over the age of 60 years, an age that is more likely for high net-worth individual Angels. It is also more likely that 10% of the angels are under the age of 30 years.

This is quite telling when considering that Angels are normally high-net worth individuals associated with retired corporate executives or entrepreneurs that have cashed-in.

**Background of investors**

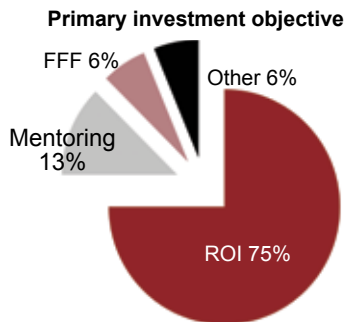




More than 35% of the Angel investors have some form of entrepreneurial start-up experience. Many Angels also have business and/or investment backgrounds.

### Primary objective in investing

The primary investment objective for 75% of the Angel investors is return on investment. The reason for pointing this out is that one could suspect that Angel investment decisions are often driven by sentimental or emotional reasons, such as helping out a family member in trouble.



ROI however is still the main reason for investing, even if the recipient is a family member or close friend. This is a clear indication that Angels seek feasible and scalable investment opportunities, highlighting the significant potential role of Angels in canvassing and developing suitable deal flows for further investment.

### Angel investors in summary

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**The Angel investment community in South Africa appears to be a very active sector of the risk-capital/VC asset class. It is estimated, given the number of positive responses to the survey from a very small sample size, that the transactions reported on here represent a very small segment of the actual number of Angel investments, being merely the tip of the Angel iceberg.**

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Angel investors are not aligned with VC fund managers although some will network with VC fund managers to establish networks and gain insight into investment trends and drivers.

Some Angel investors have started collaborating amongst one another to form formal Angel companies or operate as a type of VC.

Angel investors can play a big role in increasing deal flow to the VC asset class but no structural or other incentives currently exist with which to encourage increased Angel activity beyond normal market dynamics and opportunities for return on investment.

From the above and considering anecdotal accounts of Angel transactions, it appears that the way in which South African Angel investors operate is not exactly the same as US or European Angels. The main differences appear to be the fact that local Angels are willing to invest more, stay invested for longer and choose to remain behind the scenes.



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**The average investment of R2.74 million is higher than expected but what is truly striking is the fact that some Angels were willing to invest amounts that equal or exceed the average amount invested by VC fund managers, reaching reported figures of R30 million per transaction.**

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Explanations for this are the notion that Angel investors in South Africa are longer-term investors than their US or European counterparts, staying invested from start to end and therefore having to satisfy the full investment needs of the venture. Some Angels are reportedly approaching their investments from the point of view of cooperating from the start with the Angel's investment banker and contributing own capital to the minimum level required by the investment bank so as to satisfy the bank's debt to equity requirements. Once this has been achieved, the Angel no longer needs further external investment partners, therefore not looking to VC fund managers or other investors in the future.

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**South African Angels contributed to a large number of early stage transactions in start-up and development capital, cementing their roles as vital players in the entrepreneurial development-financing environment.**

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It is not recommended for SAVCA to do a bigger survey on Angel investment but rather to:

- Stimulate debate about incentives/alignment and to increase the positive investment climate with which to attract and support more Angel investments;
- Stimulate closer cooperation between Angels and VC fund managers through incentives, networking and closed-session workgroups; and
- Continue to include Angel investments as a standard component of the regular SAVCA VC surveys so as to track the growth and impact of Angel investors in the overall VC asset class.



## 1. The role of VC in the National System of Innovation

The South African government has, starting with the 1996 White Paper on Science and Technology, committed itself to a national policy of developing the so-called National System of Innovation (NSI).

The NSI, in brief, defines the macro-economic system comprising the actors, supporting networks between actors, and legal and regulatory frameworks that form the collective innovation capability of South Africa. The actors include all instruments of state, the private sector and the academic and research sectors, which contribute towards innovation through scientific and non-scientific research, development, and technology commercialisation.

The outputs of an NSI are new technologies and business opportunities. The ultimate outcomes of the NSI include successful new business with consequent impact to economic development, creation of jobs, increase in exports, and related social development and benefits.

In this context, it is clear that the VC industry is a vital set of actors of any nation's NSI as it contributes towards the development of high-risk entrepreneurial ventures involving new business models, technology and/or new markets. VC internationally helps to ensure that research papers don't gather dust on academic bookshelves, but become the platforms for growth ventures, economic development and social transformation.

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**It is important to note that VC is only a small albeit critical component of the**

**NSI and can only function successfully if part of an eco-system comprising many other key components such as talented and skilled entrepreneurs, high-tech research and development, markets for new innovation, risk appetite and many more.**

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The survey did not dwell on the role of VC in the South African NSI as the concept of an NSI is not well established or known within the broader South African economy.

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**The lack of private fund managed transactions emanating from especially the publicly funded research institutions, points to a marked disconnect within the NSI.**

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It is however clear from interviews with stakeholders that the approach to growing the impact of VC in the South African NSI at present appears to indicate individualistic planning and strategy where individual fund managers (public and private) plan and operate in isolation without formalised understanding or strategy regarding the innovation value chain and the different roles that different VC fund managers play in the overall process of innovation.

Government has made attempts to respond to certain perceived market failures such as the need for more investment in early stage ventures, and especially taking up the need to offer funding for ventures involving public funded intellectual property. This is explored further in the ensuing section.



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**The VC asset class in South Africa appears without clear leadership or common vision. Although current performance indicates a vibrantly growing but small industry, one cannot confidently point towards a clear pathway for the future as no clear form or structure was communicated from any of the incumbents consulted through the various interviews.**

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It is extremely encouraging that the VC industry in South Africa comprises a diverse and growing number of VC fund managers, both public and private, with growing experience from past VC dealings and activities, both locally and internationally. Likewise, one has to point out the positive effect of having a government with appetite for risk finance through the various instruments of the DST and DTI.

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**VC should not be seen or promoted as the silver bullet with which to change South African entrepreneurial behaviour such as was the case for example in Israel, as the situation in South Africa is vastly different from that of Israel. However the role of VC is important, and without adequate stimulation and support, the outcomes of the NSI on the South African economy will be materially weakened.**

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The situation prior to the completion of this report has been to wonder whether South Africa has a VC asset class at all, bar the seemingly ad hoc activities of one or two incumbents.

That view is strongly refuted with the data from this report, which clearly outlines a VC industry that has sufficient experience, funds to invest, deal flow with which to conclude investments, market growth opportunities to mature investments and mechanisms with which to exit from said investments so as to achieve a competitive return.

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**The question to all stakeholders, government and the private sector should not be one of what to do to create a VC asset class, but rather of how to encourage and strengthen the existing solid VC industry platform, and how South Africa envisions a future VC industry to achieve positive outcomes for the fund investors, and the South African economy.**

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More research is required into the existing and potential role and value of VC in the South African NSI to strengthen both the NSI and the VC asset class, and utilise existing strengths and opportunities to create economies of scale.





## 2. Government the investor

Each respondent to the survey had a different view as to the role and value of government as a direct investor in the VC asset class.

As indicated before, government's role has since 2005 been predominantly to intervene through direct transaction participation. This is arguably a useful approach when the deal flow and industry size is as small as has been the case for South Africa.

However in order to effect a step change in the industry and arrive at the outcomes government would wish to impact, the question for government is whether its interventions should be more indirect, in the form of tax incentives and support for independently managed VC funds. Such indirect mechanisms are adopted in a host of countries, both developed and developing including small economies like New Zealand and larger developing ones like Brazil.

The introduction of a tax incentive in 2008 was a positive step in this regard, however its structure may need review, because of the lack of take-up by any VC funds of this incentive to date. SAVCA is informed that there are efforts under way, given momentum by the DST and TIA, for a feasibility study on a VC support programme similar to the Israeli Yozma programme. Given the current development of the industry, such programmes may be extremely timely.

Guidance on the role of government was sought during the survey. However there

was no single clear solution.

Many felt strongly that government should not involve itself in entrepreneurial risk-capital transactions citing well-documented concerns regarding government's (not only South African) inability to identify entrepreneurial talent, lack of understanding of the cycles and demands of the global economy, inability to add more to investments than money, and its reputation for constantly changing mandates, personnel, modus operandi and investment preferences.

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**These concerns should be taken seriously in planning, policy and implementation.**

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Others responded by indicating the global trends of private investors opting to move further downstream, away from high-risk entrepreneurial ventures, towards safer post-revenue transactions. This trend results in less appetite for start-up ventures and risk taking which ultimately means that the future innovation pipeline runs dry for lack of new entrants.

In their views, government has a role to play but the exact strategy and nature of government interventions are unclear. Although many countries have adopted various programmes for VC industry stimulation and support, there appears to be no single ideal model for government involvement in the support and finance of entrepreneurial growth ventures, not in South Africa and not anywhere else<sup>7</sup>.

<sup>7</sup> *Boulevard of Broken Dreams – Why public efforts to boost entrepreneurship and VC have failed – and what to do about it*, Josh Lerner, Professor of Investment Banking at Harvard Business School





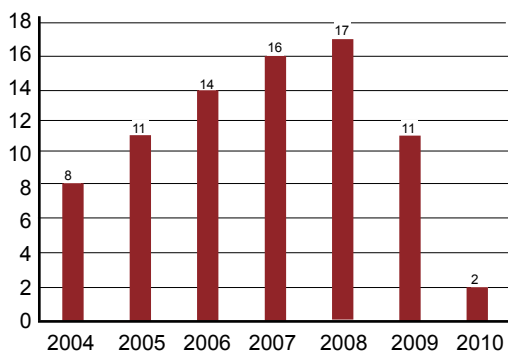
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**It is clear to say from the SAVCA Venture Solutions 2010 VC survey that more deal flow in the start-up phases of the VC asset class were made possible through government interventions, have resulted in creating more momentum for the industry as a whole, creating more investment opportunities further downstream, and generally increasing awareness of the VC asset class.**

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However more research and engagement between industry and government is required before a solution for the correct nature and scope of government interventions in the South African VC asset class are fully defined.

**Captive Government transactions per year**  
(number of transactions 2000 to July 2010)



### **Government investments stalling**

A growing concern is the significant drop-off in start-up capital from government funding as recorded for 2009 up to the first half of 2010. This can be attributed in large to the inactivity of the public funding from the DST instruments merged into the TIA.

The formation of TIA has taken much longer than anticipated and the associated restructuring of operating entities and

repositioning of experienced personnel have resulted in very little transactional activity in the last two years of the survey.

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**Since 2004, government has become an important avenue for early stage funding and could play a significant role in the future by adding momentum to the VC asset class through co-investments and increased transactions.**

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**Private VC fund managers raised their concerns as to an existing lag in start-up capital following the poor rollout of TIA, and the future impact this will have through further downward pressure on deal flow in the VC asset class.**

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There appears to be a clear correlation between early stage investments and development capital if observing the number of transactions per year. So it follows that with the public sector taking a larger role in start-up investments, other investors were more willing to put money into development capital where the risks were lower. If this trend is maintained, more private investors could turn to the VC asset class, as the overall risk exposure should be lower.

However, with the drop off in start-up investments apparently due to the formation of TIA, this trend may not materialise and private investors could be forced to move to earlier-stage investments, which may or may not materialise.

Early indications from the TIA are that, pending approval of its approach by its Board and Minister, it will likely continue the investment philosophy of its predecessors to invest only when other resources do not exist. That is giving



preference to normal capital markets such as the VC asset class, or co-investing with such players to share risk.

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**This approach can be beneficial to stimulating more private sector investment, and will emphasise government's role to catalyse, and not cause, a crowding out of private capital markets. It is in everyone's interests that**

**TIA gets back to rapidly increasing deal flow.**

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This may repeat the positive impact of government backed VC fund managers seen in 2004-2007, to help the VC asset class with maintaining/surpassing the growth trend in VC investments seen, especially between 2004 and 2008.

### **3. Exchange control and other key impediments to growth**

#### **Exchange control regulations**

The survey concluded by asking respondents to list the greatest impediments to investment ranging from a lack of entrepreneurial talent to insufficient deal flow.

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**The single greatest impediment to growing the VC asset class, selected by virtually all of the respondents, was the impact of exchange control regulations.**

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The South African government in the 1960s introduced exchange control regulations to control the flow of capital. Capital, in the definition of exchange control regulations, includes both money as well as intellectual property (IP).

This impacts on the South African VC industry primarily in two ways. To contextualise, it should be borne in mind that VC fund managers need to realise a significant return on investment in those investments that are successful, in order to compensate for the high failure rate of VC investments as compared to alternative investment options in other asset classes.

Such high returns are realised through very high growth in each investment, which can be achieved primarily through investment in technology-based ventures where the scalability of technology enables a rapid growth rate of the investment.

Other options for high growth are mainly scalable business models (such as seen with the introduction of low-cost airfares) or through accessing previously untapped markets.

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**South African VC fund managers, not having a large internal domestic market like the US, have almost no choice other than backing investments with international growth potential, given the relative small size of the South African market and the fact that the global market for technology ventures is concentrated in non-African countries.**

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This is normally achieved by taking the new venture offshore through relocation close to the consumer markets for the venture's products or services, implying that the underlying IP of the venture may need to be relocated as well.



Exchange control hampers the internationalisation of South African developed intellectual property. The issue is that exchange control prefers IP relocation on an arm's length basis, and this means you have to sell outright to a party in whom you have no interest. This means South African VC fund managers have to sell IP before they were able to realise its full benefit for the South African investor and ultimately the South African economy.

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**Some respondents have reported having lost transactions to international VC fund managers that were not constrained by exchange control. Others have had to fully exit the investment prior to the internationalisation, to comply with exchange control regulations, leaving them with no upside in the future international scaling and growth of the ventures.**

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Investors that were able to obtain exchange control approval had to spend considerable time (average 12 months) and financial resources to develop globalisation strategies able to pass exchange control regulations.

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**The net result is both a premature loss of value to offshore investors before full value is realised for the local investor, and the cost of doing those transactions is such that it is not deemed financially feasible. It puts the local VC asset class at a substantial disadvantage to international investors in terms of cost of investment, turnaround time and utilisation of VC overhead and management time.**

**The net result is a disinterest in investments requiring exchange control approval and will hamper the future fund raising activities from offshore investors.**

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### **Universities and the new Public Funded Intellectual Property legislation.**

Non-government VC investors (i.e. Angels and the private VC fund managers) accounted for more than 65% of all transactions recorded since 2000. Less than 2% of investments by the non-government sector reported any formal link to research output directly commercialised from public funded institutions (universities and science councils).

The biggest concern raised, based on perceptions and actual experience, indicates concerns regarding changes in legislation (specifically the Intellectual Property from Publicly Financed Research and Development Act no 51 of 2008 (IPR Act), and recently gazetted regulations to this Act) as well as a lack of suitable systems to assist with early stage transactions involving tertiary academic and research institutions.

Little mention was made by any of the current private VC fund managers as to science councils (CSIR, MRC, ARC, Mintek, etc) as a base for transactions.

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**The absence of transactions by private VC fund managers in transactions involving public funded institutions is a great concern. The reasons for choosing not to invest in such transactions may be attributable to a lack of mechanisms to engage such institutions effectively, concerns about legislative involvement of government as well as whether sufficient quality transactions are on offer from public funded research institutions.**

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Many VCs are currently expressing their views very publically regarding how



the newly introduced Act is expected to impede VC interests, stating the perceived risks inherent in aspects of the Act, such as government's walk-in rights and the preference for IP to belong to the public funded institutions.

However, when considering the transactions recorded from this survey, no clear proof was found of any substantial interest from VC fund managers in IP residing in public funded institutions prior to the introduction of the new Act. This means that even before the introduction of the new Act, VC fund managers did not seem to have any success, or interest in investing where the IP was the property of the research institution.

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**“This is an important observation from this survey as the current public discourse covering the new Act gives the impression that VCs are no longer interested in investing in transactions involving public funded IP. The fact is, they weren't interested even before any steps were taken by government to introduce the Act.**

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It is therefore essential to identify the real reasons why public funded IP did not result in VC-backed transactions during the survey period. Such reasons cannot be attributed to the Act (which came into being only in 2010), but could be attributed to various other causes, primarily being a perceived absence of public funded IP ready for investment and/or able to find commercial and/or other applications outside of the research domain.

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**Legislation and the establishment of Technology Transfer Offices at all public funded research institutions alone**

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**will not address this problem, if the research institutions are not able to produce outputs that have use beyond the interests of academic research. More effort should be undertaken to ensure that public money used for research, efficiently results in outputs that are appealing to entrepreneurs, VCs and society, addressing real social and/or economic needs beyond only addressing research interests.**

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This is one area that SAVCA can probe further through the help of the DTI and DST, collectively having direct interests in and mandates requiring investment in technology transfer from public funded research institutions.

This is a concerning aspect of the local VC asset class when considering that in the 2008/2009 financial year, 19.9% of all R&D performed in South Africa was by universities and 20.4% by government through science councils, etc<sup>8</sup>. Government shares this concern and hence the introduction of the IPR Act to intervene in the research activities funded through taxpayer money.

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**University and science lab IP is a vital source of VC deal flow in most of the developed world. But not in South Africa.**

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As pointed out before, VC needs substantial scaling opportunities to justify the risk and achieve the necessary return on investment to make for feasible investments. The quality and novelty of the underlying technology and/or business model of each investment is paramount to the potential for a successful and scalable business venture.

<sup>8</sup> National Survey of Research and Experimental Development (2008/2009 Fiscal Year), Department of Science and Technology/HSRC report ([www.dst.gov.za](http://www.dst.gov.za))



It is possible to say that in South Africa, with only a few large industry exceptions, it is the publicly funded institutions (universities and science councils) that have the mandates, competencies, and patience to continuously pursue deep-seated research generating globally novel and relevant technologies, intellectual property and new business models.

Many South African large companies and multinationals have the in-house capability for such research, but these have not been primary drivers for start-up transactions resulting in new VC deal flow.

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**If South Africa wants to create sufficient opportunities for globally competitive start-ups, it needs to fix the translation of public funded research into viable business opportunities finding entrepreneurial interest able to attract VC investment.**

**This is not only a question of legislative compliance by publicly funded institutions. More important is the creation of a culture of innovation where entrepreneurs, VC fund managers, researchers and regulators work together to ensure the market adoption of public funded research.**

**To do so requires the development of strong IP rights and getting the IP to the entrepreneurs and financiers that are able to bring such IP to the market.**

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The introduction of the new act has been focused primarily on creating awareness amongst the public funded institutions and the large companies doing research with such institutions thereby focusing almost entirely on compliance to the Act.

It is clear from interviews with the VC fund managers that the majority are either completely unaware of the potential future implications of investing in start-up ventures based on public funded IP, or that they are not sure of the risk in investments where government features strongly with associated walk-in rights, etc.

### **Small and exposed**

Many other potential threats related to investment in the VC asset class were raised by respondents, including the cyclical nature of VC; the considerable effort required by VC fund managers to raise funding; the resource implications of complying with various regulations, etc.

However, outside of the key threats highlighted in the beginning of this section (i.e. exchange control regulations and the poor deal flow from public funded research institutions), probably the biggest threat is the fact that the South African VC asset class is relatively small in comparison to other global VC markets.

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**The VC sector in South Africa is a function of the growth and prosperity of the South African economy. In harsh economic times, the industry could potentially fall into a state of disinvestment and fail to raise further funds from the already scarce local sources of risk capital; this despite ample proof of vibrant activity recorded in recent times.**

**It is therefore vital to ensure the aggressive promotion of the South African VC asset class, as its size and niche focus means that it is easily overlooked. To aid this, stakeholders should identify common vision and align mandates with which to link both public and private stakeholders and VC fund managers within the context of the development of the so-called NSI.**

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## 4. Opportunities

South Africa has a working and experienced VC sector. The question to SAVCA, government and the VC industry in South Africa is how to leverage the existing VC asset class to play a bigger role in transforming the economy and stimulating entrepreneurial, high growth enterprises.

In many countries facing similar development challenges, governments have tried a number of different approaches to introduce VC through for example direct investment (government as the investor), indirect investment (government sponsoring the private sector to invest) or a combination of both. The majority of these programmes failed to convince the private sector to take a long-term interest in VC and many such programmes disappeared once government reduced private sector incentives.<sup>9</sup>

Private sector VC fund managers account for the majority of VC activity in South Africa meaning that our government does not have to spend more energy and time on creating the case for VC.

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**Rather government and key stakeholders such as SAVCA should focus energy on improving the investment and entrepreneurial ecosystem to ensure that existing investors invest more; and to improve the impact of such investments by aligning policy, incentives and stakeholders from government, the private sector and the research/academic sectors; and to introduce incentives to continuously seed the introduction of new fund managers.**

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## 5. SAVCA and an organised VC asset class

SAVCA has by its own account spent most of its resources (financial and time) on the affairs of its PE members. The primary reason is that its membership is dominated by PE fund managers but also since the VC sector has, until now, been thought of as relatively inactive and insignificant in size.

It is believed that this survey will go a long way to convince the members of SAVCA and the associated interest groups such as government, of the merits and magnitude of the local VC asset class. It is necessary to create new leadership and representation of all active VC fund managers in South Africa by elevating the work of the

SAVCA VC Working Group to a standing committee or sub-chapter focused on the affairs and the promotion of the VC asset class.

### SAVCA development and training

Respondents to the survey were generally complimentary of the work SAVCA has done to date and would like to see more activity in regards to lobbying government for specific tax incentives and policies that will make it easier to invest in the VC asset class; first and most prominently is the constraint of exchange control regulations.

<sup>9</sup> 'Boulevard of Broken Dreams – Why public efforts to boost entrepreneurship and VC have failed – and what to do about it', Josh Lerner, Professor of Investment Banking at Harvard Business School





With the introduction of many new VC fund managers over the last three or four years, it is necessary for SAVCA to revisit the training and support initiatives for VC members, specific to investment practices, valuations and overall VC investment strategy. It was recorded during interviews that existing training programmes may not be sufficient or may not be addressing the needs of the industry and a quick survey amongst new and existing members could provide useful insights into the specific training and development needs.

A proposed VC sub-chapter could spearhead this activity.

### **Creating awareness of VC**

Many respondents mentioned the need to create better awareness amongst entrepreneurs and entrepreneurial support mechanisms (incubators, etc) of the role, value and functioning of the VC industry in South Africa. There is no doubt from the survey that such a need exists and that addressing it would greatly enhance the quality and quantity of deal flow to VC fund managers.

However, it is not clear if this is the responsibility of SAVCA as it is not within SAVCA's means to directly intervene with or make regular contact with the entrepreneurial sector in South Africa.

It is rather recommended that SAVCA convene a meeting/workgroup with relevant stakeholders from the DST, DTI and their agencies, as well as industry associations involved in the entrepreneurial class, to facilitate a way forward that will create more awareness of VC amongst this important part of the economy.

### **Angels**

The limited survey on Angel investors conducted as part of the SAVCA Venture Solutions 2010 VC survey offered valuable insights into the presence and activities of local Angel investors.

As mentioned above, the local Angel community is less organised than its US and European counterparts and it is perceived that the local community has less interest in formal organisation for various reasons.

The role of Angel investors in stimulating overall investment in start-up and high-risk entrepreneurial ventures is undisputed and many respondents suggested the need to investigate incentives and practical alignments that would see better cooperation and even co-investment between Angel and VC investors.

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**A number of respondents raised the suggestion for government to incentivise bigger Angel investment through better tax incentives and match-funding arrangements, which will ultimately drive start-up deal flow resulting in more deals for the VC sector.**

**This is an area that SAVCA should pursue aggressively as it has substantial potential for increasing deal flow and maturity of the entire VC asset class.**

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It is not recommended for SAVCA to do a formal Angel investor survey as a separate intervention, but rather to use the baseline data collected as part of this survey and continuously add to that on a regular basis.



## 6. Closing remarks

The survey outlines the presence of an established and functioning VC asset class. The industry has a variety of VC fund managers with experienced personnel and investment history indicating a modest level of sophistication and a relatively impressive number of annual transactions for an emerging economy.

Given this solid platform, the opportunity now exists to create a step-change in activities for example to strengthen coordination amongst the industry role-players; setting of common objectives; and

the development of policy and instruments with which to grow the VC asset class as a unified investment option.

To do so, much more sophistication is required in how per-deal data is captured, aggregated and analysed on an industry basis so as to provide tangible indicators of the key drivers underpinning the growth or decline of the VC asset class. This must then be made available to stimulate further research, analysis and informed decision making.



# An eye to the future

## 1. Global recession

The majority of current funds operate either from a captive fund point of view, or by leveraging a drawdown facility from the fund sponsor. Apart from two fund managers, no one reported any fund raising activity for the current or next two years indicating that the perceived impact of the global recession will be limited to the introduction of new funds.

But in this respect (i.e. introducing new funds over the next year or two) the recession is also not expected to impact absolutely negatively. The basis of this is that the source of the majority of existing funds (being drawdown facilities from high-net worth individuals) is less exposed at this late stage to the impact of the global recession.

The survey came into contact with two new funds that started operations in 2010, one

being an African wide fund with a limited allocation to South Africa and the other a fund concentrated on the health sector.

One existing fund manager that also acts as a conduit for local Angel investments has successfully raised and invested new funds in 2010. This holds true for a number of start-up entrepreneurs that successfully raised Angel investments during the course of 2009 and 2010.

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**The primary impact of the global recession on the South African VC asset class is expected to be limited to the challenge for fund managers to raise new funds.**

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## 2. Institutional money

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**Only two of the currently active funds have institutional investors. Looking back over the last decade, most local institutional contributions to VC funds dried up after the dot-com crisis and have since failed to show any interest in VC.**

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The VC asset class internationally is reportedly finding it harder to attract institutional funds, especially for early stage ventures. The risk exposure and bad track record of the US VC asset class over the last decade did nothing to convince institutional investors to revisit VC.

The situation in South Africa is such that the typical institutional investors from large pension, health and insurance funds have secured VC-like returns from low-risk portions of their portfolios (i.e. property), meaning that the business case for institutional investing in the VC asset class basically doesn't exist.

Government has introduced a number of tax incentives to make the local VC asset class more appealing, but as stated before, to date SAVCA is aware of virtually no uptake of this incentive. Furthermore no reports of VC fund raising from new institutional or large investors exist.



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**In short, it is not expected that the South African VC asset class will attract institutional funds in the immediate and medium term as the underlying investment drivers**

**don't exist with which to change the investment strategies of institutional investors towards considering investing in the local VC asset class.**

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### **Where are the entrepreneurs?**

The lack of local suitable entrepreneurs and ventures is often raised as a primary shortcoming for proper VC deal flow. However, when asking VC fund managers to rate this as an impediment to growth of the local VC asset class, it was not ranked as a primary impediment and very few raised it as a inhibitor when considering their past investment decisions.

Probing this during interviews offered a number of different viewpoints. Most respondents communicated the notion that the purpose of VC is not only to supply capital but more importantly, to help entrepreneurs become more sophisticated, better skilled and to contribute experience, networks and management expertise to the entrepreneurial management team. In one participant's words: "the purpose of VC is to assist entrepreneurs to become successful business ventures".

Not everyone agreed fully with this approach, as a limited number of respondents indicated an unwillingness

to invest in ventures that would require a constant intervention by VC management into the investment's day-to-day running.

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**Be that as it may, all of the existing fund managers have reported sufficient entrepreneurial talent into which to invest their capital.**

**Everyone reported the desire to see more quality and larger numbers of entrepreneurs, especially the emergence of an experienced entrepreneurial group that has had past VC and exit experiences.**

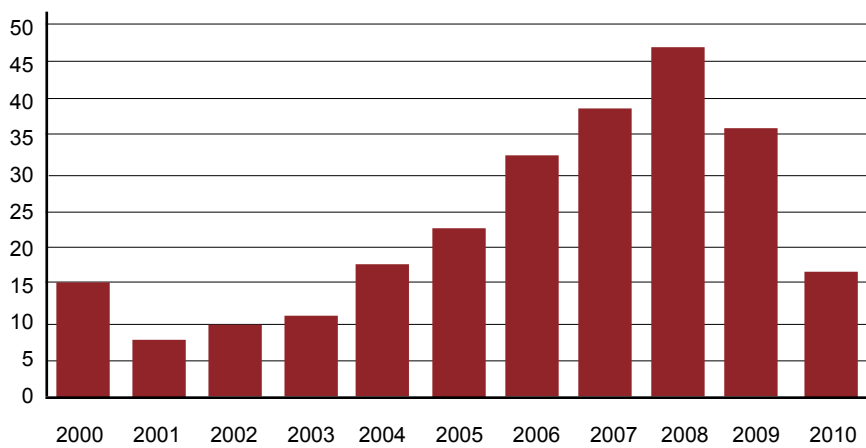
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This recalls the earlier statement regarding the perceived entrepreneurial network in the Western Cape and the need for more research into the elements of a successful entrepreneurial eco-system that supports the growth and success of start-up entrepreneurs.



#### 4. 2007-2009: will the momentum last?

**Transactions per year**  
(number of transactions 2000 to July 2010)



The graph indicates an increase in investment activity starting as far back as 2001 but picking up considerable speed in 2004 with the introduction of government investment and the 2007/2008 launching of a number of private VC fund managers.

The question is whether or not this will continue into the future or dwindle in line with the apparent downturn indicating fewer transactions recorded in 2009 and seemingly in the first half of 2010.

It is important to point out that VC markets invariably operate in boom-bust cycles for a number of reasons, including the fact that VC investments take a cyclical route (raise funds, promote, source deals, invest, exit) and the VC asset class is highly influenced by confidence in market futures and potential return on investments.

A case in point is the enormous surge in confidence in the late 1990s that resulted in easy capital for VC fund managers that ultimately ended in tears around 2000.

This boom-bust cycle had such a profound impact on fund raising activity in the early 2000s that many fund managers are struggling still today to convince institutional investors of the appeal of the technology based entrepreneurial market place.

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**Given that data points towards the latter part of another VC cycle, it is unlikely that the momentum in new funds entering the South African market since 2007 will continue without a considerable stimulus from government in the form of matched funding or better targeted indirect interventions.**

**In the absence of a review of the tax incentive or introduction of direct interventions (e.g. Yozma programme in Israel), the normal market forces will probably result in a tapering in investment activity for the medium term.**

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However, it is not foreseen that the local VC asset class will experience a total drop-off in investments and closure of fund managers similar to the backlash following the dot-com era. The reason for this is the observation that all of the existing funds came into existence on the back of proven deal flow and an ability to deliver against mandates by making investments and some even doing exits, albeit at a very early stage and at low returns.

It is therefore forecast that the South African VC sector will see a reduced amount of new investments and new funds raised in 2011 to 2013 but then continue an upward climb to higher growth figures than reported in the 2007-2009 period, if the current incumbents are able to capitalise on the above trends and continue to nurture growth opportunities from their existing investments.

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**It appears that the maturity of the South African VC asset class is such that it has the momentum to remain active to ride out the existing recession. This may result in another spate of VC fund raising if the existing VC fund managers are able to capitalise on the enormous public sector investment, especially the intensity of interventions to create more and better platforms for spin-off and licensing opportunities from public funded institutions.**

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[www.savca.co.za](http://www.savca.co.za)

*The main objectives of the Association are to:*

*Promote the venture capital and private equity profession in Southern Africa*

*Represent the profession at the national and international level*

*Develop and stimulate professional and transactional venture capital and private equity investments throughout Southern Africa*

*Stimulate the expansion of venture capital and private equity throughout Southern Africa*

*Collect information from markets and from members*

*Circulate information to members and the outside world*

*Stimulate and maintain contacts within the membership*

*Contribute to the management development of investors and investees*

*Provide the relevant authorities with proposals for improvement in the corporate, fiscal and legal environment for venture capital and private equity in Southern Africa*

*Maintain ethical and professional standards*

