



KPMG and SAVCA

Venture Capital and Private Equity Industry
Performance Survey of South Africa
covering the 2011 calendar year

May 2012

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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

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Foreword

Both KPMG and SAVCA are again proud to have collaborated for the 12th consecutive year to produce the 2011 KPMG and SAVCA Venture Capital and Private Equity Industry Performance Survey.

It is the second year we have used an online platform which has seen increased participation and improved data evaluation. Questionnaires were sent to 95 potential participants, 56 replied who represented 73 funds. In addition, alternative information was used to obtain information on a further 17 private equity firms representing 19 funds that did not complete the questionnaire. Although these did not provide us with as much information as our questionnaire, we believe the information is complete and understated, if anything. From both KPMG and SAVCA's understanding of the Industry, we believe that the survey represents in excess of 90% of the South African private equity industry by funds under management.

This year's survey has again highlighted the resilience of our industry in the face of difficult market conditions. Private equity remains flexible and agile as seen by the record amount of funds deployed into follow-on investments and the amounts returned to investors. Fund raising, the life blood of the industry, continues at healthy levels. The survey saw the inclusion, for the first time of the PIC's Isibaya fund which has some R8 billion of assets under management. Even with this inclusion the historical total assets under management in the industry has continued to grow year-on-year.

South Africa remains an attractive destination for capital with its advantages in infrastructure and skills. Many portfolio companies are, however, finding the regulatory environment restrictive. It is with increasing occurrence that funds previously wholly focused on South Africa are looking at opportunities in the rest of the continent. Africa, with its young and growing middle class population, is attracting the attention of many new investors.





Both Independent Funds and Captives Financial Services make up the majority of the funds under management. The Banking captives in particular, are experiencing increasing regulatory reforms which may see this sector decline in time. It is the view of KPMG and SAVCA that these funds will not be lost to the industry, but will result in Semi-Captives, new Independent Funds and even be absorbed into existing funds.

The private equity industry again entrenched and facilitated Black Economic Empowerment through both their management companies and in their portfolio investments. Investments which are classified as non-empowered, remain less than 25% of the total funds under management.

Turning to the actual results for the 2011 calendar year, we will leave the reader to reflect on the detail in the report, however, it is worth noting that the reported total funds under management are at an all time high of R115.8 billion.

Undrawn commitments total R34.1 billion, reflects a significant potential for future transactions. The industry remains in a healthy and steadfast position.

SAVCA and KPMG would like to extend their thanks to all the participants who took part in the survey.

A special word of thanks also goes to the survey-committee and, in particular, the previous Executive Officer of SAVCA, J-P Fourie, who has played a vital role in compiling this and previous surveys. We also owe a deep level of gratitude to KPMG's Private Equity Client & Sectors team for their tireless efforts in producing this survey.

Warren Watkins

Director – KPMG Services (Pty) Ltd
Head of Private Equity Client & Sectors –
Africa Region

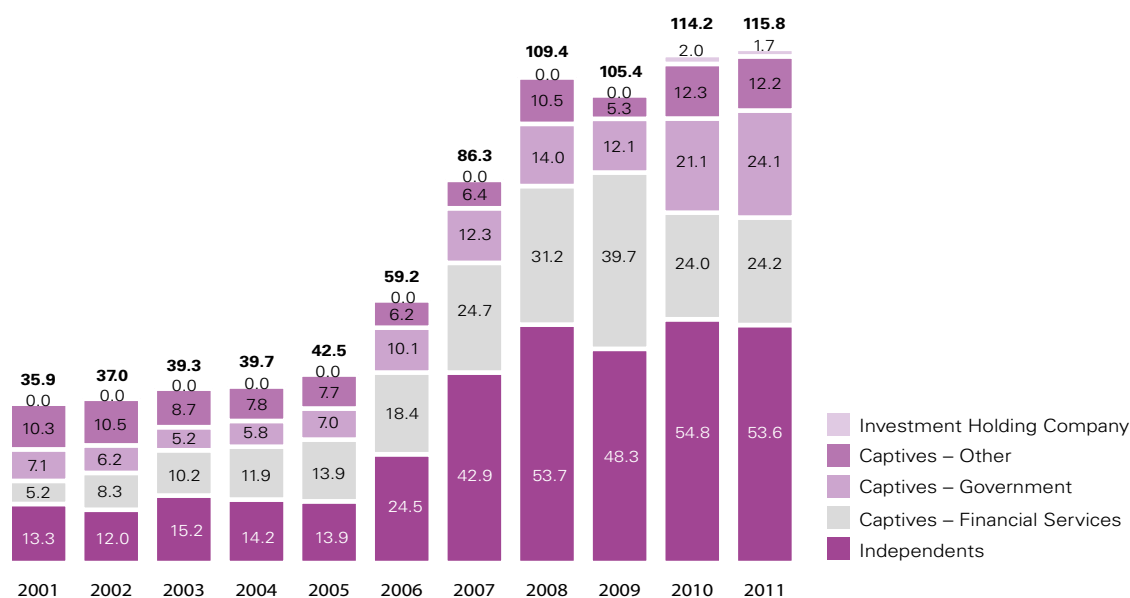
Emile du Toit

Chairperson – SAVCA

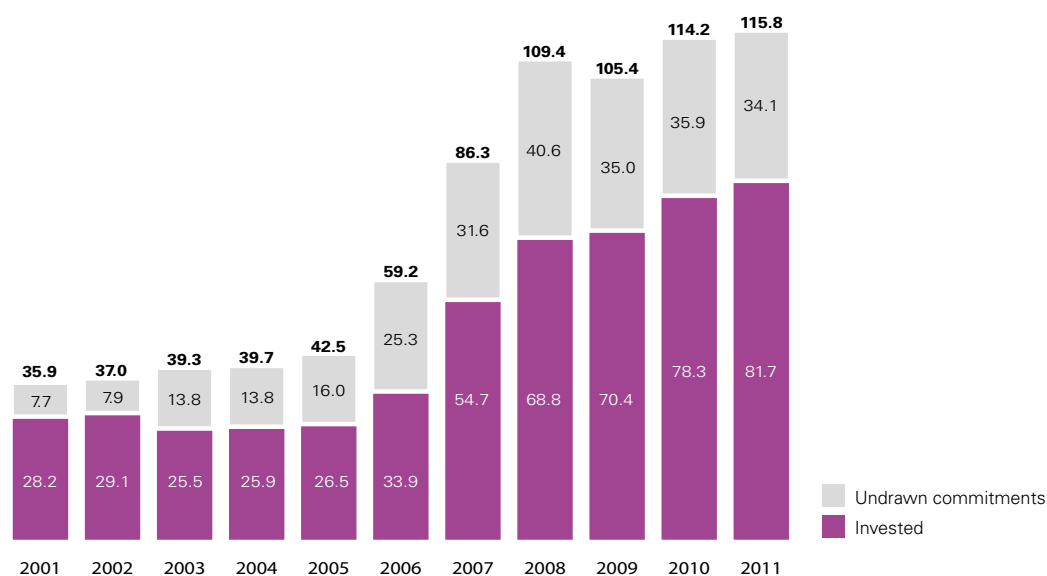
Highlights

- South Africa's private equity industry had R115.8 billion in funds under management at 31 December 2011, an increase of 1.4% from R114.2 billion at 31 December 2010. This represents a compound annual growth rate of 11.6% (excluding undrawn commitments) since 1999 when the survey first began.
- R34.1 billion of the funds under management are in undrawn commitments at the end of 2011, and are available for future investments. This represents a decrease of 5.0% from the R35.9 billion of undrawn commitments at the end of 2010.
- Of the R34.1 billion in undrawn commitments, R31.7 billion (93%) is with both Independents (R21.7 billion) and Captives-Financial Services (R10.0 billion).
- Captives-Government and fund managers that are themselves black-owned, empowered or influenced (that is, have at least 5% black ownership) had R89.0 billion of funds under management at 31 December 2011, an increase of 1.5% (2010: R87.7 billion). Of the total funds under management 76.9% are thus at least black-influenced or classified as Captives-Government (2010: 76.8%).
- R8.3 billion was raised during 2011, which is down from the R11.4 billion of funds that were raised during 2010. These funds are almost exclusively earmarked for later stage investment.
- 75.0% of all funds raised during 2011 were from South African sources (2010: 38.7%). South Africa has been the source of 47% of cumulative funds raised to date and not yet returned to investors (2010: 43%).
- Investment activity is up 32.2% from R11.8 billion during 2010 to R15.6 billion during 2011. Of the R15.6 billion invested, R8.6 billion was follow-on investments, and R7.0 billion was new investments.
- Investment activity for independents only, as a % of GDP was 0.17% (2010: 0.24%). This compares with the UK of 0.75% and the US of 0.98%. Israel retains the highest percentage at 2.05%.
- A record amount of R25.7 billion was returned to investors in 2011 (2010: R18.1 billion).

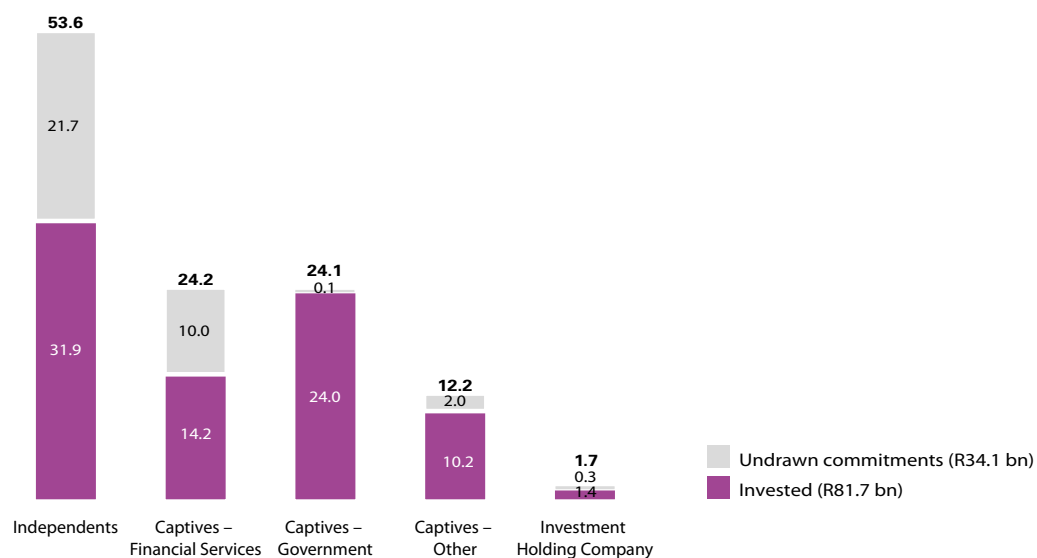
Composition of total funds under management at year end (Rbn)



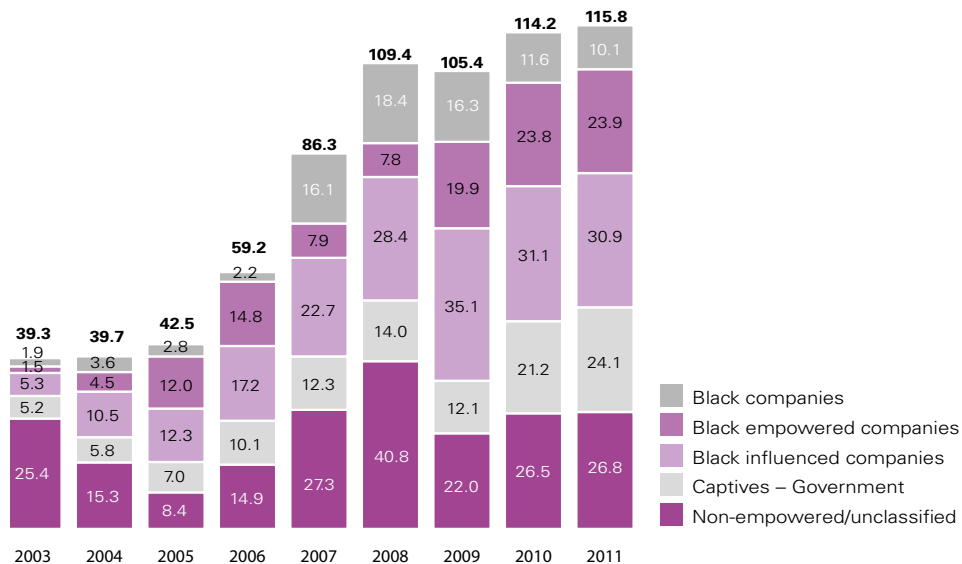
Total funds under management at year end, split by undrawn commitments and investments (Rbn)



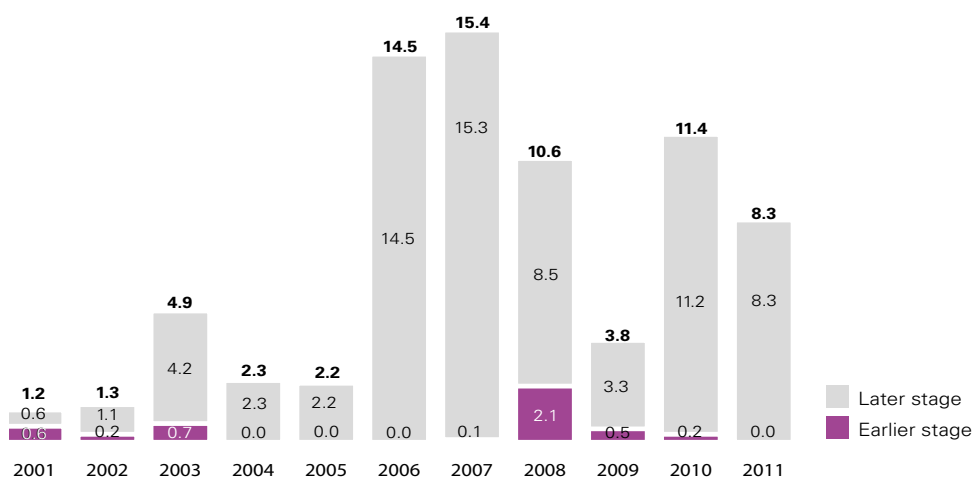
Total funds under management by type as at 31 December 2011, split by undrawn commitments and invested (Rbn)



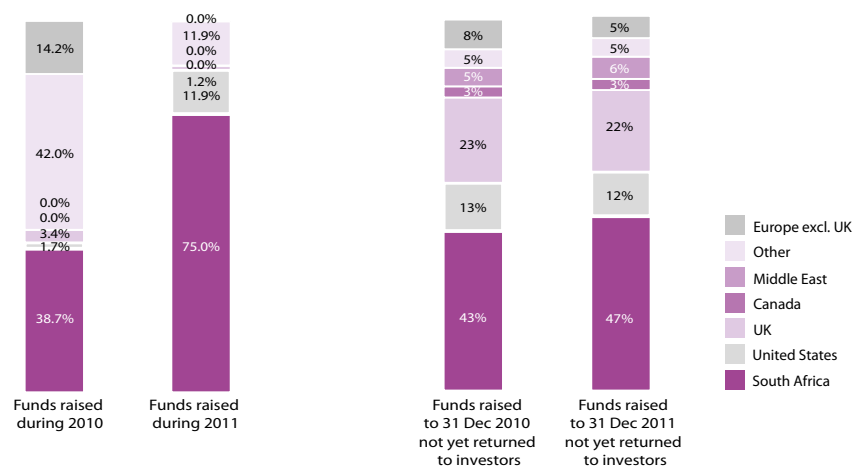
Funds under management by BEE fund managers at year end (Rbn)



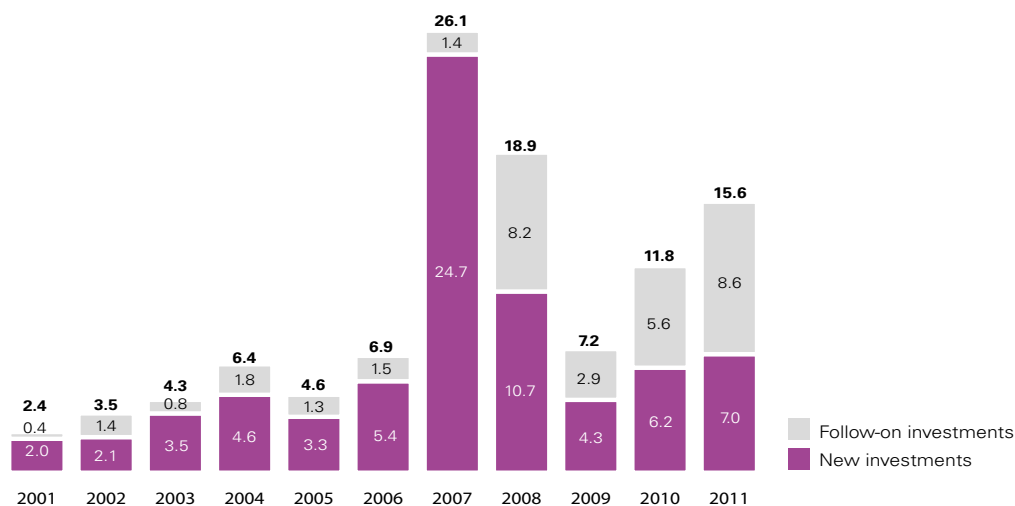
Third party funds raised during the year, analysed by fund stage (Rbn)



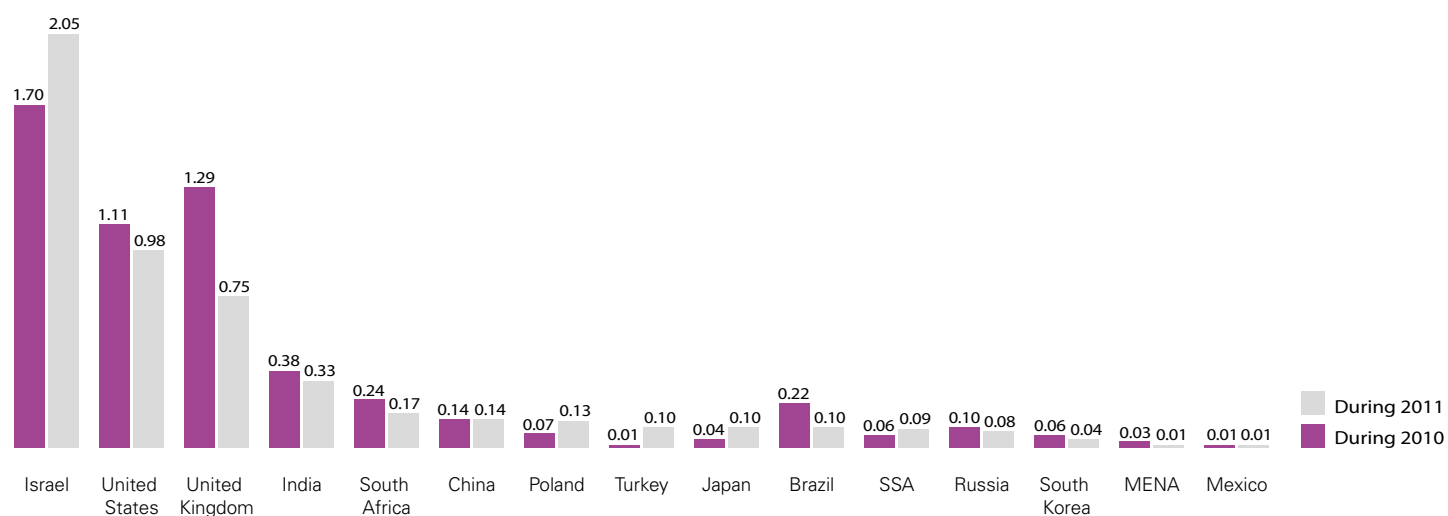
Geographic sources of third party funds raised



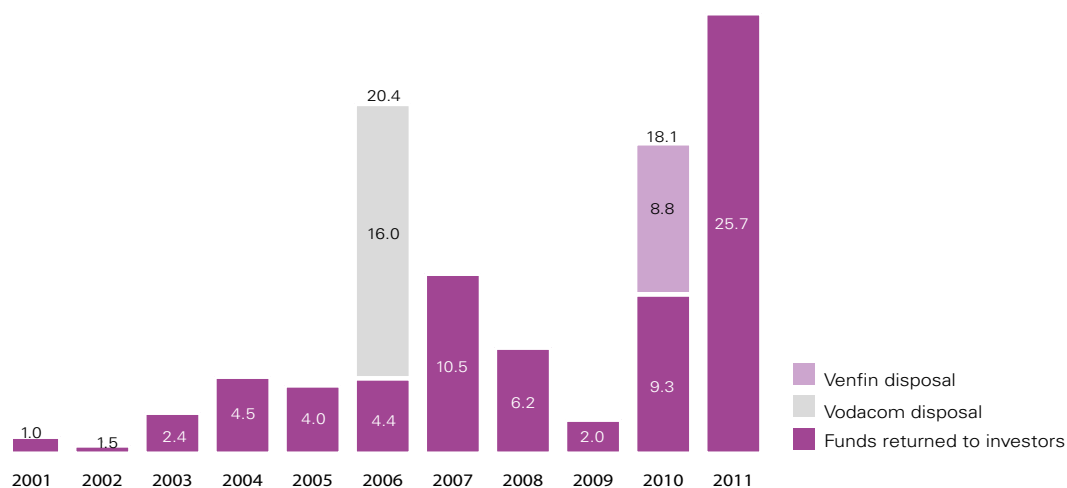
Cost of investments made during the year, analysed by new and follow-on investments (Rbn)



Private Equity annual investment by independents as a percentage of GDP (%)



Funds returned to investors during the year (Rbn)



Sources of information

The principal source of information for this survey was the survey questionnaire. In addition we have used the SAVCA Handbook, held discussions with certain private equity industry participants, as well as sourced public information on private equity funds, including international surveys.

The survey questionnaire was developed jointly by KPMG in South African and a specially constituted SAVCA sub-committee.

For clarity, the guidelines for participation in this survey are as follows:

Participants must:

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

We note that determining the level of private equity industry activity is not an easy task. Whilst certain parties lobby for a more inclusive approach to measurement, others believe that overstating the level of local activity is a disservice to the industry as this could possibly reduce the appetite of Development Financing Institutions (DFIs) and foreign investors to commit funds to South Africa in favour of other under-funded emerging markets. The 'purists' also argue that this survey should only measure the activity of the independent funds, as these form the core of the professionally managed private equity industry both locally and globally. This, however, would negate the significant role played by corporates, banks and DFIs in private equity in South Africa. For the purposes of presentation, and elimination if deemed necessary by specific users, we have presented data, wherever possible, split between the various types of fund managers.

Questionnaires were e-mailed to 95 (2010:102) entities that indicated that they would consider participating in the survey, 56 (2010:55) of which (representing 73 funds (2010:68)) completed the questionnaire. In addition, alternative sources were used to obtain information on a further 17 private equity firms, representing 19 funds, that did not complete the questionnaire. Although these alternative sources did not provide us with as much information as our questionnaire, we believe that the information is complete and understated, if anything.

In analysing the data, it is worth noting that comparative data for 2010 could have been restated by participants for errors/omissions in data provided for previous surveys. In addition, 2010 data is also restated for the inclusion/exclusion of funds that did/did not participate in the 2010 survey.

Other empirical data has been sourced from various sources, including:

- EMPEA Industry Statistics – Fundraising & Investment Analytics – 2011; Historical Statistics – Since 2002; Performance Data – Q3 2011 – Data as of 15 March 2012
- EVCA/Thomson Reuters European PE Returns Preliminary Performance Benchmark Study
- RisCura South African Private Equity Performance Report – Quarter ended: 31 December 2011
- Statistics South Africa
- Zephyr – a Bureau van Dijk product
- Other sources specifically included in the footnotes.

In compiling the information for this survey, KPMG has worked closely with a SAVCA sub-committee, to try to ensure meaningful interpretation and comment has been included in this report. The sub-committee reviews the document prior to its public release, but does not have access to any of the individually completed questionnaires submitted to KPMG or any other information not presented in this publication.

Although care has been taken in the compilation of the survey results, KPMG and SAVCA do not guarantee the reliability of its sources or of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

Introduction to private equity

The term 'private equity' refers to shareholder capital invested in private companies, as distinguished from publicly listed companies. Private equity funds are generally investment vehicles that invest primarily in enterprises which are not listed on a public stock exchange.

An enterprise may seek private equity financing for a variety of applications, from increasing its working capital base in times of business expansion, developing new technologies and products to grow and remain competitive, making acquisitions of other businesses, to buying out certain shareholders to restructure the ownership and management of the business. Another vital application of private equity in South Africa is facilitating the introduction of BEE investment.

The role of private equity

Investments by private equity funds into companies hold great benefits besides the mere cash effect to develop businesses. Private equity investments have considerable impacts in terms of productivity, skills development and job creation, as it includes the transfer and exchange of know-how and not only the flow of capital. Private equity fund managers play an active role in managing their investments in companies as they derive a return from the increased valuation of their investments (not just debt repayment and an associated interest rate) and hence focus on business development for the companies they invest in.

In South Africa the private equity industry represents a significant sector within the overall financial services industry, and an attractive asset class within the broader capital markets. As seen across a range of indicators, the profile of the local private equity industry is that of a productive contributor to the development of the South African economy. These contributions are detailed in The Economic Impact of Venture Capital and Private Equity in South Africa 2009 study, which is available from SAVCA. In addition private equity facilitates BEE, addresses economic imbalances of the past, promotes entrepreneurial initiatives and positions South Africa to compete successfully on the global stage.

Through the use of leverage in certain transactions, private equity sponsors can assist in improving the capital efficiency of their investee companies.

As can be seen in this survey, private equity is an important source of Foreign Direct Investment (FDI), both indirectly via the raising of offshore money by local fund managers but also by direct co-investment by foreign investors.

Investment stages

For the purposes of this survey we have broadly classified private equity into three sub-classes, namely:

- venture capital
- development capital
- buy-out funding.

Figure 1: Private equity investment stages

| Private equity category | Stage of business development | Typical application |
|----------------------------|-------------------------------|---|
| Venture capital | Seed capital | Funding for research, evaluation and development of a concept or business before the business starts trading. |
| | Start-up and early stage | Funding for new companies being set up or for the development of those which have been in business for a short time (one to three years). |
| Development capital | Expansion and development | Funding for growth and expansion of a company which is breaking even or trading profitably. |
| Buy-out | Leveraged buy-out or buy-in | Funding to enable a management team or empowerment partner, either existing or new, and their backers to acquire a business from the existing owners, whether a family, conglomerate or other. Unlike venture and development capital, the proceeds of a buy-out generally go to the previous owners of the entity. Buy-outs are often leveraged. |
| | Replacement capital | Funding for the purchase of existing shares in a company from other shareholders, whether individuals, other venture-backers or the public through the stock market. Unlike venture and development capital, the proceeds of replacement capital transactions are generally paid to the previous owners of the entity. |

Development of private equity in South Africa

Beyond being defined as a range of investment categories applicable to non-listed companies, private equity is also a distinct asset class within the broader capital market, and is supported by a well-defined industry made up of various players and stakeholders.

The current profile of the private equity industry in South Africa is the result of various historical developments in the country and in global capital markets. In South Africa, the industry was boosted by the large number of leveraged buy-outs and management buy-outs (LBOs and MBOs), resulting from the widespread disinvestment of multinationals from South Africa in the 1980s. These transactions were structured, financed and managed by the major commercial, merchant and investment banks of the time.

As these local banks developed the in-house expertise to manage private equity investments on an internally funded basis, there was a global trend, especially in the US and Europe (more specifically the UK) towards the formation and management of private equity funds whose capital was sourced from third party investors such as pension funds, large corporations and other institutional entities.

In South Africa the private equity industry benefited from the global trend towards recognising the asset class as an attractive investment vehicle for investors, combined with its growing reputation as an effective means of economic development for Governments and development agencies. It may be argued that South Africa has one of the most sophisticated private equity industries among emerging and developed markets, with different funds at all stages of business development, from start-up venture capital funds through to late-stage and buy-out funds.

Globally in 2000 the vast majority of funds (77%), were focused on North America. This has subsequently fallen to 44.5% in 2011, as private equity has steadily globalised¹.

¹ Information supplied by Zephyr – a BVD product

Types of private equity firms

A distinction needs to be made between captive and independent fund managers. Fund managers include Independents who manage funds on behalf of third parties as well as Captives who manage on-balance sheet investments that were funded by a parent or group often from an indeterminate pool of money. Captive funds are for the purpose of this survey further classified into the captive funds of Government, financial services (including banks and insurance companies) and other captive funds (including corporates). A further category of funds has been included in the 2011 survey for Investment Holding Companies ².

Independent fund managers raise cash commitments from third party investors. Generally, in terms of the agreement between the third party investors and the private equity fund manager, the private equity firm draws down on the commitments as and when investments are to be made. Independents are the dominant type of firm in the UK, the rest of Europe and in the US, where these funds are structured as limited partnerships. Private equity firms typically act as the general partner of the limited partnership, whilst institutions and other investors become limited partners.

Unlike captive funds, independent funds are usually closed ended. This means that once a fund has been raised, it is closed out, following which no further commitments are accepted from third parties. Typically, third parties' commitments expire, often according to a time schedule based on a 'use it or lose it' principle, once a maximum drawdown time period expires. Professional private equity managers usually earn income from a combination of a management fee based on total commitments plus an enhanced carried interest, which is based on the performance of the fund relative to a benchmark. Captive fund managers usually do not charge any management fee.

In line with recent trends in many developed private equity markets, we are likely to soon see the 'spin-out' of private equity teams of some of South Africa's financial institutions into semi-captive fund managers.

² An investment vehicle that acts as a holding company by owning shares of other companies. Investment Holding companies typically do not have committed investable sources of capital from third parties (as the case with Independents); and typically are able to have longer term investment holding periods

Black Economic Empowerment

One of the notable features of South Africa's private equity industry is the very significant role it plays in the development of BEE. The industry's impact on BEE is far reaching, as detailed in the various sections of this survey. It is specifically important to note that:

- The Codes of Good Practice for Broad-Based BEE (BEE Codes), issued by the Department of Trade and Industry (DTI), stipulate the conditions under which a company may treat its ownership arising from a private equity fund as if that ownership were held by black people. These requirements were finalised in June 2007 and provide clarity on how to further increase its already significant contribution on this vital socio-economic process. The requirements can be summarised as follows:
 - More than 50% of any exercisable voting rights associated with the equity instruments through which the private equity fund manager holds rights of ownership must be held by black people
 - More than 50% of the profits made by the private equity fund manager after realising any investment made by it, must by written agreement, accrue to black people
 - The private equity fund manager must be a black-owned company, as defined in the BEE Codes
 - Over a 10-year period, the private equity fund must have more than 50% of the value of funds invested, invested in black-owned enterprises that have at least 25% direct black ownership.
- Private equity transactions enable higher gearing, whereby a combination of private equity investment and bank loans allow the implementation of an appropriately geared financial structure, allowing management of the investee company to acquire a significant stake in the company. This leveraged model also creates opportunities for the involvement of black management and other BEE parties in the ownership and management of the investee company.
- The vast majority of transactions concluded by the industry have a significant BEE component and the majority of private equity fund managers have a BEE element to their own shareholding structure.



Funds under management

The survey shows that South Africa's private equity industry now has a total of R115.8 billion funds under management (inclusive of undrawn commitments of R34.1 billion). This includes both Captives, Independents and Private Equity Investment Holding Companies. It also includes for the first time the PIC's fund of some of R8 billion. This total is a R1.6 billion (1.4%) increase from funds under management at 31 December 2010 of R114.2 billion (inclusive of R35.9 billion undrawn commitments).

The industry has achieved a compound annual growth rate of 11.6% of total funds under management (excluding undrawn commitments) since 1999 when the survey began. In analysing the research it is important to note that, only comparative 2010 information has been restated, but not pre-2010 information. This takes into account participants updated returns and due to the inclusion or exclusion of funds that did or did not participate in the 2010 survey.

Funds under management by Captives-Government increased on a restated amount from 2009 to 2010 from R12.1 billion to R21.2 billion. The main reason for this is the first time inclusion in the survey of the Isibaya Fund as administered by the PIC, which amounts to R8.3 billion in 2010.

Independents have decreased total funds under management by R1.2 billion from R54.8 billion at 31 December 2010 to R53.6 billion at 31 December 2011.

Captives-Financial Services' total funds under management increased by R0.2 billion from R24.0 billion at 31 December 2010 to R24.2 billion at 31 December 2011.

Independents and Captives-Financial Services in 2011 account for 67% of the total Funds Under Management.

General funds remain dominant, with more than two thirds of funds under management at 31 December 2011 in the category (74.5%) of General/No specific focus.

Total undrawn commitments at 31 December 2011 are R34.1 billion (2010: R35.9 billion), of which R21.7 billion (2010: R23.5 billion) reflects the undrawn commitments of Independent fund managers.

Captives-Government and fund managers that are themselves black-owned, empowered or influenced (that is, have at least 5% black ownership) had R89.0 billion of funds under management at 31 December 2011, a increase of 1.5% (2010: R87.7 billion). 76.9% of total funds under management are thus at least black-influenced or classified as Captives-Government (2010: 76.7%).

R19.1 billion of the funds under management of at least black-influenced companies and Captives-Government at 31 December 2011 (2010: R20.2 billion) remain undrawn at year-end. This represents 56.0% of the total undrawn commitments (2010: 56.3%).

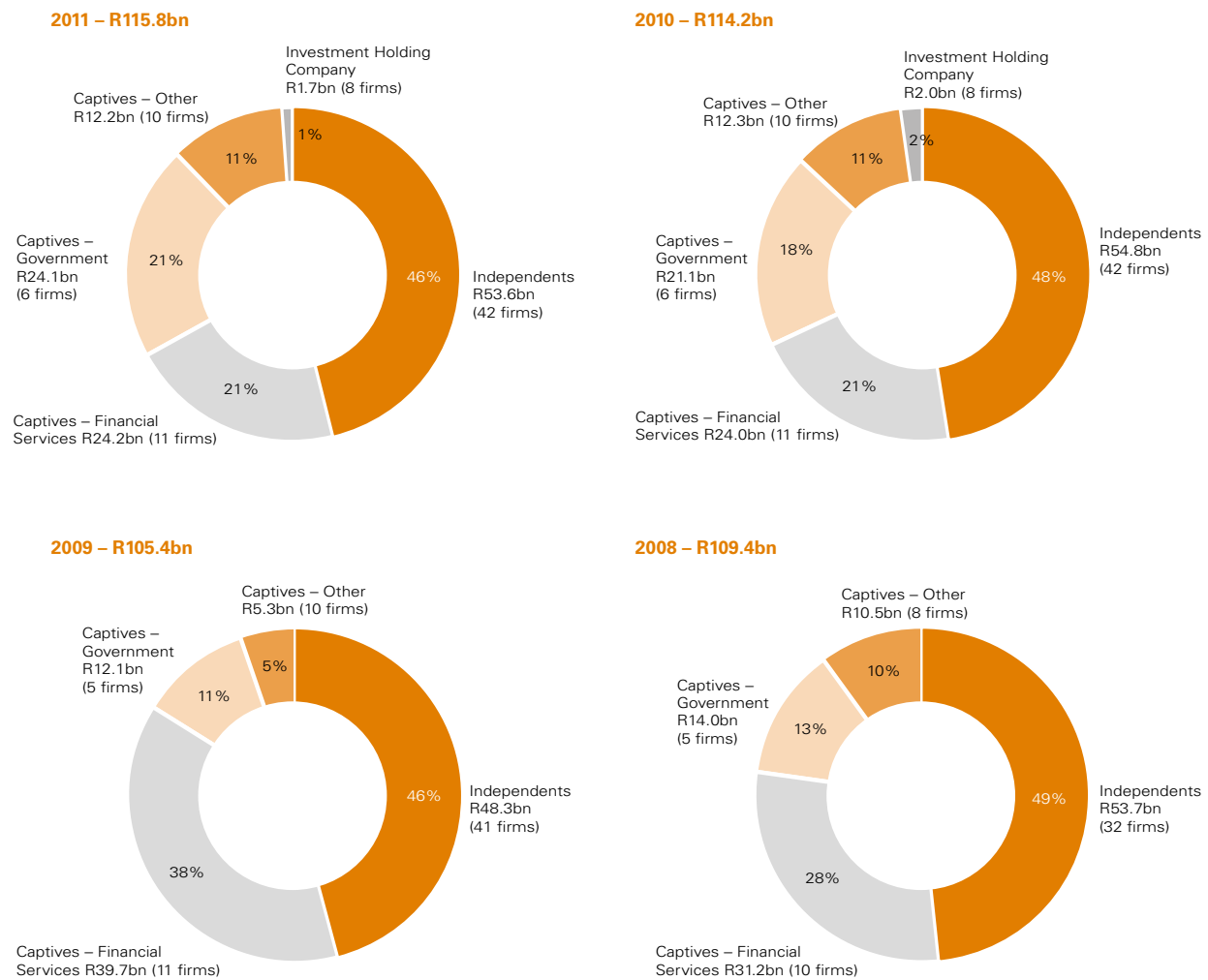
Figure 2: Total funds under management

Figure 3: Composition of funds under management at year end (Rbn)

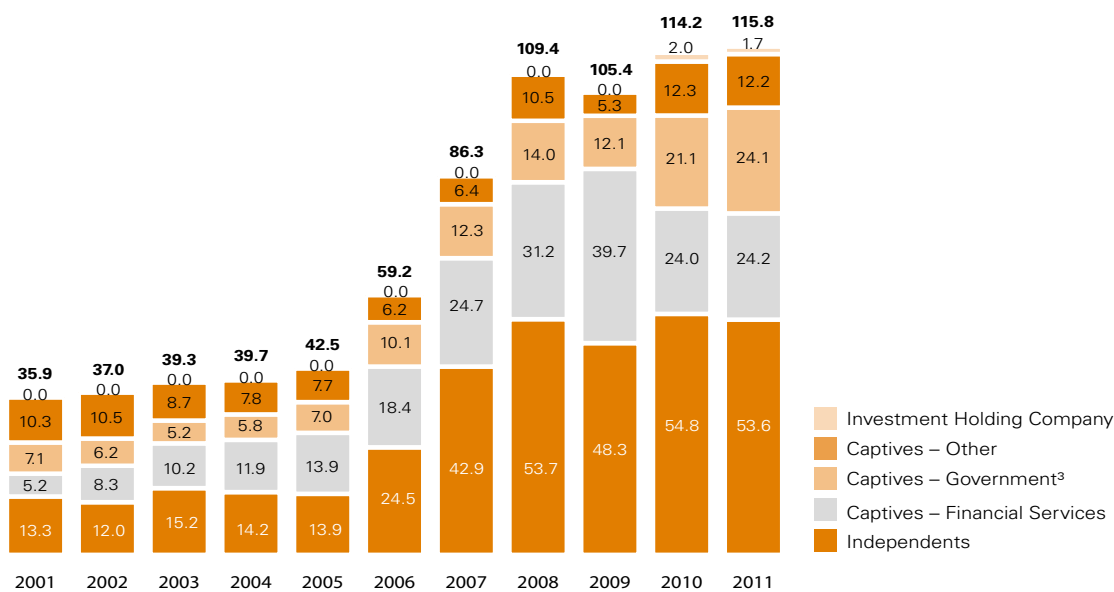
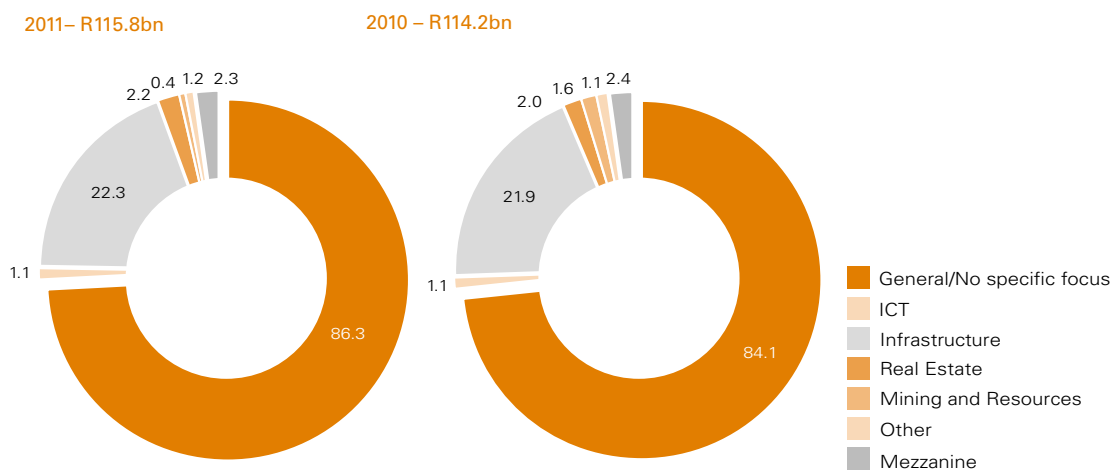


Figure 4: Composition of total funds under management at year end by the focus of the fund (Rbn), includes Pan-African funds⁴



³ Captives-Government includes the PIC Isibaya fund for the first time in 2010 (R8.3 billion) and 2011 (R9.2 billion).

⁴ The total funds under management includes Pan-Africa funds who have an element of undrawn commitments that may be invested in South Africa or other unspecified African countries.

Figure 5: Total funds under management at year end, split by undrawn commitments and investments (Rbn)

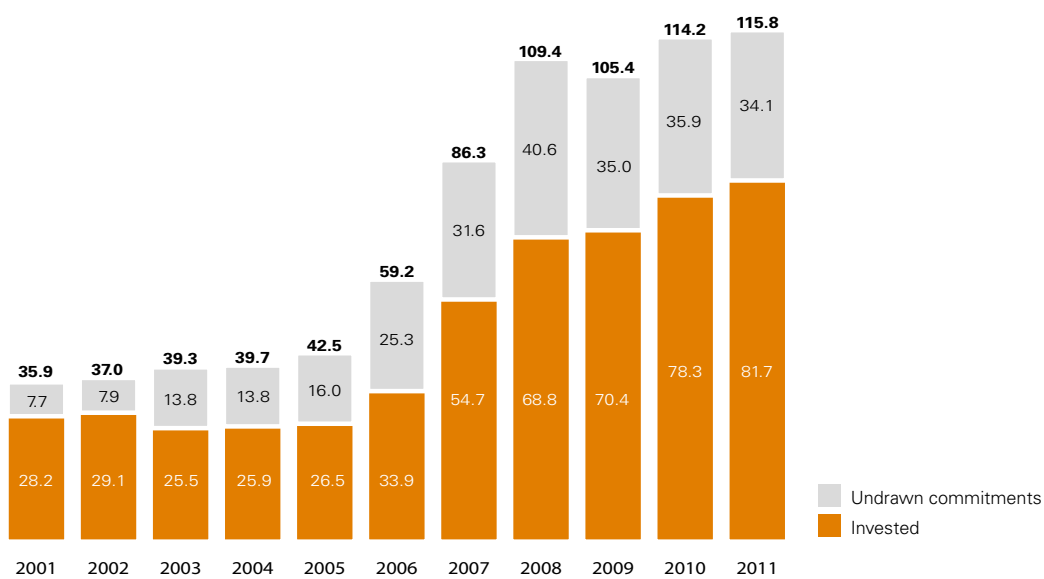


Figure 6: Total funds under management by type as at 31 December 2011, split by undrawn commitments and invested (Rbn)

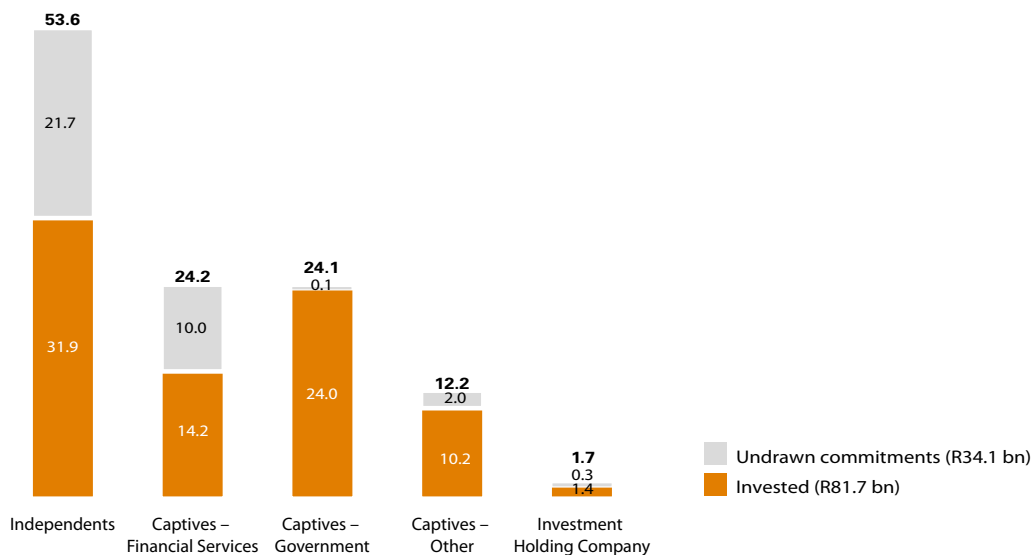


Figure 7: Total funds under management at year end, split by invested and geographical undrawn commitments (Rbn)

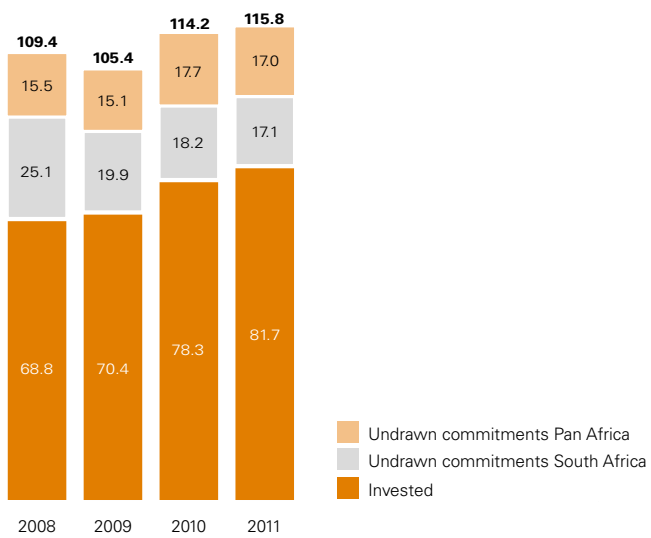


Figure 8: Classification of undrawn commitments by stage of investments (Rbn)

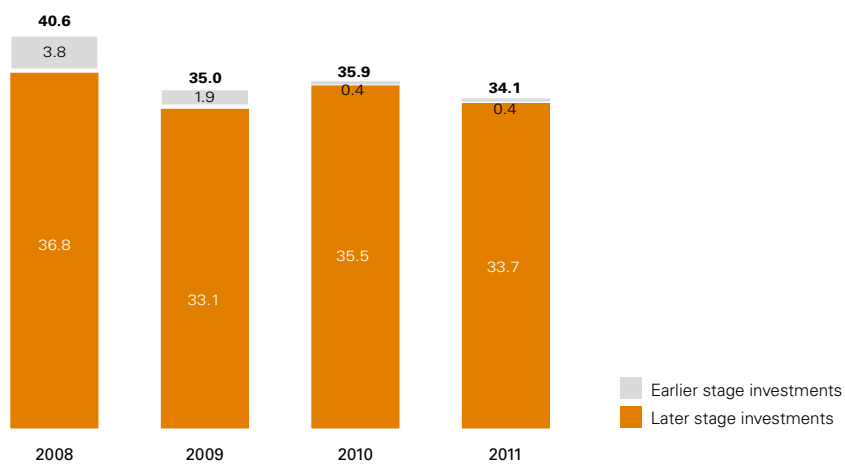


Figure 9: Classification of undrawn commitments by type of fund manager (Rbn)

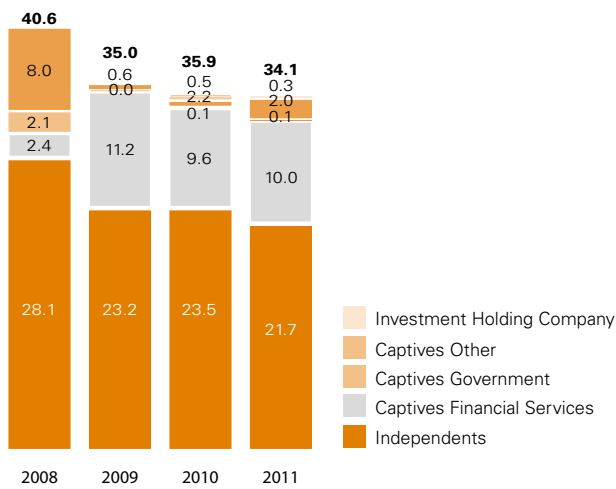


Figure 10: Composition of later stage, independent undrawn commitments by focus of the fund (Rbn)

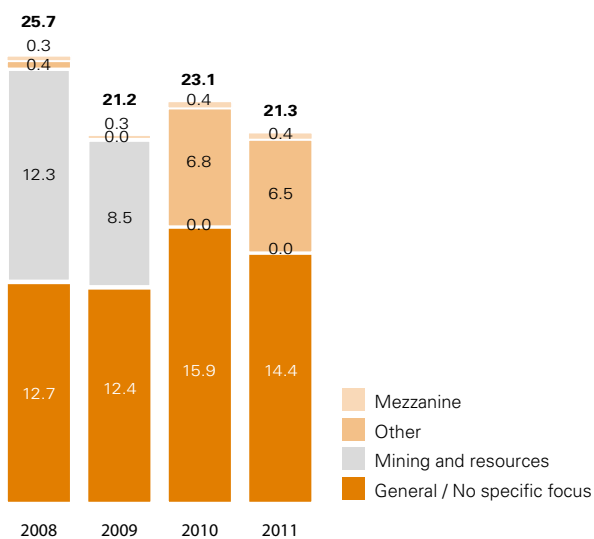
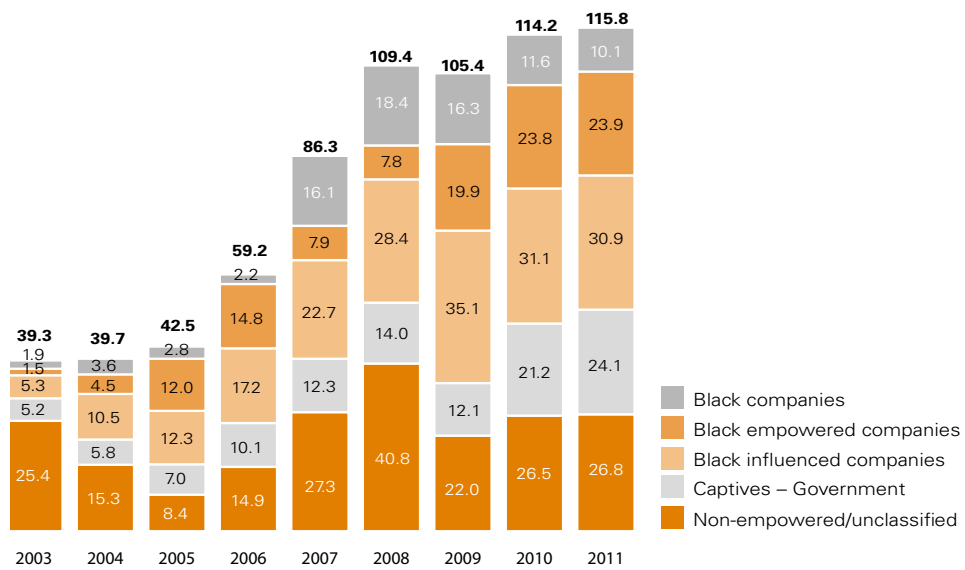


Figure 11: Funds under management by BEE fund managers at year end (Rbn)

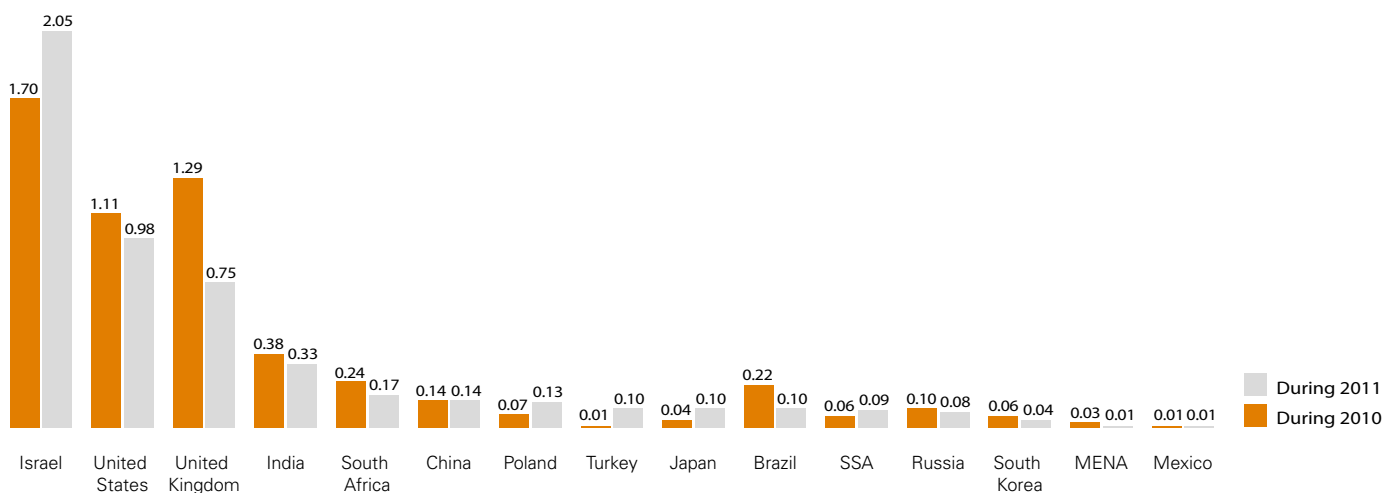


Comparison to the global market

Although the South African private equity industry is small in comparison to those of the US and UK, it is well established and locally significant.

Using the available EMPEA information, but recalculating the South African percentages using the South African survey data, South Africa has investment activity as a percentage of GDP for 2011 of 0.17% (2010: 0.24%). The calculation relates to Independents only in order to compare directly with the EMPEA data. South Africa's Private Equity Investment as a percentage of GDP is higher than China (0.14%), Brazil (0.10%) and Russia (0.08%), but behind India (0.33%). It is still some way off that of the United States (0.98%), the United Kingdom (0.75%) and Israel (2.05%)⁵.

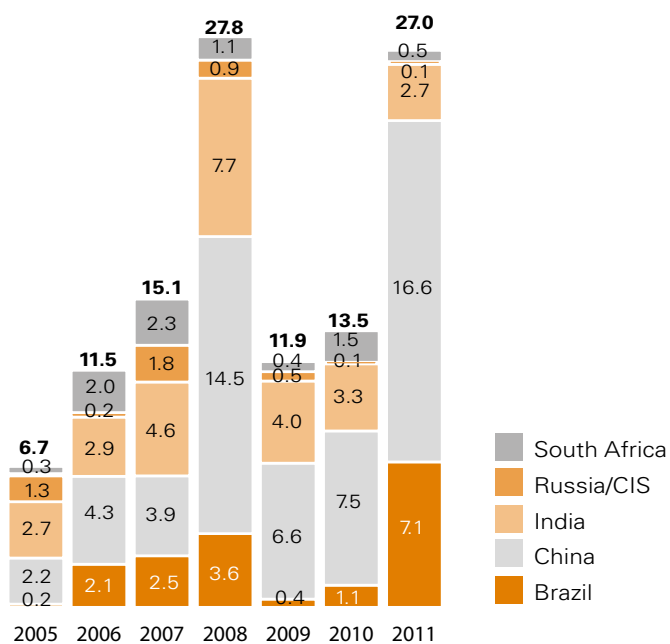
Figure 12: Private Equity annual investment by independents as a percentage of GDP (%)



⁵ Of the five categories of funds used in the KPMG/SAVCA Survey, EMPEA only includes "Independents". All captives, whether financial services, government or other are excluded.

The figure below uses the EMPEA data for Russia/CIS, India, China and Brazil, with South African data collated from this survey. This calculation relates to Independents only in order to compare directly with the EMPEA data.

Figure 13: Emerging markets private equity fund raising totals by select markets US\$m⁶



⁶ EMPEA Industry Statistics – Fundraising & Investment Analytics – 2011; Historical Statistics – Since 2002; Performance Data – Q3 2011 – Data as of 15 March 2012.
South African totals are based on information supplied by the participants in the 2011 survey

The data tables below from Zephyr have been updated to reflect South African data as per this survey. The South African data includes the total investments for the 2011 year, but excludes Business Partners. Business Partners, which has many small deals, was excluded for comparative purposes as many of these smaller deals are not reported and therefore in all likelihood are not included in the Zephyr data.

Figure 14 : Country ranking⁷

| Country Ranking - Deal Value during 2011 (US\$ million) | | | | | |
|---|--------------------------|---------|----|---------------------|--------------|
| 1 | United States Of America | 111 342 | 11 | Italy | 5562 |
| 2 | United Kingdom | 17 349 | 12 | Netherlands | 4760 |
| 3 | Canada | 13 297 | 13 | Germany | 4618 |
| 4 | France | 13 141 | 14 | Cayman Islands | 4490 |
| 5 | Sweden | 10 099 | 15 | Peru | 3934 |
| 6 | Japan | 8 471 | 16 | Finland | 3860 |
| 7 | Australia | 8 263 | 17 | China | 3474 |
| 8 | Russian Federation | 7 144 | 18 | Bermuda | 3328 |
| 9 | India | 6 565 | 19 | Switzerland | 3105 |
| 10 | Spain | 6 287 | 20 | Luxembourg | 3010 |
| | | | 21 | Brazil | 2 775 |
| | | | 22 | Republic Of Korea | 2 707 |
| | | | 23 | Israel | 2 620 |
| | | | 24 | Belgium | 2 588 |
| | | | 25 | Barbados | 2 249 |
| | | | 26 | South Africa | 1 850 |
| | | | 27 | Denmark | 1 389 |
| | | | 28 | Poland | 1 255 |
| | | | 29 | Turkey | 1 148 |
| | | | 30 | Hong Kong | 1 145 |

Figure 15: Country ranking

| Country ranking – Number of deals during 2011 | | | | | |
|---|--------------------------|------------|----|--------------------|----|
| 1 | United States Of America | 1 368 | 11 | Netherlands | 87 |
| 2 | France | 396 | 12 | Italy | 81 |
| 3 | United Kingdom | 364 | 13 | Finland | 68 |
| 4 | India | 276 | 14 | Brazil | 44 |
| 5 | South Africa | 168 | 15 | Belgium | 40 |
| 6 | Germany | 155 | 16 | Australia | 36 |
| 7 | China | 141 | 17 | Israel | 35 |
| 8 | Canada | 116 | 18 | Russian Federation | 34 |
| 9 | Sweden | 101 | 19 | Norway | 34 |
| 10 | Spain | 91 | 20 | Denmark | 27 |
| | | | 21 | Japan | 27 |
| | | | 22 | Poland | 26 |
| | | | 23 | Republic Of Korea | 23 |
| | | | 24 | New Zealand | 22 |
| | | | 25 | Switzerland | 20 |
| | | | 26 | Cayman Islands | 19 |
| | | | 27 | Ireland | 18 |
| | | | 28 | Turkey | 15 |
| | | | 29 | Czech Republic | 13 |
| | | | 30 | Mexico | 12 |

⁷ Information supplied by Zephyr, a BvD product.



Fund raising activity

The total of third party funds raised in 2011 decreased by 27.2% from R11.4 billion during 2010 to R8.3 billion during 2011. The significant majority of these funds are for later stage investment.

The majority of reported fund raising activity during 2010 and 2011 was by Independents (52.8%).

The major fund raisers for 2011 were African Infrastructure Investment Managers, Ethos Private Equity, Old Mutual Investment Group South Africa, the Phatisa Group and Trinitas Private Equity.

In 2010 the major fund raisers included African Infrastructure Investment Managers, Adlevo Capital, Agri-Vie/Sp-Aktif Investments, Emerging Capital Partners, International Housing Solutions, Old Mutual Investment Group South Africa, Trinitas Private Equity, Vantage Risk Capital and Zico Capital.

Of the total R8.3 billion raised in 2011, only R2.1 billion (24.6%) was from foreign sources. 50% of all third party funds raised during 2011 were from pension and endowment funds (2010: 16.3%). The next largest categories during 2011 were insurance companies (19%) and fund of funds (13%).

South Africa contributed 75% (2010: 38.7%) of funds raised during 2011. Funds raised from the USA were the next highest contributor with 11.9% (2010:1.7%).

Cumulatively, of the funds raised but not yet returned to investors, South Africa is the main source of fund raising (47%), ahead of the UK (22%) and the US (12%).

When fund raising overseas, it is essential that local fund managers are able to demonstrate local support. With a 75% contribution to funds raised during 2011, local funders remain an important contributor to the South African private equity industry.

22.6% of cumulative third party funds raised and not returned to investors as at 31 December 2011 were from governments, aid agencies and DFIs, followed by pension and endowment funds (16.8%) and insurance companies (13.4%).

Figure 16: Third party funds raised during the year, analysed by fund stage (Rbn)

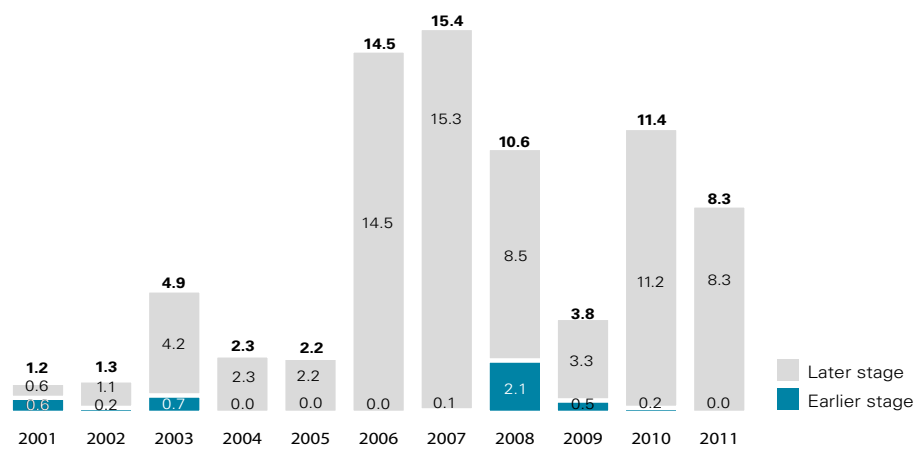


Figure 17: Source of third party funds raised during 2011 (Rm)

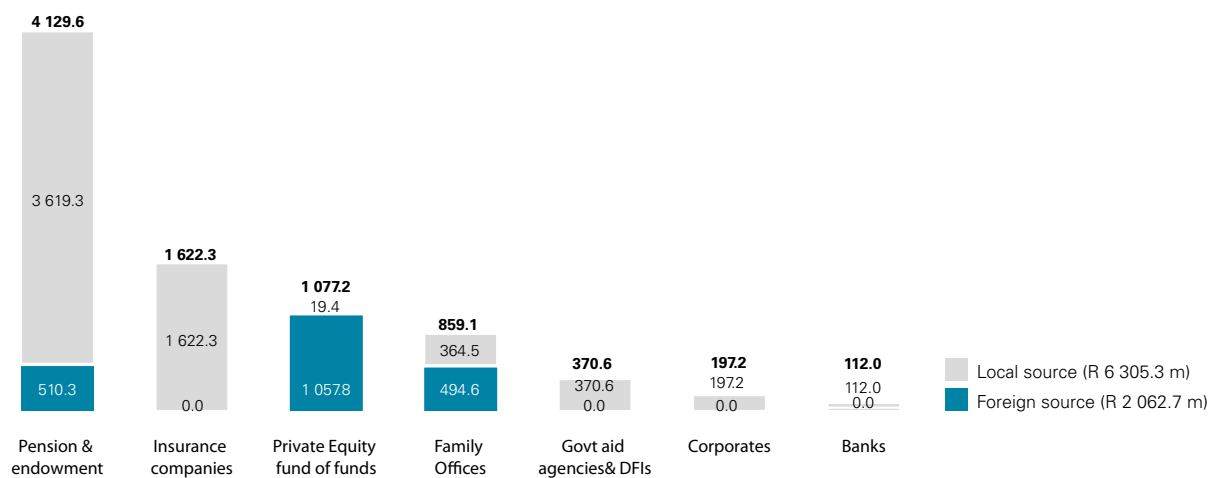


Figure 18: Source of third party funds raised during 2010 (Rm)

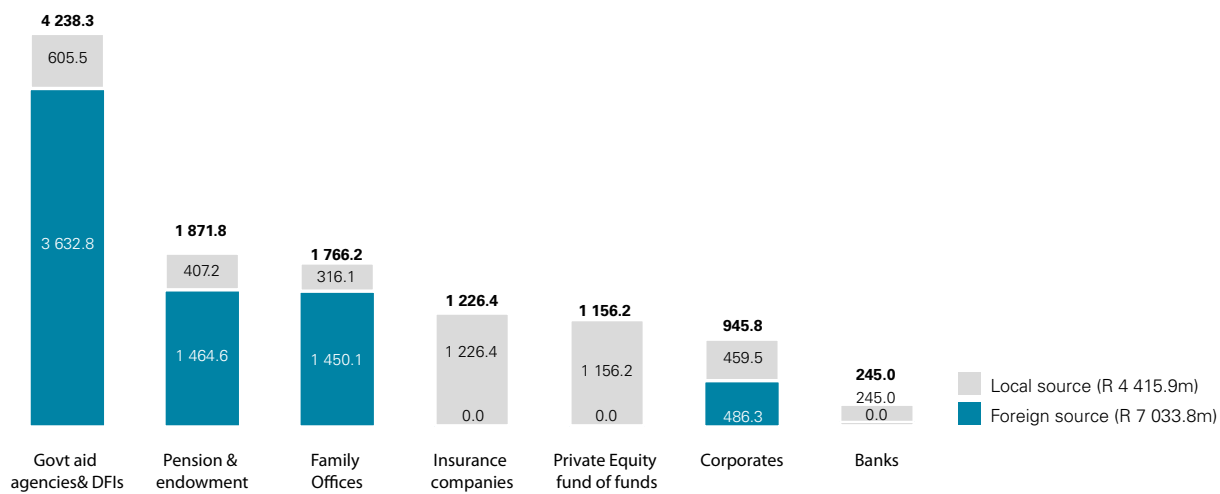


Figure 19: Source of third party funds raised to 31 December 2011 not yet returned to investors (Rm)

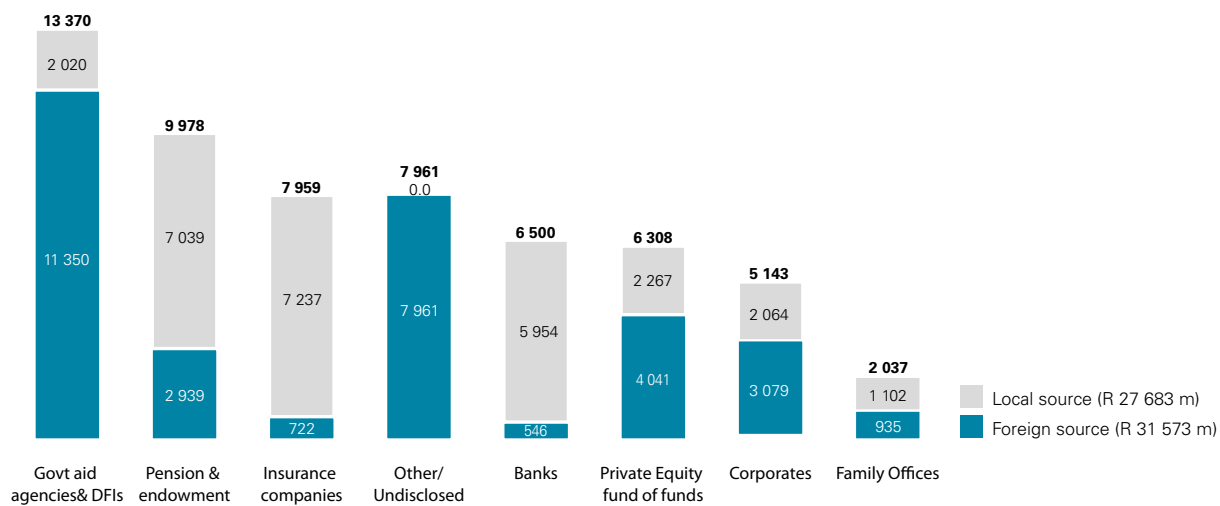
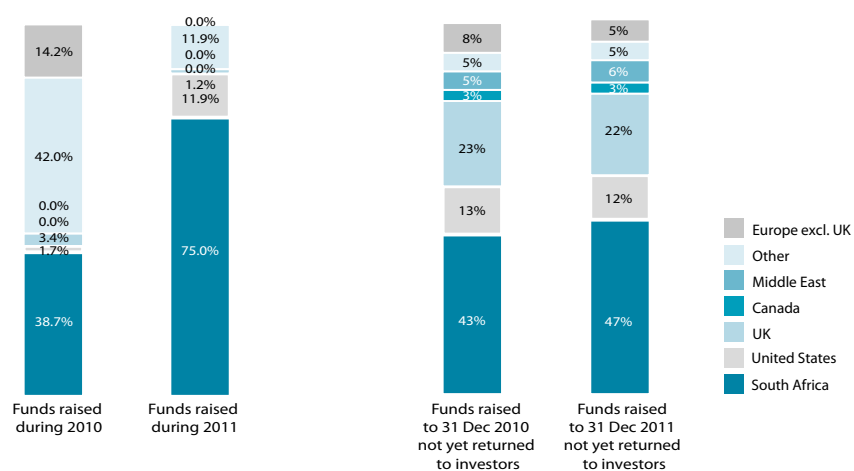


Figure 20: Geographic sources of third party funds raised





Investment activity

The reported value of private equity investments increased by 32.2% from R11.8 billion during 2010 to R15.6 billion during 2011. The total number of investments decreased by 26, from 547 to 521 during the same period.

In 2011, for the first time in the history of the survey, follow-on deals (R8.6 billion) have exceeded new investments (R7.0 billion).

The overall average investment deal size has increased from R21.6 million for the 2010 year to R29.9 million during 2011. New investments' average deal size increased from R17.3 million during 2010 to R19.8 million during 2011 while follow-on investments average deal size increased from R29.8 million during 2010 to R51.5 million during 2011.

In terms of the number of reported investments, Business Partners, classified as Captives-Other, was again by far the most active investor in the South African private equity market, contributing 353 (67.8%) of the total number of reported investments made during 2011 (2010: 375, 68.6%), although less than 1% in terms of the cost of total investments made during 2011 (2010: 4.2%). Business Partners' average deal size was R1.85 million in 2011 compared to R1.35 million in 2010.

If Business Partners' investments are excluded, the total average deal size during 2011 increases to R89 million (2010: R65.7 million), new investments' average deal size during 2011 decreases to R73.9 million (2010: R79.5 million) and follow-on investments average deal size during 2011 increases to R105.6 million (2010: R55.2 million).

Captives-Financial Services, Captives - Government and Independents dominated investment activity by value during 2011. By number, Captives-Other has the largest number of deals, as this category includes investments made by Business Partners.

Of the investments made during 2011 classified into sectors, 31.9% were in the infrastructure sector, 6.4% in the retail sector and 6.4% in the manufacturing sector.

Due to the large retail deals in 2007 and 2008 (House of Busby, Tiger Automotive, Edcon etc.) on a cumulative basis the retail sector still represents 14.7% of funds invested as at 31 December 2011. Infrastructure comprises 16.8% of all unrealized investments at 31 December 2011, with manufacturing making up 14.1%.

The cost of investments into seed, start-up and early stage entities contributed 6.3% of cumulative unrealised investments at 31 December 2011 (2010: 5.6%). This represented 17.9% of the number of investments at 31 December 2011 (2010: 18.6%) and 2011, which is indicative of the proportionally larger transaction values for the later stage types of deals.

Buy-outs as a proportion of investments made increased from 23% in 2010 to 32% in 2011.

Figure 21: Cost of investments made during the year, analysed by new and follow-on investments⁸ (Rbn)

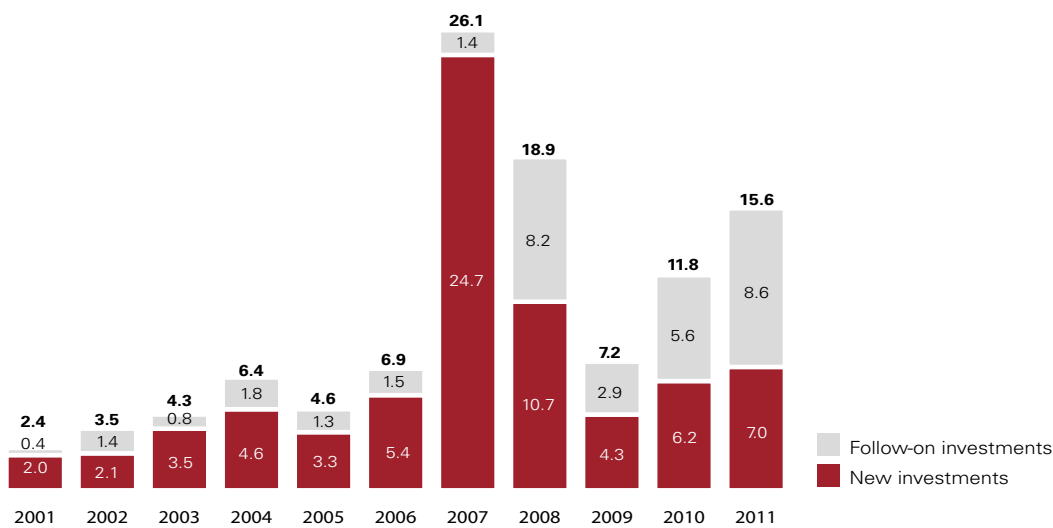
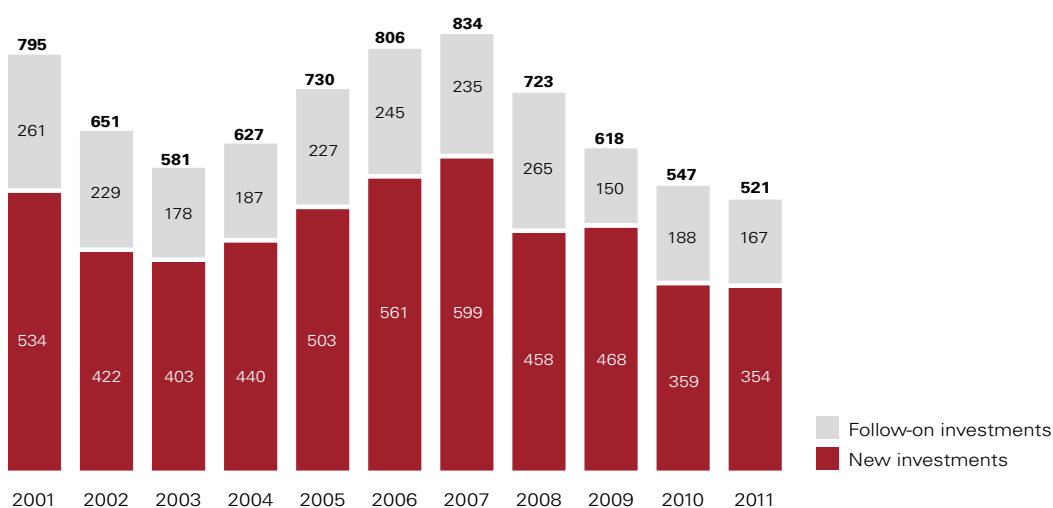


Figure 22: Number of investments made during the year, analysed by new and follow-on investments



⁸ The investment activity for 2005 reported in this survey excludes the acquisition of Waco for R5.4 billion (before accounting for net debt, that is, enterprise value) by CCMP Capital Asia, JP Morgan Partners Global Fund and management. The investment was not included in the survey since the private equity acquirers do not have a local office and the majority of Waco's revenue is also generated offshore. For the 2008 year we have also excluded two investments, due to the lack of information on these investments other than enterprise value. These were the acquisition by Denham Capital of shares in an SA-based energy firm, Bio Therm Energy, with a transaction value of R1.5bn and the acquisition of a significant shareholding in Medi-Clinic Corporation by European based private equity fund, Lehman Brothers Merchant Bank, with a transaction value of R1.3bn. The investments by Brait (as an investment holding company) in Pepkor and Premier Foods in 2011 for approximately R5 billion have also been excluded.

Figure 23: Cost (Rbn) and number of investments made during the year, analysed by type of fund manager

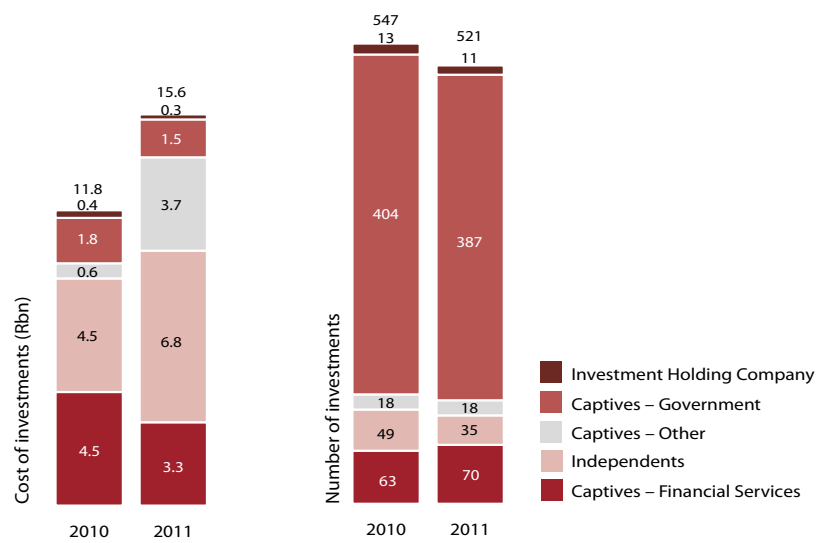
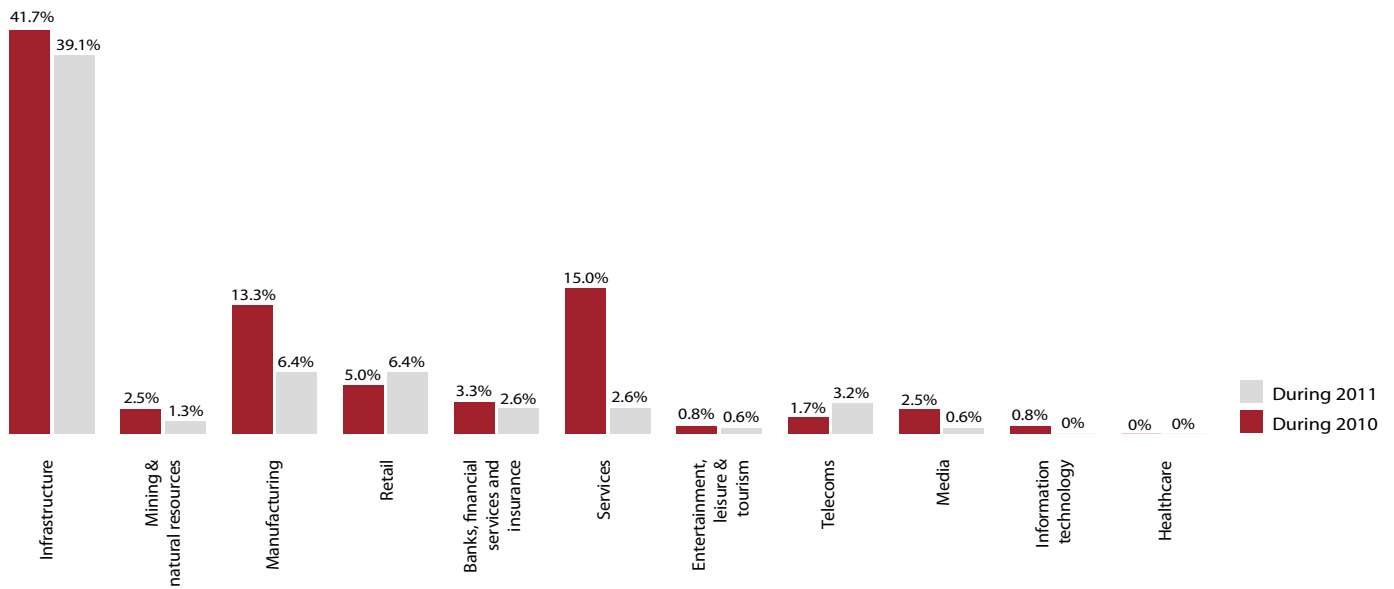
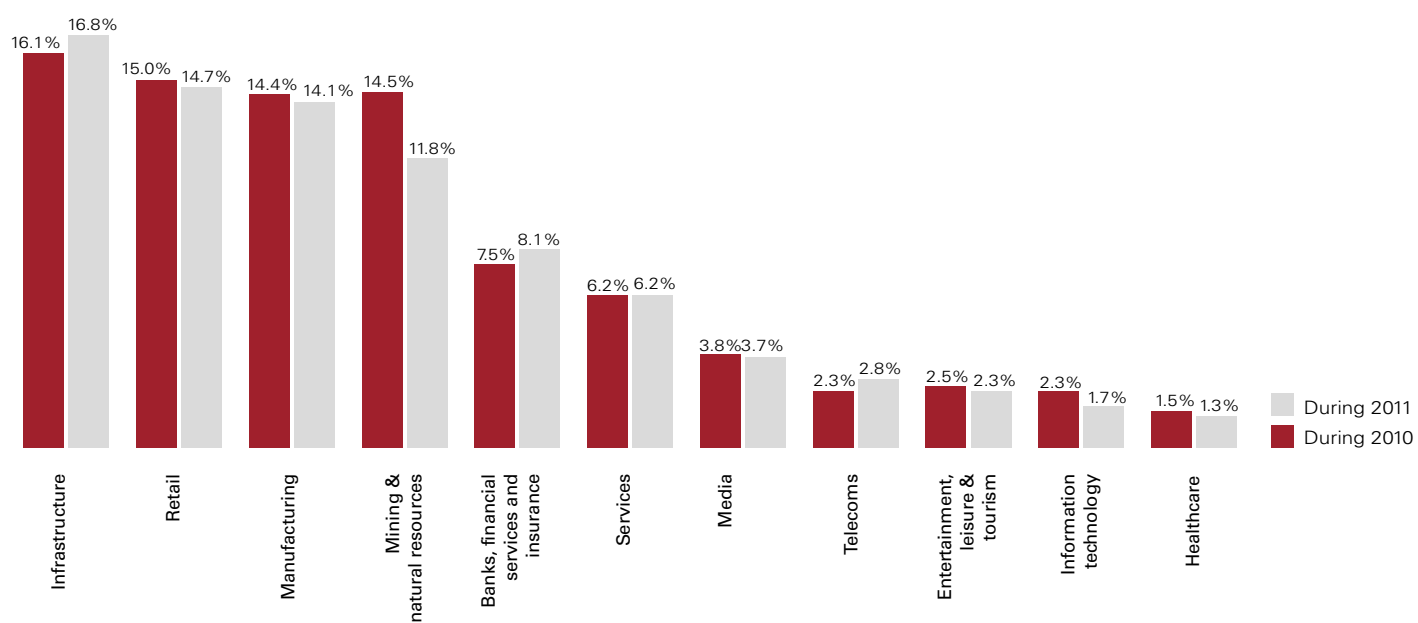


Figure 24: Investments made during the year, analysed by sector⁹

⁹ 37.2% (R 5.8 billion) of investments made during 2011 were classified in the other sector category or not classified at all (2010: 13.4% / R1.6 billion). These have been excluded from the analysis shown.

Figure 25: Unrealised investment portfolio at year end, analysed by sector¹⁰

¹⁰ 16.5% (R13.5 billion) of investments made during 2011 were classified in the other sector category or not classified at all (2010: 13.9% / R10.9 billion). These have been excluded from the analysis shown.

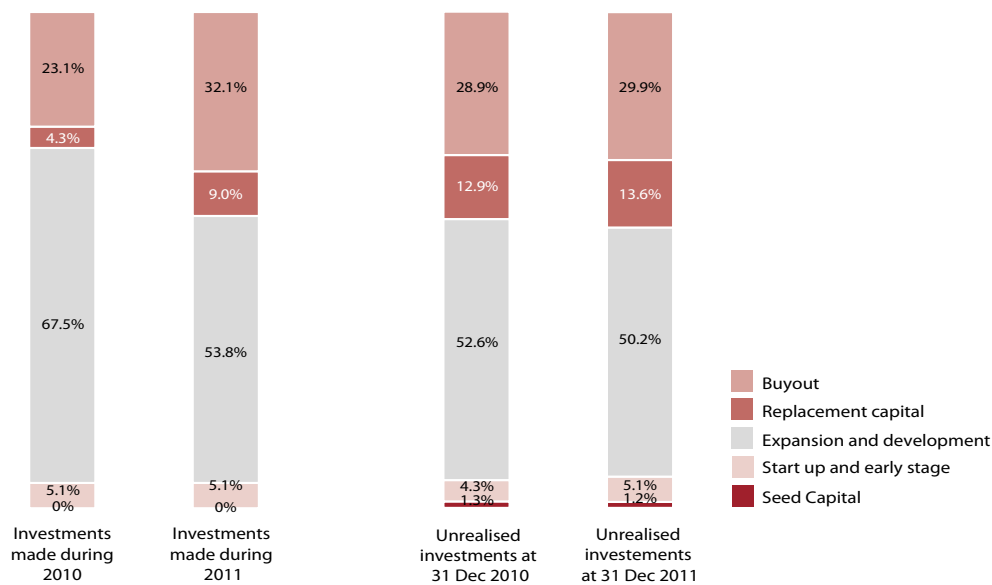
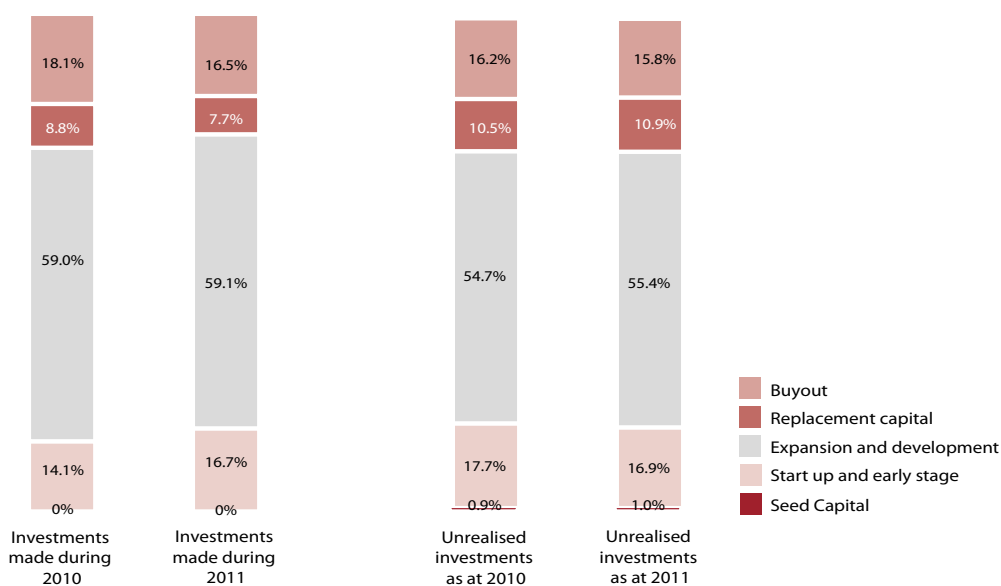
Figure 26: Analysis of investments by stage based on cost of investments¹¹Figure 27: Analysis of investments by stage based on number of investments¹¹¹¹ Investments not classified by stage have been excluded.

Figure 28: The figure below provides an analysis of the Top 10 largest reported private equity transactions in 2011

| Name of investment | Equity provider/s | Debt provider/s | Total funding raised (Rm) | Type of investment | PE Fund's equity interest | Part of syndication | BEE ownership (post deal) |
|---|-----------------------------------|-----------------------------|---------------------------|-------------------------------|---------------------------|---------------------|---------------------------|
| Tracker | Actis, MIC, RMB | Nedbank, Standard Bank, RMB | 3 900 | Replacement capital | 40% | Yes | Black empowered company |
| Liberty Star Consumer Holdings (Pty) Ltd | OMPE | n/a | 2 065 | Replacement capital | 15% | No | Black company |
| Universal Industries | Ethos | Nedbank | 1 300 | LBO | Controlling interest | No | Not empowered |
| Kevro | Ethos | Nedbank | 850 | LBO | Controlling interest | No | Not empowered |
| Lodestone Brands | Standard Chartered Private Equity | – | 300 | Later stage expansion capital | Not disclosed | No | Not disclosed |
| Afrifresh Group | Standard Chartered Private Equity | – | 232 | Later stage expansion capital | 30% | No | Not disclosed |
| Ferro Industrial Products (Pty) Ltd | Investec | Investec | 187 | LBO | Not disclosed | No | Not empowered |
| Vox Telecom Ltd | Investec | – | 172 | LBO | Not disclosed | No | Black empowered company |
| Teraco | Treacle | DBSA | 157 | Early stage expansion capital | 32% | Yes | Black empowered company |
| Alexander Forbes | Ethos | – | 100 | Replacement capital | Not disclosed | No | Black influenced company |

Figure 29: The figure below provides an analysis of the Top 10 largest reported private equity transactions in 2010

| Name of investment | Equity provider/s | Debt provider/s | Total funding raised (Rm) | Type of investment | PE Fund's equity interest | Part of syndication | BEE ownership (post deal) |
|------------------------|-------------------|-------------------------|---------------------------|-------------------------------|---------------------------|---------------------|---------------------------|
| Autozone | RMB Corvest | ABSA | 388 | MBO | 47% | No | Black empowered company |
| Boxmore | Investec | Investec | 284 | Replacement capital | Not disclosed | No | Black empowered company |
| South Point | Lereko Metier | – | 224 | Later stage expansion capital | 69% | No | Black company |
| NCS Resins | Investec | Investec | 180 | Replacement capital | Not disclosed | No | Black influenced company |
| TrenStar SA | Vantage Capital | Vantage Capital and RMB | 135 | Later stage expansion capital | 26% | No | Black empowered company |
| Efficient Eng | RMB Corvest | FNB | 120 | MBO | 26% | No | Black empowered company |
| Burncrete | Ethos/ Brandcorp | - | 105 | Follow-on investment | Controlling interest | No | Black influenced company |
| Matlapeng | Musa Kubu | Musa Kubu | 50 | Early stage investment | 55% | No | Black influenced company |
| Calulo Petroche | Investec | – | 40 | Replacement capital | Not disclosed | No | Black company |
| ARIH | Investec | – | 35 | Replacement capital | Not disclosed | No | Black company |

Analysis of BEE investments

The cost of investment into entities that are at least black influenced companies in 2011 was R8.1 billion, a increase of 11.0% from 2010 levels. The number of BEE investments decreased from 209 during 2010 to 183 during 2011. However, the level of activity, when compared to M&A activity in South Africa reflects that private equity BEE investments are an important element of the South African economy.

The average black economic empowerment deal size in 2011 was R44.3 million compared to R34.9 million during 2010. These are investments into black owned, empowered or influenced companies.

Figure 30: Cost of BEE investments made during the year (Rbn) (excluding Captives – Government)

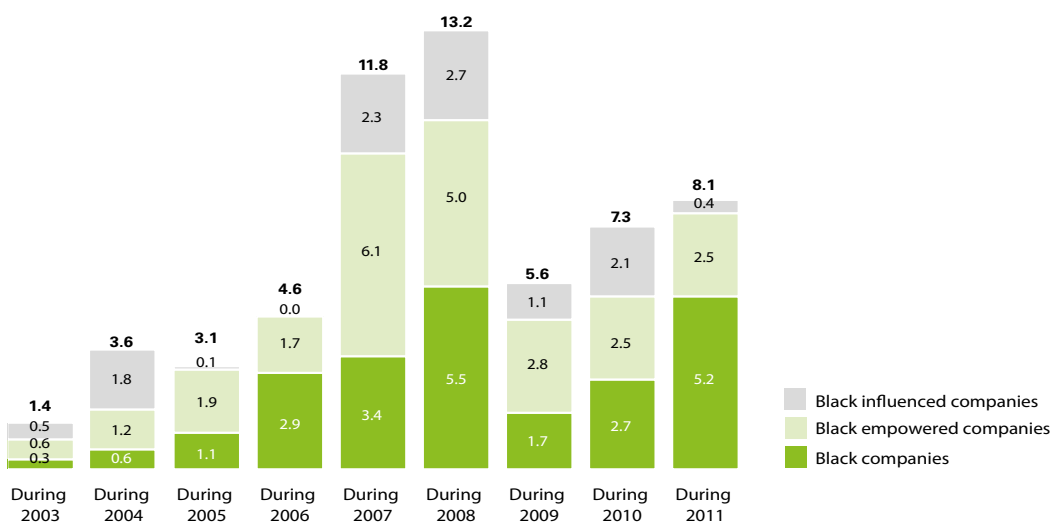
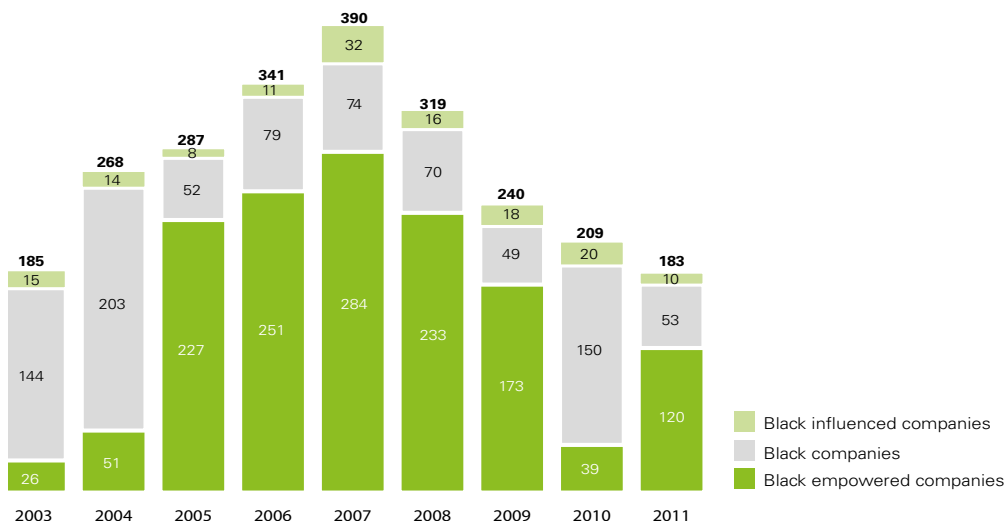


Figure 31: Number of BEE investments made during the year (excluding Captives – Government)





Exits

Funds returned to investors increased by R7.6 billion from R18.1 billion during 2010 to R25.7 billion during 2011¹².

The value of disposal¹³ proceeds increased from R4.8 billion in 2011 to R16.5 billion during 2010. Disposals to other private equity firms or financial institutions was the most popular in value terms which it has been in the past. Sale of listed shares and IPOs was the next most popular method of disposal.

The average proceeds per disposal increased from R58 million in 2010 to R217 million in 2011.

Figure 36 shows that the reported profit (proceeds less cost of investment) on disposals of R14.2 billion during 2011 was substantially higher than the R1.9 billion during 2010. The sale to another private equity firm category was the main contributor in 2011 with R10.2 billion, however, for 2010 the sale of listed shares category with R1.1 billion was the largest contributor.

The implied times money back multiple during 2011 was 7.1 times, significantly higher than the 1.6 times reported for 2010 disposals.

¹² Included in the total of R11,3 billion for 2011 "Sale to another private equity firm or financial institution" is R5.2 billion resulting from the purchase by Brait SE (listed investment holding company) of the interest held by private equity funds in Pepkor Holdings Limited and Premier Group (Pty) Limited.

¹³ Disposal proceeds exclude the proceeds on the repayment of preference shares/loans, proceeds from disposals for a nominal amount and dividend and interest payments.

Total funds returned to investors

Figure 32: Funds returned to investors during the year (Rbn)

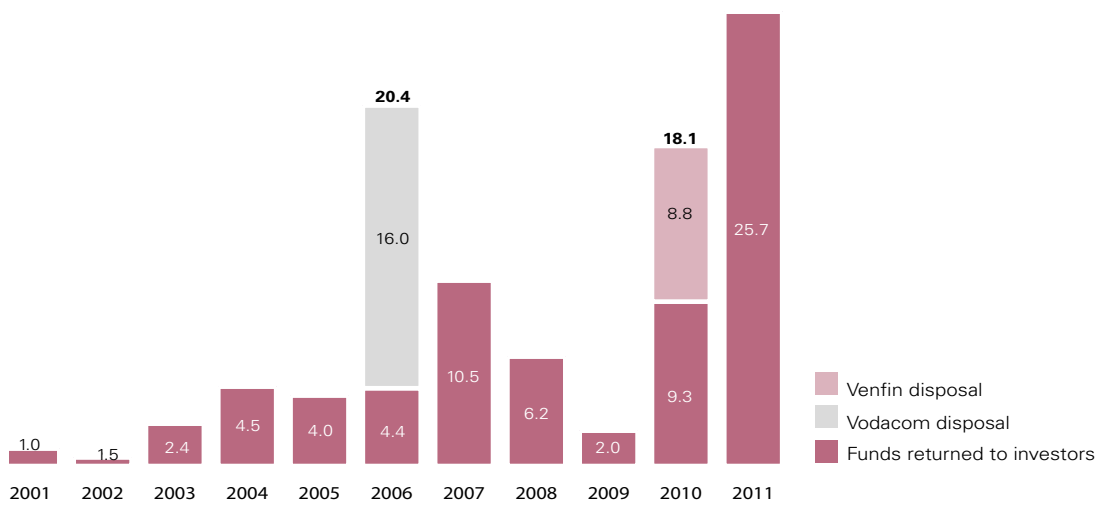
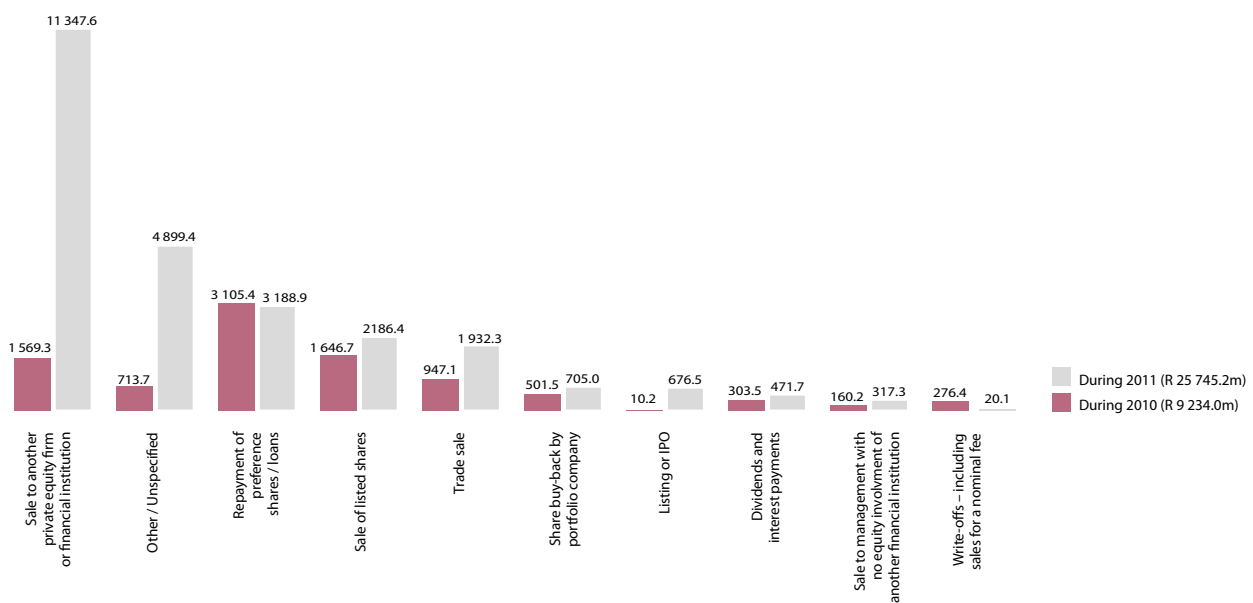


Figure 33: Proceeds of funds returned to investors during the year (Rm) (Excluding Venfin disposal)



Disposals

Figure 34: Analysis of disposals made during the year based on proceeds (Rm) (excludes the Vodacom disposal during 2006 and the Venfin disposal in 2010)

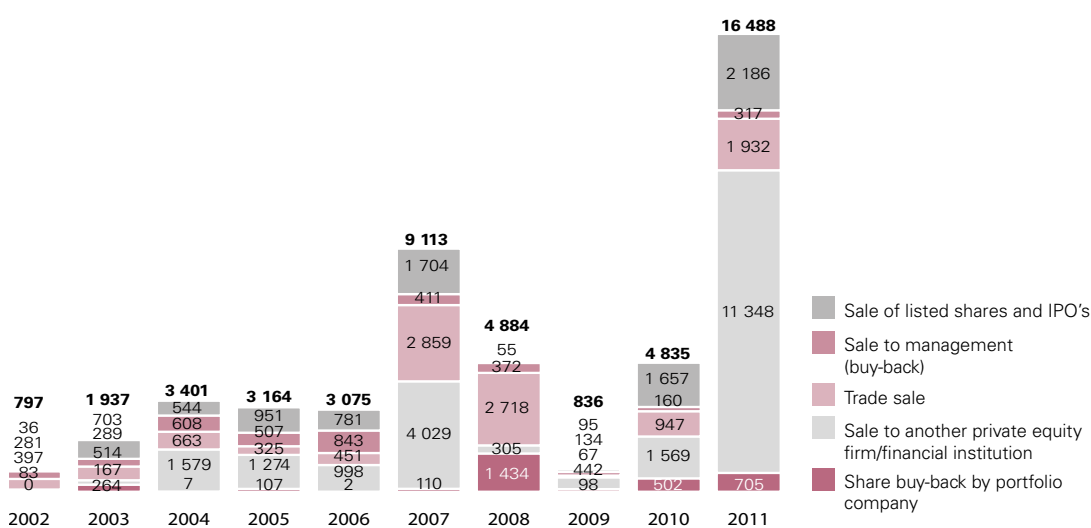


Figure 35: Analysis of disposals made during the year based on number (excludes the Vodacom disposal during 2006 and the Venfin disposal in 2010)

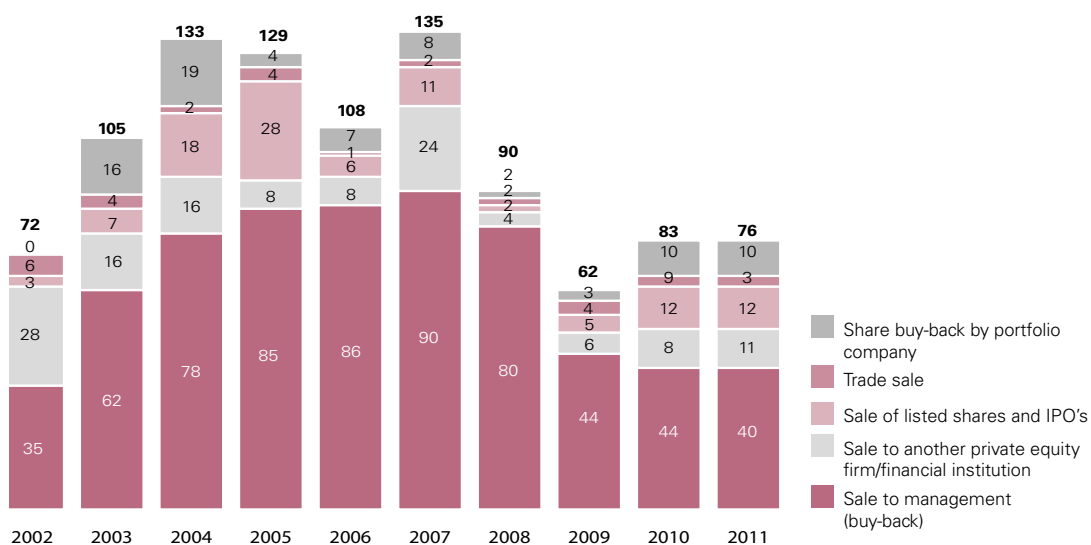


Figure 36: Proceeds and cost of investments made during 2011 (Rm)

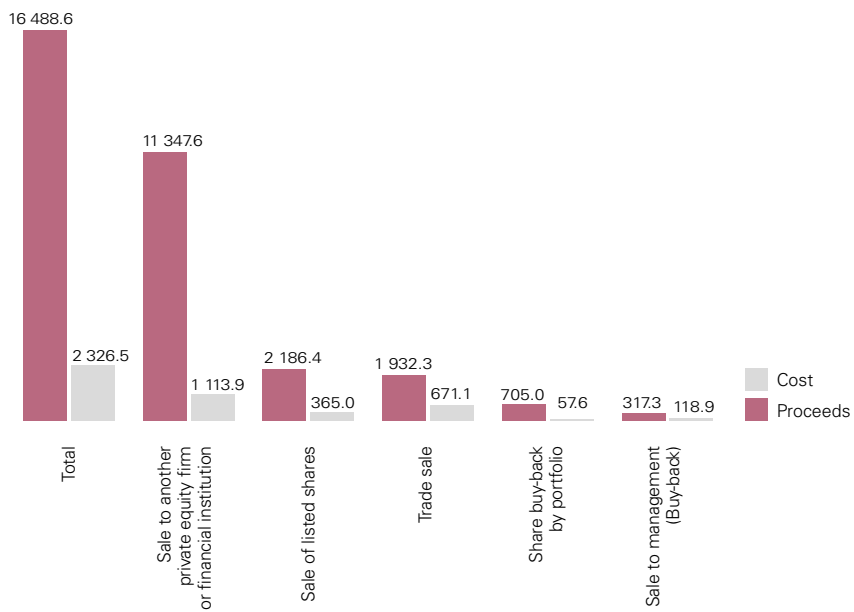
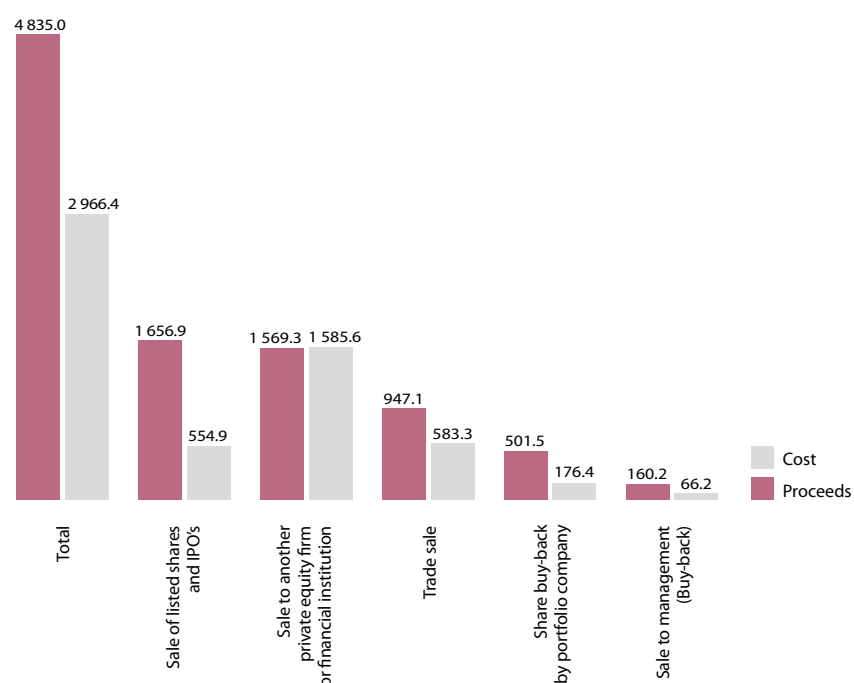


Figure 37: Proceeds and cost of investments made during 2010 (Rm)

Write-offs

31 investments were written off during 2011, inclusive of sales for nominal amounts (2010: 24 investments). The net loss on these investments (cost less proceeds) was R1.2 billion in 2011 (2010: R417.2 million).

Cancelled/expired funds

R1.3 billion (2010: R9.4 billion) of committed but undrawn funds at 1 January 2011 were cancelled and/or expired during 2011 and are thus no longer available for investment by the fund manager. (Pamodzi Resources Fund1 R8.4 billion in 2010).



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Performance

Background

Measuring the performance of private equity funds on a consistent basis can be difficult as private equity investments' valuations are, by their very nature, highly subjective. The overriding principle of the International Private Equity and Venture Capital Valuation Guidelines is to show a fair valuation of investments to the investor. These guidelines were released during 2005 and adopted by the majority of global private equity associations, including SAVCA and EVCA.

RisCura Fundamentals, in conjunction with SAVCA, produces a quarterly South African Private Equity report. The reported returns over different time periods show that private equity has, in most instances, out performed the Johannesburg Stock Exchange compared to listed entities as seen in Figure 38 and 39.

The disclosed 2011 valuation of unrealised investments was R79.0 billion, with a related cost of R81.7 billion. This is the first time in the history of the survey that this ratio is negative.

Figure 38: Returns over different time periods (ZAR)¹⁴

| Time period | Pooled IRR | Times Money | | |
|-------------|------------|-------------|------------|-------|
| | | Realised | Unrealised | Total |
| 10 Year | 23.1% | 1.03 | 0.68 | 1.71 |
| 5 Year | 20.0% | 0.81 | 0.86 | 1.67 |
| 3 Year | 17.0% | 0.60 | 0.86 | 1.46 |

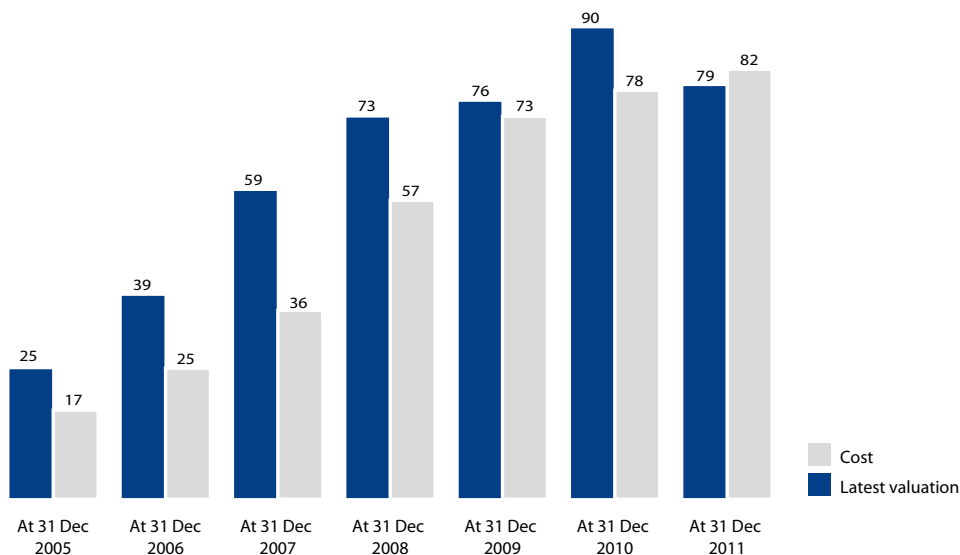
Figure 39: Listed equity comparison (ZAR)¹⁴

| Year period | Pooled IRR | CAGR | | |
|-------------|------------|-----------|------------|------------|
| | | ALSI TRI* | FINDI TRI* | SWIX TRI** |
| 10 Year | 23.1% | 14.0% | 15.9% | N/A** |
| 5 Year | 20.0% | 7.3% | 8.9% | 8.5% |
| 3 Year | 17.0% | 16.4% | 20.0% | 17.9% |

* Listed index returns are before fees

** SWIX only formed in 2002

TRI Total return to investors

Figure 40: Unrealised investments at year end – cost compared to valuation (Rbn)

¹⁴ SAVCA and RisCura South African Private Equity Performance Report – Quarter ended: 31 December 2011.

Private equity investment professionals

The total number of investment professionals employed in the private equity industry decreased from 599 in 2010 to 490 in 2011. Private equity funds in general did not replace their "natural" attrition leavers during 2011.

The figure below illustrates that white males still make up approximately half of all private equity investment professionals (2011:50.6%; 2010: 45.2%). The second largest category is black males which contributes 11.2% of the total reported numbers at 31 December 2011 (2010: 12.7%).

Indian, coloured and black professionals employed by the private equity industry decreased by 27 during 2011 to 146, representing a 15.6% decrease. The proportion of these professionals to the total number of professionals increased from 28.9% at 31 December 2010 to 29.8% at 31 December 2011.

18.8% of all professionals were females (2010: 24.7%).

| 2011 | | | | | | |
|--------------------------|-------|--------|----------|-------|---------------|-------|
| | White | Indian | Coloured | Black | Not specified | Total |
| Male | 248 | 40 | 14 | 55 | 41 | 398 |
| Female | 37 | 7 | 5 | 25 | 18 | 92 |
| Total | 285 | 47 | 19 | 80 | 59 | 490 |
| % Breakdown (% of total) | | | | | | |
| Male | 51% | 8% | 3% | 11% | 8% | 81% |
| Female | 8% | 1% | 1% | 5% | 4% | 19% |

| 2010 | | | | | | |
|--------------------------|-------|--------|----------|-------|---------------|-------|
| | White | Indian | Coloured | Black | Not specified | Total |
| Male | 271 | 39 | 16 | 76 | 49 | 451 |
| Female | 63 | 9 | 7 | 26 | 43 | 148 |
| Total | 334 | 48 | 23 | 102 | 92 | 599 |
| % Breakdown (% of total) | | | | | | |
| Male | 45% | 7% | 3% | 13% | 8% | 75% |
| Female | 11% | 2% | 1% | 4% | 7% | 25% |



Data Tables

| | Total funds under management at year end | Undrawn commitments at year end | Fund raising activity during the year | Investment activity during the year | Proceeds from exits during the year |
|------------------------------------|--|---------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| | R billions | R billions | R billions | R billions | R billions |
| Year ended 31 December 2011 | | | | | |
| Early stage funds | | | | | |
| • Independents | 0.963 | 0.389 | 0.034 | 0.021 | 0.001 |
| • Investment Holding Companies | – | – | – | – | – |
| • Captives (Financial Services) | – | – | – | – | – |
| • Captives (Government) | 0.111 | – | – | 0.111 | – |
| • Captives (Other) | 0.291 | 0.057 | – | 0.029 | 0.845 |
| | 1.364 | 0.446 | 0.034 | 0.161 | 0.846 |
| Later stage funds | | | | | |
| • Independents | 52.633 | 21.331 | 4.377 | 3.299 | 8.396 |
| • Investment Holding Companies | 1.736 | 0.341 | 0.038 | 0.195 | 0.486 |
| • Captives (Financial Services) | 24.241 | 9.871 | 1.584 | 6.821 | 13.896 |
| • Captives (Government) | 23.948 | 0.132 | 2.318 | 3.600 | 1.320 |
| • Captives (Other) | 11.934 | 1.992 | – | 1.456 | 0.717 |
| | 114.492 | 33.666 | 8.318 | 15.372 | 24.816 |
| | 115.856 | 34.112 | 8.351 | 15.532 | 25.662 |
| Year ended 31 December 2010 | | | | | |
| Early stage funds | | | | | |
| • Independents | 0.944 | 0.380 | 0.205 | 0.112 | 0.003 |
| • Investment Holding Companies | – | – | – | – | – |
| • Captives (Financial Services) | – | – | – | – | – |
| • Captives (Government) | 0.046 | – | – | 0.046 | – |
| • Captives (Other) | 0.328 | 0.036 | – | 0.021 | – |
| | 1.319 | 0.416 | 0.205 | 0.179 | 0.003 |
| Later stage funds | | | | | |
| • Independents | 53.918 | 23.116 | 9.845 | 4.423 | 2.131 |
| • Investment Holding Companies | 1.962 | 0.452 | 0.533 | 0.304 | 0.061 |
| • Captives (Financial Services) | 23.967 | 9.628 | 0.717 | 4.531 | 4.732 |
| • Captives (Government) | 21.127 | 0.124 | – | 0.601 | 0.751 |
| • Captives (Other) | 11.933 | 2.171 | 0.150 | 1.757 | 1.639 |
| | 112.908 | 35.492 | 11.245 | 11.617 | 9.315 |
| | 114.226 | 35.908 | 11.450 | 11.796 | 9.317 |



Participants

KPMG and SAVCA would like to thank all of the participants for their input. Without their time and effort, this survey would not be possible.

| Name | Min investments (Rm) | Max investment (Rm) | Contact name | Contact no. |
|--|----------------------|----------------------------|----------------------|------------------|
| Absa Capital Private Equity | R250m | R1 b | Gareth Druce | 011 895 6896 |
| Acorn Private Equity | R5m | R50m | Pierre Malan | 021 852 2887 |
| Actis Africa Limited | US\$50 | US\$250 | Dean Smart | 011 778 5900 |
| African Infrastructure Investment Managers (South Africa)(Pty)ltd | R200m | R700m | Andrew Johnstone | 021 670 1234 |
| Aureos South Africa Advisers (Pty) Ltd, A Division Of Aureos Capital | US\$1m | US\$38m (10% of fund size) | Ron den Besten | 011 884 2066 |
| Batian Fund 1 | US\$3m | US\$10m | Shaun Collyer | 011 550 6000 |
| Brait Private Equity | R5m | R1 bn | Shaun Dougherty | 011 507 1000 |
| Business Partners Limited | R 150 000 | R20m | Nazeem Martin | 011 713 6600 |
| Capitalworks Equity Partners (Pty) Ltd | R70m | R450m | Garth Willis | 011 301 3000 |
| Capricorn Capital Partners (Pty) Ltd | R10m | R 150m | Gavin Chadwick | 011 666 0700 |
| Collins Private Equity Holdings (Pty) Ltd | Nil | R25m | Bruce Chelius | 031 536 8004 |
| Convergence Partners | | | Idan Segal | 011 550 5320 |
| Development Bank Of Southern Africa | R100m | R700m | Rashied Essop | 011 313 3126 |
| Development Partners International LLP | €10m | €40m | Eduardo Gutierrez | 044 207 349 5030 |
| Emerging Capital Partners | US\$30m | US\$90m | Alex-Handrah Aime | 011 685 0830 |
| Enablis Financial Corporation SA | R 25 000 | R2.5m | Darryl Rose | 021 422 0690 |
| Edge Growth | R2m | R15m | Daniel Hatfield | 011 292 7974 |
| Ethos Private Equity | R100m | R800m | Craig Dreyer | 011 328 7400 |
| 4Di Capital (Pty) Ltd | R100 000 | R5m | Anton van Vlaanderen | 021 659 2042 |
| Glenhove Fund Managers (Pty) Ltd | 0 | 0 | Alun Frost | 011 277 4060 |
| Grindrod Bank Limited | R10m | R30m | Jannie Grobbelaar | 011 459 1860 |
| Harith Fund Managers | US\$10m | US\$100M | Emile du Toit | 011 384 4000 |

| Name | Min investments (Rm) | Max investment (Rm) | Contact name | Contact no. |
|---|---------------------------|--|--------------------|-------------------|
| Horizon Equity Partners | R20m | R50m | Richard Flett | 011 502 6940 |
| Industrial Development Corporation (IDC) | R1m | Dependent on nature of transaction | Christo Fourie | 011 269 3000 |
| Inspired Evolution Investment Management (Pty) Ltd | R 10 m | R 100 m plus (with co-investment rights) | Christopher Clarke | 021 702 1290 |
| International Housing Solutions (Pty) Ltd | R 25m | R 250m | Pamela Lamoreaux | 011 215 8300 |
| Invenfin (Pty) Ltd | None | None | Alexandra Fraser | 021 888 3355 |
| Knife Capital | R10m | R30m | Keet van Zyl | 021 554 1573 |
| Leaf Capital | R15m | R30m | Paul Leaf-Wright | 021 425 2295 |
| Lereko Metier Capital Growth Fund Managers | R 50m | R 750m | Paul Botha | 011 268 4055 |
| Medu Capital (Pty) Ltd | R 30m | R 175m | Nhlanganiso Mkwana | 011 268 9140 |
| Musa Capital | R5m | R100m | William Jimerson | 011 771 6300 |
| National Empowerment Fund | R 250 000 | R75m | Setlakalane Molepo | 011 305 8105 |
| Nedbank Capital Private Equity | R30m | R120m | Clive Howell | 011 294 3321 |
| Nodus Equity | R5m | R25m | Erich Schulenburg | 011 327 6907 |
| Old Mutual Investment Group Alternative Investments | R 5m | R 500m - R1bn | Mark Gevers | 021 509 3182/6869 |
| Pan-African Private Equity 1 Fund Managers | R2m | R200m | Kuhle Kunene | 011 883 8036/7 |
| Phatisa | US\$5m (10% of fund size) | US\$20m (10% of fund size) | Stuart Bradley | 011 463 1920 |
| Public Investment Corporation | R50m | R2bn | Roy Rajdhar | 012 742 3400 |
| RMB Corvest (Pty) Ltd | R 10m | R 500m | Kerry-Lee Hurst | 011 380 8300 |
| Sanlam Private Equity | R 100m | R 250m | Alton Solomons | 011 778 6613 |
| Senatla Capital | R10m | R25m | Owen Maubane | 011 784 5929 |
| SP-aktif Investments (Pty)ltd | R20m | N/A | Herman Marais | 083 377 6234 |

| Name | Min investments (Rm) | Max investment (Rm) | Contact name | Contact no. |
|---|----------------------|-----------------------------|------------------|-----------------|
| Sphere Private Equity (Pty) Ltd | R 10m | R 50m | Aadil Carim | 011 944 7800 |
| Standard Chartered Principal Finance | US\$20m | US\$150m | Adrian Smith | 011 217 6600 |
| Tamela Holdings (Pty) Ltd | None | None | Sydney Mhlarhi | 011 783 5027 |
| Treacle Private Equity (Pty) Ltd | R 10m | R 92m | Rudolf Pretorius | 011 463 7476 |
| Trinitas Private Equity | R40m | R150m | Andrew Hall | 011 809 7529 |
| Trium Investments (Pty) Ltd | N/A | R 20m | Andre' Stürmer | 012 803 1039 |
| Utho Capital Fund Managers | R2m | R12m | Stephen Pearce | 011 234 1370 |
| Vantage Risk Capital | R 40m | R 350m (with co-investment) | Luc Albinski | 011 530 9100 |
| Venture Partners Botswana (VPB) | N\$5m | N\$32m | Anthony Siwawa | 00 267 318 1012 |
| Zico Capital (Pty) Ltd | R15m | R500m | Tshego Sefelo | 011 217 3300 |

Note: Only those participants in the survey that permitted the disclosure of their participation have been included in the list above



Glossary

| | |
|------------------------------|--|
| BEE | <p>Black Economic Empowerment</p> <p>BEE, as defined in the Financial Sector Charter, means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies.</p> <p>The definitions used in this survey for BEE companies are stated below:</p> <ul style="list-style-type: none"> • 'Black companies' refers to companies that are more than 50% owned and are controlled by black people. Control centres on the authority and power to manage assets, the determination of policies and the direction of business operations. 'Black people' refers to all Africans, Coloureds and Indians who are South African citizens and includes black companies. • 'Black empowered companies' refers to companies that are more than 25% owned by black people (but not more than 50%) and where substantial participation in control is vested in black people. • 'Black influenced companies' refers to companies that are between 5% and 25% owned by black people and with participation in control by black people. • 'Not empowered companies' refers to companies that are less than 5% owned by black people. |
| BRIC | Grouping of the countries of Brazil, Russia, India and China |
| Captive fund | Those funds making investments mainly on behalf of a parent or group, typically an insurance company, bank or institutional asset manager, often from an indeterminate pool of money. |
| Carried interest | This represents a fee enhancement for a private equity fund manager for achieving a benchmark return or hurdle rate. The fee is often set at 20% of the value of returns achieved in excess of the benchmark return. |
| DBSA | Development Bank of Southern Africa |
| DFIs | Developmental Finance Institutions |
| Edcon | Edgars Consolidated Stores Limited |
| EMPEA | Emerging Markets Private Equity Association |
| EVCA | European Private Equity and Venture Capital Association |
| Follow on investments | Investments into companies where at least one round of funding has already been made. |
| FSC | Financial Services Charter |
| GDP | Gross Domestic Product |
| Gross IRR | IRR before the deduction of management fees and carried interest. |
| Gross realised IRR | Gross IRR on the total realised portfolio of investments. |
| Independent fund | Those private equity companies, managers or funds raising and disbursing capital which has been sourced mainly from third party investors. |

| | |
|--|---|
| IPO / Listing | When a company's equity is sold to investors via a listing on an exchange. |
| IRR | Internal Rate of Return |
| KPMG | KPMG Services (Proprietary) Limited |
| LBO | Leveraged buy-out |
| M&A | Mergers and acquisitions |
| MBO | Management buy-out |
| Mezzanine debt | Debt which ranks behind senior secured debt but ahead of trade credit and shareholders' funds in terms of security. Mezzanine debt is often used in higher leveraged transactions to maximise funding availability from a company's own balance sheet. It may provide for equity-like features such as attached share purchase warrants or participation in cash-flow. |
| OMIGSA | Old Mutual Investment Group of South Africa |
| NVCA | National Venture Capital Association (US) |
| PIC | Public Investment Corporation |
| Private Equity Investment Holding Company | An investment vehicle that acts as a holding company by owning shares of other companies. Private Equity Investment Holding companies typically do not have committed investable sources of capital from third parties (as the case with Independents). Private Equity Investment Holding Companies typically display the same characteristics of private equity funds who invest with management in the business with an aim to exit in three to five years. Private Equity Investment Holding Companies have the ability to delay this exit as they generally do not have a predefined date to return capital to third party investors and typically are able to have longer term investment holding periods. |
| PwC | PricewaterhouseCoopers |
| SAVCA | The Southern African Venture Capital and Private Equity Association |
| Semi-captive fund managers | Semi-captive fund managers can be subsidiaries of: a financial institution, an insurance company or an industrial company, that operate as independent companies. They manage funds in which, although their main shareholder contributes a large part of the capital, a significant share of the capital is raised from third parties. |
| Total funding | Total funds raised by all providers of capital during a transaction. This could include the purchase consideration, funds to pay advisors fees, funds required for immediate working capital requirements, etc. This could be in the form of equity, shareholder loans, senior, mezzanine and junior debt and working capital facilities. |
| Trade sale | Sale of business to a third party, often referred to as M&A and frequently to an acquirer within the industry of the business being sold. |
| UK | United Kingdom |
| US | United States of America |



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A hand holding a pen is pointing at the text 'PRIVATE EQUITY' which is displayed in a pixelated, digital font. The background is a grid of binary code (0s and 1s).

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