



Private equity in Southern Africa

AN INDUSTRY ON THE MOVE

The future of retirement funds governance and investments in Africa

Pretoria

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SAVCA est.1998: The Southern African Venture Capital and Private Equity Association

Representing more than **90** fund managers

Accounting for around **R130bn** in assets under management

Total funds under management at year end, split by undrawn commitments and investments (Rbn) ¹



KPMG – SAVCA Private Equity Industry Survey 2013

SAVCA mission

To promote the asset class in Southern Africa by:

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



“Private equity, broadly defined as a long-term, alternative asset class in which fund managers raise third-party funds to buy assets that are held privately, is well established in South Africa.”

Considerations for Institutional Investors

Private equity is an **institutional** asset class

Requires **long-term** commitment from investors

Funds invested primarily into **unlisted** assets

Provides portfolio **diversification**

Opportunity for long-term liability **matching**

Returns tend to **outperform** listed equity

Tool for meeting **developmental** mandates

Regulation 28: Allocation of **up to 10%** to PE

Private equity's returns kicker

Year	CAGR			
	Pooled IRR	ALSITRI*	FINDITRI*	SWIX TRI*
10 year	22.1%	19.5%	23.4%	20.4%
5 year	16.7%	20.1%	27.0%	20.7%
3 year	13.7%	16.3%	28.0%	17.6%

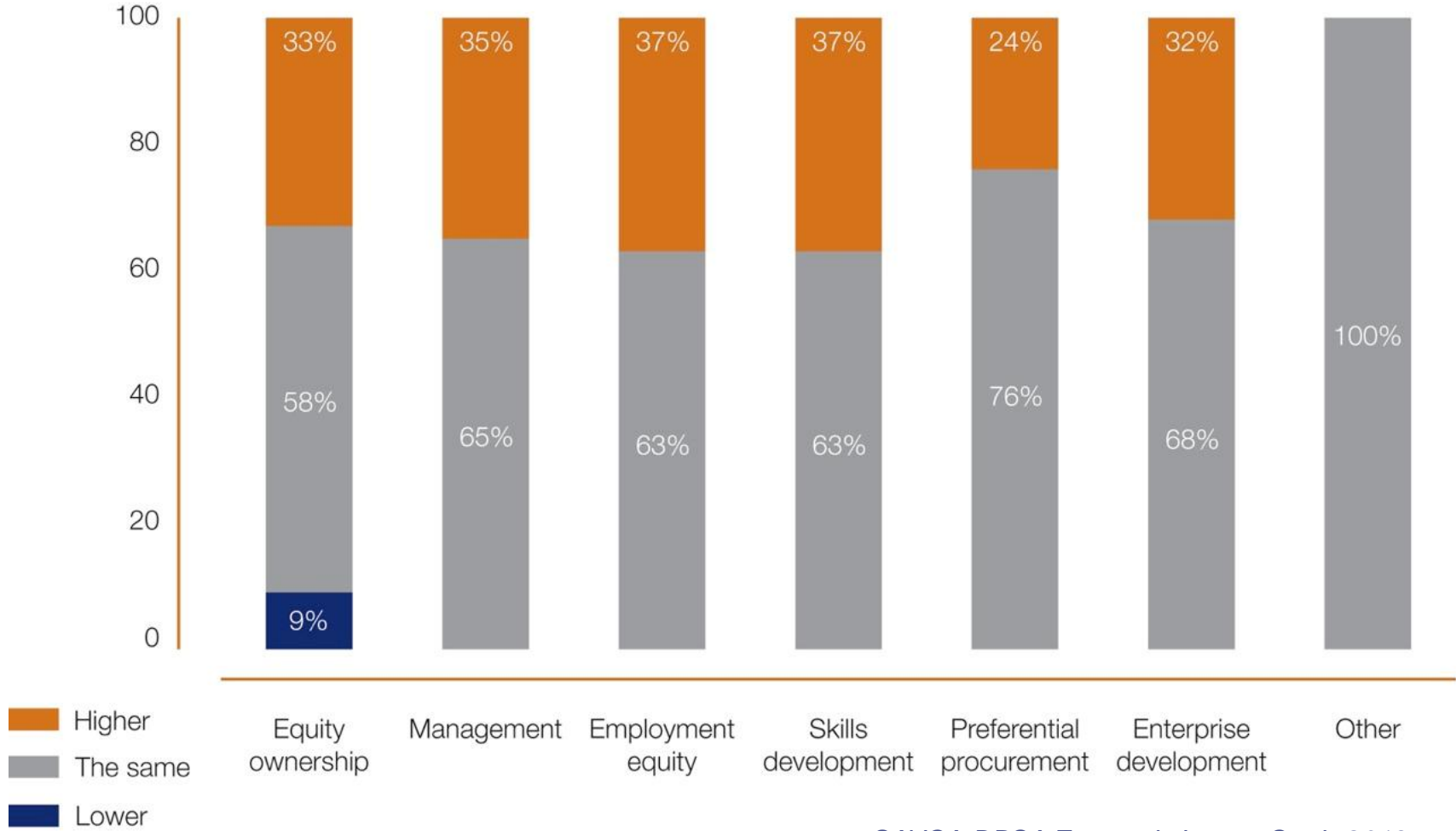
Pooled IRR by time period





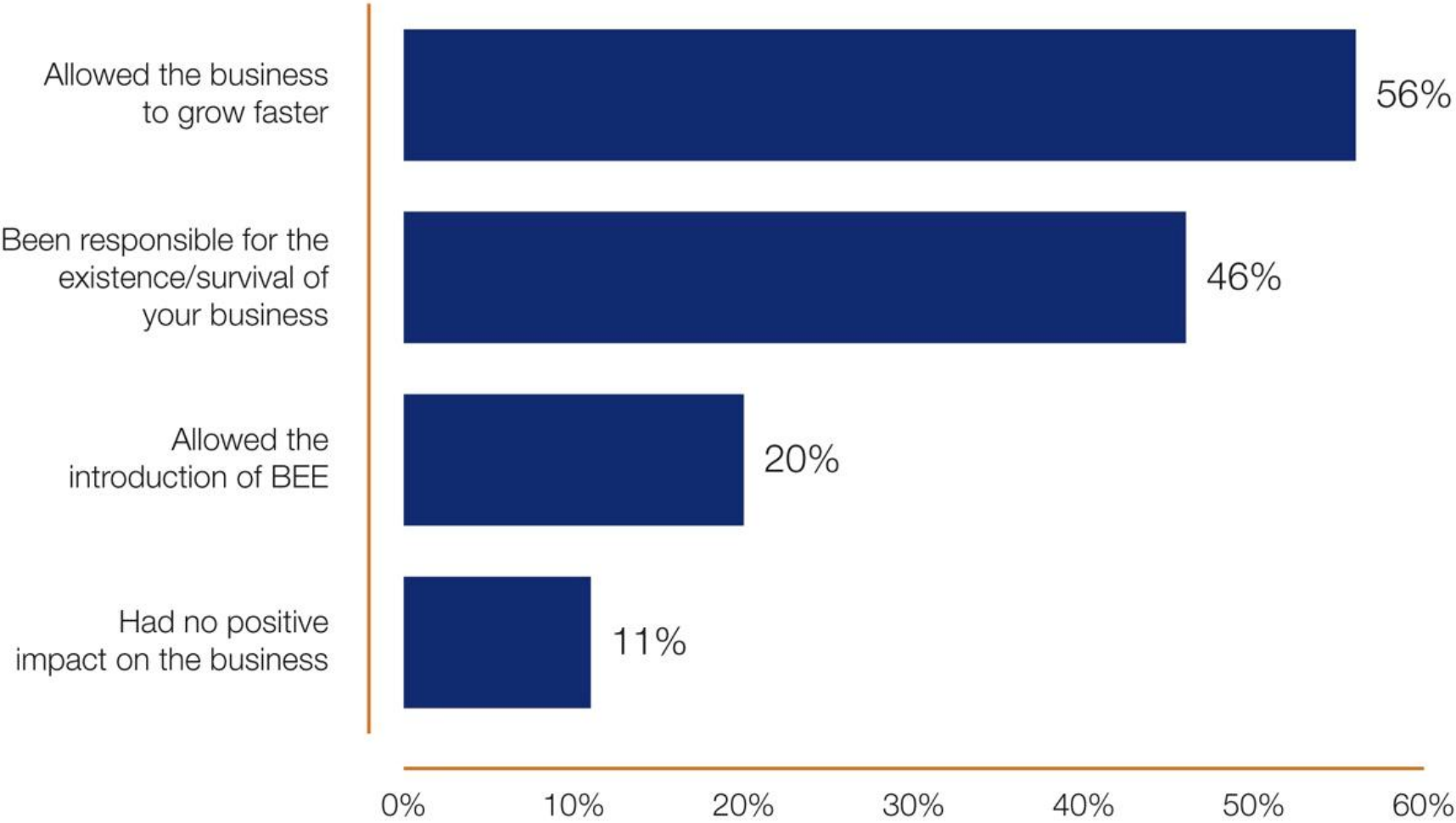
BEE scorecard performance with Private Equity investment

Private equity supports BEE goals





Key Private Equity contributions



Quantifying the Private Equity contribution

Metrics	Average growth 2010/11 to 2012/13	Sample
Total sales	48.8%	38
EBITDA	137.6%	22
SA Employment	40.9%	31
Worldwide Employment	39.9%	31
Exports	60.6%	18
Capital expenditure	37.0%	30
R&D expenditure	43.0%	14



Quantifying the Private Equity contribution

Metrics	Average growth 2010/11 to 2012/13	Sample
Total sales	48.8%	38
EBITDA	137.6%	
SA Employment		
World		
Export		
Capital	57.6%	30
R&D expenditure	43.0%	14

Private equity as a force for **good**





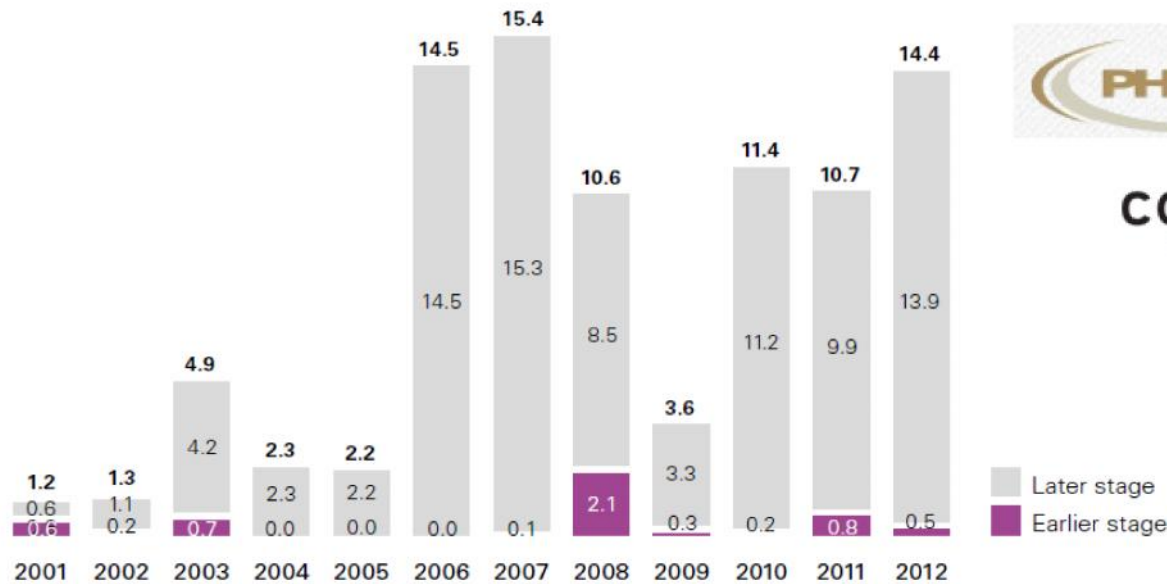
The South African Private Equity landscape

Total funds under management at year end, split by undrawn commitments and investments (Rbn) ¹



Fundraising: A New Wave of Capital Raising

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



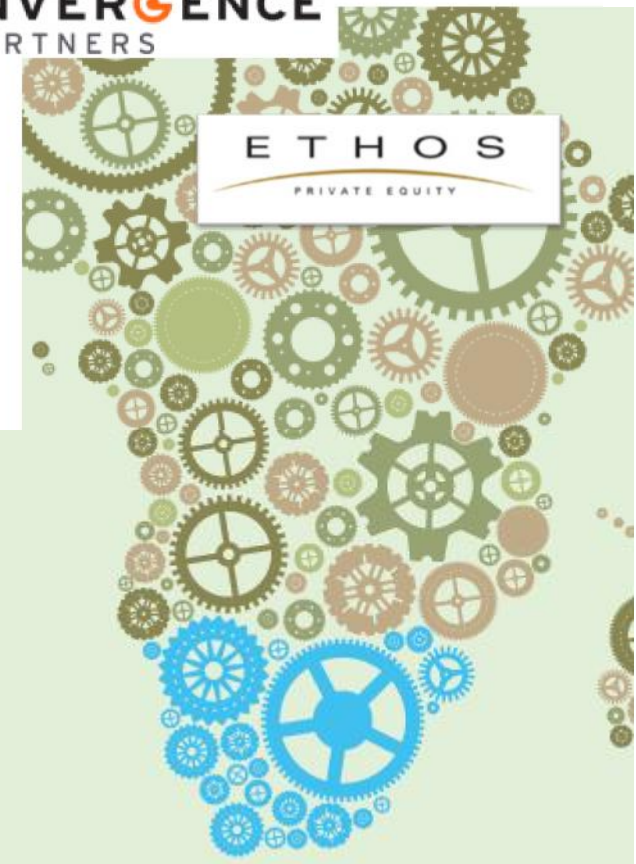
KPMG–SAVCA South African Private Equity Industry Survey 2013

Circa R160bn raised for Africa in 2013, of which R40bn earmarked for South Africa
(Source: KPMG, public)

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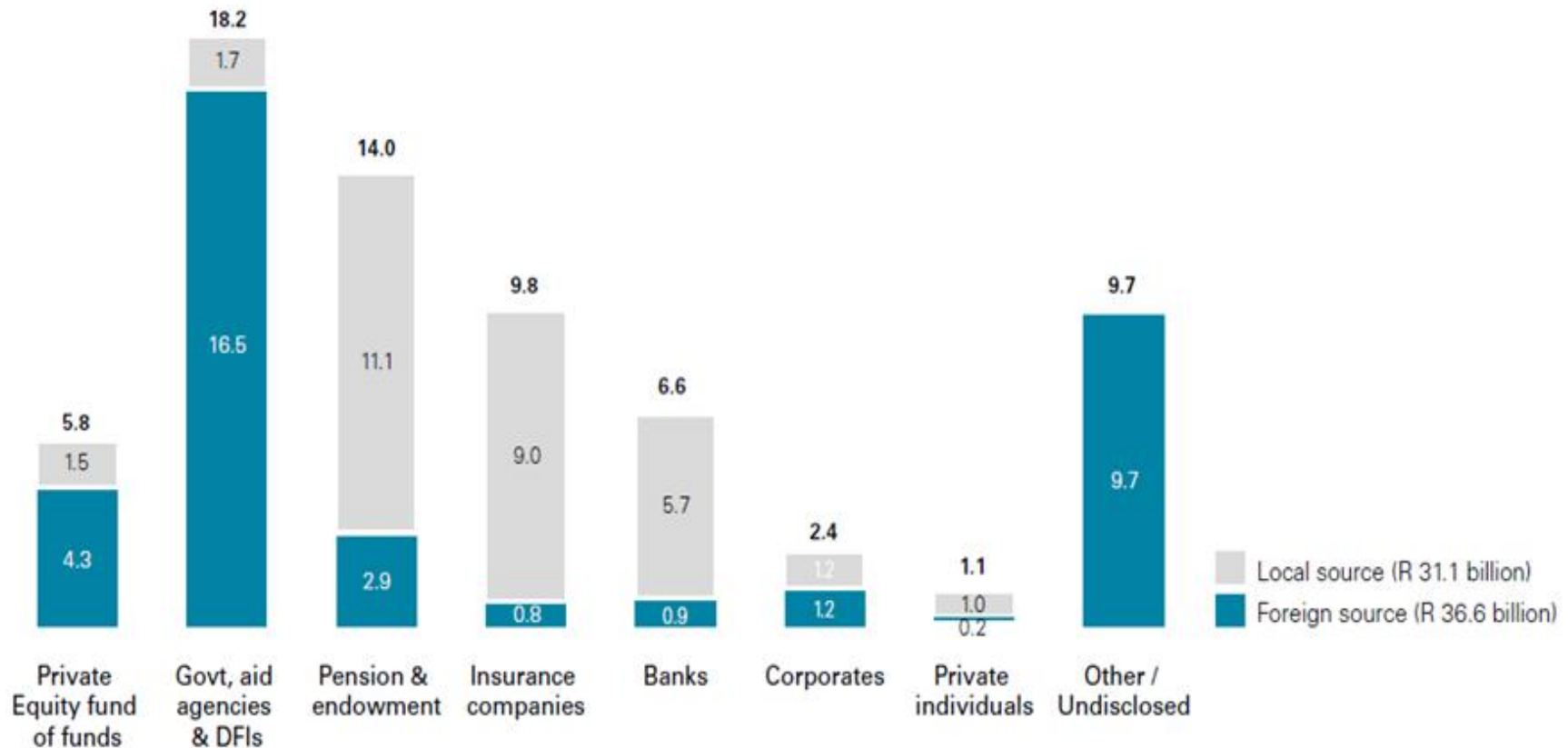
CONVERGENCE PARTNERS



Later stage
 Earlier stage

Funding Sources

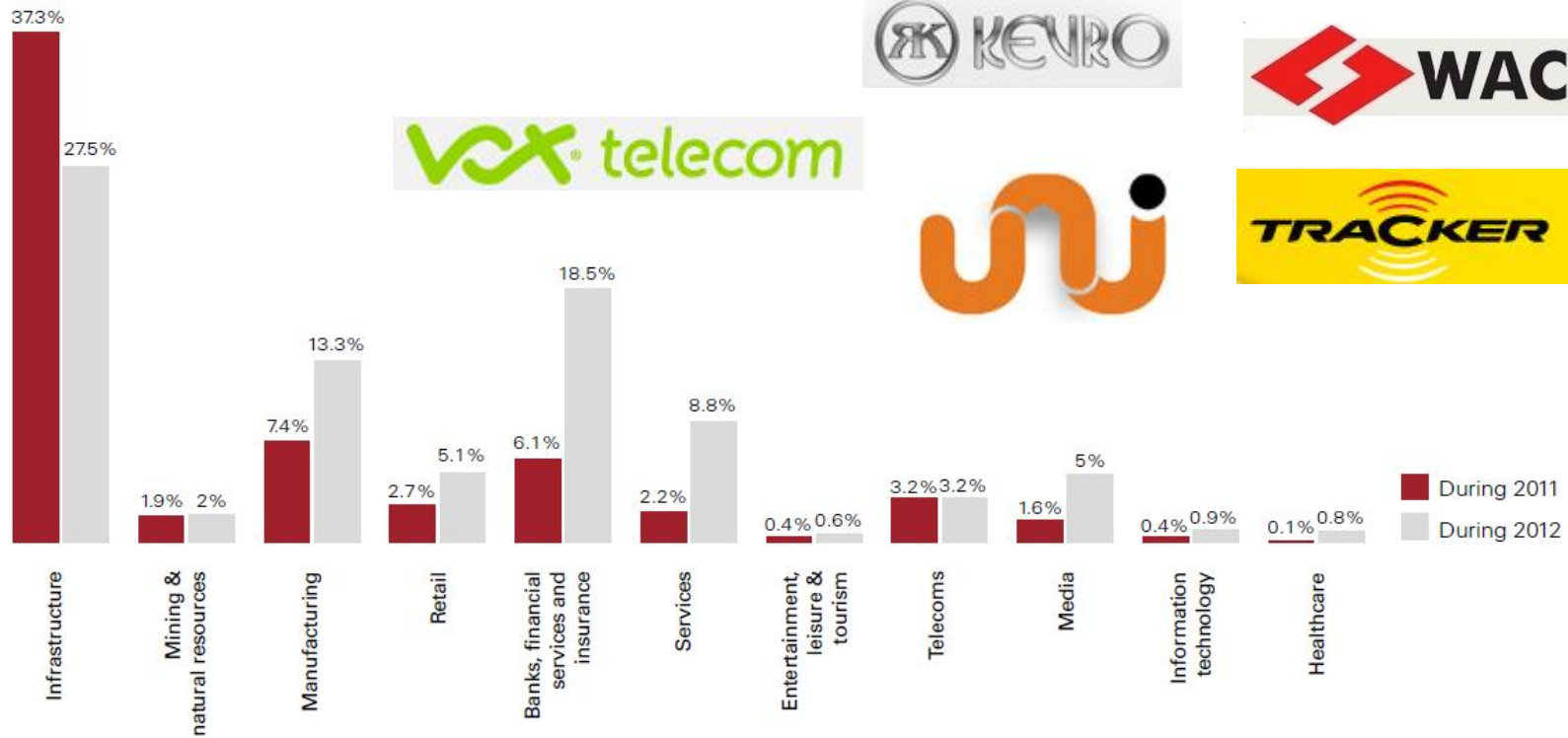
Source of third party funds raised to 31 December 2012 not yet returned to investors (Rbn)





Deal Flow to Increase as Funds are Deployed

Investments made during the year, analysed by sector



KPMG – SAVCA Private Equity Industry Survey 2013

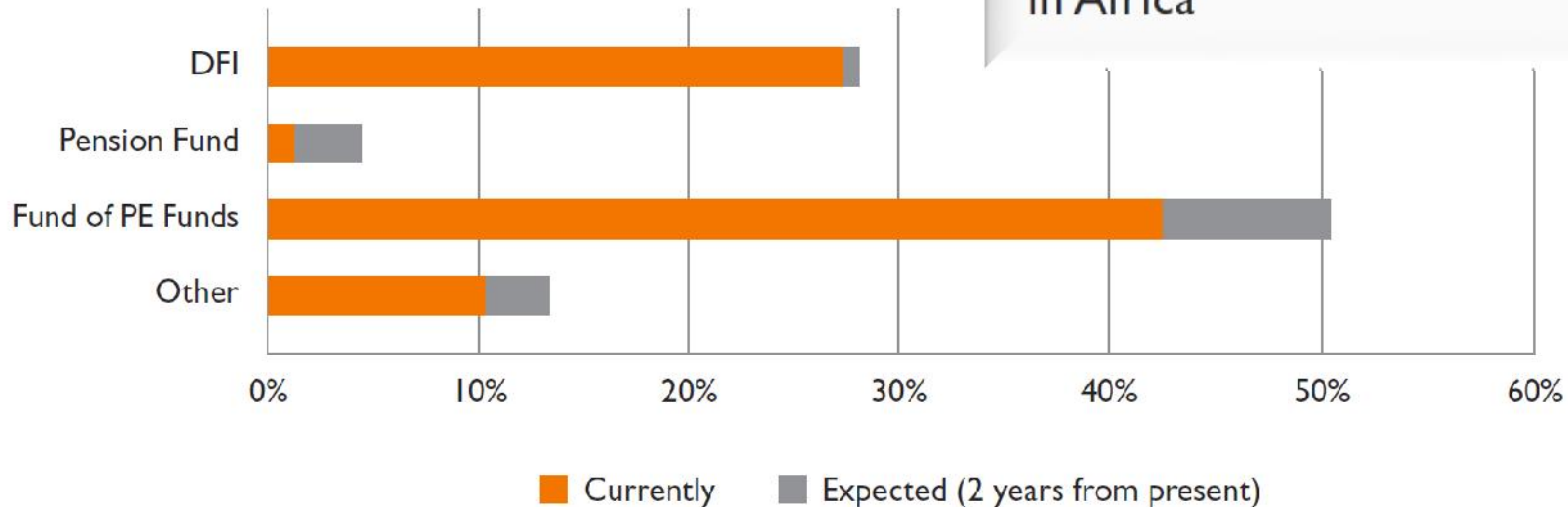
Exits likely to pick up, too, as funds mature. Disposals will be through sales to trade and financial buyers, and listings

Global institutional investors' views on Private Equity

THE SEARCH FOR RETURNS

Investor views on private equity in Africa

Emerging market PE (as % of total portfolio)



- 85% of institutional investors surveyed said they plan to **increase their exposure to African private equity** over the next two years
- 80% surveyed expect African private equity to **outperform African listed equity** over the coming decade

Private equity offers the long-term institutional investor:

- Portfolio-returns enhancement
- Portfolio diversification
- Opportunity for asset-liability matching
- A valuable tool to reach developmental and BEE goals



Thank You

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