SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

FEATURE: Paul Botha, CEO of Metier, on a new fund and a recent exit

Metier announced the first close on its Capital Growth Fund II earlier this year, joining the ranks of African private equity funds who recently have reported successful fund raises. SAVCA talks to Paul Botha, the CEO of Metier CEO.

SAVCA: You have indicated that half of the capital raised will be deployed outside South Africa. What is the thinking in extending your regional mandate in this way?

PB: Our successor Capital Growth Fund completed its first close in February 2015 and a subsequent close in April 2015, with commitments from local and international LPs. The fund concluded its first deal in March, Retailability, an apparel retailer offering fashionable in-house and branded labels at low price points, targeted at middle to low-income consumers in Sub-Saharan Africa.

The exposure of 50% of the fund to Sub-Saharan Africa, outside of South Africa, will be achieved via direct regional investments, as well as through a “look through” approach, which entails investing into South African-based companies that are well positioned to expand into the continent through leveraging Southern African experience and skills to access markets and dealflow. With our assistance and capital these businesses will be able to utilise their operational skills, industry expertise, customer relationships, systems, products and services, to capitalise on opportunities in the broader region.

SAVCA: Institutional investors into this second fund include commercial and developmental LPs. Is it complex to marry what may be opposing interests of your different investors?

PB: Contrary to popular belief, our developmental LPs commit and manage their partnerships on commercial terms. We, and our commercial LPs, have found the practices instilled on environmental and social standards good for business and very important for exits to both strategic and financial buyers. We retain a belief that our endeavours which target financial returns should, in combination with a commitment to improving environmental and social imperatives, lead to sustainable investments and contribute to long-term value.

SAVCA: What are the two key considerations for private equity across Africa in the coming decade?

PB: The understanding and appetite for commitments to private equity by African LPs must be fostered and the regulatory frameworks must continue to cater for and promote local LP participation in our industry. With more and more focus on the broader African region it is important to promote the vibrancy of our industry, its returns to investors, and the role that it has and should continue to play in improving the lives and prospects of people that are touched by this often-misunderstood investment class.

SAVCA: What pipeline do you have for Metier Capital Growth Fund II?

PB: The fund's investments are targeting sectors which are advantageously exposed to the multiplier effects of rising capital spend on infrastructure and increasing intra-regional and international trade. Our pipeline of targeted investments are in sectors including transport and logistics, health, fast-moving consumer goods and agri-processing. These are sectors set to benefit from positive demographic trends such as population growth, increased urbanisation, and the accompanying consumer spend from the emerging middle class.

SAVCA: You've recently exited South Point, an asset in the student accommodation sector. What were the lessons learned during the holding period of this asset?

PB: University students use more hot water than you would think possible and are better rental payers than perceived. We were able to generate good financial returns while making meaningful differences in the lives of almost 10 000 university students annually and spear-heading the rejuvenation of inner cities across South Africa. We wish the South Point management team and the Unemployment Insurance Fund, managed by the Public Investment Corporation (PIC), all the best for the next chapter.