FEATURE: Phatisa celebrates 10 years

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Phatisa celebrated its ten-year anniversary this month. SAVCA talks to Stuart Bradley, Senior Partner at Phatisa, about the firm's growth over the past decade and about lessons learned.

SAVCA: Congratulations on the anniversary. How has private equity in Africa changed since you started the firm?

SB: The industry has certainly grown since we launched Phatisa in 2005. Sub-Saharan Africa-focused funds raised about US$ 0.5 billion in 2005 and this has grown well over four-fold in recent years.

We recognised that fund size would increase and that, as a consequence, deal size would increase by these larger funds. In turn, this would create opportunities for a focused fund strategy looking to deploy US$15 to US$30 million per transaction.

SAVCA: Phatisa has portfolio companies in countries considered to be on the outer edges of the investment frontier. Would you say that you are challenging some of the misconceptions of doing private equity in Africa?

SB: We have coined a new term – Development Equity – which uses the commercial principles of private equity and marries this with development impact objectives. Given our focused strategy and a team of people who have spent their careers in Africa, we are able to tackle frontier markets. This creates many opportunities, including the ability to tap into significant growth rates in these frontier markets, as well as a less competitive deal environment when compared with the "engine" economies of Africa. In addition, potential portfolio companies identify with our portfolio team's experience and skill set to provide significant value addition.

SAVCA: In this market, how relevant is an investment framework that requires a clear and practical approach to environmental, social and governance (ESG) factors?

SB: ESG is becoming more of the norm in Africa and we have certainly seen an increasing emphasis from DFIs over the past ten years. That said, our view is that ESG should not be standalone, but rather should be integrated into the deal-making, portfolio management and exit processes. ESG needs to resonate deeply within the fund manager and therefore, while we have a dedicated ESG resource at Phatisa, it is a topic in which all team members are well-versed and have an understanding of the benefits. To lead by example, Phatisa is carbon neutral. We are growing a forest in Zambia to sequester carbon and offset our carbon footprint from running pan-African private equity funds.

SAVCA: What do the next ten years hold for Phatisa and its investors?

SB: We plan to roll out successor funds to our current food and housing offerings. In addition, we see opportunities in other sectors, given the extensive underinvestment in Africa. Our future will continue to centre on sector specialisation, where we can combine best-in-practice private equity skills with sector experts to give our investors and portfolio companies an edge. But I can assure you that some things will never change; we will still be principled in our investment approach; innovative in overcoming challenges and totally focused on achieving our goals.