

FEATURE: Q&A with Sandeep Khanna of The Abraaj Group

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On the back of its successful raising of a \$990m fund dedicated to sub-Saharan Africa, The Abraaj Group is leveraging its robust pipeline to close deals across the continent. SAVCA talks to Sandeep Khanna, Managing Director of The Abraaj Group, about the outlook.

SAVCA: How intimidating is the prospect of finding suitable deals within five years, into which to deploy this capital?

SK: The majority of Abraaj's deals are proprietary and relationship driven, based on years of experience of having a deep, local presence in the continent. Our ability to demonstrate value add as a global firm, and yet to be local with our partner companies in sub-Saharan Africa (SSA), is a strong proposition in creating deal flow and in deploying capital.

Our pipeline throughout SSA is robust across sectors such as financial services, healthcare, FMCG, education and infrastructure services, and reflects the micro trends of the economies in which we operate, while complementing our own sector experience of investing in SSA.

SAVCA: What proportion of the capital raised do you believe will be deployed in Southern Africa, versus East and West Africa?

SK: The benefit of being a SSA fund as opposed to country or region-focused fund is that capital follows where there are best opportunities. Each region has its own growth dynamics and competitive advantages in specific sectors. For example, East and West Africa offers home-grown opportunities in consumption-led sectors, while the major opportunity in Southern Africa is in services and agro processing. There is also a focus on the regional expansion of South African businesses – an outcome we successfully led in the case of one of our partner companies, Southey Holdings.

Based on our track record and pipeline, Abraaj Africa Fund III should be deployed equally amongst the three regions, with selected partner companies in specific sectors that will invest across these regions as a pan-African buy-and-build play.

SAVCA: While deploying this capital, you're also exiting your previous fund. How is that faring and how far from completion are you?

SK: We have achieved ten full exits across sub-Saharan Africa in the past eighteen to twenty-two months, from trade sales to local and international conglomerates, an IPO, and management buyouts. South African listed entities have been particularly proactive in expanding their horizons into the rest of Africa and we are beginning to see similar trends with private equity firms based locally. The global growth environment, regionalisation of trade blocks in Africa and, most importantly, domestic consumption, are offering compelling investment opportunities for businesses in the continent.

SAVCA: Investors into private equity funds expect solid, double-digit returns. What is the key to generating returns on a private equity portfolio? Luck, diversification, buying at the right price, timing, adding value to the asset?

SK: Management alignment and tangible, demonstrated value add is key to achieving consistent returns.