

SAVCA 2017

Private Equity Industry Survey

**SAVCA Venture Capital and Private Equity Industry Performance
Survey of Southern Africa covering the 2016 Calendar Year**

Research Partner



PRIVATE EQUITY

Tailored!

FROM POWERFUL PARTNERSHIPS COME POWERFUL SOLUTIONS

At CDH we believe that consistency, an understanding of our clients and deep expertise sets us apart. Through working together with LPs, GPs, portfolio companies and management teams, we have gained invaluable insight into the private equity sector. We tailor our services through dedicated, full-service and bespoke teams that are led by experts in their respective fields. This ensures that fund structures are optimised and that portfolio acquisitions and exits are concluded efficiently and pragmatically. Partner with us and experience the trusted reputation that our clients have come to rely on.







Cliffe Dekker Hofmeyr. The private equity legal partner for your business.

cliffedekkerhofmeyr.com



CLIFFE DEKKER HOFMEYR

Contents

	Foreword	2
	Highlights	4
	Funds under management	8
	Fund raising activity	18
	Investment activity	24
	Analysis of BEE investment	32
	Exits	34
	Performance	40
	Private equity investment professionals	44
	Data tables	46
	Participants	48
	Sources of information	52
	Glossary	54

Foreword

The SAVCA Private Equity Industry Survey is now in its seventeenth year of production and is regarded as one of the most comprehensive and relevant surveys of its kind. As the industry representative for Southern Africa, SAVCA is pleased to publish this report which covers the 2016 calendar year and provides our stakeholders with a greater understanding of trends in this exciting industry.

A significant theme of this survey is the capital returned to investors, which increased by 123.2% from R8.2 billion during 2015 to R18.3 billion in 2016. Trade sales were reported as the most popular exit route in value terms whilst sales to management were the most popular by volume. Realisations in 2016 reflected a times money multiple of 2.0, a step up from the 1.4 reported in 2015. Private equity's 10-year performance, relative to the listed market, remains favourable over a 10-year period with a Pooled IRR of 15.8% as at December 2016.

The growth in funds under management from R158.8 billion in 2015 to R171.8 billion in 2016 is reflective of a growing industry and an increased interest from investors to invest in the private equity asset class in Southern Africa. This growth represents a compound annual growth rate of 11.4% since the inception of the SAVCA Private Equity Survey.

Funds raised in 2016 were R10.2 billion, the majority of which were sourced from South Africa, and although significantly lower than the R27.5 billion raised in 2015, the substantial increase in capital returned to investors is indicative of the private equity life-cycle and the ability of our industry to remain agile to changing market conditions. It is notable that the survey reveals that the bulk of capital raised in 2016 (R7.0 billion) is for early stage investments.

The cost of investments made in 2016 totalled R15.5 billion, of which R5.4 billion was for follow-on investments and R10.1 billion was for new investments. Investments were mainly channelled into real estate, information technology, energy and services. Of the R90.6 billion of unrealised investments as at December 2016, infrastructure comprises 22.6% whilst 12.9% has been invested into manufacturing and 7.6% into banks, financial institutions and insurance.

Private equity remains an enabler and facilitator of BEE shareholdings in South Africa. The survey analysis indicates that in 2016, 44.7% of the investments made were in companies with BEE ratings of level four or better.

SAVCA thanks its members for completing the survey. Your input enables meaningful research to be published by SAVCA on trends in private equity in Southern Africa. SAVCA also wishes to thank KPMG, our research partner, which was responsible for collating, processing and analysing the large volume of data. We are grateful to Michael Rudnicki and Bridget Blackburn both of KPMG for their commitment to this survey.



Tanya van Lill

CEO: Southern African Venture Capital and Private Equity Association





Save the Date

SAVCA 2018 Private Equity in Southern Africa Conference

21–22 February 2018
Spier Wine Farm,
Stellenbosch, South Africa

Network with private equity managers, institutional investors, advisors and regulators at this world-class event, in the summer setting of the Stellenbosch Winelands!

www.savca.co.za | +27 (0) 11 268 0041 | info@savca.co.za | [@savca_news](https://twitter.com/savca_news)



1 Highlights



Highlights

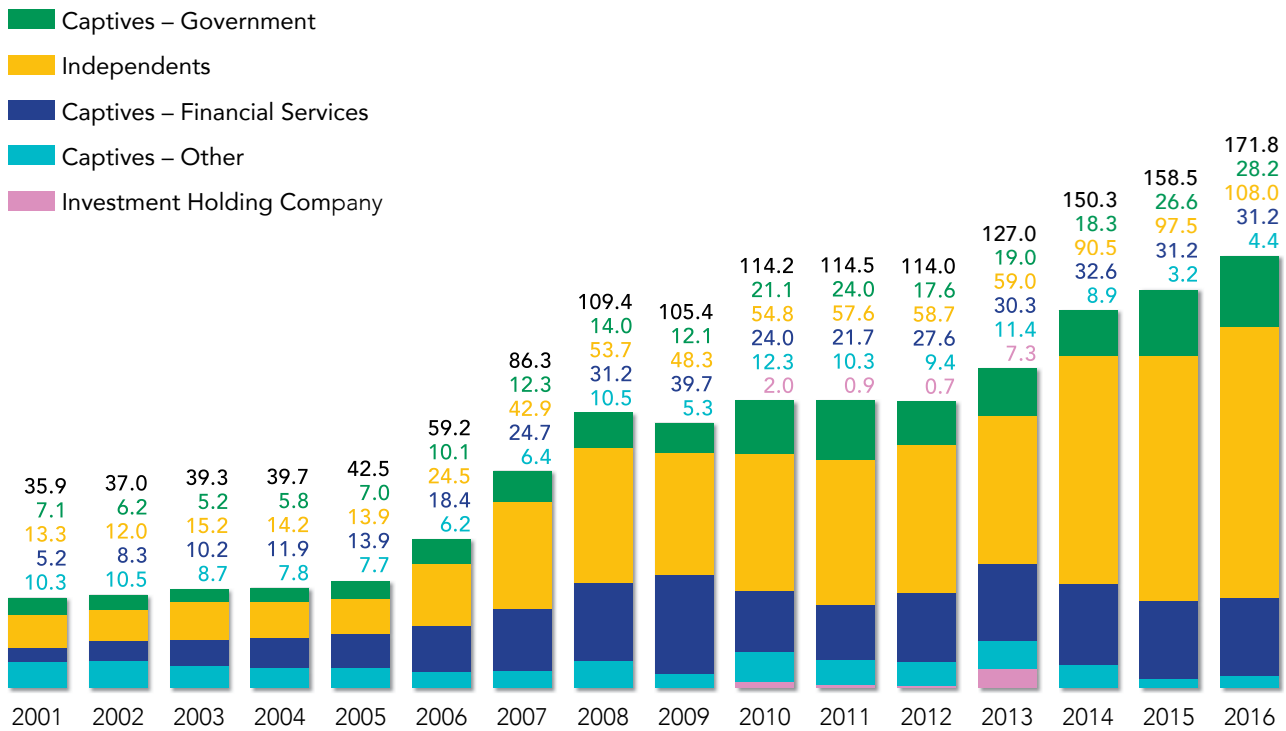


- Southern Africa's private equity industry, including both government and private funds, had R171.8 billion in funds under management (FUM) at 31 December 2016, an increase from R158.5 billion at 31 December 2015. This represents a compound annual growth rate of 11.4% since 1999, when the survey first began.¹
- Of FUM at the end of 2016, R58.2 billion was in undrawn commitments. R24.6 billion was available for future investments exclusively in South Africa and R33.6 billion for Pan Africa (the latter includes the mandate to invest in South Africa and the rest of Africa).
- Of the R58.2 billion in undrawn commitments, 94.2% is committed to Independents (R54.9 billion), 2.7% to Captives – Financial Services (R1.5 billion), 2.2% to Captives – Government (R1.3 billion) and 0.9% to Captives-Other (R0.5 billion).
- R10.2 billion was raised in 2016, a significant decrease from the R27.5 billion raised in 2015. The bulk of funds raised in 2016 (R7.0 billion or 68.6%) is for early stage investments.
- Of funds raised during 2016, 73.5% were from South African sources (2015: 28.4%). South Africa has been the source of 43.3% of cumulative funds raised to date and not yet returned to investors (2015: 40.1%).
- Investment activity for Independents only, as a percentage of GDP, was 0.26% (2015: 0.27%). This compares with 1.81% for the UK, 1.70% for Israel and 1.54% for the US.
- The cost of investments totalled R15.5 billion during 2016, compared to R12.5 billion in 2015. Of the R15.5 billion invested, R5.4 billion was for follow-on investments, and R10.1 billion for new investments.
- Funds returned to investors in 2016 totalled R18.3 billion, a 123.2% increase from the R8.2 billion returned to investors during 2015.

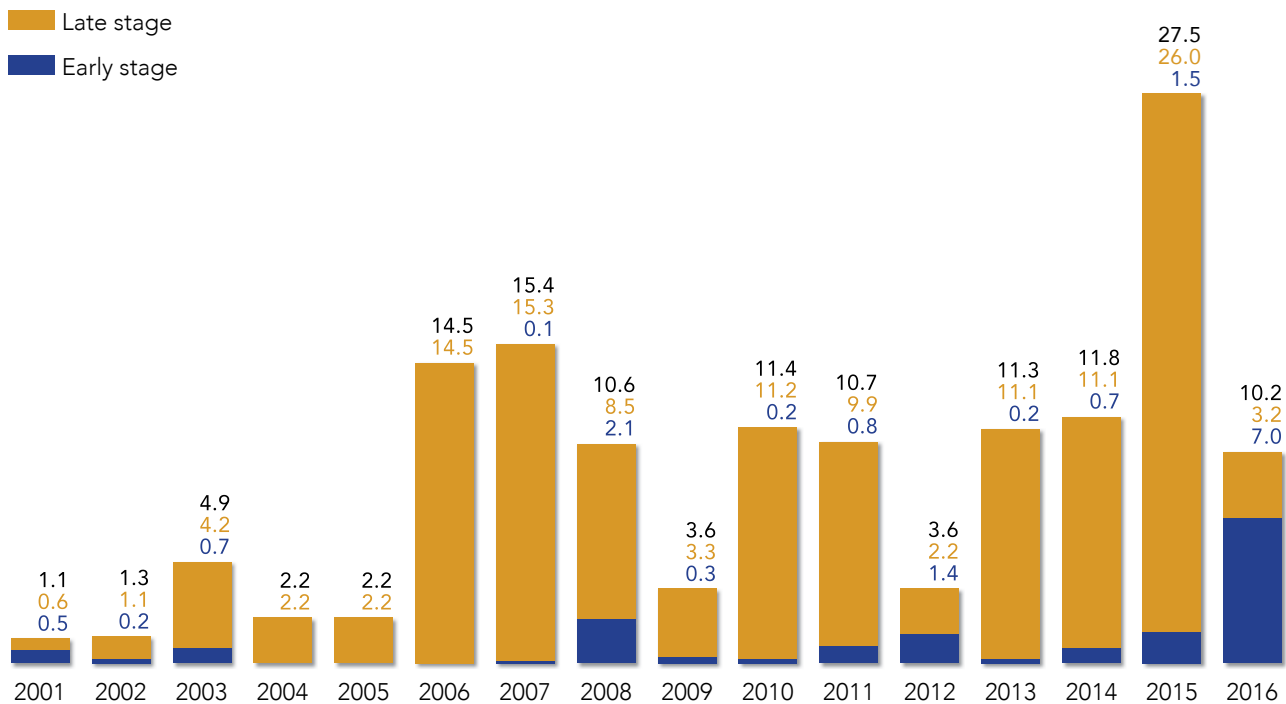
¹ Comparative data for 2015 may have been restated by participants for errors or omissions. In addition, 2015 data may also have been restated for the inclusion/exclusion of funds that did or did not participate in the 2016 survey.

Highlights

Composition of total FUM (Rbn)

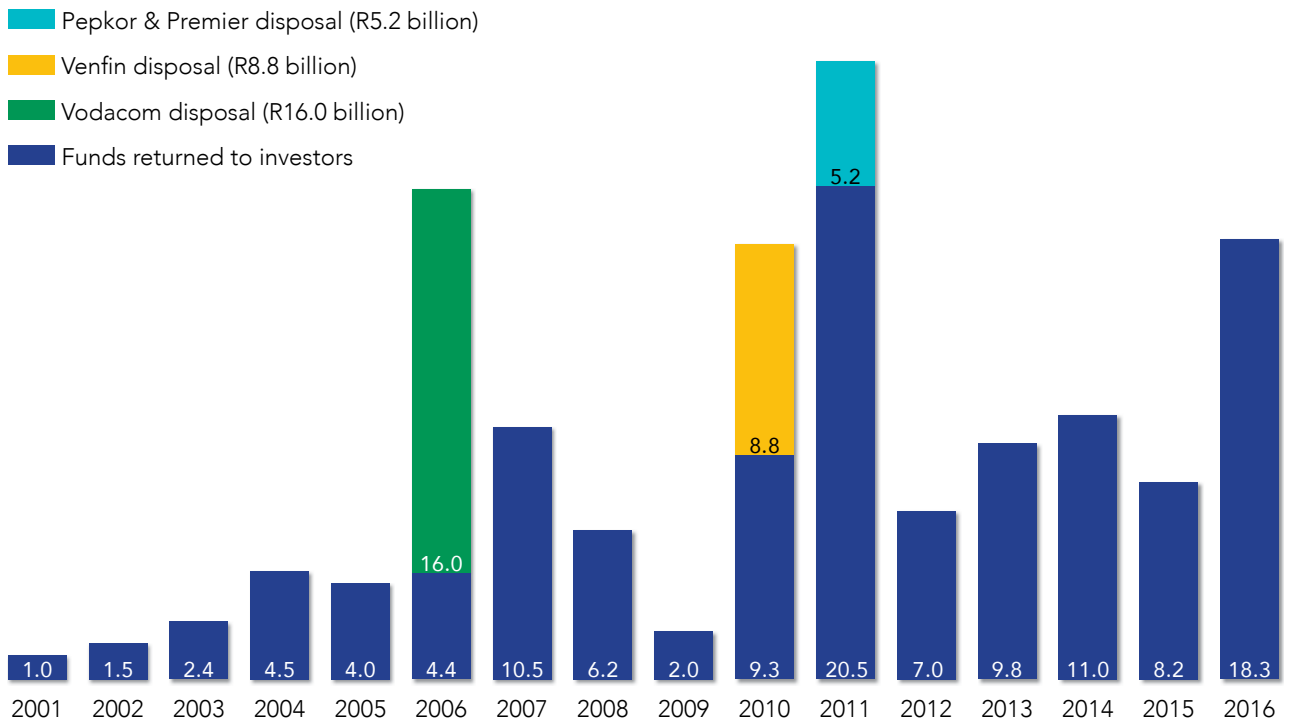


Third-party funds raised during 2016, analysed by fund stage (Rbn)

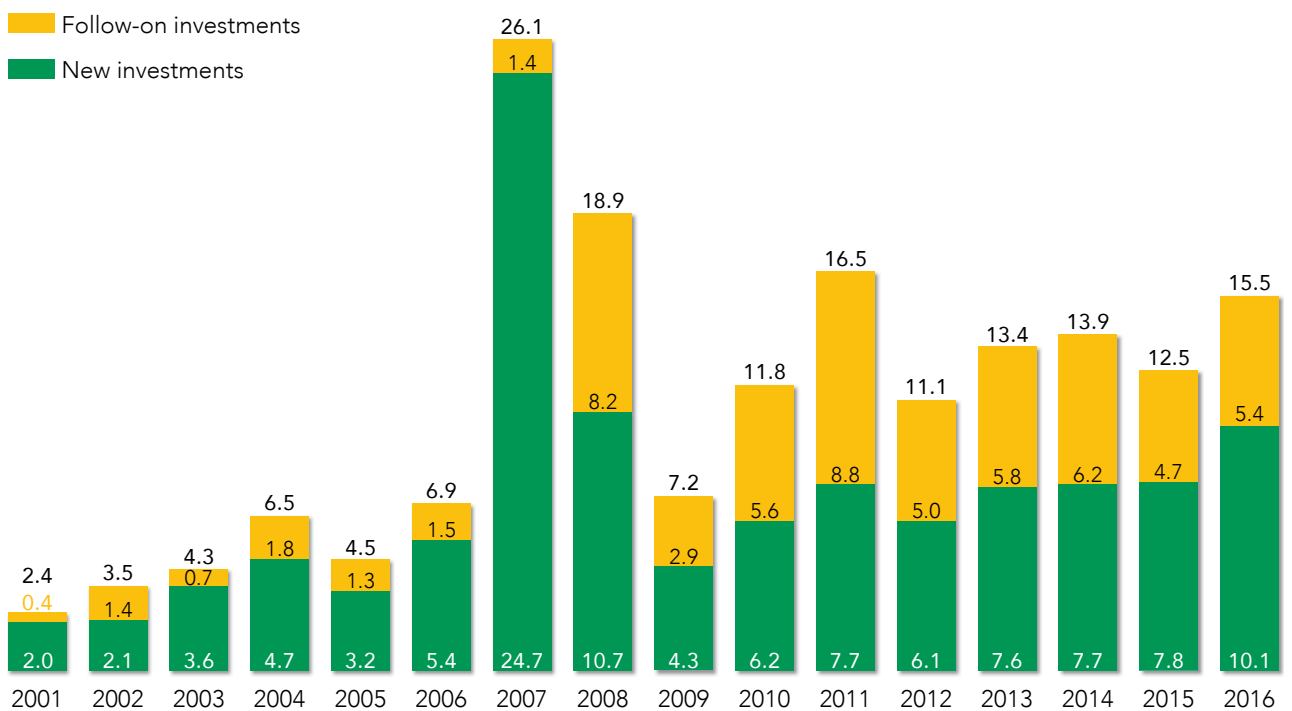


Highlights

Funds returned to investors during 2016 (Rbn)



Cost of investments made during 2016, analysed by new and follow-on investments (Rbn)





2 Funds under management



Funds under management



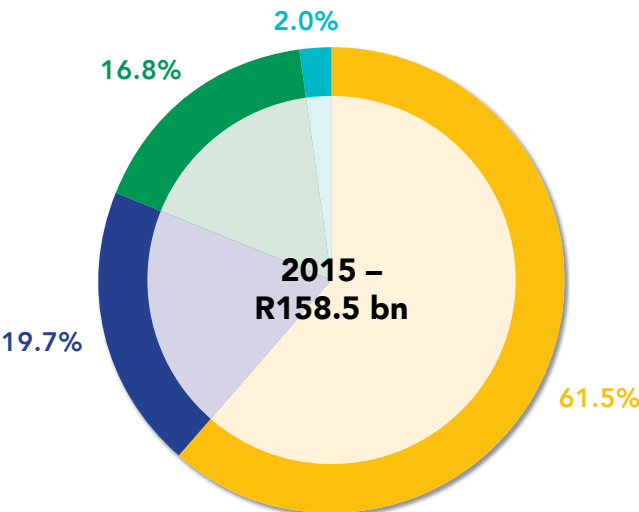
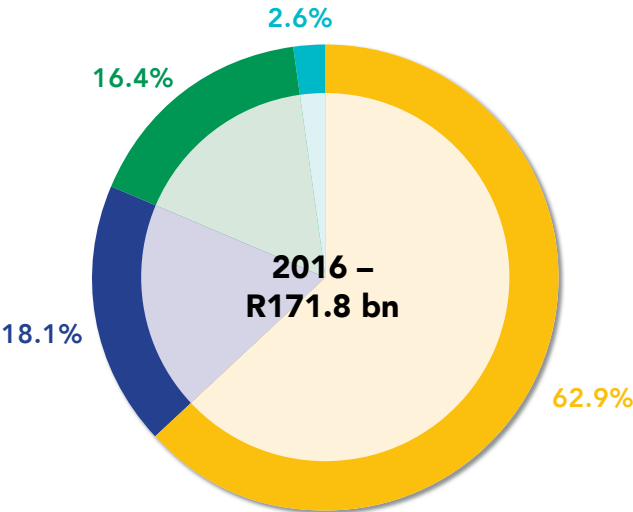
- The survey reflects that the Southern African private equity industry has a total of R171.8 billion in FUM. This is a R13.3 billion increase from the R158.5 billion in FUM at 31 December 2015.²
- The industry has achieved a compound annual growth rate of 11.4% in total FUM since 1999, when the survey began.
- FUM by Independents have increased by R10.5 billion, from R97.5 billion at 31 December 2015 to R108.0 billion at 31 December 2016.
- Total FUM by Captives – Financial Services remained the same for 2015 and 2016, at R31.2 billion.
- The Captives – Government category increased from R26.6 billion in 2015 to R28.2 billion in 2016.
- Total undrawn commitments at 31 December 2016 reached R58.2 billion (2015: R48.9 billion), of which R54.9 billion (2015: R43.2 billion) reflects the undrawn commitments of independent fund managers.
- Private equity fund managers predominantly have a generalist mandate, with some 61.0% of the FUM at 31 December 2016 in the category Generalist.

² Pan-African funds have an element of undrawn commitments that may be invested in South Africa or other African countries not specified.

Funds under management

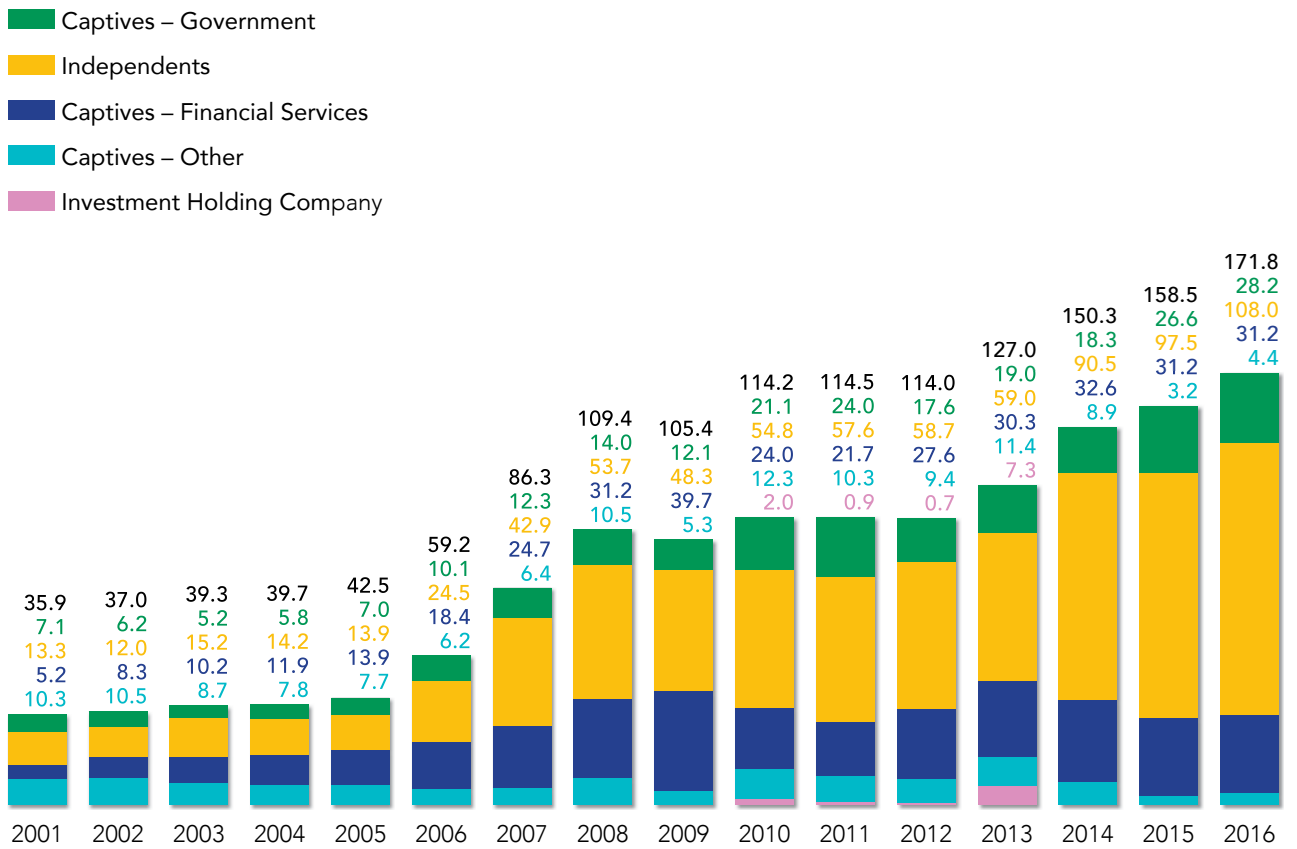
Figure 1 | Total FUM

- Independents
- Captives – Financial Services
- Captives – Government
- Captives – Other



Funds under management

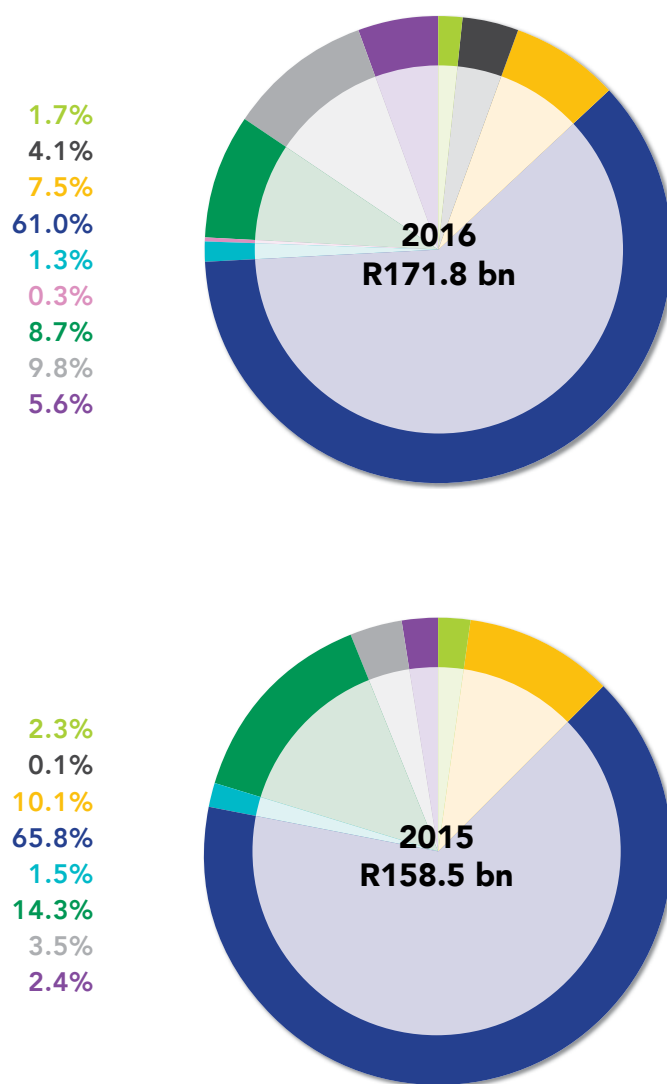
Figure 2 | Composition of total FUM (Rbn)



Funds under management

Figure 3 | Composition of total FUM at 31 December by the focus of the fund (Rbn), includes Pan-African funds*

- Agri and Agri processing
- Energy and related
- Financial Services
- General
- Healthcare
- ICT
- Infrastructure
- Other
- Real Estate



* The total FUM includes Pan-Africa funds which have an element of undrawn commitments that may be invested in South Africa.

Funds under management

Figure 4 | Total FUM, split by undrawn commitments and amounts invested (Rbn)

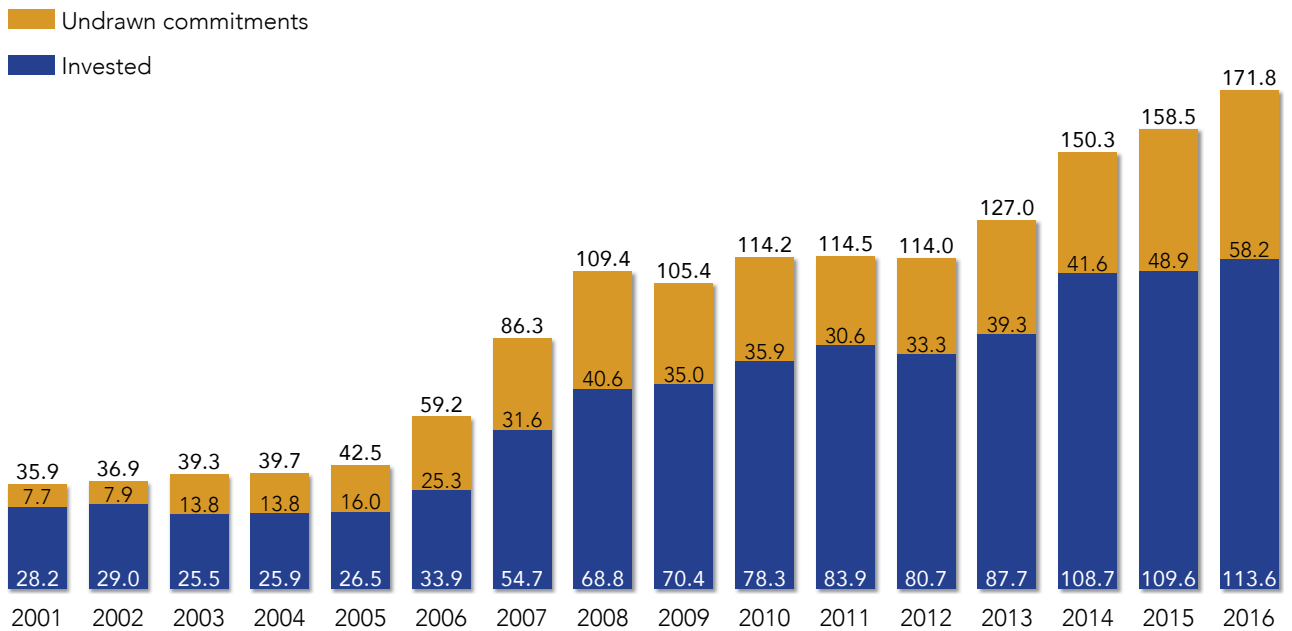
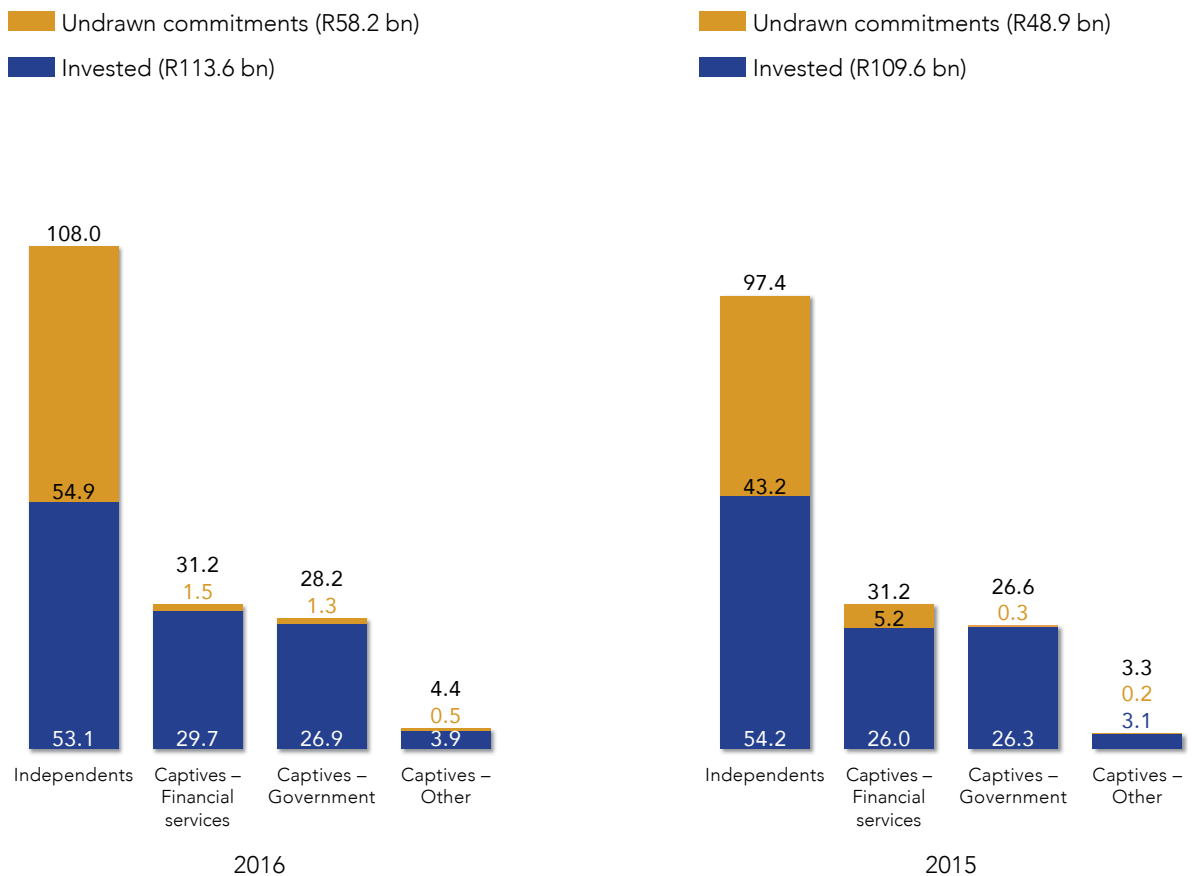


Figure 5 | Total FUM by type split by undrawn commitments and amounts invested (Rbn)



Funds under management

Figure 6 | Total FUM at year end, split by amounts invested and geographical undrawn commitments (Rbn)

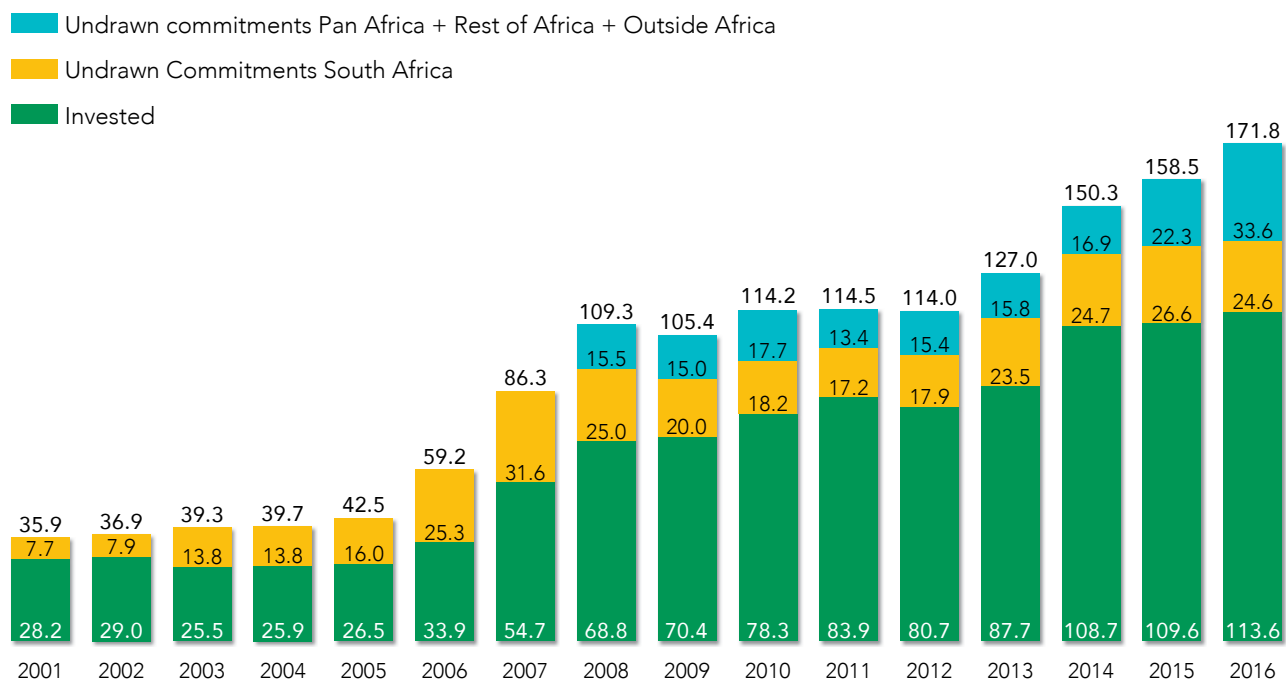
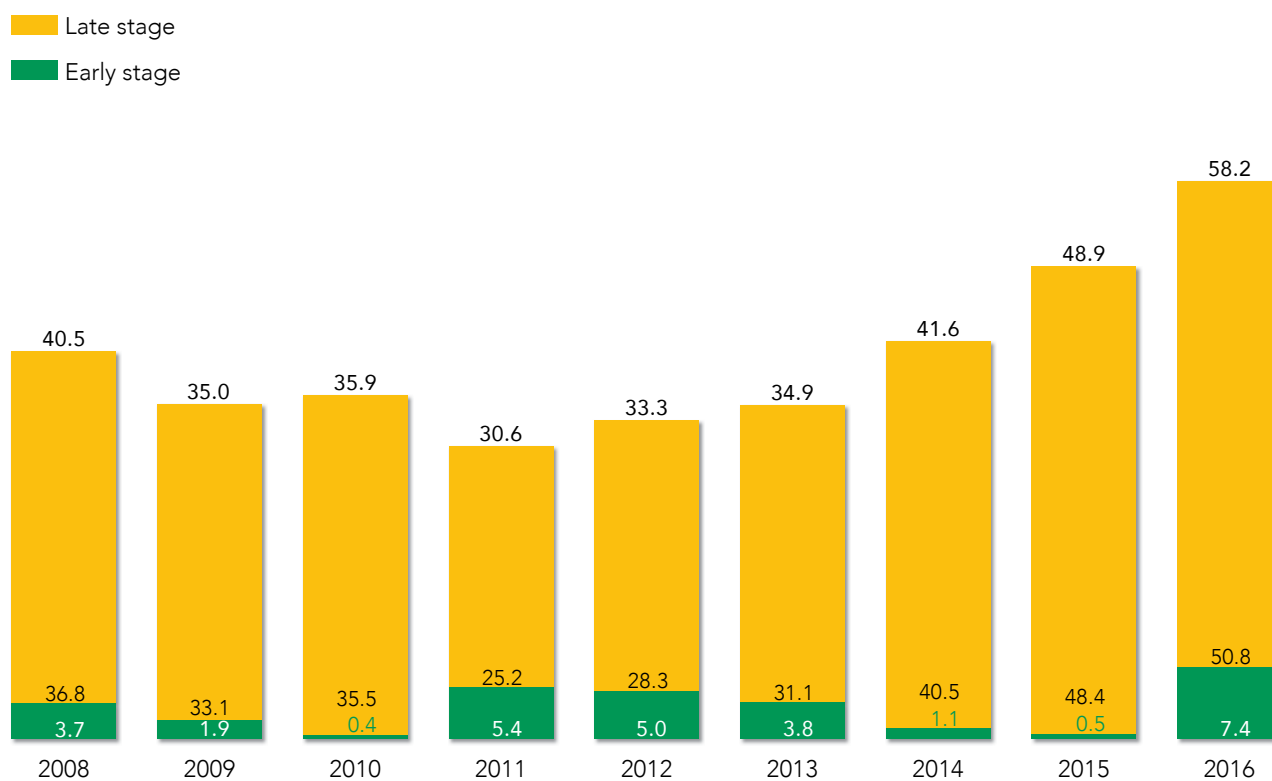


Figure 7 | Classification of undrawn commitments by stage of investments (Rbn)



Funds under management

Figure 8 | Classification of undrawn commitments by type of fund manager (Rbn)

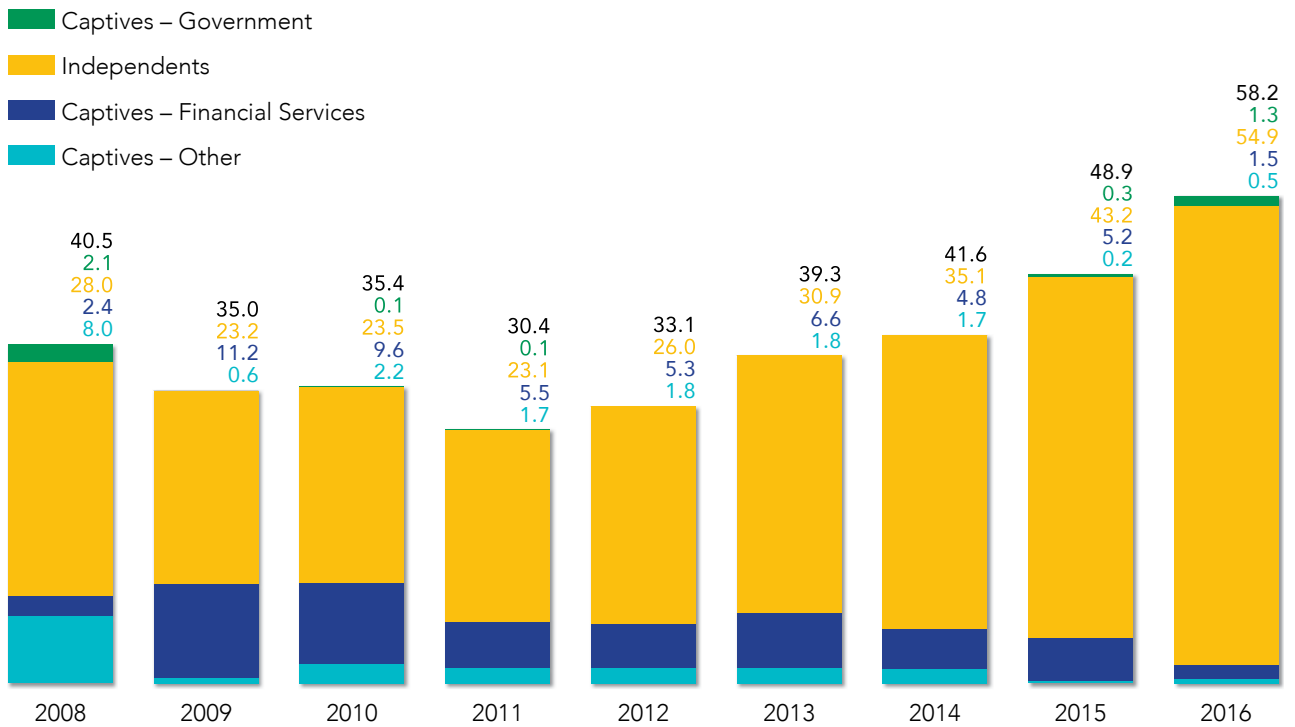
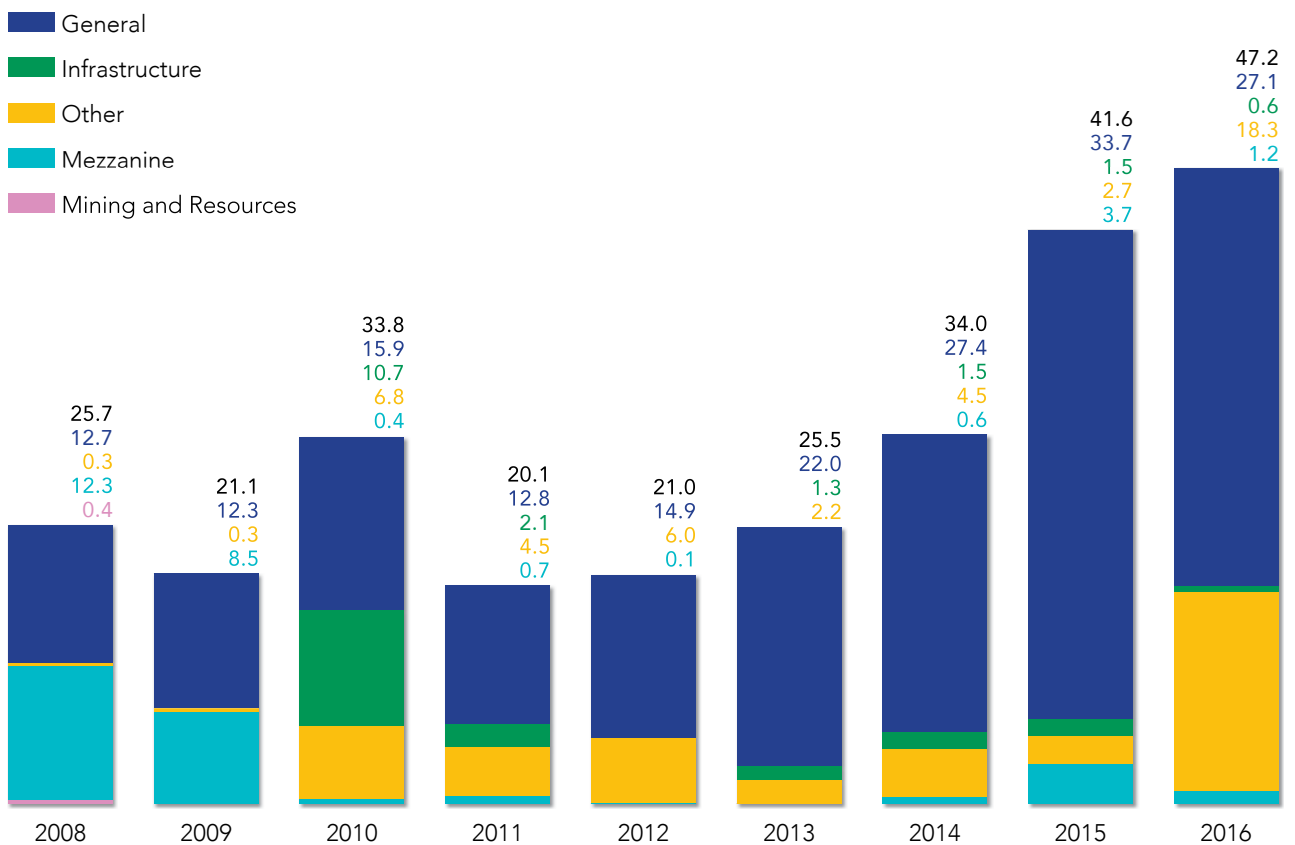


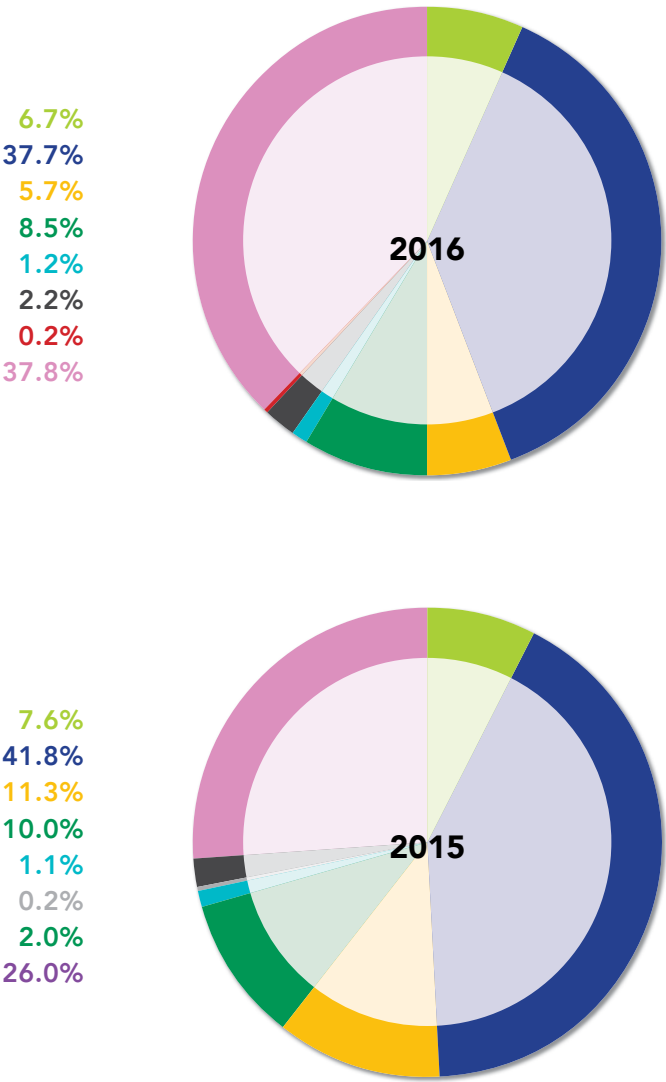
Figure 9 | Composition of later stage, independent undrawn commitments by focus of the fund (Rbn)



Funds under management

Figure 10 | Composition of FUM by BEE level of fund manager 2016

- Level 1
- Level 2
- Level 3
- Level 4
- Level 5
- Level 6
- Level 7
- Level 8
- Not disclosed or non-compliant

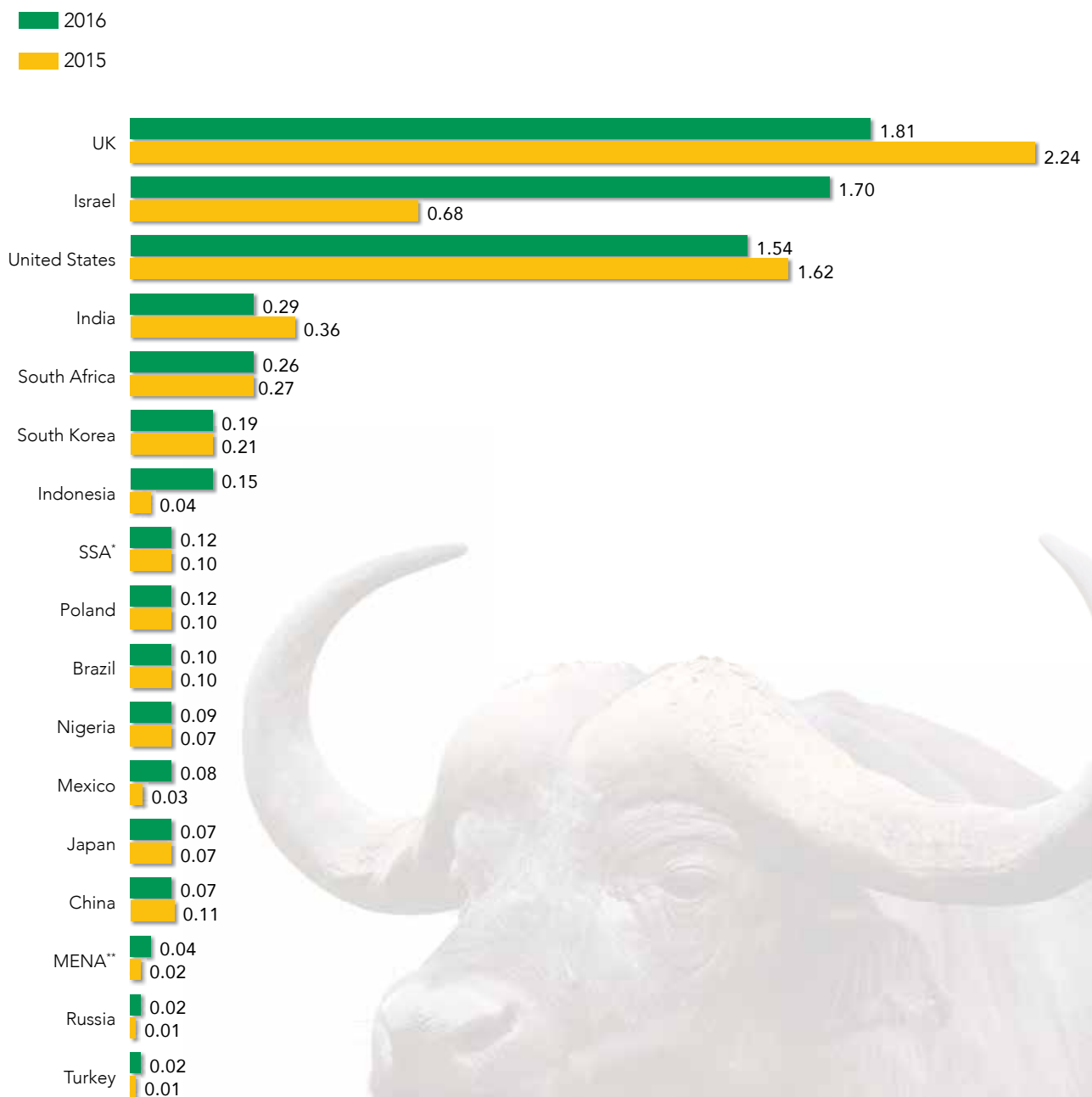


Funds under management

Comparison to the global market

- Although the South African private equity industry as a whole is relatively small in comparison to those of the US and UK, it is well established and locally significant.
- Using EMPEA information, together with survey data for South Africa, South Africa has investment activity as a percentage of GDP for 2016 of 0.26% (2015: 0.27%).

Figure 11 | Global private equity capital penetration (as a % of GDP)



* Sub-Saharan Africa

** Middle East and North Africa Source: EMPEA Q1 2017 Industry Statistics for Emerging Markets Private Capital



3 | Fund raising activity



Fund raising activity

- The total of third-party funds raised by the industry in 2016 reached R10.2 billion, a 62.9% decrease from the R27.5 billion reported for 2015.
- Independents account for the majority of reported fund raising activity during 2016, accounting for 90.9% of funds raised during the year (2015: 99.1%).
- By regional source, R7.5 billion (73.5%) of total funds raised in 2016 was from South African sources (2015: 28.4%).
- Pension and Endowment Funds were the source of 40.2% of all third-party funds raised during 2016 (2015: 35.3%). Governments, aid agencies and DFIs accounted for 20.6% in 2016 (2015: 19.6%) and insurance companies/institutions made up 19.6% of funds raised in 2016 (2015: 8.4%).
- Of the cumulative funds not yet returned to investors, South Africa is the main source of funds raised (43.3%), ahead of the UK (12.1%) and the United States (11.1%).

Figure 12 | Third-party funds raised during 2016, analysed by fund stage (Rbn)

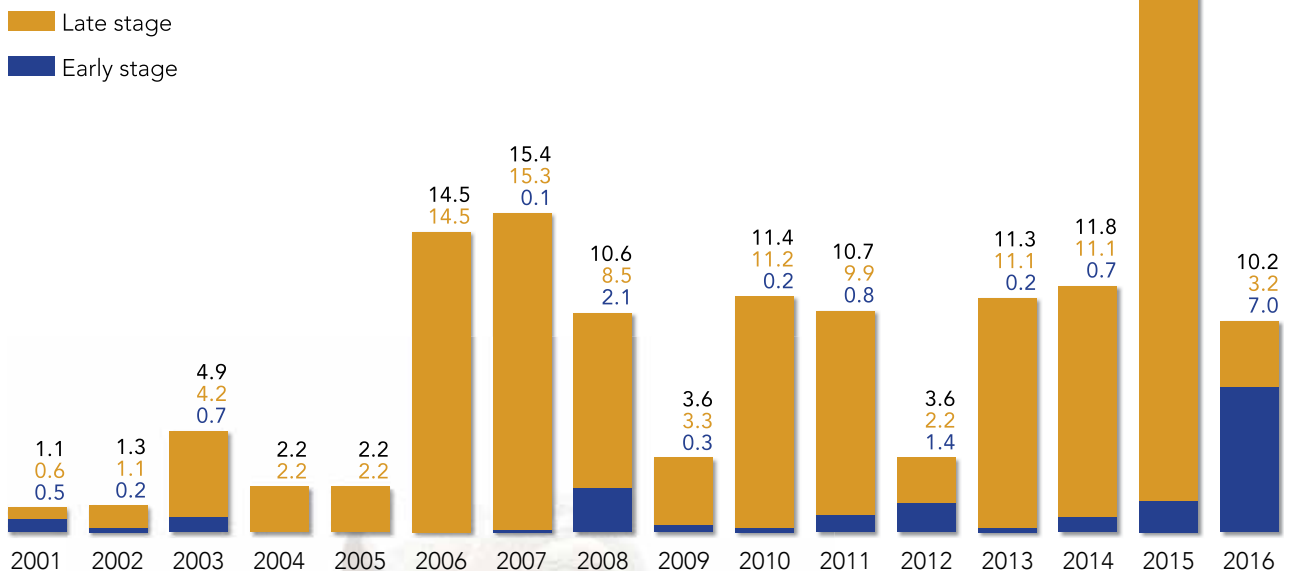


Figure 13 | Third-party funds raised during 2016, analysed by fund stage (Rbn)*

- Late Stage Pan Africa
- Late Stage South Africa
- Early Stage Pan Africa
- Early Stage South Africa



* Includes funds available for investment in South Africa and Pan Africa.

Fund raising activity

Figure 14 | Source of third-party funds raised during 2016 (Rbn)

■ South African Source (R7.5 billion)
 ■ Non South African Source (R2.7 billion)

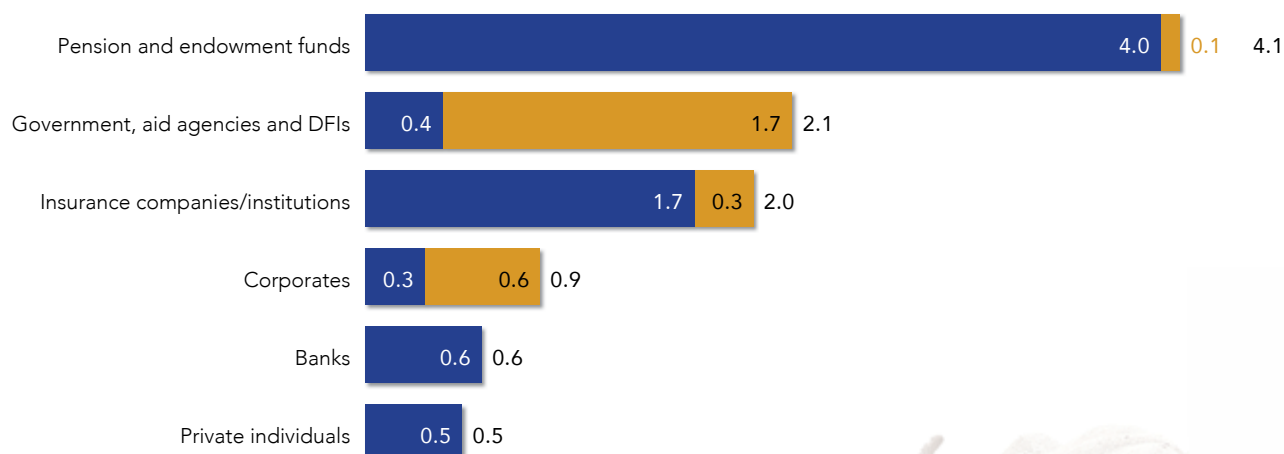
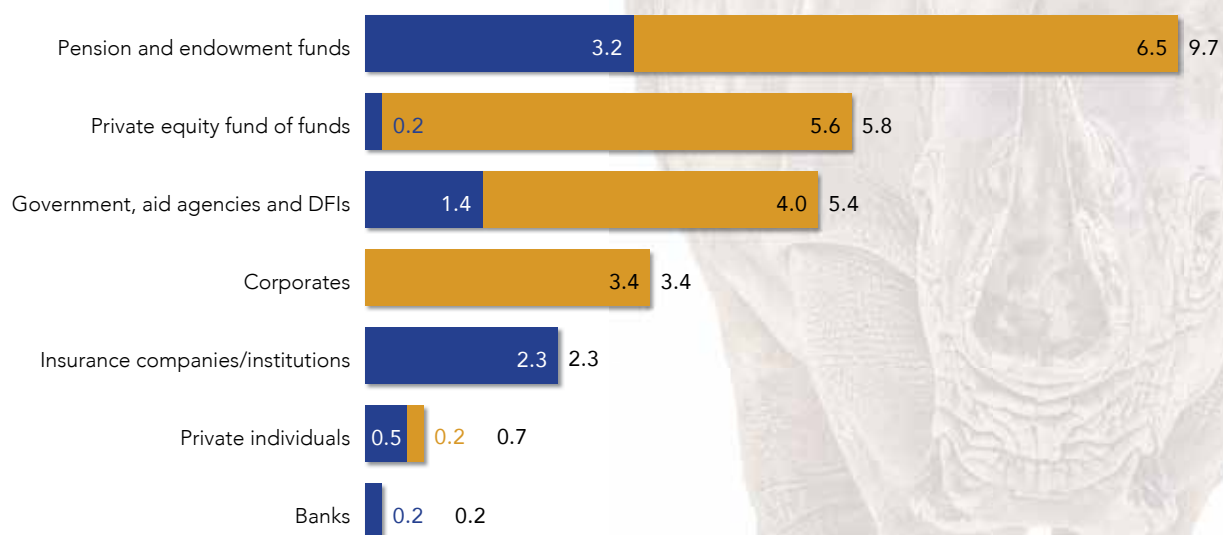


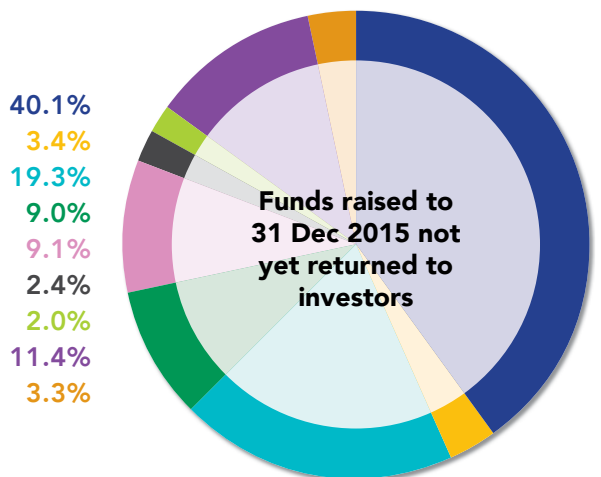
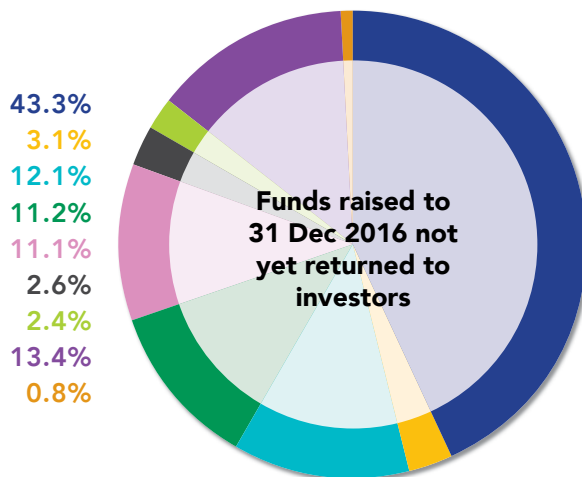
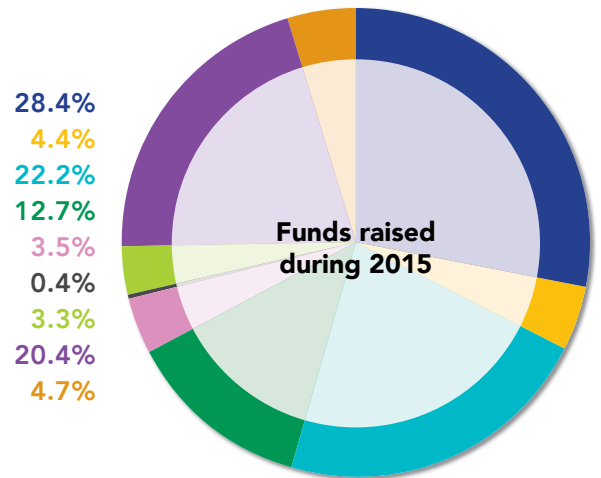
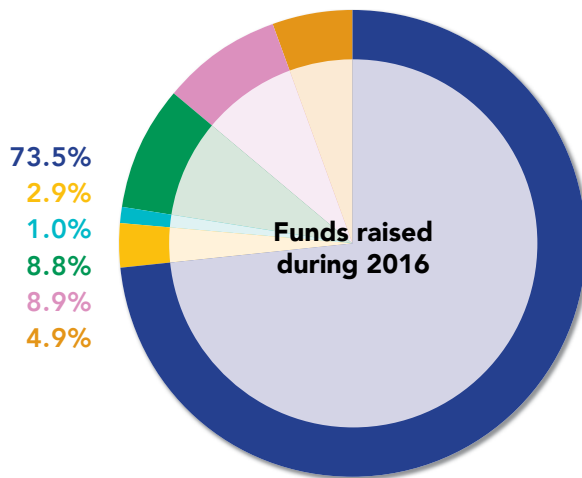
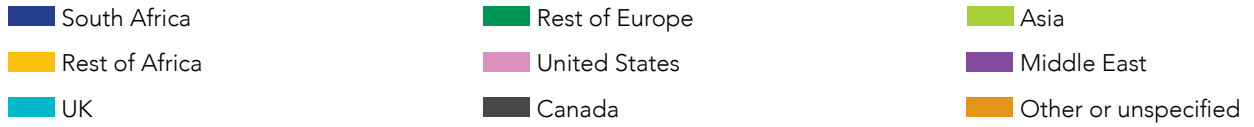
Figure 15 | Source of third-party funds raised during 2015 (Rbn)

■ South African Source (R7.8 billion)
 ■ Non South African Source (19.7 billion)



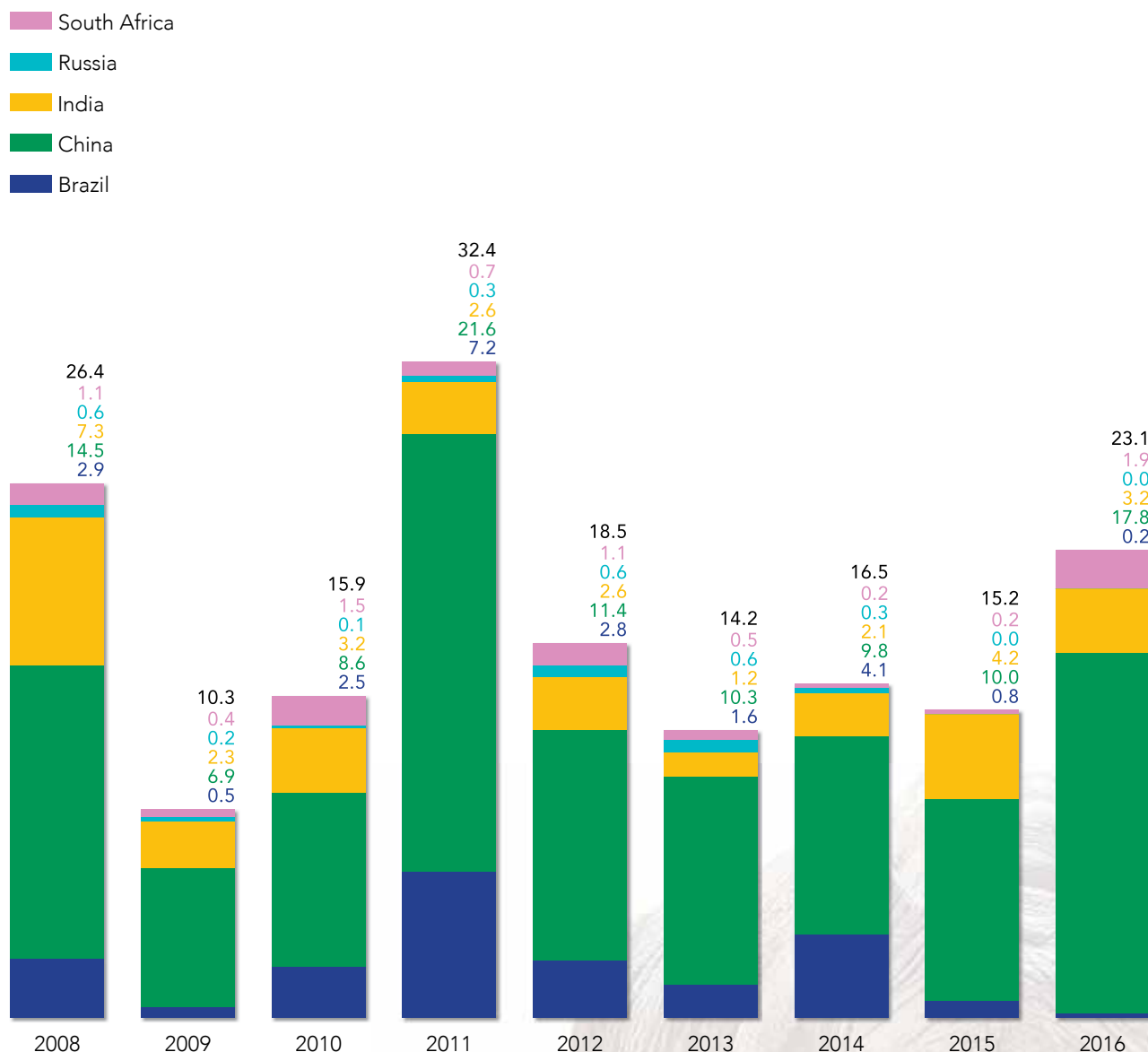
Fund raising activity

Figure 16 | Geographical sources of third-party funds raised (% of total)



Fund raising activity

Figure 17 | Emerging markets private equity fundraising totals by select markets (US\$bn)



The chart above uses EMPEA data for Russia, India, China and Brazil, with South African data collated from the survey.



Responsibility comes with the job of investing

Our promise to that responsibility is to deliver efficient legal solutions and support in helping you succeed.

We offer :



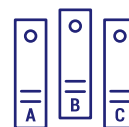
International and
domestic reach



Strong team



Knowledgeable
advice



Unique market
familiarity

Contact **Phologo Pheko** at **ppheko@fasken.com** for more information about our services.

www.fasken.com/johannesburg

**FASKEN
MARTINEAU**

VANCOUVER

CALGARY

TORONTO

OTTAWA

MONTREAL

QUEBEC CITY

LONDON

JOHANNESBURG

A close-up, high-resolution photograph of a lion's face, focusing on its eyes, nose, and mouth. The lion has a thick, golden-brown mane and a serious expression. The lighting is warm, highlighting the texture of its fur.

4 | Investment activity



Investment activity

- The reported cost of private equity investments made during 2016 is R15.5 billion (2015: R12.5 billion). The total number of investments increased by 34, to 574 during 2016 (2015: 540). These figures include investments made by Business Partners.
- The cost of new investments during 2016 amounted to R10.1 billion (2015: R7.8 billion) and the cost of follow-on investments during 2016 amounted to R5.4 billion (2015: R4.7 billion).
- The overall average investment deal size increased to R27.0 million during 2016, from R23.1 million during 2015. The average deal size for new investments increased to R29.5 million during 2016, from R27.1 million during 2015, while average deal size for follow-on investments increased to R23.3 million during 2016, from R18.7 million during 2015.
- In terms of the number of reported investments, Business Partners, classified as Captives – Other, was again by far the most active investor in the Southern African private equity market, contributing 350 (61.0%) of the total number of reported investments made during 2016 (2015: 354; 65.6%). By value, Business Partners represents 5.4% of the cost of total investments made during 2016 (2015: 6.5%). The average deal size by Business Partners was R2.4 million in 2016 (2015: R2.3 million).
- Excluding the Business Partners investments, the total average deal size of investments during 2016 increased to R65.5 million (2015: R62.9 million), the average deal size of new investments during 2016 decreased to R95.4 million (2015: R118.5 million) and the average deal size of follow-on investments during 2016 increased to R41.7 million (2015: R35.8 million).
- Of the investments made during 2016 and classified into sectors by value, 14.2% were in the real estate sector, 11.0% in the information technology sector and 11.0% were in the energy and related sector.
- Infrastructure comprises 22.6% of the value of all unrealised investments at 31 December 2016, with manufacturing accounting for 12.9%, and banks, financial institutions and insurance for 7.6%.
- The cost of seed and start-up/early-stage investments contributed 15.7% of cumulative unrealised investments at 31 December 2016 (2015: 15.5%). This is indicative of the proportionally smaller transaction values for the early-stage types of deals.
- Expansion and development, as a proportion of investments made by cost, increased from 43.1% in 2015 to 55.4% in 2016. Replacement capital decreased from 25.5% of investment by cost during 2015 to 11.0% in 2016.

Investment activity

Figure 18 | Cost of investments made during 2016, analysed by new and follow-on investments (Rbn)*

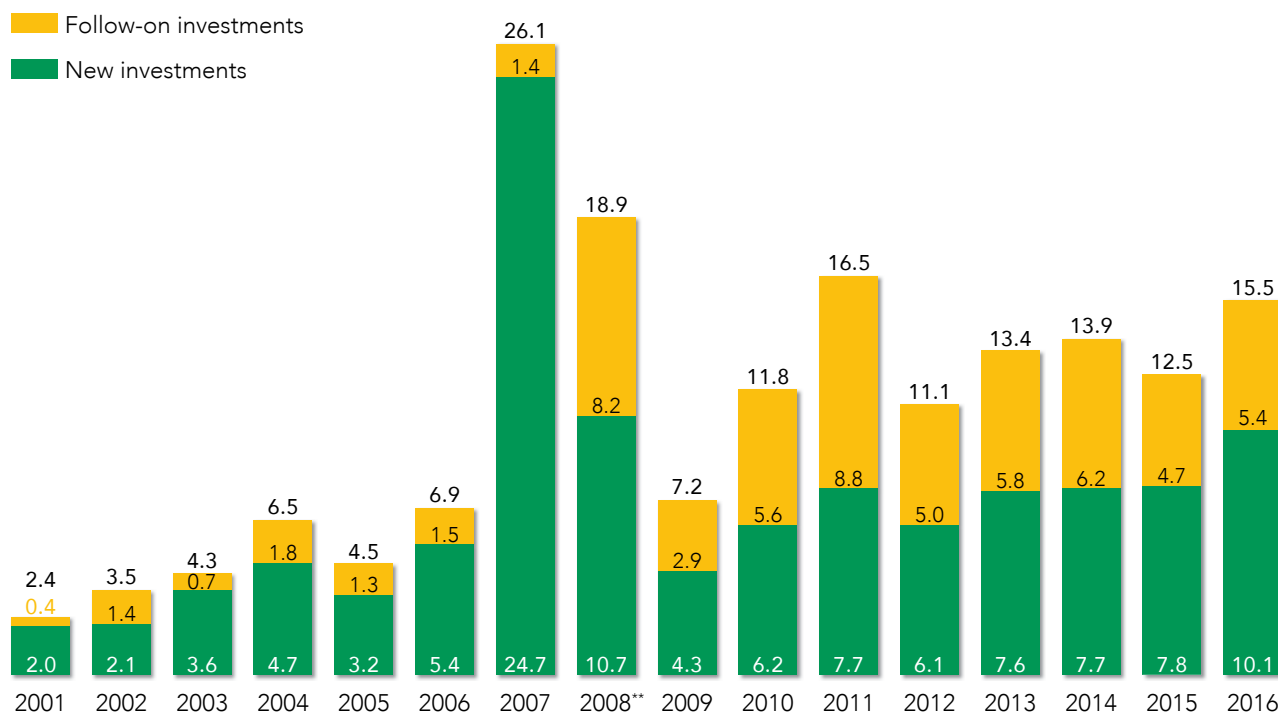
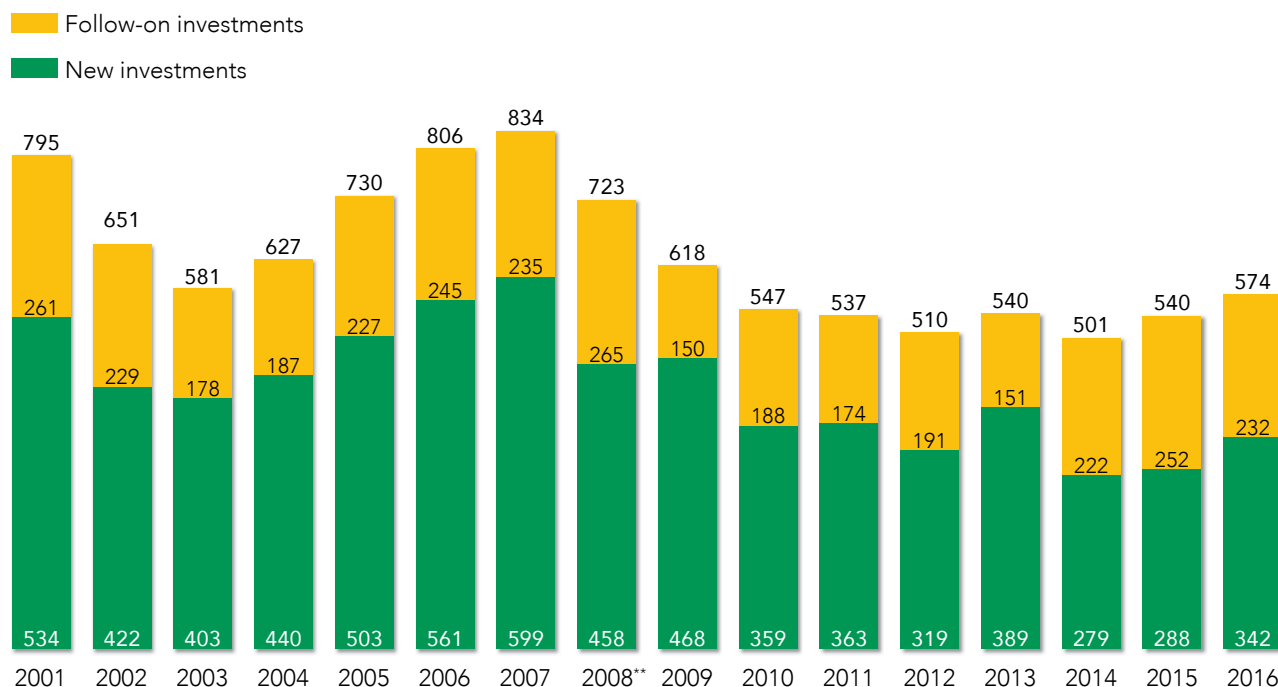


Figure 19 | Number of investments made during 2016, analysed by new and follow-on*

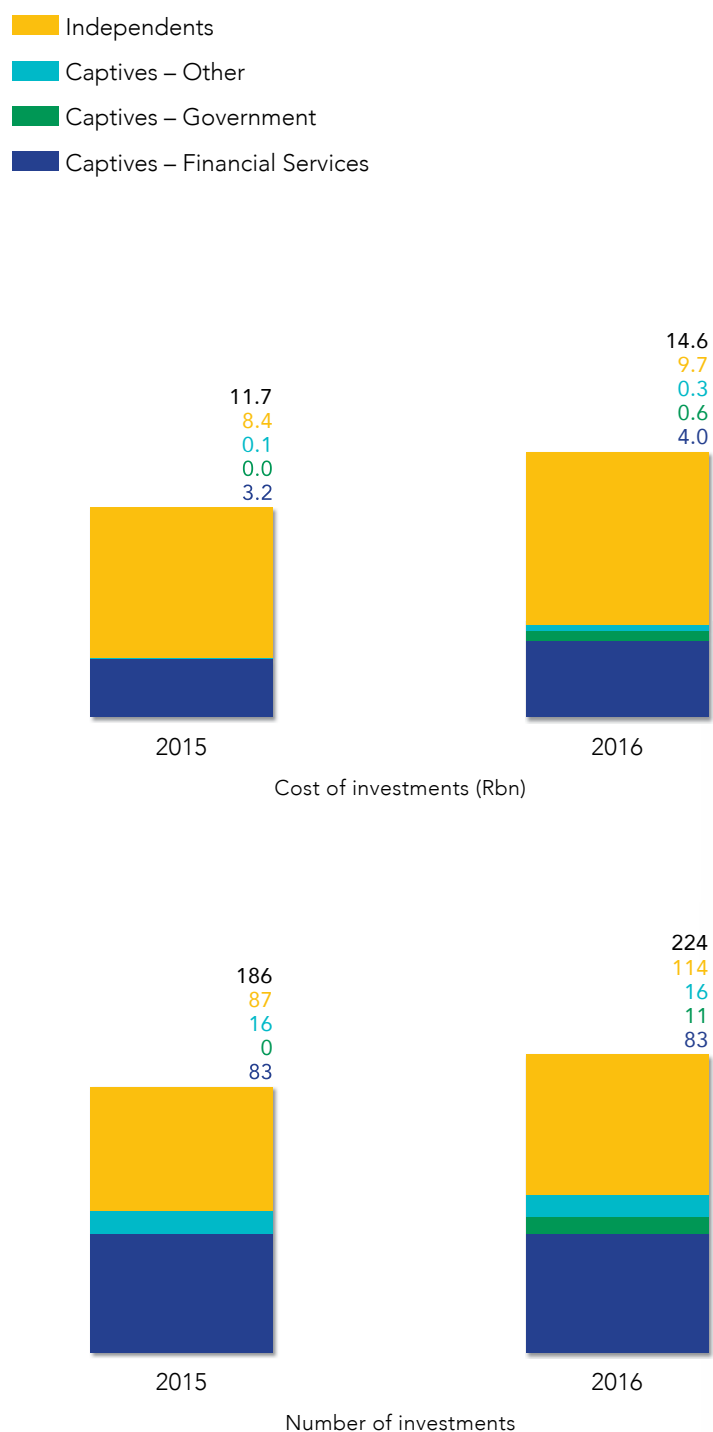


* Includes Business Partners

** For 2008, two investments are excluded owing to a lack of information; these are the acquisition by Denham Capital of shares in SA-based energy firm, Bio Therm Energy, with a transaction value of R1.5 billion, 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 R1.3 billion. For the 2011 year the investment by Brait (as an Independent) in Pepkor and Premier Foods for approximately R5 billion is excluded.

Investment activity

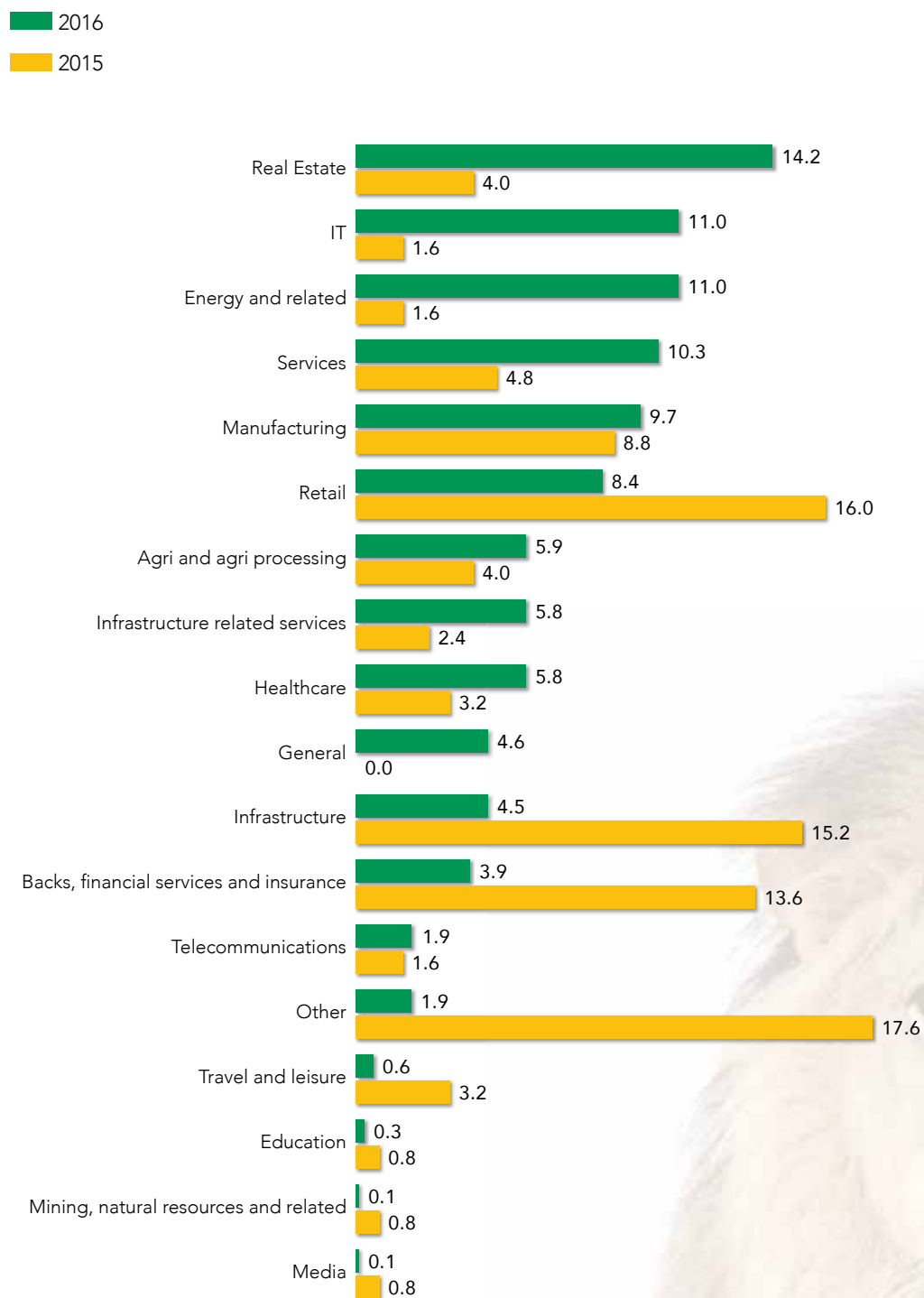
Figure 20 | Cost (Rbn) and number of investments made during 2016, analysed by type of fund manager*



* Excludes Business Partners

Investment activity

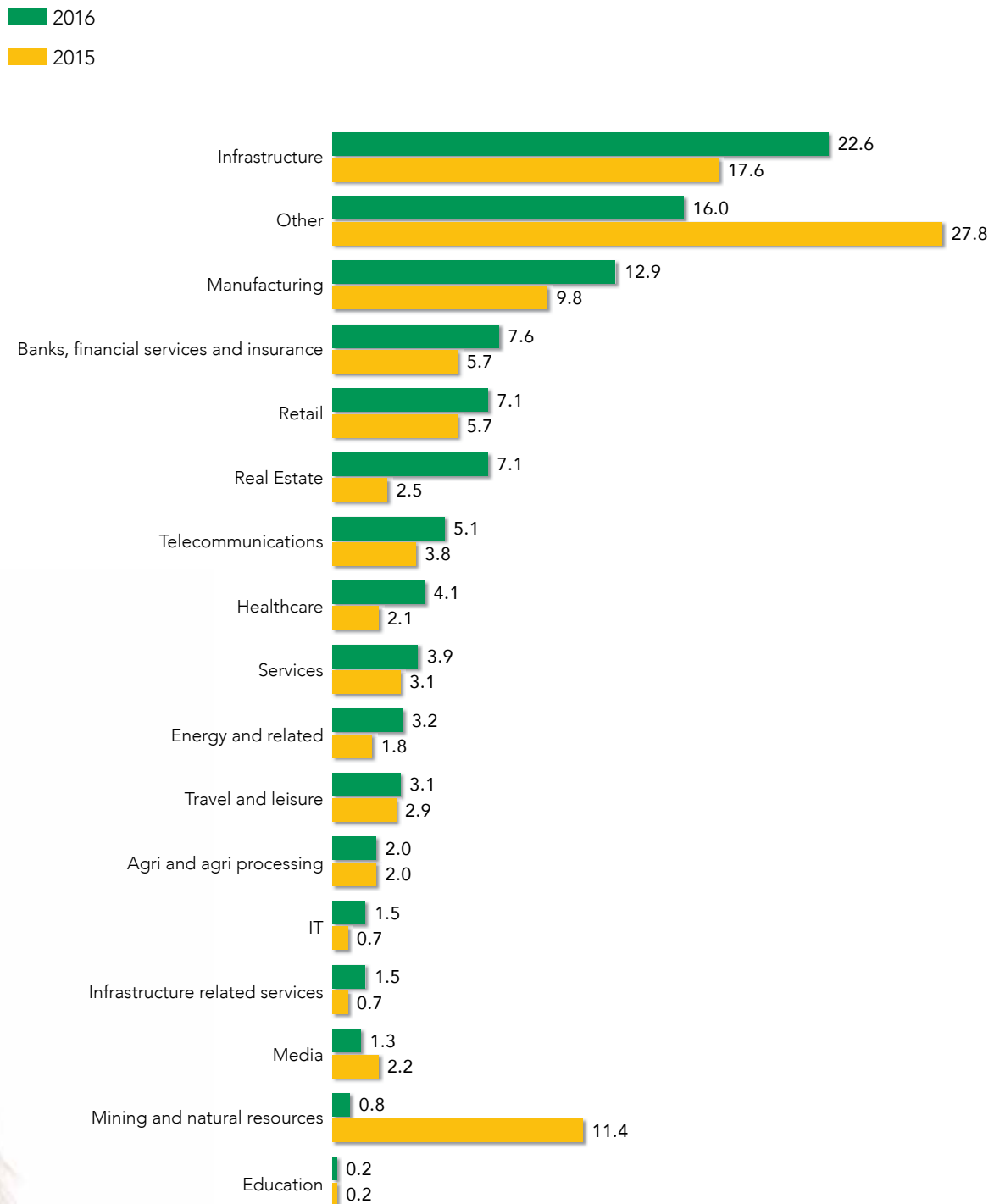
Figure 21 | Investments made during 2016, analysed by sector (% of total cost)*



* Excludes Business Partners

Investment activity

Figure 22 | Unrealised investments portfolio at year end, analysed by sector (% of total)



Investment activity

Figure 23 | Analysis of investments by stage based on cost of investments (% of total)

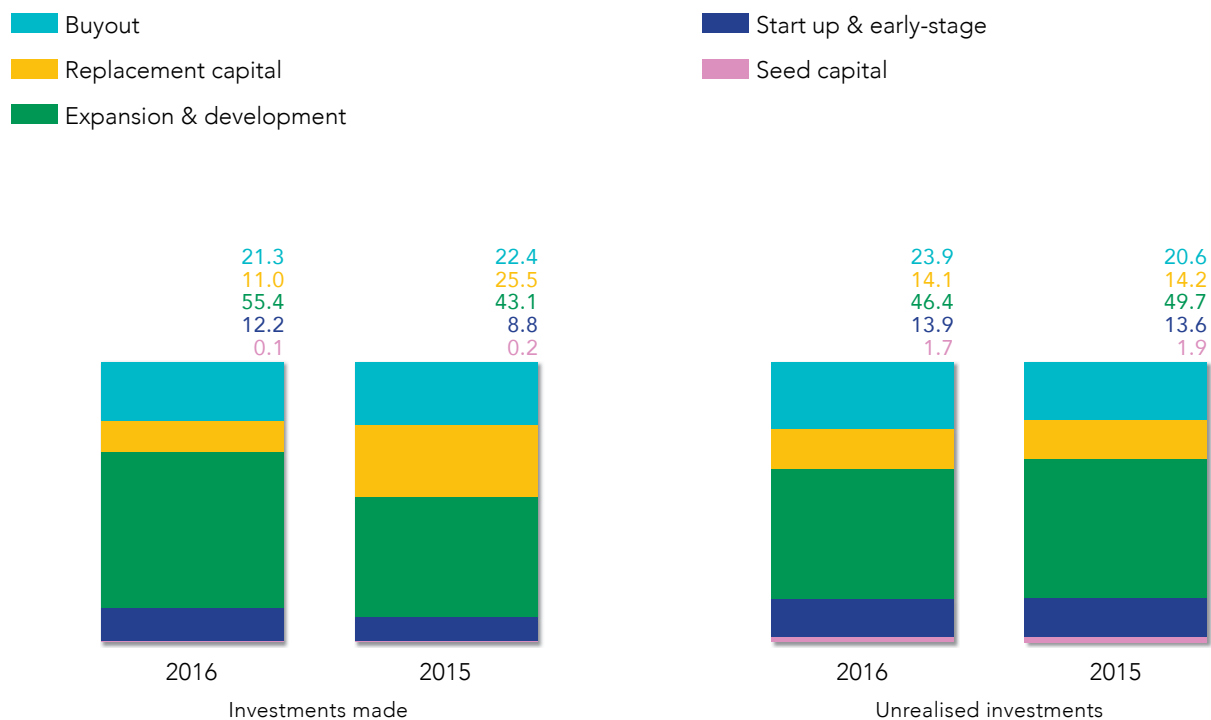
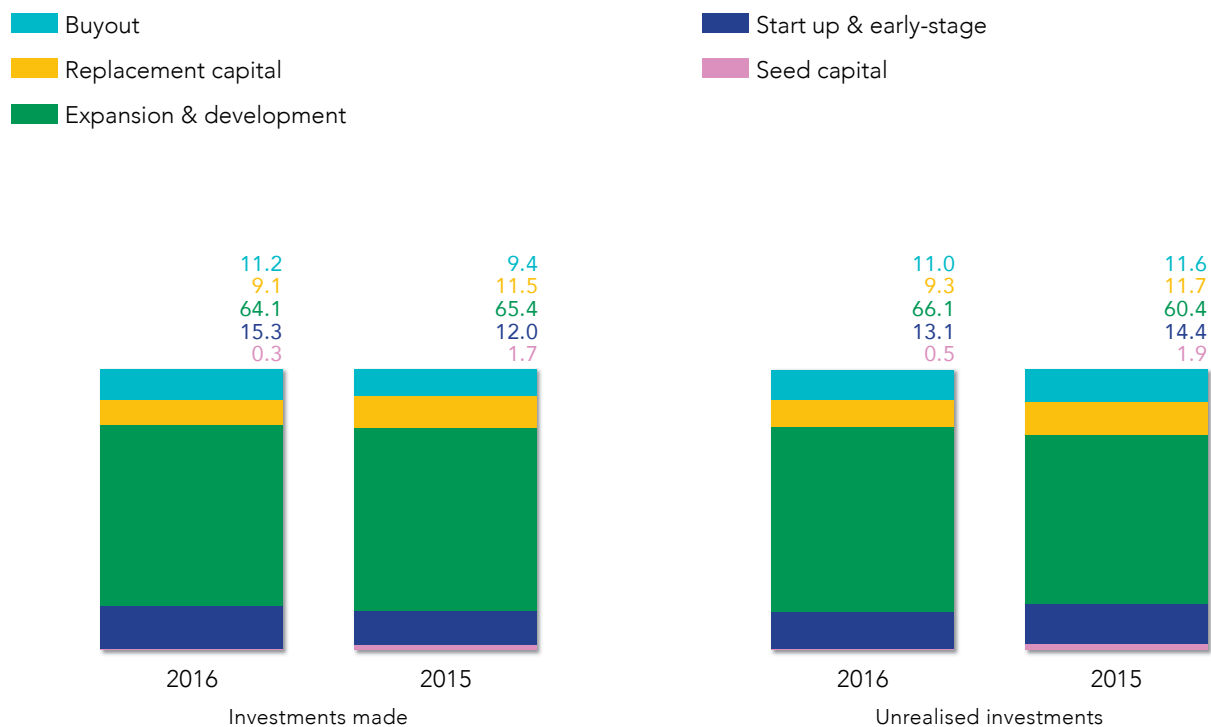


Figure 24 | Analysis of investments by stage based on number of investments (% of total)



Investment activity

Top Southern African investments made during 2016

Private equity fund	Investee company	Total enterprise value (Rm)	Interest	Sector focus
Vantage Mezzanine III Southern African Sub Fund	Vumatel (Pty) Ltd	1 948	Mezzanine Loan provided + 6.25% equity participation	Information Technology
Vantage Mezzanine III Southern African Sub Fund	Worldwide Landmark Holding Company	1 670	Mezzanine Loan provided + 4.6% equity participation	Real Estate
Ethos Private Equity (Pty) Limited	Eazi Access Investments (Pty) Ltd	1 600	>50%	General
Vantage Mezzanine III Southern African Sub Fund	New GX Capital Holdings (Pty) Ltd	761	Mezzanine Loan provided + 8.14% equity participation	Infrastructure related services
Capitalworks Investment Partners (Pty) Ltd	IQ Business (Pty) Ltd	295	>25%, <50%	General
Sampada Private Equity	Euphoria Golf and Life Style	292	>50%	Travel and Leisure
Nedbank Private Equity	Comsol Networks (Pty) Ltd	244	<25%	Telecommunications
Agile Capital	Spilltech	200	>50%	Services (Cleaning)
Sampada Private Equity	Tembisa Megamart	126	>50%	Real Estate

Top Southern African investments made during 2015

Private equity fund	Investee company	Total enterprise value (Rm)	Interest	Sector focus
Metier Private Equity	Southey Holdings and Southey Mauritius	2 031	>25%	Infrastructure related services
Vantage Risk Capital	Servest	1 670	<50%	General
Actis Africa Ltd	Coricraft	>1 000	<50%	Retail
Ethos Private Equity	Neopak	863	>50%	Paper and packaging
Ethos Private Equity	Twinsaver	762	>50%	Industrials FMCG
Metier Private Equity	Retailability	429	Minority interest	Retail
Capitalworks	Robertson and Caine	411	>50%	Leisure
Kleoss Capital	TrenStar SA	305	>50%	Mining and related services
Nedbank Private Equity	Glocell	227	<25%	Information Technology
Metier Private Equity	Astrim	189	>50%	Health Care

In addition to the deals that were concluded in South Africa, the following fund managers concluded deals outside of South Africa during 2016: Novare Equity Partners (six investments in the Real Estate sector in Mozambique, Nigeria and Zambia) and Takura Capital (in the logistics industry in Zimbabwe).

5 | Analysis of BEE investment





Analysis of BEE investment

- BEE participation in investments is fundamental to the South African economy and remains a significant portion of private equity activity in South Africa.
- In 2016, 44.7% (2015: 59.7%) of investments made were in businesses with ratings levels 1 to 4 of the DTI BEE codes. These figures are in line with the general ratings for South African companies.

Figure 25 | Value of investment by BBBEE recognition level (excluding Captives - Government)

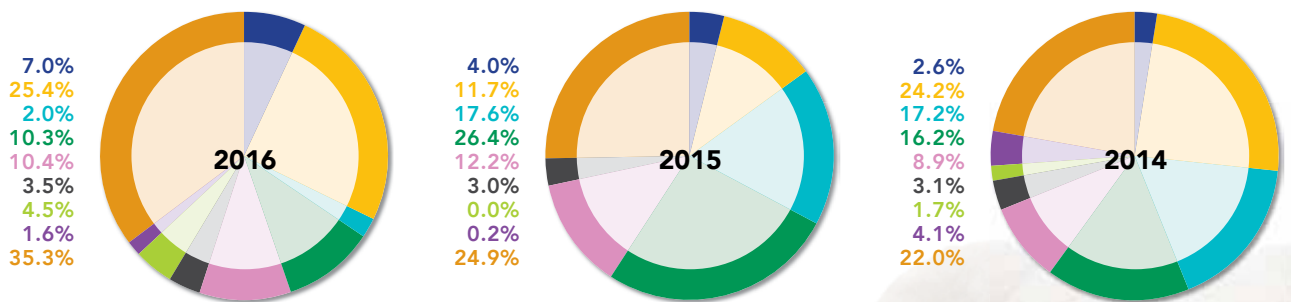
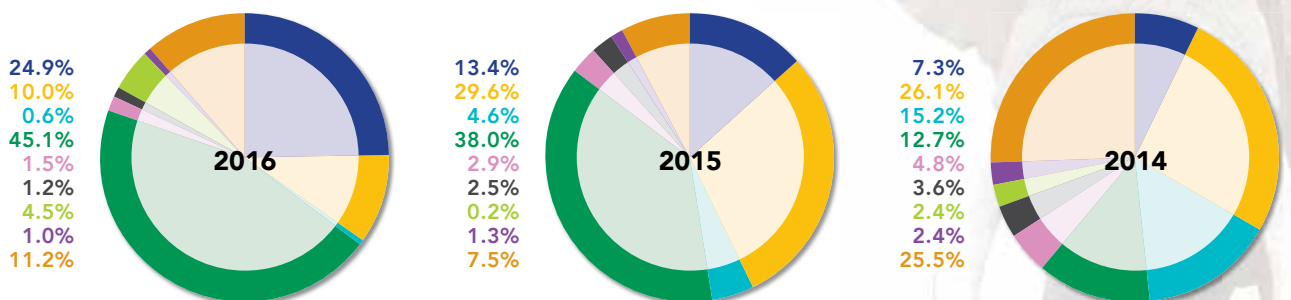
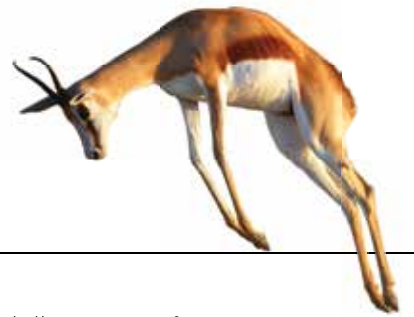


Figure 26 | Number of investments by BBBEE recognition level during the year





6 | Exits



Exits

- Funds returned to investors during 2016 totalled R18.3 billion, compared with R8.2 billion in 2015.³
- The returns to investors in 2016 had an implied times money multiple of 2.0 times, compared with the 1.4 times reported in 2015.
- The value of disposals totalled R16.4 billion during 2016, compared with R4.0 billion in 2015.
- Disposals in the form of trade sales was the most popular in value terms. By volume, the most popular method of disposal was sales to management.
- The average proceeds per disposal in 2016 was R176.3 million, compared with R48.1 million in 2015.
- Twenty one investments were written off during 2016, inclusive of sales for nominal amounts (2015: 19 investments). The net loss on these investments (cost less proceeds) was R779.3 million in 2016 (R1.4 billion in 2015).
- There were no cancelled/expired funds reported during 2015 or 2016.



³ Funds returned represent all cash flows returned to investors including the proceeds of an asset realisation (i.e. an exit), dividends, interest and repayment of loans. The term “disposals” refers only to proceeds from the realisation of an investment.

Exits

Figure 27 | Funds returned to investors during 2016 (Rbn)

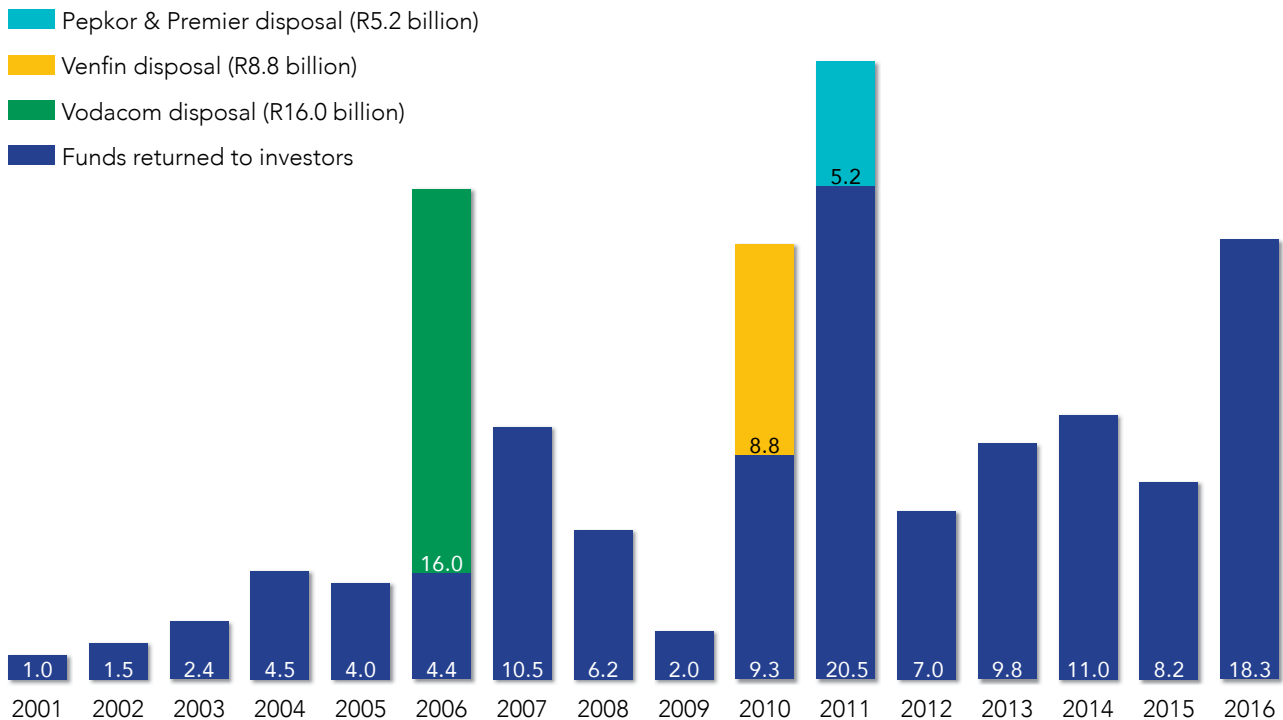
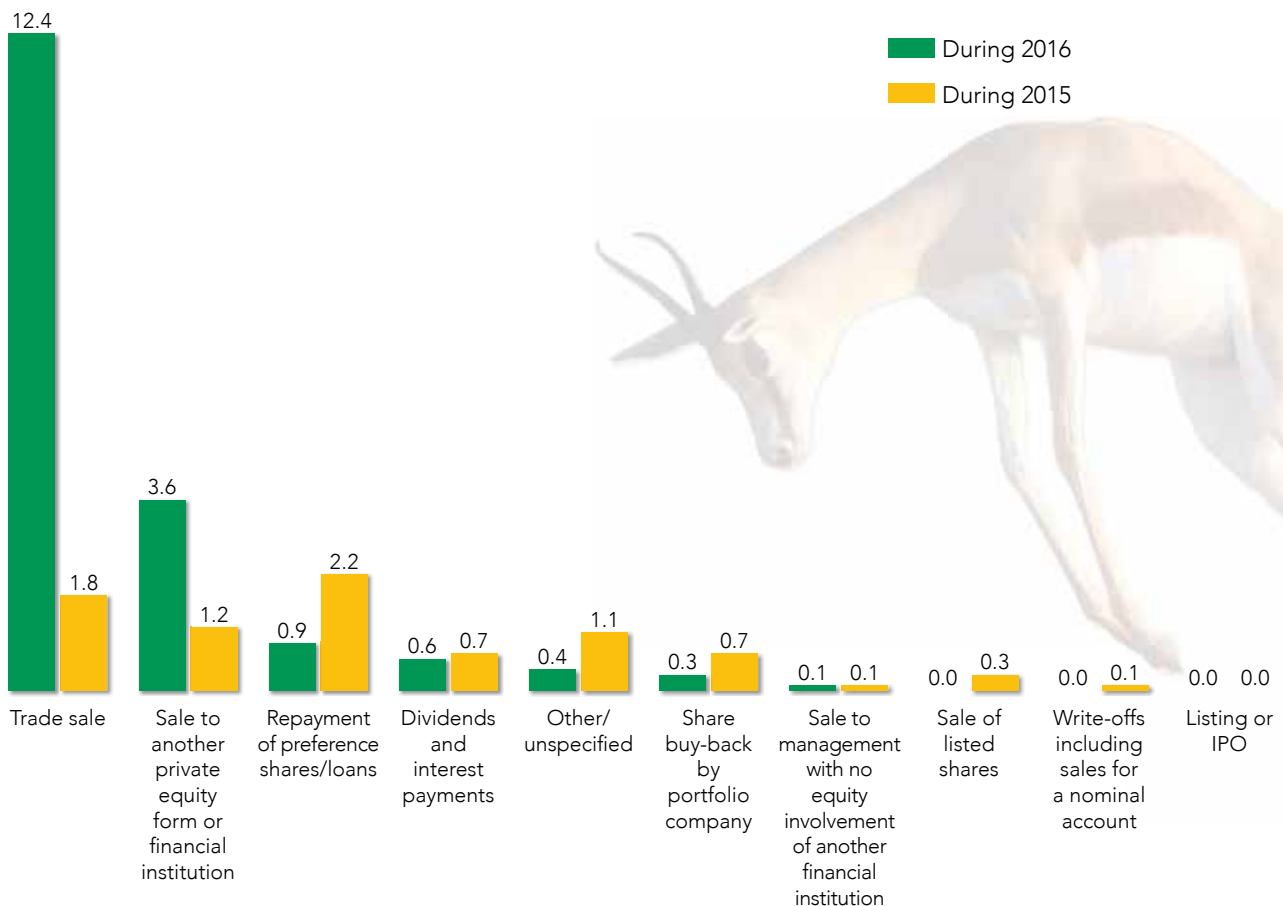


Figure 28 | Nature of funds returned to investors during the year (Rbn)



Exits

Figure 29 | Analysis of disposals made during the year based on proceeds (Rbn)

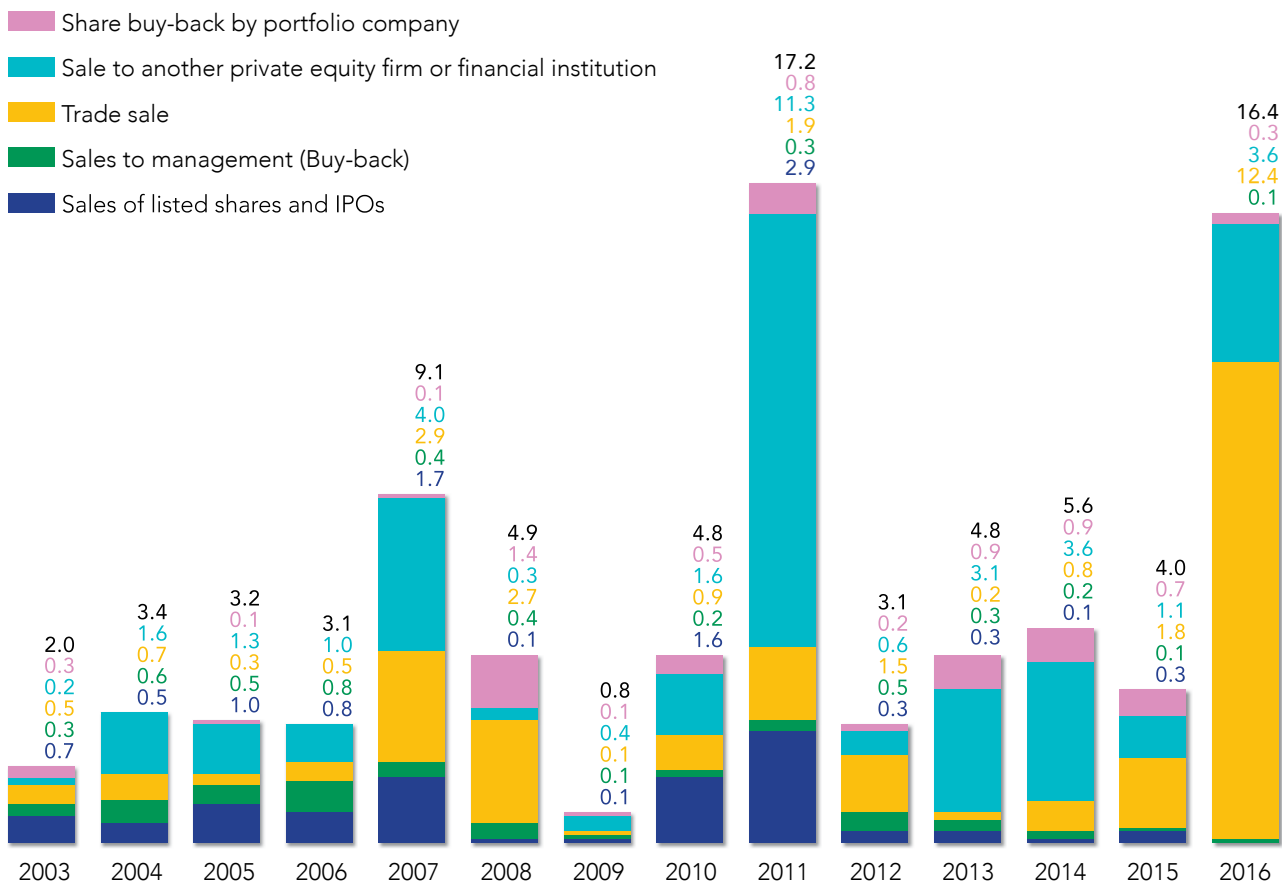
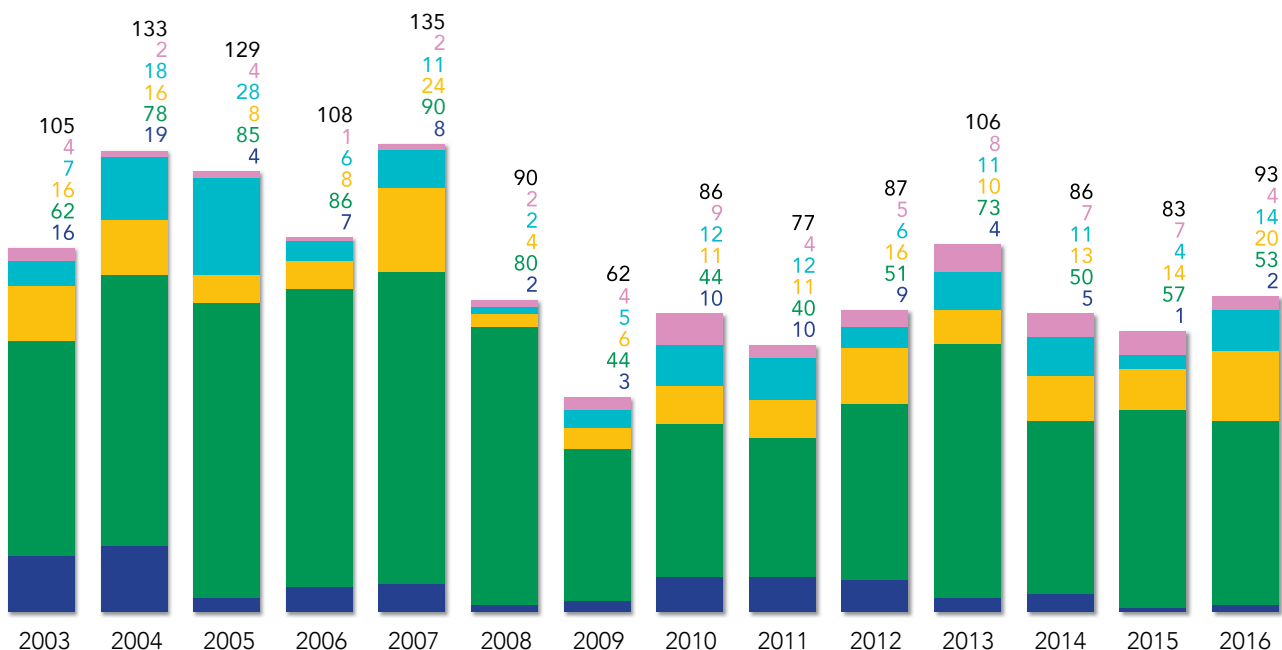


Figure 30 | Analysis of number of disposals made during the year based on proceeds*



* Excludes the Vodacom disposal during 2006, the Venfin disposal in 2010 and the Pepkor & Premier disposal in 2011

Exits

Figure 31 | Proceeds and cost of investments exited during 2015 (Rbn)

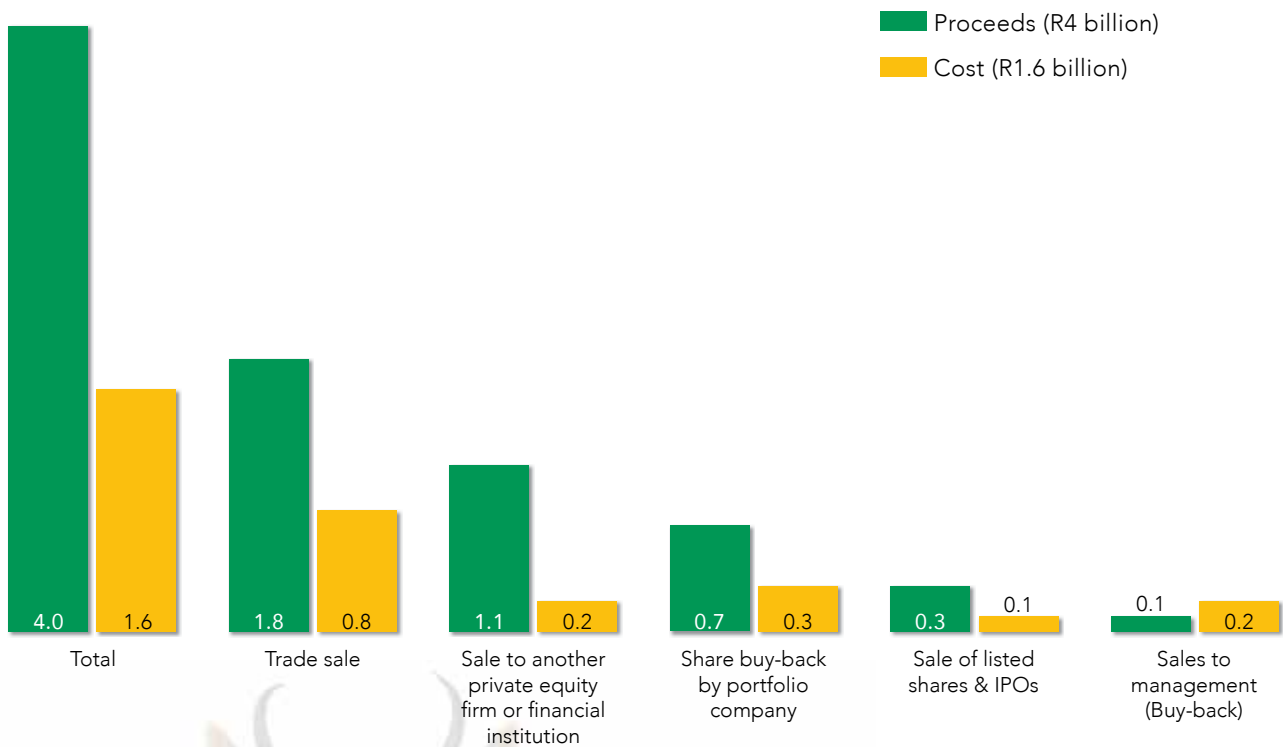
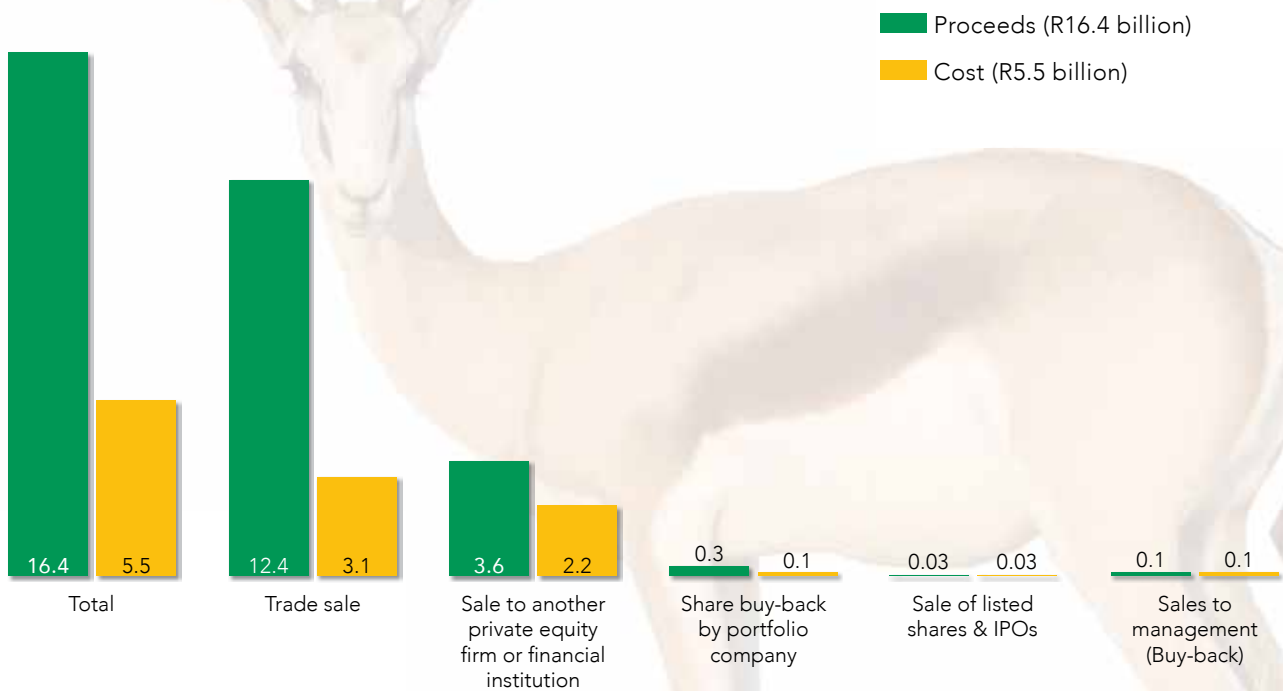


Figure 32 | Proceeds and cost of investments exited during 2016 (Rbn)



Exits

Top Exits during 2016

Private equity fund	Investee company	Buyer	Total enterprise value (Rm)	Controlling stake	Sector focus
Rockwood Private Equity	Tsebo Holdings	Capital Gap Private Markets	5 350	>25%, <50%	Catering and Facilities management
Ethos Private Equity (Pty) Limited	Idwala Industrial Holdings	Investec Equity Partners	4 000	>25%, <50%	Mining and Natural Resources
Rockwood Private Equity	Safripol Holdings	KAP Industrial Holdings	4 000	>25%, <50%	Manufacturing
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Renewables Cookhouse Wind Farm 1 Pty Ltd	Old Mutual Life Assurance	2 318	<25%	Energy
Ethos Private Equity (Pty) Limited	Universal Industries	RMB Corvest, RMB Ventures, MIC	2 300	>50%	Manufacturing
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Kouga Wind Farm	Tri-Alpha Fund Managers and GAIA	2 100	>35%, <50%	Energy
Ethos Private Equity (Pty) Limited and Sphere Private Equity	Brandcorp	The Bidvest Group	1 900	>50%	General
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Slimsun (RF) Pty Ltd	Tri-Alpha Fund Managers and GAIA	233	>35%, <50%	Energy

Top Exits during 2015

Private equity fund	Investee company	Buyer	Total enterprise value (Rm)	Controlling stake	Sector focus
Ethos Private Equity	TiAuto	Old Mutual and Carlyle Group	1 776	>50%	General
Lereko Metier Capital Growth Fund	South Point	Unemployment Insurance Fund, managed by the PIC	1 578	>50%	Student accommodation
Ethos Private Equity	Plumbink	Bidvest	446	>50%	General
Ethos Private Equity	Transaction Capital	Listed on the stock exchange	422	<25%	Financial Services
Vantage Capital	Trenstar	Kleoss Capital	161	>50%	Mining and related services

7 | Performance



Performance



- The overriding principle of the International Private Equity and Venture Capital Valuation (IPEV) 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. This methodology is used as the basis for measuring the performance of private equity funds.
- Riscura, in conjunction with SAVCA, produce a quarterly South African Private Equity Performance Report. The latest reported private equity returns over different time periods are as follows:

Figure 33 | Returns over different time periods (ZAR)

Times money				
Time Period	Pooled IRR	Realised	Unrealised	Total
10 year	15.80%	0.99	0.70	1.69
5 year	14.80%	0.67	0.77	1.44
3 year	16.10%	0.53	0.77	1.30

Figure 34 | Listed equity comparison (ZAR)

Compound annual growth rate (CAGR)				
Year	Pooled IRR	ALSI TRI*	FINDI TRI*	SWIX TRI*
10 year	15.8%	10.5%	14.4%	11.4%
5 year	14.8%	13.0%	19.9%	14.2%
3 year	16.1%	6.2%	9.0%	7.6%

* Listed index returns are before fees; private equity returns are net of fees

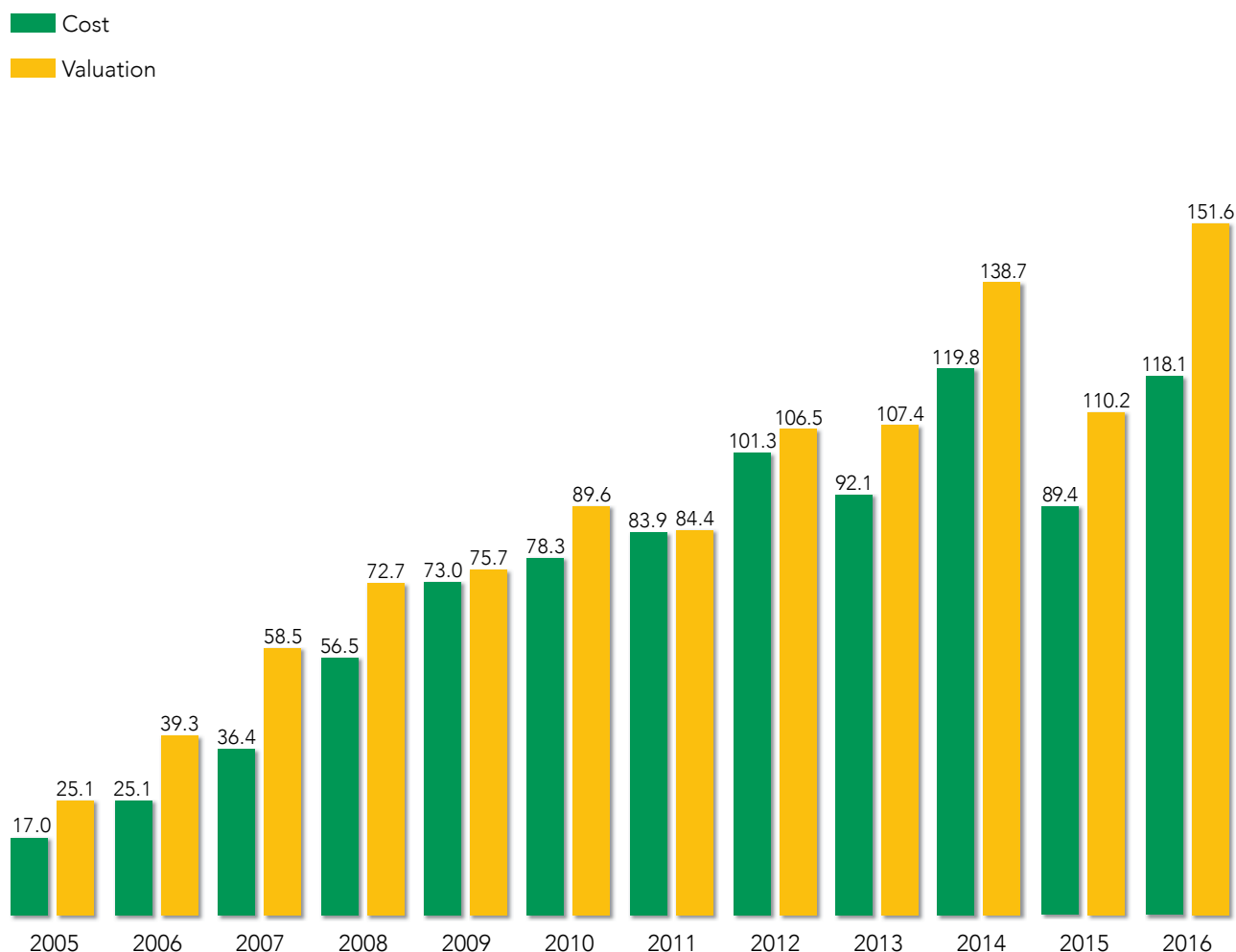
Reference: RisCura-SAVCA SA Private Equity Performance Report as at 31 December 2016

Performance

Investment at latest valuation

The disclosed valuation of unrealised investments in 2016 was R151.6 billion (2015: R110.2 billion), with a related cost of R118.1 billion (2015: R89.4 billion).

Figure 35 | Unrealised investments at year end - cost compared to valuation (Rbn)





Let us help you put the pieces together.

For more information on KPMG's established Private Equity multi-disciplinary practice contact:

Michael Rudnicki
Head of Private Equity South Africa
Partner, Corporate Tax (M&A and FS)
E: michael.rudnicki@kpmg.co.za
T: +27 83 377 6492

Multi-disciplinary
Post Deal and
Implementation

Deal
Structuring

Comprehensive Due
Diligence Offering

Fund
Raising

Corporate and
Balance Sheet
Restructuring

Pre-Sale
Diagnostic

Market Expansion
into Africa

Exit
Strategy

100-Day
Plan

Valuations

Data Analytics

Tax
Modelling

Portfolio
Advisory

Regulatory
Compliance

Tax
Advisory

Executive Incentive
Implementation

IPO
Assistance

Commercial and
Competition Law
Assistance

BEE
Advisory

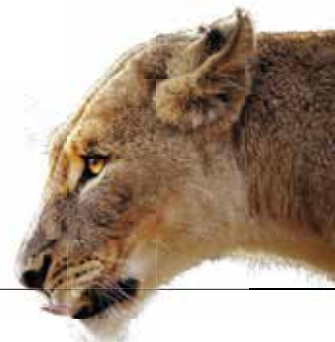
Forensic
Assessment

Tax
Structuring



8 | Private equity investment professionals

Private equity investment professionals



- The total number of investment professionals employed in the Southern African private equity industry totalled 780 in 2016, up from 641 in 2015.
- At 31 December 2016, black professionals accounted for 30.3% of the total (2015: 27.1%), coloured professionals 3.8% (2015: 5.9%), Indian professionals 12.7% (2015: 14.5%) and White professionals 53.2% (2015: 52.4%).
- At 31 December 2016, 13.3% of all professionals were female (2015: 12.9%).

Number of professionals 2016

	Black	Coloured	Indian	White	Total
Male	185	26	89	376	676
Female	51	4	10	39	104
Total	236	30	99	415	780

Number of professionals 2015

	Black	Coloured	Indian	White	Total
Male	139	33	85	301	558
Female	35	5	8	35	83
Total	174	38	93	336	641





9 | Data tables

Data tables



Year ended 31 December 2016

	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 disposals during the year
	R millions	R millions	R millions	R millions	R millions
Early-stage funds					
› Independents	20 577.6	7 350.0	7 039.6	1 593.7	5 497.3
› Captives (Financial Services)	0.0	0.0	0.0	0.0	0.0
› Captives (Government)	23 727.4	93.0	0.0	330.5	0.0
› Captives (Other)	216.6	0.0	0.0	1.7	0.0
	44 521.6	7 443.0	7 039.6	1 925.9	5 497.3
Late-stage funds					
› Independents	87 425.5	47 533.9	2 293.8	6 409.3	9 395.3
› Captives (Financial Services)	31 168.4	1 510.0	931.2	4 011.8	2 565.1
› Captives (Government)	4 518.4	1 214.2	0.0	299.0	438.8
› Captives (Other)	4 205.9	543.9	0.0	1 377.7	303.6
	127 318.4	50 802.0	3 225.0	12 097.8	12 702.8
	171 840.0	58 245.0	10 264.6	14 023.7	18 200.1

Year ended 31 December 2015

	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 disposals during the year
	R millions	R millions	R millions	R millions	R millions
Early-stage funds					
› Independents	11 360.1	1 638.8	1 481.0	773.4	9.7
› Captives (Financial Services)	0.0	0.0	0.0	0.0	0.0
› Captives (Government)	19 119.0	300.0	0.0	0.0	2.0
› Captives (Other)	65.3	12.2	0.0	5.0	2.8
	30 544.4	1 951.0	1 481.0	778.4	14.5
Late-stage funds					
› Independents	86 101.4	41 603.2	25 768.1	7 606.2	4 557.0
› Captives (Financial Services)	31 194.6	5 168.1	260.0	3 237.3	3 631.2
› Captives (Government)	7 486.8	0.0	0.0	0.0	32.4
› Captives (Other)	3 189.2	170.0	0.0	886.8	1.0
	127 972.0	46 941.3	26 028.1	11 730.3	8 221.6
	158 516.4	48 892.3	27 509.1	12 508.7	8 236.1

10|Participants



Participants



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

Not all participants are disclosed owing to requests for confidentiality.

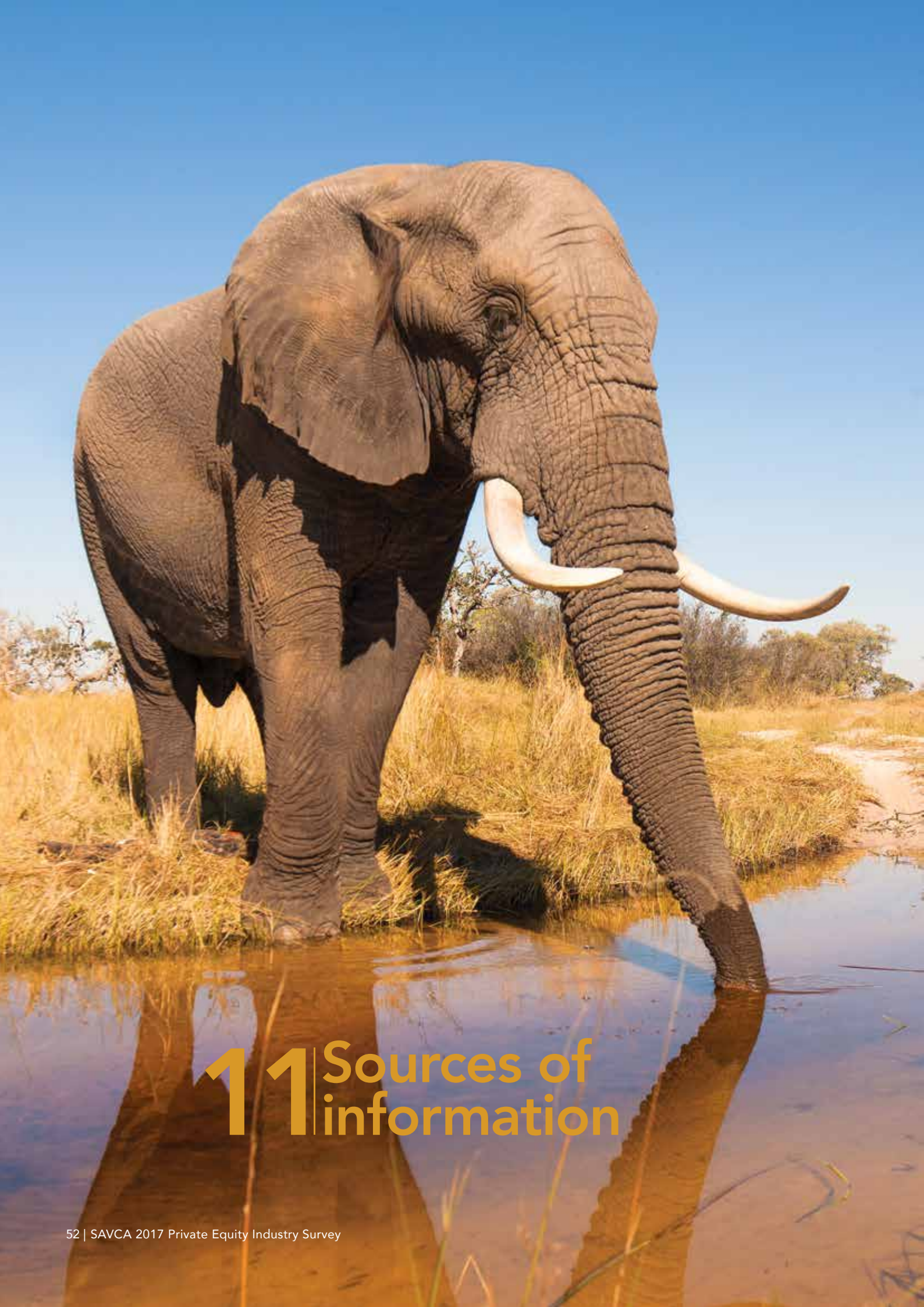
Name	Min investment	Max investment	Contact	Contact telephone
4Di Capital (Pty) Ltd	R 500 000	R49 million	Sam Sperring	+27 21 659 2000
Abraaj Group	US\$ 20 million	US\$ 500 million	Sandeep Khanna	+27 11 884 2066
Acorn Private Equity	R50 million	R500 million	Pierre Malan	+27 21 852 2887
Actis Africa Ltd	US\$80 million	US\$250 million	Chantal Clark	+27 11 778 5900
African Infrastructure Investment Managers (South Africa) (Pty) Ltd	R150 million	R800 million	Jurie Swart	+27 21 670 1234
Agile Capital	R20 million	R150 million	Tshego Sefolo	+27 11 217 3300
Ata Capital	R0	R125 million	Maredi Mampuru	+27 11 321 1636
Awethu Project Capital (Pty) Ltd	R2million	R50 million	Rob LeBlanc	+27 11 024 1606
Bopa Moruo	R25 million	R80 million	Boitumelo Tlhabanelo	+27 11 784 1740/ 1724
Business Partners Limited	R500 000	R50 million	Gerrie van Biljon	+27 11 713 6600
Capitalworks Equity Partners	R100 million	R500 million	Garth Willis	+27 11 301 3000
Collins Private Equity	R0	R40 million	Bruce Chelius	+27 31 536 8004
Convergence Partners	R5 million	No maximum	Yolande Tabo	+27 11 550 5320
Enablis Financial Corporation SA	R 25 000	R5 million	Ebenise Bester	+27 21 462 4486
Ethos Private Equity (Pty) Ltd	Fund VI: R1.5 billion	Fund VI: R3 billion	Chelsea Wilkinson	+27 11 328 7463/ +44 1423 734649
	Mid Market Fund I: R500 million	Mid Market Fund I: R1.5 billion		
EXEO Capital (Manager of the Agri-Vie Funds)	R65 million	R260 million	Mariska Vermeulen	+27 21 913 5662
Global Capital	R20 million	R800 million	David Vinokur	+27 11 728 0255
Growth Capital Partners	R5 million	R25 million	Tim Page	+27 11 513 4049
Harith General Partners	US\$10 million	US\$ 100 million	Pule Molebeledi	+27 11 384 4000

Participants

Name	Min investment	Max investment	Contact	Contact telephone
Horizon Equity Partners	R15 million	R50 million	Richard Flett	+27 11 502 6940
iCubed Capital	R 50 000	R5 million	Ismail Kajee	+27 11 888 0027
IJG Capital	R8 million	R40 million	Jakob de Klerk, Mirko Maier	+264 61 838 517/ +264 81 227 9994
International Housing Solutions	R0	R0	info@ihsinvestments.co.za	+27 11 300 8600
Industrial Development Corporation (IDC)	R1 million	Subject to transaction	Call Centre	+27 860 693 888/ +27 11 269 3000
Kingson Capital Partners	R500 000	R50 million	Gavin Reardon	+27 82 340 8633
Kleoss Capital	R50 million	R150 million	Hale Matsipa	+27 11 666 1660
Medu Capital	R50 million	R200 million	Nhlanganiso Mkwanzazi	+27 11 268 9140
Metier Private Equity	Metier Capital Growth Fund - R50 million	Metier Capital Growth Fund - R750 million	Paul Botha	+27 11 268 4000
	Metier Sustainable Capital Funds - R20 million	Metier Sustainable Capital Funds - R100 million		
Mezzanine and Credit Partners (Pty) Ltd (Trading as Ethos Mezzanine Partners)	US\$5 million	US\$30 million	Phillip Myburgh	+27 11 328 7466
Musa Capital	R25 million	R100 million	Richard Akwei	+27 11 771 6300
Nedbank Private Equity	R50 million	R300 million	Clive Howell	+27 11 294 3321
Nisela Capital	R50 million	R300 million	Richard Ngwenya	+27 11 268 1839
Nodus Equity Partners (Pty) Ltd	R10 million	R50 million	Hillie Meyer	+27 11 327 6907
Novare Equity Partners (Pty) Ltd	Novare Africa Property Fund I - R69million	Novare Africa Property Fund I - R274 million	Derrick Roper	+27 21 914 3944
	Novare Africa Property Fund II - R69million	Novare Africa Property Fund II - R822 million		
Old Mutual Alternative Investments	R75 million	R2 billion	Paul Boynton	+27 21 509 6869
Pembani Remgro Infrastructure Managers (Pty) Ltd	R0	R0	Marcel Louw	+27 11 290 0231
Phatisa Group	R100 million	R400 million	Stuart Bradley	+27 11 463 1920
RH Managers	R50 million	R200 million	Quinton Zunga	+27 10 007 2171
RMB Corvest	R30 million	R500 million	Neil Page	+27 11 380 8300

Participants

Name	Min investment	Max investment	Contact	Contact telephone
RMB Ventures	R50 million	R1 billion	Nielen van de Vyver	" +27 11 282 4220 +27 11 282 1815
Rockwood Private Equity	R250 million	R1 billion	Susan Rose	+27 10 060 4153/45
Sampada Private Equity (Pty) Ltd	R10 million	R80million	Nokuthula Mthombothi	+27 11 318 0171
Sanari Capital	R10 million	R150 million	Samantha Pokroy	+27 76 456 3339
Senatla Capital	R40 million	R120 million	Owen Maubane	+27 11 784 5929
Sphere Private Equity (Pty) Ltd (Closed for new investments)	R50 million (on balance sheet, Fund closed for new investments)	R150 million (on balance sheet, Fund closed for new investments)	Marang Denalane	+27 10 900 4200
Takura Capital	US\$4 million	US\$7 million	Portia Chitanda	+263 4 707 313/ +263 4 794 940
Trinitas Private Equity	R40 million	R150 million	Andrew Hall	+27 11 994 9700



11 Sources of information

Sources of information



The principal source of information for this survey was the survey questionnaire. Further sources include the SAVCA 2016 Members' Directory, discussions with private equity industry participants, and public information on private equity funds that include international surveys.

The survey questionnaire was developed by SAVCA and KPMG.

The guidelines for participation in this survey are as follows:

Participants must:

- Include investments if they are made in South Africa, regardless from where they are managed;
- Have as their principal business the management of funds (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); and
- Aim to generate returns mainly through medium to long-term returns on the sale of investments and/or social development returns.

Questionnaires were e-mailed to 110 (2015:110) funds that indicated that they would consider participating in the survey. Of these, 61 (2015: 57), representing 96 funds (2015: 84), completed the questionnaire. In addition, alternative sources were used to obtain information on a further 4 private equity firms, representing 4 funds, that did not complete the questionnaire.

Comparative data for 2015 may have been restated by participants for errors or omissions. In addition, 2015 data may have been restated for the inclusion/exclusion of funds that did or did not participate in the 2016 survey.

Other empirical data have been obtained from various sources, including:

- EMPEA Industry Statistics Q1 2017 – Industry Statistics for Emerging Markets Private Capital
- RisCura-SAVCA South African Private Equity Performance Report – Quarter ended: 31 December 2016
- Statistics South Africa
- Other sources specifically included in the footnotes.

SAVCA reviews the document prior to its public release. SAVCA does not have access to any of the individually completed questionnaires submitted to KPMG or any other information not presented in this publication.

While care has been taken in the compilation of the survey results, SAVCA and KPMG do not guarantee the reliability of its sources nor of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

A leopard with a distinctive spotted coat is perched on a thick, weathered tree branch. The leopard is looking down and to the right. The background is a blurred savanna landscape with dry grass and trees.

12 | Glossary

Glossary



BEE	Black Economic Empowerment 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.
Buy-out	Leveraged and/or management buy-out or buy-in.
Captive funds	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 above 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.
Development capital	Funding for growth and expansion of a company.
DFIs	Developmental Finance Institutions.
Early stage funds	Funds focused on seed capital, start-up and early-stage investments.
EMPEA	Emerging Markets Private Equity Association.
Follow-on investments	Investments into companies where at least one round of funding has already been made.
FUM	Funds under management.
GDP	Gross Domestic Product.
Independent fund	Those private equity companies, managers or funds raising and disbursing capital which has been sourced mainly from third party investors.
IPO	Initial public offering: when a company's equity is offered and listed on a formal stock exchange.
IRR	Internal Rate of Return.
Late stage funds	Funds focused on buyout, replacement capital and growth capital.
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.

Glossary

Pooled IRR	The pooled internal rate of return (IRR) aggregates or “pools” all cash flows and end-period net asset values to calculate a money-weighted return.
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.
SAVCA	The Southern African Venture Capital and Private Equity Association.
Seed capital	Funding for research, evaluation and development of a concept or business before the business starts trading.
Start-up and early-stage funding	Funding for new companies being set up or for the development of those which have been in business for a short time.
Total funding	Total funds raised by all providers of capital during a transaction. This could include the purchase consideration, funds to pay advisors fees, or funds required for immediate working capital requirements. This could be in the form of equity, shareholder loans, senior, mezzanine and junior debt and working capital facilities.
Trade sale	Sale of a business to an industry third party.
UK	United Kingdom.
Undrawn commitment	Capital committed to a private equity fund, but not yet drawn down for investment purposes.
US	United States of America.
Venture capital	Seed capital or capital for start-up and early stage.



BEYOND THE OBVIOUS

AN AFRICAN PERSPECTIVE

TRUE OPPORTUNITY LIES IN THE ABILITY TO SEE WHAT OTHERS MAY OVERLOOK

If you're looking for alternative investment opportunities on the African continent, you need a skilled team that digs deeper, going beyond the obvious to find the right deals that can generate higher returns. It's this non-obvious approach, combined with the right experience and depth of expertise that makes us the largest alternative investment manager in Africa.

www.oldmutualalternatives.com



Old Mutual Alternative Investments (Pty) Ltd is a licensed financial services provider, FSP No 45255, approved by the Registrar of Financial Services Providers (www.fsb.co.za) to provide advisory and/or intermediary services in terms of the Financial Advisory and Intermediary Services Act 37, 2002. Old Mutual Alternative Investments (Pty) Ltd is a wholly owned subsidiary of Old Mutual Investment Group Holdings (Pty) limited and is a member of the Old Mutual Investment Group. Contractual rights and obligations of investors are set out in the relevant investor agreements and or mandates. Unlisted investments have short term to long term liquidity risks and there are no guarantees on the investment capital nor on performance. Market fluctuations and changes in exchange rates as well as taxation may have an effect on the value, price, or income of investments and capital contributions. Since financial markets fluctuate, an investor may not recover the full amount invested. Past performance is not necessarily a guide to future investment performance.

ETHOS
MID
MARKET

WWW.ETHOS.CO.ZA

BORN FREE

ETHOS MID MARKET SUCCESSFULLY CLOSES FIRST THREE INVESTMENTS

Within a month of our first dosing, Ethos Mid Market Fund I concluded three investments, bringing strategic empowerment credentials to:

- Autozone - Southern Africa's largest, privately-owned automotive parts aftermarket retailer and wholesaler
- Eazi Access - Africa's market leader in the rental, sale and servicing of work-at-height and material handling solutions
- Twinsaver - South Africa's No 1 tissue manufacturer

We represent a unique combination of proven institutional investing and value-adding insights, coupled with sustainable black economic empowerment solutions and transformational impact.

THE NEXT GENERATION IN PRIVATE EQUITY INVESTING



AN AUTHORISED FINANCIAL
SERVICES PROVIDER