



SAVCA 2018

Private Equity Industry Survey

The Beat of the Southern African Private Equity Industry covering the 2017 Calendar Year



Research Partner

Deloitte.

Proudly championing private equity and venture capital



SAVCA is proud to represent an industry exemplified by its dynamic and principled people, and whose work is directed at supporting economic growth, development and transformation.

SAVCA was founded in 1998 with the guiding purpose of playing a meaningful role in the Southern African venture capital and private equity industry. Over the years we've stayed true to this vision by engaging with regulators and legislators, providing relevant and insightful research on aspects of the industry, offering training on private equity and venture capital, and creating meaningful networking opportunities for industry players.

We're honoured to continue this work on behalf of the industry.



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Rhythm of the Beat... Private Equity Reinvigorating Economic Growth



We are delighted to bring you the 18th SAVCA Private Equity Industry Survey encapsulating the changing rhythm of the sector during the 2017 calendar year. This year's theme is The Beat of Private Equity: Resilient, Resourceful and Resolute, reflecting the steady performance of the private equity asset class against the backdrop of challenging and uncertain economic and political conditions. Private Equity consistently creates value for investors and portfolio companies, whilst driving socio-economic development and economic sustainability. Despite stormy conditions, the rumblings of ongoing growth are still sounding across the industry. Aspects of resilience, resourcefulness and resoluteness have been demonstrated by the performance of the asset class over a ten-year cycle compared with listed equities. The private equity industry delivered a ten-year internal rate of return (IRR) of 11.6% compared to the 10.7% from the JSE All Share Total Return Index (Alsi TRI) over the same period.¹

Like the African drum, the sector comprises a number of critical and resilient components skilfully crafted together to make one unified, impactful sound. Drums are also used in African culture to signify times of celebration. Based on the data collated there is a number of successes to celebrate – as at the 31st of December 2017, Southern Africa's private equity industry had R158.6 billion in funds under management; the industry has also grown by a compound annual growth rate of 9.4% since the first edition of the SAVCA PE Survey, published in 1999. Added to this, there was a big jump in investment activity over the year, with the cost of investments made during 2017 equalling R31.3 billion.

Drums have also characteristically symbolised times of transformation and the chronicling of ongoing journeys. As you may know, SAVCA's transformation strategy is well under way – we continue to be committed to ensuring that the players who contribute to the promotion and growth of the private equity asset class come from all sectors of

South Africa's diverse society, and are empowered to drive the realisation of continuous development within the industry. Our research shows that great strides have been made already, with the percentage of female professionals in the private equity industry increasing to 21.8% in 2017 and 36.9% of investments recorded being made in businesses with BEE rating levels of 1 to 4.

Drum beats also spur inspiration and signify the start of new chapters and the anticipation of things to come. Never has this been more pertinent within the private equity sector than now – while there are still a number of significant challenges to be solved, there is still renewed sentiment around a shifting operating landscape and refreshed South African political leadership, this supplemented by President Ramaphosa's concerted effort to raise capital for investment in South Africa and revive investor confidence. There is no doubt that the industry will continue to be resilient, resourceful and resolute; epitomising the pulse of economic growth and societal change.

SAVCA could not have put this concerto together without the support of our members who participated in the survey and who makes it possible for us to publish meaningful research. SAVCA also wishes to thank our research partner, Deloitte, who allocated a committed team of professionals who spent endless hours collating, processing and analysing the large volume of data.

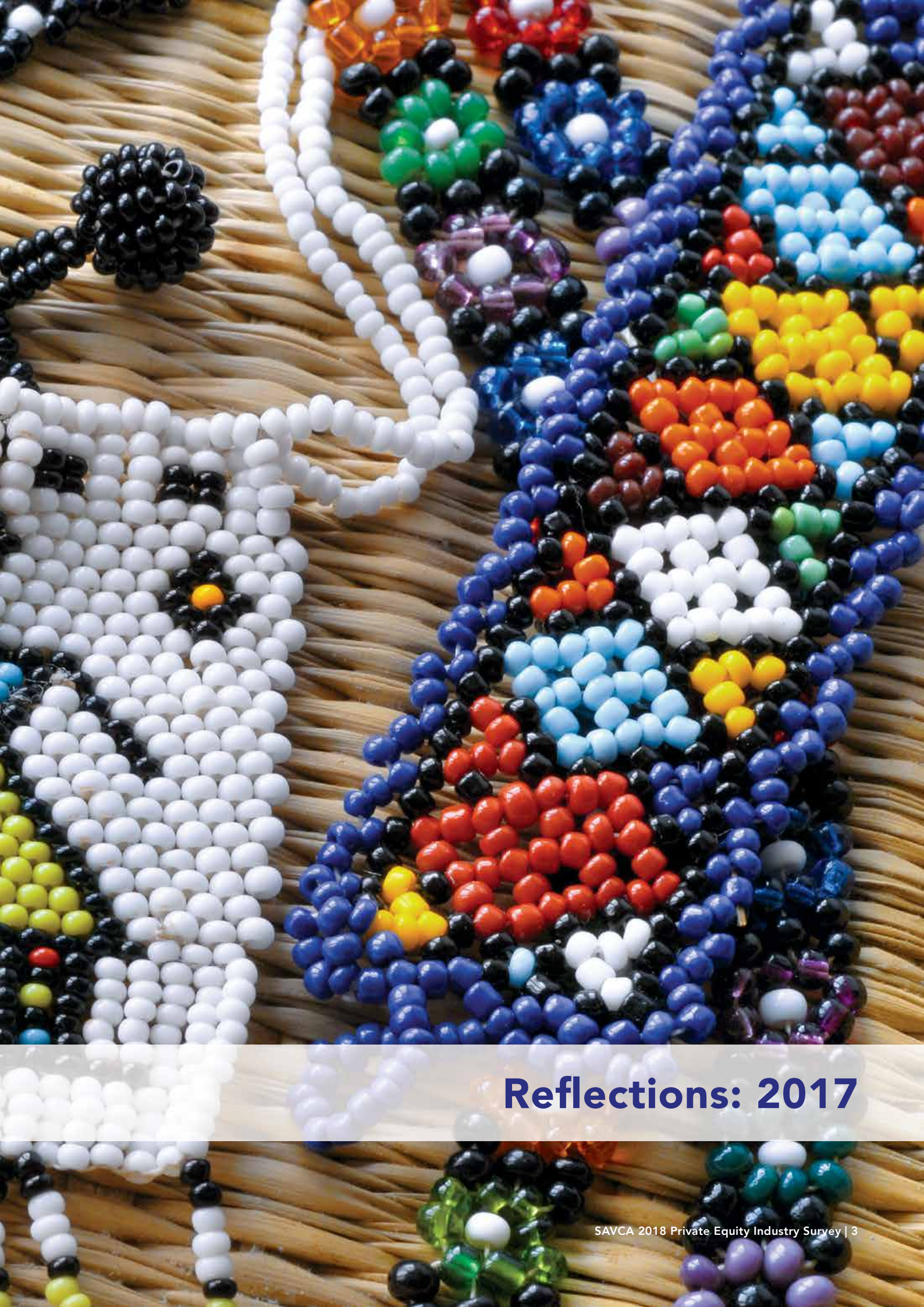
A handwritten signature in black ink that reads "Tanya van Lill".

Tanya van Lill
CEO: SAVCA



¹ RisCura, 2018. Private Equity Performance Report – Quarter ended 31 December 2017.

Available [online]: <http://www.riscura.com/wp-content/uploads/2018/05/RisCura-SAVCA-South-African-Private-Equity-Performance-Report-Q4-2017.pdf>



Reflections: 2017



Reflections: 2017

The Southern African region in 2017 was certainly characteristic of a dynamic musical arrangement. Looking back on some of the notable developments during 2017...

- Zambia, in the first quarter of 2017, was able to attract foreign direct investment (FDI) worth \$1.7 billion.
- March 2017: President Jacob Zuma replaced Pravin Gordhan with Malusi Gigaba as the country's new Finance Minister.
- August 2017: The 8th motion of no-confidence in President Zuma failed.
- November 2017: Emmerson Mnangagwa was sworn in as Zimbabwe's President, toppling Robert Mugabe's 37-year autocratic reign.
- December 2017: Shares in Steinhoff, one of Africa's biggest retailers crashed from R45.60 to around R17.50 and Cyril Ramaphosa was sworn in as the ANC's 14th President, becoming South Africa's new leader.
- Malawi's economy grew by an estimated 4%, compared to the 2.3% growth in 2016.

In terms of sector developments, Southern African private equity ended the 2017 calendar year with a considerable increase in investment activity. This was reflected in both volume and value terms, with the value of new investments and follow on investments reaching R31.1 billion in 2017, compared to an annual average of R14.7 billion over the preceding 10 years. Funds returned to investors in 2017 remained strong at R17.6 billion, while Southern African private equity funds raised a total of R7.5 billion during the year.

The Private Equity highlights of 2017 include:

- Southern Africa's private equity industry, (including private sector and government funds), had R158.6 billion in funds under management (FUM) at 31 December 2017, representing a compound annual growth rate of 9.4% since 1999, when the survey first began.
- Of FUM at the end of 2017, R35.9 billion was in undrawn commitments. R15.5 billion was available for future investments exclusively in South Africa and R20.4 billion for Pan-Africa (the latter includes the mandate to invest in Southern Africa and the rest of Africa).
- Of the R35.9 billion in undrawn commitments, 90.4% is committed to Independents (R32.5 billion), 6.5% to Captives – Financial Services (R2.3 billion), 2.9% to Captives – Other (R1 billion) and 0.3% to Captives – Government (R0.1 billion).
- R7.5 billion was raised in 2017, with the bulk of the funds ear-marked for late-stage investments (R6.1 billion or 81.2%).
- Of funds raised during 2017, 49.9% were from South African sources (2016: 73.5%). South Africa has been the source of 50% of cumulative funds raised to date and not yet returned to investors (2016: 43.2%).
- South Africa's private equity capital penetration was equal to 0.7% of GDP in 2017 (2016: 0.4%). This compares with 0.06% for Nigeria, 0.05% for Mexico and 0.1% for Brazil.
- The cost of investments made during 2017 totalled R31.1 billion, of this R12.2 billion was for follow-on investments and R18.9 billion for new investments.
- Funds returned to investors in 2017 totalled R17.6 billion, while the value of disposals totalled R10.5 billion.

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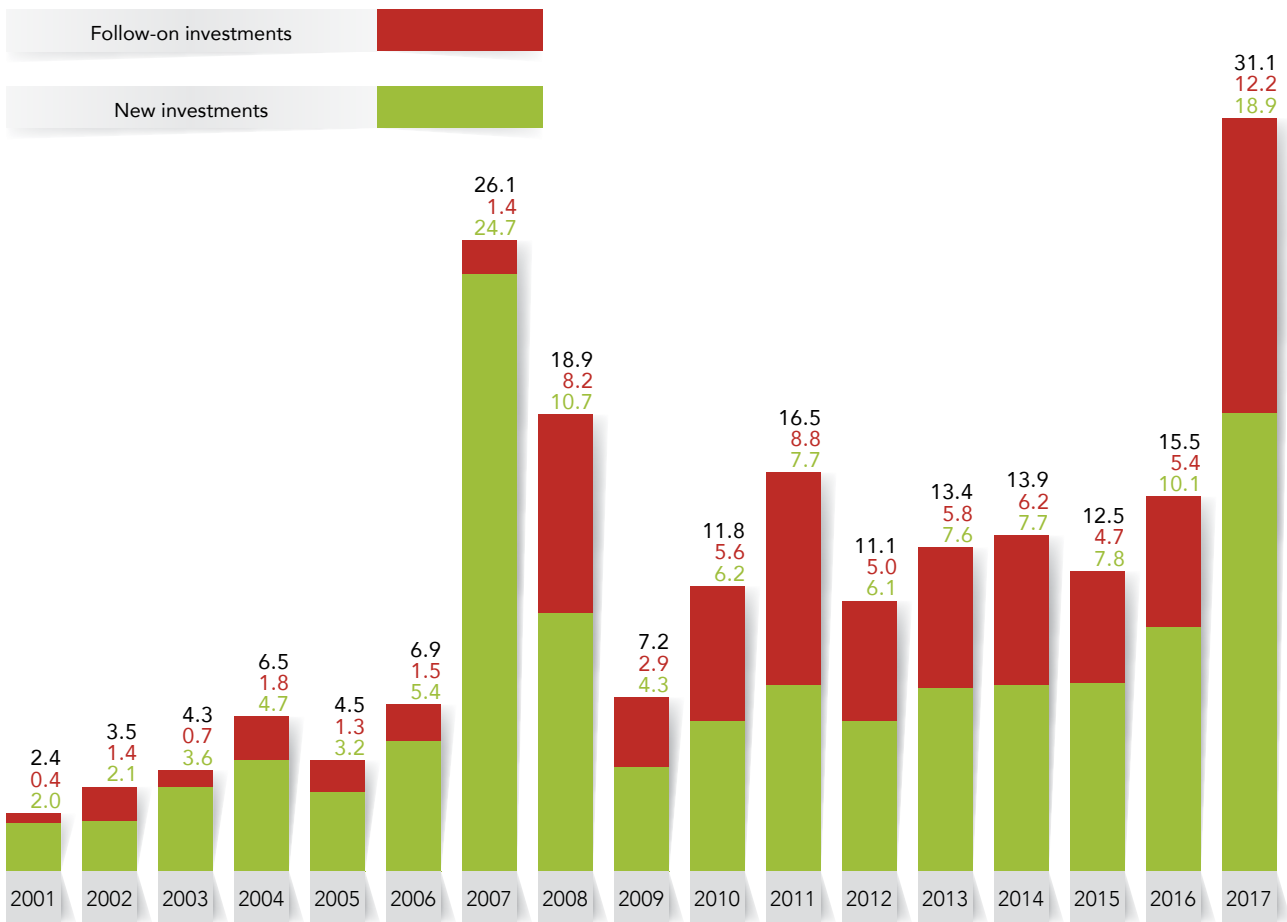
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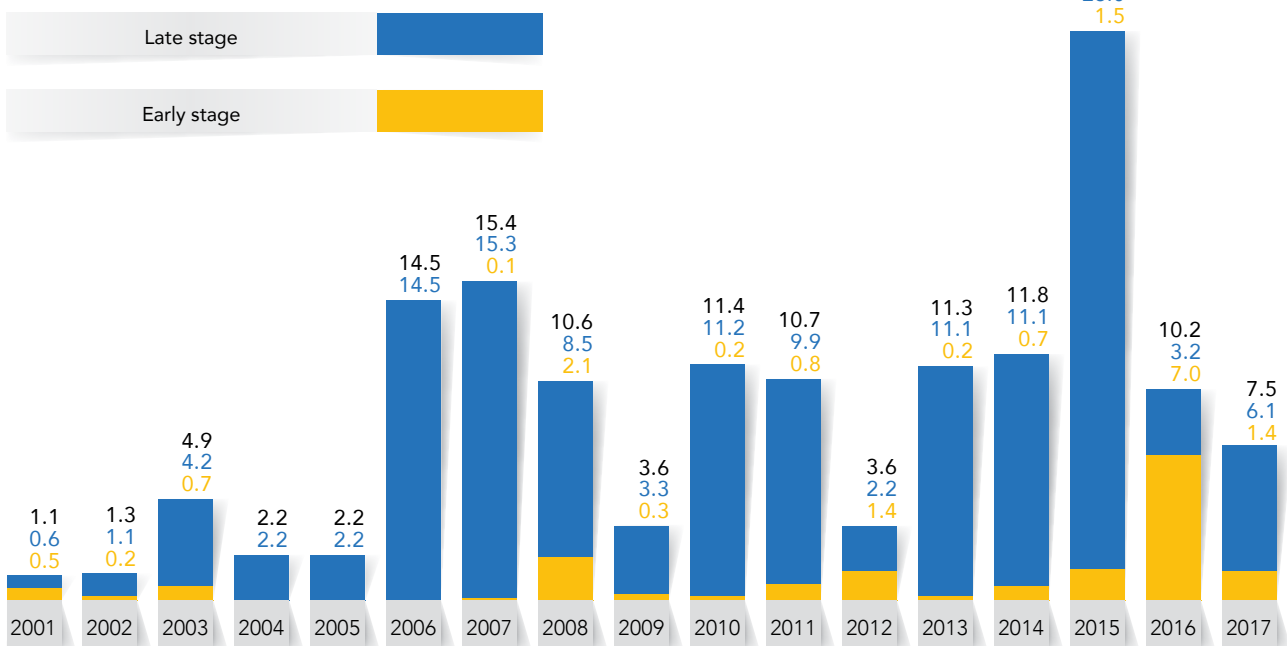
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Reflections: 2017

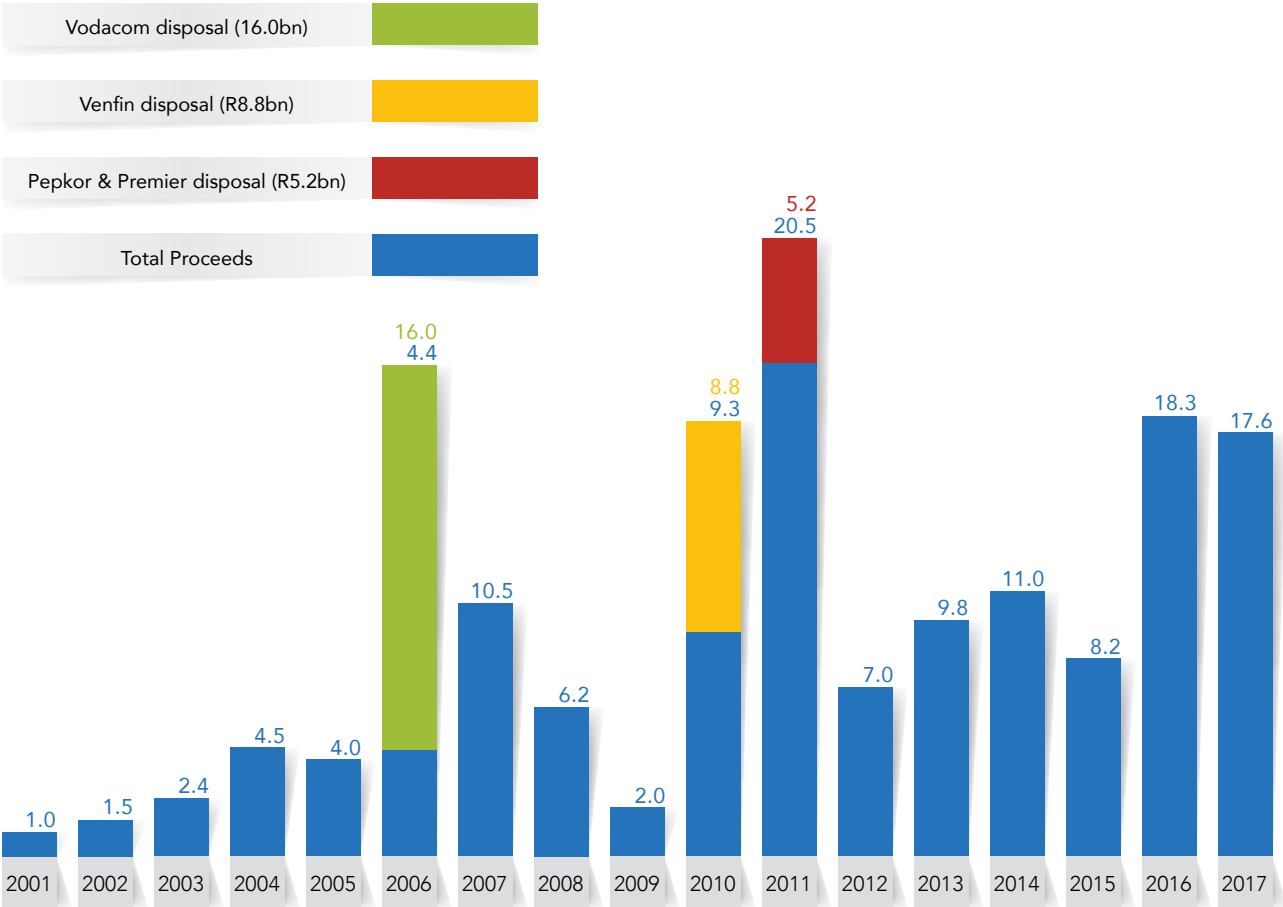
Investment Activity | Cost of investment made during 2017, analysed by new and follow-on investments (Rbn)



Fundraising Activity | Third-party funds raised during 2017, analysed by fund stage (Rbn)



Exits | Funds returned to investors during 2017 (Rbn)





Re-energising Capital – Investment Activity

Re-energising Capital – Investment Activity

When it came to sourcing investments, resourcefulness within a challenging investment environment was key in 2017:

South African Private Equity ended the 2017 calendar year with a considerable increase in investment activity, with the value of new investments and follow on investments reaching R31.1 billion in 2017, compared to an annual average of R14.7 billion over the preceding 10 years. The total number of investments reached 750 in 2017, while there was also an increase in the average deal size for both new and for follow on investments.

- The total number of investments increased by 176, from 574 in 2016 to 750 in 2017.
- The cost of new investments during 2017 amounted to R18.9 billion (2016: R10.1 billion) and the cost of follow-on investments during 2017 amounted to R12.2 billion (2016: R5.4 billion).
- The overall average investment deal size increased to R41.7 million during 2017, from R27 million during 2016. The average deal size for new investments was R42.8 million during 2017, compared to R29.5 million during 2016, while the average deal size for follow-on investments increased to R40.1 million during 2017, from R23.3 million during 2016.
- Infrastructure comprises 17.3% of the value of all unrealised investments at 31 December 2017, with mining and natural resources accounting for 11.5%, and manufacturing 10.5%.
- Expansion and development, as a proportion of investments made by cost, decreased from 55.9% in 2016 to 27.5% in 2017. Replacement capital increased from 10.7% of investment by cost during 2016 to 21.3% in 2017.
- In terms of the reported investments for 2017, Business Partners:
 - Was again by far the most active investor in the Southern African private equity market, contributing 368 (49.1%) of the total number of reported investments made during 2017 (2016: 350, 61.0%);
 - By value, represents 3.4% of the cost of total investments made during 2017 (2016: 5.4%); and
 - Reported an average deal size of R2.9 million in 2017 (2016: R2.4 million).
- Excluding Business Partners, the total average deal size of investments during 2017 increased to R79.1 million (2016: R65.5 million), the average deal size of new investments during 2017 increased to R101.4 million (2016: R95.4 million) and the average deal size of follow-on investments during 2017 increased to R59.6 million (2016: R41.7 million).
- Of the investments made during 2017 that exclude those made by Business Partners and classified into sectors by value, 25.9% were in the retail sector, 16.2% in the services sector and 10.1% were in the real estate sector.



Investment activity

Figure 1 | Cost of investments made during 2017, analysed by new and follow-on investments (Rbn)

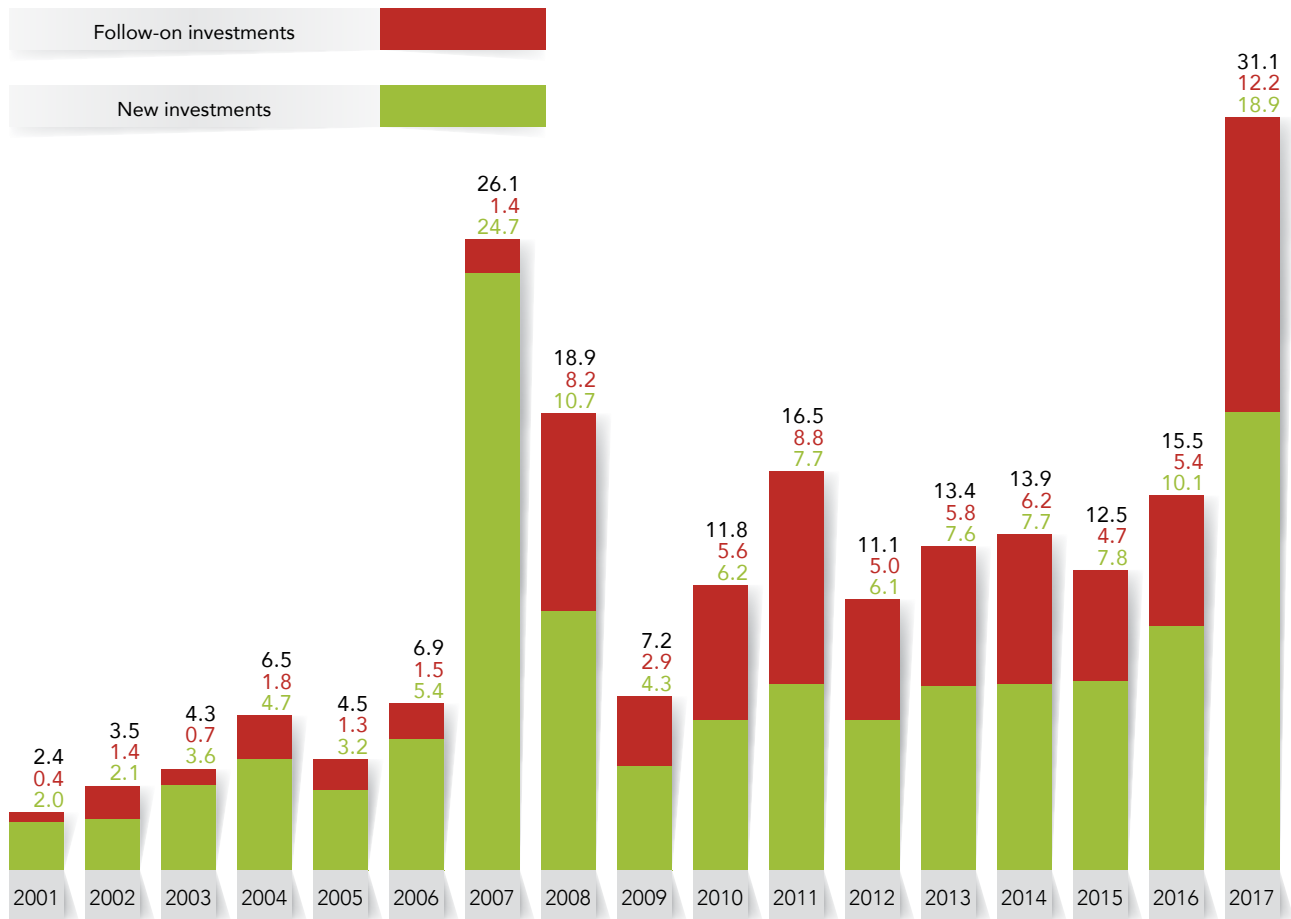
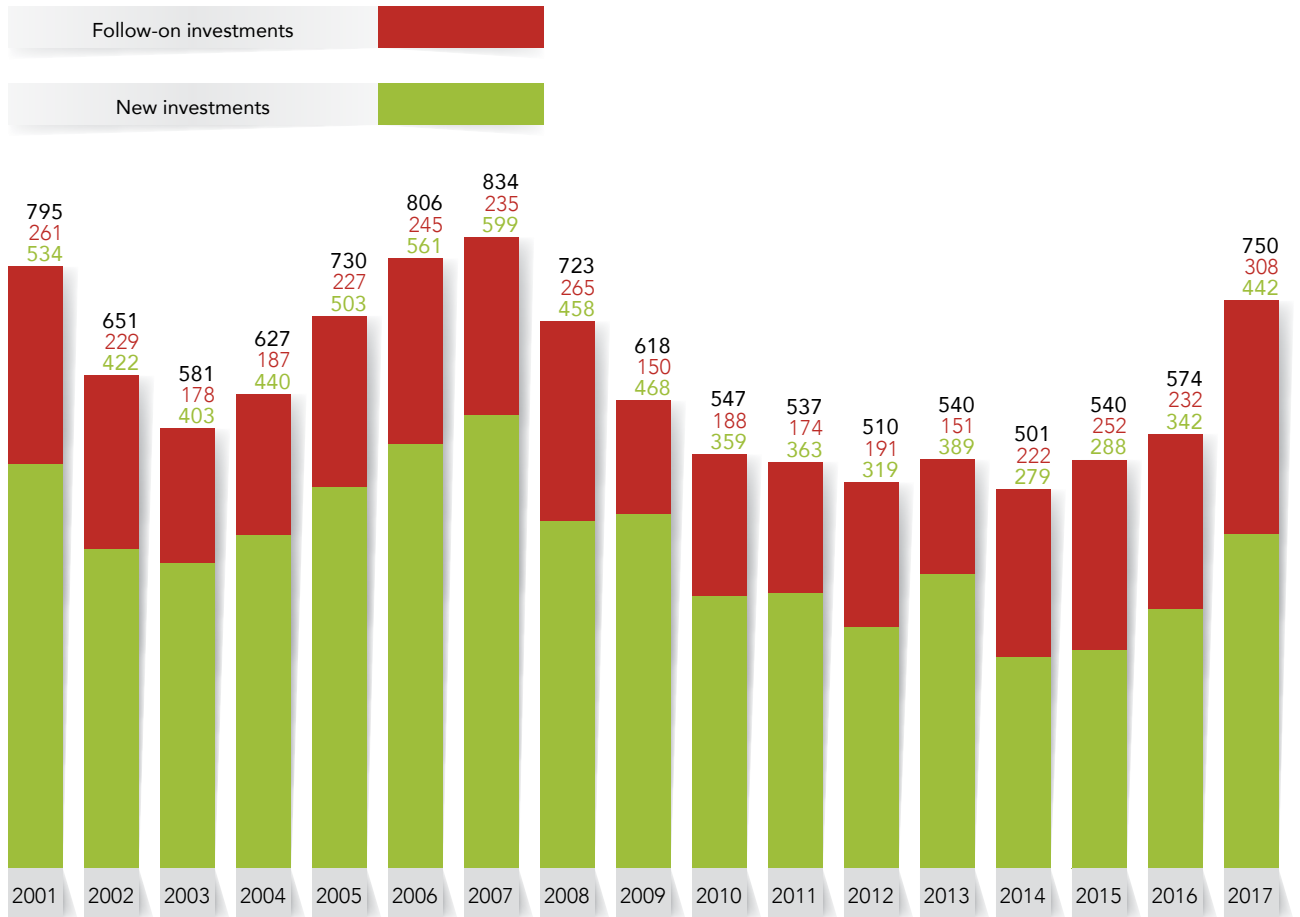




Figure 2 | Number of investments made during 2017, analysed by new and follow-on investments (Rbn)



Investment activity

Figure 3a | Cost of investments made during 2017, analysed by type of fund manager*

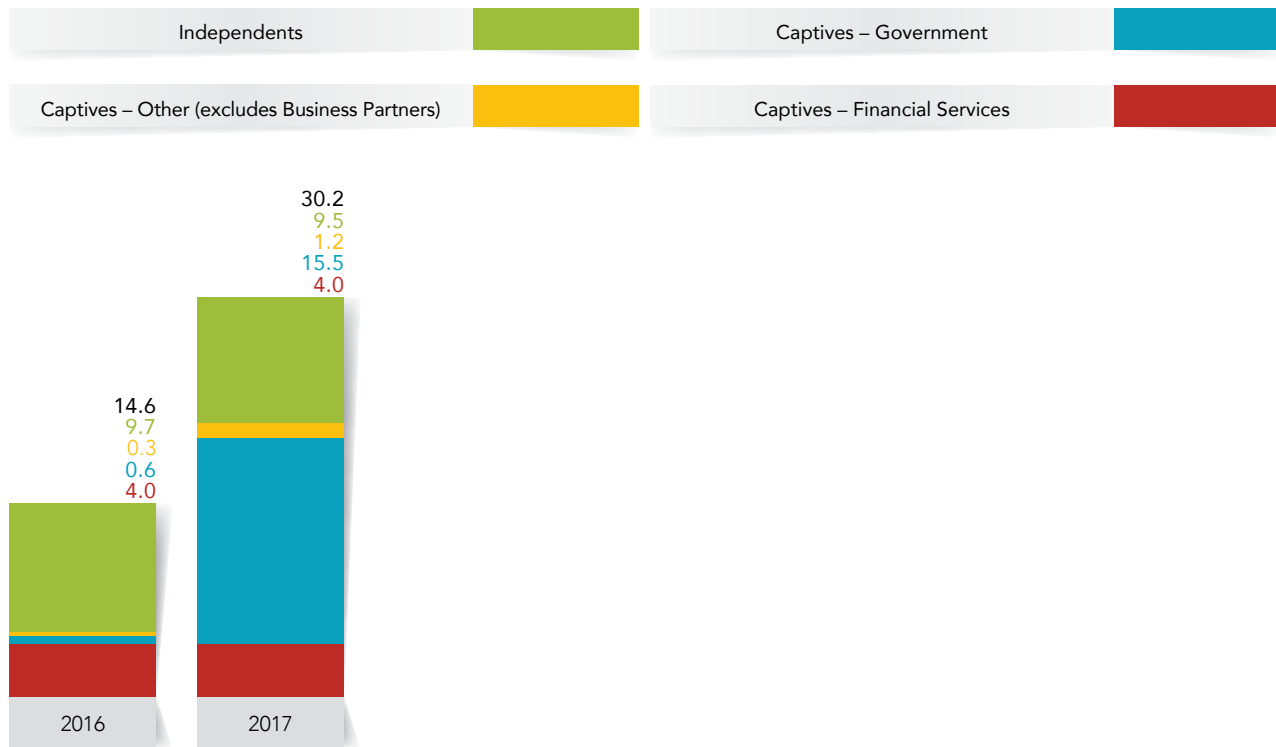
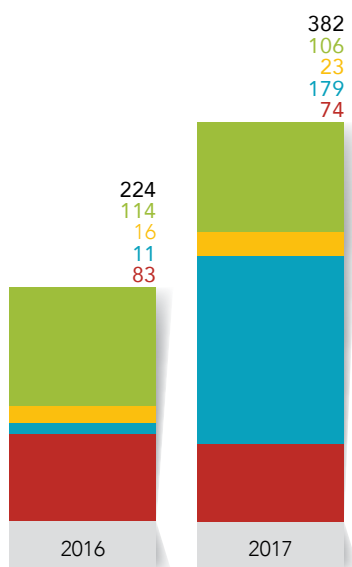


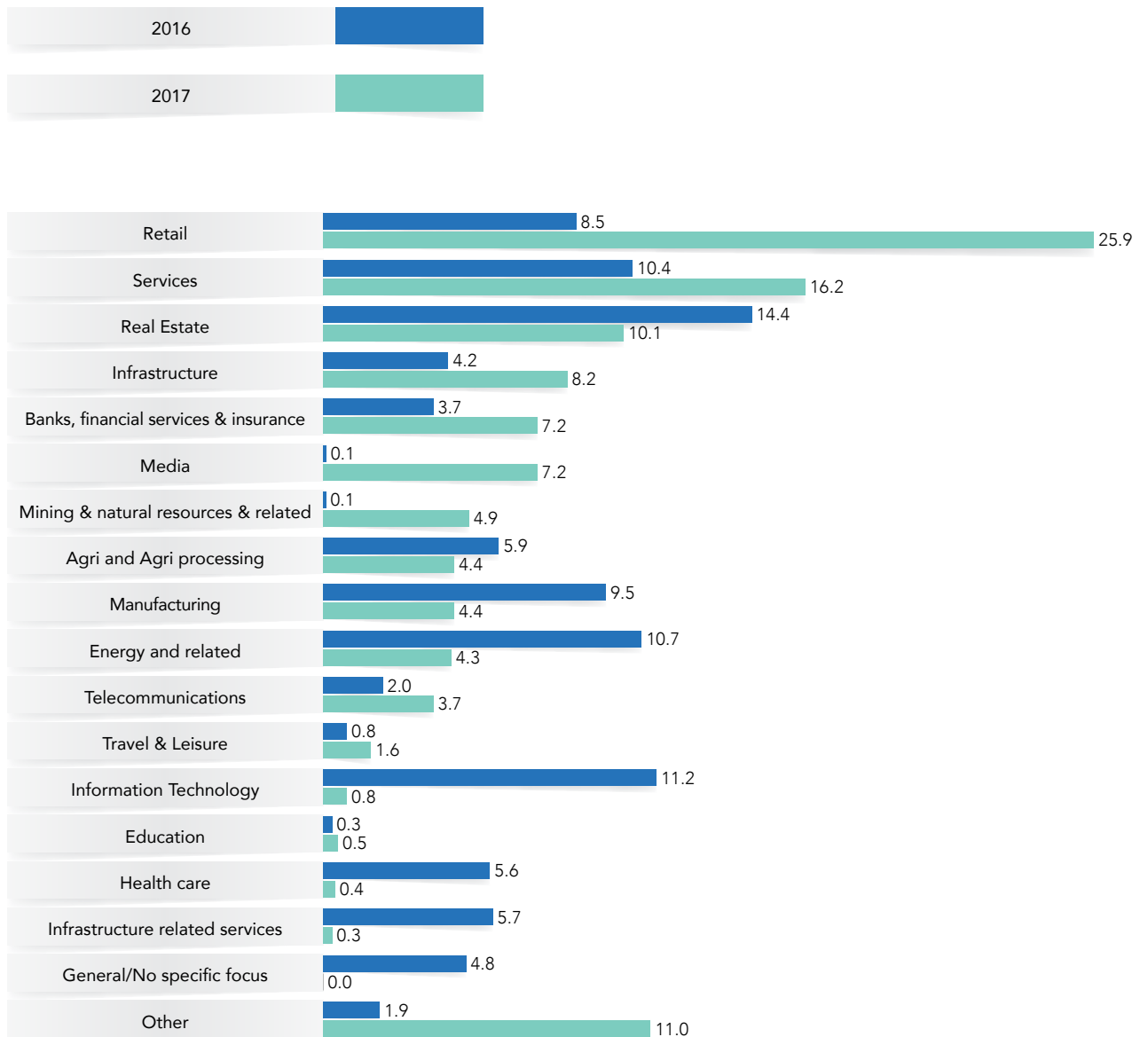
Figure 3b | Number of investments made during 2017, analysed by type of fund manager*



*Excludes Business Partners



Figure 4 | Investments made during 2017, analysed by sector (% of total cost)*



*Excludes Business Partners

Investment activity

Figure 5 | Unrealised investments at year end, analysed by sector (% of total cost)

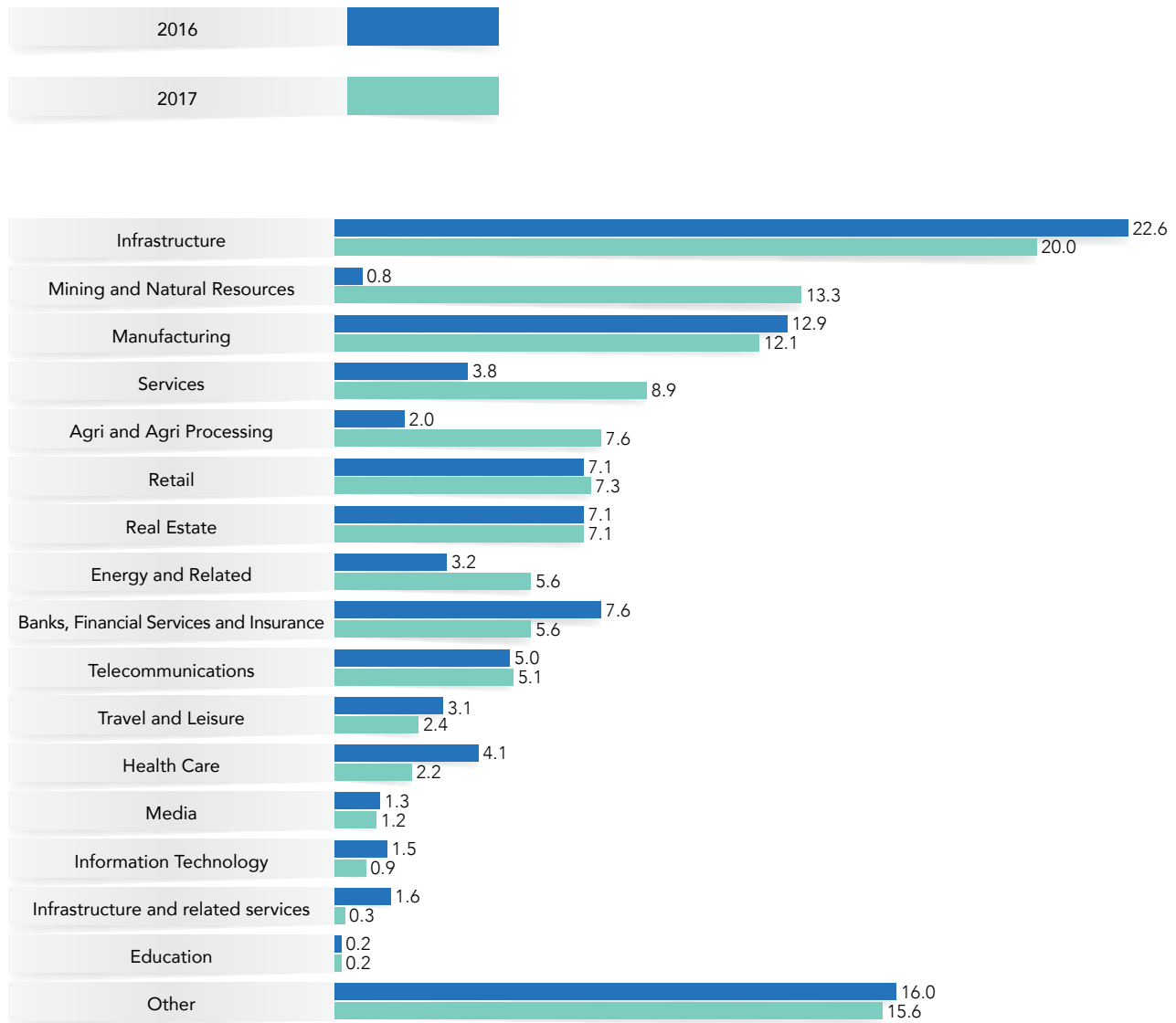




Figure 6a | Analysis of investments by stage based on cost of investments during 2017 (% of total)

Investments made

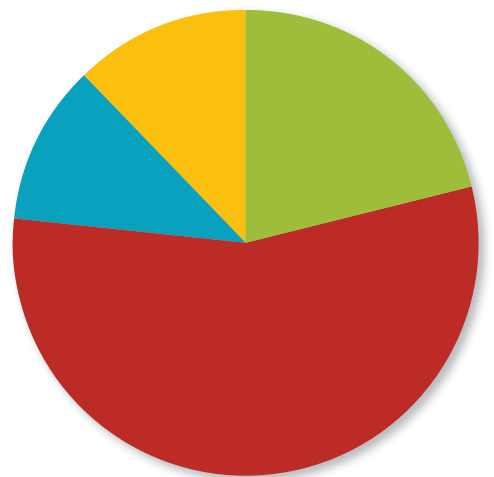
Buyout	21.4%
Expansion and Development	27.5%
Replacement Capital	21.3%
Start-up and Early Stage	29.8%



Figure 6b | Analysis of investments by stage based on cost of investments during 2016 (% of total)

Investments made

Buyout	21.0%
Expansion and Development	55.9%
Replacement Capital	10.8%
Start-up and Early Stage	12.3%



Investment activity

Figure 7a | Analysis of investments by stage based on cost of investments during 2017 (% of total)

Unrealised investments

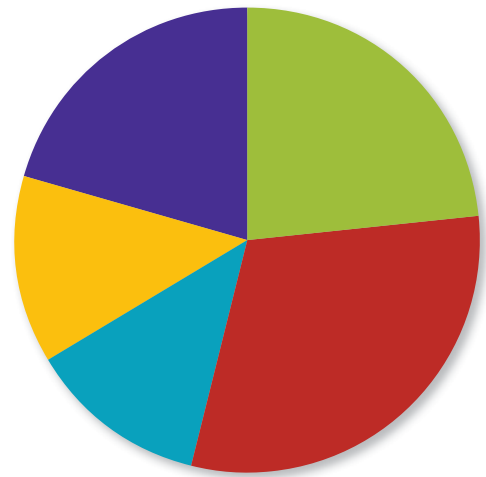
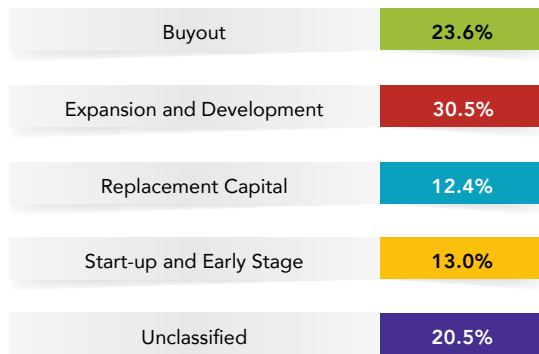


Figure 7b | Analysis of investments by stage based on cost of investments during 2016 (% of total)

Unrealised investments

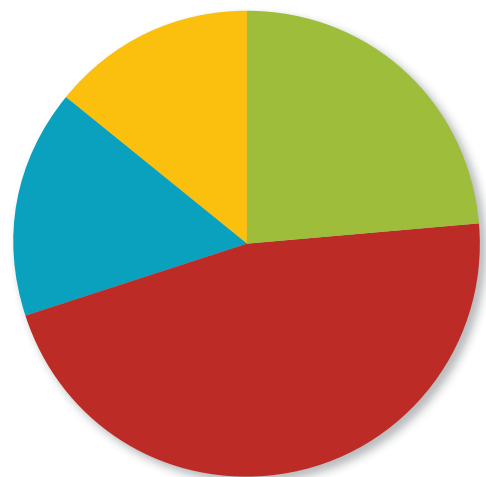
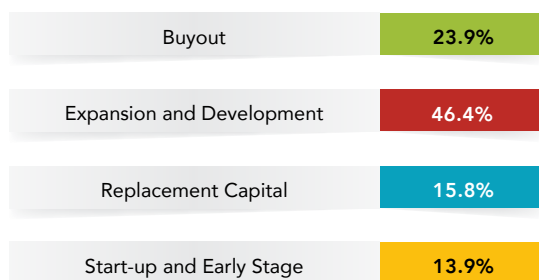




Figure 8a | Top Southern African investments made during 2017

Private equity fund	Investee company	Total enterprise value (Rm)	Interest	Sector focus
4Di Exponential Tech Fund I & various	LifeQ	1 440.00	n/a	HealthTech
Capitalworks	Petmin Ltd	1 144.00	over 50%	Mining and Natural Resources and related
Capitalworks	Sovereign Food Investments Ltd	997.00	over 50%	FMCG
Ethos	Little Green Beverages (Pty) Ltd	847.00	over 50%	General/No specific focus
4Di Exponential Tech Fund I, Quona Capital, Omiyar Group, Accion Africa, Asia Investment Company, International Finance Corporation	Zoona	660.00	n/a	FinTech
Novare Africa Property Fund I	Urshday Limited	611.76	over 50%	Real Estate
Novare Africa Property Fund II	Matola Mall Limited	421.24	over 50%	Real Estate
Purple Capital	Purple Retail Limited	369.01	0% - 24%	Real Estate
Novare Africa Property Fund II	Woodside Mall Zambia Limited	309.35	over 50%	Real Estate
Trinitas Private Equity en Commandite Partnership	AutoX Proprietary Limited	280.00	over 50%	Manufacturing

Figure 8b | 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	1 948.00	Mezzanine Loan provided + 6.25% equity participation	Information Technology
Vantage Mezzanine III Southern African Sub Fund	Worldwide Landmark Holding Company	1 670.00	Mezzanine Loan provided + 4.6% equity participation	Real Estate
Ethos Private Equity (Pty) Limited	Eazi Access Investments (Pty) Ltd	1 600.00	>50%	General
Vantage Mezzanine III Southern African Sub Fund	New GX Capital Holdings (Pty) Ltd	761.00	Mezzanine Loan provided + 8.14% equity participation	Infrastructure related services
Capitalworks Investment Partners (Pty) Ltd	IQ Business (Pty) Ltd	295.00	>25%, <50%	General
Sampada Private Equity	Euphoria Golf and Life Style	292.00	>50%	Travel and Leisure
Nedbank Private Equity	Comsol Networks (Pty) Ltd	244.00	<25%	Telecommunications
Agile Capital	Spilltech	200.00	>50%	Services (Cleaning)
Sampada Private Equity	Tembisa Megamart	126.00	>50%	Real Estate



Realising Potential – Exits



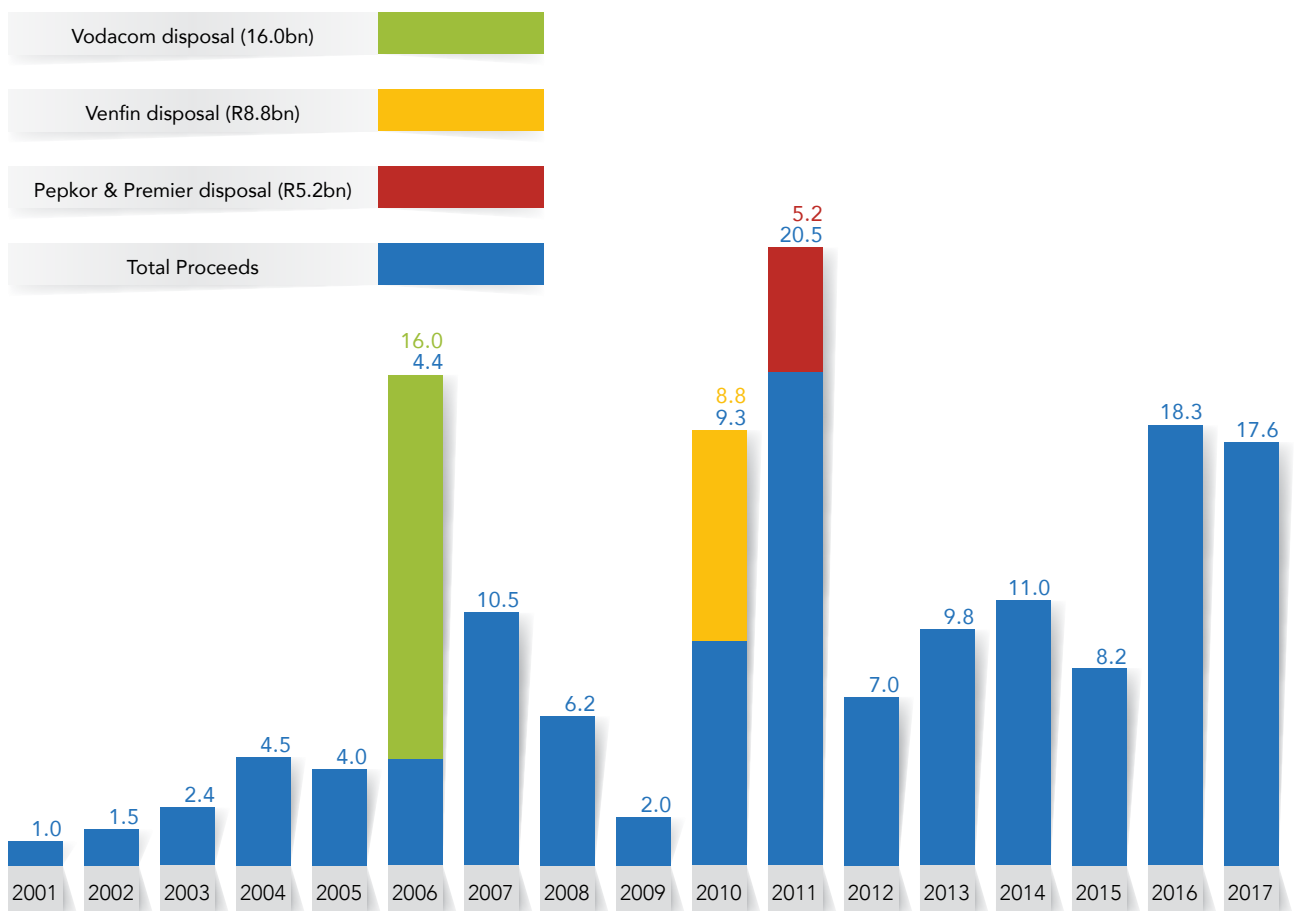
Realising Potential – Exits

Exits in 2017 remained resolute, particularly when compared to the five-year average:

Funds returned to investors in 2017 totalled R17.6 billion, with the 69 disposals during the year amounting to R10.5 billion.² In comparison, the annual average funds returned to investors over the preceding five years was R10.9 billion, with disposals averaging R6.8 billion over the 2012-16 period.

- Disposals in the form of sales to another private equity firm or financial institution was the most popular in value terms in 2017. By volume, the most popular method of disposal was sales to management.
- The average proceeds per disposal in 2017 was R152.3 million, compared with R176.3 million in 2016.
- A total of 79 investments were written off during 2017, inclusive of sales for nominal amounts (2016: 21 investments). The net loss on these investments (cost less proceeds) was R14.3 million in 2017 (R779.3 million in 2016).
- There were no cancelled/expired funds reported during 2016 or 2017.

Figure 9 | Funds returned to investors during 2017 (Rbn)



² 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 10 | Nature of funds returned during the year (Rbn)

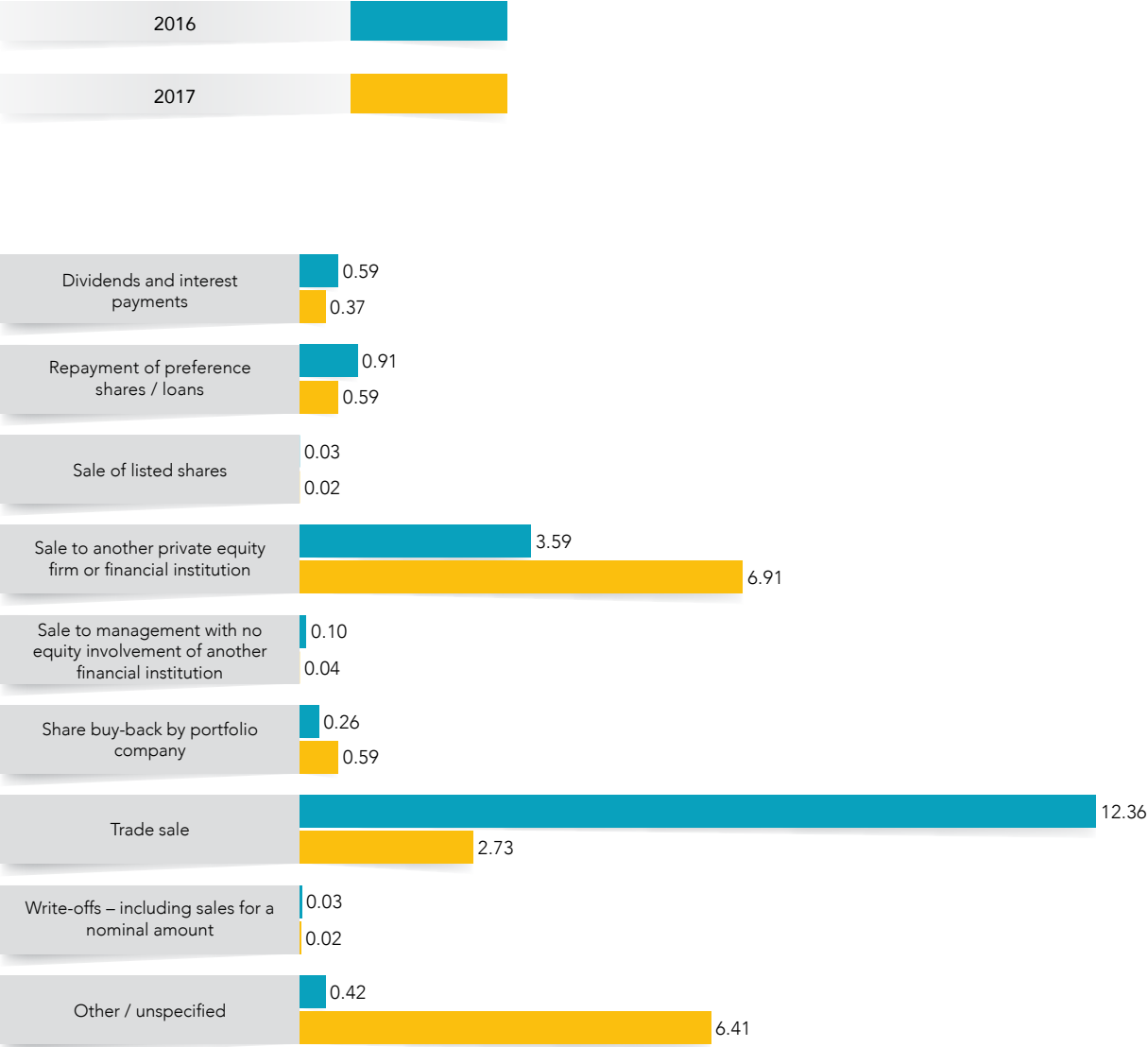
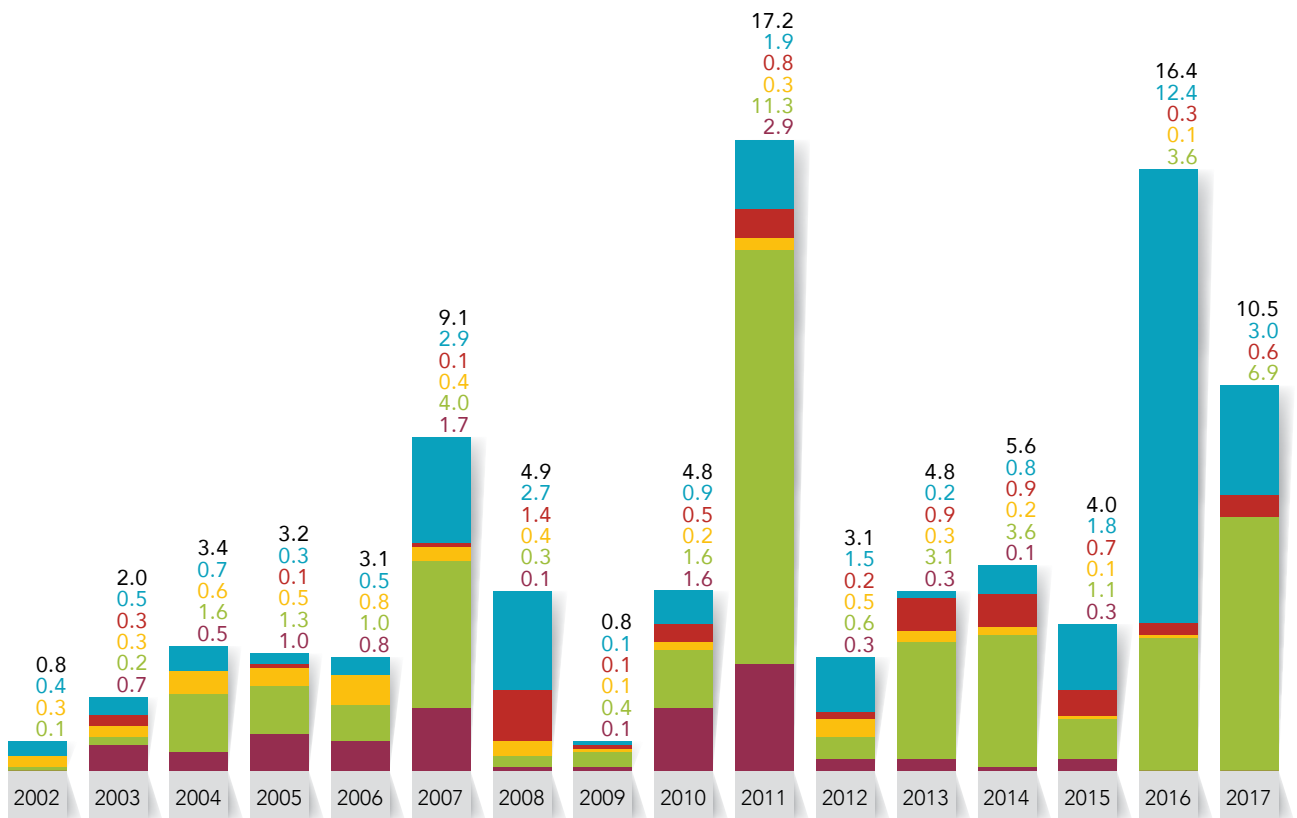


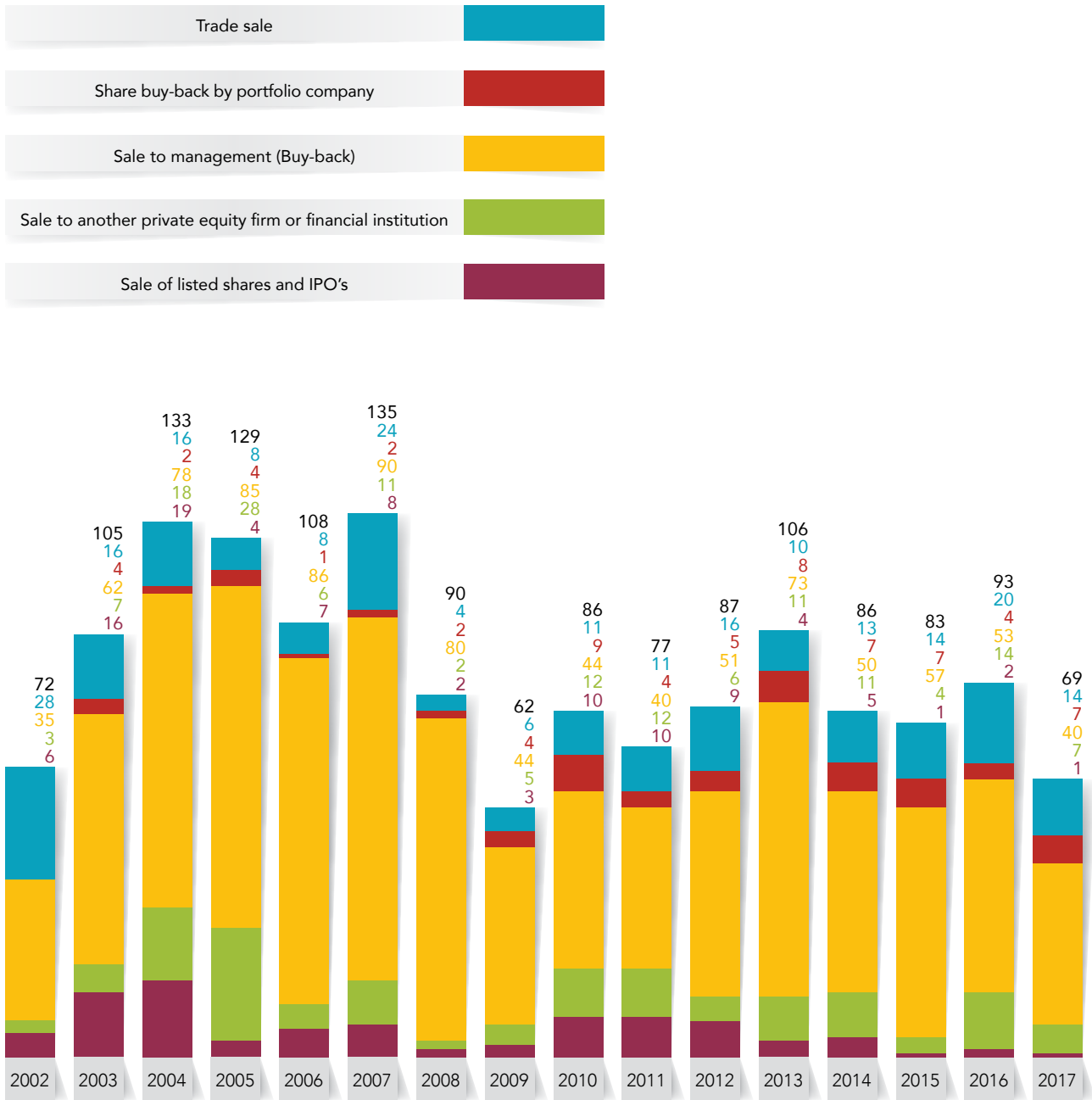


Figure 11 | Analysis of disposals made during the year based on proceeds (Rbn)



Exits

Figure 12 | 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.



Figure 13a | Proceeds and cost of investments exited during 2017 (Rbn)

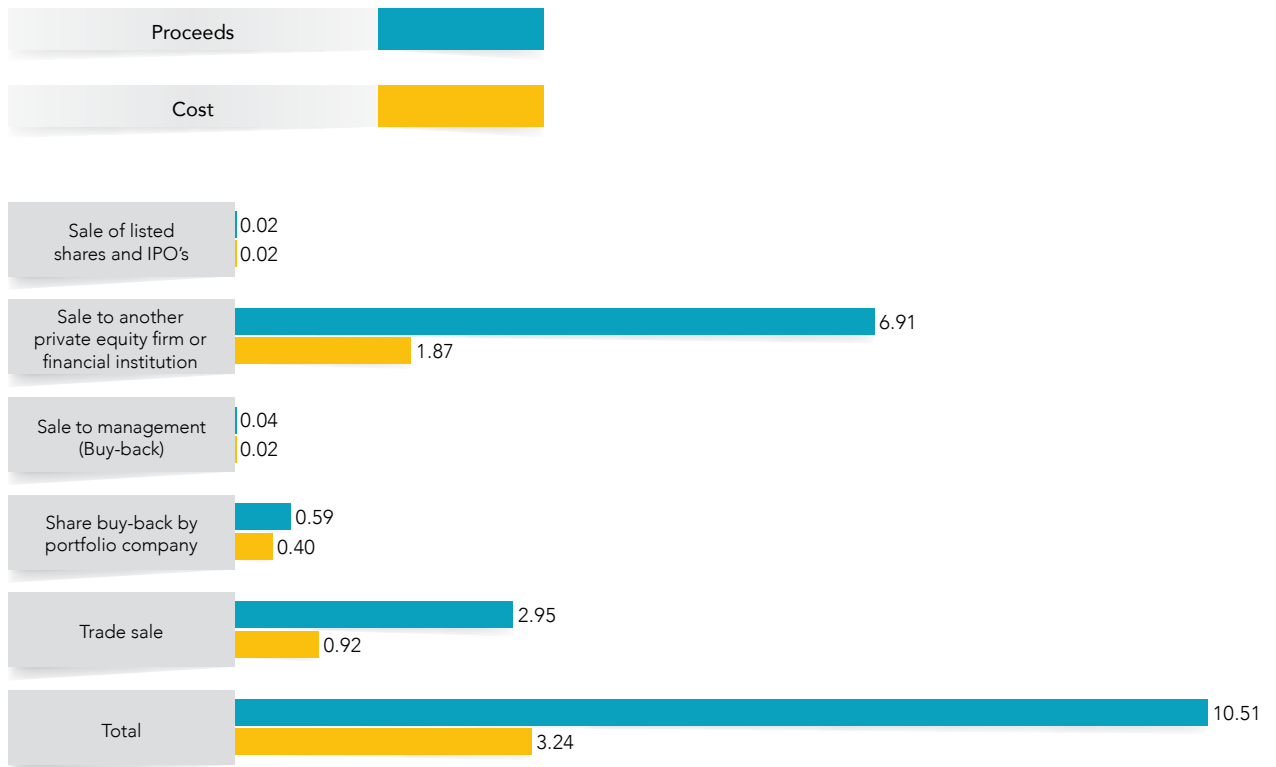
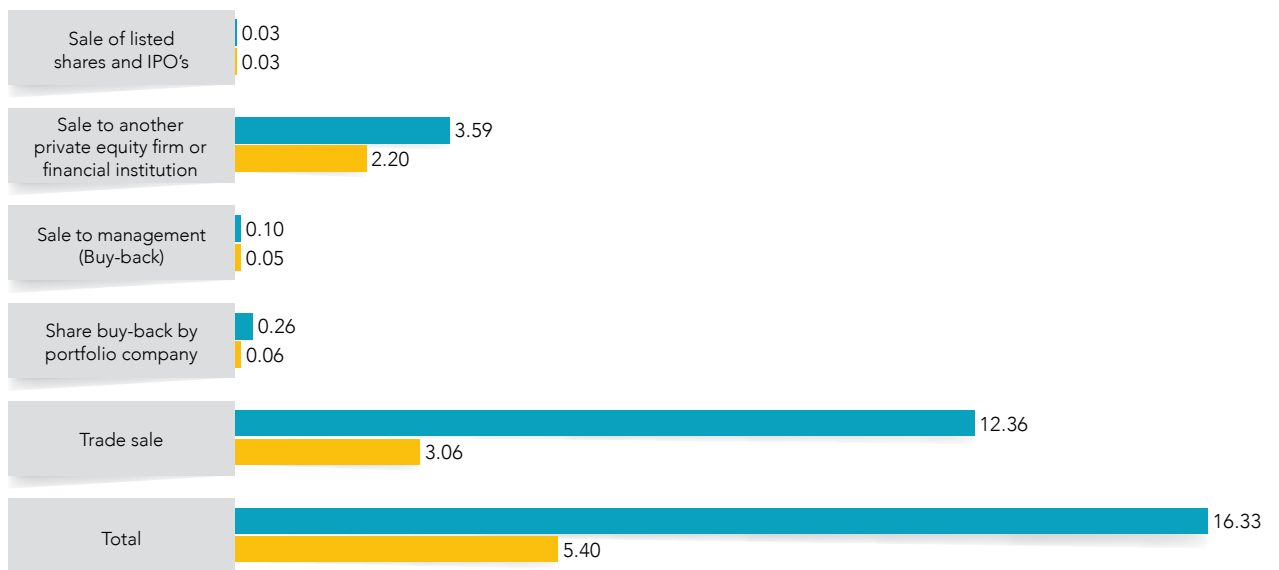


Figure 13b | Proceeds and cost of investments exited during 2016 (Rbn)



Exits

Figure 14a | Top disposals/exits during 2017

Private equity fund	Investee company	Buyer	Total enterprise value (Rm)	Interest	Sector focus
Rockwood Private Equity (Pty) Ltd	Tsebo Solutions Group	Wendel Group	5 350.00	>50%	Services
ETHOS	Kevro Holdings (Pty) Ltd	Ethos Mid Market Fund I, RMB Corvest, RMB Ventures & Management	1 683.00	>50%	General/No specific focus
Lereko Metier Capital Growth Fund	Astrapak Limited	RPC Group	1 400.00	>25%	Industrial FMCG
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Rustmo1 Solar Farm (RF) (Pty) Ltd	Momentous Technologies (backed by Hulisani)	327.30		Renewable Energy
Exeo Capital	Fairfield Diary	Undisclosed/Private	223.00		FMCG
Lereko Metier Capital Growth Fund	EGH Elementum (Pty) Ltd	Assa Abloy	210.00	>75%	Industrial Electrical
Lereko Metier Sustainable Capital Fund (LMSC)	AE AMD	African Infrastructure Investment Managers, Katiso Renewable Energy	55.00	15% - 20%	Renewable Energy

Figure 14b | Top disposals/exits during 2016

Private equity fund	Investee company	Buyer	Total enterprise value (Rm)	Interest	Sector focus
Rockwood Private Equity (Pty) Ltd	Tsebo Solutions Group	Capital Gap Private Markets	5 350.00	>25%, <50%	Catering and Facilities management
Rockwood Private Equity (Pty) Ltd	Safriplot Holdings	KAP Industrial Holdings	4 100.00	>25%, <50%	Manufacturing
ETHOS	Idwala Industrial Holdings	Investec Equity Partners	4 000.00	>25%, <50%	Mining and Natural Resources
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Renewables Cookhouse Wind Farm 1 (Pty) Ltd	Old Mutual Life Assurance	2 318.00	<25%	Renewable Energy
ETHOS	Universal Industries	RMB Corvest, RMB Ventures, MIC	2 300.00	>50%	Manufacturing
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Kouga Wind Farm	Tri-Alpha Fund Managers and GAIA	2 100.00	>35%, <50%	Renewable Energy
ETHOS and Sphere Private Equity	Brandcorp	The Bidvest Group	1 900.00	>50%	General
Evolution I Fund, advised by Inspired Evolution Investment Management (Pty) Ltd	Slimsun (RF) (Pty) Ltd	Tri-Alpha Fund Managers and GAIA	233.00	>35%, <50%	Renewable Energy



Imbewu
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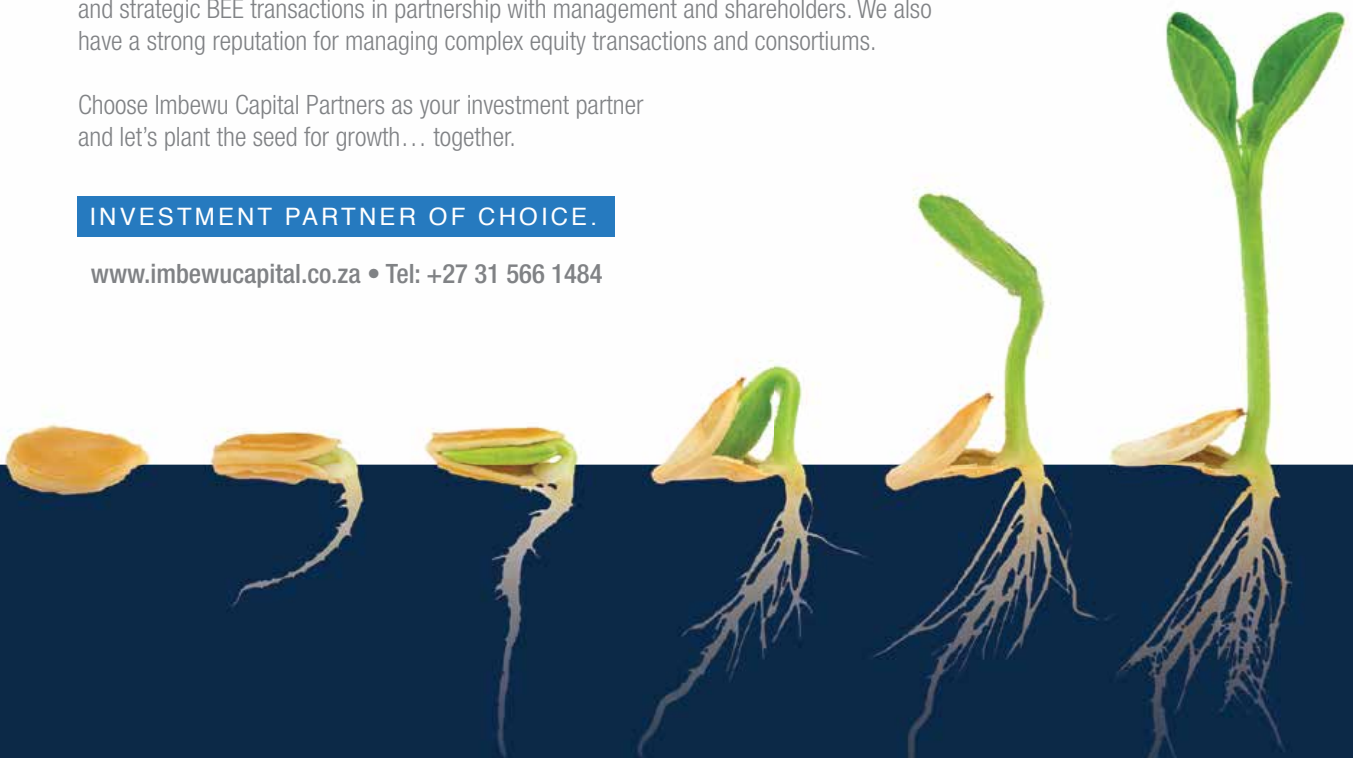
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Over the years, Imbewu Capital Partners has partnered with a diverse range of successful companies, delivering above the market internal rate of returns. As a credible, Black owned private equity company, we have invested, structured and raised funds for MBO's and LBO's, and strategic BEE transactions in partnership with management and shareholders. We also have a strong reputation for managing complex equity transactions and consortiums.

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Raising the Roof – Fundraising Activity

Raising the Roof – Fundraising Activity

The sector's resilience features once again, demonstrating the industry's capability to accumulate fundraising against the backdrop of challenging macro-economic and political developments. What's more, according to the data collected, half of funds raised stemmed from non-South African sources:

A cyclical downturn in fundraising activity was likely exacerbated by the challenging economic environment, which saw total funds raised fall by 27.3% in 2017. Of the R7.5 billion raised, R3.7 billion (49.9%) stemmed from South African sources, with the bulk of the funds ear-marked for late-stage investments (81.2%).

- Pension and Endowment Funds were the source of 12% of all third-party funds raised during 2017 (2016: 40.7%). Governments, aid agencies and DFIs accounted for 44.2% in 2017 (2016: 20.9%) and insurance companies/institutions made up 2.6% of funds raised in 2017 (2016: 18.8%).
- Of the cumulative funds not yet returned to investors, South Africa is the main source of funds raised (50%), ahead of Europe (28.8%) and the rest of Africa (5.5%).



Fundraising Activity

Figure 15 | Third-party funds raised during 2017, analysed by fund stage (Rbn)

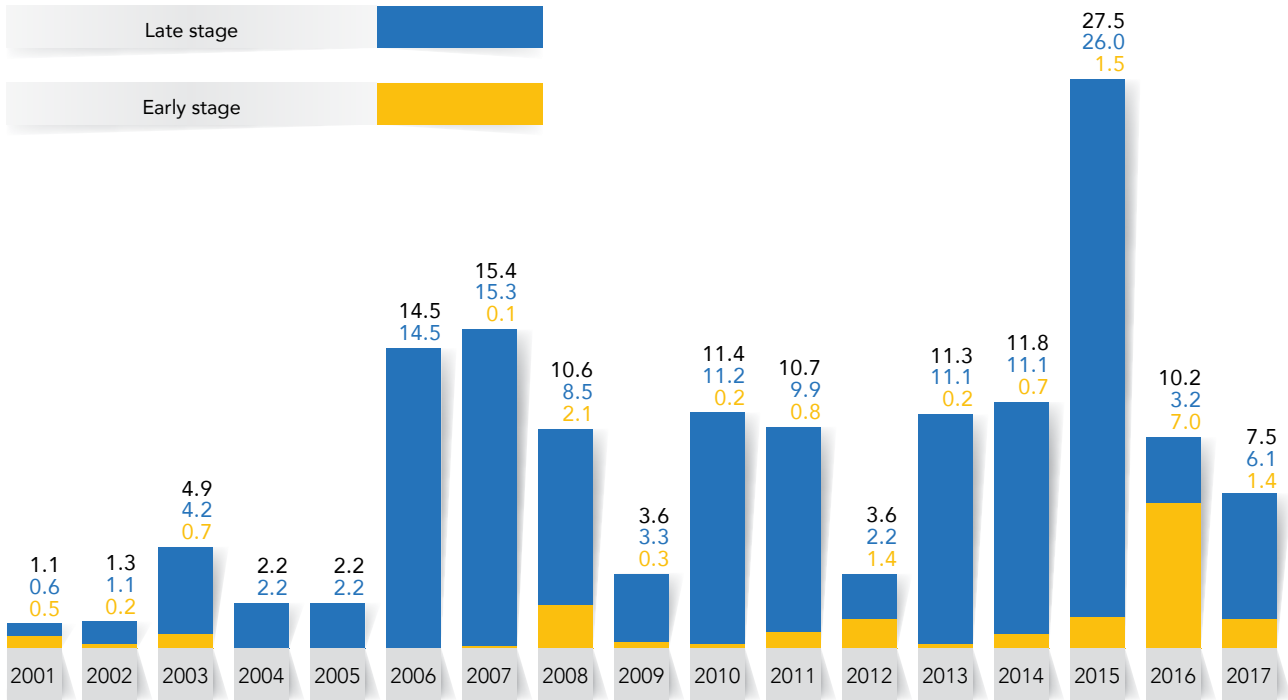


Figure 16 | Third-party funds raised during 2017, analysed by investment destination (Rbn)

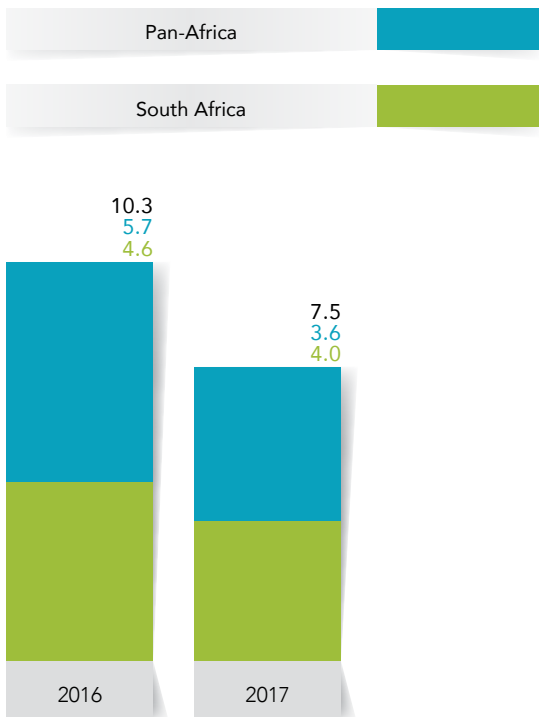




Figure 17a | Source of third-party funds raised during 2017 (Rbn)

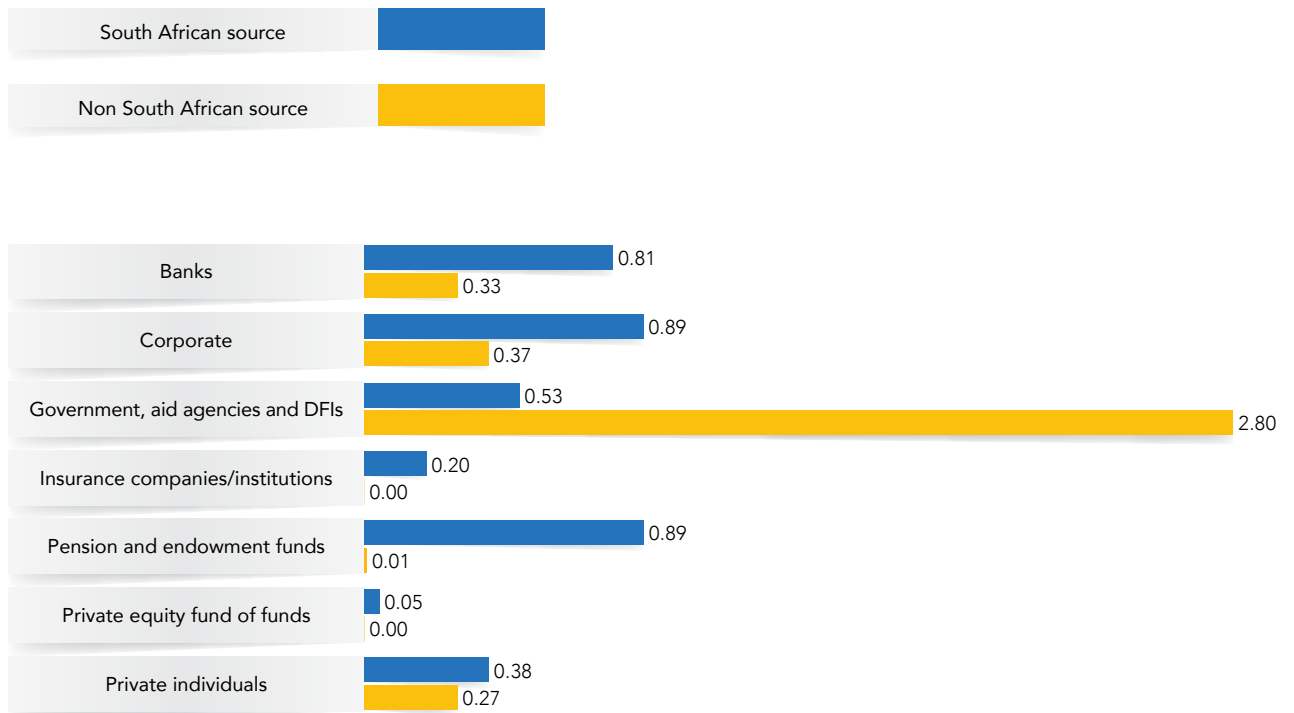
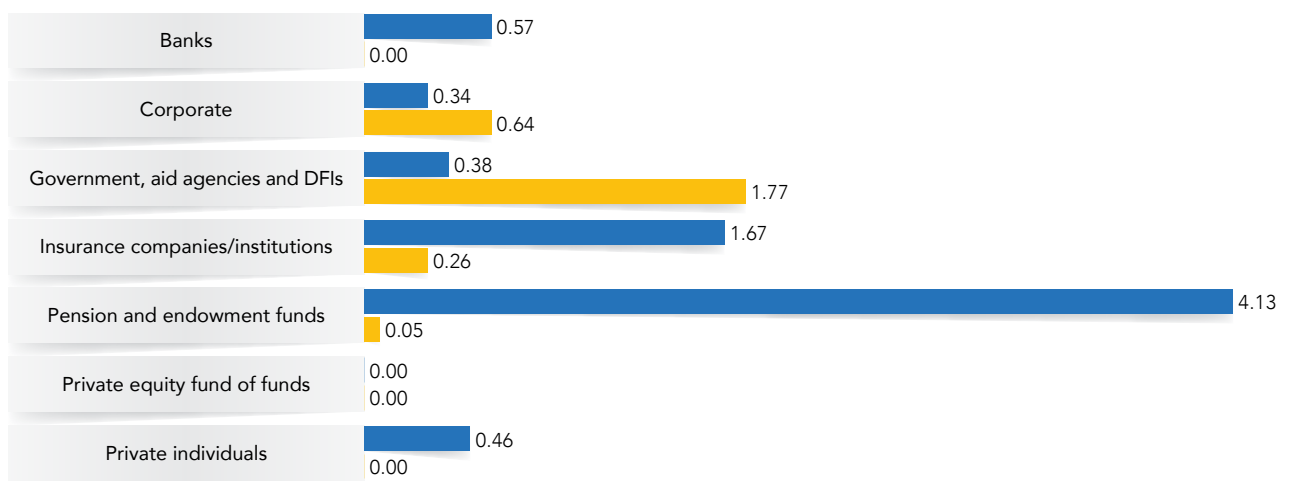


Figure 17b | Source of third-party funds raised during 2016 (Rbn)



Fundraising Activity

Figure 18a | Geographical sources of third-party funds raised during 2017 (% of total)

Rest of Africa	8.3%
Rest of Europe	41.6%
South Africa	49.9%
UK	0.1%
United States	0.1%
Other or unspecified	0.0%

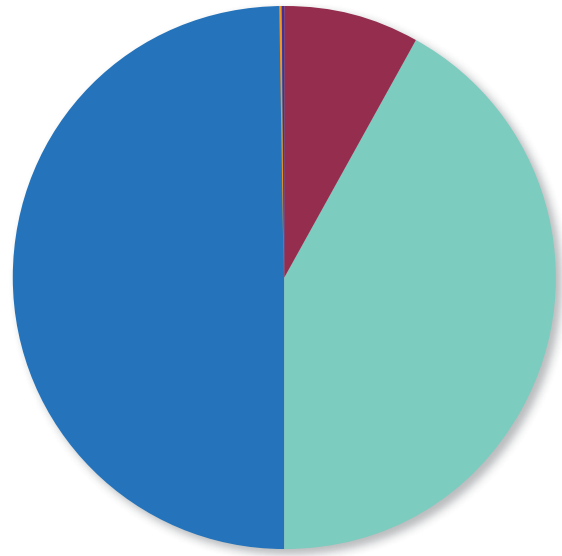


Figure 18b | Geographical sources of third-party funds raised during 2016 (% of total)

Rest of Africa	3.0%
Rest of Europe	8.7%
South Africa	73.4%
UK	1.0%
United States	8.5%
Other or unspecified	5.4%

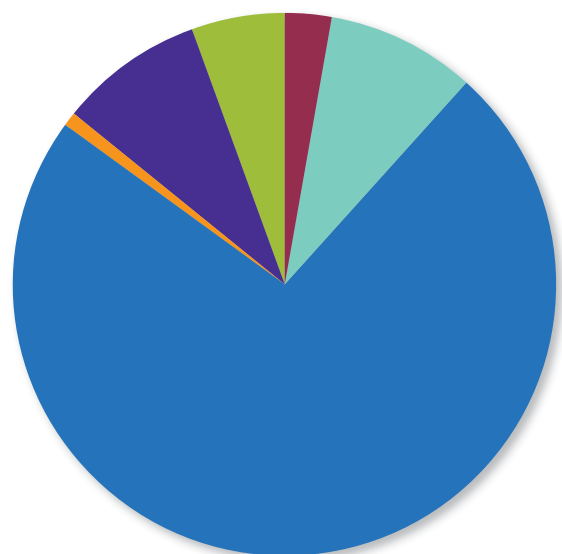
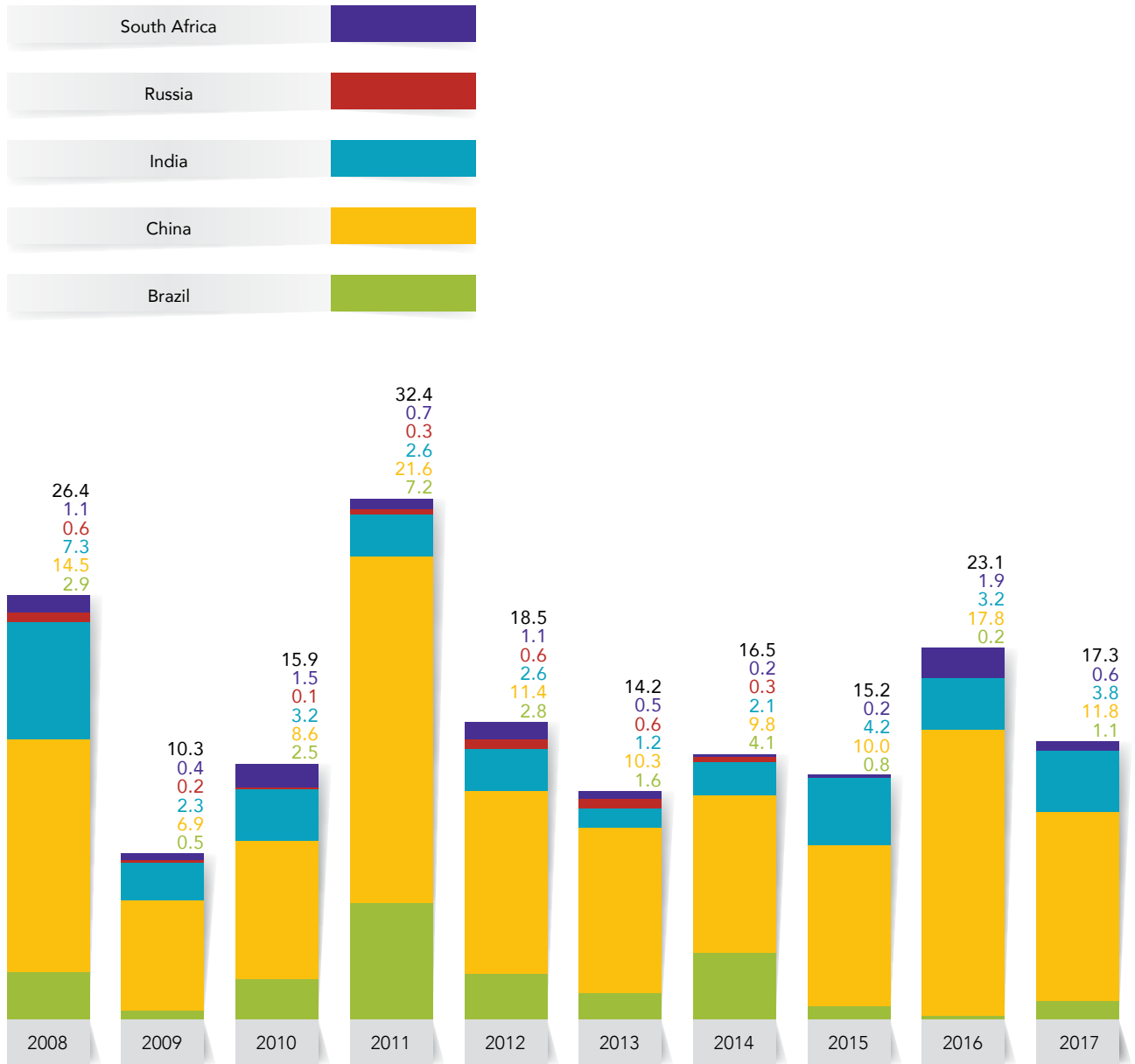




Figure 19 | Emerging markets private equity fundraising totals by select markets (US\$bn)



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



Review of Funds Under Management

Review of Funds Under Management

Funds under management (FUM) is the total amount of funds available to fund managers for future investments plus the amount of funds already invested (at cost) and not yet exited from.

Southern Africa's private equity industry recorded R158.6 billion in funds under management at the end of 2017 (showcasing resilience in uncertain times), marking a compound annual growth rate of 9.4% since the first edition of the SAVCA Private Equity Industry Survey which was published in 1999. In 2017, 77.3% (R122.7 billion) of funds under management were unrealised investments, with the remaining R25.9 billion classified as undrawn commitments.

- Total FUM by Captives – Financial Services increased by R3.5 billion in 2017.
- The Captives – Government category recorded R28.2 billion under management in 2017, unchanged from 2016.
- FUM by Independents decreased by R19.5 billion, from R108 billion at 31 December 2016 to R88.4 billion at 31 December 2017.
- Total undrawn commitments at 31 December 2017 reached R35.9 billion (2016: R58.2 billion), of which R32.5 billion (2016: R54.9 billion) reflects the undrawn commitments of independent fund managers.
- Private equity fund managers predominantly have a generalist mandate, with some 65% of the FUM at 31 December 2017 in the Generalist category (2016: 61%).



Funds Under Management

Figure 20a | Composition of total FUM in 2017 (% of total)

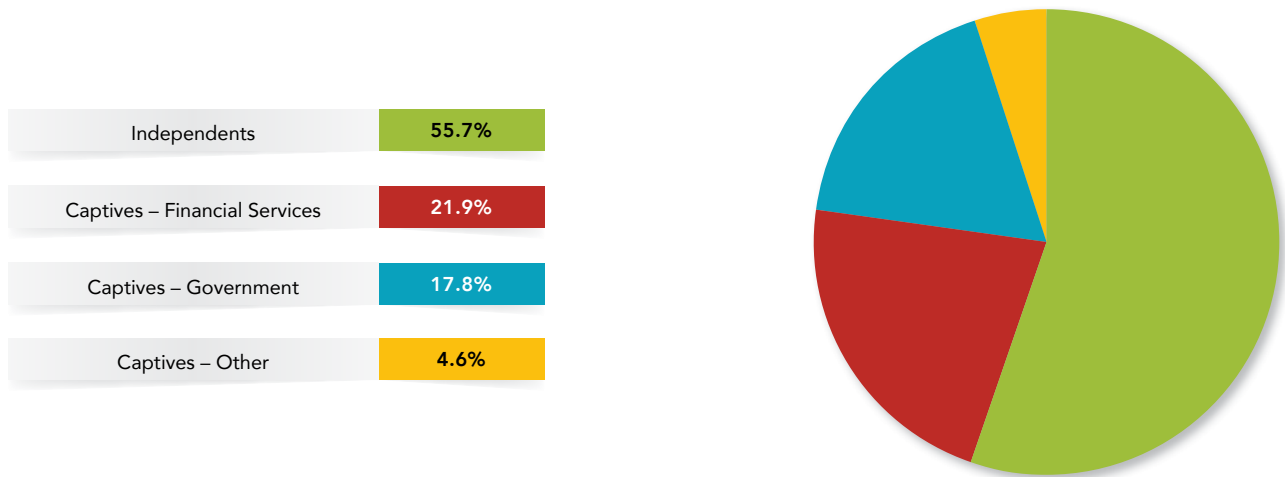


Figure 20b | Composition of total FUM in 2016 (% of total)

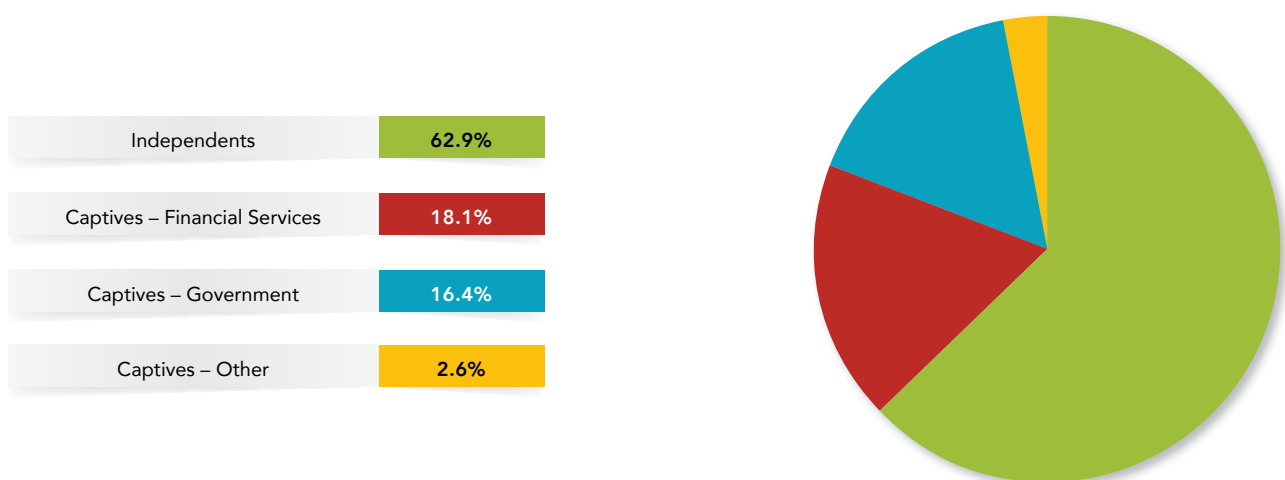
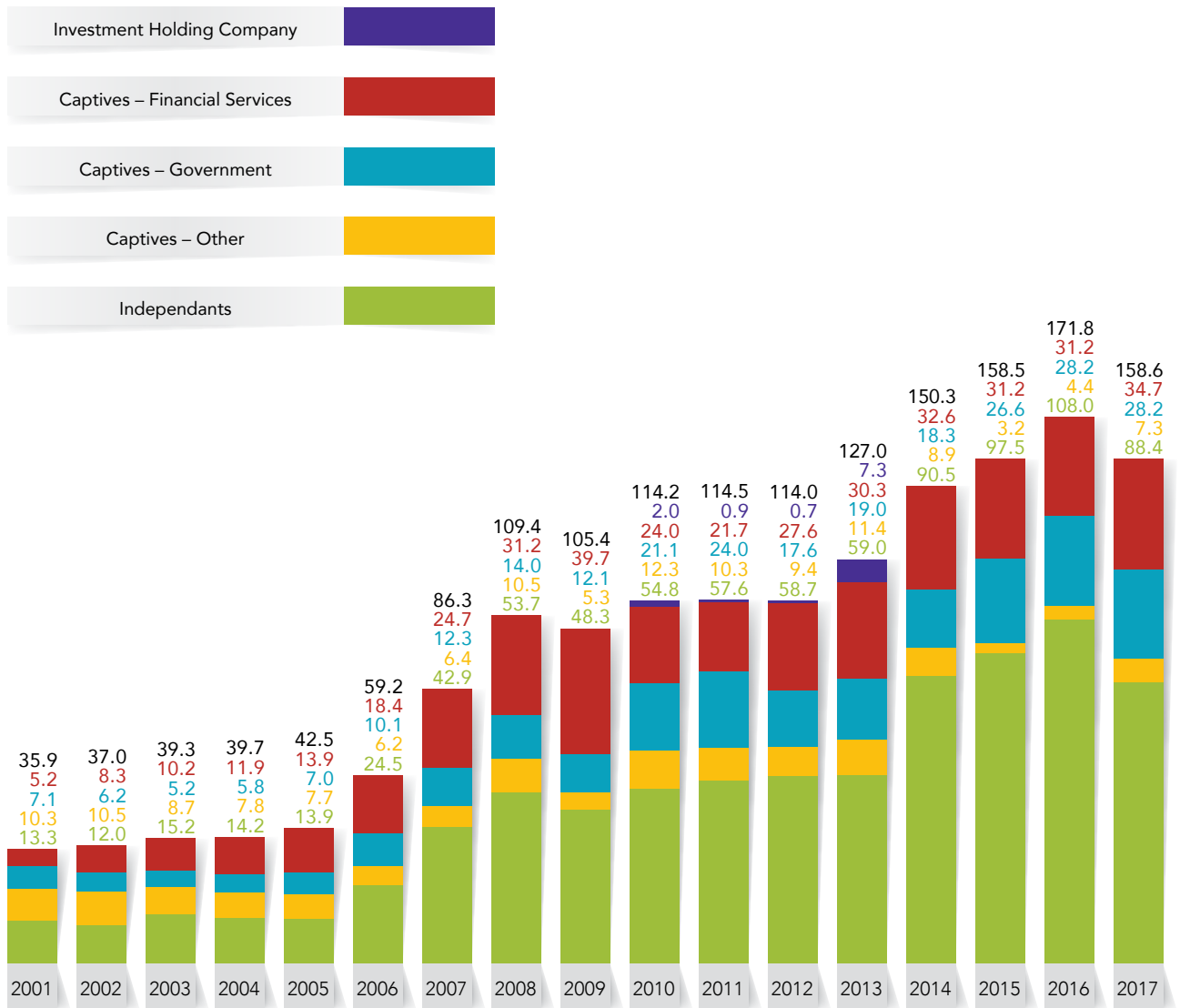




Figure 21 | Composition of total FUM (Rbn)



Funds Under Management

Figure 22a | Composition of total FUM at 31 December 2017 by focus of the fund (% of total)

Agri and Agri processing	2.9%
Energy and related	2.5%
Financial Services	0.3%
General	64.9%
Healthcare	0.1%
ICT	0.3%
Infrastructure	21.9%
Manufacturing	1.7%
Real Estate	5.2%
Other	0.2%

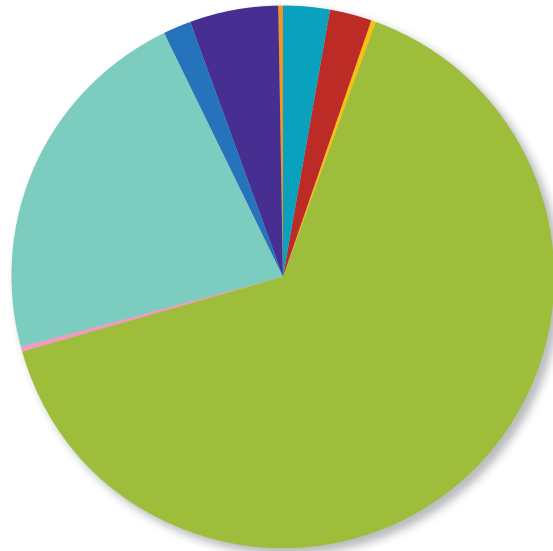


Figure 22b | Composition of total FUM at 31 December 2016 by focus of the fund (% of total)

Agri and Agri processing	1.7%
Energy and related	4.0%
Financial Services	7.4%
General	61.1%
Healthcare	1.3%
ICT	0.4%
Infrastructure	8.7%
Manufacturing	0.1%
Real Estate	5.5%
Other	9.8%

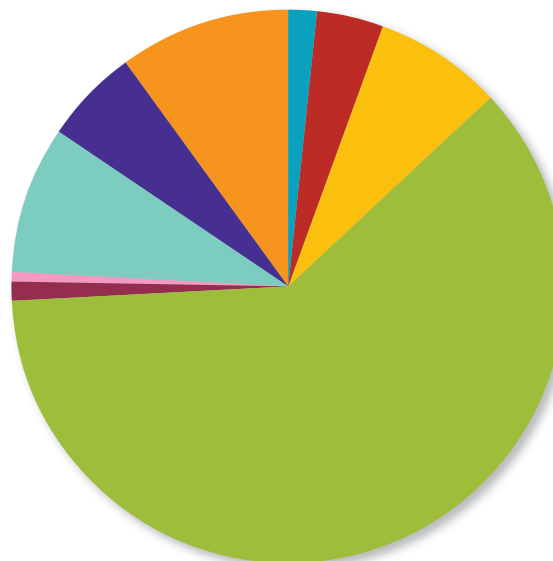
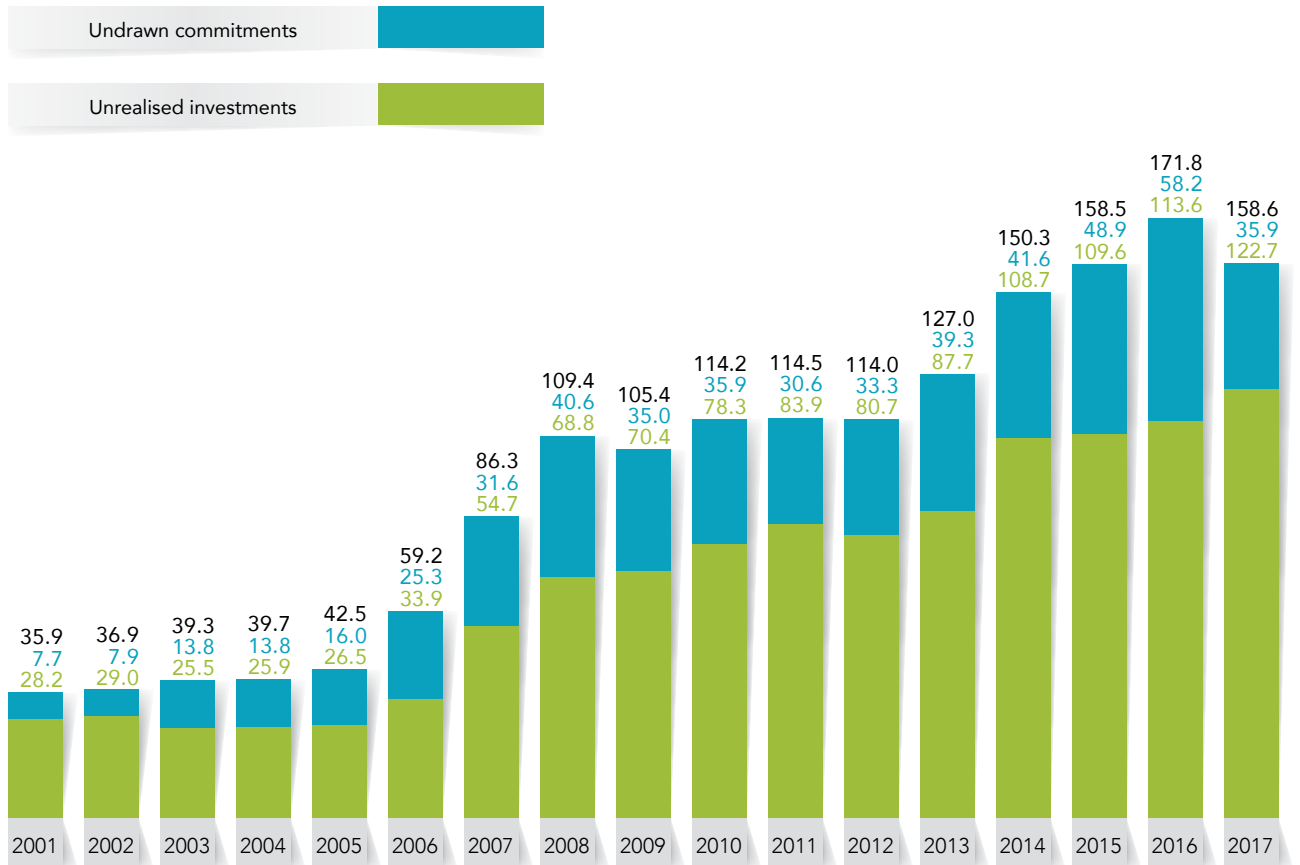




Figure 23 | Total FUM, split by undrawn commitments and amounts invested



Funds Under Management

Figure 24a | Total FUM in 2017, by type and split by undrawn commitments and amounts invested (Rbn)

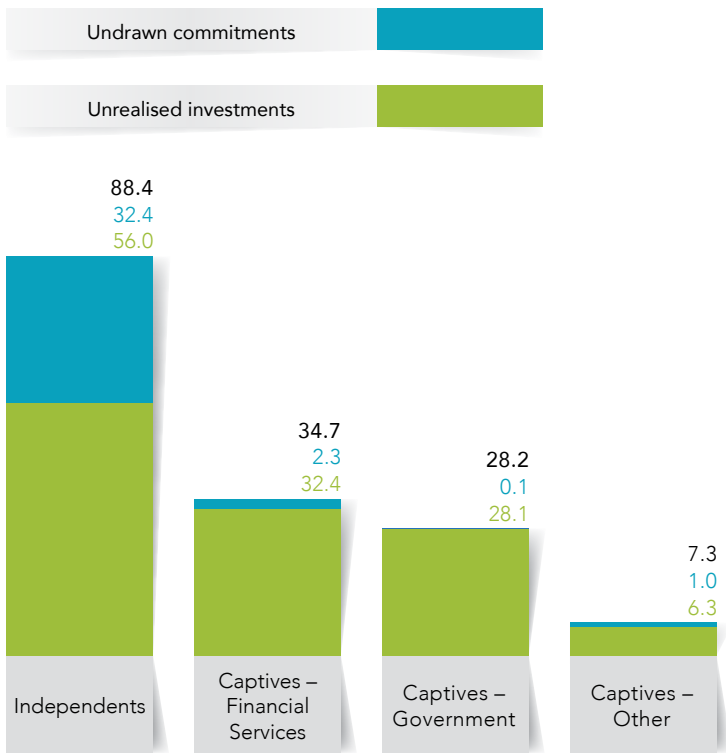


Figure 24b | Total FUM in 2016, by type and split by undrawn commitments and amounts invested (Rbn)

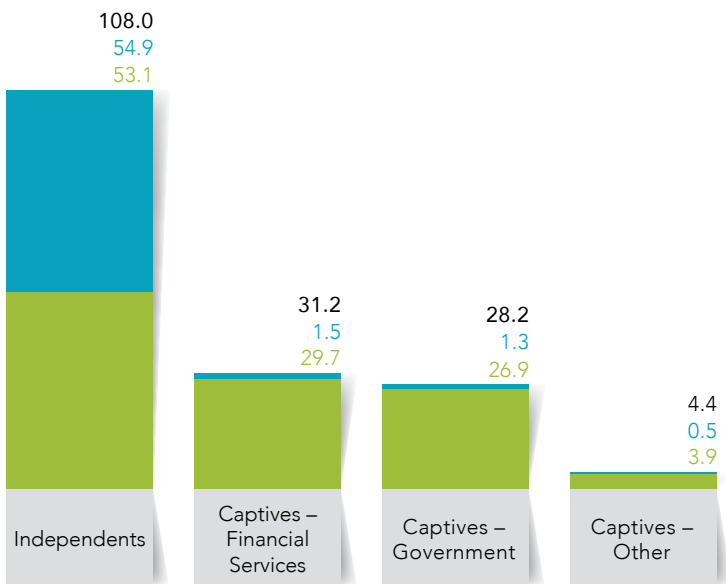
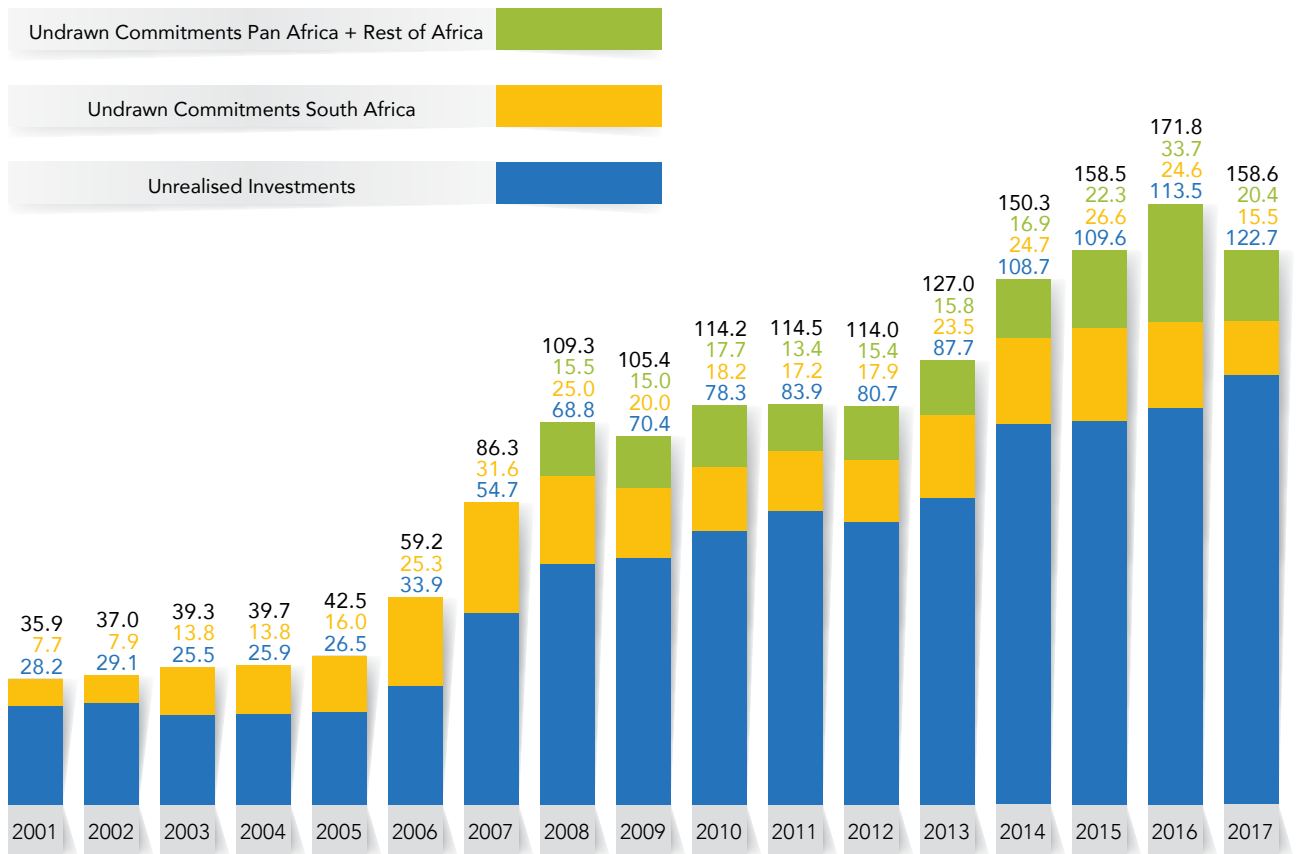




Figure 25 | Total FUM at year end, split by amounts invested and geographical undrawn commitments (Rbn)



Funds Under Management

Figure 26 | Classification of undrawn commitments by stage of investments (Rbn)

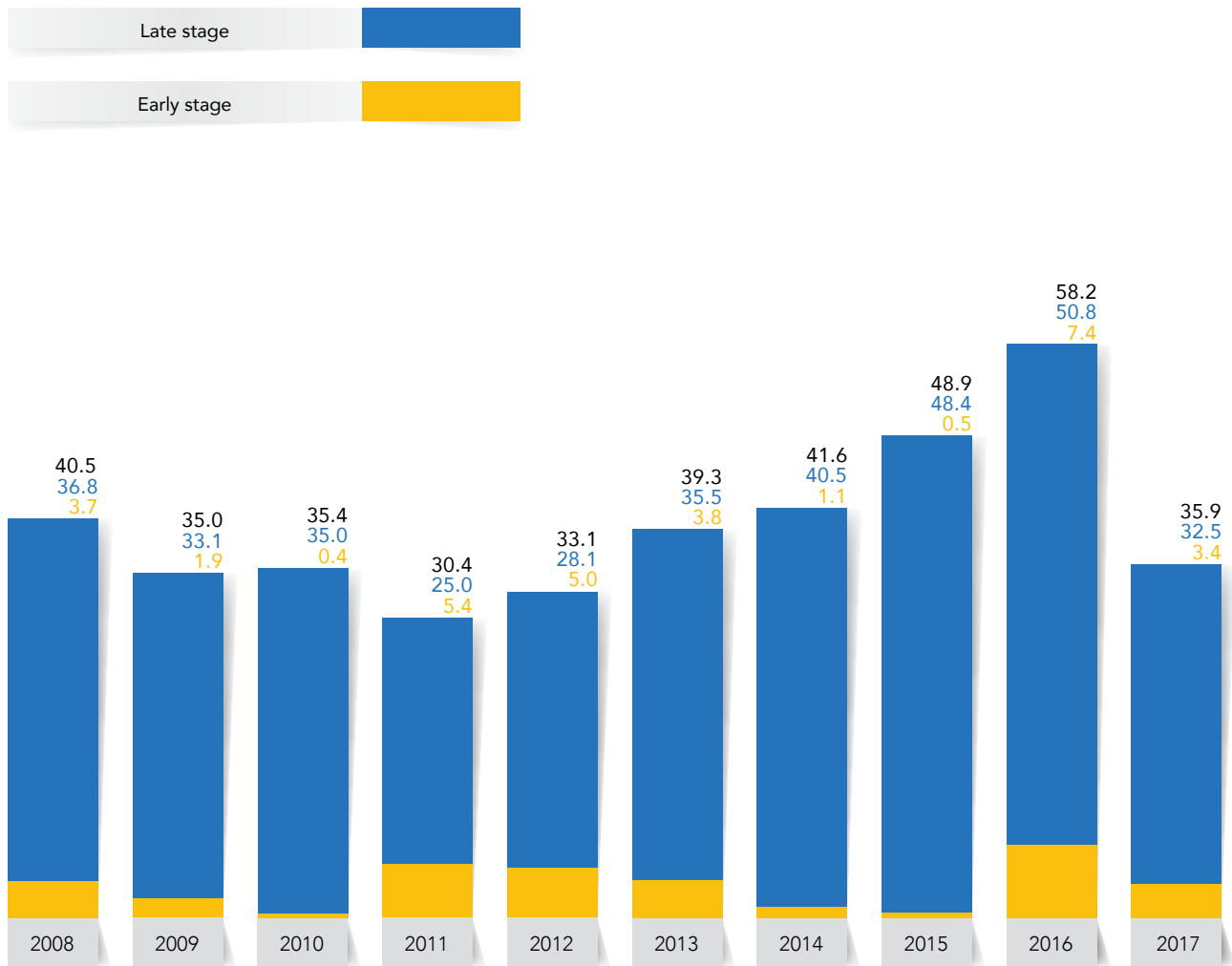
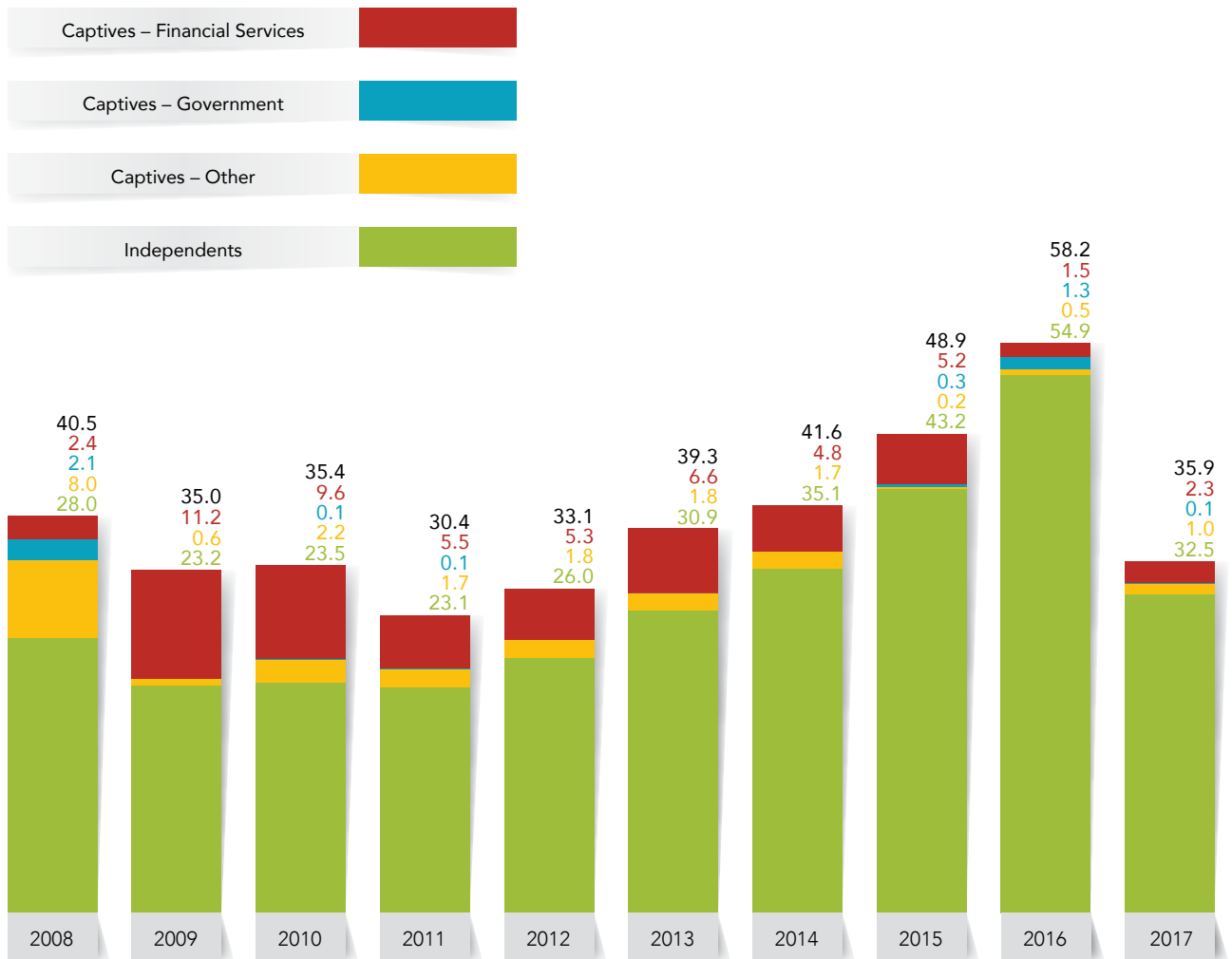




Figure 27 | Composition of undrawn commitments by type of fund manager (Rbn)



Funds Under Management

Figure 28 | Composition of later stage, independent undrawn commitments by focus of the fund (Rbn)

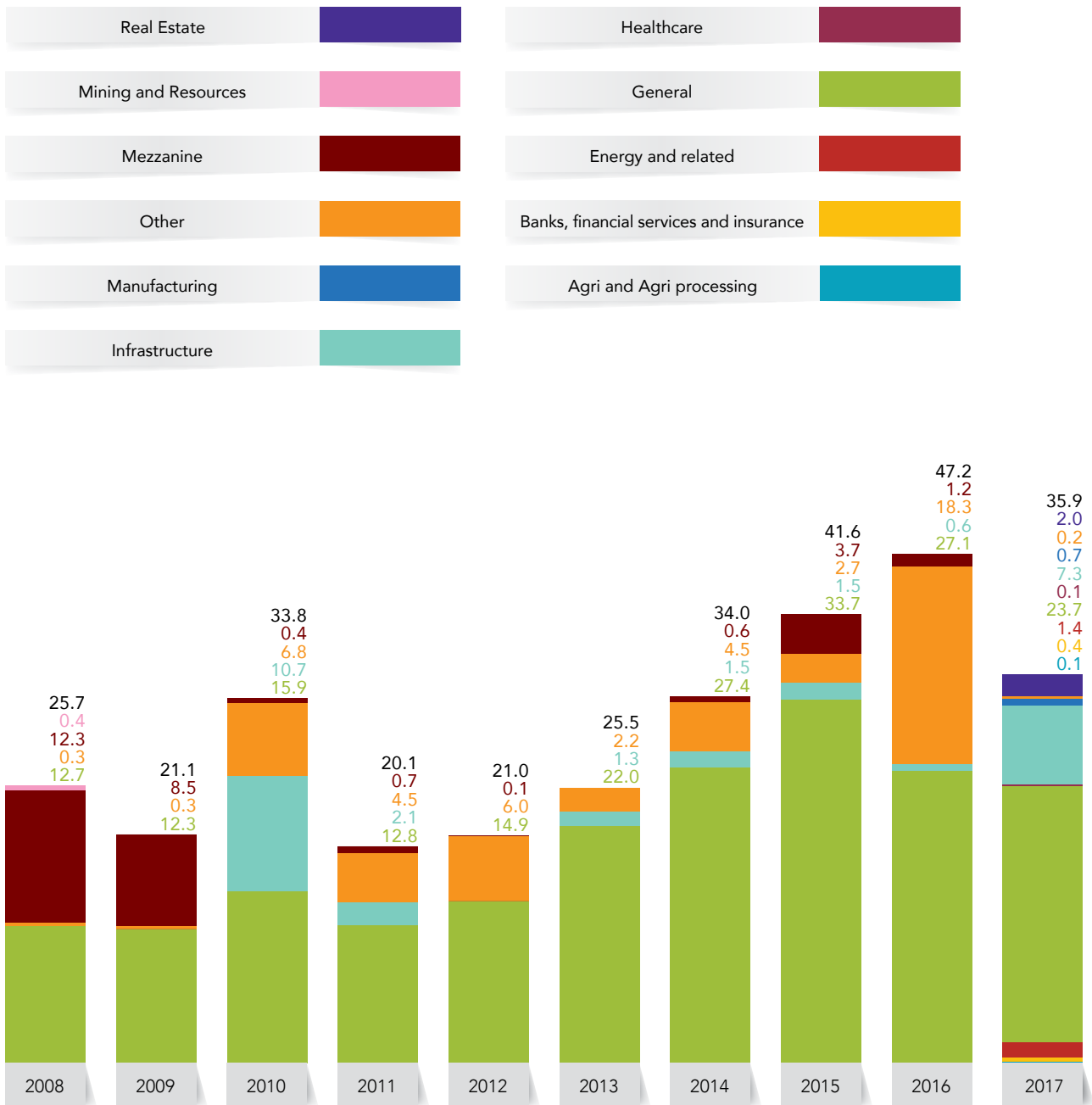




Figure 29a | Composition of FUM in 2017 by BEE level of fund manager

Level 1	2.4%
Level 2	9.0%
Level 3	8.3%
Level 4	26.6%
Level 5	0.0%
Level 6	13.5%
Level 7	0.2%
Level 8	0.0%
Not disclosed or non-compliant	40.0%

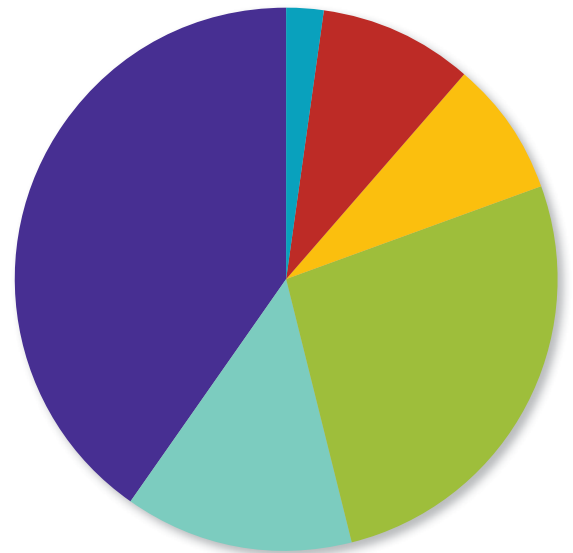
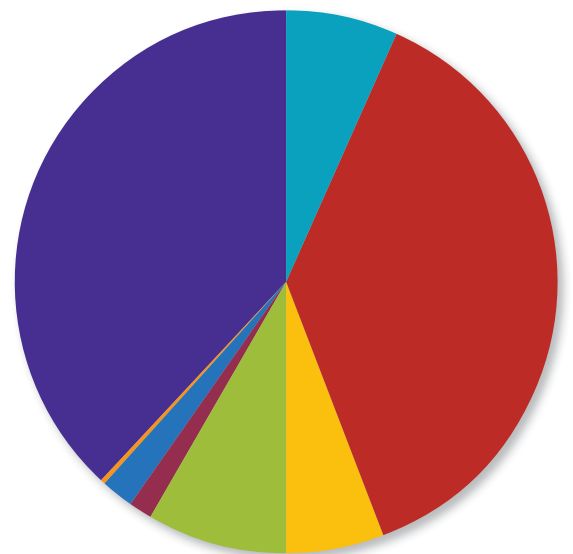


Figure 29b | Composition of FUM in 2016 by BEE level of fund manager

Level 1	6.7%
Level 2	37.6%
Level 3	5.7%
Level 4	8.5%
Level 5	1.2%
Level 6	0.0%
Level 7	2.2%
Level 8	0.2%
Not disclosed or non-compliant	37.9%

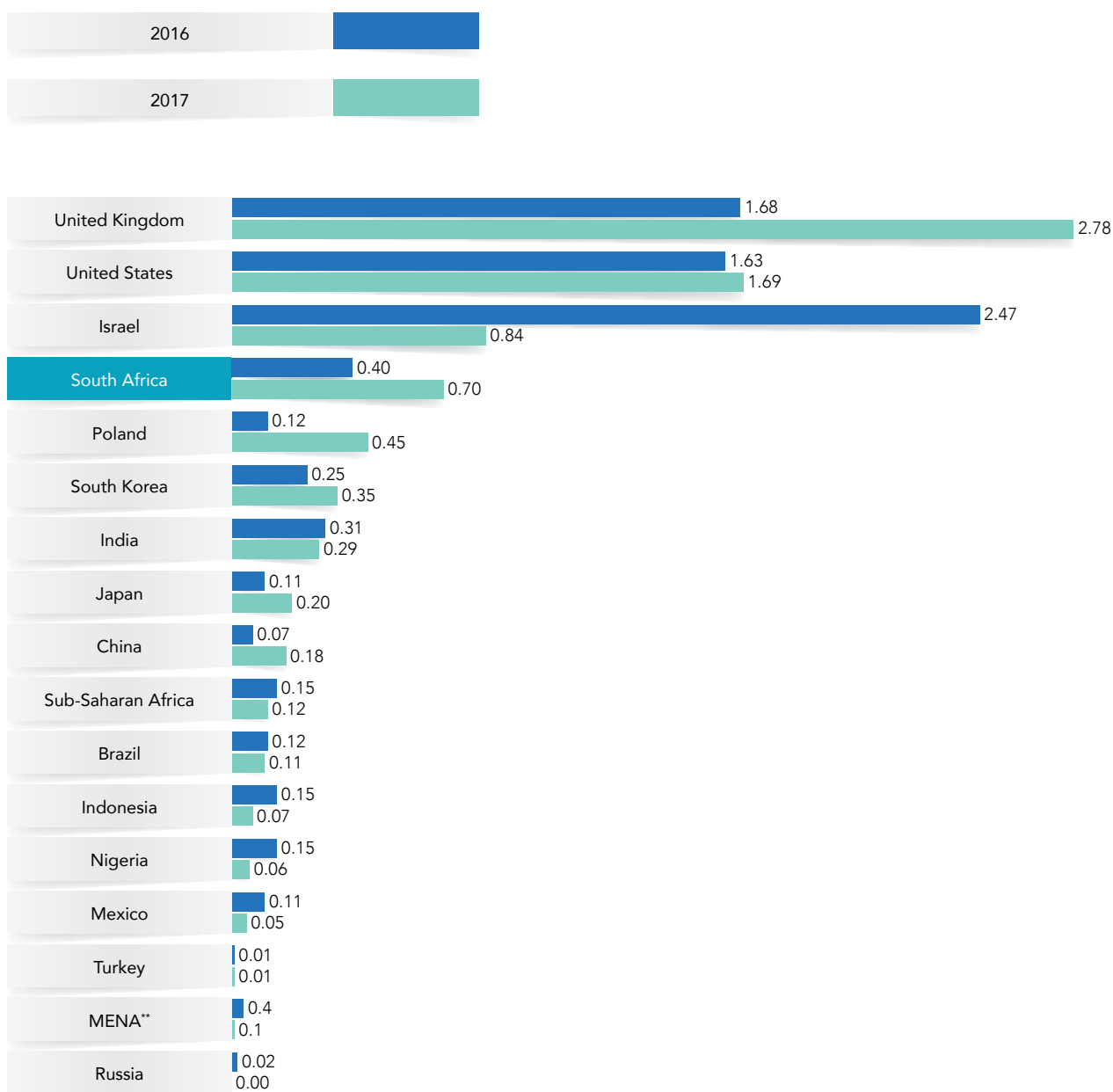


Funds Under Management

Comparison to the global market

- Although the South African private equity industry as a whole is relatively small in comparison to more developed economies, it is still well-established and significant in the regional market.
- Using Emerging Markets Private Equity Association (EMPEA) information, together with survey data for South Africa, South Africa's investment activity as a percentage of GDP for 2017 stands at 0.7% (2016: 0.4%).

Figure 30 | Global private equity capital penetration (as a % of GDP)



* Middle East and North Africa Source: EMPEA, 2018. Industry Statistics Year-end 2017.

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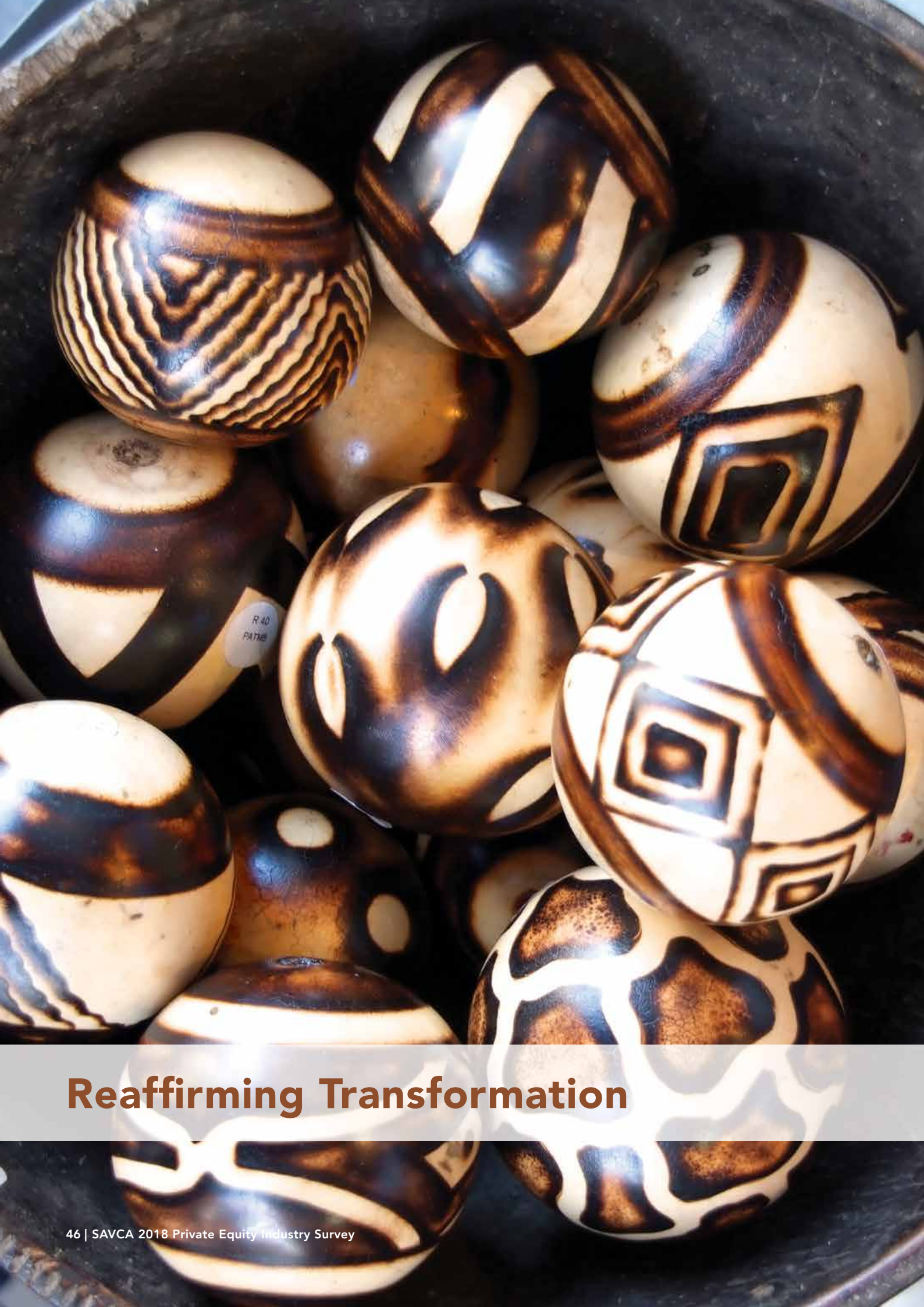
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Reaffirming Transformation



Reaffirming Transformation

BEE participation in investments is fundamental to the growth and sustainability of the South African economy, and remains a significant and vital portion of private equity activity in South Africa.

In 2017, 36.9% of investments made were in businesses with ratings levels 1 to 4 of the Department of Trade and Industry (the dti) BEE codes. These figures are in line with the general ratings for South African companies.

Figure 31a | Investments by BBBEE recognition level in 2017 (excluding Captives - Government)

Level 1	5.5%
Level 2	8.5%
Level 3	17.8%
Level 4	5.2%
Level 5	0.0%
Level 6	16.7%
Level 7	0.0%
Level 8	0.0%
Not disclosed or non-compliant	46.3%

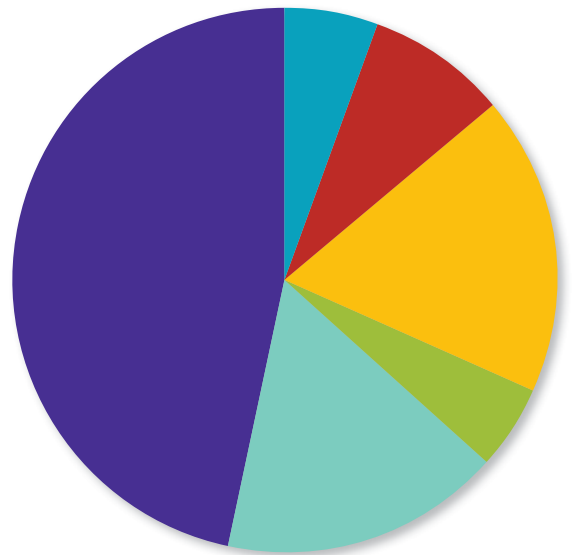
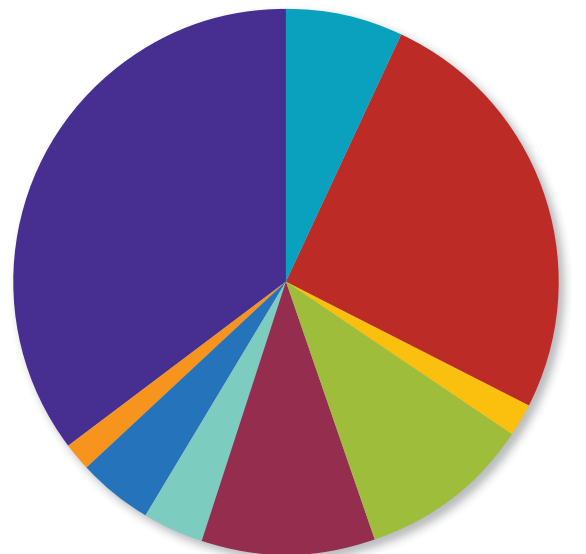


Figure 31b | Investments by BBBEE recognition level in 2016 (excluding Captives - Government)

Level 1	7.0%
Level 2	25.5%
Level 3	2.0%
Level 4	10.3%
Level 5	10.4%
Level 6	3.6%
Level 7	4.5%
Level 8	1.6%
Not disclosed or non-compliant	35.1%





Resilient Performance



Resilient Performance

RisCura (a global, independent provider of professional investment services) in conjunction with SAVCA, produce a quarterly South African Private Equity Performance Report, which tracks the performance of a representative sample of South Africa's private equity funds. The latest reported private equity returns over different time periods are as follows:

Figure 32a | Returns over different time periods (Rands)

Times money				
Time Period	Pooled IRR	Realised	Unrealised	Total
10 year	11.6%	1.0	0.6	1.5
5 year	13.1%	0.7	0.6	1.4
3 year	10.9%	0.5	0.7	1.2

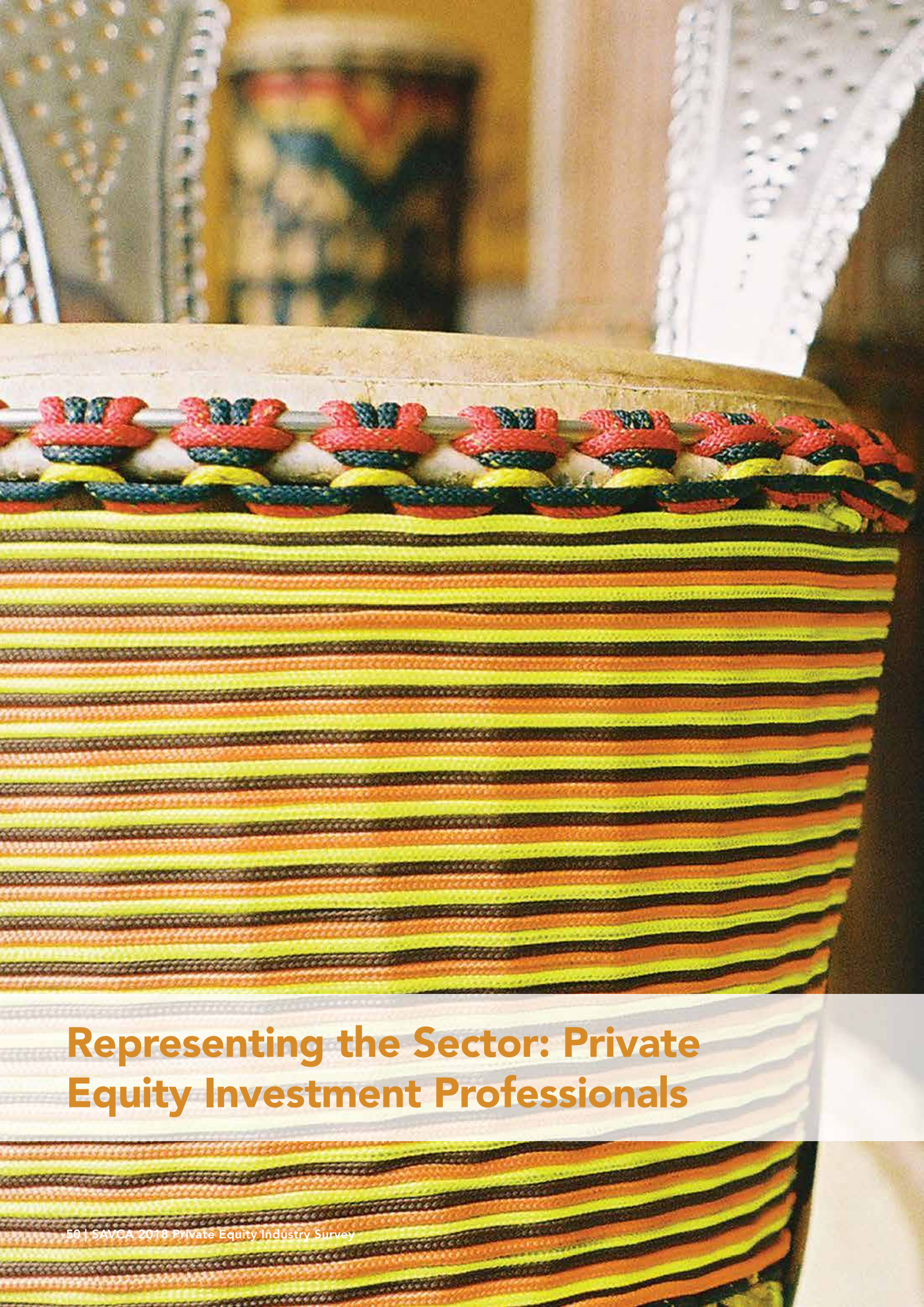
Figure 32b | Listed equity comparison (ZAR)

Compound annual growth rate (CAGR)				
Year	Pooled IRR	ALSI TRI*	FINDI TRI*	SWIX TRI*
10 year	11.6%	10.7%	15.8%	11.7%
5 year	13.1%	11.9%	16.9%	12.8%
3 year	10.9%	9.3%	10.9%	9.4%

Private equity's performance, relative to listed markets, remained steady in a very volatile market in 2017.

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.

*Listed index returns are before fees.



Representing the Sector: Private Equity Investment Professionals

Representing the Sector: Private Equity Investment Professionals

The heartbeat of the industry is its people. Looking at 2017:

- At 31 December 2017, Black professionals accounted for 29.9% of the total of all professionals (2016: 30.3%), Coloured professionals 6.2% (2016: 3.8%), Indian professionals 14.8% (2016: 12.7%) and White professionals 47.4% (2016: 53.2%).
- At 31 December 2017, 21.8% of all professionals were female (2016: 13.3%).

Figure 33a | Distribution of professionals 2017

	Black	Coloured	Indian	White	Undisclosed	Total
Male	23.0%	5.0%	11.2%	37.8%	1.2%	78.2%
Female	6.9%	1.2%	3.6%	9.6%	0.5%	21.8%
Total	29.9%	6.2%	14.8%	47.4%	1.7%	100.0%

Figure 33b | Distribution of professionals 2016

	Black	Coloured	Indian	White	Undisclosed	Total
Male	23.7%	3.4%	11.4%	48.2%	0.0%	86.7%
Female	6.5%	0.5%	1.3%	5.0%	0.0%	13.3%
Total	30.3%	3.8%	12.7%	53.2%	0.0%	100.0%





Recap: Data Tables



Recap: 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	Funds returned to investors during the year
	R millions	R millions	R millions	R millions	R millions
Early stage funds					
- Independents	20 577.63	7 349.96	7 039.57	1 593.70	5 497.27
- Captives (Financial Services)	0.00	0.00	0.00	0.00	0.00
- Captives (Government)	216.61	0.00	0.00	1.66	0.00
- Captives (Other)	23 727.40	93.00	0.00	330.50	0.00
	44 521.64	7 442.96	7 039.57	1 925.86	5 497.27
Later stage funds					
- Independents	87 425.53	47 533.93	2 293.77	6 409.29	9 395.28
- Captives (Financial Services)	31 168.44	1 509.98	931.22	4 011.78	2 565.08
- Captives (Government)	4 518.45	1 214.25	0.00	298.96	438.82
- Captives (Other)	4 205.95	543.91	0.00	1 377.67	303.60
	127 318.37	50 802.06	3 225.00	12 097.71	12 702.78
	171 840.01	58 245.02	10 264.57	14 023.56	18 200.05

Year ended 31 December 2017

	Total funds under management at year end	Undrawn commitments at year end	Fund raising activity during the year	Investment activity during the year	Funds returned to investors during the year
	R millions	R millions	R millions	R millions	R millions
Early stage funds					
- Independents	11 201.00	3 410.40	1 404.00	1 128.34	237.24
- Captives (Financial Services)	0.00	0.00	0.00	0.00	0.00
- Captives (Government)	0.00	0.00	0.00	0.00	0.00
- Captives (Other)	0.00	0.00	0.00	0.00	0.00
	11 201.00	3 410.40	1 404.00	1 128.34	237.24
Later stage funds					
- Independents	77 240.67	29 066.60	5 601.07	8 580.75	10 394.71
- Captives (Financial Services)	34 704.55	2 334.47	150.06	4 028.42	6 704.05
- Captives (Government)	28 193.70	93.50	0.00	15 521.37	78.07
- Captives (Other)	7 305.08	1 036.70	362.00	2 025.51	140.98
	147 444.00	32 531.27	6 113.13	30 156.05	17 317.81
	158 645.00	35 941.68	7 517.13	31 284.39	17 555.05



Respondents

Respondents



Name	Min investment	Max investment	Contact	Contact telephone
4Di Capital	R0.5 million	R49 million	Samantha Sperring	+27 21 659 2000
Abraaj Group	US\$10 million	US\$100 million	Matteo Gaspari	+27 11 884 2066
Acorn Private Equity	R50 million	R500 million	Pierre Malan	+27 21 852 2887
Actis Africa	US\$80 million	US\$250 million	Tarryn Butcher	+27 11 778 5919
African Infrastructure Investment Managers	R150 million	R900 million	Olivia Miller	+27 21 670 1238
Agile	R20 million	R150 million	Bulumko Ndema	+27 11 217 3300
Ata Capital	R0	R125 million	Maredi Mampuru	+27 11 321 1629
Bopa Moruo	R25 million	R80 million	Nthime Khoele	+27 11 784 1740
Business Partners Limited	R10 million	R50 million	Nicole Badenhorst	+27 11 713 6628
Capitalworks Equity Partners	R100 million	R500 million	Andrew Hart	+27 11 301 3000
Collins Private Equity	R0	R40 million	Bruce Chelius	+27 31 536 8004
Convergence Partners Management	R5 million	No maximum	Yolande Tabo	+27 11 550 5320
Edge Capital	R2 million	R20 million	Rich Chapman	+27 21 671 2658
Exeo Capital	R65 million	R260 million	Niel du Toit	+27 79 983 0031
Harith General Partners	\$US10 million	US\$44 million	Nakedi Kgapane	+27 11 384 4019
Heritage Capital	R30 million	R100 million	Kedibone Imathiu	+27 10 597 7708
Horizon Equity Partners	R15 million	R50 million	Shelley Lotz	+27 11 502 6940
IJG Capital	R8 million	R40 million	Jakob de Klerk	+26 46 138 3517
Investec Asset Management Guernsey	R150 million	R700 million	Peter Baird	+27 82 0713 184

Respondents

Name	Min investment	Max investment	Contact	Contact telephone
Jacobs Capital	R5 million	R50 million	Marc Thom	+27 31 573 2558
Kleoss Capital	R50 million	R150 million	Melisa Musindo	+27 11 666 1660
Metier Private Equity	R50 million	R750 million	Wendy Diamond	+27 11 268 4020
Medu Capital	R50 million	R200 million	Leone Boshoff	+27 11 268 9140
Nedbank Private Equity	R50 million	R300 million	Tshifhiwa Magondo	+27 11 294 0043
Novare Equity Partners	R69 million	R274 million	Elzaan Kotze	+27 21 914 7730
Pembani Remgro Infrastructure Managers	R0	No maximum	Stella Mpofu	+27 11 290 0238
Phatisa Group	R100 million	R400 million	Vincent Destieu	+27 11 463 1920
RMB Corvest	R50 million	R750 million	Cornelie Read	+27 11 380 8319
RMB Ventures	R50 million	R1 billion	Khuthadzo Masindi	+27 11 2821039
Sanari Capital	R50 million	R150 million	Moushmi Patel	+27 82 722 4013
Summit Private Equity	R100 million	R500 million	Langa Madonko	+27 82 486 1928
Venture Partners Botswana/ Temo Capital	P20 million	P70 million	Daudi Mtonga	+26 46 122 0069
Trinitas Private Equity	R40 million	R150 million	Gayle Burbaitzky	+27 11 994 9707
Sampada Private Equity	R10 million	R80 million	Kgomotso Serwalo / Nokuthula Mthombothi	+27 11 318 0171
Vantage Capital Fund Managers	R50 million	R350 million	Siyanda Khumalo	+27 11 530 9100

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Research Methodology



Research Methodology



The survey

The Southern African Venture Capital and Private Equity Association Private Equity (SAVCA) survey is based on responses received from private equity participants in the Southern African market. The values reported represent the equity component of transactions only. We do note that there are a small number of industry participants that elect not to participate.

Data integrity/privacy policy

All data submitted is kept strictly confidential, with only the Deloitte staff who oversee and compile the survey results authorised with access to the raw data. SAVCA, the SAVCA sub-committee members who review the report, SAVCA directors, and other Deloitte directors and staff have no access to the underlying survey data. SAVCA, other Deloitte directors and staff, as well as the public have access only to the aggregated data, which is published in the SAVCA Private Equity Industry Survey report. Once Deloitte has completed the research on SAVCA's behalf, all data is placed in custodianship with a legal firm.

About SAVCA

The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry body and public policy advocate for private equity and venture capital in Southern Africa. SAVCA represents about R165 billion in assets under management through 170 members that form part of the private equity and venture capital ecosystem. SAVCA promotes the Southern Africa venture capital and private equity asset classes on a range of matters affecting the industry, providing relevant and insightful research, offering training on private equity and creating meaningful networking opportunities for industry players.

For more information visit www.savca.co.za

About our research partner

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<https://www2.deloitte.com/za/en/pages/deloitte-africa/articles/about-deloitte-africa.html>.

Research Methodology

The principal source of information for this survey was the survey questionnaire. Further sources include the SAVCA 2017 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, with research support provided by Deloitte.

The guidelines for participation in this survey are as follows:

Participants must:

- Include investments if they are made in Southern 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 141 (2016:110) funds. Of these, 47 (2016: 61), representing 80 funds (2016: 96), completed the questionnaire.

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

- EMPEA Industry Statistics Q1 2018 – Industry Statistics for Emerging Markets Private Capital
- RisCura-SAVCA South African Private Equity Performance Report – Quarter ended: 31 December 2017
- Statistics South Africa

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

While care has been taken in the compilation of the survey results, SAVCA and Deloitte 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.



Review of Terms



Review of Terms

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.
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.

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.

Define who you are...



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