

## **Day 2 in Review: The SAVCA 2019 Southern Africa Industry Conference**

### **27 February – 1 March 2019, Cape Town**

Following a successful first day of the SAVCA 2019 Conference, day two got off to a great start with a warm welcome from the dazzling MC, Nikiwe Bikitsha. After rounding up the topics covered in the previous day's sessions, the conference jumped straight into a panel discussion with four international LPs at the forefront of fundraising in the Southern African Private Equity Industry.

#### **Fundraising and LP's candid perspective**

Moderated by Medina Jett, the Founder and President of ICSGroup, esteemed panellists from around the world had the opportunity to be candid about their perspectives on fundraising in the often challenging Southern African economic landscape.

Hany Assaad, Co-founder and Chief Portfolio and Risk Officer of Avanz Capital, wasted no time in tackling the alleged "elephant in the room": performance. Specifically, he explored the conundrum of why any international investor would opt for African funds at the moment, given the continent's lagging performance.

With Hamilton Lane being a major investor in the African private equity landscape, the firm's Principal, Daniel Schoneveld, said that while the returns are still not there, LPs remain optimistic that the industry will prove itself in terms of performance over time. However, on a local level, David Moore, Head of Alternative Investments at Alexander Forbes Investments, said that the significantly under-allocated local pension fund dynamic is still a major challenge.

From a regulatory policy perspective, Dele Butler, Senior Associate at Hogan Lovells, discussed how fund managers can put themselves on the map with OPEC, which is getting ready to invest heavily in African private equity later this year. She went on to also mention Connect Africa, which she said has already started allocating funds to companies that are connecting the continent digitally.

While conceding that firms face challenges in terms of fundraising, sourcing talent and valuation, when asked to summarise their outlook for the African private equity industry in one word, the panel offered optimistic expressions such as "Inevitable", "challenging", "rising", and "opportunity".

#### **How can we all RISE to the occasion?**

Next on the agenda was an inspiring conversation about leadership between two towering figures in the South African business environment, Dr Reuel Khoza and Bonang Mohale. In addition to discussing the skills that leaders require to succeed in Southern Africa, these

esteemed business giants explored and compared their personal leadership journeys, as well as their impressive contributions to society.

Dr Reuel Khoza, Business Leader and President of IoDSA, posed complicated questions around whether there can be an architecture that is based on partnerships, in addition to the country's social partnerships, as well as how leaders can position business as a national asset.

As ever passionate about leadership in Africa, Chief Executive Officer of Business Leadership South Africa, Bonang Mohale, said that if you can lift yourself up, you can lift the world. He explained that nature is a wonderful metaphor for business. Nature does nothing for itself – everything that nature does is for others. Therefore, the more we rise, the more it improves us and manifests in our interest to lift as we rise. Especially in business, business cannot continue to be an island of prosperity in a sea of profit. To summarise, Mohale said that nothing is so good as to be able to reach down and help pull up another, and leadership is key.

### **Why do we RISE?**

For the highly anticipated interactive world café session facilitated by the owner of *BeClear Coaching and Consulting*, Tanya Stevens, the exciting theme of “private equity’s role in the national economic imperative” was announced by Samantha Pokroy, the founder and CEO of Sanari Capital, and Langa Madonka, Investment Principal.

Built on the concept of people getting together for meaningful discussion, the session focused on how the industry can exert more influence by being more significant. Making use of an innovative mobile app, discussion groups were prompted on questions to tackle and the conversations were guided to reap maximum benefit.

All written feedback, which was collected via the app, will be collated and used to inform the strategy of SAVCA going forward.

### **Imagine we can predict people’s performance**

Roger Philby, the founder of The Chemistry Group, discussed how we – as human beings – tend to get talent evaluation and recruitment horribly wrong, and how we can start getting it more right going forward. The chief problem here, according to Roger, is that recruiters typically use the wrong data to predict performance.

Despite popular opinion that talent in South Africa is scarce, Roger insisted that talent is abundant, but achievement is scarce. He highlighted statistics around the total talent pool in South Africa, which consists of around 1.2 million people in year one of school. As time goes on, this talent pool shrinks exponentially, with only 687, 000 people making it to Grade 12 and a mere 4% of the total talent pool going to university.

This belief led him to advocate the use of science and data to ensure the right people work in organisations and have the opportunity to be brilliant. The five box model which he said underpins this data-based method incorporates intellect, personality, motivations, behaviours and experience. Essentially, however, if we understand intellect, personality and motivations, he said that we can understand human potential.

Past work experience and taught behaviour – despite popular belief – therefore have little influence on future performance. As such, he concluded that it is imperative for the industry to fundamentally re-evaluate how we evaluate talent.

The enlightening session allowed attendees to gain insights into the tools and techniques, such as using big data and artificial intelligent (AI), to ensure that the right people are placed in the right positions within an organisation.

### **Where have all the deals gone?**

Moderated by Wayne Hiller van Rensburg, the President of IRFA, a panel of experts discussed the current stagnant deal environment in Africa and where fund managers can still look to find deals.

Lydia Shadrach-Razzino, Director of ENSAfrica, was first to take the spotlight, explaining the reasons behind the gradual slow-down of deals in the African private equity landscape. However, Lydia said that deals are still happening in three instances: when funds need to be deployed to avoid being lost, assets are distressed, or mandates are coming to an end.

Regarding how successful managers are able to secure good deals, Dr Zuko Kubukeli, CEO and Managing Partner of PAPE Fund Manager, said that while BEE has become increasingly topical, this is just one of the valuation mechanisms for a deal. There are also a number of players that can bring empowerment and fund managers need to evident their networks in this regard.

BEE, much like ESG – which has become a requirement for a lot of investors – can be looked at in two ways: as an obstacle or a value-add. In his experience, Zuko said that empowerment has become an economic imperative to any investor, but it shouldn't be looked at only as a compliance issue, as it also serves practically to open up new markets and expand talent pool potential.

Takudzwa Mutasa, Principal and Investment Professional: Development Partners International (DPI) LLP discussed the key growth drivers in Africa. He also highlighted that, fundamentally, people will do deals with people they like and trust. However, we need to understand that you build like and trust by spending time with people.

Speaking from the perspective of clean energy, Christopher Clark, Managing Partner of Inspired Evolution, said that while the clean energy markets are still fairly buoyant in Africa, the question remains around why so few deals have been done in this space. The rapid progress in technology, he said, only further creates a perfect storm for the future of private equity within this space.

Instead of the culture of competition between fund managers, Christopher posed the question to fellow panellists of how to turn this competition into an opportunity to find alignment between fund managers and complement skill sets. Takudzwa took the opportunity to answer and said that the opportunity is large enough for fund managers to not have to compete in too many ways. There's a significant proportion of proprietary deals that people are able to do without having to engage in too much competition.

While assets are taking some pain, Lydia concluded that the strong will survive. Assets are not going to work for you anymore, she said, but the deals will happen where the opportunities lie. Regarding outlook, the panel remains cautiously optimistic in general, with the shared perception that bravery and hard work will be key to getting deals going forward.

### **Building beyond 2020**

The truth is that a lot of people are stuck in hindsight. To tackle this, foresight strategist, international keynote speaker, and best-selling author, John Sanei, opened up an insightful session focused on embracing disruption and having the necessary foresight to adapt our strategy to thrive.

John pointed out that today, we have the burden of choice with zero certainty. What is happening to the world we're living in is that we are swapping the set of rules we have lived by in the past with infinite opportunities to dive deeper into who we are and make our own decisions. This, he said, is disruption.

Regarding the main areas of disruption that the world can expect to experience; info tech, machine learning, block chain and bio tech were among some of the exciting topics discussed and explored by him.

Sight is paramount, but not just physical sight, said John, who concluded that our perspective is of supreme importance. The key here, however, is moving ourselves from hindsight into foresight. Tomorrow is either one day or day one – this becomes our incredible privilege of choice.

Responding to the session from a private equity perspective, Anthonie de Beer, the Managing Partner of Ethos Large Growth Funds, noted that when we look back in history, the most disruptive periods tend to hold the most opportunity for the Private Equity industry.

He said that we are sitting in situations now where there's been a great deal of disruption, but instead of panic, we should look at this disruption as an opportunity. The challenge for the industry is to stay calm and accept that disruption is inevitable.

In this session, attendees gained insight into how to recognise disruption within their industry – both private equity and the industries they invest in – and learned about which tools and techniques to use to be able to deal with disruption.

### **Renew and Imagine: Shifting trends in Private Equity**

Moderated by Michael Avery, the anchor of Classic Business and Editor of Catalyst Private Equity Magazine, this panel discussion focused on the shifting trends that are currently shaping private equity, and how the industry can better prepare for the future.

Of all the trends rising to the surface for GPs, it became apparent that the evolving skill set of fund managers is right at the top. Xavier Leroy, CEO of Egon Zehnder, highlighted the growing need for soft skills and explained how private equity practitioners will require storytelling skills.

Allied to this so-called soft skill is the need for private equity practitioners to be mindful of the psychology of the entrepreneurs or management teams they work with. Samantha Pokroy, Founder and CEO of Sanari Capital, said that more than half of her time is spent dealing with the psychology particularly, because of her focus on founder-run businesses.

Stéphane Monier, Chief Investment Officer of Banque Lombard Odier & Cie SA, said that a positive sustainability approach and impact investing is becoming gradually more important for investment clients. South African pension funds, for example, are increasingly wanting impact to underpin their investments, beyond just returns.

The evolution of the African model for private equity is another trend that John Bellew, Head of Private Equity - South Africa: Bowmans, believes will continue to attract innovative solutions. He said that the whole African model for private equity has been under discussion for several years and we are definitely seeing it evolve.

Lastly, Polo Leteka, the Executive Director and Founder of IDF Capital, touched on the topic of transformation and the increased need for diversity in the industry. She said that, in her opinion, the conversation around transformations needs to happen early on in the negotiation process.

### **SAVCA Impact Study update**

The private equity portion of the conference was wrapped up by Stuart Theobald, co-founder of *Intellidex* and its executive chairman, who gave attendees an update on the progress of the highly anticipated 2019 Impact of Private Equity Study.



Does private equity and venture capital positively affect South Africa? This is the question that Theobald said will be explored and built out in the study, which will be released later this year.

**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. SAVCA also provides relevant and insightful research, offers training on private equity and creates meaningful networking opportunities for industry players.

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