



SAVCA
2021

Private Equity Industry Survey

**Volume 2 - Fundraising, Investments, Exits
and Funds Under Management**

Insights into the Southern Africa Private
Equity Industry

Research
partner



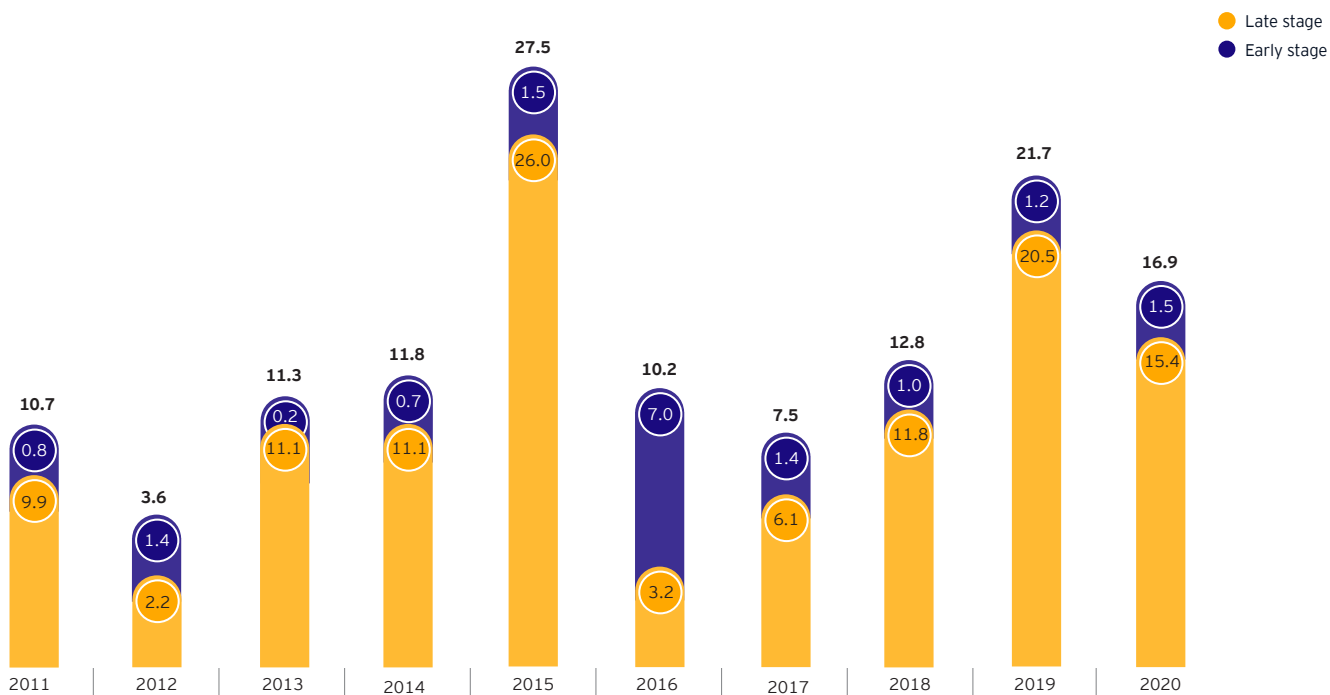
About the survey

The SAVCA 2021 Private Equity Industry Survey is presented by SAVCA and EY. The survey was based on responses from over 50 Private Equity firms operating in Southern Africa. The survey covers analysis of the industry's strategic priorities, investment & divestment activity, fund raising, funds under management, the impact of private equity, BBBEE and the diversity of PE investment professionals. The data is based on annual calendar year data up to 31 December 2020. SAVCA reviews the reports prior to their public release.

SAVCA does not have access to any of the individually completed surveys submitted to EY. While care has been taken in the compilation of the survey results, SAVCA and EY 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.

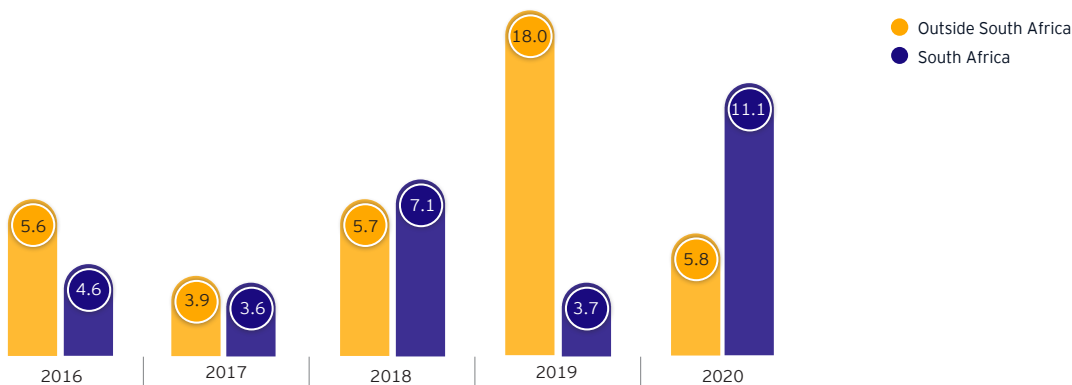
01 Fundraising activity insights

Value of funds raised by fund stage, 2011-2020 (R bn)

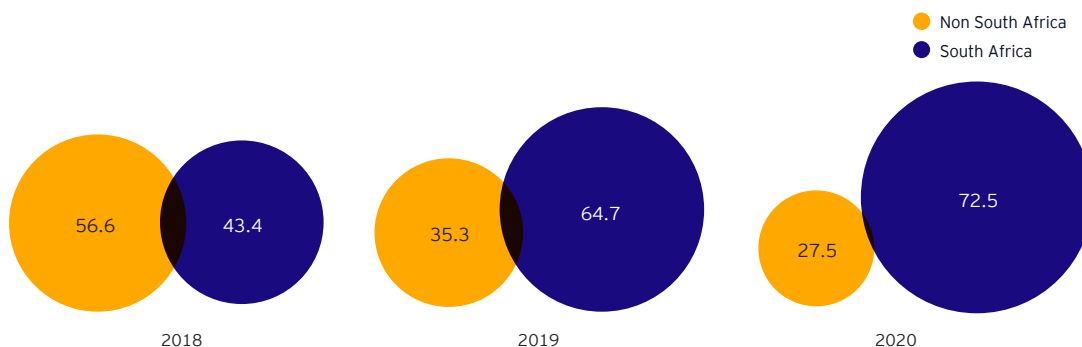


Fundraising declined in 2020, however was still higher than 2016-2018 despite the fundraising headwinds caused by COVID-19. 14 funds raised capital for late stage funds and 6 funds raised capital for early stage funds. The 22.1% decline in fundraising compares to a 19.1% decline in global PE fundraising, however global PE fundraising has rebounded significantly in 2021 with H1 2021 global PE fundraising being 57.9% up on H1 2020 (source: www.ey.com/PEpulse). Will Southern Africa PE fundraising rebound in a similar way?

Funds raised by investment destination, 2016-2020 (R bn)

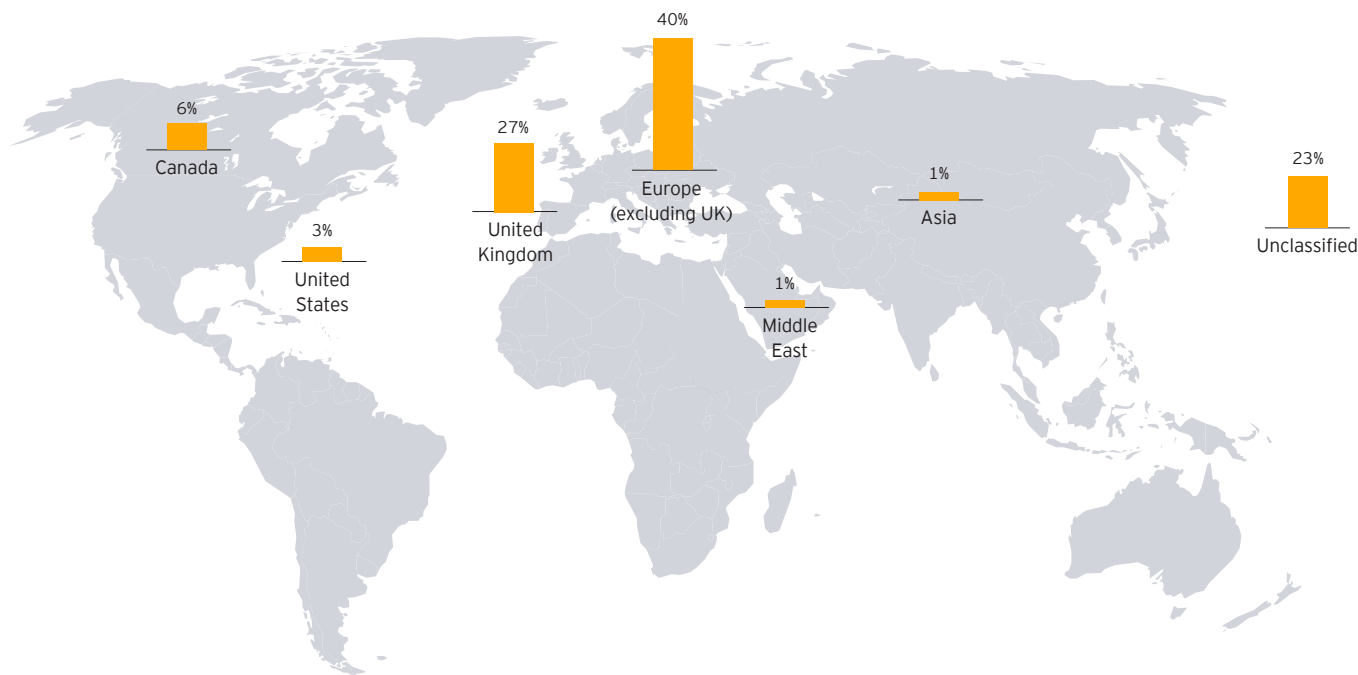


Geographical source of funds raised, 2018-2020 (% of total)



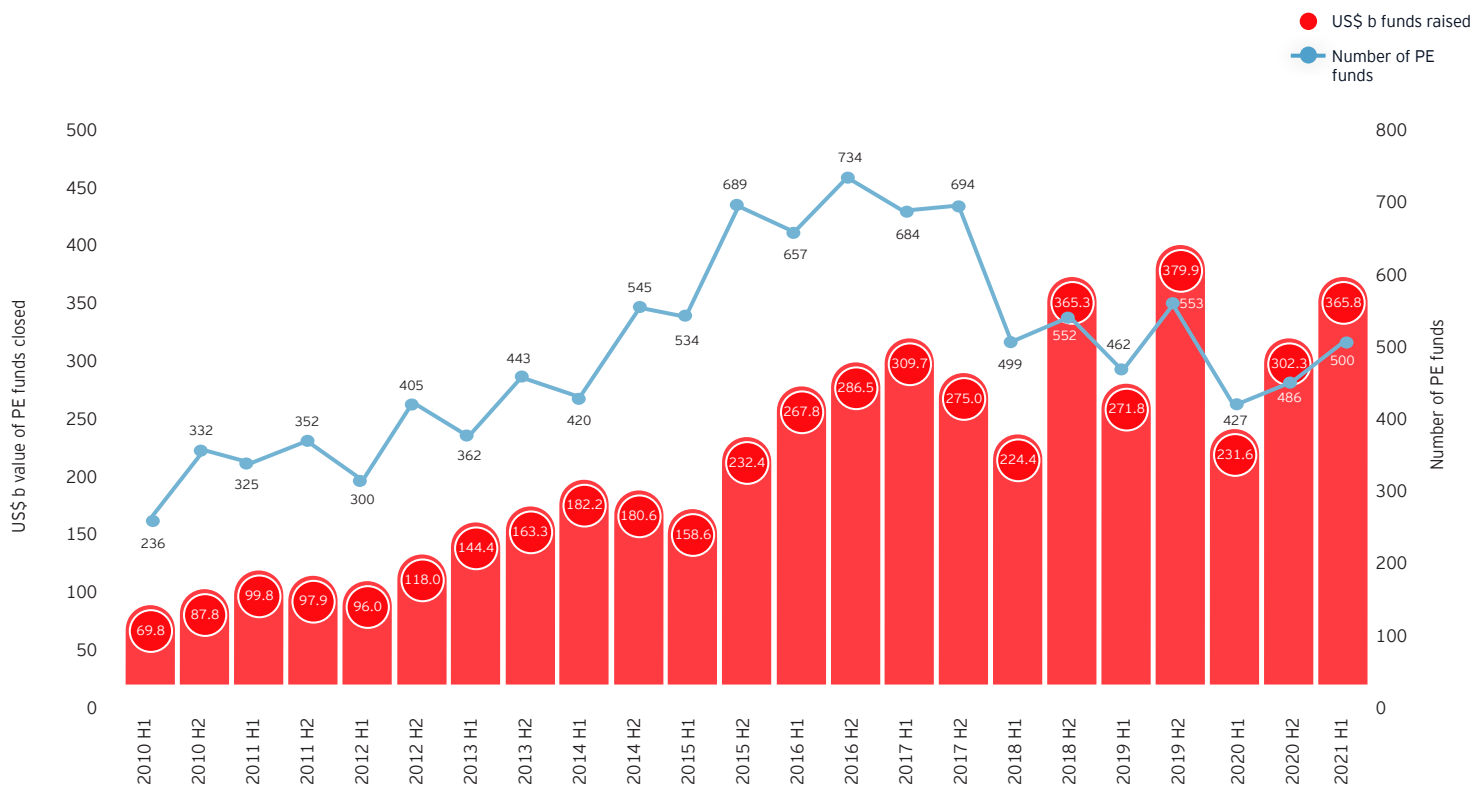
Funds raised from South African investors, especially local pension and endowment funds (see page 4 for breakdown by type of investor), increased sharply in 2020 showing strong confidence in the Private Equity industry. Funds raised are also largely being mandated for investments in South Africa, more than in any other year for the last 5 years.

Breakdown of non-South African sources of funds raised by geography, 2020



For funds raised from investors outside South Africa, the majority (67%+) were from European and UK investors. No funds were raised in 2020 from the rest of Africa. Albeit disappointing as the PE sector would benefit from more backing from African investors outside of South Africa, it may speak to the investment mandate of the funds that were able to raise funds in 2020 with a largely South African mandate for investments.

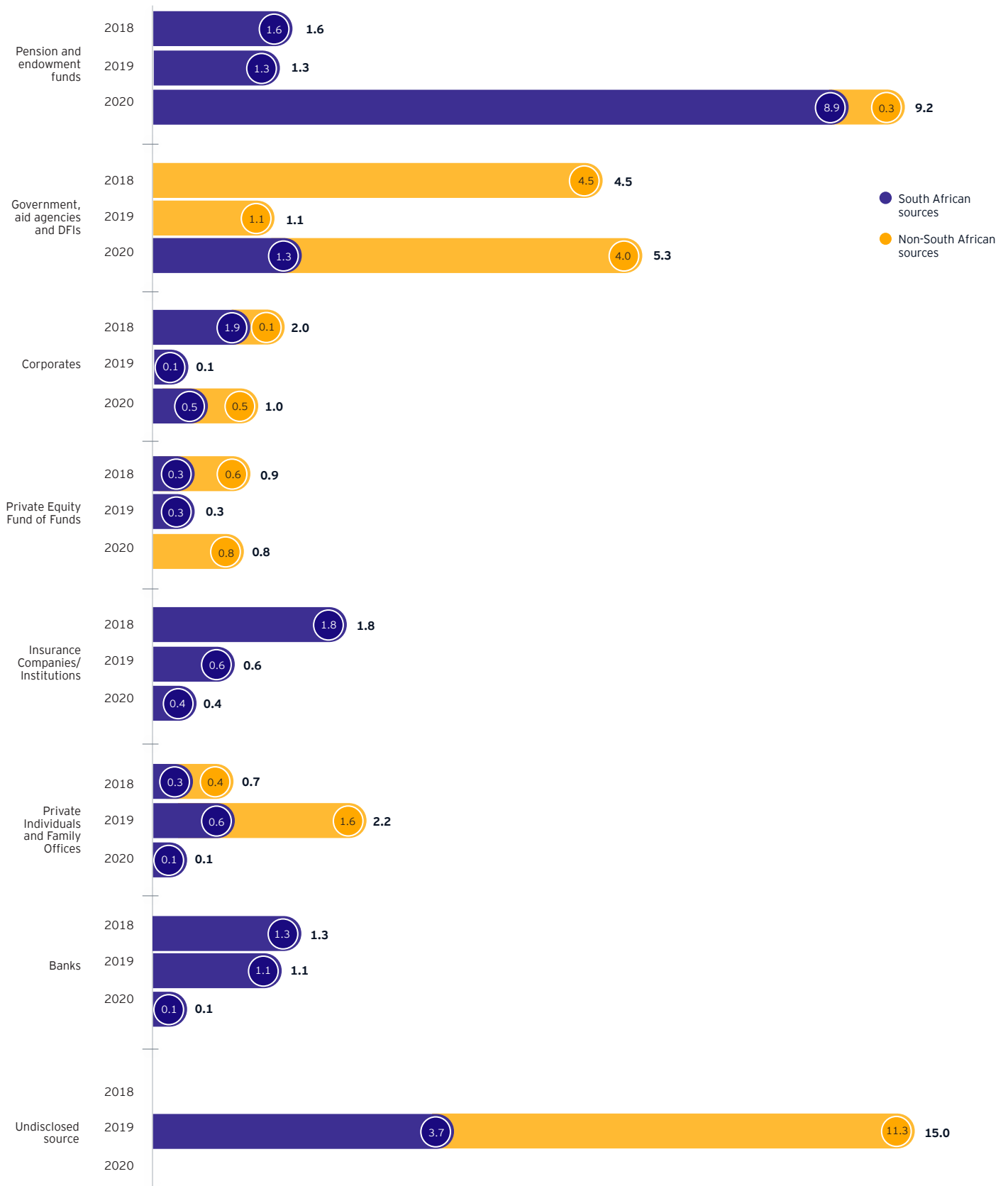
Global PE fundraising trends - 2010 to 1H 2021 (US\$b)



EY Global PE Pulse report for H1 2021

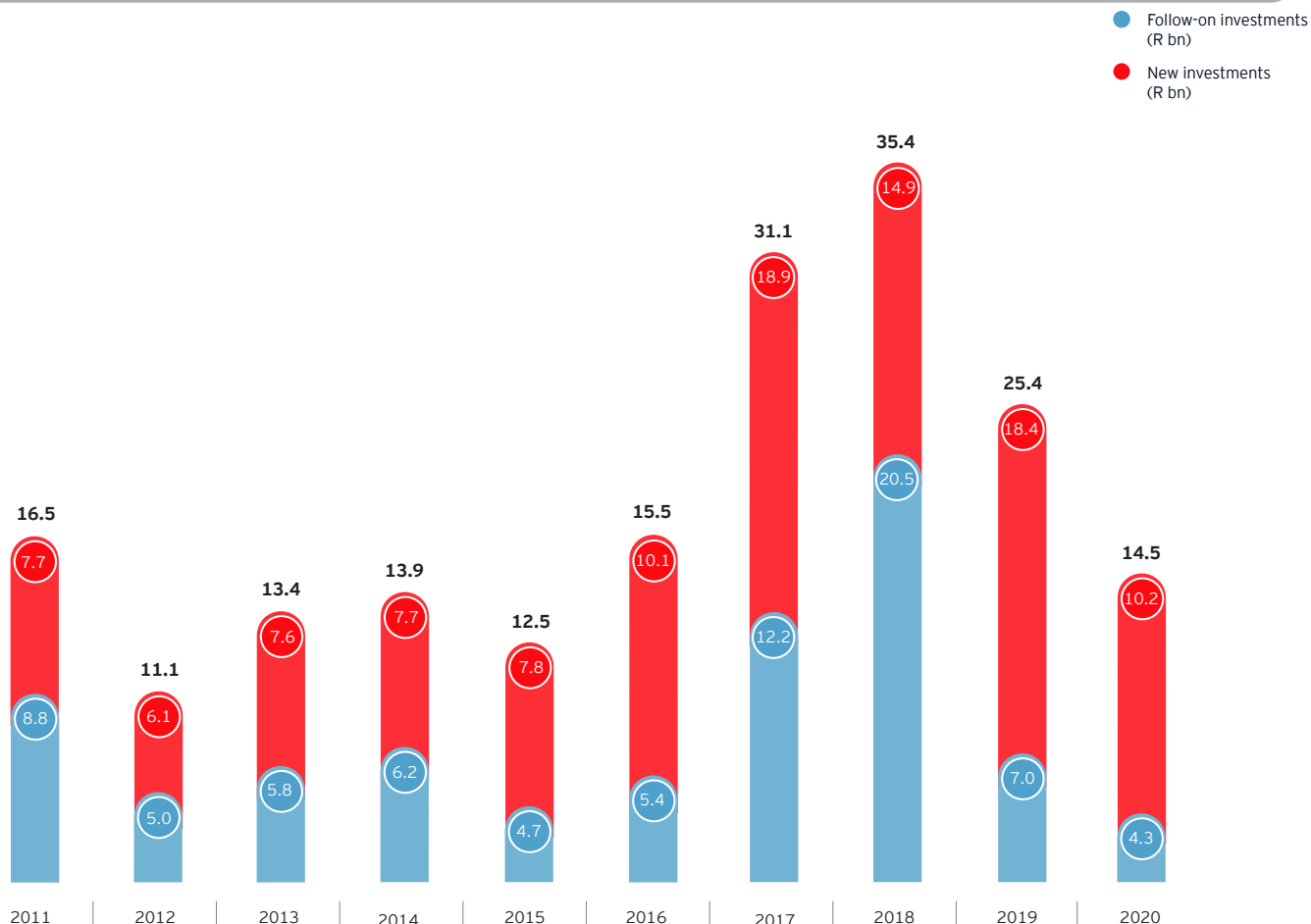
2021 is becoming a landmark fundraising year globally for private equity as an asset class off the back of the strong rebound seen in the second half of 2020.

Source of funds raised, 2018-2020 (R bn)



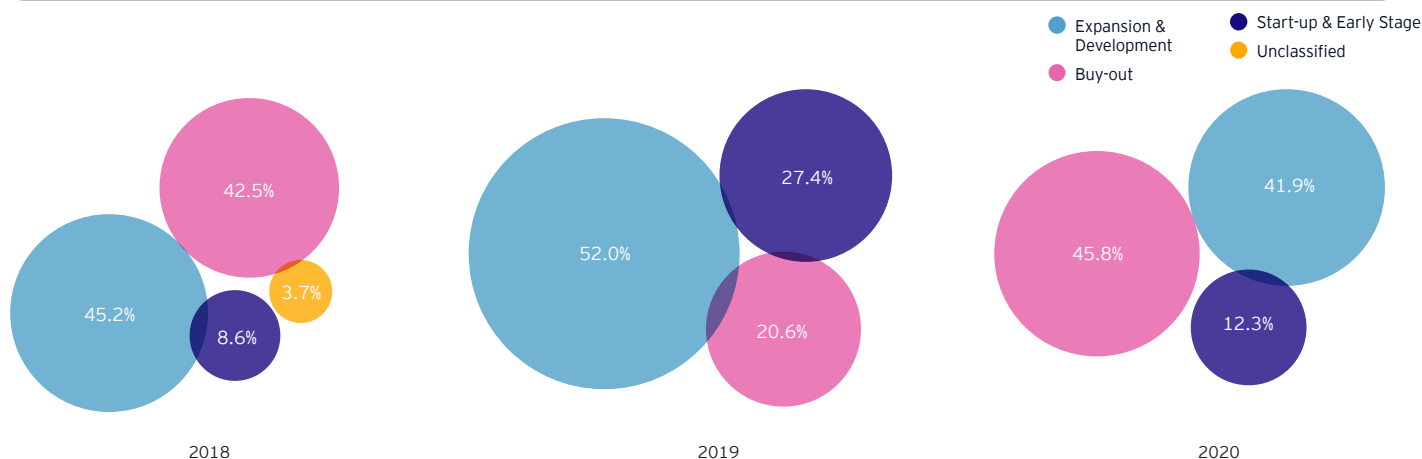
02 Investment activity insights

Cost (2011-2020 in R bn) and number (2018-2020) of investments split by new and follow-on investments



The volume of new and follow-on investments, excluding Business Partners, decreased to 73 and 96 respectively in 2020. This compares to 132 new and 117 follow-investments in 2019, which had declined from 162 new and 282 follow-investments in 2018. While the value and volume of investments declined in 2020, the decline was not as sharp as expected and PE firms still managed to make investments, despite the challenges to dealmaking caused by COVID-19. The cost of investment values were similar to those experienced during 2012-2016. The average cost per investment was relatively consistent from 2018 to 2020, averaging between R80m and R102m (excluding Business Partners). There has been a sharp uptick in investment activity in 2021 globally with Global PE investments in H1 2021 almost tripling the value for H1 2020 and increasing 53.1% on H2 2020 to reach R584.3bn, an all-time half-year high beating the previous high of H1 2007 (source: www.ey.com/PEpulse).

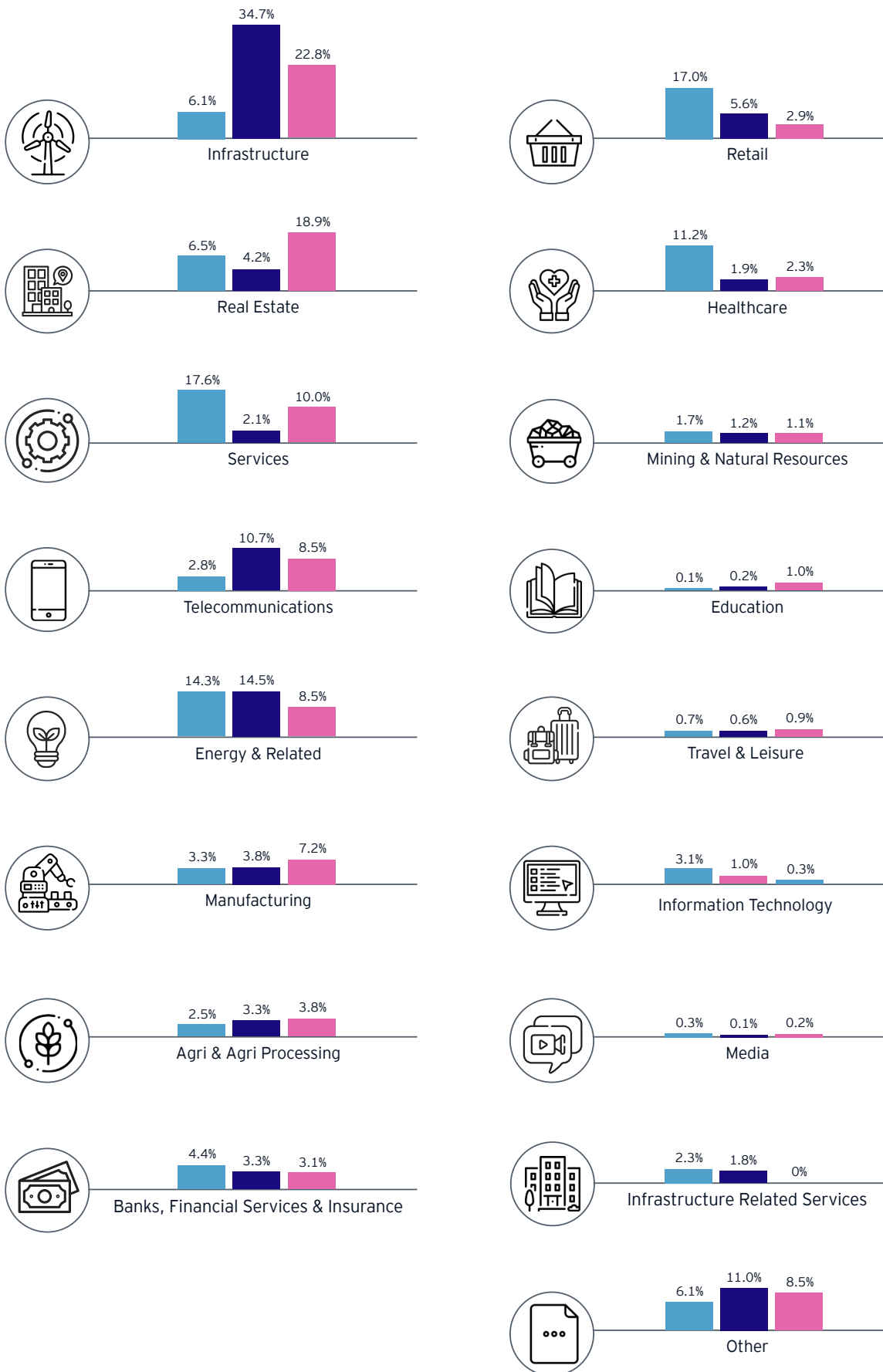
Cost of investments by stage, 2018-2020 (% of total)



In 2020, the investments in Start Up and Early Stage largely arose from investments in early-stage infrastructure projects.

Investments by sector, 2018-2020 (% of total cost)

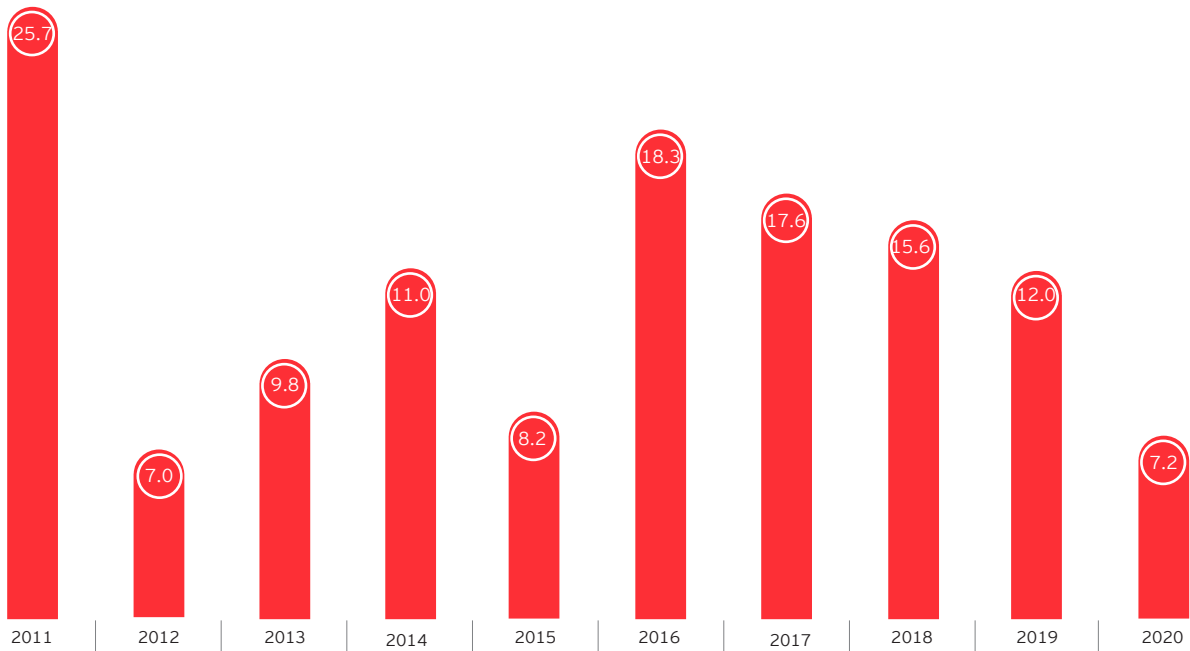
● 2018
● 2019
● 2020



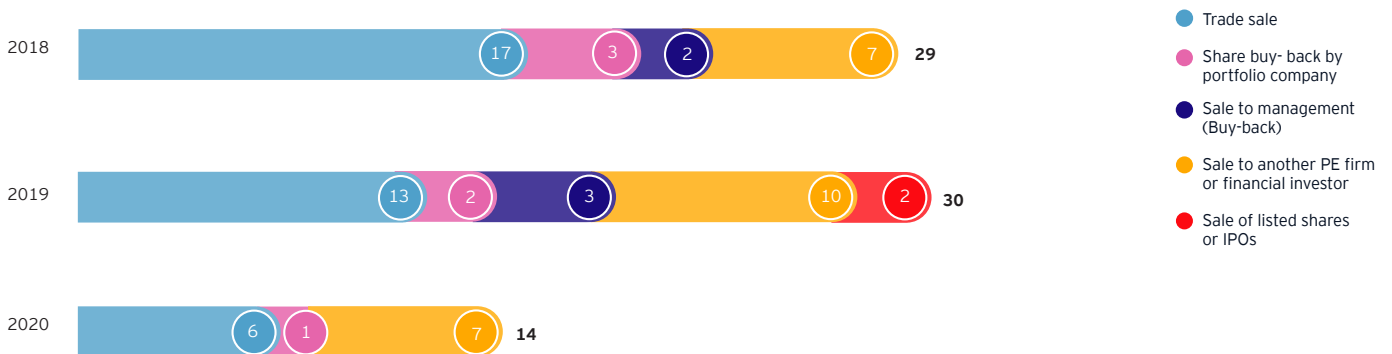
In 2020, investments in Infrastructure and Real Estate represented over 41.7% of the cost of total investments. By number, investments in the Manufacturing (28 in SA and 8 outside SA) and Services (22 in SA and 12 outside SA) were the most popular sectors. There were 27 and 25 investments in Infrastructure and Real Estate respectively.

03 Exit activity insights

Funds returned to investors, 2011-2020 (R bn)

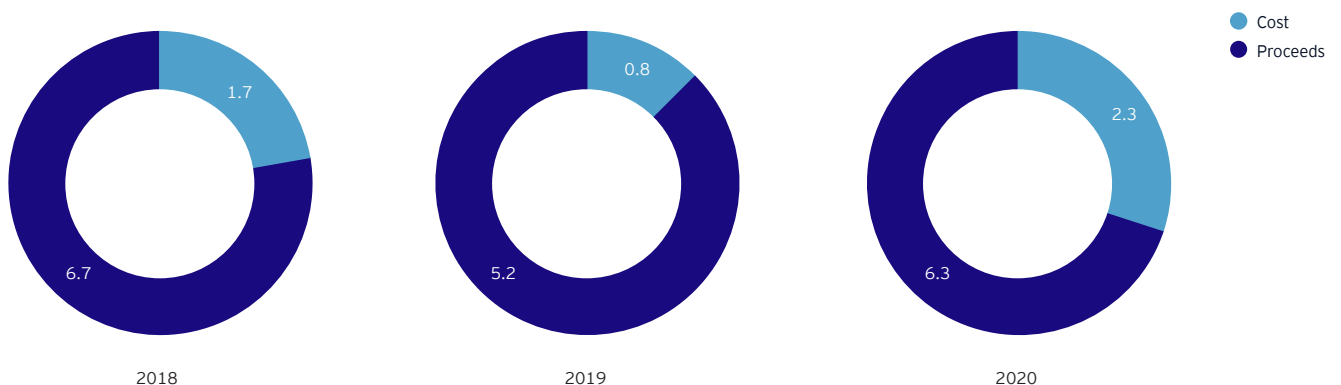


Number of exits (excluding Business Partners), 2018-2020

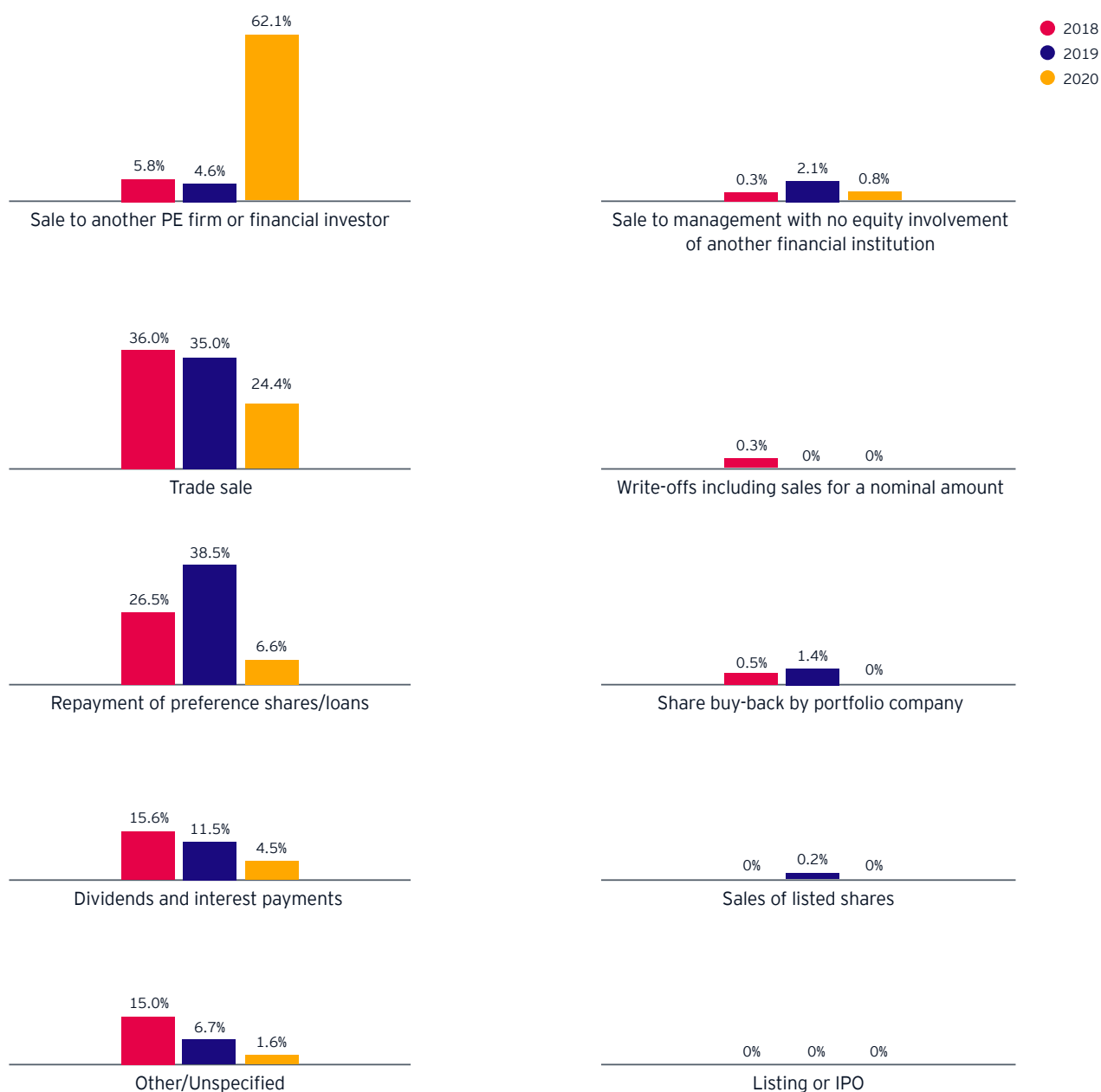


Emphasis will need to be placed on increasing exit volumes going forward. The sharp increase in global PE exits to an all-time half-year high in H1 2021 (per www.ey.com/PEpulse) might be a leading indicator for greater exit activity from Southern Africa PE firms.

Total proceeds and cost of investments exited, 2018-2020 (R bn)



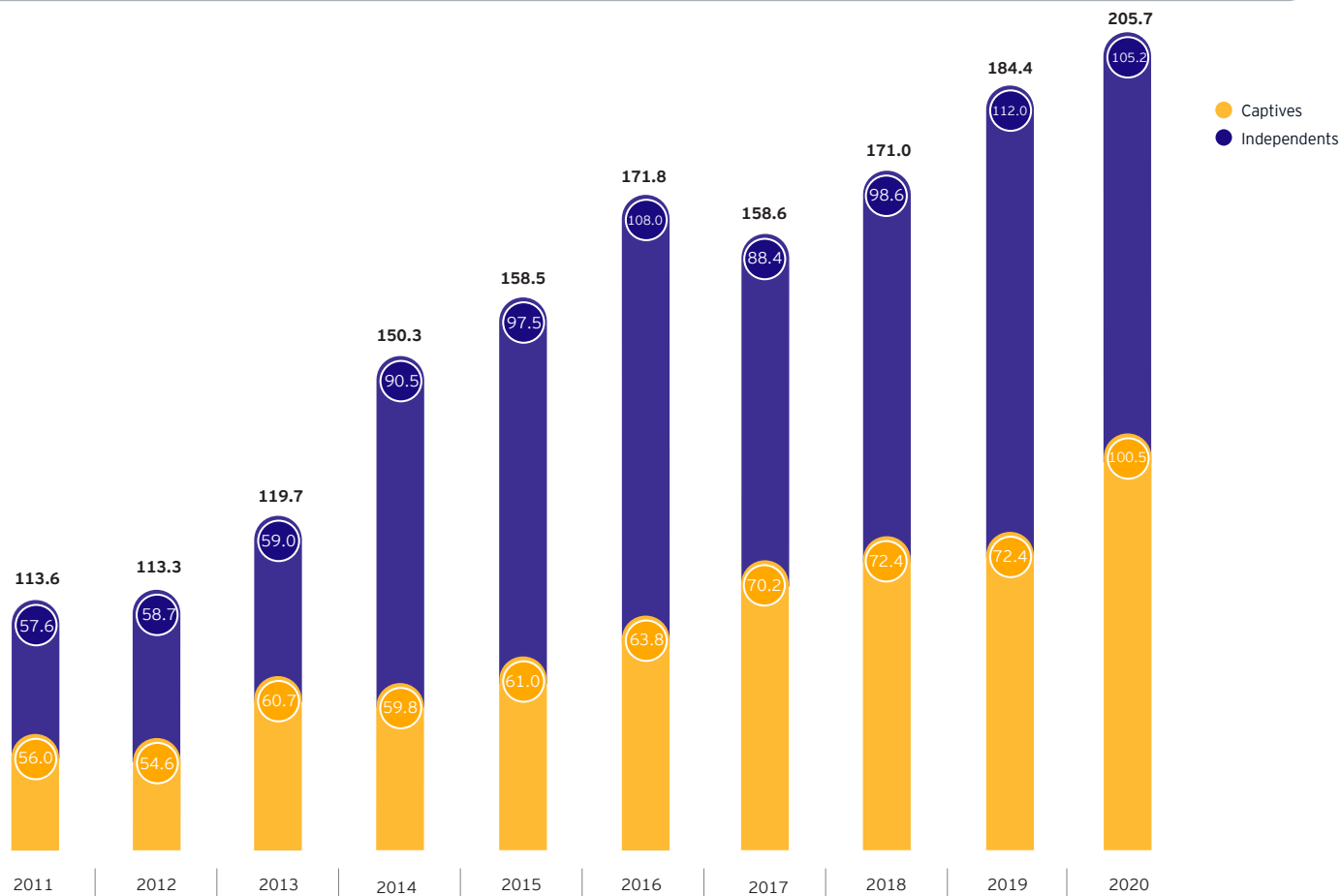
Nature of funds returned based on proceeds, 2018-2020 (% of total)



Exits to other PE firms or financial investors represented 62.1% of funds returned to investors in 2020 versus < 6% in 2019 and 2018. This was driven by a few high value exits to PE / financial investors - the number of exits to PE / financial investors however reduced from 10 and 7 in 2019 and 2018 respectively, to 5 exits in 2020. The high % of proceeds from sales to another PE or financial investor is not expected to continue post 2020, but rather we expect PE firms to increasingly target exits to trade buyers. Once more certainty exists on the impact of COVID-19 on portfolio companies, we also expect proceeds from dividends, interest payments and repayments of preference shares / loans to increase.

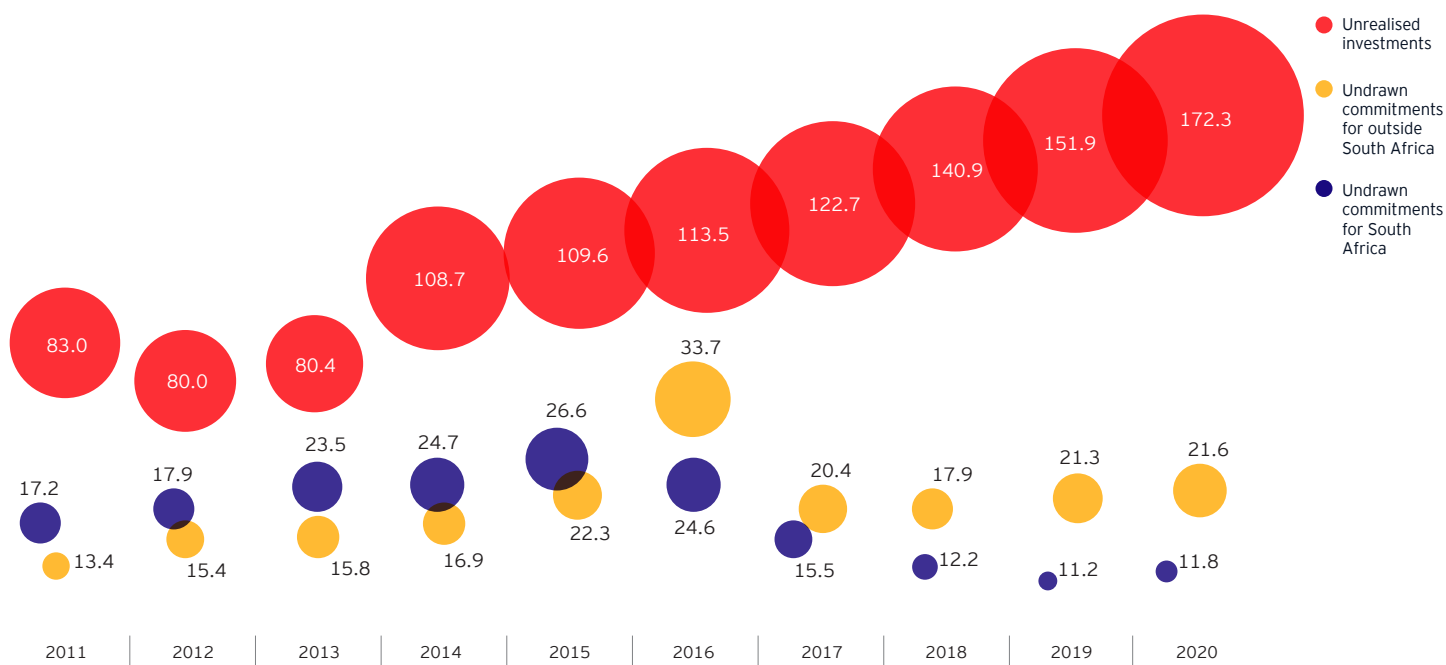
04 Funds under management insights

Funds under management by type of PE fund, 2011-2020 (R bn)

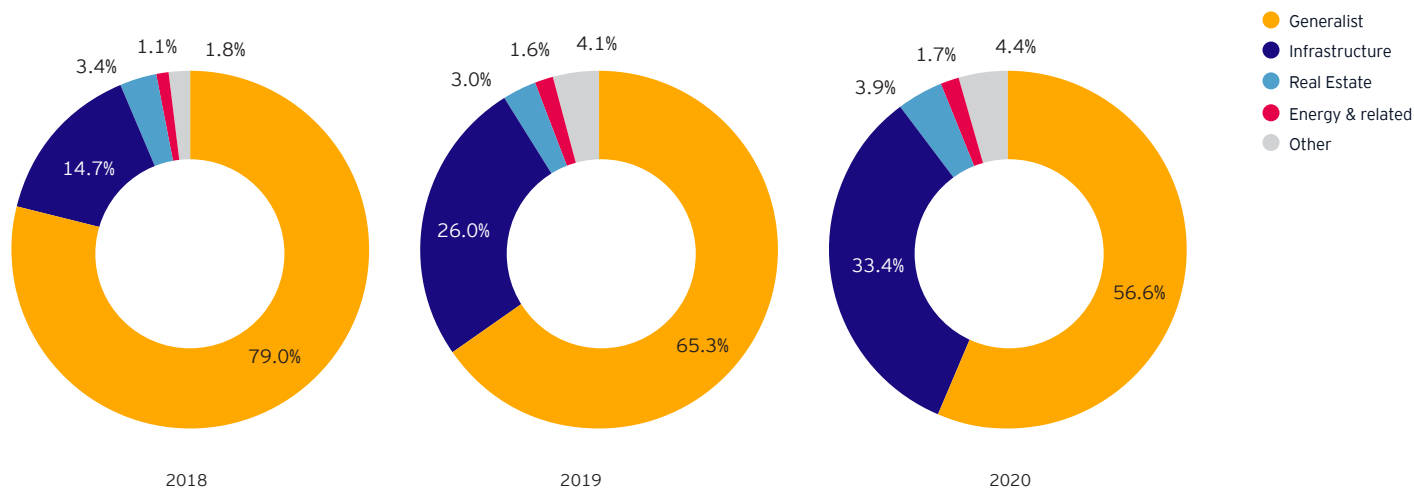


The increase in funds under management (FUM) was mainly driven by a few captive PE firms having increased values of unrealised investments (also reflected in the chart below). The value of dry powder available for new investments stayed relatively flat at slightly over R30 billion with approximately 1/3 available for investing in South Africa.

Composition of FUM by amount invested and undrawn commitments, 2011-2020 (R bn)

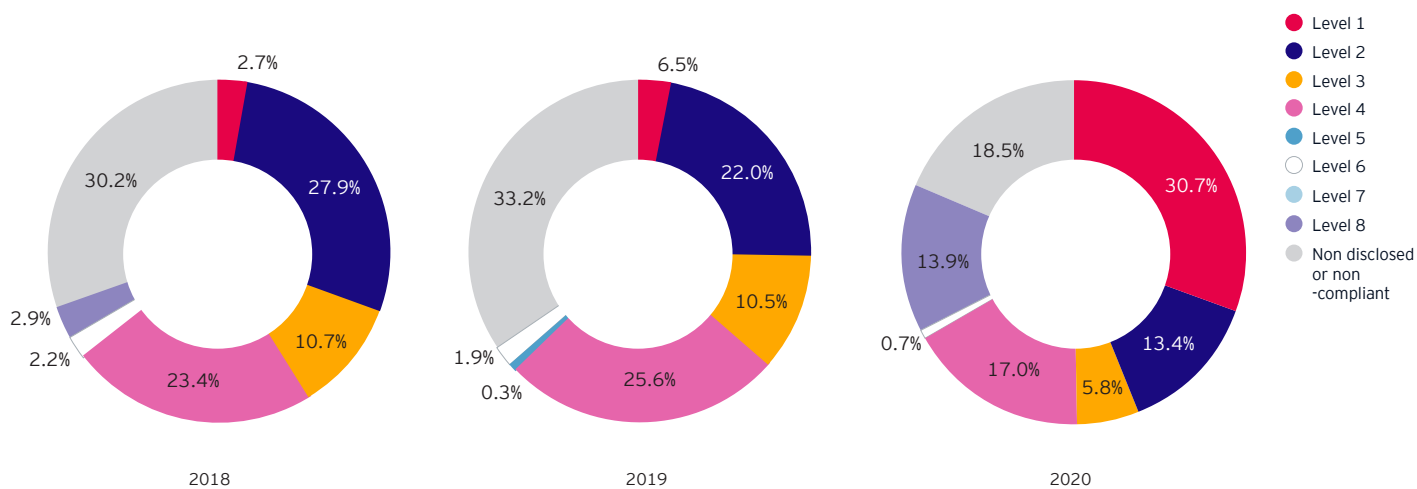


Composition of total FUM by focus of the fund (% of total at 31 December 2018, 2019 and 2020)



Sector focused funds gained further prominence as the proportion of FUM managed by Generalist PE funds continues to decrease, with Infrastructure focused PE funds the largest gainer. Other sector specific funds cover healthcare, agri and agri-processing, manufacturing, ICT and financial services focused funds.

Composition of FUM by BBBEE level of fund manager 2018-2020 (% of total FUM)



Significant improvements were made in the number of PE firms with a BBBEE rating of Level 1 with 36% of firms that participated in the survey reporting they had a Level 1 rating. Of the FUM, 30.7% are being managed by Level 1 rated PE firms, up from the 6.5% reported in 2019. The % of non-compliant or PE firms that did not disclose their BBBEE level also decreased.

Thank you and what next?

Thank you to the PE firms that participated in this survey, without whom the survey and its findings would not have been possible.

This report is the 2nd in a series of reports covering the key findings from the survey. This 2nd volume is the Fundraising, Investments, Exits and Funds Under Management Insights volume. Volume 1 was the Strategic Insights volume.

In Volume 3, we will look at the role that PE firms play in shaping the transformation of the Southern African economy, diversity within PE teams, value creation and other market insights.



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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 in excess of R200 billion in assets under management through circa 180 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.



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