SAVCA

SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

SAVCA Private Equity Industry Survey 2023

Research partner

EY

Building a better working world

Foreword

The power of Information in enhancing Resilience

Addressing the nation ahead of the 15th BRICS Summit, the President reflected on SA's place in the world, and the important relationships that it holds. This got me thinking about the role relationships play in fostering the RESILIENCE of an industry, this being our mantra for the year at SAVCA.

Meaningful stakeholder relationships are dependent on our ability as an industry to share the collective vision, as well as accurate information and resources about the PE industry with our stakeholders. The Private Equity Industry Survey, now in its 23rd year of release, has become an increasingly important source of information in this regard, for both SAVCA Members and broader stakeholders. Many a time I've had the pleasure of finding myself in presentations where data is drawn from this survey to:
(i) highlight the performance of the asset class;
(ii) inform and train attendees on various themes relevant to the industry; and (iii) demonstrate growth and/or positive direction on critical variables. When our stakeholder relationships are robust, they enhance the industry's ability to exercise flexibility and responsiveness to adversity.

Demonstrating the evolution that has happened over the years, the 2023 report has rich insights on strategic themes such as ESG, transformation and value creation in portfolio companies, whilst still providing crucial benchmarking data on the state of the industry.

Key findings

The 2023 report showcases business activity and trends for the 2022 calendar year, with global trends incorporated where relevant, to reflect how the region is positioned globally.

It is encouraging to note that there is positive sentiment in the market, as depicted by 47% of PE firms, who expected high (35%) or very high (12%) deal flow for the remainder of 2023, higher than 26% in last year's report. This positive outlook further came through in the expectations of regional PE firms around their next fund size, with 39% stating their expectations of a much larger (> 30% larger) fund. The recent amendments to Regulation 28 of the Pension Funds Act have also contributed to this optimism - 67% of respondents confirmed that they have engaged with potential investors on the impact of the regulatory changes, and a sizable portion (82%) of them expect increases in allocation as a result.

ESG initiatives and talent management continue to be top priorities for fund managers, aside from asset growth, on par with global trends. Members are thus strongly encouraged to participate in SAVCA's Remuneration Survey, which can be an important input as they consider their talent management and retention strategies. As inclusion has become a priority for PE firms in managing talent, impressive improvements were sighted in female representation at a Board level in 2022, although Front Office female representation remained static.

The 2022 Survey results show that PE firms continued to display much resilience as they navigated the tough environment, driving revenue and employment growth within portfolio companies, in a number of sectors.

When inspecting the fundraising and investment landscape, we see that R19.6bn in funds were raised during 2022 – 21% higher than in 2021, and despite a 13% fundraising decline globally. When one goes down a layer, we see that this fundraising enabled 189 individual investments, a sizable increase from 135 in 2021 and 169 in 2020, although still below the pre-Covid levels during 2016 to 2019. By sector, infrastructure (36.3%) and energy & related (16.7%) sectors attracted the largest portions of investment once again – up from the 20.4% and 11.0% from 2021, respectively. Undrawn commitments present interesting opportunities for this dry powder to be deployed into the country's much needed infrastructure programme.

Vote of thanks

I would like to take some time to thank valued Members, especially those who were able to participate in this year's survey and to take up advertising space. The continued support and invaluable insights from Members make it possible for SAVCA to intensify its efforts to advocate for, and promote the asset class. Many thanks to our research partner, EY, for the meticulous work done to collect data, produce this report and overall commitment to continuously enhancing the report each year. We look forward to continuing our partnership to deliver this important body of work.

SAVCA remains committed to supporting our members and the wider ecosystem. We trust that you will find this report helpful, reliable, and dial-shifting.

Regards,

Tshepiso Kobile,
SAVCA CEO

Contents

Southern Africa PE Survey Highlights

Broader strategic shifts and priorities

47% Proportion of PE firms that expect high (35%) or very high (12%) deal flow for the remainder of 2023. This optimism is also higher than last year's survey, when 26% of PE firms expected high or very high deal flow for 2023.

Top 2 strategic priorities for Southern African PE firms, aside from asset growth, are ESG initiatives and talent management, which is also top of mind globally. Product / strategy expansion fell from the highest strategic priority for Southern African PE firms in last year's survey, to the third highest in this year's survey.

Adding junior talent in lieu of senior hires was voted the most common action taken by Southern African PE firms to mitigate margin erosion.
A global recession and geopolitical concerns are seen as the biggest industry concerns by both Southern African and global PE firms.

39% of Southern African PE firms expect their **next fund** size to be **much larger (> 30% larger)**, thus confirming a fair amount of optimism. A further 28% expect their next fund to be 10% to 30% larger.

ESG and impact investing

57% PE firms with specific **impact investing** mandates, up from 45% in 2021. Of the respondents whose funds do not have specific impact investing mandates (i.e., the remaining 43%), 79% are likely to consider implementing such mandates within the next five years.

81% Proportion of PE firms that confirmed investors have placed increased pressure on their firm with respect to ESG. The top two ESG areas where investors are putting pressure on PE firms are an "increase in **ESG reporting**" and "measuring portfolio company performance against specific **ESG metrics**".

Transformation of PE Firms' teams

72% Proportion of PE firms that see "**ensuring an inclusive culture**" as the most important talent management priority outside of retention. Hiring/recruiting ranked as the 2nd priority with 46% of respondents, although it was voted as most important by global PE firms.

Providing **flexible work arrangements** was the most important retention strategy outside of compensation by both Southern African and global PE firms.

42% Proportion of PE firms with a Board having more than 30% women representation, up from 28% in last year's survey.

71% PE firms that had a B-BBEE score of Level 1 (42%) or Level 2 (29%), up from 56% in 2021.

60% PE firms with more than 50% black ownership, up from 51% in 2021.

28% PE firms with more than 30% black female ownership, in line with 29% in 2021.

25% Proportion of the PE sector's FUM managed by B-BBEE Level 1 fund managers.

Fundraising

R19.6bn

Funds raised in 2022, **21% higher** than the R16.2bn raised in 2021. This countered the global trend where PE fundraising declined by 13%.

66% of funds raised were by PE firms with FUM more than R5bn, although the majority (59%) of PE firms that raised capital in 2022 had FUM below R2bn.

51% of funds raised were from investors outside South Africa, up from 31% in 2021, with **European** and **UK investors making up 77%** of investments from outside South Africa.

R5.9bn

Investment from non-South African **DFIs**, aid agencies and other government investors, up from R3.2bn in 2021 and the highest over the last four years.

R2.5bn

Investment from PE fund of funds, the first time in the last four years that funds raised from this type of investor has been over R1bn.

Investment Activity

R15.2bn

PE investments in 2022 (R10.6bn for new and R4.6bn for follow-on investments), slightly up from R14.9bn in 2021.

189

The number of investments, up from 135 in 2021 and 169 in 2020, although still below pre-Covid levels in 2016 to 2019.

By deal volumes, the **information technology** and **energy & related sectors** were most attractive (each representing **11.1%** of 2022 investments), with investments in IT businesses increasing from only 3.7% of 2021 investments.

52% Proportion of investments (by number) made by PE firms with FUM of less than R500m, thus suggesting that activity was most active in the smaller deals.

68% Expansion and development investments were again the most prevalent (up from 57% of deal values in 2021). Replacement capital and buy-outs represented 25% of the value of investments (down from 39% in 2021).

By sector, investments in the infrastructure (**36.3%** of deal value) and energy & related (16.7%) sectors attracted the largest portion of capital once again, up from 20.4% and 11.0% respectively. Investments in these sectors were also largely outside of South Africa (i.e., in the rest of Africa).

Portfolio Value Creation

22%

of PE portfolio companies (for which the survey respondents provided portfolio company information for 2020, 2021 and 2022 as part of this year's survey) had rapid growth (CAGR of > 20%) in the number of employees. This is, however in contrast to 33% of PE portfolio companies that had a decline in the number of employees, confirming the challenging economic climate that PE backed companies are operating in.

Rapid employee growth was most prevalent in companies in the **financial services (36%)** and **real estate (33%)** sectors.

29%

of PE portfolio companies had rapid (more than 20% CAGR) revenue growth from 2020 to 2022, with companies in the information technology sector appearing to perform the best (52% of IT companies having a CAGR of more than 20%). This is notwithstanding the fact that the IT sector also saw a large proportion of companies (29% of IT companies) experience declining revenues, thus showing the disparate performances within this sector.

42%

of PE portfolio companies had rapid (more than 20% CAGR) EBITDA growth. However, an almost equal proportion (**38%**) also experienced declining EBITDAs. PE firms are thus needing to consider all levers they're able to pull to turnaround the profitability of struggling portfolio companies.

Financial services and IT companies had the highest proportion (55% and 50% respectively) of businesses that had declining EBITDAs. By contrast, businesses in the **services and manufacturing** sectors had the highest proportion **(60% and 58% respectively)** of businesses with rapid EBITDA growth.

Exit Activity

Exit proceeds increased significantly to **R20.8bn** in 2022, more than double the R9.1bn in 2021.

The number of exits also increased sharply from 28 in 2021 to **40** in 2022.

R16.9bn

Exit proceeds of large PE firms with FUM more than R5bn. Exits by these PE firms also represented 66% (26) of the exits in 2022.

Exit proceeds were however only **1.6 times** greater than the related cost of investment, a slight decline from the 1.7 times achieved from 2021 exits.

Exits to trade buyers was the most common exit route, both by volume (17 or 43%) and value (**R7.7bn** or 37%).

Funds Under Management

FUM increased to **R213.3bn** at 31 December 2022 from R199.4bn* at 31 December 2021.

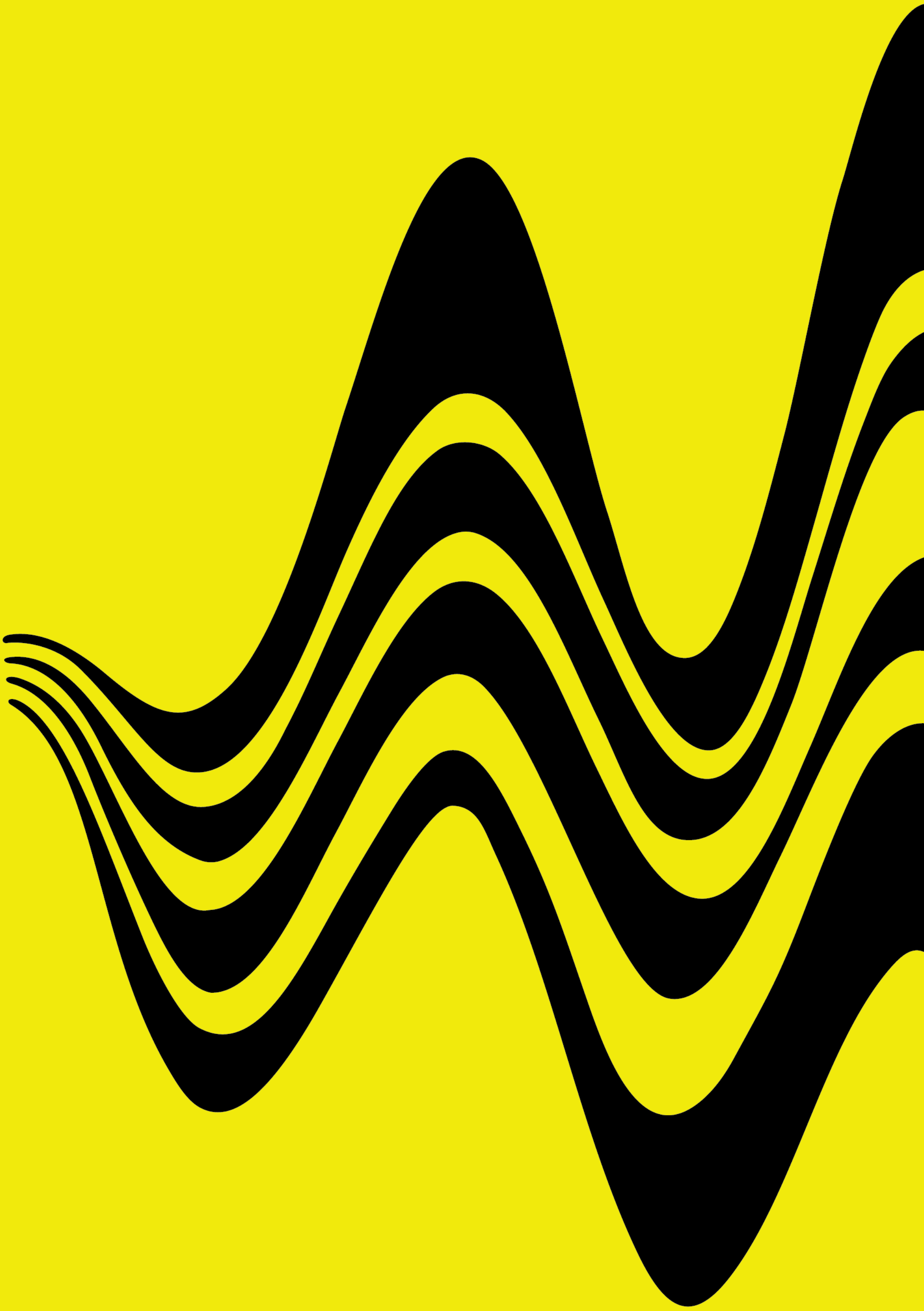
Undrawn commitments (dry powder) at **R48.6bn** represented 23% of FUM, increasing by R9.1bn from R39.5bn* at 31 December 2021.

The increase in FUM was driven by independent fund managers, which increased their FUM from R132.7bn* at 31 December 2021 to R151.9bn at 31 December 2022.

* The value of FUM for 2021 was revised based on amended 2021 FUM values received from certain respondents as part of this year's survey.

EQUITY WITH EMPATHY

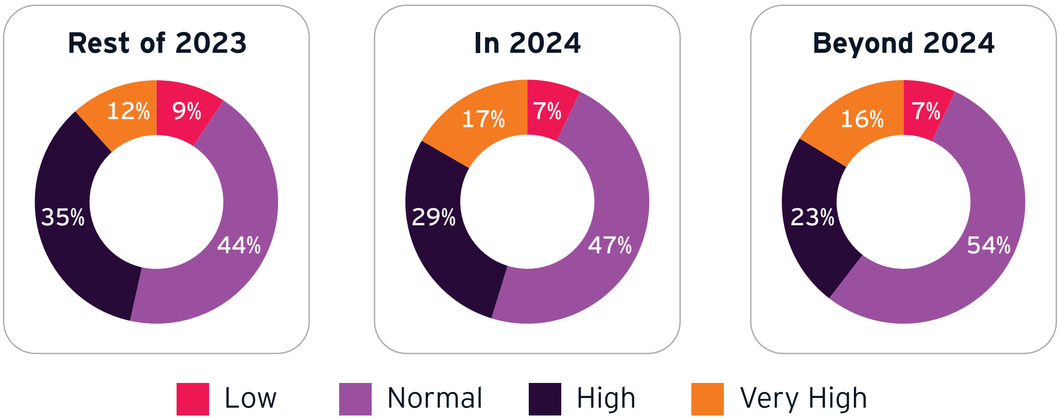
Purpose-inspired ESG initiatives across portfolio companies.



ORIGINAL THINKING

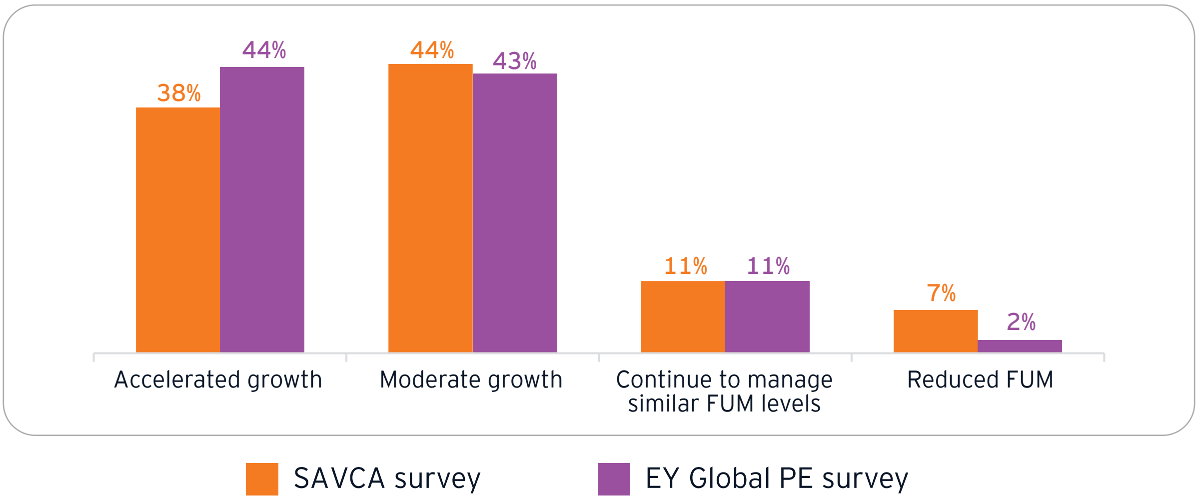
01 Broad Strategic Shifts

How would you rate deal flow or expect deal flow to perform in the following time periods?



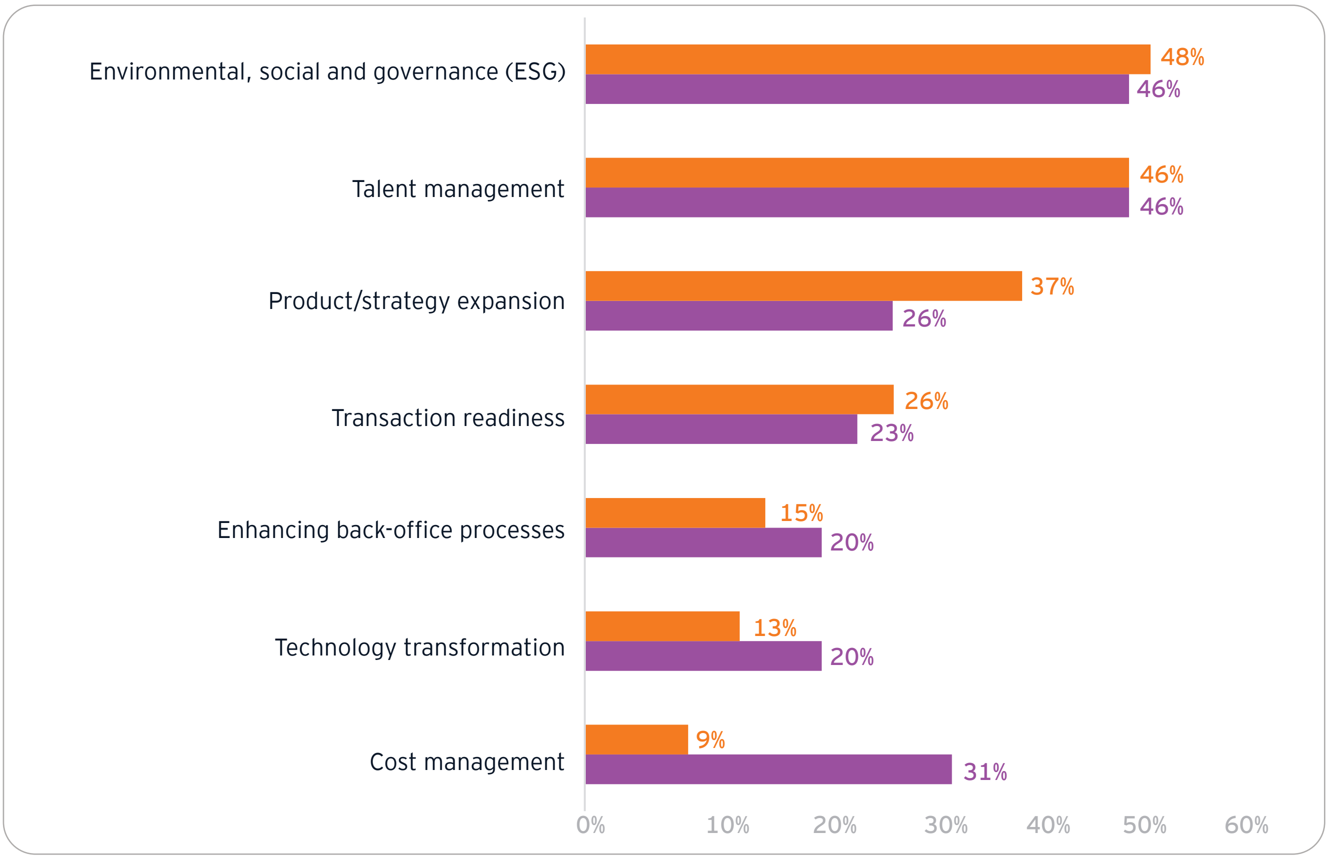
PE firms remain optimistic about investment opportunities with several firms expecting high (35%) or very high (12%) deal flow for the remainder of 2023. The level of high and very high deal flow is also considerably higher than the views expressed in last year's survey (only 26% for 2023 and 24% for beyond 2023). Over the long term however, a greater proportion of PE firms expect normal or low deal flow beyond 2024 (61%) vs. for the rest of 2023 (53%) or 2024 (54%).

What is the expected asset growth of your firm over the next three years?



In line with global trends (as per the EY Global PE survey), most Southern African PE firms expect growth in their FUM in the next three years, with 38% anticipating accelerated growth (although lower than 44%, being the global view). A higher proportion of Southern African PE firms (7%) foresee a decline in FUM in the next three years compared to the view globally (2%).

What are your top strategic priorities aside from asset growth?

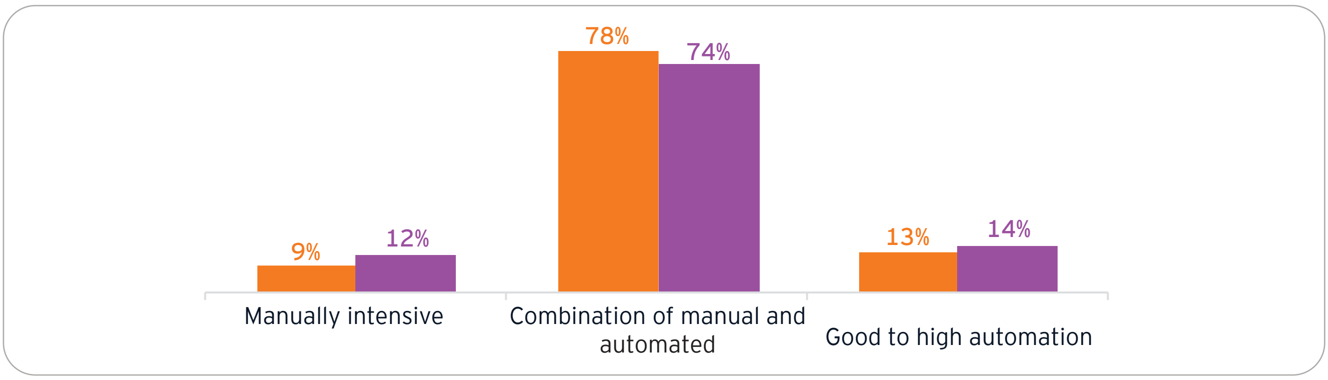


SAVCA survey EY Global PE survey*

* For the EY Global PE Survey, PE firm's with FUM < $2.5bn have been considered for comparison.

The top two strategic priorities of Southern African PE firms were closely aligned with those of PE firms globally (per the EY Global PE survey). ESG and talent management were ranked the top two priorities as per both the EY Global PE survey and the SAVCA PE survey. ESG and talent management were however only the 2nd and 3rd highest ranked priorities (behind product/strategy expansion) of Southern African PE firms in last year's survey. Cost management, which was the 3rd highest priority for global PE firms this year, is the least significant to Southern African PE firms.

How would you describe your firm's overall technology capability?

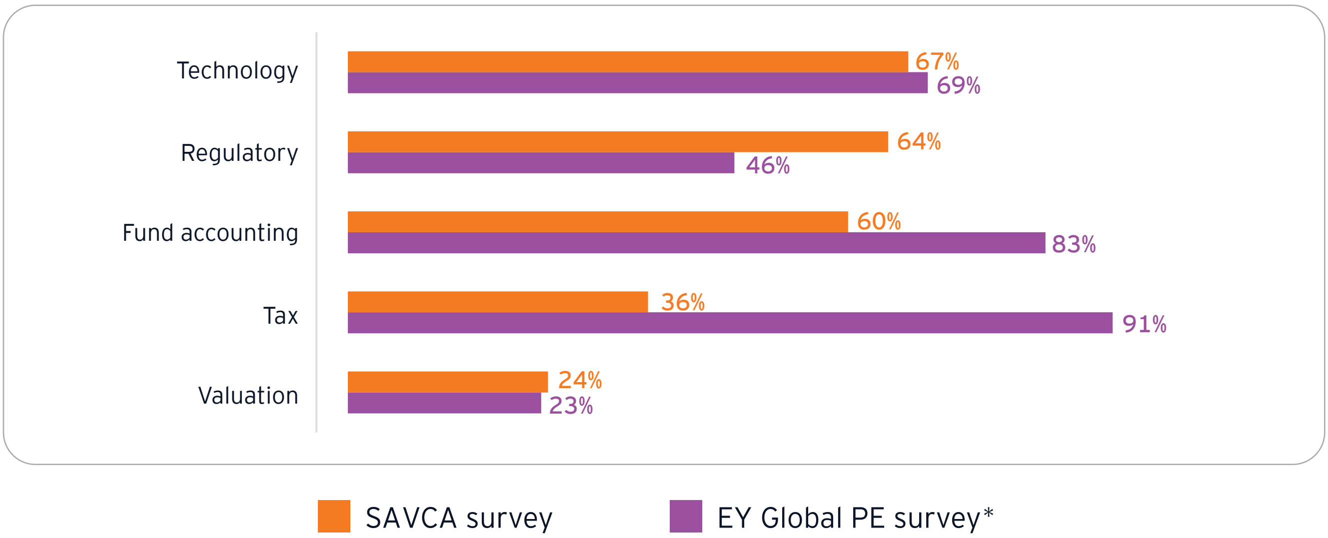


SAVCA survey EY Global PE survey*

* For the EY Global PE Survey, PE firm's with FUM < $2.5bn have been considered for comparison.

Despite recent growth in awareness and relevance of technology capability improvement, only 13% of the participants in this study and 14% of the respondents in the EY Global PE survey expressed that their overall platform is significantly automated. Considering the evolving requirements of the industry, PE firms must enhance their technological acumen and prioritise data-centric approaches. These proficiencies have become increasingly essential in a volatile macroeconomic climate, as allocating resources to tech functions offers substantial advantages by improving operational efficiency and providing valuable, actionable data for both investors and fund managers.

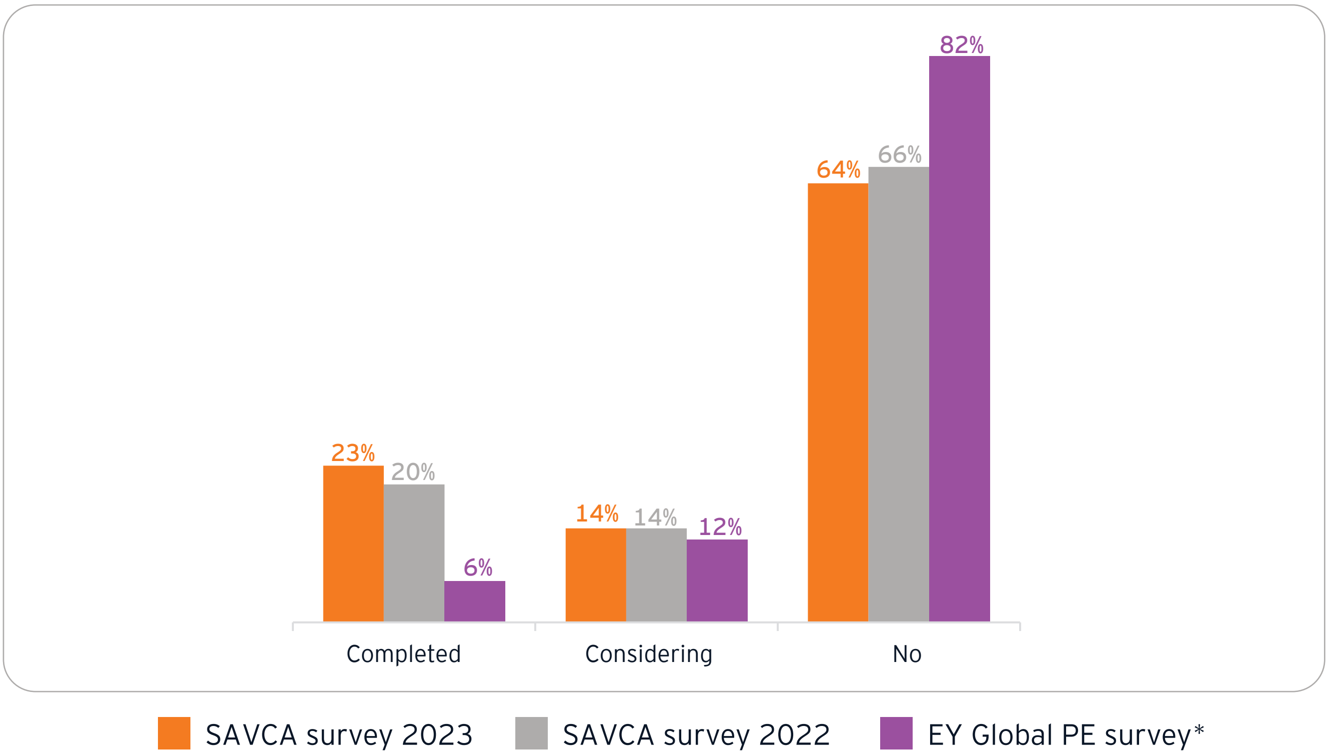
What functions have you outsourced to third parties?



* For the EY Global PE Survey, PE firm's with FUM < $2.5bn have been considered for comparison.

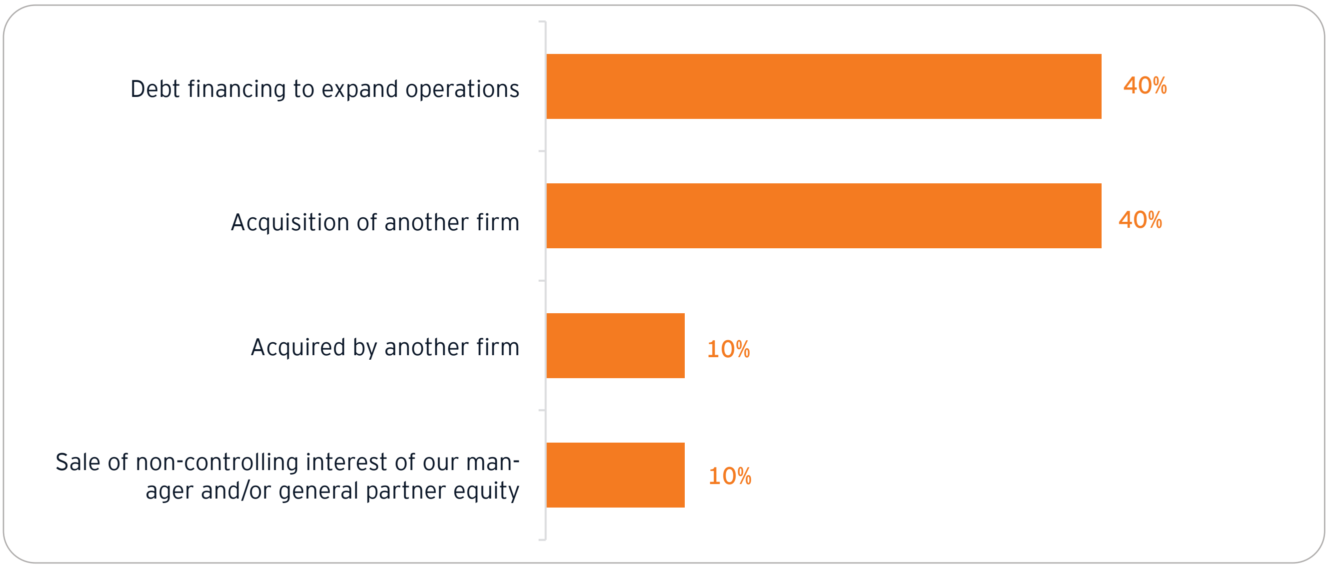
When it comes to outsourcing to third parties, sizable variance was noted between functions outsourced by Southern Africa PE firms vs. global PE firms – a far greater proportion of Southern African PE firms outsource their regulatory functions (64%) compared to globally (only 46%). While most global PE firms opt to outsource their tax functions (91%), Southern African PE firms prefer to handle tax internally.

Has your management company completed a strategic transaction in the past few years?



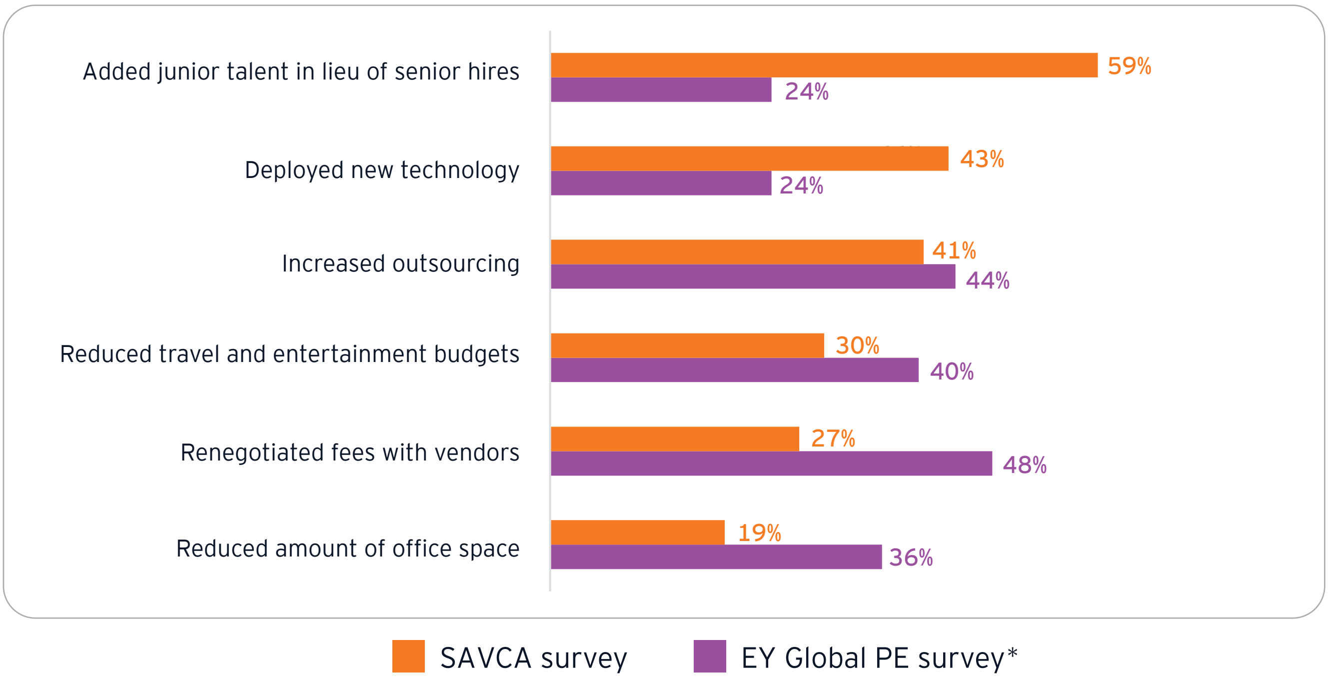
* For the EY Global PE Survey, PE firm's with FUM < $2.5bn have been considered for comparison.

If completed, what type of transaction was it? (SAVCA survey 2023)



In line with global PE firms with FUM under US$2.5b, most Southern African PE firms did not make or consider a strategic transaction at a firm level – with 64% of the surveyed firms declaring this. There were, however, a greater proportion of Southern African PE firms that completed a strategic transaction (23%), compared to their global counterparts (6%).
Out of the 23% of Southern Africa PE firms that completed a strategic transaction, 40% did this in the form of raising debt, and a further 40% acquired another PE firm.

Which actions have you taken to mitigate margin erosion in the management company?

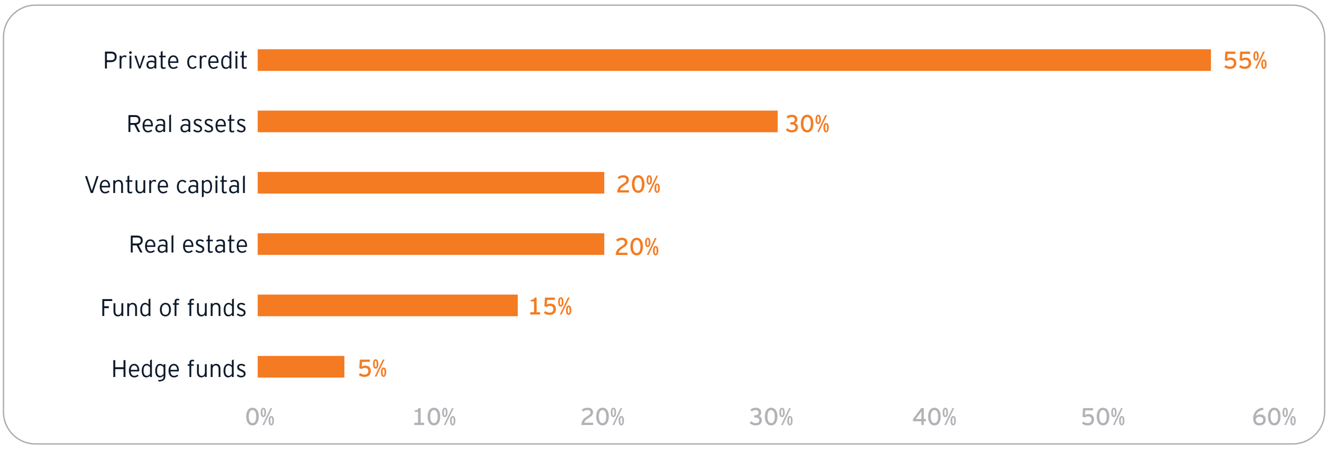


*For the EY Global PE survey, PE firm's with FUM < $2.5bn have been considered for comparison.

Margin erosion has always been a key focus area for PE firms, which is exacerbated by recent macroeconomic factors. PE firms have undertaken various actions to mitigate margin erosion.
Mitigation measures of Southern African PE firms contrast with those of global PE firms. Southern African PE firms gave precedence to hiring junior talent as the key margin mitigant (2nd lowest lever for global PE firms), while global PE firms saw renegotiation of fees with vendors as a key margin erosion mitigant (2nd lowest lever for Southern Africa PE firms). This was, however, the most important factor for Southern African PE firms in last year's SAVCA survey.
Southern African PE firms made progress in the use of technology to improve margins.

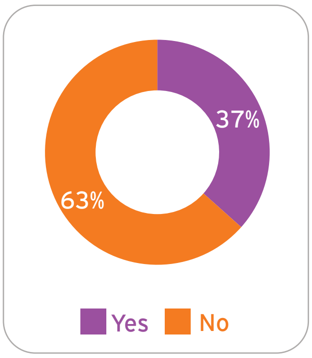
Diversification of FUM and the investor base

Aside from PE, which products do you offer to clients?



The percentages above are calculated based on PE firms that answered this question and thus is based on those that have a diversified asset base. 59% of PE firms did not provide an answer. The most popular diversification strategy being considered by Southern African PE firms continues to be private credit, followed by real assets, venture capital and real estate.

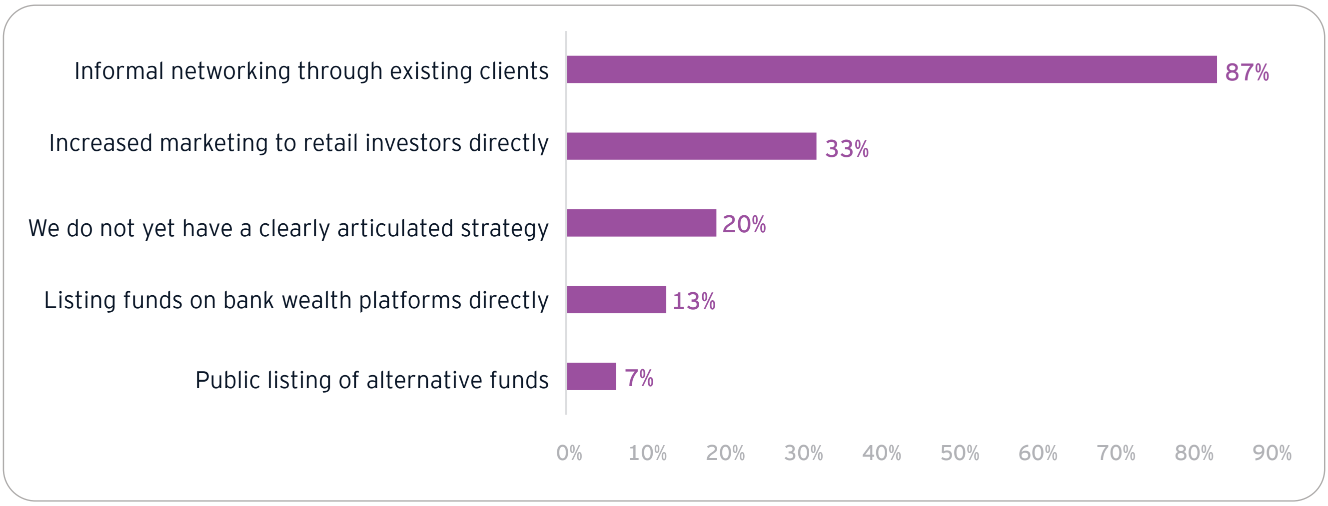
Are you seeking to increase the amount of capital from wealth and retail channels?



37%

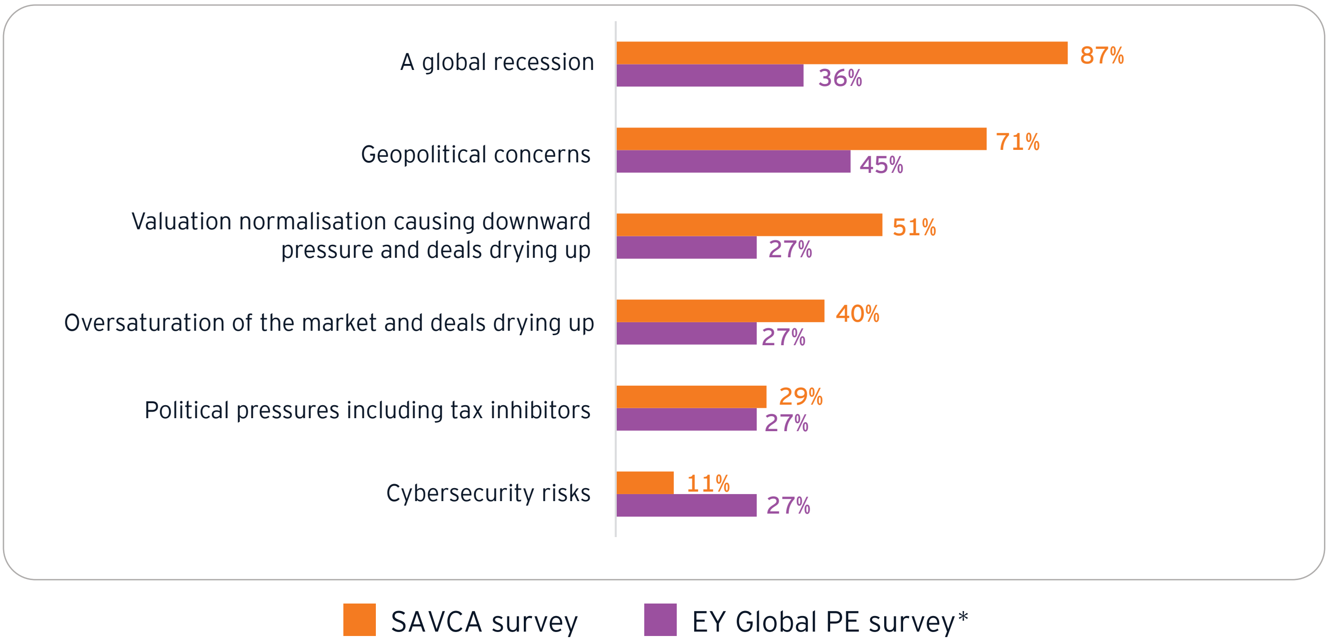
of Southern African PE firms are looking to diversify their LP investor base by tapping into wealth and retail channels. Most of these PE firms use informal networking with existing clients to increase their share of capital.

If yes, which of the following strategies are you considering to increase capital from wealth and retail channels?



Response to the changing investment landscape

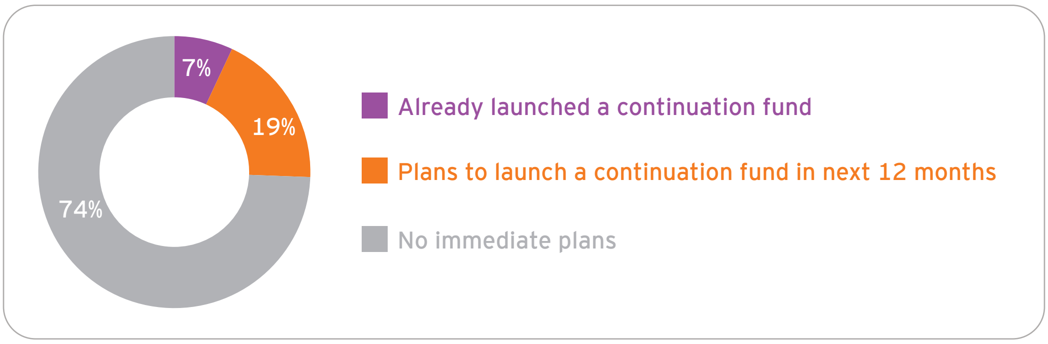
Looking forward, what do you see as the biggest worry for the PE industry?



*For the EY Global PE Survey, PE firms based in EMEA were considered for comparison.

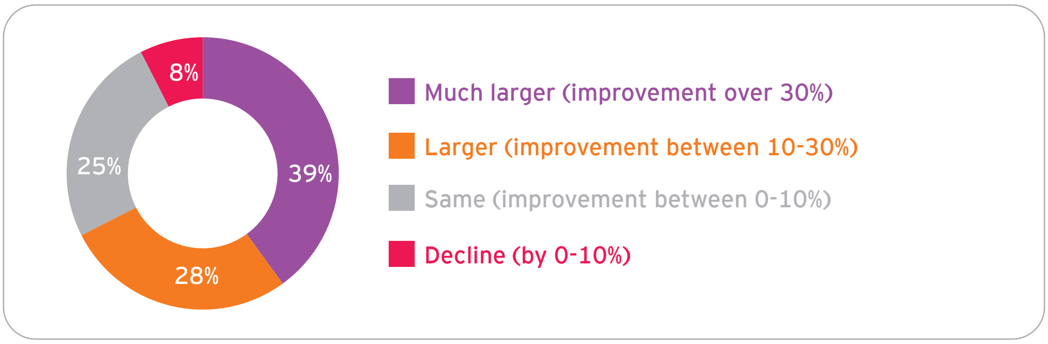
Going forward, the PE industry, along with all other sectors, is poised to enter a period of escalating uncertainty. PE firms taking part in the SAVCA survey and EY Global PE survey both expressed concerns over the possibility of a global recession and geopolitical uncertainties, although a higher proportion of Southern Africa PE firms see these two risks as key concerns.

Considering the turbulent exit market, what does your firm plan to do in the secondaries market space?



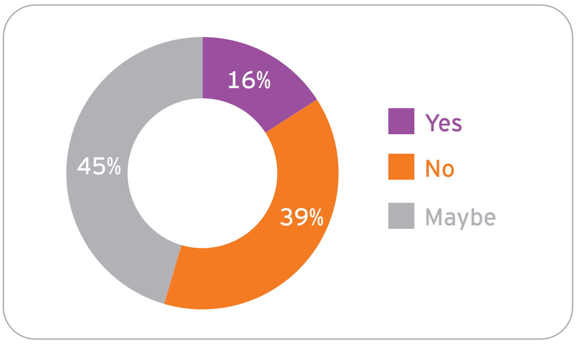
While a small proportion (26%) of the Southern African PE firms have either launched (7%), or are considering launching (19%) a continuation fund, most of the participants have no immediate plans to enter the secondaries market.

What do you expect your next fund to be in size in comparison to the last fund?



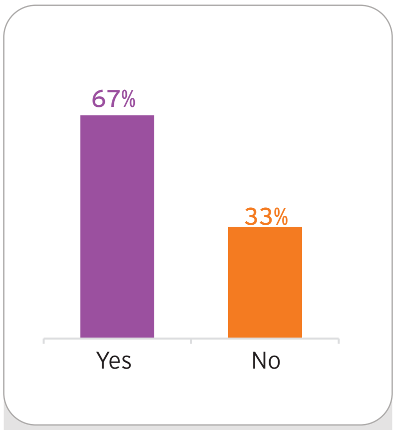
67% of PE firms expect to increase the size for their next fund, with 39% expecting a much larger (> 30%) next fund compared to the latest fund.

With current public market volatility and a decline in public valuations, does your firm plan to invest in take-private deals?

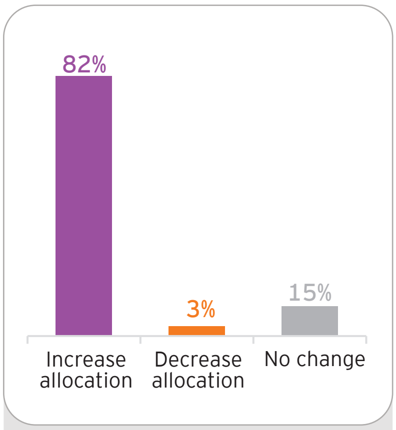


While there is largely disinterest in making PIPE investments, Southern African PE firms may consider taking public companies private to take advantage of lower public valuations.

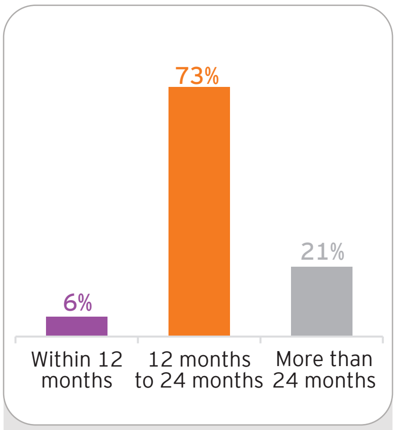
Response to new regulation updates (Reg. 28)



Have you engaged with potential pension fund investors on the impact of amendments to Regulation 28 on their appetite for capital allocation to PE?



Following these engagements with potential pension fund investors on the amendments, how do you expect the investors to change their allocation?

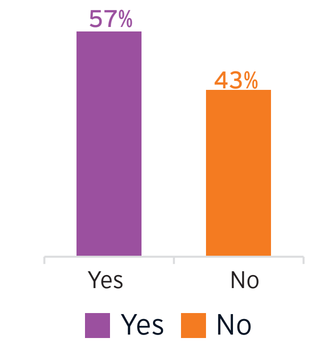


What time frame do you expect the pension fund investors to take to increase their allocation?

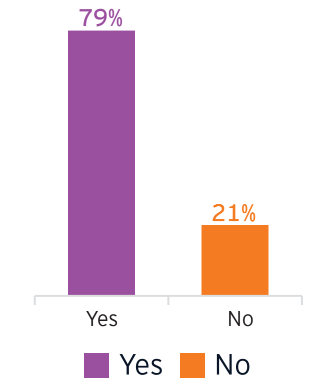
In the recent amendments to regulation 28 of the Pension Funds Act, the regulator raised the allocation limit to PE assets from 10% previously to the current level of 15%. Considering the recent changes, 67% of the surveyed PE firms have already had a discussion with pension fund LP investors regarding this increased allocation towards the asset class. Out of these, most PE firms expect resultant increased PE allocation within the next 12 to 24 months.

02 ESG and impact investing

Impact investing



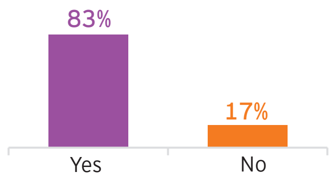
Does your fund have a specific impact investing mandate?



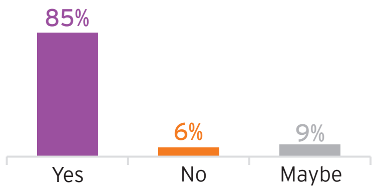
If your fund does not have an impact investing mandate, is it likely that such a mandate will be considered in the future (within 5 years)?

Most PE firms (57%) have specific impact investing mandates, up from 45% last year. Of the respondents whose funds do not have impact investing mandates, 79% are likely to consider such mandates within the next five years.

ESG



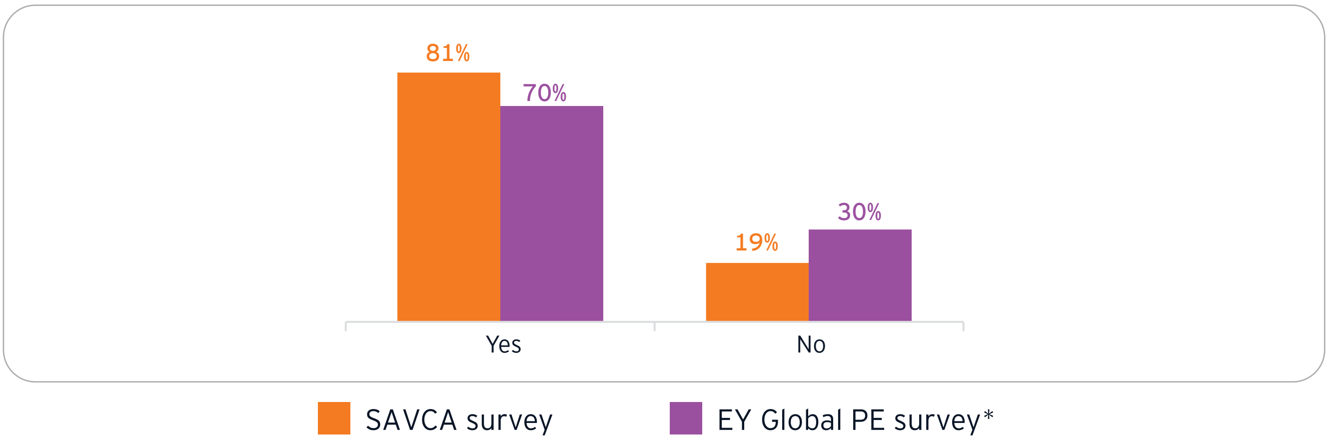
Are your fund managers' key performance criteria linked to achieving goals that go beyond financial returns?



Over the next 12 months, do you intend to escalate efforts to manage and track the ESG performance of your portfolio companies?

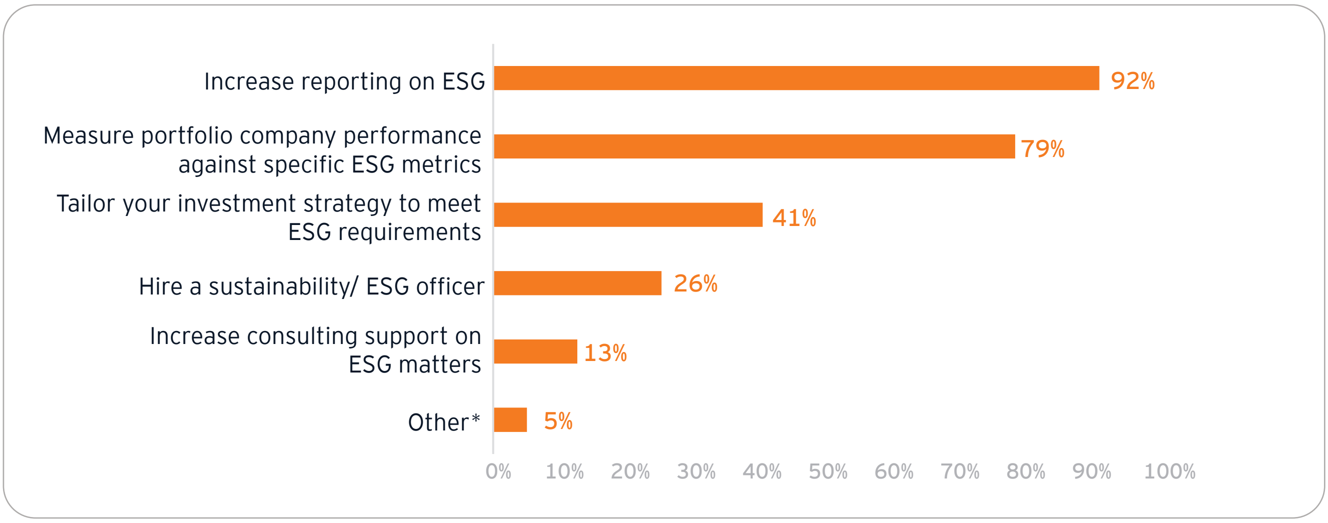
ESG has remained a key topic for PE firms operating in Southern Africa. 83% of the respondents noted that their key performance criteria are linked to achieving goals beyond financial returns, while 85% of PE firms also indicated their intent to escalate efforts to manage and track the ESG performance across portfolio companies.

Have investors increased pressure on your firm as it relates to ESG?



*For the EY Global PE survey, PE firms based in EMEIA has been considered for comparison.

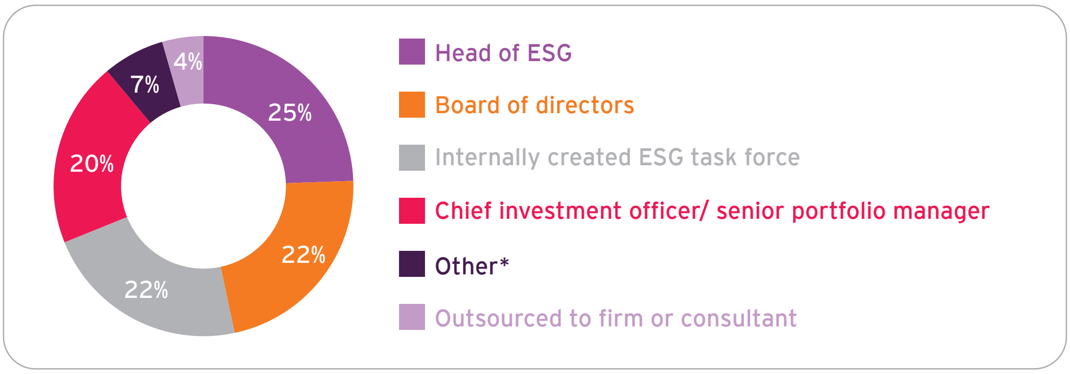
If yes, what are the key areas where investors are putting pressure on your firm as it relates to ESG? (SAVCA survey 2023)



Other* includes transformation, energy transition and net zero

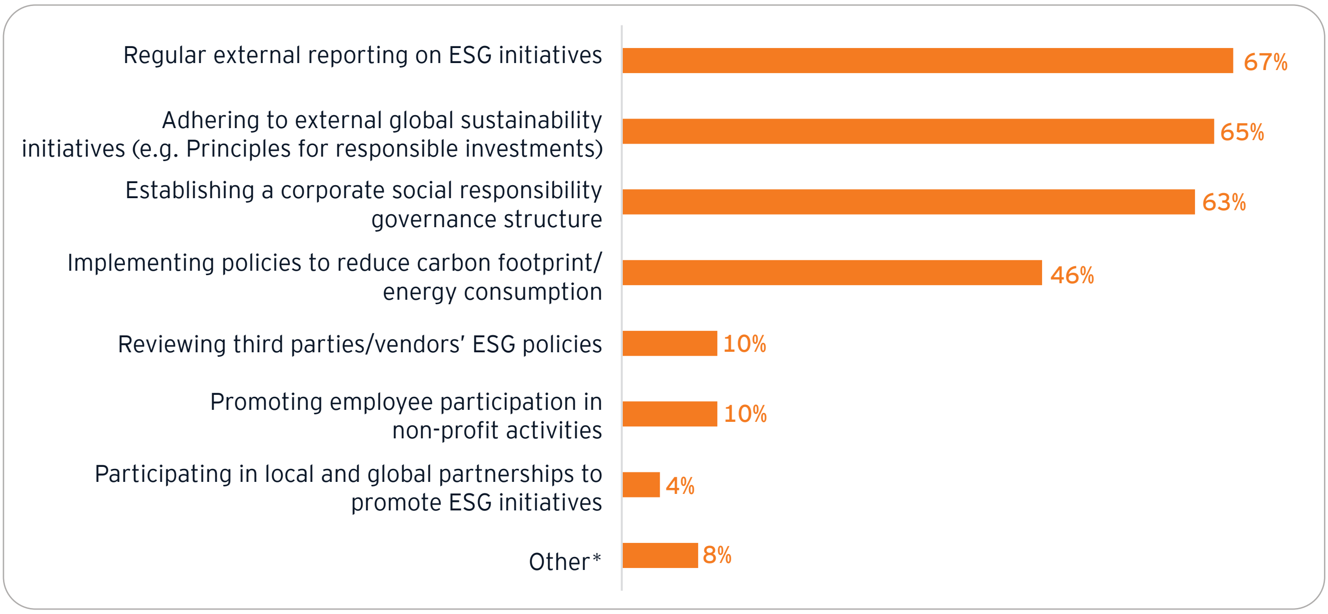
Most PE firms in Southern Africa (81%) reported an increase in scrutiny from LP investors on ESG as compared with the wider EMEA region (70%) per the EY Global PE survey. Enhanced reporting on ESG (92%) and measuring portfolio companies' performance against specific ESG metrics (79%) are the two key areas of focus by investors with respect to ESG.

Who is responsible for setting ESG priorities?



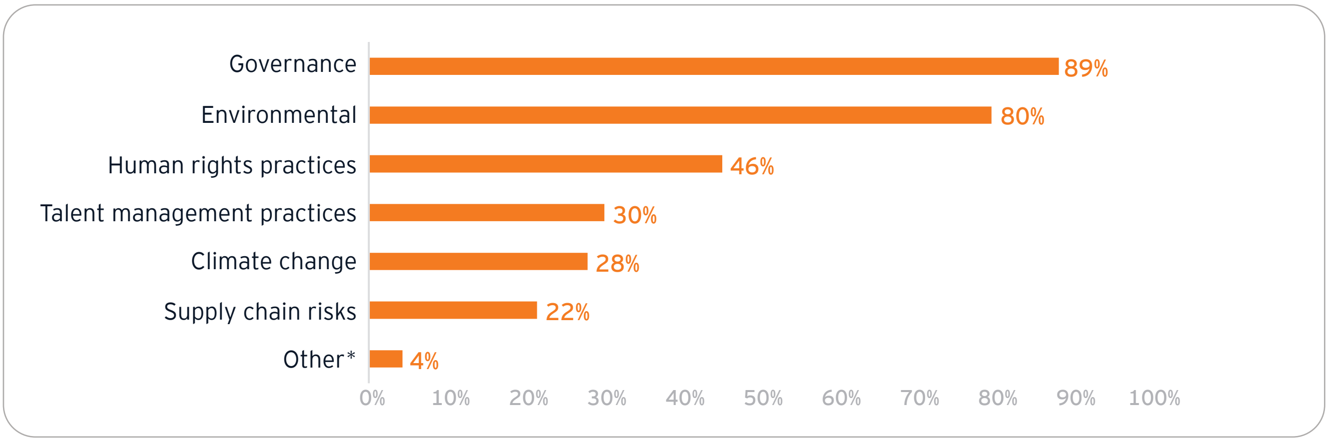
Other* includes CEO, value add team, investors and managing directors

Select the top three components that make up your ESG policies



Other* includes black economic empowerment and transformation, participating in local and global partnerships to promote ESG initiatives, job creation - reducing inequality, risk identification and mitigation, and gender inequality - funding for women.

What are the top ESG risks you include in your decision-making?

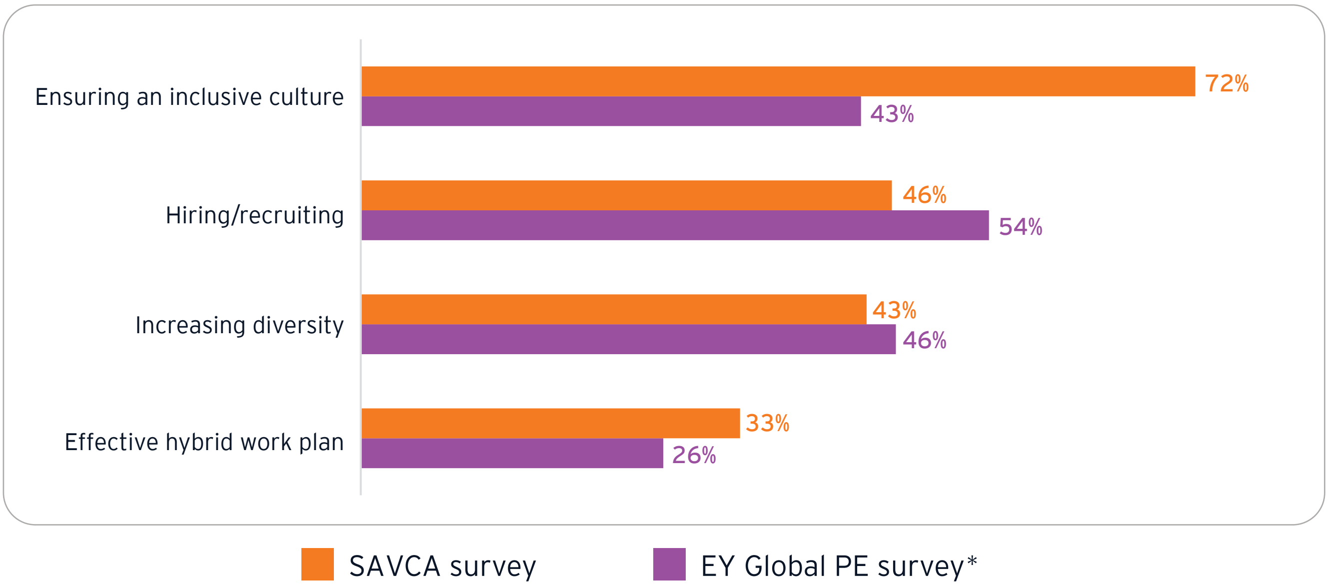


Other* includes equity & inclusion and transformation

PE firms in Southern Africa have distinct components within their ESG policies. However, the clear top three policy themes that emerged were:
1) regular external reporting on ESG initiatives;
2) adhering to external global sustainability initiatives; and
3) establishing a corporate social responsibility governance structure.
Among the top ESG risks, most PE firms placed a high emphasis on governance and environmental risk factors.

03 How are PE firms driving transformation within their teams?

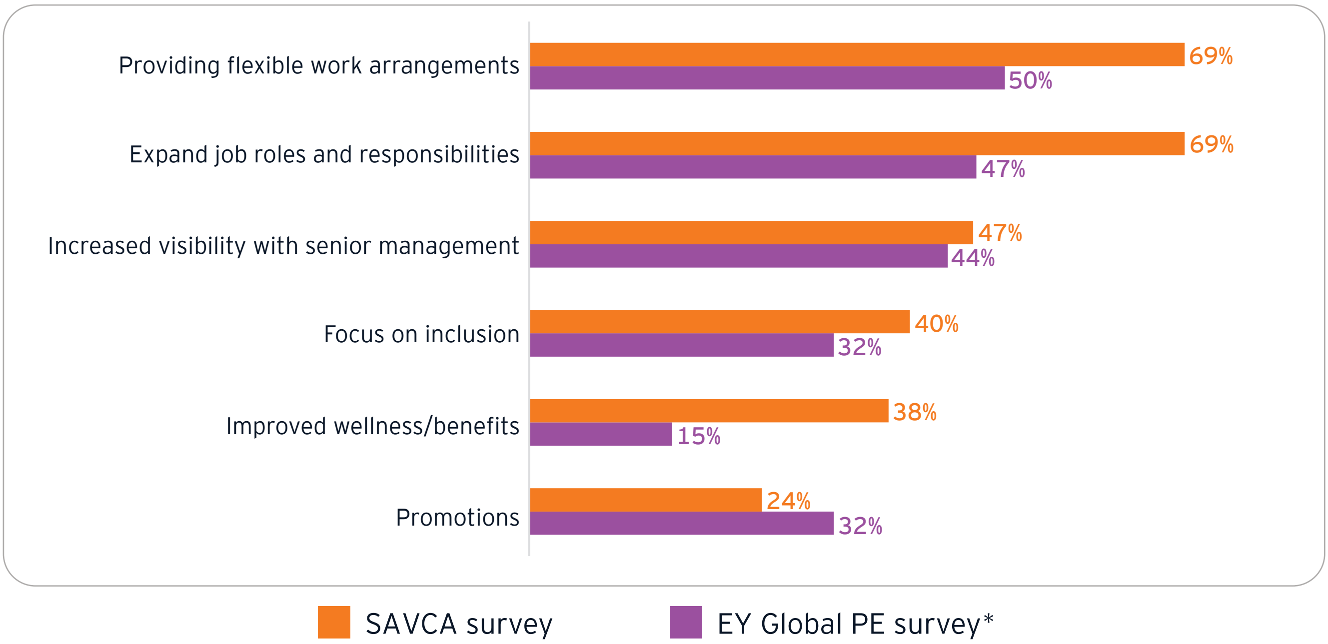
Other than retaining talent, what are your top talent management priorities?



*For the EY Global PE Survey, PE firm's with FUM < $2.5bn has been considered for comparison.

With respect to overall talent management, 72% of Southern African PE firms ranked "ensuring an inclusive culture" the top talent priority outside of retention. Per the EY Global PE survey, hiring / recruiting talent and increasing diversity continued to be the key talent priorities.

Other than compensation, how is your PE firm retaining employees?

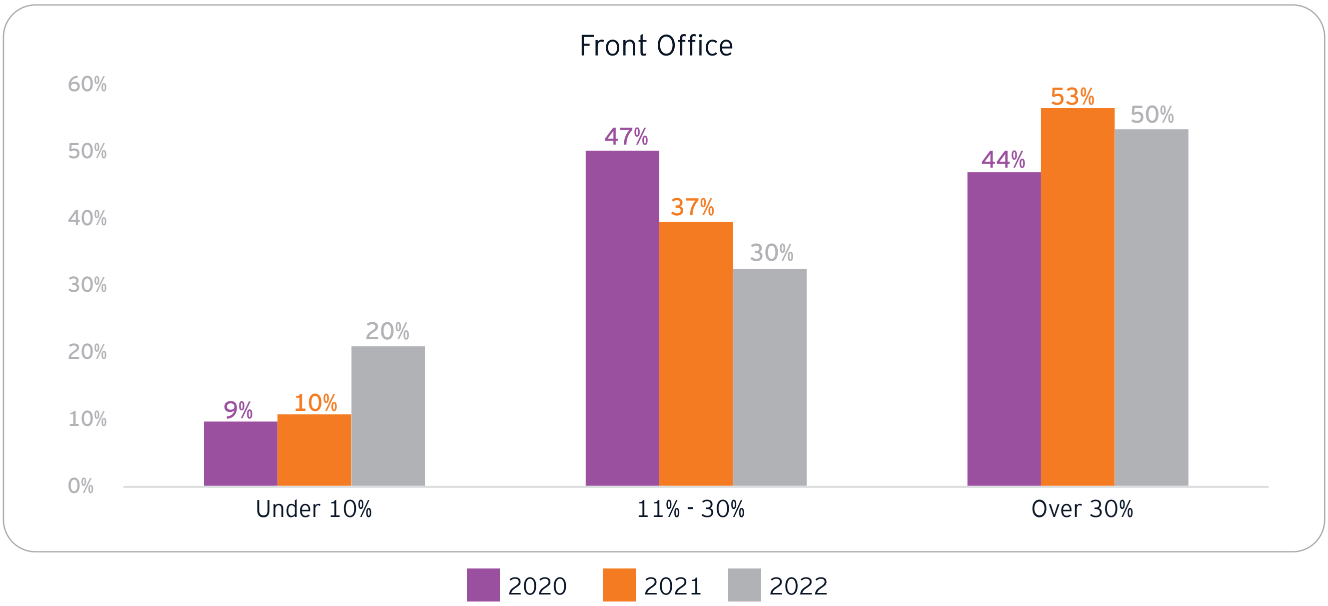


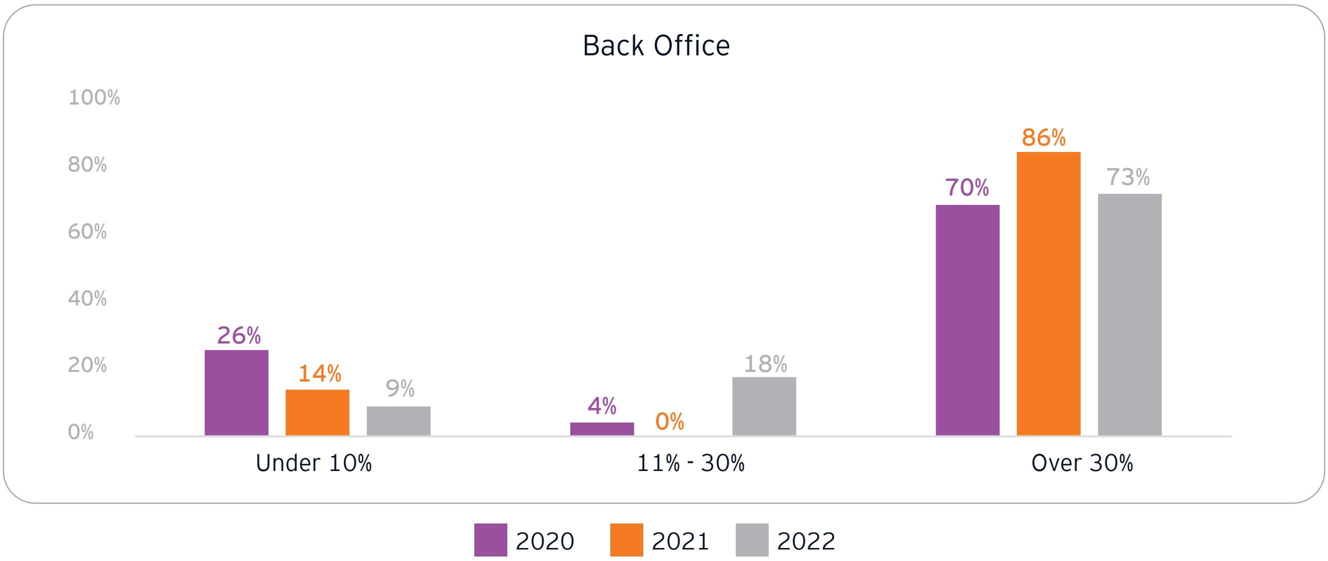
*For the EY Global PE survey, PE firm's with FUM < $2.5bn have been considered for comparison.

Compensation has always been the main approach undertaken by PE firms to both attract and retain new and existing employees. Beyond compensation, PE firms are pulling the same levers globally and in Southern Africa, such as work arrangement flexibility, expanding job responsibilities, and increased visibility with senior management.

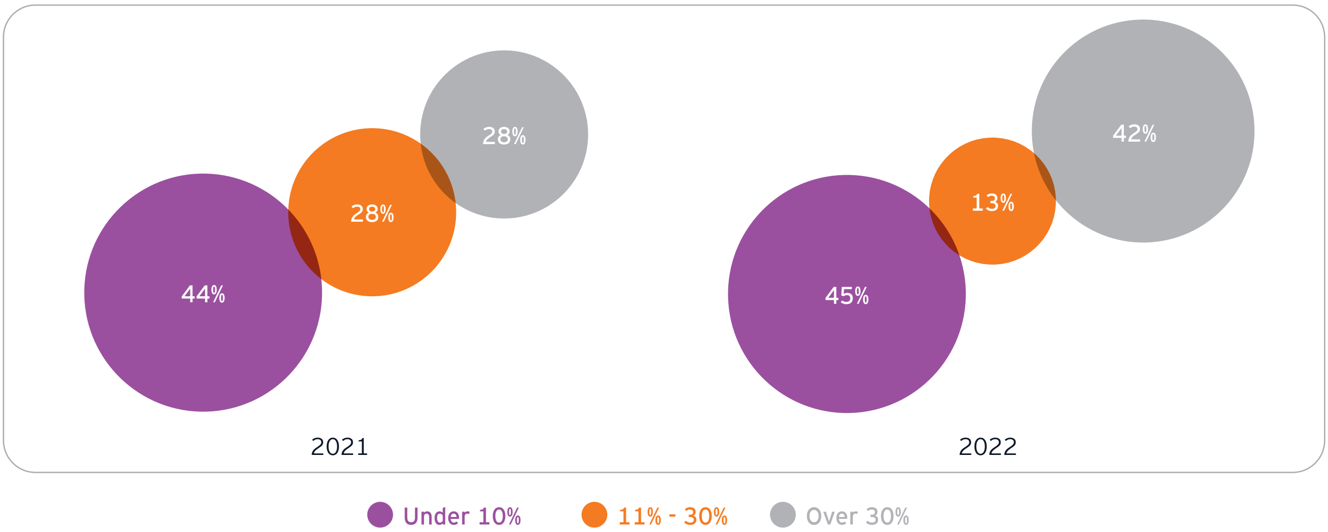
Women representation

What proportion of the members of your firm are women?

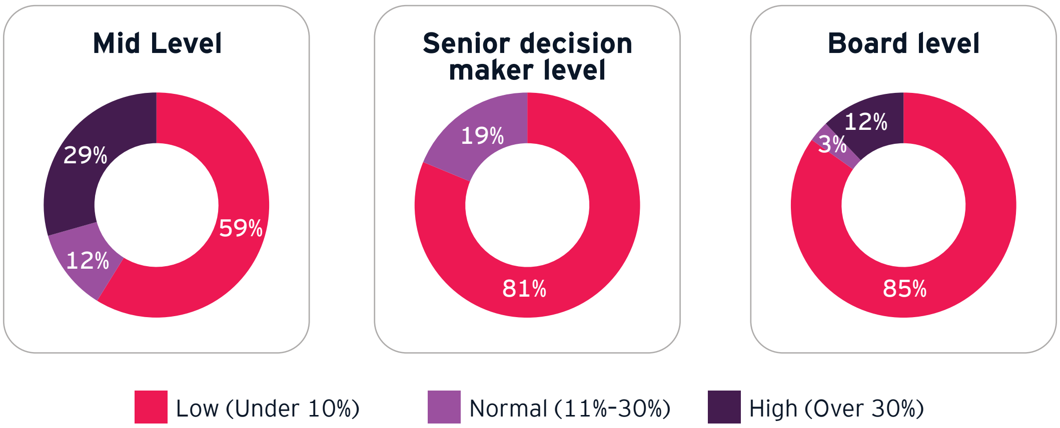




What proportion of the board members of your firm are women?

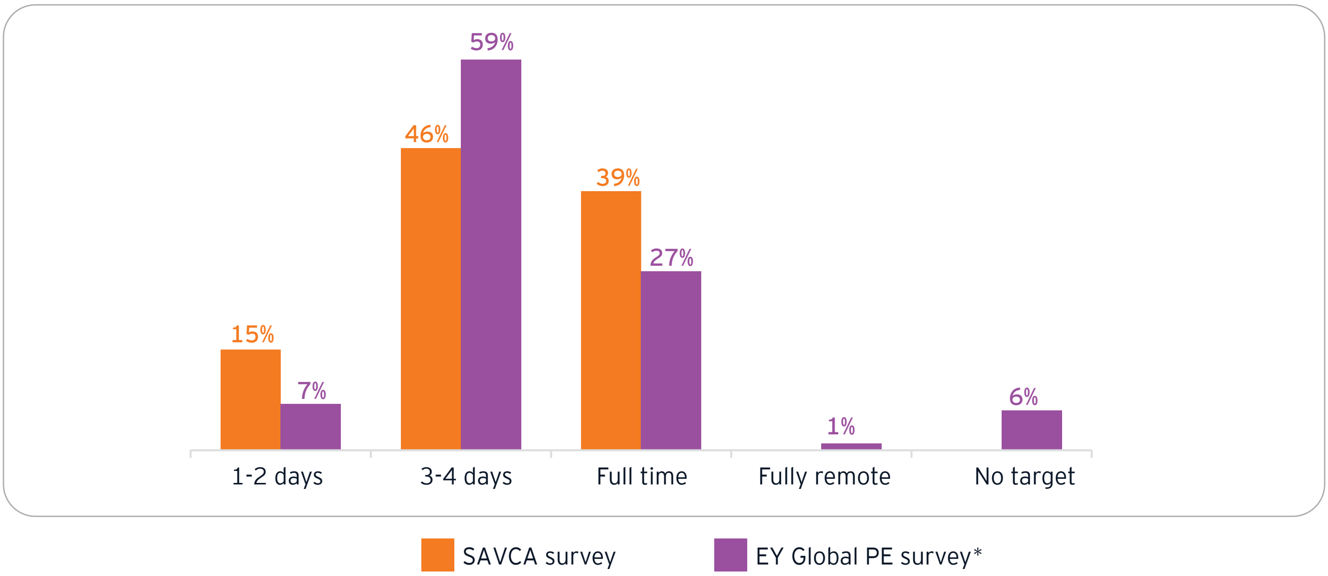


In the last year, what proportion of the total promotions at your firm were women?

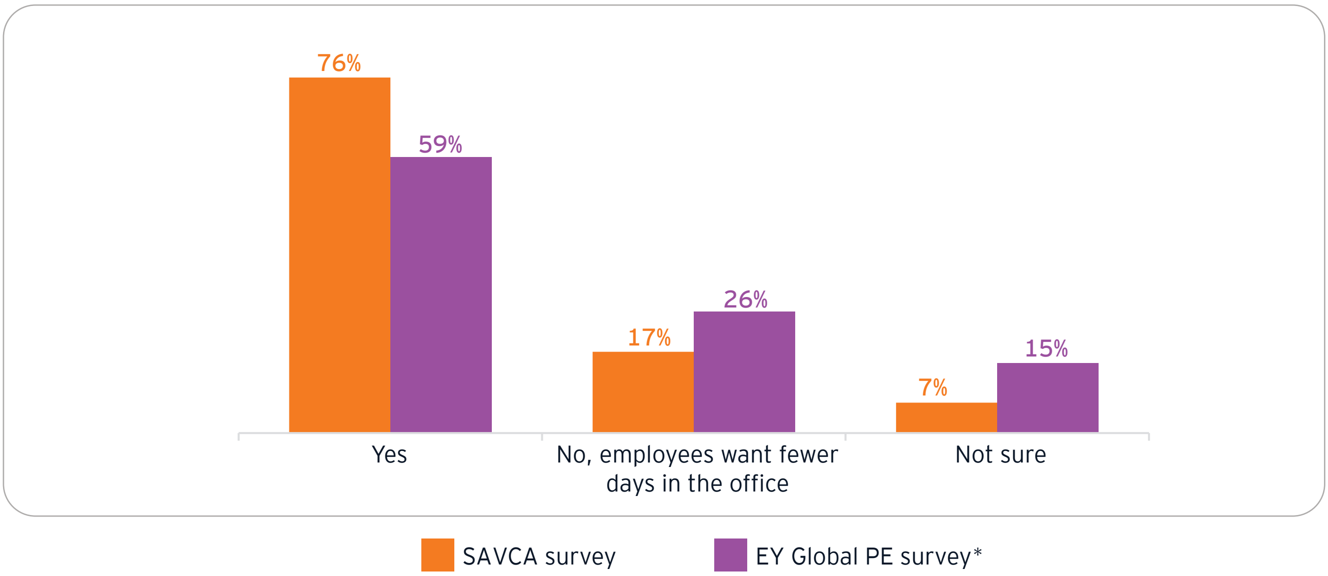


The proportion of PE firms with more than 30% of women at Board level increased from 28% in 2021 to 42% in 2022.
However, there remains ample opportunity for improvement in fostering greater inclusion and elevating more women to decision-making positions. This is reflected in the low levels of women promotions, particularly at senior decision maker and Board levels.

What is leadership's target for having employees return to the office?



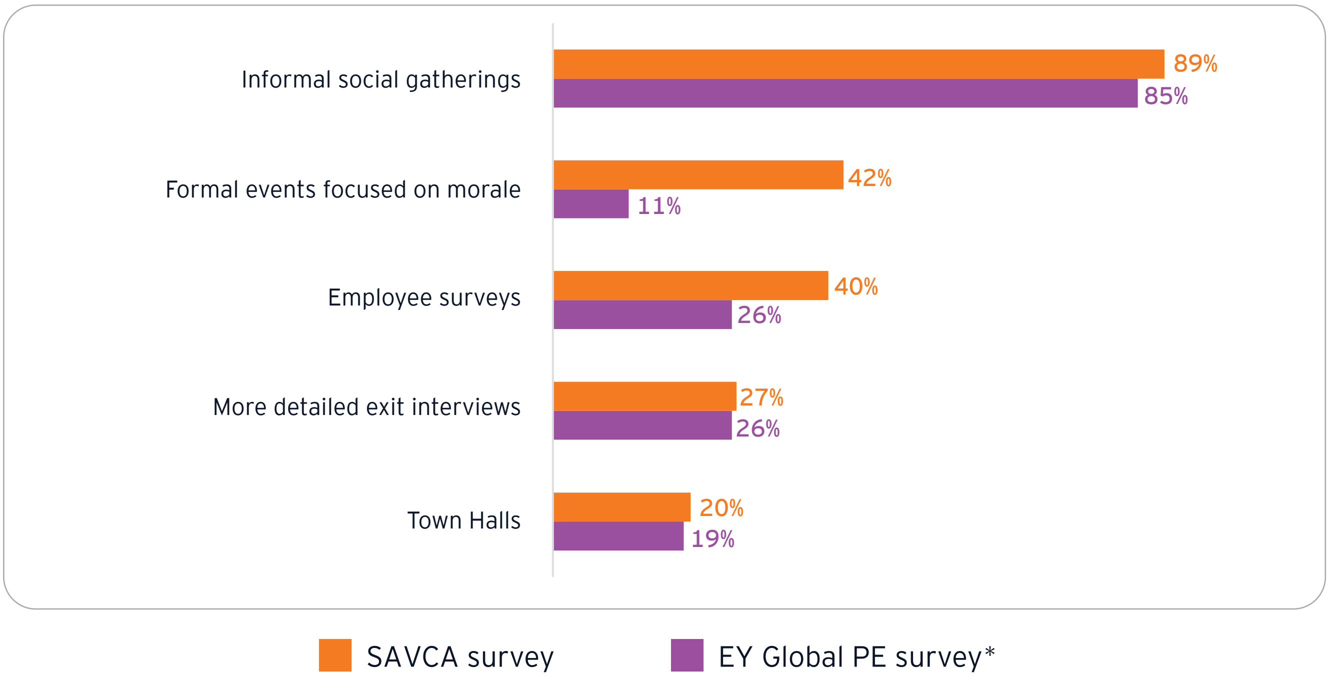
Do you believe leadership's target is in line with employee sentiment?



* For the EY Global PE Survey, PE firm's with FUM < $2.5bn have been considered for comparison.

While most PE firms in both Southern Africa and globally, follow a hybrid strategy and expect employees to be in office for 3-4 days, Southern African PE firms seem to have a less flexible approach with 39% of PE firms requiring employees to be back in the office full time (vs. 27% globally).

What strategies have you implemented to better understand employee sentiment?

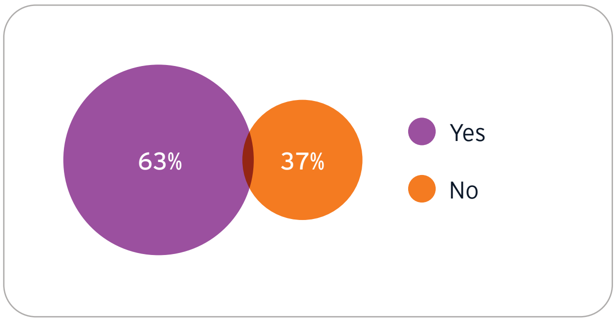


* For the EY Global PE Survey, PE firm's with FUM < $2.5bn have been considered for comparison."

PE firms are pulling different levers to better understand employee needs, with informal social gatherings being the most common approach globally and in Southern Africa. Other traditional and formal measures such as surveys and focus groups are also employed to a moderate extent, although more commonly used by Southern Africa PE firms as their global counterparts.

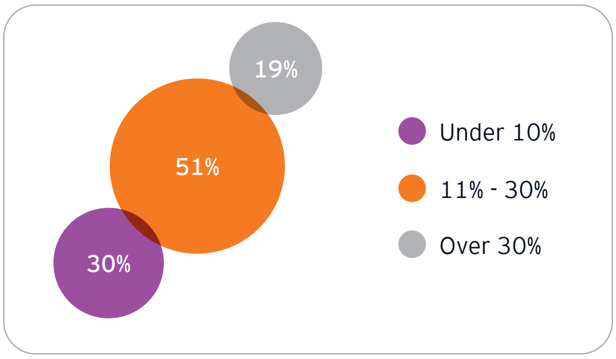
Diversity at portfolio companies

Does the firm agree transformation (DEI) plans with investee companies with specific targets over the investment holding period?

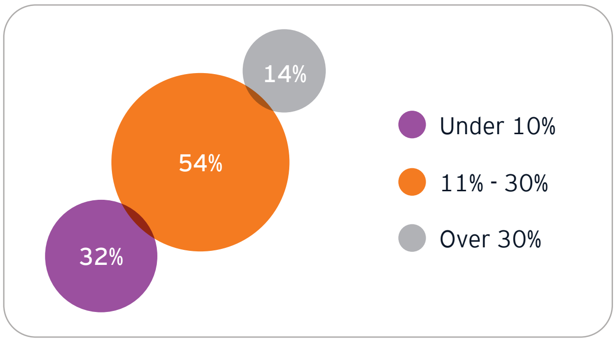


A significant majority of respondents (63%) affirmed their commitment to driving DEI initiatives. This indicates a growing recognition of the importance of implementing targeted plans to drive diversity, equity, and inclusion within portfolio companies.

What proportion of the board members in portfolio companies are women?



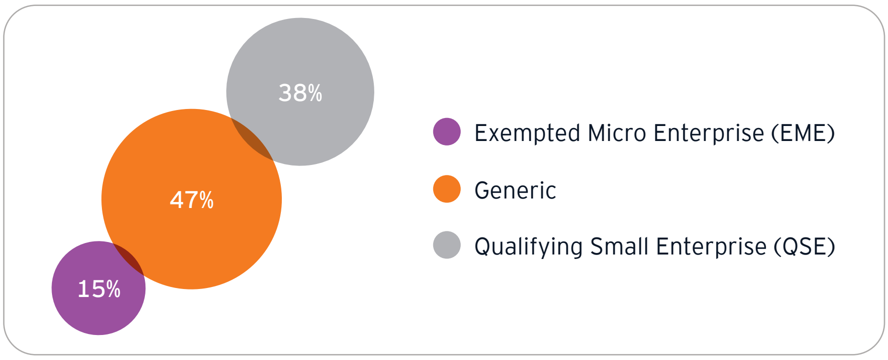
What proportion of executive management (senior decision makers) in your portfolio companies are women?



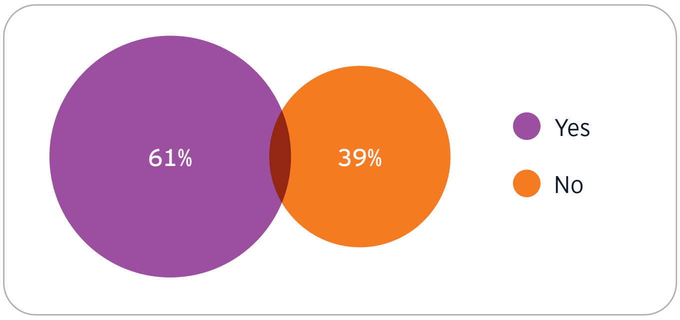
30% of the PE firms reported having less than 10% of women on their portfolio companies' boards, while a majority of 51% stated that they have a representation of women ranging from 11% to 30%. Encouragingly, 19% of firms reported to have over 30% of women on their boards, indicating a positive trend towards greater gender diversity at the highest decision-making level across the portfolio.

The trend remains similar at the executive management level, where 54% stated that they have a representation of women ranging from 11% to 30% in such positions and 14% of firms reported having over 30% of women in executive management roles.

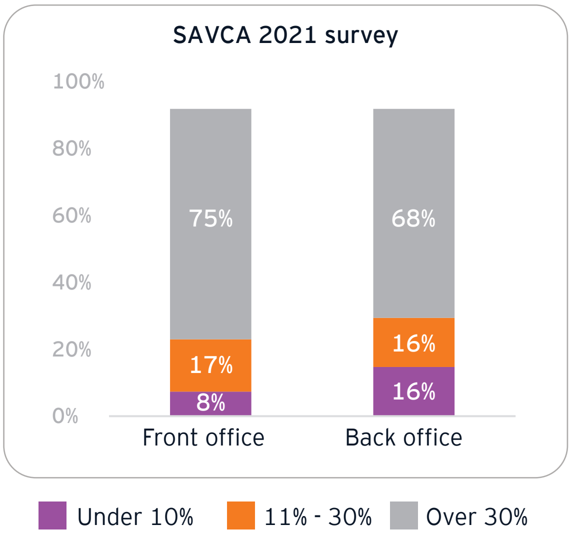
Classification: Is the fund manager classified as a Qualifying Small Enterprise (QSE), Generic, or an Exempted Micro Enterprise (EME)?

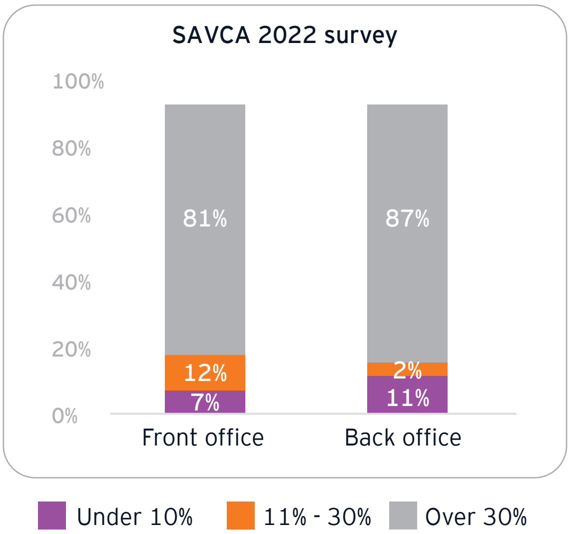


Is the fund manager accredited as a Black PE Fund Manager (according to the B-BBEE codes)?



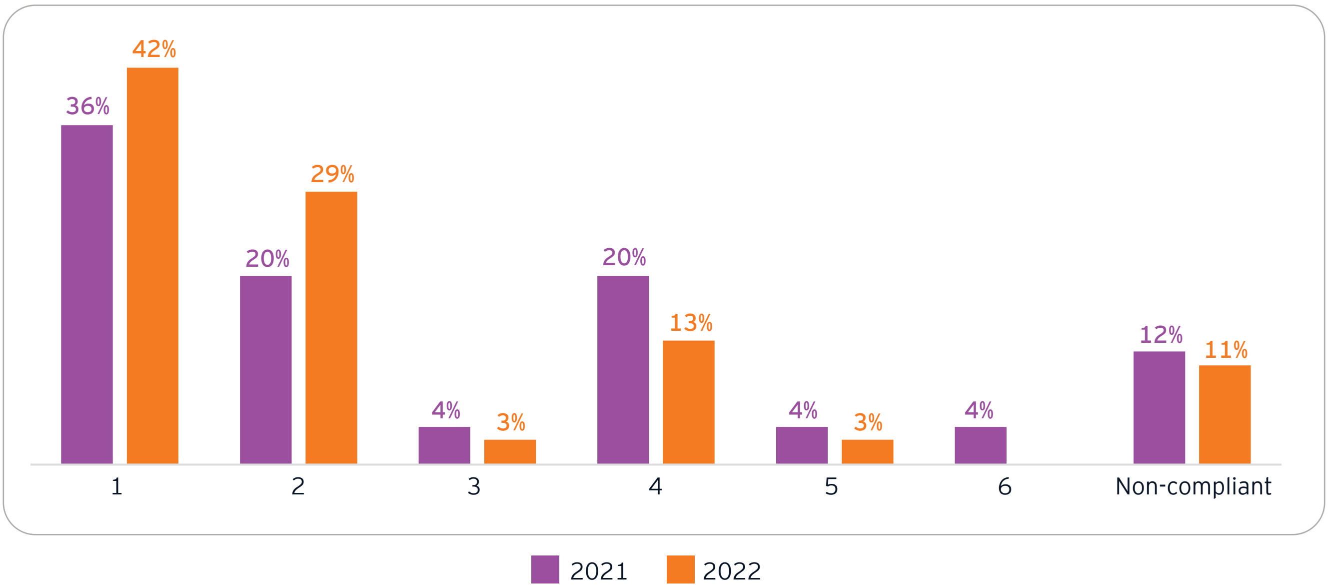
What proportion of the members of your firm are under-represented people with racially and ethnically diverse backgrounds?



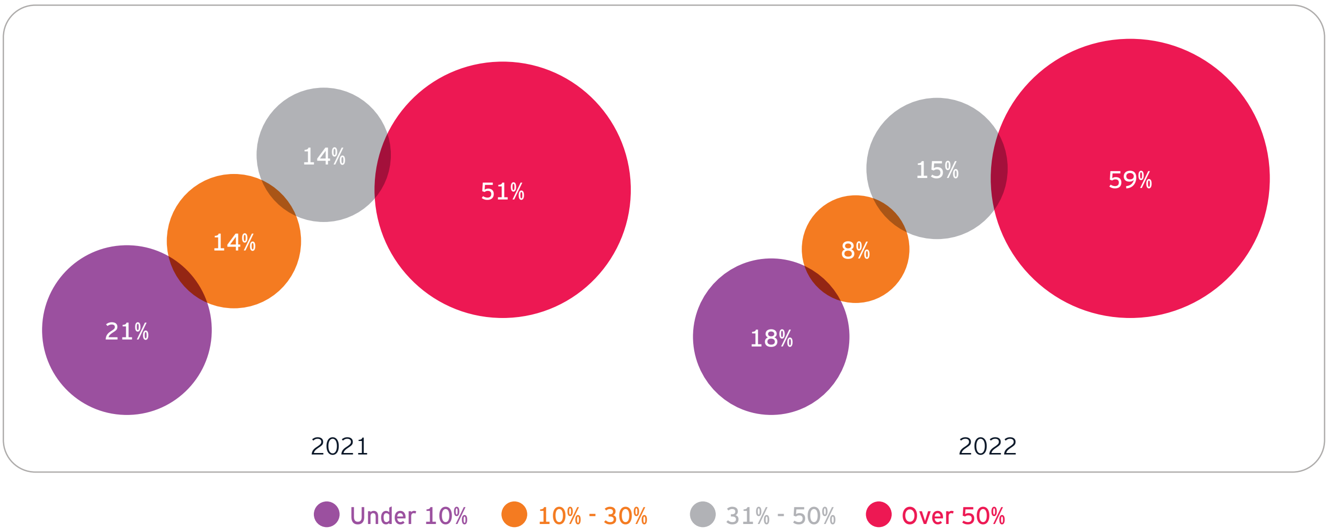


Results from the 2022 survey shows that Southern Africa PE firms are promoting diversity within their firms. The proportion of PE firms reporting over 30% of under-represented people with racially and ethnically diverse backgrounds in 2022, jumped to 81% from 75% in 2021 for the front office and increased to 87% from 68% in 2021 for the back office.

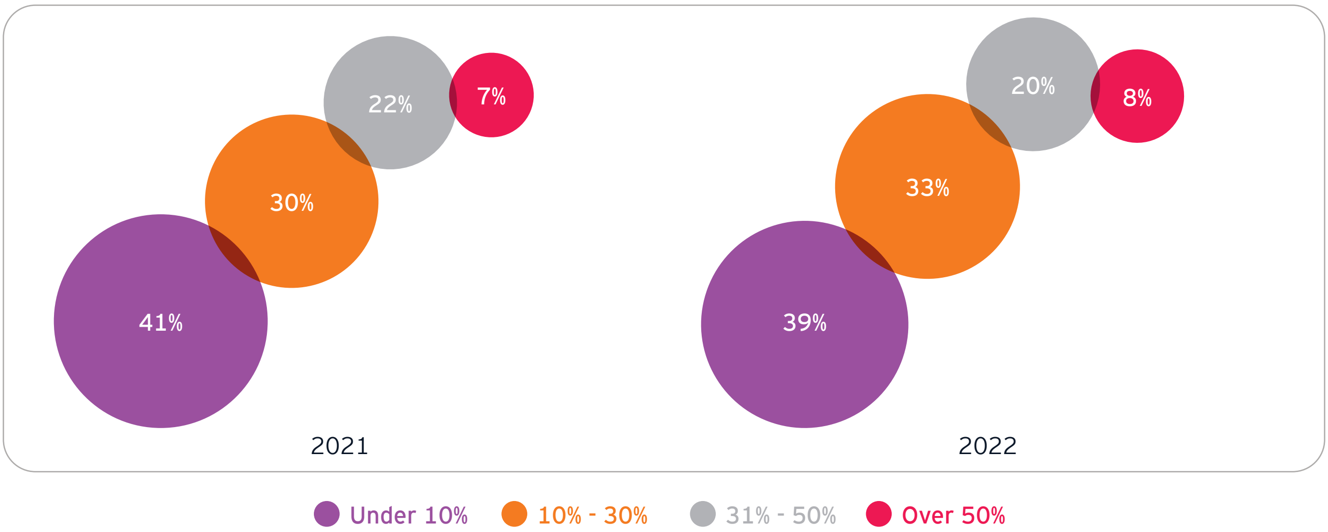
What B-BBEE status does the fund manager qualify for using the Generic Scorecard and Qualifying Small Enterprise Scorecard?



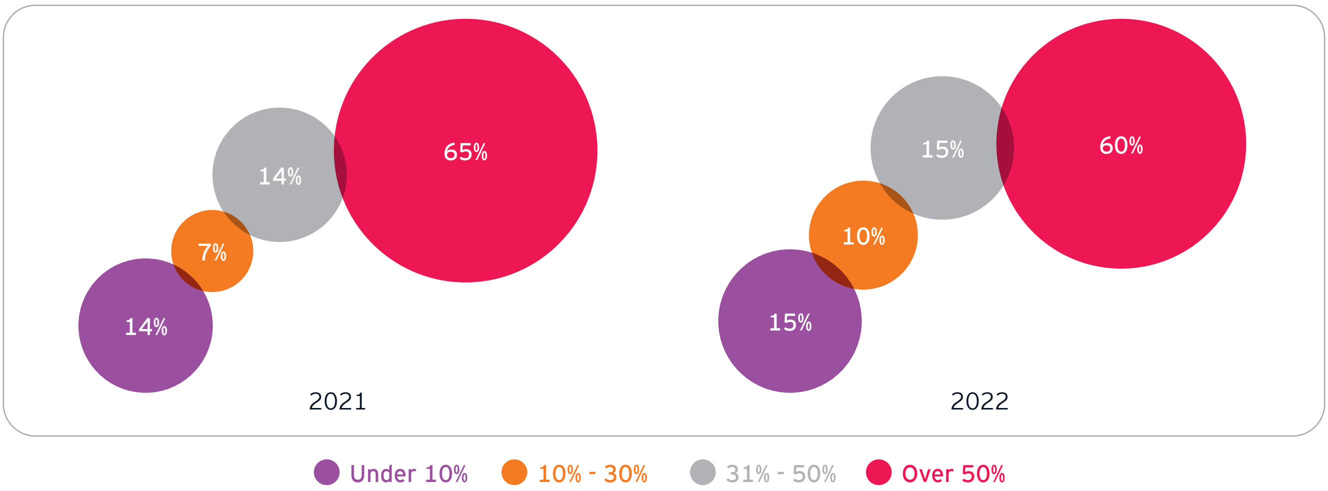
What percentage (%) of the ownership is classified as "black ownership", without applying modified flow-through?



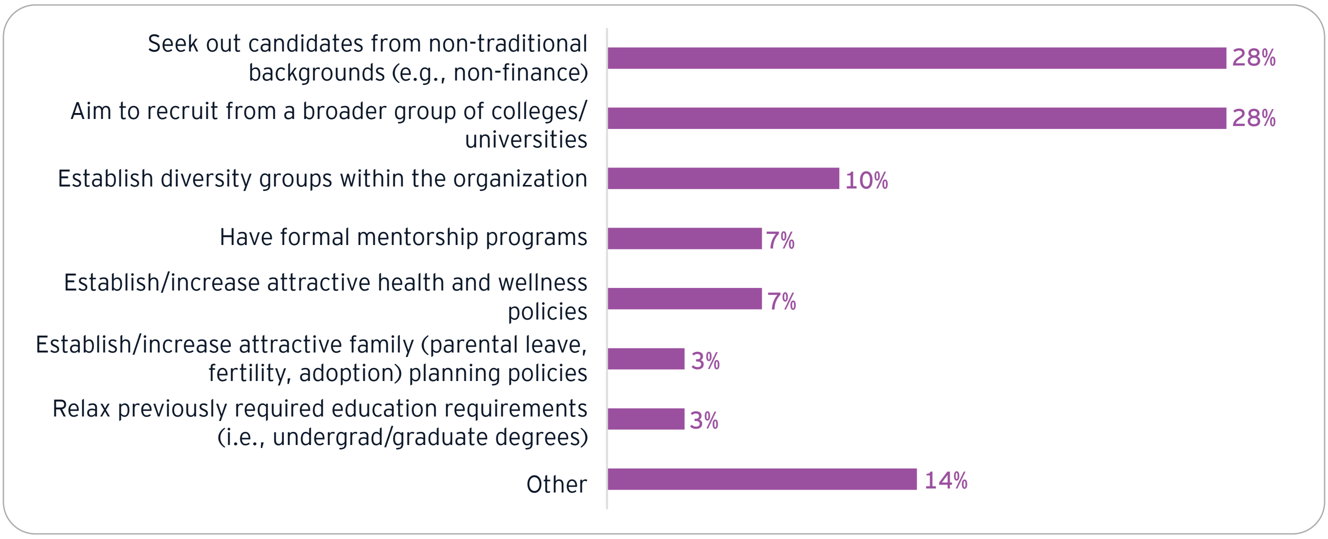
What percentage (%) of the ownership is classified as "black female ownership", without applying modified flow through?



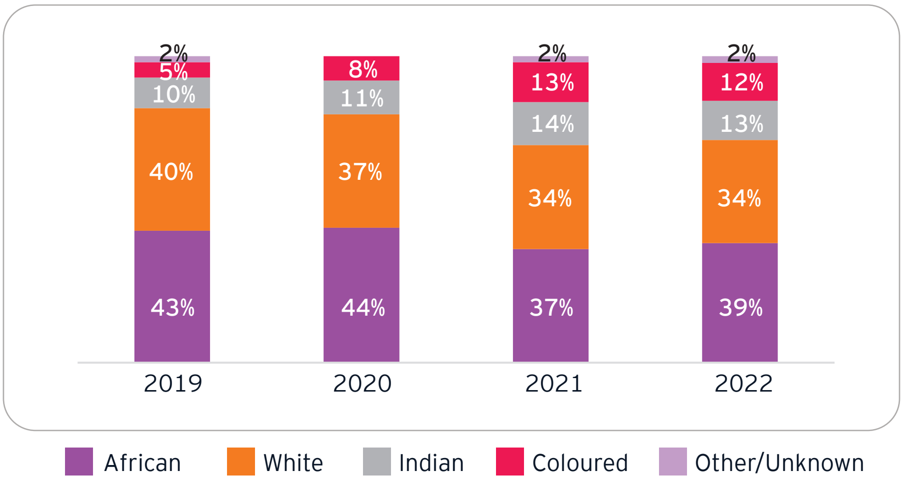
What percentage (%) of the PE firm's management is classified as "black management"? This includes junior through to senior management, as defined in the FSC/B-BBEE codes.



How do you plan to increase diversity?

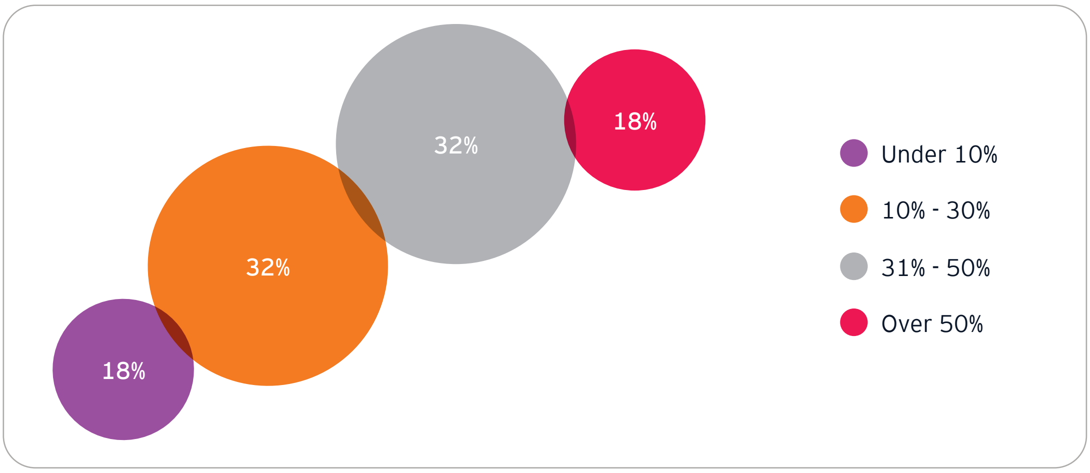


PE firms' employee distribution by race



PE firms in Southern Africa continued to focus on hiring more people with racially and ethnically diverse backgrounds in both the front and back office.

What is the percentage of senior management of **portfolio companies** that are classified as black management?



The SAVCA survey results confirm that the PE sector is making positive shifts in its transformation journey. The key highlights for the industry include:

- 59% of PE firms have >50% black ownership without applying modified flow through
- 28% of PE firms have >30% black female ownership
- 60% of PE firms have > 50% black management

By number of PE firms, 87% of respondents have a level 4 B-BBEE rating and better, with 42% having a level 1 rating. 25%* of the sectors' FUM is being managed by level 1 B-BBEE managers.

*Please refer to the "Funds under Management" section – "Composition of FUM by B-BBEE level of fund manager 2019-2022 (% of total FUM)"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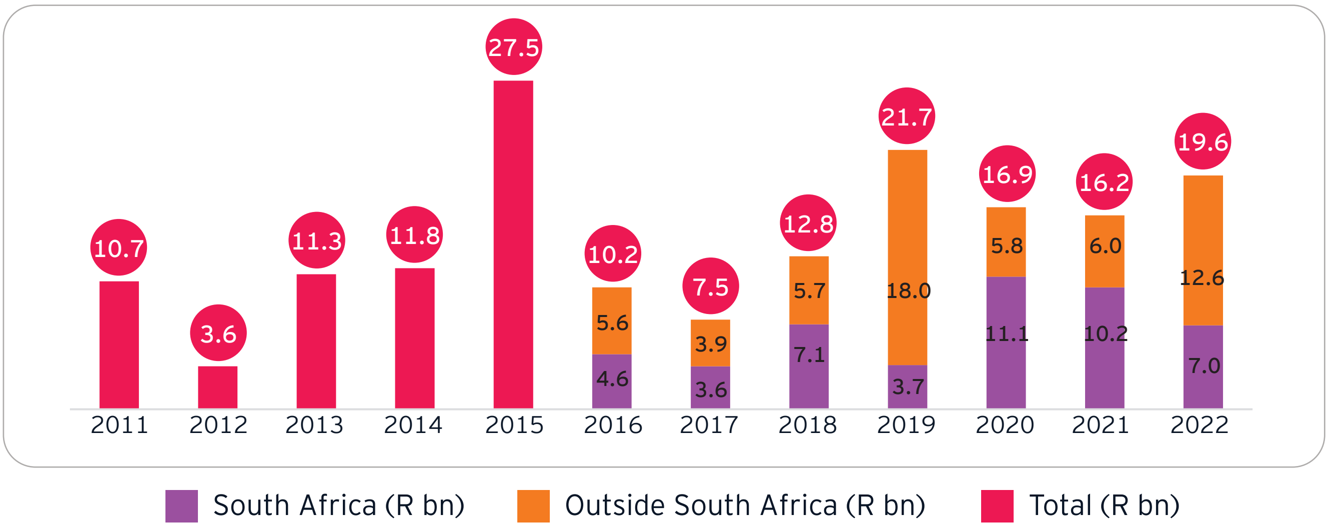
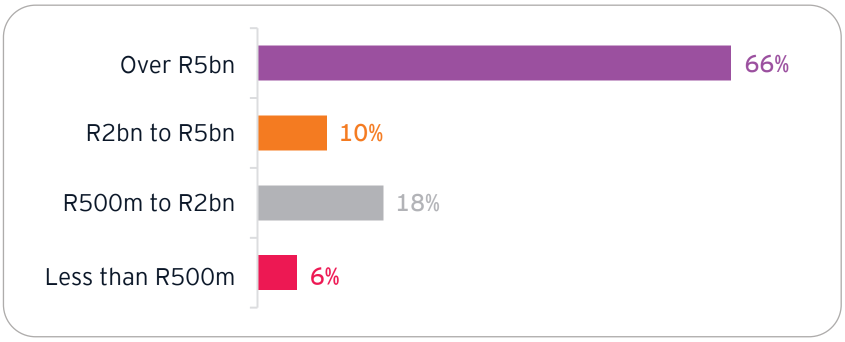
04 Fundraising activity insights

Value of funds raised (2011-2022), including split by investment destination from 2016 onwards (R bn)

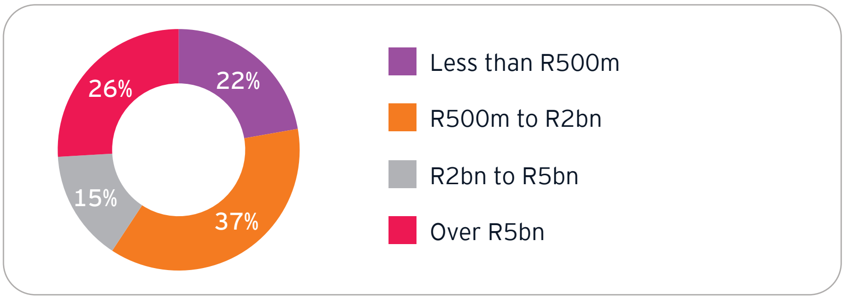


Contrary to global trends, PE fundraising in Southern Africa witnessed a growth of 21% in 2022 in comparison to 2021 - this is higher than the pre-pandemic average from 2015 to 2019 of R15.8bn with fundraising in 2022 of R19.6bn being 23.3% higher. Similar to 2019, funds that included a mandate of investing outside South Africa emerged as the more significant contributor to fundraising. 25 PE firms raised capital in 2022 with four PE firms each raising over a R1 bn (versus only 17 PE firms raising capital in 2021 and four PE firms each raising over a R1 bn in 2021).

Proportion of value of funds raised by PE firm size (based on FUM)

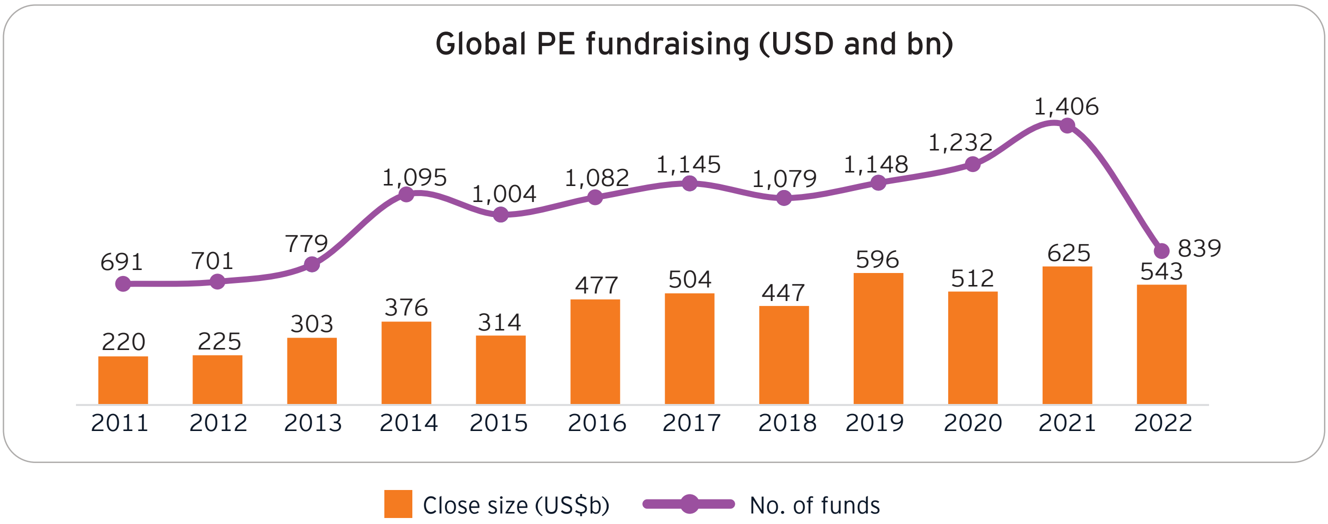


Breakdown of number of funds raising funds in 2022 by PE firm size (based on FUM)



Similar to the global scenario, large and established PE firms were able to raise most of the funds in 2022. Analogous to the global trend, smaller fund managers were squeezed by large PE firms as LPs preferred experienced PE firms who have earlier weathered the onerous macroeconomic conditions. However, with respect to the number of PE firms raising funds in 2022 by PE firm size (based on FUM), there were many PE firms with FUM less than R500m (22%) and in the R500m to R2bn size category (37%) that raised capital in 2022.

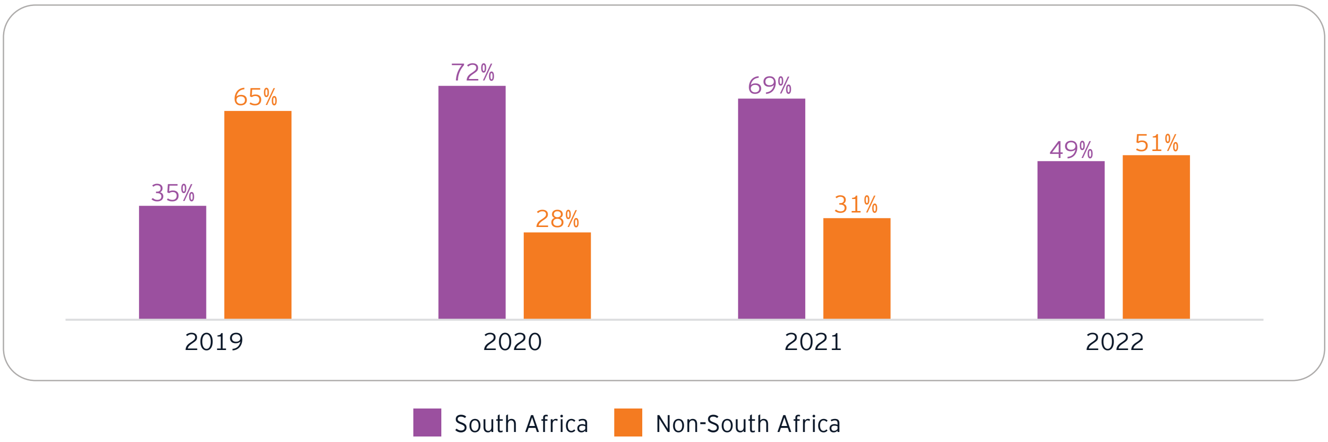
Global PE fundraising trends - 2011 to 2022 (USD bn)



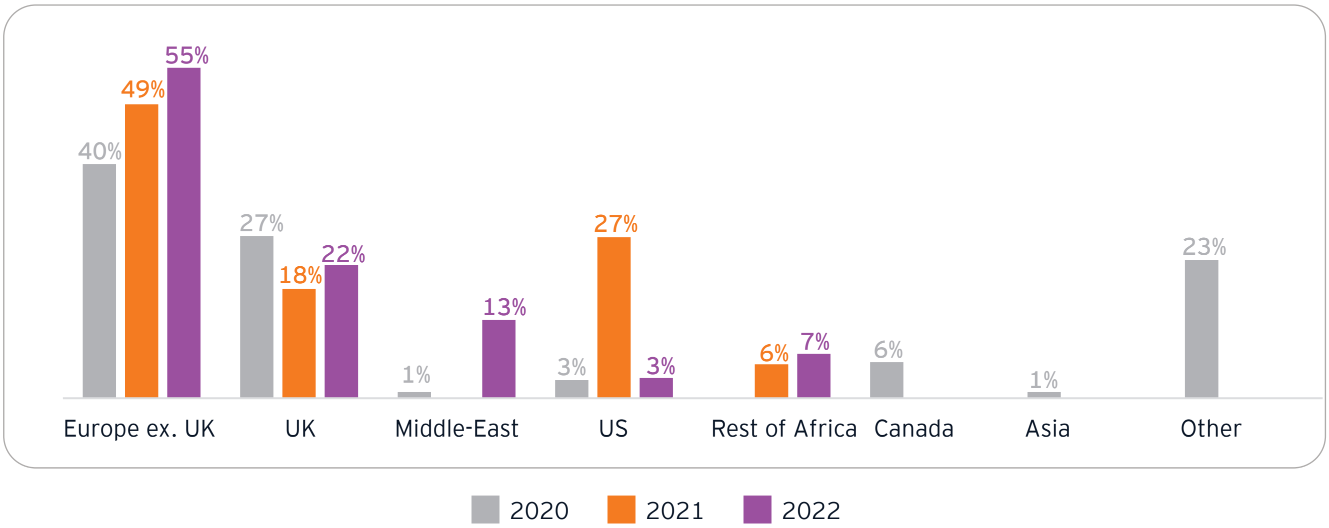
Source: Pitchbook

Global PE fundraising languished in 2022 as LPs reduced their commitments towards PE to alleviate the impact of denominator effect triggered by the decline in public markets. Additionally, fewer exits in 2022 made less capital available for distribution to LPs, restricting the flow of reserves for reinvestment. Although the proportion of dry powder as a % of FUM globally is higher at c.29% compared to Southern Africa at c.23%.

Geographical source of funds raised, 2019-2022 (% of total)

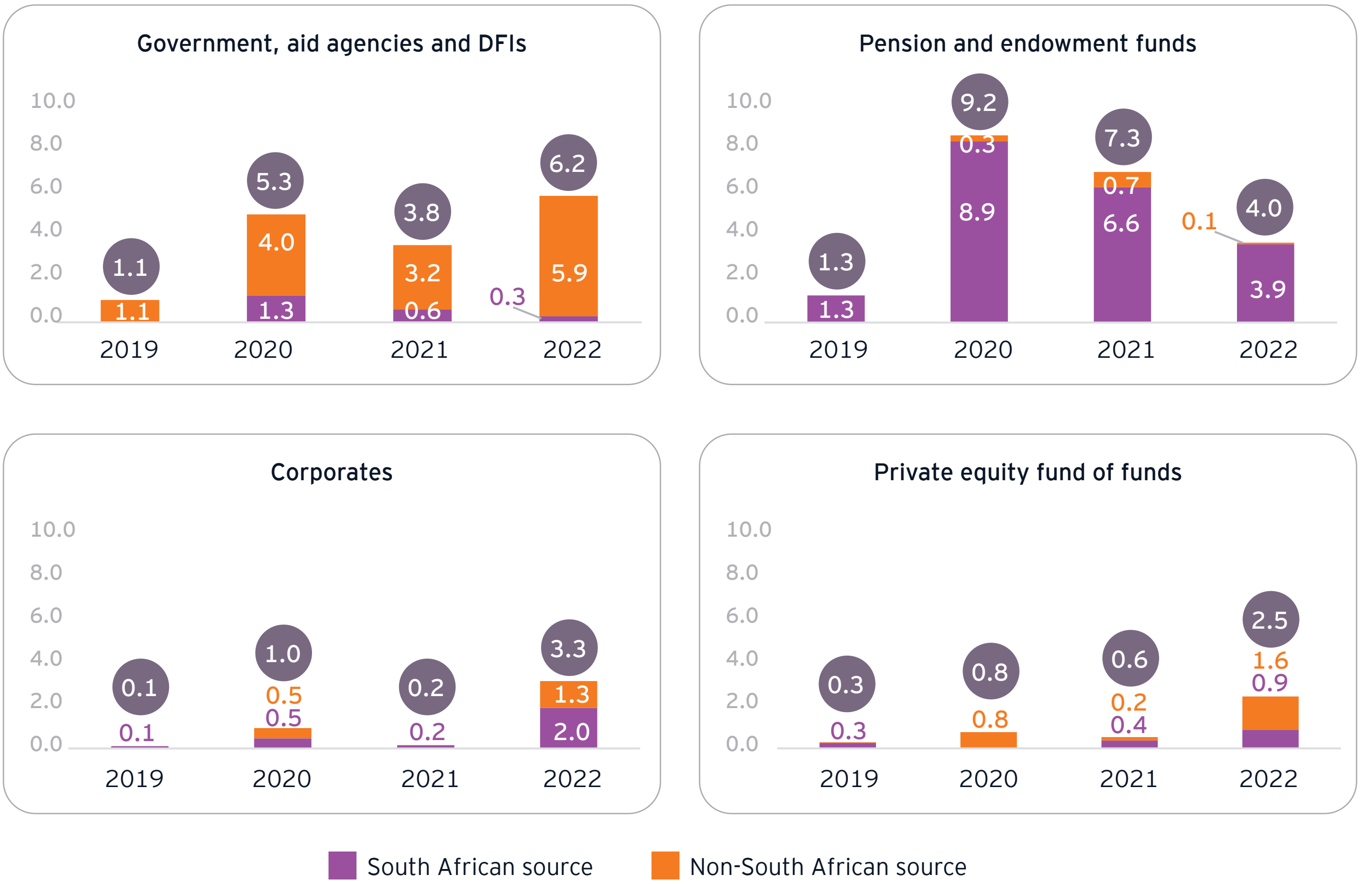


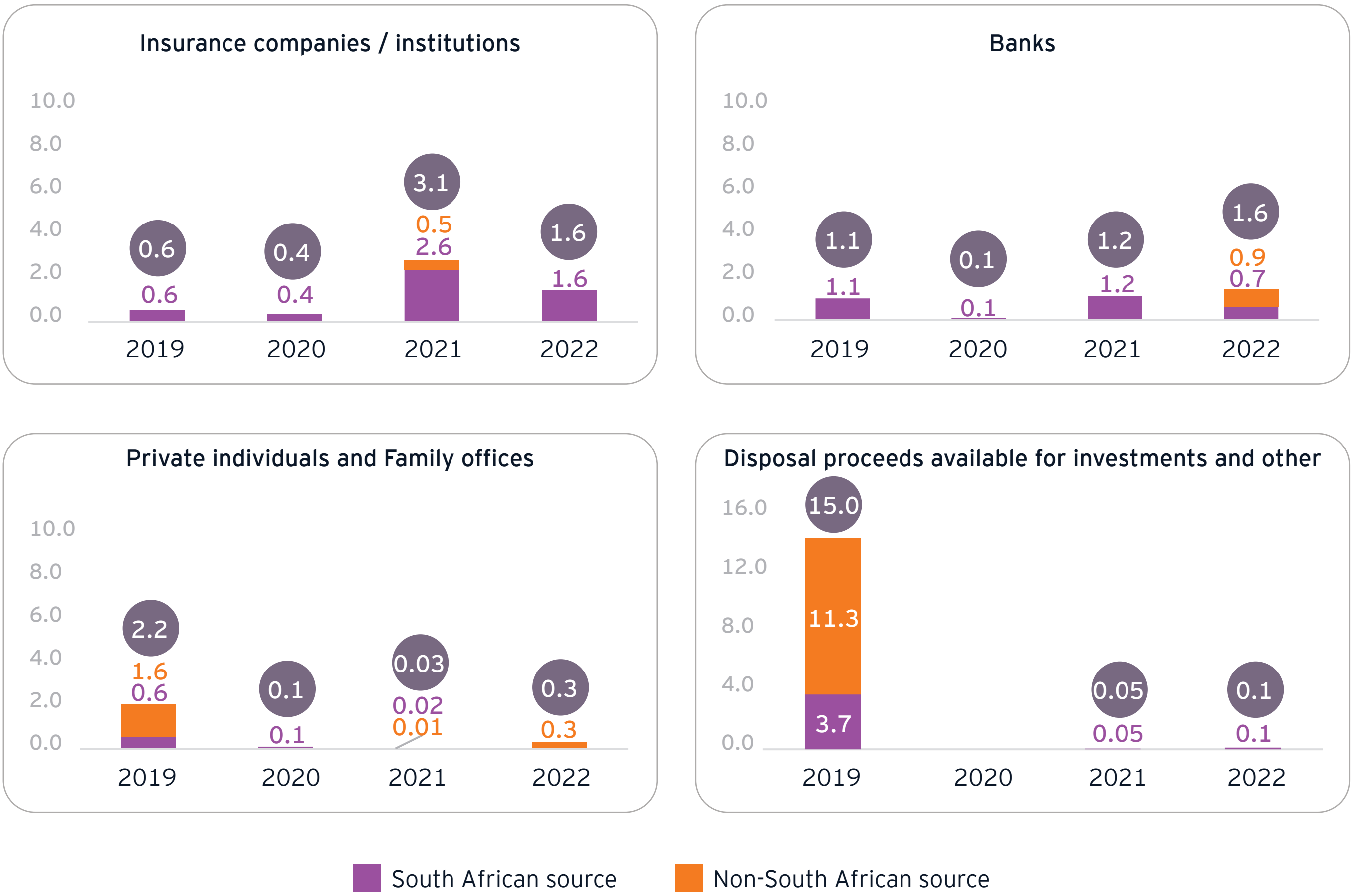
Breakdown of non-South African sources of funds raised by geography



PE firms in Southern Africa saw continued interest from European and UK investors during 2022, with contributions of 55% and 22%, respectively, of the funds raised from investors outside South Africa. 2022 observed a steep decline in capital from US investors – reducing from 27% in 2021 to 3% in 2022; however, the drop was counterbalanced by the emergence of allocations from Middle East investors (13% in 2022).

Source of funds raised, 2019-2022 (R bn)



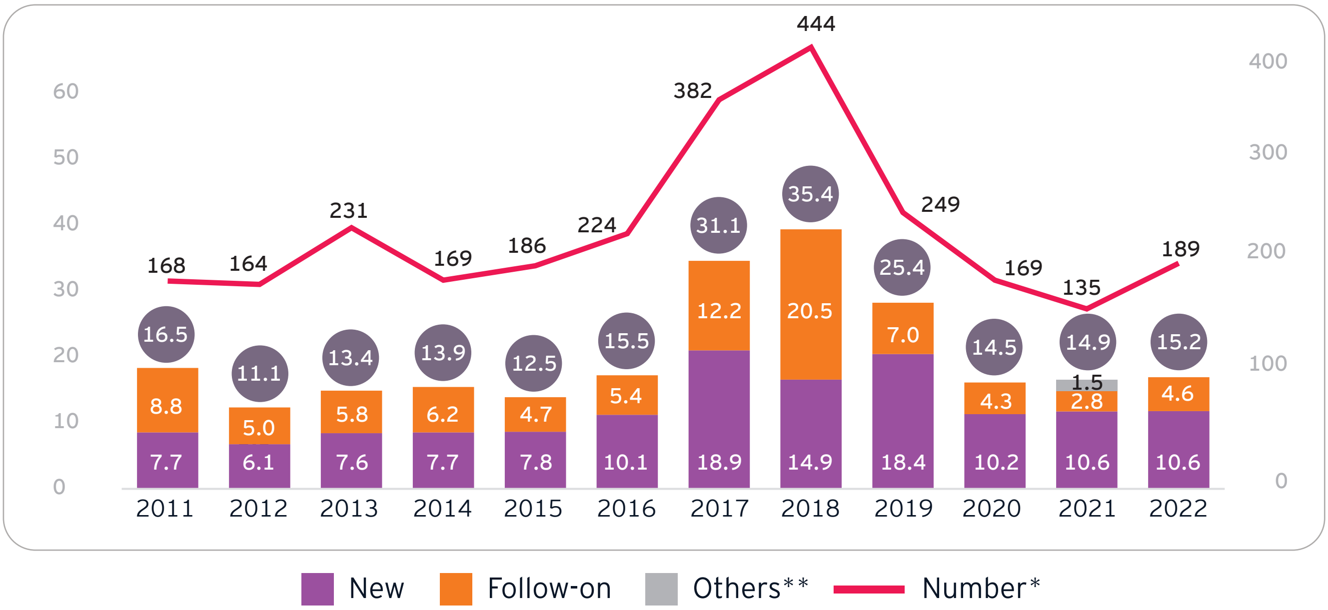


Non-South Africa-based government, aid agencies and DFIs continue to be the biggest contributors to Southern Africa-based PE firms' fundraising. A resurgence in capital allocation from corporates and PE fund of funds - from both Southern African and non-Southern Africa-based sources - not only neutralised the decline of allocation from pension and endowment funds, and insurance companies, it also elevated the overall fundraising.

Looking into 2023, the contributions from pension funds is hoped to increase in favour of PE funds on the back of amendments to Regulation 28 of the Pension Funds Act in South Africa, which are expected to encourage more retirement funds' investment in assets such as infrastructure and PE. The amended regulation raised the limit of allocation in PE to 15%, which is hoped to benefit PE firms.

05 Investment activity insights

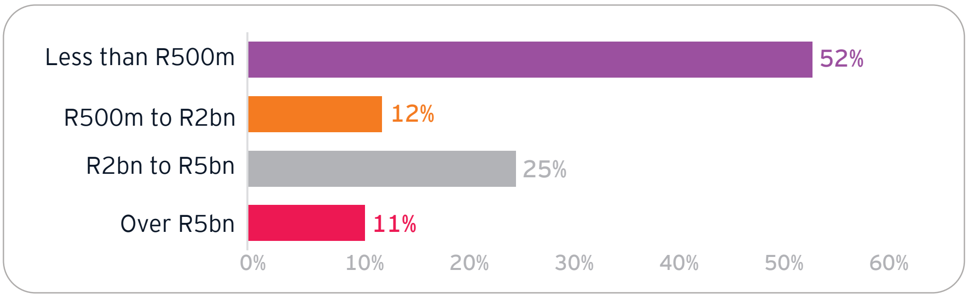
Number and cost of investments split by new and follow-on (2011-2022 in R bn)



* The number of investments excludes Business Partners throughout and Others in 2021.
**Investments not categorised by respondents in 2021 to either New or Follow-on were disclosed as Others.

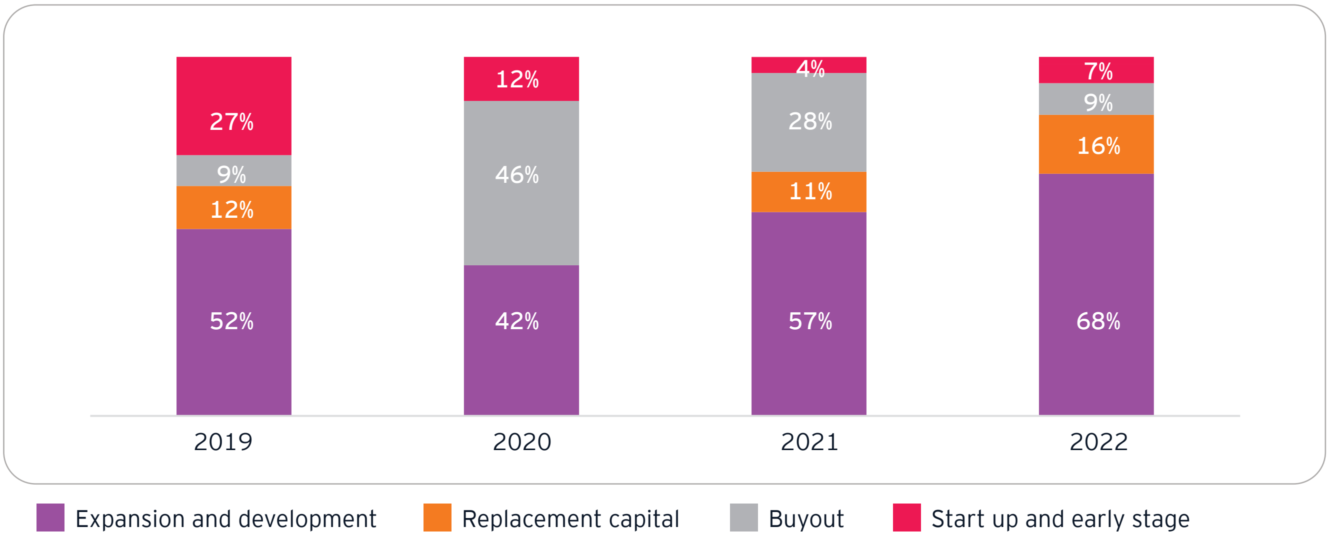
In 2022, deal values rose slightly by R0.3bn and deal volumes increased by 40% - reaching 189 (vs 135 in 2021). The volumes of new and follow-on investments, excluding Business Partners, both increased in 2022 to 72 and 117 respectively, from 53 and 82 in 2021. Deal volumes are, however, still well below the pre-Covid levels experienced during 2017 to 2019.
The cost per investment is at its lowest since 2016. Following the global trend of smaller but numerous deals, the average cost per investment dipped in 2022 to an average of R80m, versus R99m in 2021 (noting that the number of investments was not provided for the R1.5bn of investments within Others), R86m in 2020 and R102m in 2019.

Breakdown of numbers of investments by PE firm size (based on FUM)



Smaller PE firms with FUM less than R500m were most active in 2022 rendering a share of 52% in deal volume. Medium to large PE firms (FUM between R2bn and R5bn) were the second biggest contributor to deal-making at 25%.

Cost of investments by stage, 2019-2022 (% of total)

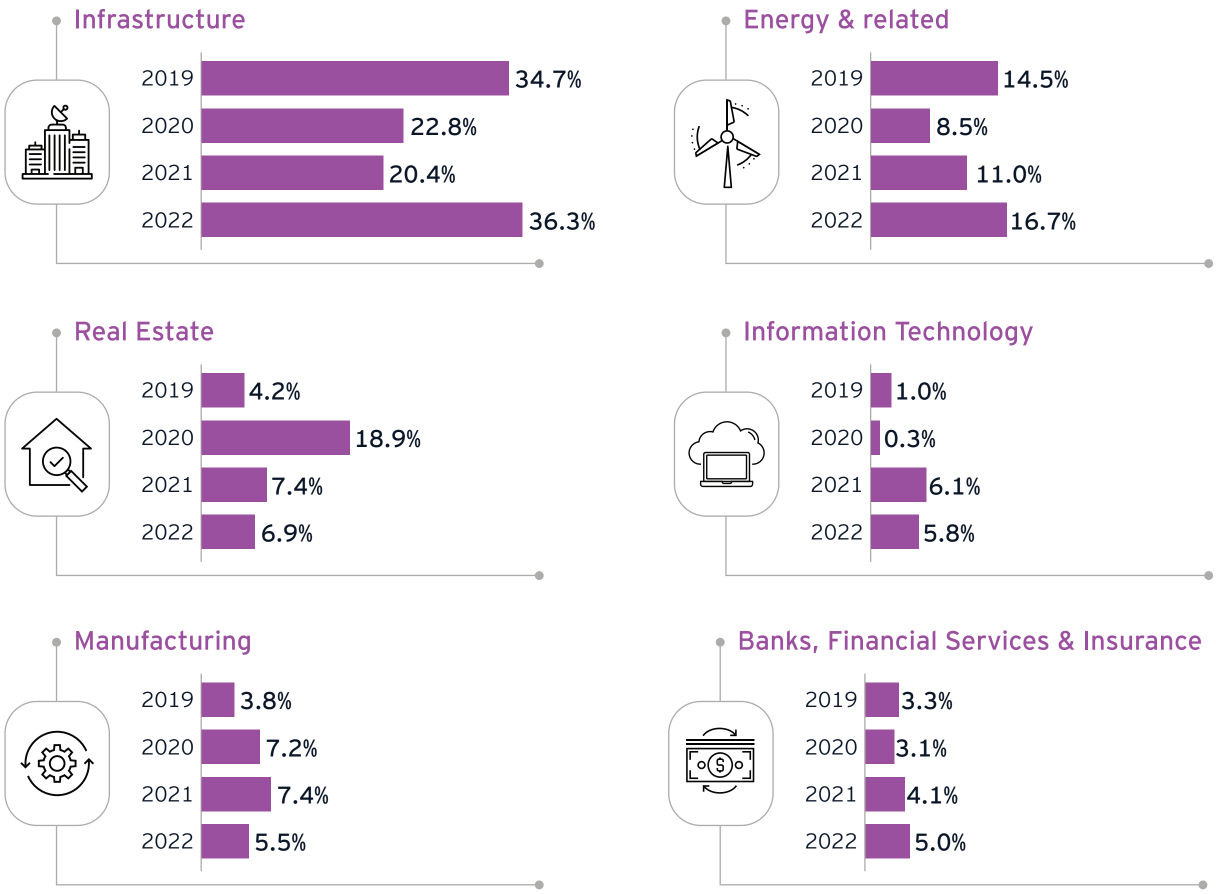


*2021 numbers exclude R1.5bn worth of unclassified investments

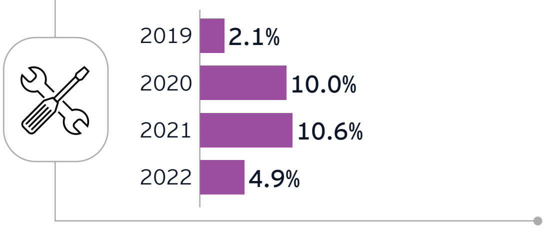
Investments in the expansion and development stage companies and replacement capital continued to grow their share in the cost of investments, contributing 68% and 16% respectively in 2022 (in comparison to 57% and 11% in 2021). The share of buyout investments by cost was compressed to 9% in 2022 versus 28% in 2021.

The propensity towards investing in expansion and development can be accredited to the current challenging macroeconomic environment that has made funding larger buyout deals arduous. The high proportion of expansion and development stage investments is also due to a considerable proportion of investments being in the infrastructure and energy and related sectors, as shown below in the split of investments by sector.

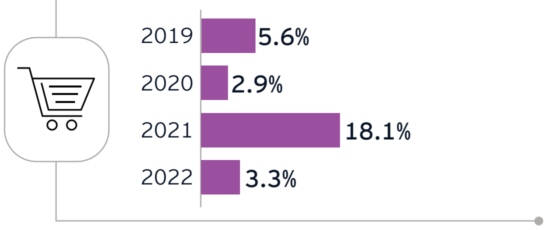
Cost of investments by sector, 2019-2022 (% of total cost)



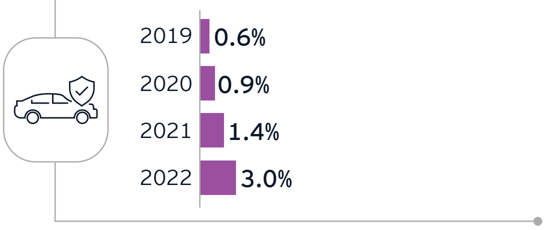
Services



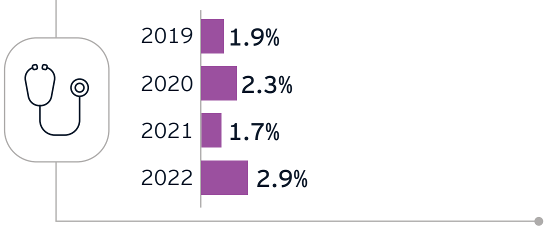
Retail



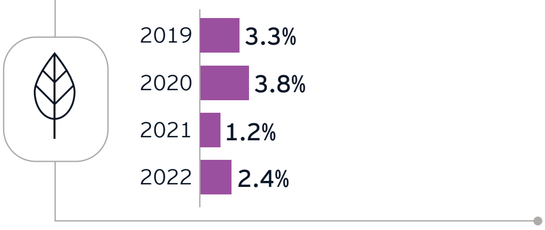
Travel & Leisure



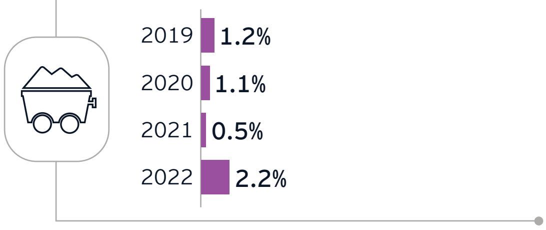
Healthcare



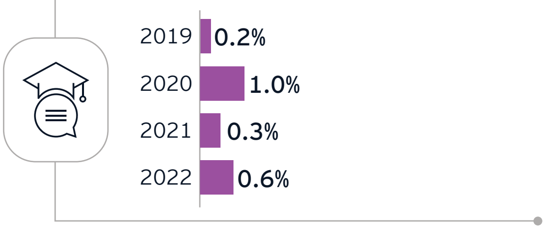
Agri & Agri processing



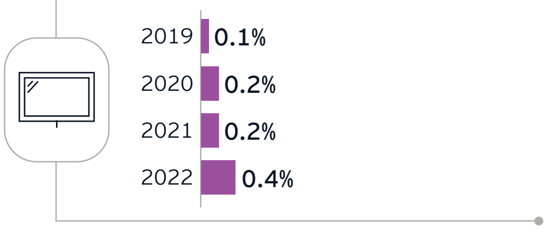
Mining & Natural resources



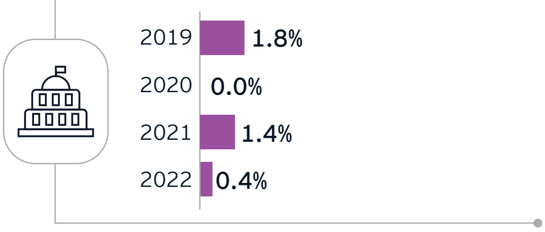
Education



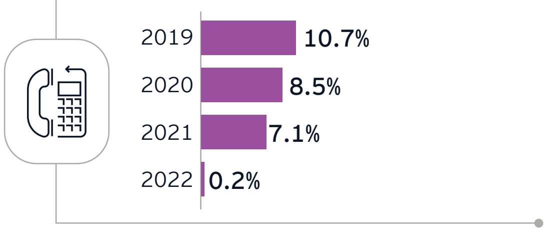
Media



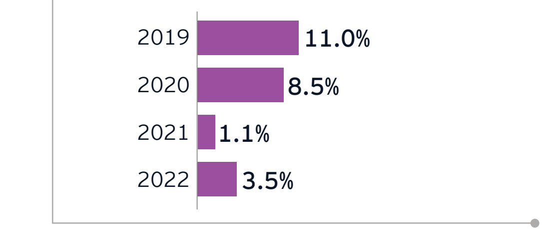
Infrastructure related services



Telecommunications



Others



The high inflationary environment globally has forced the imposition of hawkish monetary policies such as interest hikes and Southern Africa has also been impacted - with inflation and the repo rate each reaching 7% at the end of 2022 in Southern Africa. Such a macroeconomic environment causes investments to shift towards secular sectors and the same can be observed in South Africa and across Africa, where the infrastructure sector received most of the invested capital (36% of the total investment) in 2022. The sector provides stable returns, has inflation protection and is less dependent on the economic cycle.

Energy emerged as the second most prominent sector by garnering 17% of total investments. Increased interest in the energy sector can be attributed to PE firms' affinity towards renewable energy and the need for investments in energy in the region, both in South Africa as its energy crisis continues, as well as in the rest of Africa.

Number of investments by sector, 2022 (excl. Business Partners)

	2021			2022		
Sector	**South Africa%**	**Outside South Africa%**	**Total%**	**South Africa%**	**Outside South Africa%**	**Total%**
Energy & related	9.1%	36.0%	16.3%	8.1%	28.6%	11.1%
Information Technology	3.0%	5.6%	3.7%	11.8%	7.1%	11.1%
Banks, Financial Services and Insurance	12.1%	2.8%	9.6%	9.3%	3.6%	8.5%
Infrastructure	7.1%	19.2%	10.4%	5.6%	25.0%	8.5%
Manufacturing	5.1%	5.6%	5.2%	9.3%	-	7.9%
Real Estate	8.1%	5.6%		7.5%	7.1%	7.4%
Mining & Natural resources	4.0%	-	3.0%	8.1%	-	6.9%
Healthcare	4.0%	2.8%	3.7%	5.6%	7.1%	5.8%
Services	13.2%	2.8%	10.4%	6.2%	3.6%	5.8%
Agri & Agri processing	3.0%	2.8%	3.0%	3.7%	7.1%	4.2%
Media	2.0%	-	1.5%	2.5%	-	2.1%
Retail	5.1%	2.8%	4.4%	1.9%	3.6%	2.1%
Travel & Leisure	2.0%	5.6%	3.0%	0.6%	7.1%	1.6%
Education	1.0%	-	0.7%	1.2%	-	1.1%
Telecommunications	3.0%	5.6%	3.7%	1.2%	-	1.1%
Infrastructure related services	-	2.8%	0.7%	0.6%	-	0.5%
Other/unknown	18.2%	-	13.3%	16.8%	-	14.3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

By number of investments, energy and information technology emerged as the most active sectors – each contributing over 11% in deal volume – followed by infrastructure, and banks, financial services and insurance each contributing 8.5%. Investments in the energy and infrastructure sectors were more prominent in the rest of Africa than in South Africa. Information technology increased from the 9th most attractive sector in 2021 (3.7% of 2021 deal volumes) to the tied top sector in 2022. The proportion of deals in the services sector declined from being the 2nd most attractive in 2021 (10.4% of deals) to the 9th most attractive in 2022 (5.8% of deals).

06 Portfolio value creation

The analysis in this chapter includes employee, revenue, and EBITDA numbers (subject to availability of data) for portfolio companies held by Southern African PE firms across all of 2020, 2021 and 2022. It thus excludes acquisitions and/or disposals of portfolio companies made in the last three years and rather focuses on only those companies that formed part of the investment portfolio for all three years. Employee analysis covers 179 portfolio companies; revenue analysis covers 210 portfolio companies and EBITDA analysis covers 190 portfolio companies.

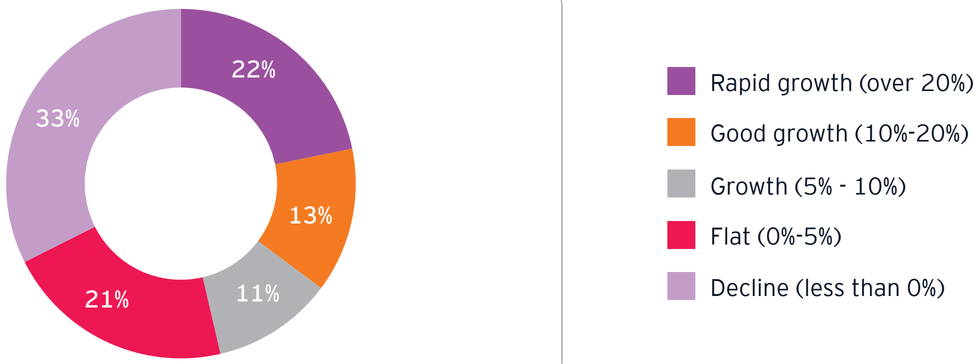
The portfolio company split by sector for each of employee numbers, revenue and EBITDA is shown below.

Sample size by sector

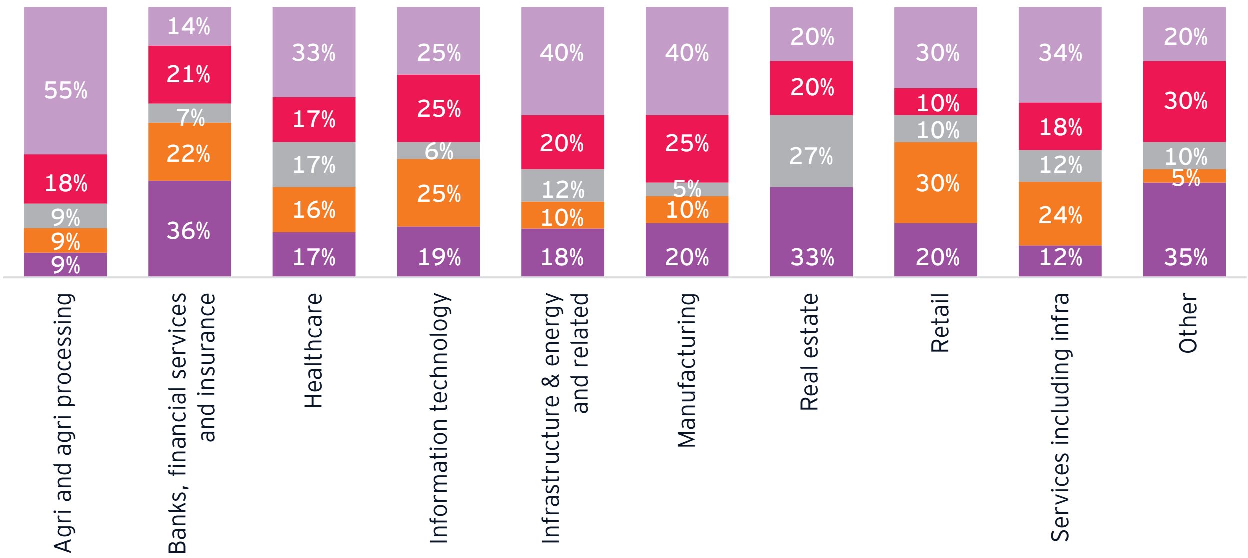
Sector	No. of companies reporting employee numbers	No. of companies reporting employee revenues	No. of companies reporting EBITDA
Agri and Agri processing	11	12	13
Banks, Financial Services and Insurance	14	12	11
Healthcare	6	9	6
Information technology	16	21	20
Infrastructure & Energy and related	50	54	61
Manufacturing	20	22	17
Real estate	15	34	29
Retail	10	21	17
Services including infra related services	17	10	6
Other	20	15	10
Total	**179**	**210**	**190**

Employee numbers

Overall employee growth (CAGR% 2020-2022) (n=179)



Employee growth by sector (CAGR% 2020-2022)



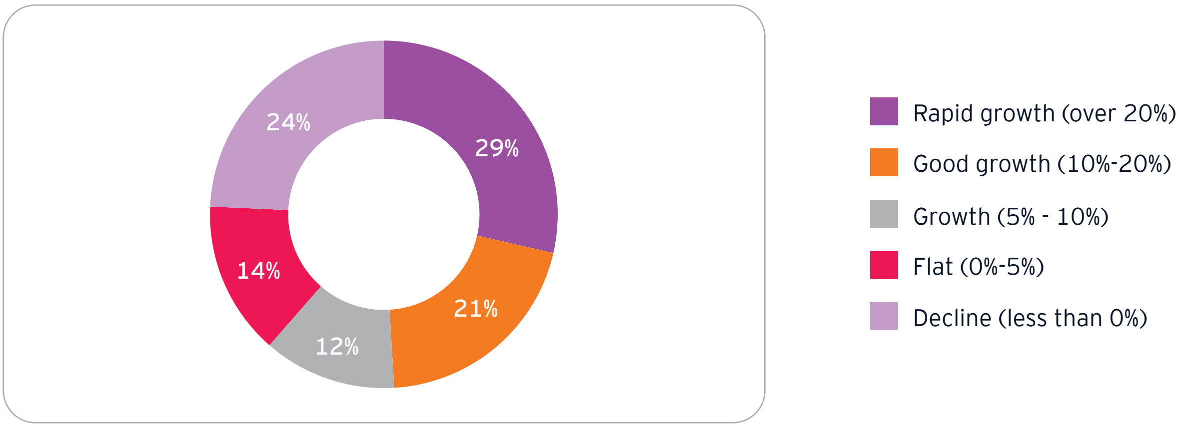
Analysis of employee numbers showed the variation within the portfolio companies of Southern African PE firms. 22% of portfolio companies reported rapid growth (more than 20% CAGR in 2020-2022) in employees, but for the same period, 33% of the portfolio companies reported a decline in employee numbers.

The analysis also indicates high variances across, and within, sectors. A high proportion (36%) of companies in the banking, financial services and insurance sector reported rapid growth in employee count, followed by real estate (33%). A sizable proportion of companies in agriculture (55%), infrastructure and energy (40%), and manufacturing (40%) sectors, however, saw declines in employee numbers.

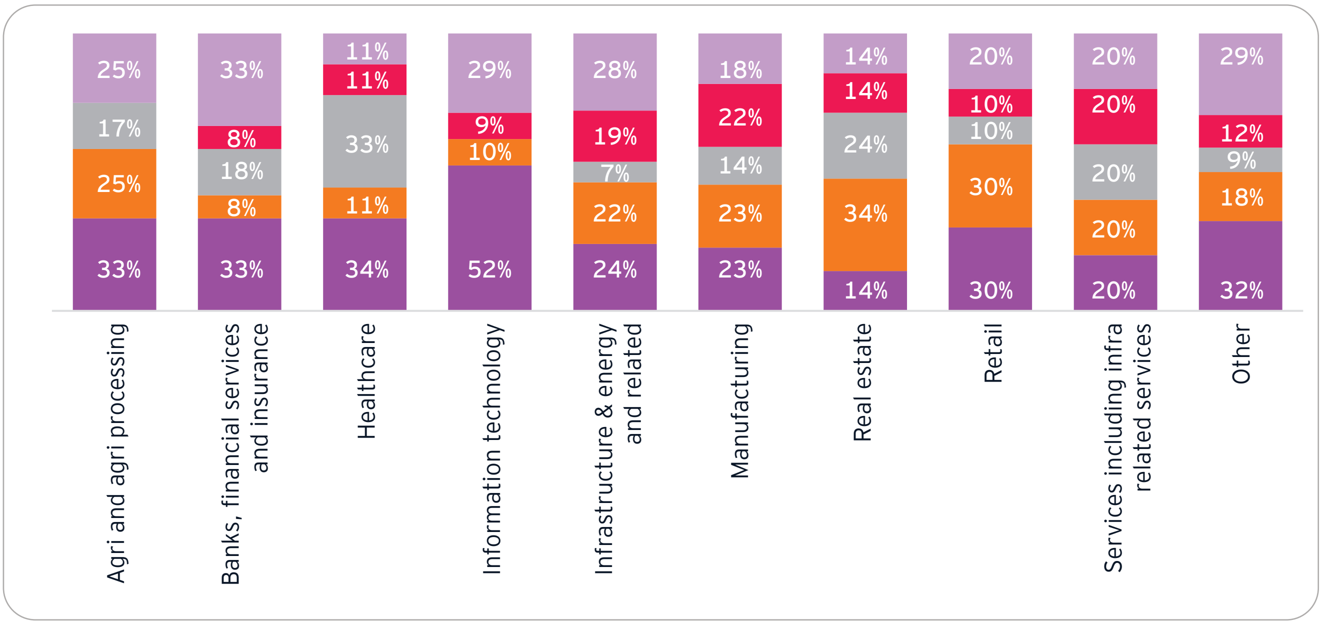
The rate of employee growth also varied across 2021 and 2022. While 33% of healthcare companies witnessed rapid growth of employees in 2021 (with 17% having a decline), this reversed in 2022 with only 17% of healthcare companies having rapid growth in employees and 33% declining. In the banking, financial services, and insurance sector, only 14% of the companies had rapid growth in employees in 2021, while 50% of these companies had rapid growth of employees in 2022.

Revenue

Overall revenue growth (CAGR% 2020-2022) (n=210)



Revenue growth by sector (CAGR% 2020-2022)



Most portfolio companies witnessed strong growth in their revenues from 2020 to 2022 with 29% experiencing rapid (more than 20% CAGR) growth and 21% experiencing good growth (10-20% CAGR). Approximately a quarter (24%) of the portfolio companies however reported a decline in revenues. The % of portfolio companies with declining revenues however decreased from 34% of companies in 2021 to 26% in 2022.

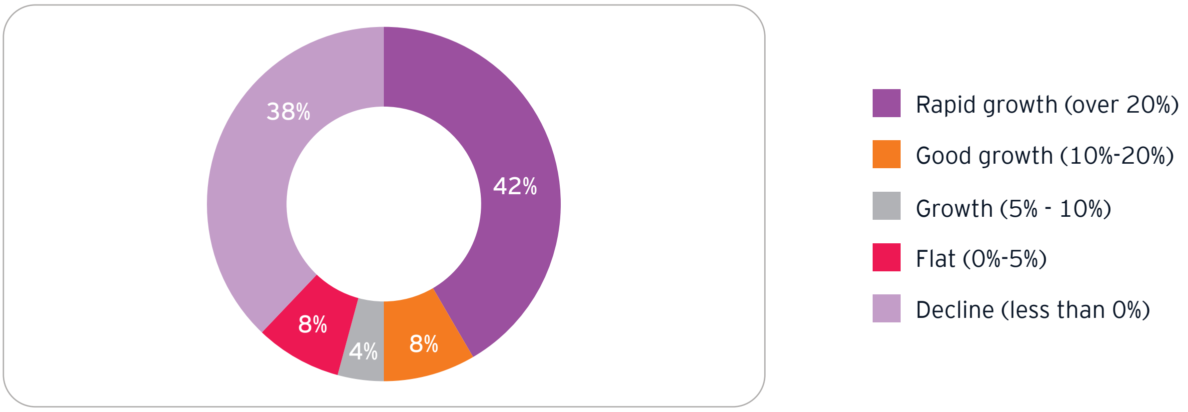
The revenue growth, despite the hardships caused by macro-economic and geopolitical headwinds, can potentially be attributed to the ability of PE firms to navigate an onerous environment. We do however also note that 2020 may be a low base due to the impact of the hard lockdowns during the earlier stages of Covid-19. The proportion of portfolio companies experiencing rapid and good growth however increased from 30% and 11% in 2021 respectively, to 35% and 16% in 2022, thus confirming more companies with strong growth in 2022 than in 2021.
The sustainability of this strong revenue growth is expected to play a crucial role in substantiating PE as a key private capital strategy in the region.

Companies operating in the information technology sector, appear to have performed the best during 2020 to 2022 with more than 50% of companies in the sector showing a revenue CAGR > 20%. There were however 29% of information technology companies that had a decline in revenues (a higher % than most sectors).

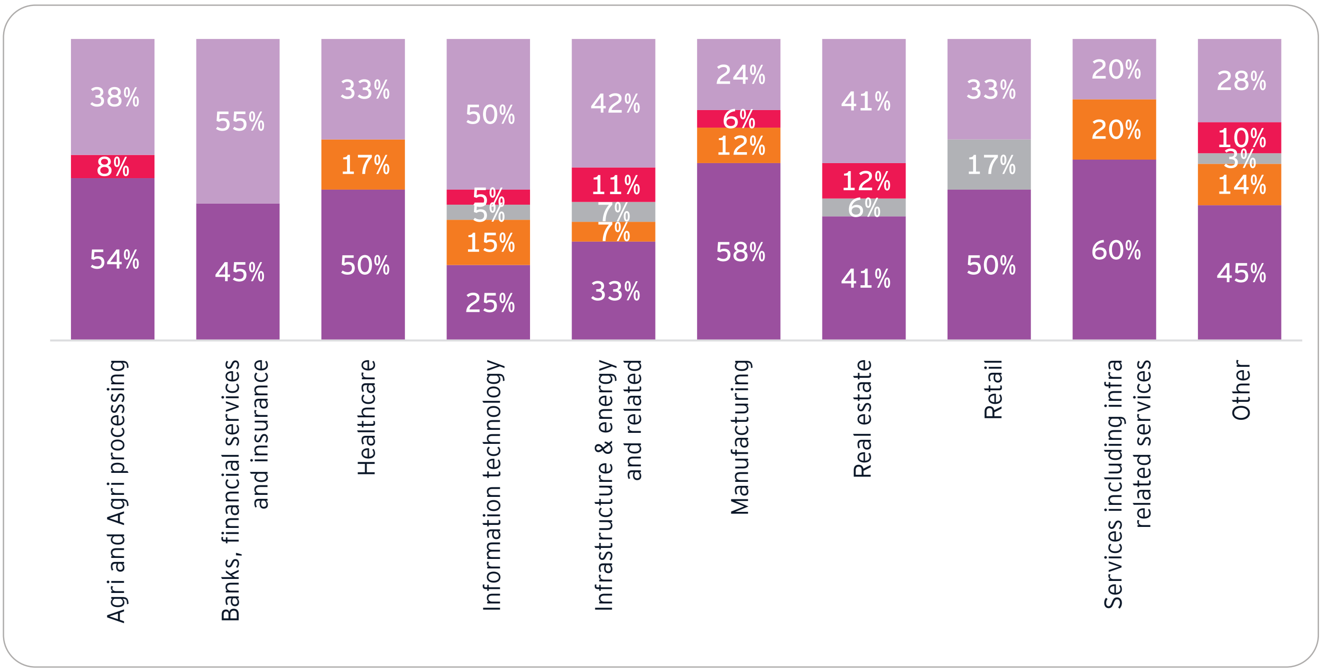
We also highlight a significant turnaround in revenues of portfolio companies in the Services sector. In 2021, 60% of Services sector companies reported a decline in revenue while 27% experienced rapid growth. However, in 2022, 47% reported rapid growth and only 13% experienced a decline.

EBITDA

Overall EBITDA growth (CAGR% 2020-2022) (n=190)



EBITDA growth by sector (CAGR% 2020-2022)



EBITDA growth varied even more than employee and revenue growth across the portfolio companies. While a majority (42%) reported rapid growth in EBITDA, contrastingly a sizable proportion (38%) reported a decline in EBITDA.

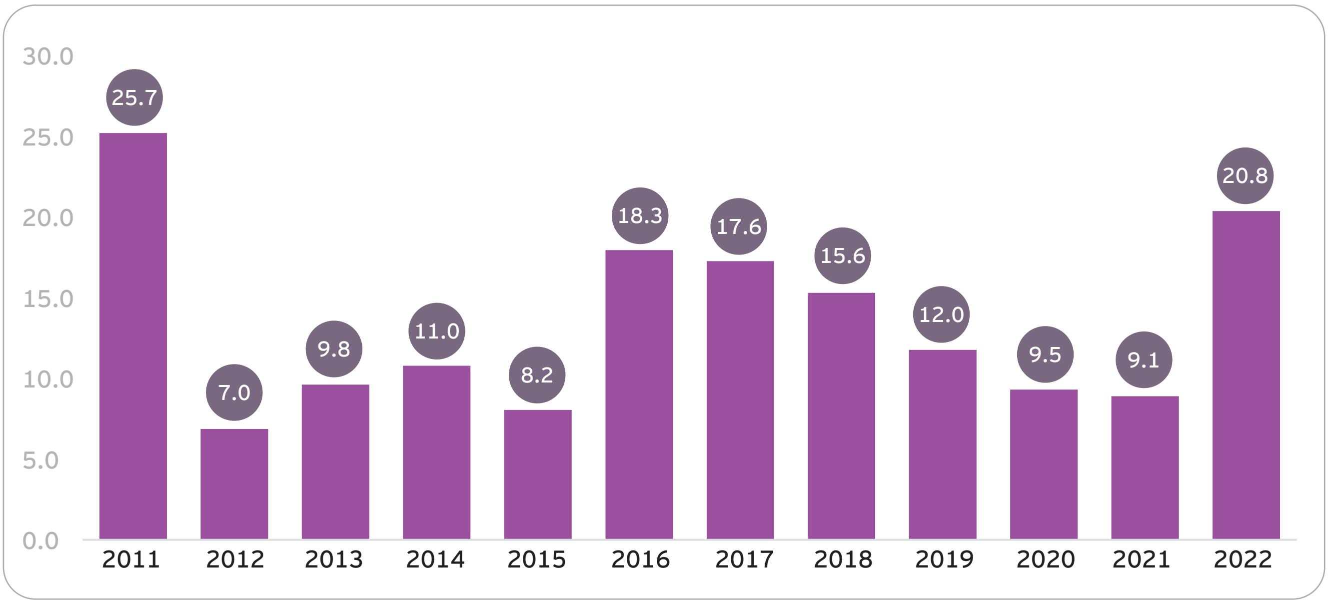
Further analysis also indicates that EBITDA growth was better in 2021 than in 2022. 45% of portfolio companies experienced rapid growth in 2021, declining to 34% in 2022, while the % of companies that experienced a decline in EBITDA increased from 35% in 2021 to 42% in 2022. The weaker 2022 performance occurred in most sectors, except for banking, financial services, and insurance, manufacturing, and real estate.

We also note that only 15% of portfolio companies in 2020 reported negative EBITDAs, while 17% and 15% of companies in 2021 and 2022 reported EBITDA losses. While the information technology companies had the greatest proportion of companies with rapid revenue growth (52%) between 2020 - 2022, this did not translate into EBITDA growth, as only 25% of IT companies had rapid EBITDA growth, the lowest % across all sectors. We also note that 8 of the 20 IT companies (40%) had negative EBITDA in 2022.

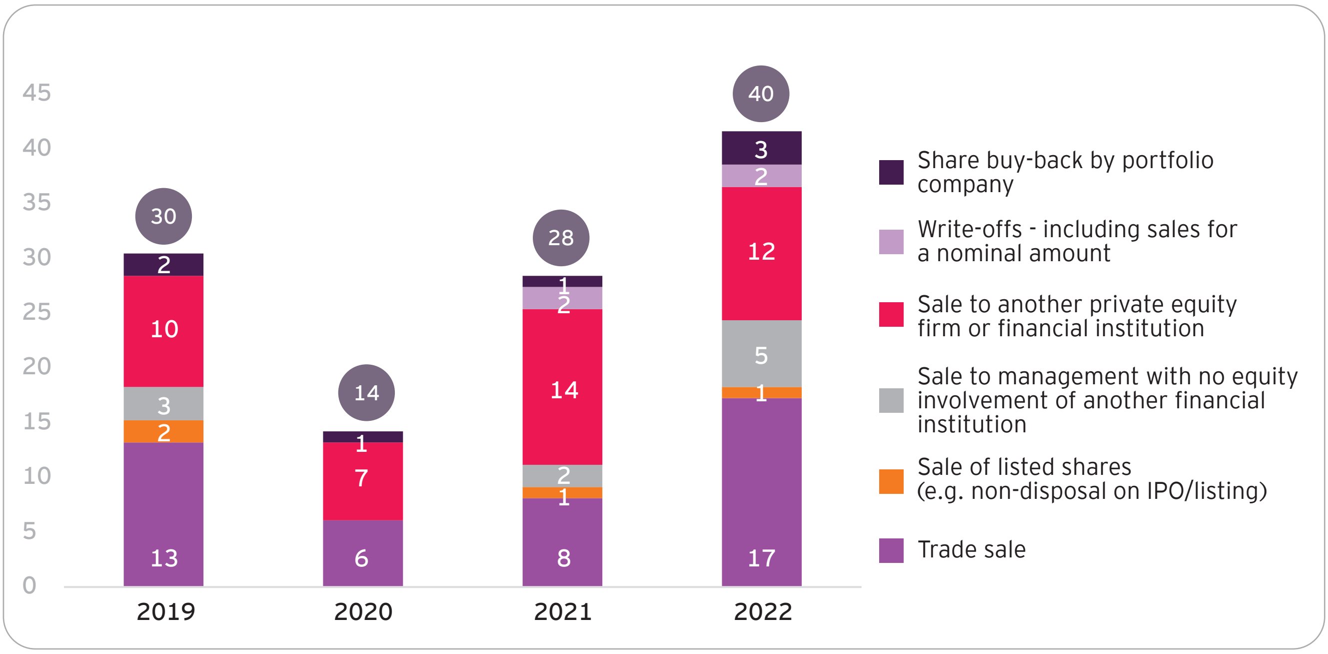
Portfolio companies in the services and manufacturing sectors appear to have had the best EBITDA performance.

07 Exit activity insights

Funds returned to investors, 2011-2022 (R bn)



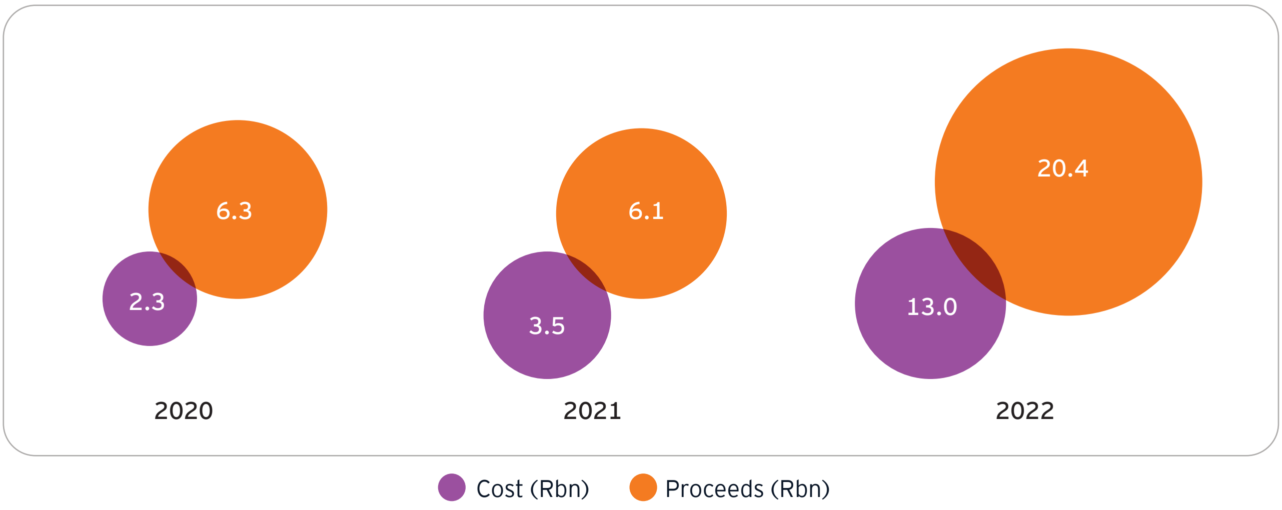
Number of exits (excluding Business Partners), 2019-2022*



*Number of exits are presented on an overall basis and does not include exits through repayment of preference shares / loans, dividends and interest payments and Other category.

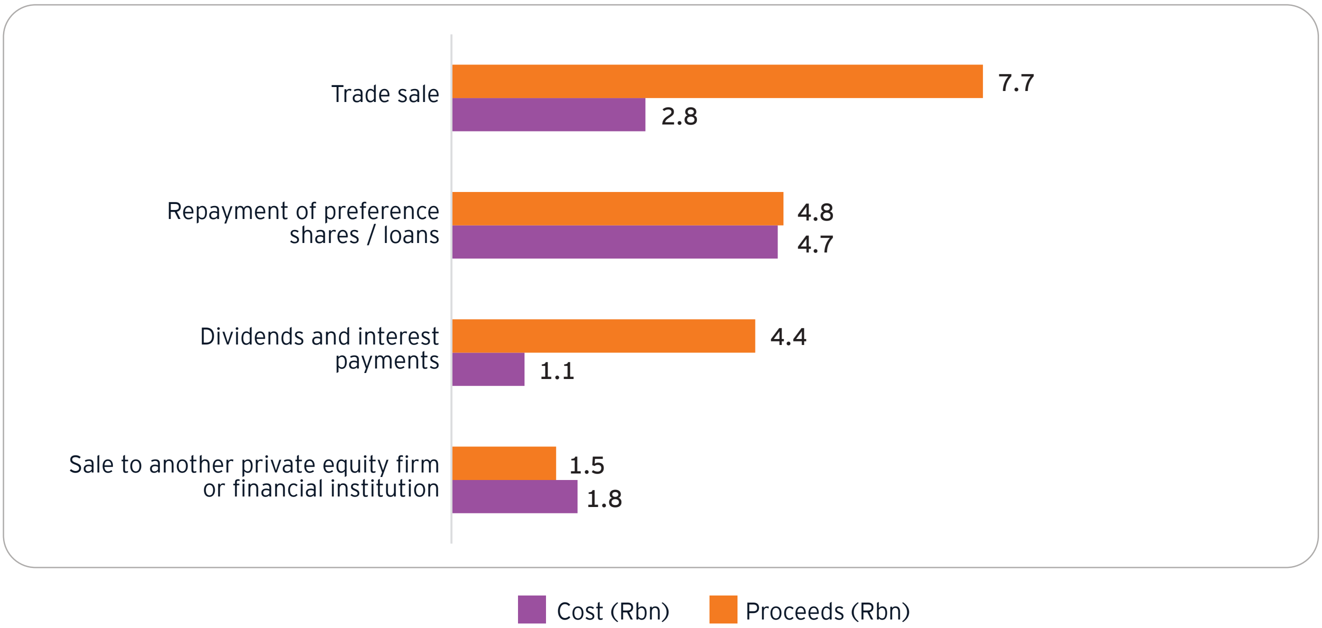
Contrary to global trends where PE exits were muted in 2022, Southern Africa PE firms witnessed a strong increase in both the value of exit proceeds (breaching the R20 bn level for the first time since 2011) and the number of exits (highest in the last four years). This is however more aligned to wider African PE exits trends based on the AVCA report for 2022. The spurt in PE exits in the region alludes to a phenomenon that PE firms are expected to realise their investments, even if the current challenging market conditions persist, in order to distribute capital back to the LPs and keep the investment cycle running.

Total proceeds and cost of investments exited, 2020-2022 (R bn)*



*Analysis includes only those exits where both proceeds and costs were provided by survey respondents.

Total proceeds vs. cost of investments exited by key exit type, 2022 (R bn) *

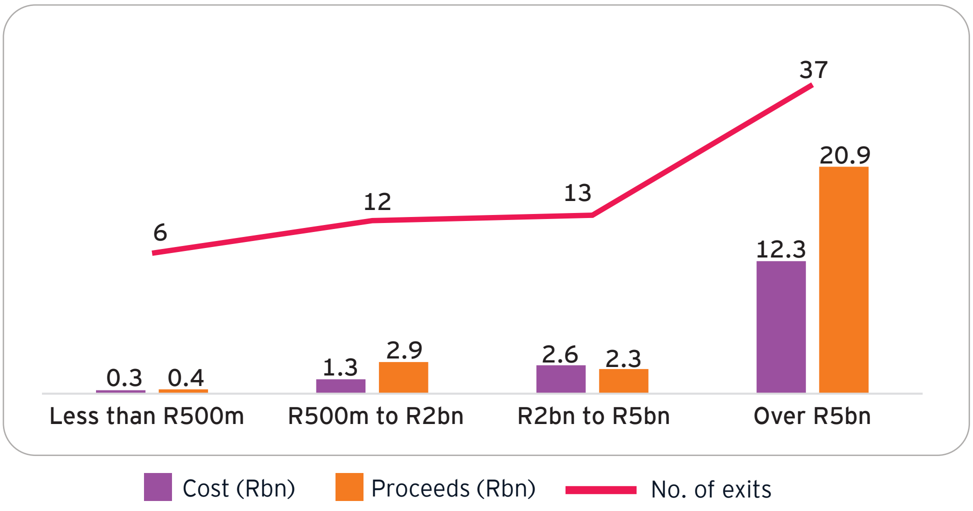


*Analysis includes only those exits where both proceeds and costs were provided by survey respondents; and where the number of exits were greater than five.

Despite 2022 being a strong year for exits in Southern Africa, the proportion of proceeds to investment cost continued to shrink reaching 1.6 times from 1.7 times in 2021 and 2.7 times in 2020. The decline in the proportion of proceeds to investment cost can be attributed to the large share of exit proceeds generated from the repayment of preference shares/loans. Excluding repayment of preference shares/loans and other unspecified forms of exits, the proportion of proceeds vs. investment cost increases to 2.2 times.

By exit routes, exits to trade buyers were not only the most common exit route, but they also generated the best proceeds relative to investment cost with returns of 2.7 times.

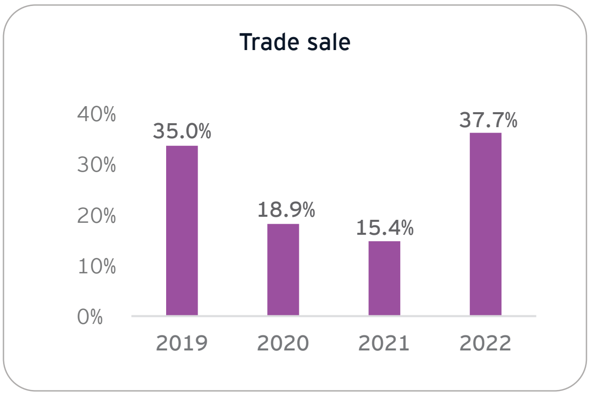
Breakdown of costs vs. proceeds and number of exits by PE firm size (FUM split), 2021 and 2022 combined*

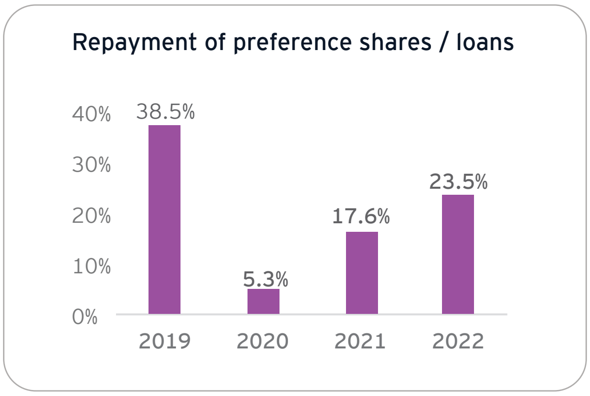


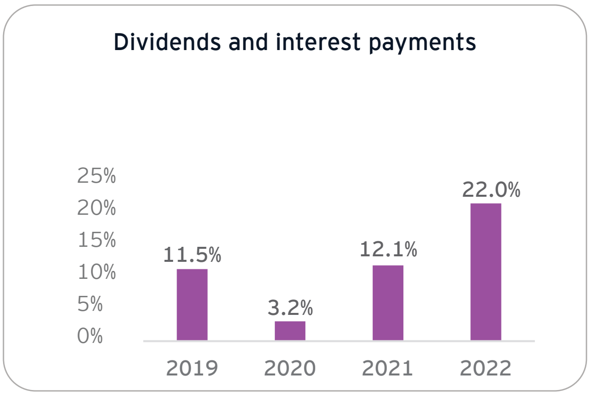
*Value of costs and proceeds in the analysis includes only those funds where both proceeds and costs were provided by survey respondents. Number of exits presented does not include exits through repayment of preference shares / loans, dividends and interest payments and Other category (i.e. on the same basis as the earlier chart with exit volumes).

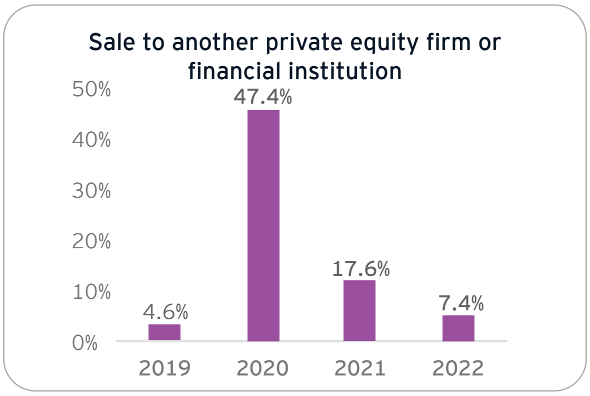
The larger PE firms dominated the exit environment in 2022 (81% of total disposal proceeds coming from PE firms with FUM > R5bn). This is more pronounced than in 2021, when exits achieved by large PE firms managing FUM > R5bn, garnered the most exit proceeds with 45%.

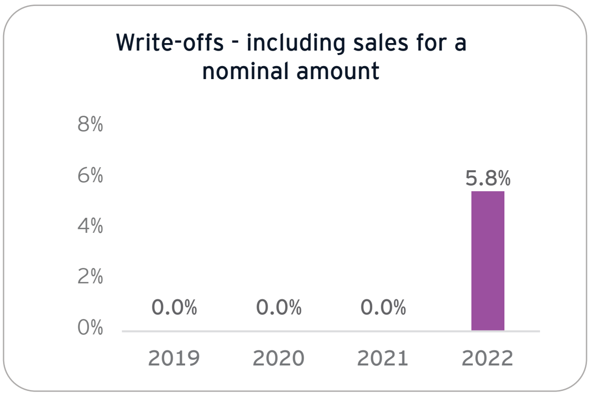
Proportion of funds returned based on exit route, 2019-2022 (% of total)

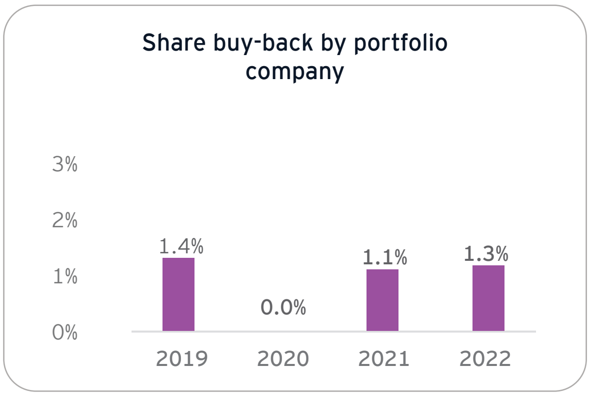


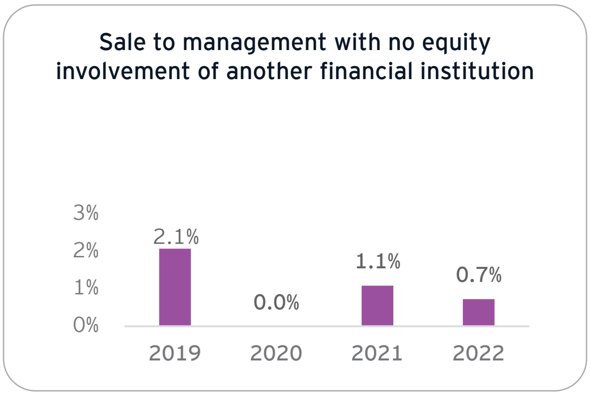


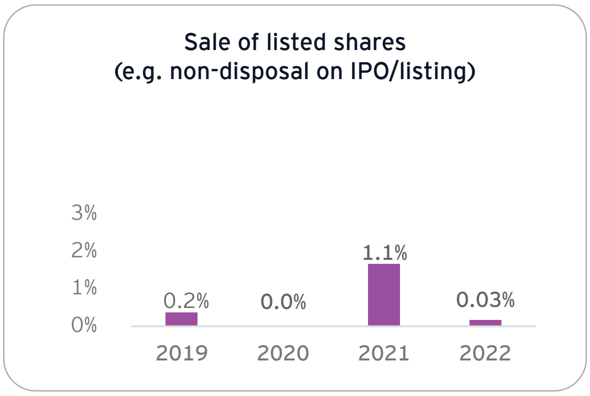


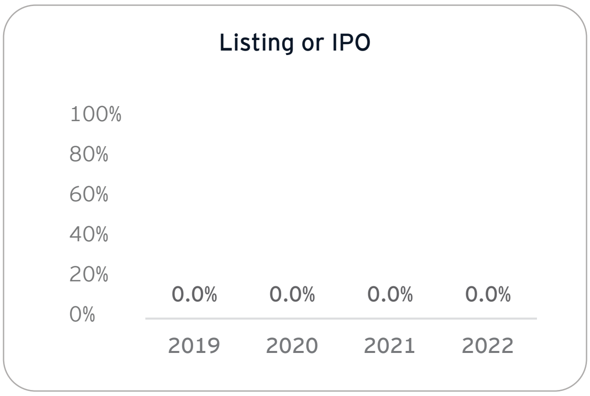


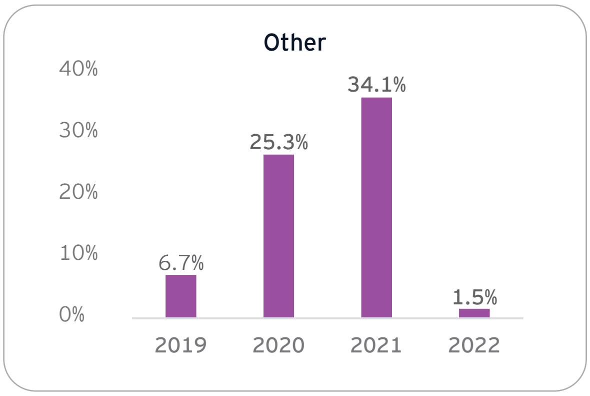

Write-offs - including sales for a nominal amount
8%
6%
4%
2%
0%
0.0%
0.0%
0.0%
5.8%
2019
2020
2021
2022


Share buy-back by portfolio company
3%
2%
1%
0%
1.4%
0.0%
1.1%
1.3%
2019
2020
2021
2022


Sale to management with no equity involvement of another financial institution
3%
2%
1%
0%
2.1%
0.0%
1.1%
0.7%
2019
2020
2021
2022

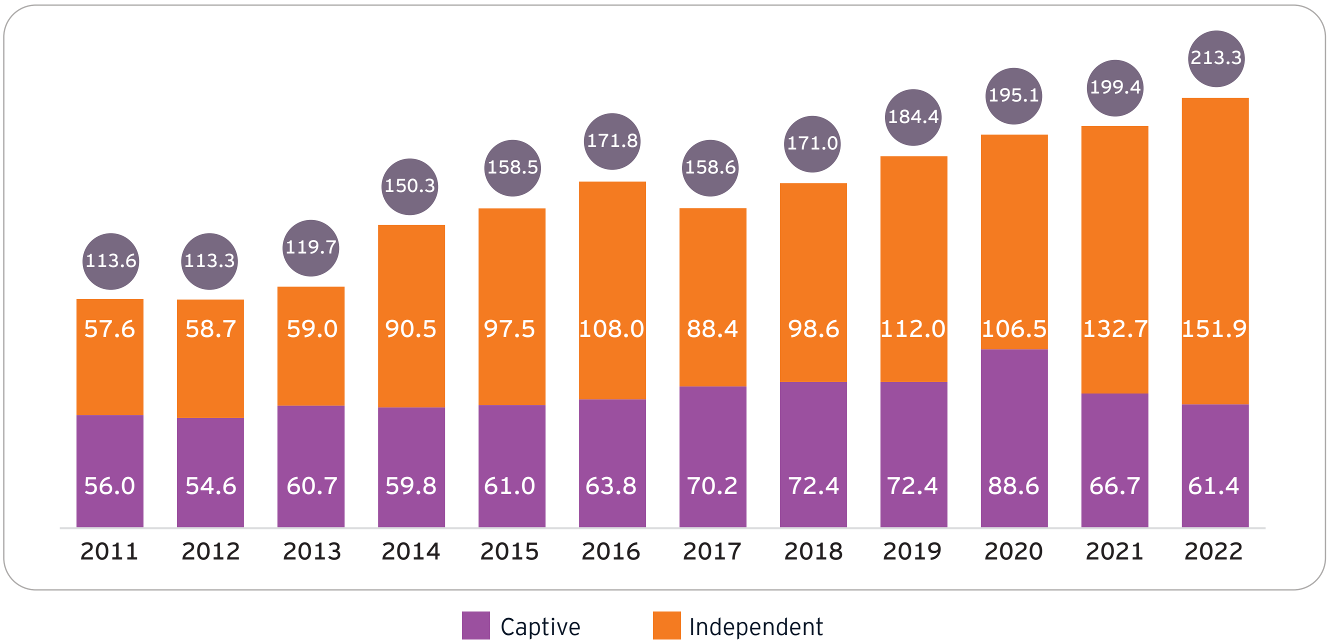

Sale of listed shares (e.g. non-disposal on IPO/listing)
3%
2%
1%
0%
0.2%
0.0%
1.1%
0.03%
2019
2020
2021
2022


Listing or IPO
100%
80%
60%
40%
20%
0%
0.0%
0.0%
0.0%
0.0%
2019
2020
2021
2022


Other
40%
30%
20%
10%
0%
6.7%
25.3%
34.1%
1.5%
2019
2020
2021
2022

08 Funds under management insights

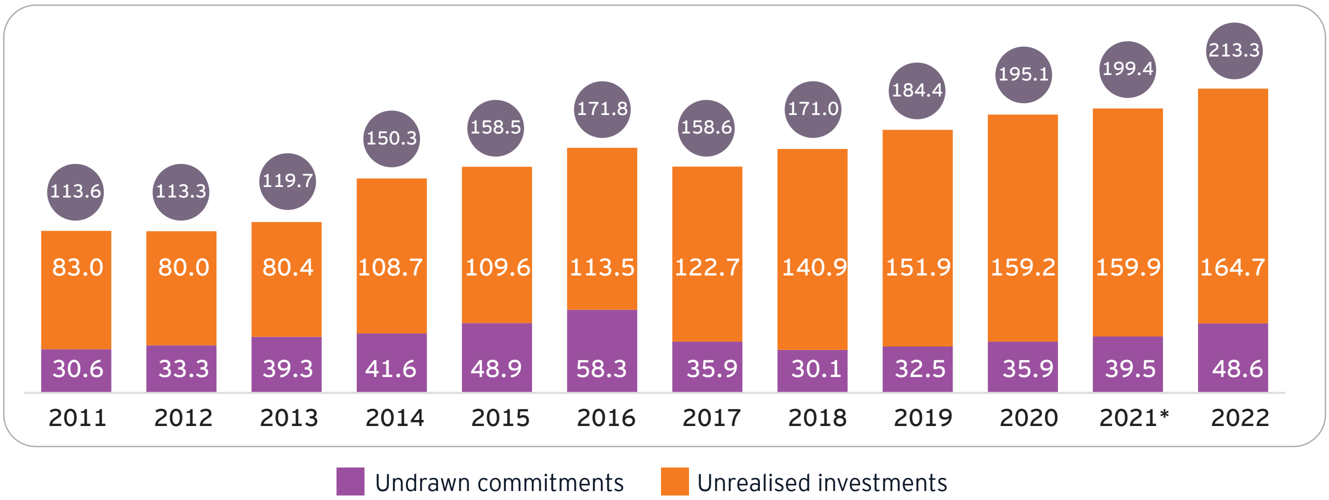
Funds under management by type of PE fund, 2011-2022 (R bn)



* The value of FUM for 2021 was revised based on amended values received from selected respondents as part of this year's survey.

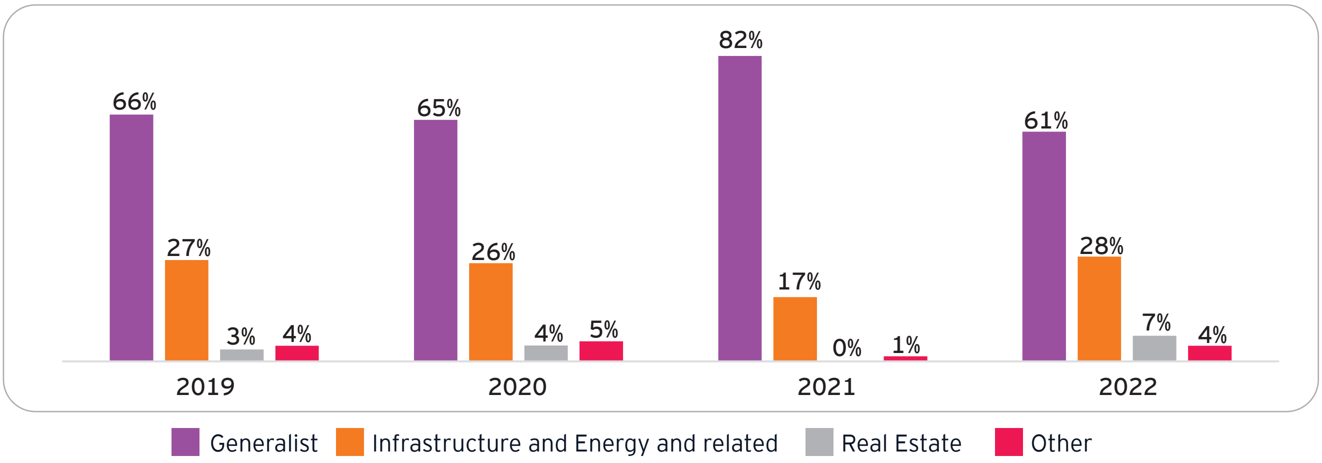
Fund under management (FUM) reached over R213bn and witnessed a y-o-y rise of 7% in 2022. While the value of FUM from captives witnessed a decline, the FUM from independent funds saw a substantial increase.
In 2022, the cost of undrawn investments witnessed a moderate increase of ~R4.8bn whereas undrawn commitments grew ~R12.7bn (35%) from ~ R36bn to ~R49bn. The growth in undrawn commitment capital can act as a catalyst for increases in Southern Africa PE deal making activity.

Composition of FUM by amount invested and undrawn commitments, 2011-2022 (R bn)

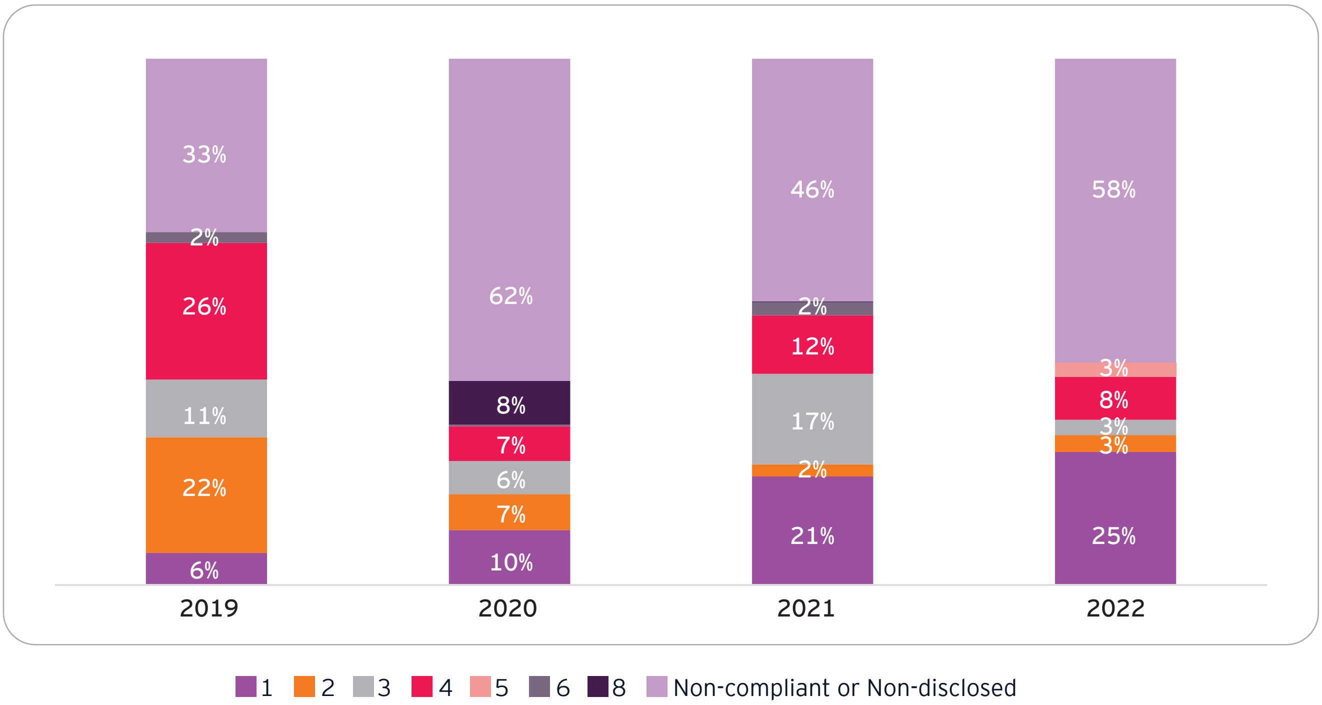


* The value of FUM for 2021 was revised based on corrected values received from selected respondents.

Composition of total FUM by focus of the fund
(% of total at 31 December 2019, 2020, 2021 and 2022)



Composition of FUM by B-BBEE level of fund manager 2019-2022
(% of total FUM)



*2021 values revised to consider updated more accurate information received as part of this year's survey.

09 Appendices

Appendix A: About The Survey

The SAVCA 2023 Private Equity (PE) Industry Survey is presented by SAVCA and EY. The survey is based on responses from 49 PE firms operating in Southern Africa. The survey covers analyses of the industry's strategic priorities, ESG and impact investing, talent, B-BBEE, fund raising, investment and divestment activity, and funds under management. The data is based on annual calendar year data up to 31 December 2022 (wherever possible). The level of detail that respondents have been able to provide varies and hence the more detailed breakdowns are based on the information available from the survey responses. Where more detailed information has not been provided by selected survey respondents, this is reflected in Other or Unallocated.

SAVCA reviews the report prior to its public release. SAVCA does not have access to any of the individually completed surveys submitted by PE firms 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 damages arising from errors or omissions in this report.

Appendix B: Data Tables

Fundraising

Funds raised by investment destination

R bn (unless reflecting by number/ volume)	2016	2017	2018	2019	2020	2021	2022
South Africa (R bn)	4.6	3.6	7.1	3.7	11.1	10.2	7.0
Outside South Africa (R bn)	5.6	3.9	5.7	18.0	5.8	6.0	12.6
Total	**10.2**	**7.5**	**12.8**	**21.7**	**16.9**	**16.2**	**19.6**

Source of funds raised by type of investor and geography							
	2016	2017	2018	2019	2020	2021	2022
Pension and endowment funds - SA	-	-	1.6	1.3	8.9	6.6	3.9
Pension and endowment - Non-SA	-	-	-	-	0.3	0.7	0.1
Government, aid agencies and Development Institutions (DFIs) - SA	-	-	-	-	1.3	0.6	0.3
Government, aid agencies and DFIs Non-SA	-	-	4.5	1.1	4.0	3.2	5.9
Insurance companies / institutions - SA	-	-	1.8	0.6	0.4	2.6	1.6
Insurance companies / institutions - Non-SA	-	-	-	-	-	0.5	0.0
Banks - SA	-	-	1.3	1.1	0.1	1.2	0.7
Banks - Non-SA	-	-	-	-	-	-	0.9
Corporates - SA	-	-	1.9	0.1	0.5	0.2	2.0
Corporates - Non-SA	-	-	0.1	-	0.5	-	1.3
PE fund of funds - SA	-	-	0.3	0.3	-	0.4	0.9
PE fund of funds - Non-SA	-	-	0.6	-	0.8	0.2	1.6
Private individuals and Family offices - SA	-	-	0.3	0.6	0.1	-	0.0
Private individuals and Family offices - Non-SA	-	-	0.4	1.6	-	-	0.3
Disposal proceeds available for investments and - SA	-	-	-	3.7	-	0.1	0.1
Disposal proceeds available for investments and - Non-SA	-	-	-	11.3	-	-	0.0
Total	**-**	**-**	**12.8**	**21.7**	**16.9**	**16.2**	**19.6**
South Africa total	4.6	3.6	7.2	7.7	11.3	11.6	9.4
Non-South Africa total	5.6	3.9	5.6	14.0	5.6	4.6	10.2
Total	**10.2**	**7.5**	**12.8**	**21.7**	**16.9**	**16.2**	**19.6**

Investments

Value of investments												
R bn (unless reflecting by number/volume)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
New investments	7.7	6.1	7.6	7.7	7.8	10.1	18.9	14.9	18.4	10.2	10.6	11.5
Follow-on investments	8.8	5.0	5.8	6.2	4.7	5.4	12.2	20.5	7.0	4.3	2.8	3.7
Others	-	-	-	-	-	-	-	-	-	-	1.5	-
Total investments	**16.5**	**11.1**	**13.4**	**13.9**	**12.5**	**15.5**	**31.1**	**35.4**	**25.4**	**14.5**	**14.9**	**15.2**

Number of investments (excl. Business Partners)					
	2018	2019	2020	2021	2022
New	162	132	73	53	72
Follow-on	282	117	96	82	117
Total	**444**	**249**	**169**	**135**	**189**

Value of investments by stage					
R bn (unless reflecting by number/volume)	2018	2019	2020	2021	2022
Start up and early stage	3.0	7.0	1.8	0.6	1.1
Expansion and development	16.0	13.2	6.1	7.6	10.2
Buy-out and replacement capital	15.1	5.2	6.6	5.2	3.8
Unclassified	1.3	-	-	1.5	-
Total	**35.4**	**25.4**	**14.5**	**14.9**	**15.2**

Exits

Exit proceeds												
Funds returned to investors by nature (R bn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Trade sale	-	-	-	-	-	-	-	5.6	4.2	1.8	1.4	7.7
Repayment of preference shares / loans	-	-	-	-	-	-	-	4.1	4.5	0.5	1.6	4.9
Dividends and interest payments	-	-	-	-	-	-	-	2.5	1.4	0.3	1.1	4.5
Sale to another PE firm or financial institution	-	-	-	-	-	-	-	0.9	0.6	4.5	1.6	1.5
Write-offs-including sales for a nominal amount	-	-	-	-	-	-	-	0.1	-	-	-	1.2
Other	-	-	-	-	-	-	-	2.3	0.8	2.4	3.1	0.5
Share buy-back by portfolio company	-	-	-	-	-	-	-	0.1	0.2	-	0.1	0.3
Sale to management with no equity involvement of another financial institution	-	-	-	-	-	-	-	-	0.3	-	0.1	0.2
Sale of listed shares	-	-	-	-	-	-	-	-	-	-	0.1	-
Listing or IPO	-	-	-	-	-	-	-	-	-	-	-	-
Total	**25.7**	**7.0**	**9.8**	**11.0**	**8.2**	**18.3**	**17.6**	**15.6**	**12.0**	**9.5**	**9.1**	**20.8**

Number of exits by type					
	2018	2019	2020	2021	2022
Trade sale	17	13	6	8	17
Sale to another PE firm or financial institution	7	10	7	14	12
Sale to management with no equity involvement of another financial institution	2	3	-	2	5
Share buy-back by portfolio company	3	2	1	1	3
Write-offs-including sales for a nominal amount	-	-	-	2	2
Sale of listed shares (e.g. non-disposal on IPO/listing)	-	2	-	1	1
Total number of exits (excluding Business Partners)	**29**	**30**	**14**	**28**	**40**

Funds Under Management

Funds under management by type of PE fund												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*	2022
Captive	56.0	54.6	60.7	59.8	61.0	63.8	70.2	72.4	72.4	88.6	66.7	61.4
Independent	57.6	58.7	59.0	90.5	97.5	108.0	88.4	98.6	112.0	106.5	132.7	151.9
Total	**113.6**	**113.3**	**119.7**	**150.3**	**158.5**	**171.8**	**158.6**	**171.0**	**184.4**	**195.1**	**199.4**	**213.0**

Composition of FUM by amount invested and undrawn commitments												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021*	2022
Undrawn Commitments	30.6	33.3	39.3	41.6	48.9	58.3	35.9	30.1	32.5	35.9	39.5	48.6
Unrealised Investment	83.0	80.0	80.4	108.7	109.6	113.5	122.7	140.9	151.9	159.2	159.9	164.7
Total FUM	**113.6**	**113.3**	**119.7**	**150.3**	**158.5**	**171.8**	**158.6**	**171.0**	**184.4**	**195.1**	**199.4**	**213.3**

* The value of FUM for 2021 was revised based on amended values received from selected respondents.

Appendix C: Glossary of Terms

B-BBEE	Broad-Based Black Economic Empowerment, 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
CAGR	Compound Annual Growth Rate
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.
DE&I	Diversity, equity, and inclusion
Development capital	Funding for growth and expansion of a company
DFIs	Developmental Finance Institutions
ESG	Environmental, Social and Governance
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	PE funds where funds were raised mainly from third party investors
IPO	Initial public offering: when a company's equity is offered and listed on a formal stock exchange
Late stage funds	Funds focused on buyout, replacement capital and growth capital
Non-controlling interest	An ownership position wherein a shareholder owns less than 50% of outstanding shares and does not have control over decisions
PIPE	A private investment in a public equity (PIPE) deal is a way for publicly traded companies to raise private capital quickly in a difficult market environment.
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. The proceeds of replacement capital transactions are generally paid to the previous owners of the entity.
SAVCA	The Southern African Venture Capital and PE Association
Share buy-back by portfolio company	The practice where companies decide to purchase their own share from their existing shareholders/investor
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
Trade sale	Sale of a business to an industry third party
UK	United Kingdom
Undrawn commitment	Capital committed to a PE fund, but not yet drawn down for investment purposes
US	United States of America

Appendix D: Respondents*

PE firm	Website
Africa Lighthouse	www.africalighthouse.com
Agile Capital	www.agilecapital.co.za
AIIM	www.aiimafrica.com
Alt Capital	www.altcapitalpartners.co.za
Ascension Capital Partners	www.ascensioncapital.com
Ata Capital	www.atacapital.co.za
AWCA Holding	www.awcainvest.co.za
Business Partners	www.businesspartners.africa
Capitalworks	www.capitalworksip.com
Convergence Partners	www.convergencepartners.com
Ditiro Capital	www.ditirocapital.co.za
Empowerment Capital	www.empowerment.capital
EOS Capital	www.eoscapital.com.na
Ethos	www.ethos.co.za
Exeo Capital	www.exeocapital.com
Harith	www.harith.co.za
Heritage Capital	www.heritagecapital.co.za
IDC	www.idc.co.za
IJG Capital	www.ijg.net
Infra-Impact	www.infraimpact.co.za
Inspired Evolution	www.inspiredevolution.co.za
Ke Nako Capital	www.kenakocapital.co.za
Kleoss Capital	www.kleosscapital.com
Mahlako	www.mahlako.co.za
Medu Capital	www.meducapital.co.za
Mergence	www.mergence.co.za
Metier Capital	www.metier.co.za
Nedbank PE	www.nedbank.co.za
Ninety One	www.ninetyone.com
Novare	www.novare.com
Old Mutual Alternatives	www.oldmutualalternatives.com
PAPE	www.papefunds.co.za
Pembani Remgro	www.pembani-remgro.com
Phatisa	www.phatisa.com
Resolve SA	www.resolvesa.co.za
Revego	www.revegoenergy.com
RMB Corvest	www.rmbcorvest.co.za
RMB Ventures	www.rmbventures.co.za

SA SME	www.sasmefund.co.za
Sanari Capital	www.sanari.co.za
Sanlam PE	www.sanlaminvestments.com
Senatla	www.senatlacapital.com
Tamela	www.tamela.co.za
Trinitas	www.trinitaspe.co.za
Vantage	www.vantagecapital.co.za
Verdant Capital	www.verdant-cap.com
Vuna Partners	www.vunapartners.co.za

* The above list of respondents is only those who confirmed that their name could be included in a list of respondents. Other respondents are anonymous.

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Notes

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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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