SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

SAVCA PRIVATE EQUITY INDUSTRY SURVEY 2024

Research partner

EY
Building a better working world

Foreword

Seeking Synergies and forging Collaborations in unprecedented times

Where does one even begin?

With so much happening both locally and internationally, 2024 has truly ushered in transformative energy. Here at home, it is indeed an era of firsts on South African soil. In our relatively young democracy, we are now, for the first time, witnessing our very first coalition government – truly an unprecedented time! Whilst South Africans have had divergent views and reactions to this outcome, we must commend the speed with which President Ramaphosa composed his Cabinet. It is, however, now critical for the 7 parties that make up the Cabinet of the Government of National Unity (GNU) in this 7th administration, to be comfortable with holding opposing ideologies, whilst still functioning as a collective, to put South Africa first. I reckon that it's a resounding call for this shared government to tap into SAVCA's very own 2024 theme - **Synergy with Collaboration** – to envision an inclusive nation.

The reforms that have been underway in the public sector, especially in stabilising energy supply, reducing the cost of digital communications, ensuring sustainable water supply, and competitive freight transportation, are expected to continue. In its April Monetary Policy Review, the Reserve Bank underscored the importance of the implementation energy and logistics reforms, if growth is to improve.

It is incumbent upon business leaders to be inspired by these developments. The GNU provides a crucial opportunity for all parts of our society to actively commit resources to drive sustainable growth in the country. Mobilising all our citizens to be meaningfully involved in the economy, investing in the growth of our businesses, from early stage to well established, and creating an enabling environment for capital to flow into those sectors of our economy that will enhance our competitiveness and labour absorption, must lie at the heart of this growth agenda.

Political analysts have hailed 2024 as the 'Ultimate Election Year'. Among the countries that will be visiting the polls, are the USA, Russia, South Korea, Iran, Mexico, Belgium, UK, France, Namibia, and Ghana. Our eyes and ears remain firmly focused on developments, as many of these election outcomes, coupled with the continuing Russia-Ukraine and Israel-Hamas wars, will continue to impact, and influence the macro climate and knock-on effects.

Against this backdrop, I am excited to share the key Private Equity Industry Survey 2024 highlights. It is my hope that these highlights will inform and contribute to enhanced decision-making by our stakeholders in the face of a volatile environment.

Key findings: A quick snapshot

The 2024 report showcases business activity and trends for the 2023 calendar year, with global trends incorporated where relevant, and illustration of the region's performance from year to year.

Senior management in PE firms are concerned with the macro environment and outlook, fundraising challenges, and valuation mismatches. This notwithstanding, business sentiment remains positive and with good reason too. Fundraising saw an impressive 43% jump in 2023 (highest in 13 years, from R19.6bn to R28.1bn), whilst exits proceeds increased to R21.3bn from R20.8bn – the highest level of proceeds since 2011.

A notable 62% of PE firms expect high (57%) or very high (5%) deal flow in 2025 and 51% of the survey respondents expect accelerated growth of their FUM compared to 38% in last year's survey. Consistent with this positive outlook, 41% of PE firms in the region expect an increase of 10% or more in exit activity, compared to 24% by their global counterparts.

On the sustainability front, LPs expect fund managers to continue to pay attention to ESG, particularly with regards to measuring portfolio company performances against specific ESG metrics and increasing ESG reporting altogether. We once again saw steady growth on most diversity and inclusivity metrics, with a slight drop in female representation of at least 30% within portfolio company boards (down from 19% to 14%).

International sources of capital continue to feature prominently in fundraising efforts - this picture may begin to change if fund managers' expectations for increased allocations from local pension funds on the back of Regulation 28 come to fruition in the medium term. Private capital offers a compelling mechanism for exposure to infrastructure and other sectors not easily accessible through traditional assets with equity markets.

PE well placed to drive growth

The 2024 survey solidly affirms that the PE sector is still seeing noticeable growth and perhaps even untapped potential. Despite economic upheavals, alarming political climates, and indirect international pressures, the sector continues to push through and demand attention as an asset class, providing competitive returns, impact, and resilient investment.

We look forward to fostering an environment of collaboration and productive synergies amongst our stakeholders, for the prosperity of our industry, economy, and society.

Vote of thanks

I would like to take some time to thank our valued Members, especially those who were able to participate in this year's survey, ensuring that we can once again deliver quality insights. Many thanks to our research partner, EY, for another year of meticulous work and dedication. We look forward to continuing our partnership to deliver this important body of work on behalf of the industry.

We trust that this report will serve as your trusted source of PE trends over the next year.

Regards,

Tshepiso Kobile,
SAVCA CEO

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Southern Africa PE Survey Highlights

Broader strategic shifts

While expectations for deal making in 2024 are more subdued than expectations in last year's survey, **62%** of PE firms expect high (57%) or very high (5%) deal flow in 2025, reducing to 59% beyond 2025.

More PE firms (**51%** of respondents) expect accelerated growth of their FUM in this year's survey compared to last year's survey (38%).

The **Top 3** concerns of Southern African PE firms for 2024 are macro environment and outlook, fundraising challenges and valuation mismatches; which are consistent with the top 3 concerns of global PE firms, albeit in a different order. Macro outlook is the top concern for Southern African PE firms (3rd globally), while fundraising challenges is the top concern globally (2nd for Southern African PE firms).

Southern African PE firms are more optimistic of an increase in exit activity in the next 6 months than global PE firms - **41%** expect an increase of 10% or more versus 24% expecting that level of increase in exits globally.

Whilst expectations around the change in allocations by pension funds remain similar to last year, the timing there of is different, with an increasing proportion of PE firms (34%) expecting pension fund investors to take more than 24 months to increase their allocation to Private Equity, up 13 percentage points from last year (21%).

ESG and impact investing

The **Top 2** key areas where LP investors are putting pressure on PE firms relating to ESG are: 1) measure portfolio company performance against specific ESG metrics; and 2) increase reporting on ESG.

35% of PE firms surveyed have dedicated ESG professionals.

Similar to last year, **55%** of respondents (57% last year) confirmed that they have an impact investing mandate, however fewer PE firms without an impact investing mandate (65% vs. 79% last year) are likely to consider such a mandate in the next 5 years. This reduced interest in impact is counter international trends and may result in reduced focus in Southern Africa on using impact to drive enhanced returns.

How are PE firms driving transformation

49% Proportion of PE firms with over 30% of their Board being women (vs. 42% last year).

Notably, the proportion of firms with over 30% of women promotions increased across all levels – 31% at mid-level (vs. 29% last year), 23% at senior decision making level (vs. 0% last year) and 25% at board level (vs. 12% last year).

Female representation of at least 30% within portfolio company Boards declined (14% this year vs. 19% last year) as well as within portfolio company executive management (11% this year vs. 14% last year), indicating this continues to be an area for improvement to enhance gender diversity within portfolio management teams and Boards.

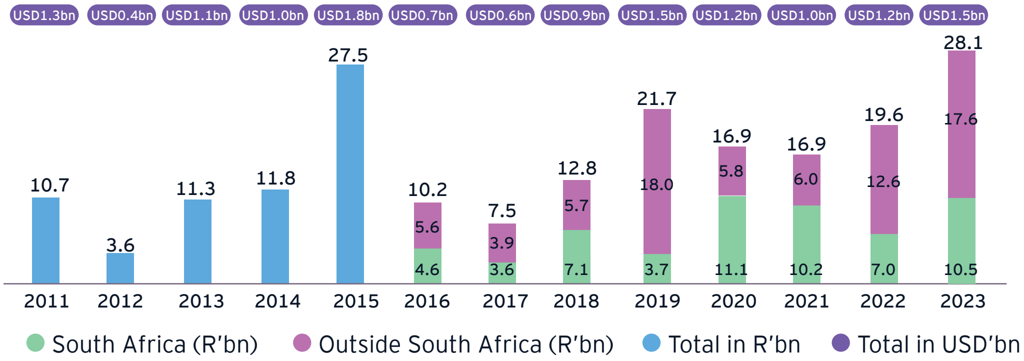
16% PE firms with over 50% black female ownership, up from 8% last year.

62% PE firms with more than 50% black management, up from 60% last year.

28% Proportion of the PE sector's FUM managed by B-BBEE Level 1 fund managers, up from 25% in 2022.

Fundraising

R28.1bn Funds raised in 2023, 43% higher than the R19.6bn raised in 2022 and the highest amount of funds raised in ZAR over the last 13 years (fundraising in 2015 was higher in USD).



76% of funds raised were by PE firms with FUM of more than R5bn.

59% of funds raised were from investors outside South Africa, up from 51% in 2022 and 31% in 2021, with European and US investors making up 45% and 22% of investments from outside South Africa, respectively.

R11.3bn Investment from non-South African DFIs, aid agencies and other government investors, up from R5.9bn in 2022, more than double any year in the last four years.

R6.2bn Investment from South African pension and endowment funds, up from R3.9bn in 2022.

Investment activity

In 2023, there was a 3% increase in the value of investments made by PE firms (**R15.7bn** vs. R15.2bn in 2022), however the number of deals declined (146 deals vs. 189 in 2022).

58% Proportion of investments (by number) made by PE firms with FUM of over R5bn versus only 11% of investments done by these firms in 2022.

By sector, investments in energy and related sectors (**34%** by deal value and 15% by deal volume) were most prominent, followed by manufacturing with 12% of deal value and 8% of deal volume. Infrastructure deals fell from 36% of investments (by deal value) in 2022 to 10% in 2023.

Portfolio value creation

39% of PE portfolio companies (for which the survey respondents provided portfolio company information for 2021, 2022 and 2023 as part of this year's survey) had growth of 5% or more in the number of employees. This is however in contrast to 35% 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.

36% of PE portfolio companies had rapid (more than 20% CAGR) revenue growth from 2021 to 2023, with companies in the information technology and financial services sectors appearing to perform the best (55% of IT and 53% of financial services companies had a CAGR of more than 20%). Conversely, the services sector appeared to be the most challenging with 30% of portfolio companies in this sector experiencing declining revenues.

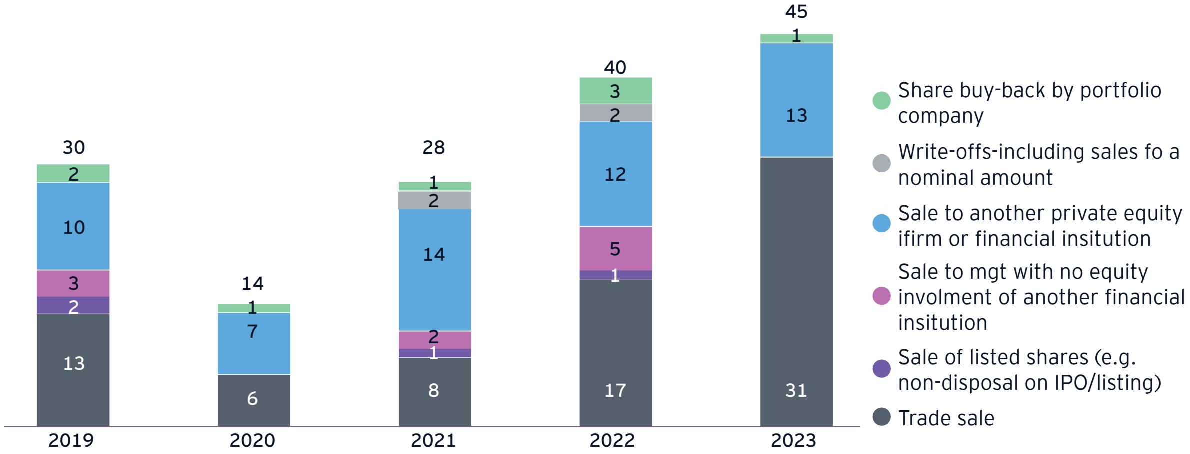
43% of PE portfolio companies had rapid (more than 20% CAGR) EBITDA growth. However, a large proportion (30%) also experienced declining EBITDAs. PE firms are thus needing to consider all levers they're able to pull to turnaround the profitability of struggling portfolio companies.

Portfolio companies in the manufacturing, retail and infrastructure & energy-related sectors had the highest proportion (55% for each of these sectors) of businesses with rapid EBITDA growth, however conversely the retail sector also had a high proportion of companies with declining EBITDA (45%). The agri sector was worst hit with 50% of portfolio companies in this sector reporting declining EBITDA.

Exit activity

Exit proceeds increased marginally to **R21.3bn** in 2023, up from R20.8bn in 2022 and the highest level of proceeds since 2011.

The number of exits also increased from 40 in 2022 to **45** in 2023, with exits to trade buyers being the key driver of the increased exit volumes (up from 17 in 2022, to 31 in 2023).



Exits to trade buyers was also the largest exit route by value of proceeds (R10bn or 48.4%) and also appeared to show the best returns with proceeds being **1.9 times** the cost of the investment (although only marginally higher than the overall average of 1.7 times).

R18.9bn Exit proceeds of large PE firms (those with FUM of more than R5bn) in 2023, being over 90% of exit proceeds (for exits where proceeds and costs are available) and represents 39 exits.

Funds under management

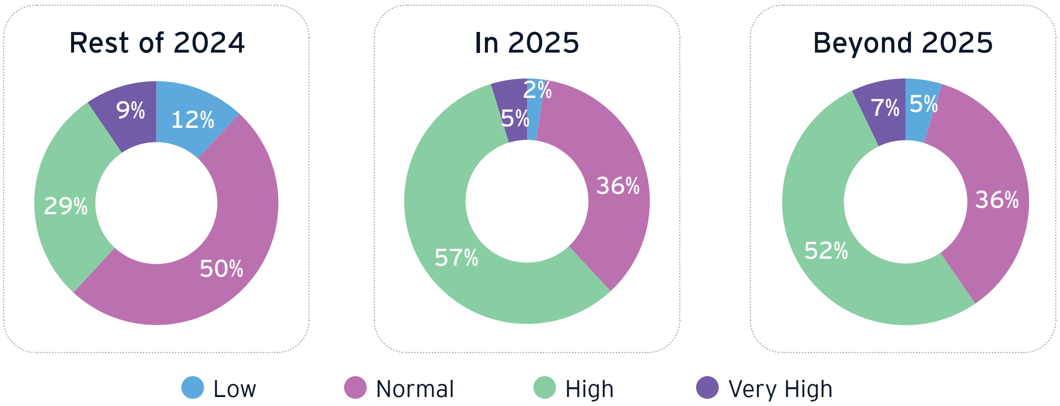
FUM increased 11% to **R237.0bn** as at 31 December 2023, up from R213.3bn as at 31 December 2022.

Undrawn commitments (dry powder) at **R60.7bn** represents 26% of FUM (up from 23% in 2022), suggesting that PE firms are struggling to find attractive companies to invest in.

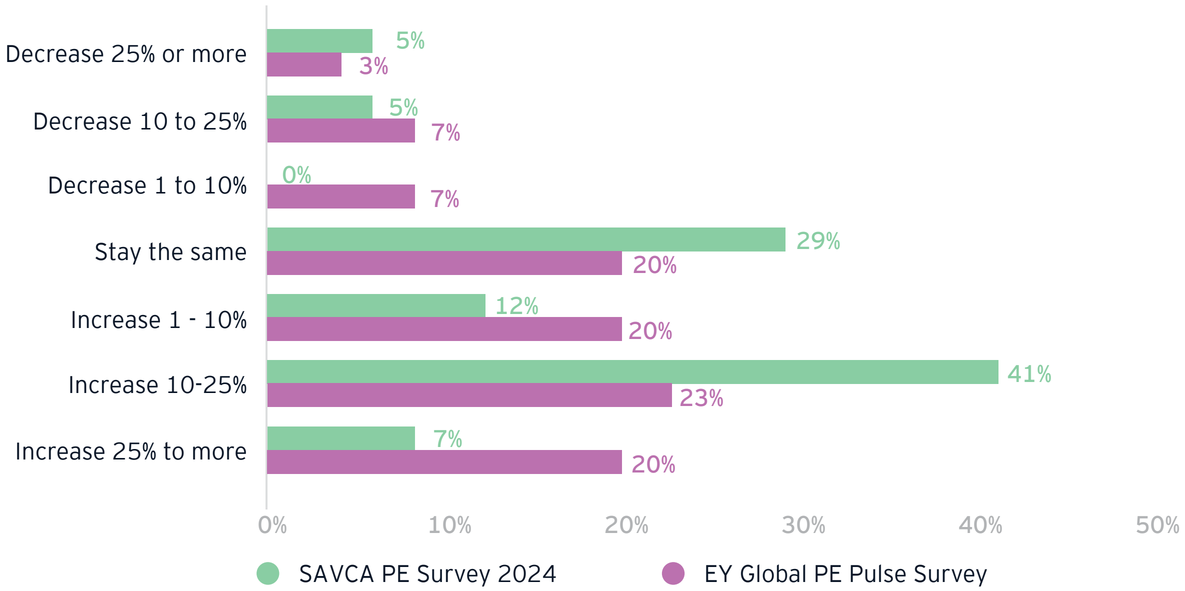
The increase in FUM was driven by independent fund managers which increased their FUM from R151.9bn at 31 December 2022 to **R179.7bn** at 31 December 2023.

01 Broader strategic shifts

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



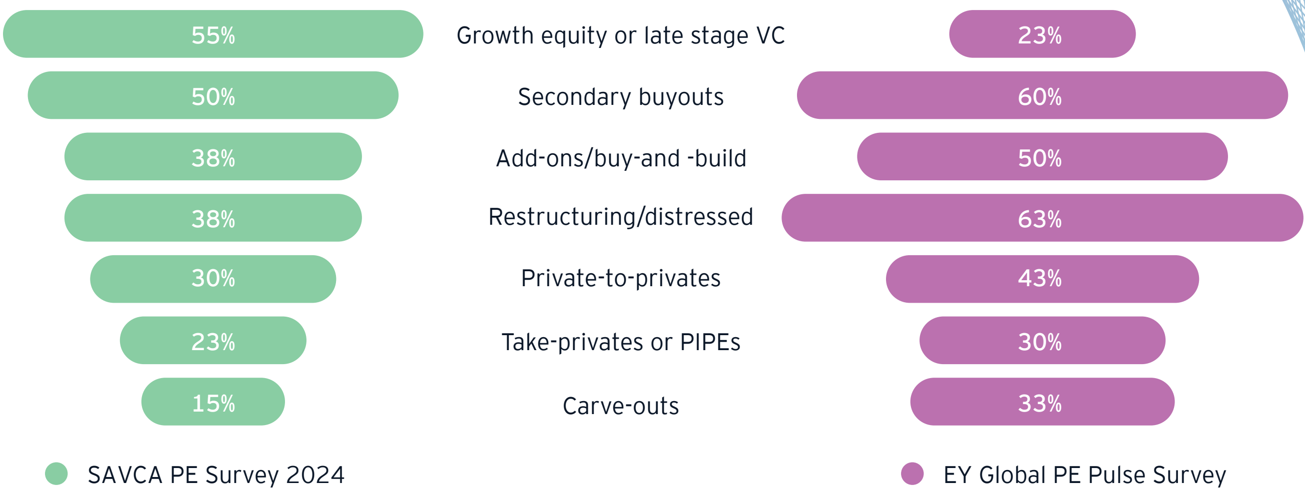
How do you think your firm's deployment activity will change over the next six months (EY Global PE Pulse Survey) or for the rest of 2024 (SAVCA PE Survey)?



As Southern African PE firms have become accustomed to operating in a challenging macro-economic environment, coupled with better clarity of this macro environment, enhanced visibility on interest rates and a sense of a narrowing bid-ask range, 50% of PE firms expect deal making to remain at normal levels for the remainder of 2024 and 29% of firms expect high deal flow. This is in line with their perception of 2024 in last year's survey (with 47% and 29% expecting normal and high deal flow, respectively). The proportion of PE firms that expect very high deal activity has however decreased from last year's survey, both for 2024, as well as 2025 and beyond.

PE firms in Southern Africa have similar views on deployment activity in the coming six months to their global counterparts. Though the proportion of firms expecting increases in investment activity remain similar for both global (at 63%) and Southern African (60%) PE firms, there is a greater proportion of PE firms in Southern Africa that expect an increase of 10% or more (48%) compared to global counterparts (43%), although there is more optimism of significant increases (> 25%) in deployment globally (20%) than in Southern Africa (7%). Another positive observation is that fewer Southern African firms expect a decline in capital deployment (10%) than their global counterparts (17%).

Are there particular types of deals where you expect an increase in market activity in 2024?*



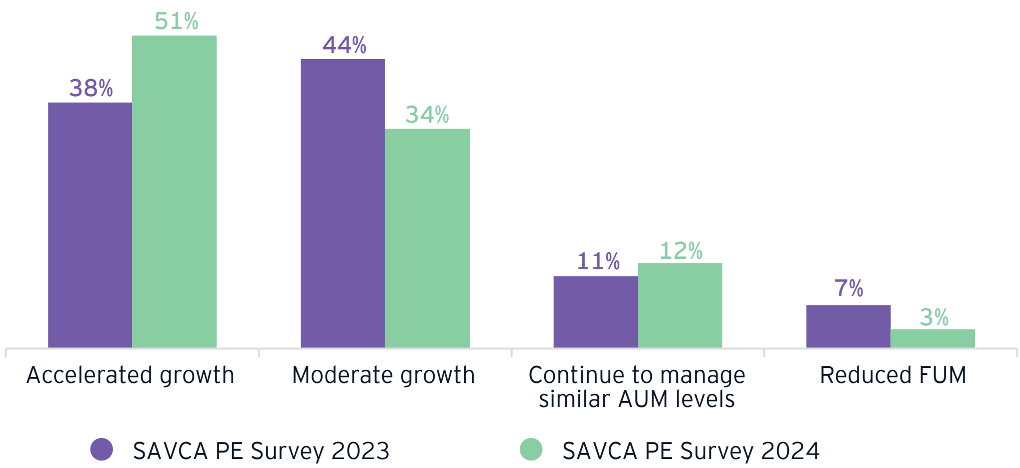
*Participants could choose multiple options in the survey

PE firms in Southern Africa (55% of surveyed firms) expect capital deployment to increase in growth equity and late-stage VC which is in contrast to global firms that expect PE investment in growth and late-stage VC to be the least. This contradiction could be explained by the relative availability of investment opportunities in Southern Africa, it being a geography where large investments are not easily available, the prominence of growth and/or late stage VC opportunities, and these types of deals being targeted more by Southern African PE firms.

Most global PE firms (63%) anticipate investment to be deployed for restructuring and distressed situations, while only 38% of Southern African PE firms expect such capital deployment.

Both Global and Southern African firms seem to agree on an increase in secondary buyouts, which displays PE firms' confidence in companies already held by other PE investor(s). Moreover, expectation of current PE investors' requirements to continue achieving exits and providing liquidity to LP investors, is likely bolstering PE firms' anticipation of secondary transaction opportunities.

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



Most PE firms (85% of the respondents) in Southern Africa anticipate moderate to accelerated growth in their assets over next three years, with a greater proportion now foreseeing accelerated growth (51%) compared to last year's expectations (38%) – this confidence is a strong positive indicator for the future of the PE sector.
This confidence in growth is also corroborated by the increased fundraising achieved in 2023 (refer to section 4 of the report for further information).

What are your top strategic priorities aside from asset growth?*

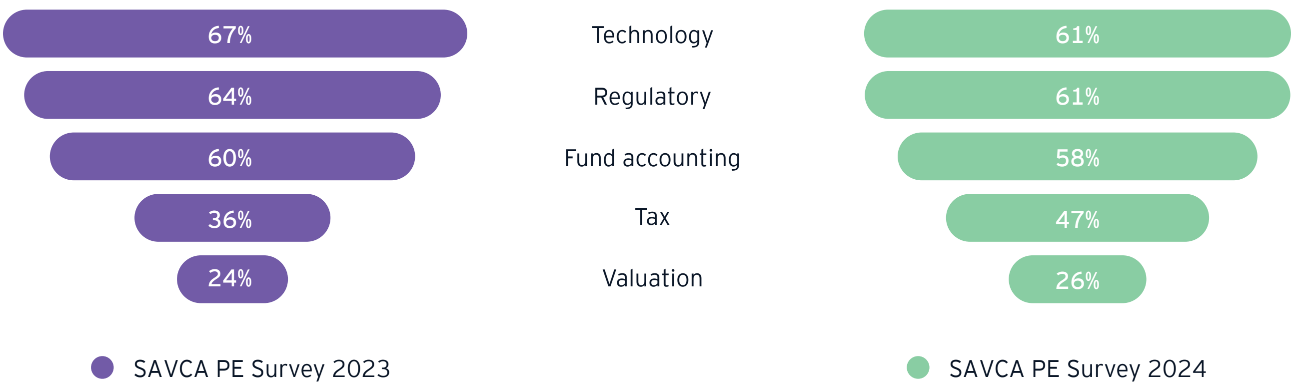
*Participants could choose multiple options in the survey

In 2023, product/strategy expansion emerged as the primary strategic priority for over 50% of Southern African PE firms. The trend is similar to what is observed globally - PE firms are diversifying and increasing the products offered, such as private credit and investing in infrastructure. Private credit provides higher risk-adjusted returns when compared to other fixed-income instruments and infrastructure investments provide an inflation hedge to PE firms investing in this area. PE firms have also leveraged strategic partnerships to grow in the insurance space. Globally, strategic collaborations such as Carlyle-Fortitude, Blackstone-Resolution, and KKR-Global Atlantic, amongst others, have helped in scaling the AUM of the PE firms and provided perpetual capital.

ESG and Talent management, though declining slightly this year compared to last year's survey, have remained strong areas of strategic priority.

Simultaneously, improving back-office processes, and cost management remain low on the priority list of Southern African PE firms.

What functions have you outsourced to third parties?*

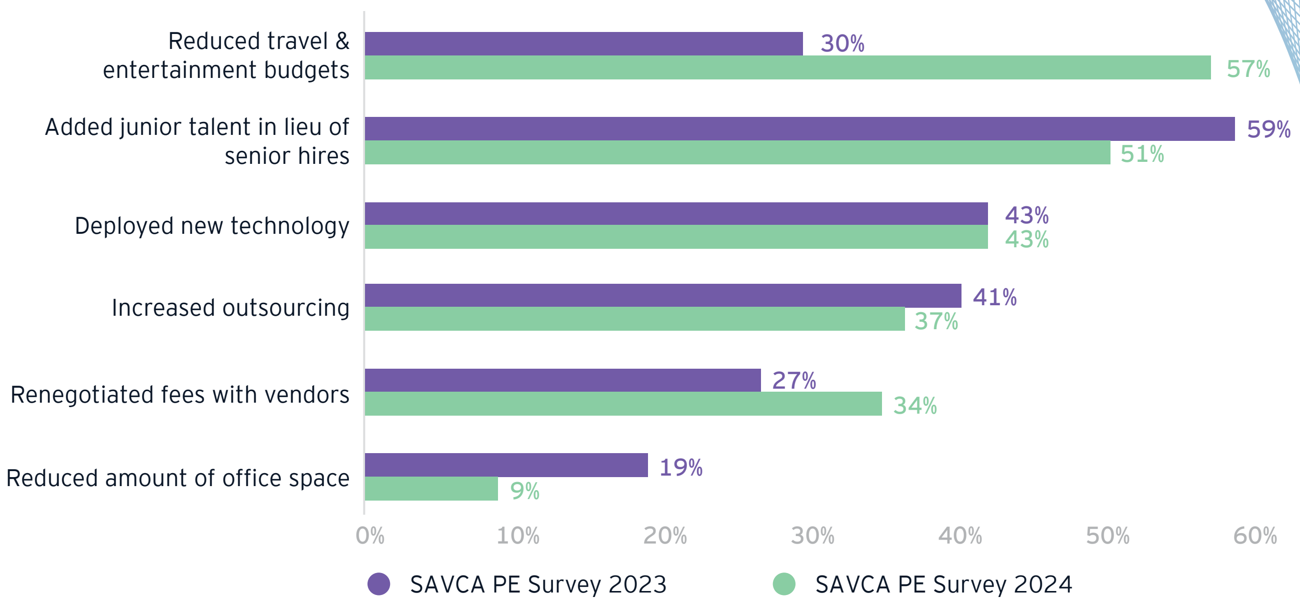


*Participants could choose multiple options in the survey

Technology and regulatory (each 61%) remained the top two functions that PE firms in Southern Africa prefer to outsource. Fund accounting followed closely at 58%.

Compared to the 2023 survey, the largest change is an increase in PE firms considering outsourcing their tax function.

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



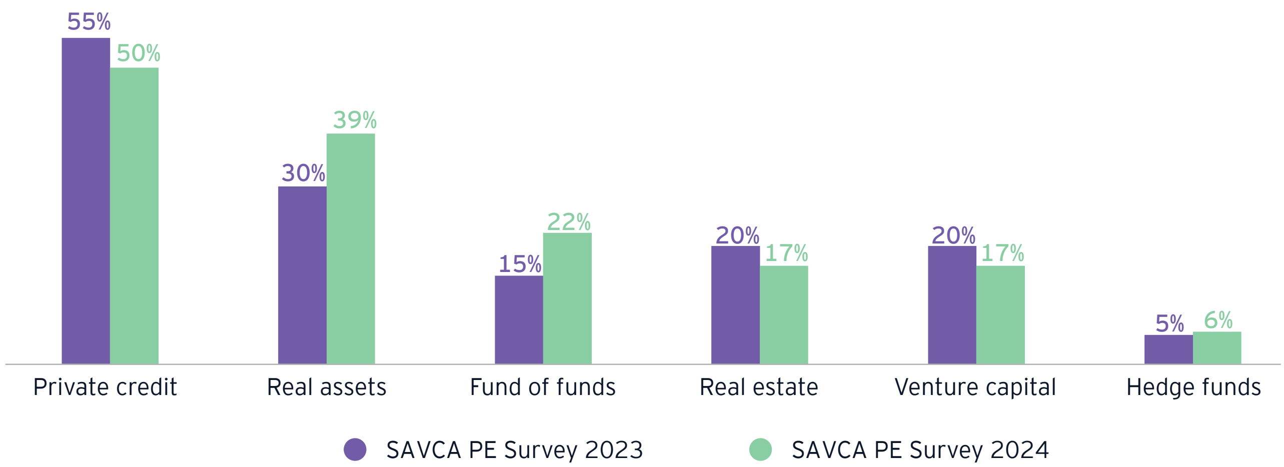
*Participants could choose multiple options in the

In 2023, PE firms reduced their travel and entertainment budgets to alleviate cost and improve margins, 57% of participants chose this strategy to reduce their costs, which is almost double the proportion of PE firms compared to last year. After reduction in travel and entertainment budgets, adding junior talent and deployment of technology remained the next most favoured cost containment measures at 51% and 43%, respectively.

PE firms also shifted their focus toward more renegotiation of vendor fees - with more than one-third PE firms undertaking this approach - it witnessed an increase of seven percentage points in comparison to last year.

Diversification of FUM and the investor base

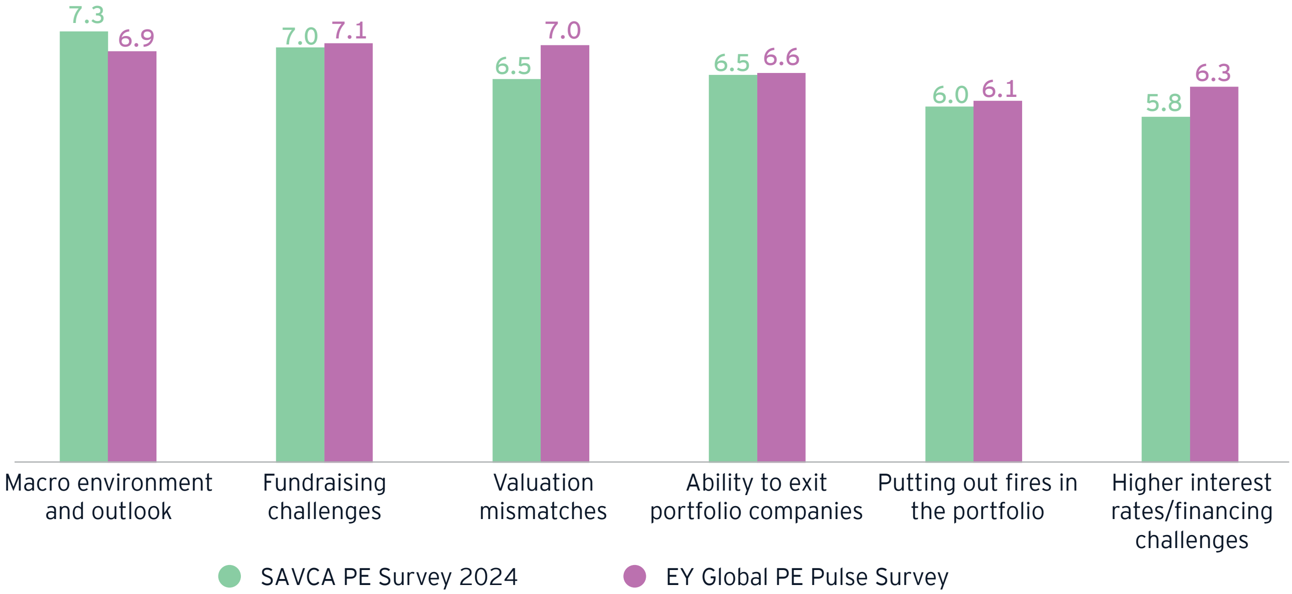
Aside from PE, which products do you offer to clients?



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. 60% 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. Fund of funds emerged as a more prominent diversification strategy in comparison to last year.

Response to the changing investment landscape

What are some of your top concerns for the new year (i.e. 2024)?*



*The numbers represent the average rating as per the response received for each option. Survey respondents rated on a scale of 1-10, where 1 represents 'very low levels', 5 represents 'normal or average levels' and 10 represents 'very high levels'.

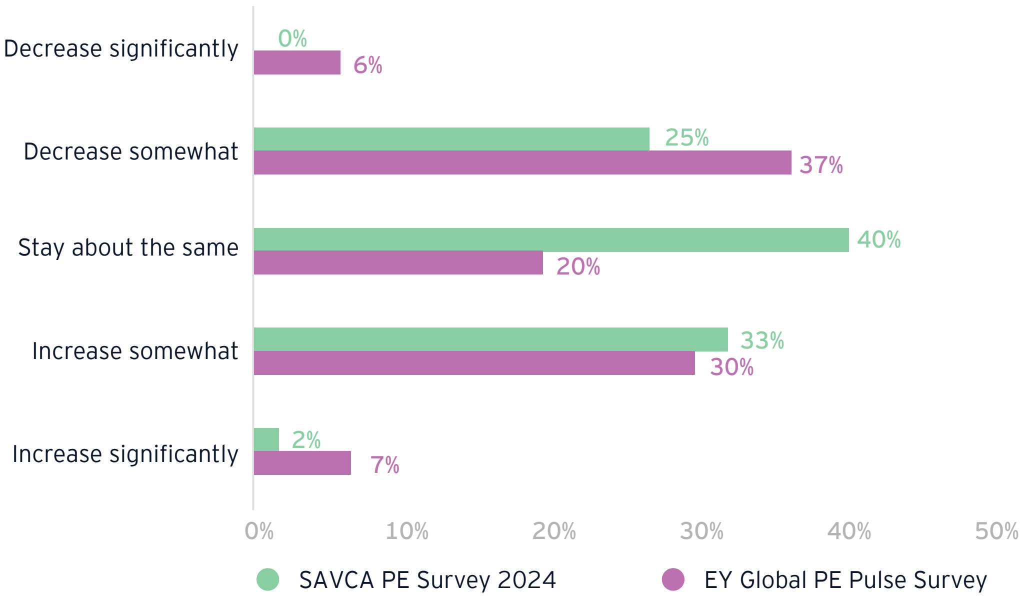
Looking forward, what do you see as the biggest worry for the PE industry?*

*Participants could choose multiple options in the survey.

Southern African PE firms are more concerned about the macro environment and outlook, whereas globally valuation mismatches are expected to pose more of a challenge. Fundraising was seen as a key challenge by both Southern African and global PE firms.

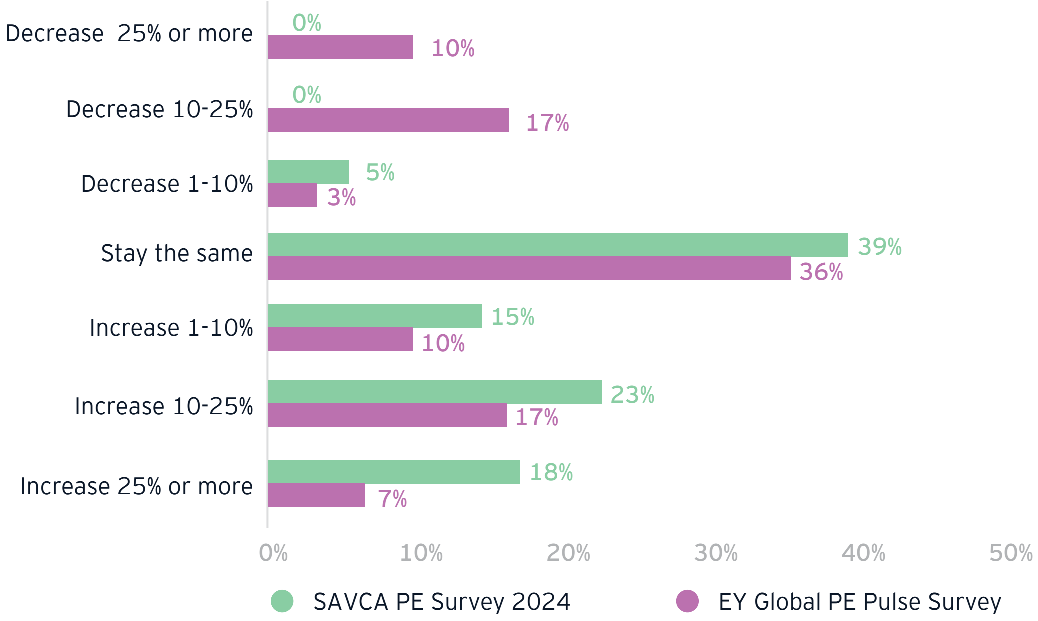
Digging deeper into macro environmental concerns, the ongoing geopolitical tension between Ukraine and Russia and emergence of conflict in the Middle East in the last quarter of 2023, have exacerbated PE firms' concerns (approximately three-quarters of the firms surveyed) on geopolitical instability. Though recession fear still looms large – South Africa narrowly avoided entering into recession in the last quarter of 2023 – however, Southern African PE firms are not as overly concerned about a global recession as they were last year.

How do you think industry-wide fundraising will change in 2024 relative to now?



When compared to global counterparts, PE firms in Southern Africa hold a more positive outlook towards fundraising, with 40% of respondents expecting fundraising to be about the same (versus only 20% globally), and 43% of PE firms globally expecting a decrease in fundraising versus 25% of Southern African PE firms.

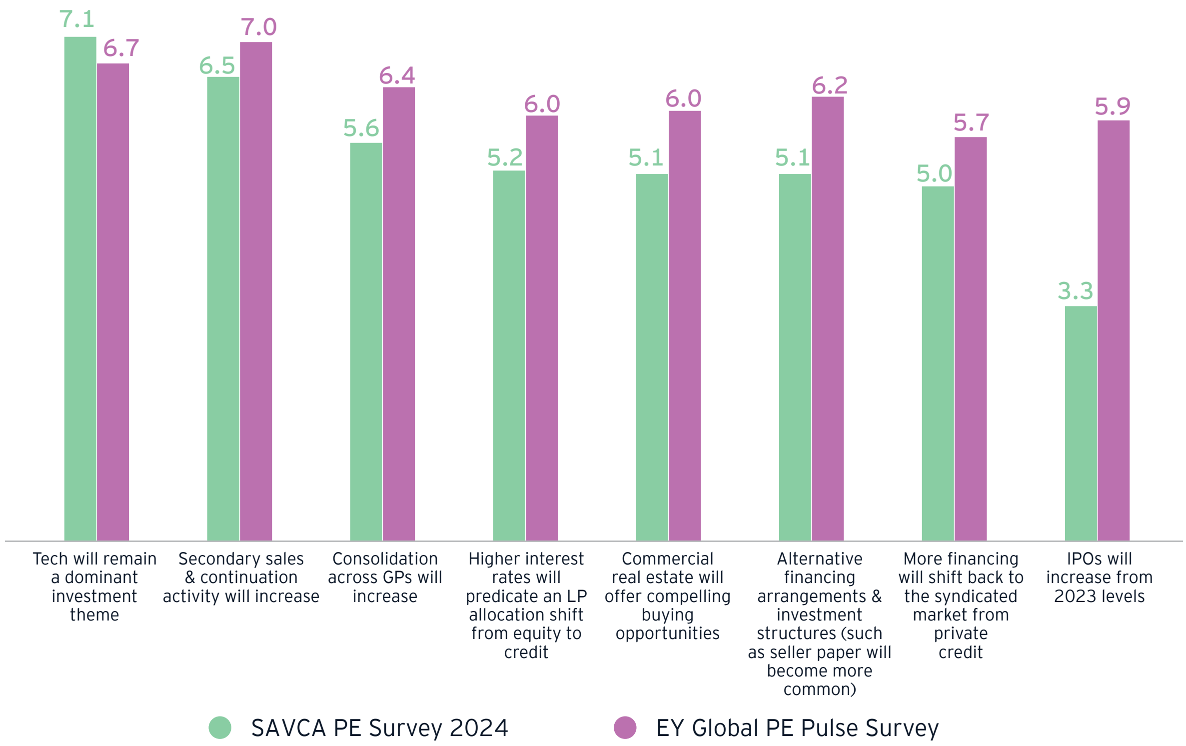
How do you think your firm's exit activity will change over the next six months?



Similar to global PE firms (36%), most PE firms (39%) in Southern Africa expect the exit market to stay the same.

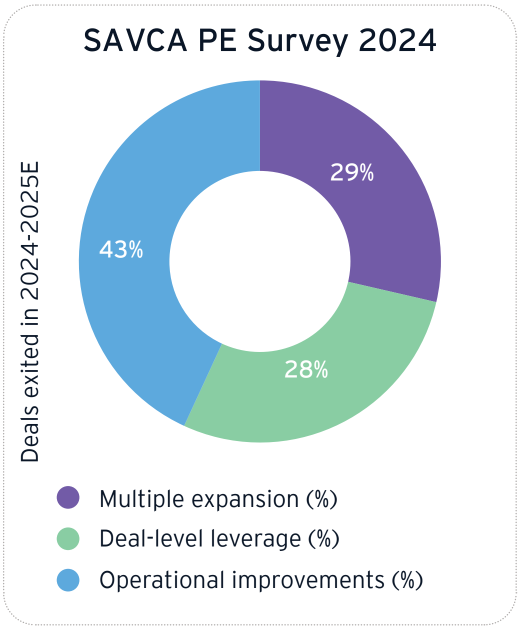
However, unlike their global counterparts, Southern African firms do not hold a pessimistic view of the future of the exit market with only 5% expecting it to decline by 1-10%, whereas 27% of global firms expect the exit market to worsen by more than 10%. Furthermore, the majority of Southern African PE firms (56%) expect to see an increase in exits over the next six months. We note that this is already after an increase in exits over the last two years - see Section 7 of the report covering Exit trends for more details.

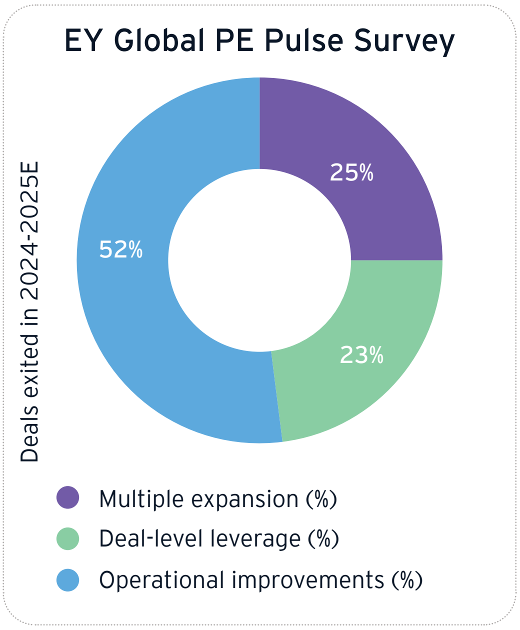
In what ways do you think the PE landscape will be different in 2024? *



*The numbers represent the average rating as per the response received for each option. Survey respondents has rated on a scale of 1-10, where 1 represents 'very low levels', 5 represents 'normal or average levels' and 10 represents 'very high levels'.

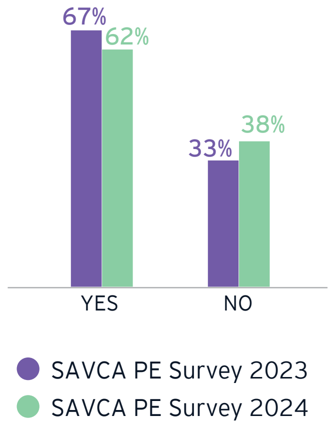
What's your expectation of the relative contribution of return levers for the investments that will be exited in 2024 and 2025?



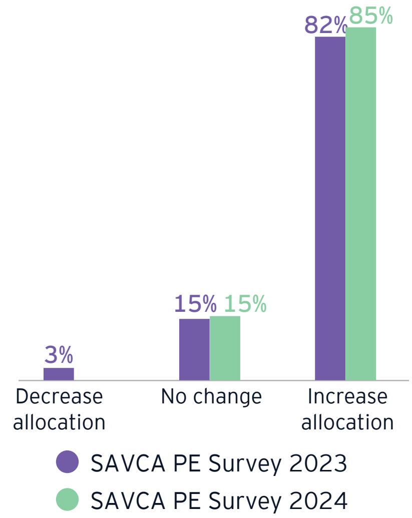


Southern African firms are expecting to focus on operational improvement in future, with 43% of returns expected to rely on operation improvement for value creation. However, this is still below the global average where 52% of the returns are expected to arise from enhanced operational improvements.

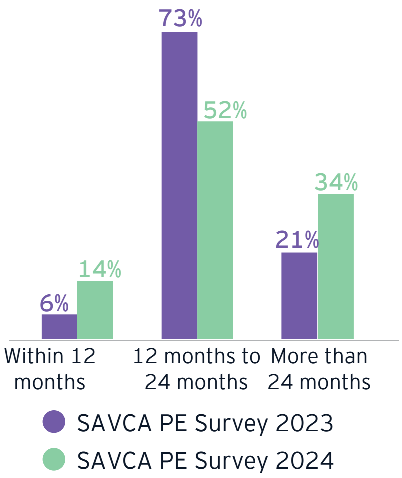
Response to regulation updates (Reg. 28)



Have you had a discussion with potential pension funds investors regarding the impact of the amendments to Regulation 28 on their appetite for capital allocation to private equity?



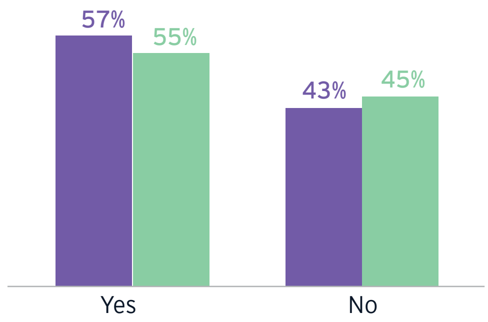
Following these engagements with potential pension funds investors on the amendments, how do you expect the investors to change their allocation?



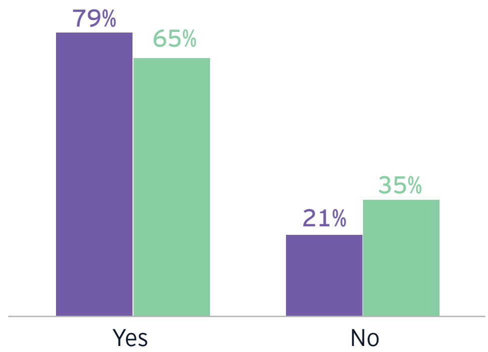
What time frame do you expect the pension fund investors to take to increase their allocation?

02 ESG and impact investing

Impact investing



Does your fund have a specific impact investing mandate?

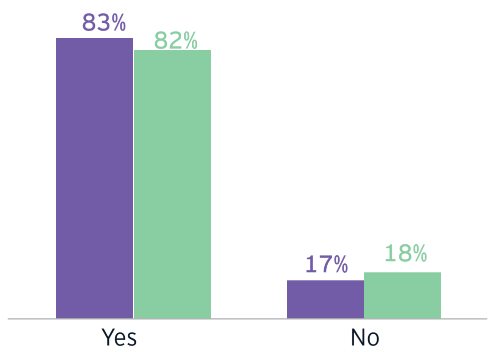


If your fund does not have an impact investing mandate, is it likely that such a mandate will be considered in the future (within 5 years)?

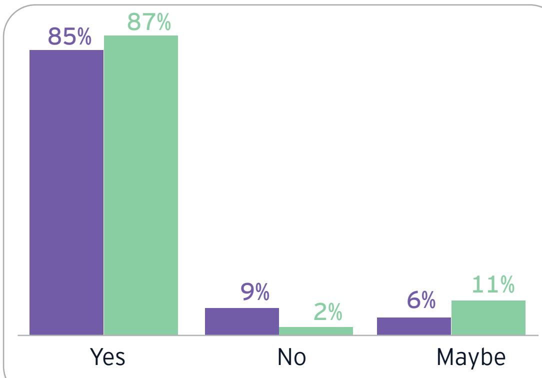
● SAVCA PE Survey 2023 ● SAVCA PE Survey 2024

While impact investing has a similar level of focus to last year, less PE firms who do not already have an impact mandate expect to have an impact investing mandate in the next 5 years.

ESG



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

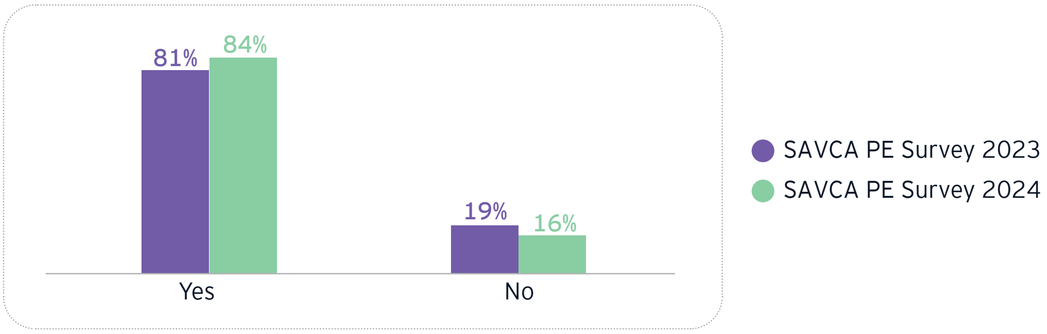


Over the next 12 months, do you intend to escalate efforts to manage and track the ESG performance of your portfolio companies?

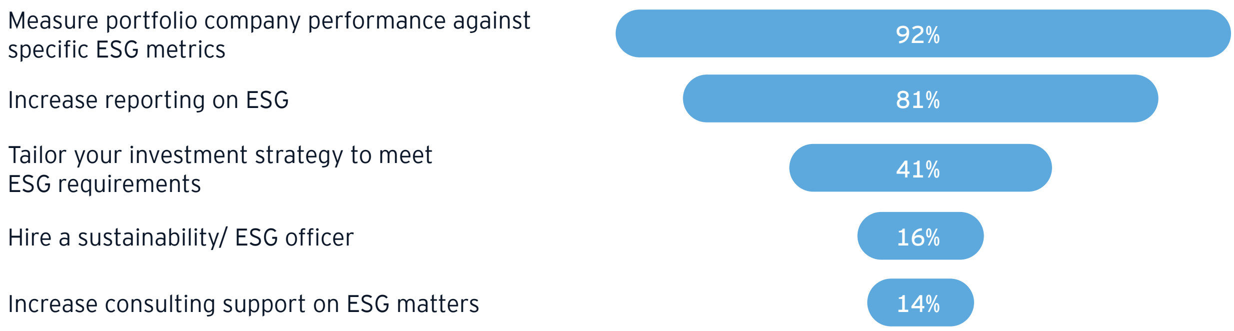
● SAVCA PE Survey 2023 ● SAVCA PE Survey 2024

ESG has evolved as a critical criterion for evaluating funds' performance. Almost no PE firms (2% versus 9% in last year's survey) do not expect to escalate efforts to manage and track ESG performance of portfolio companies.

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



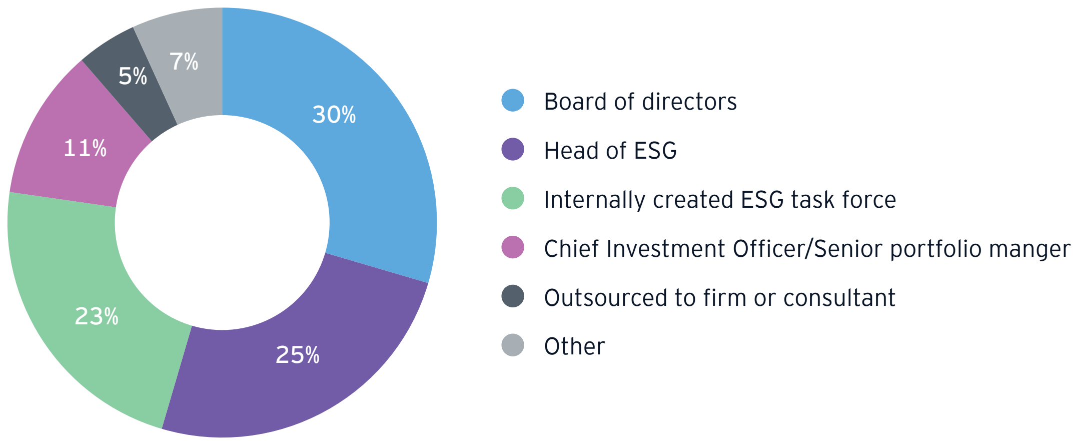
If yes, what are the key areas where investors are putting pressure on your firm as it relates to ESG?*



*Participants could choose multiple options in the survey.

More PE firms in Southern Africa (84%) reported an increased emphasis on ESG from LP investors as compared to last year (81%). Measuring portfolio companies' performance against specific ESG metrics (92%) and increased ESG reporting continued to be top two parameters for the investors.

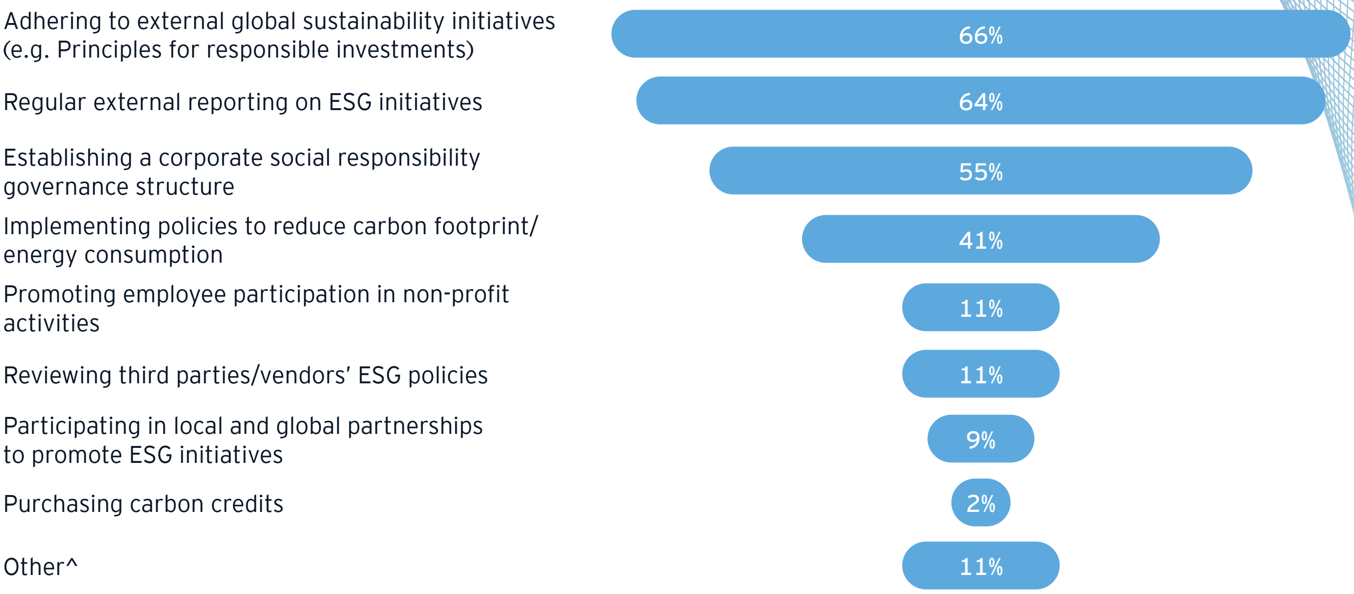
Who is responsible for setting ESG priorities?



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

Southern African firms have witnessed a shift in responsibility for setting up ESG priorities. PE firms are making the board of directors more responsible towards setting ESG priorities. In 2024, 30% of the participants responded that they have made board of directors accountable to decide ESG priorities, an improvement of eight percentage points from last year.

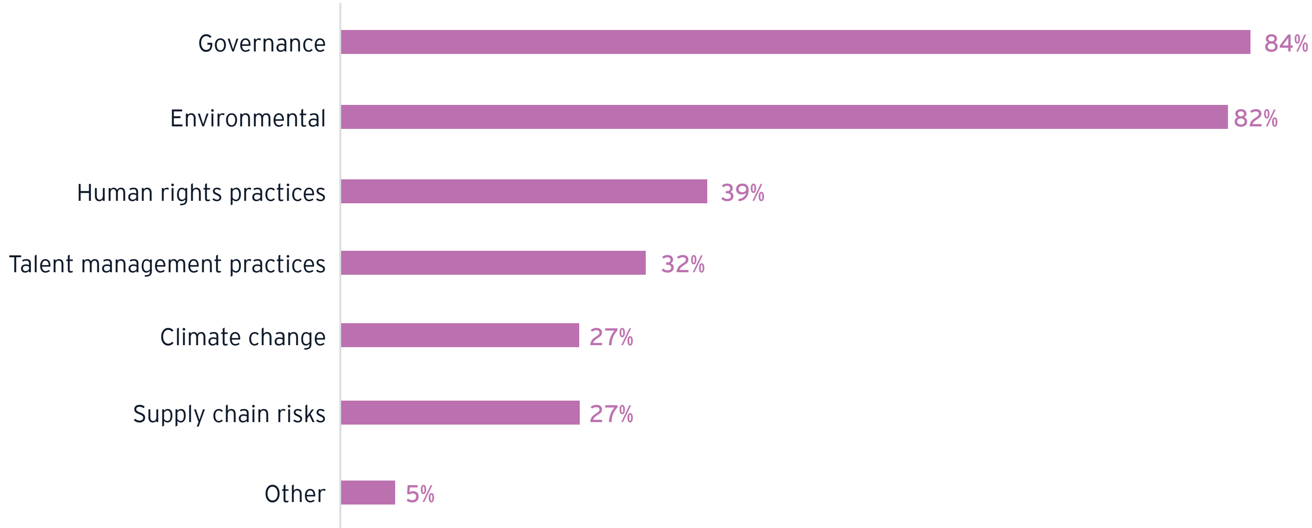
Select the top three components that make up your ESG policies*



Other^ includes black economic empowerment and transformation, job creation - reducing inequality, diversity and decent work, general sustainability improvements, and gender inequality - funding for women.

*Participants could choose multiple options in the survey.

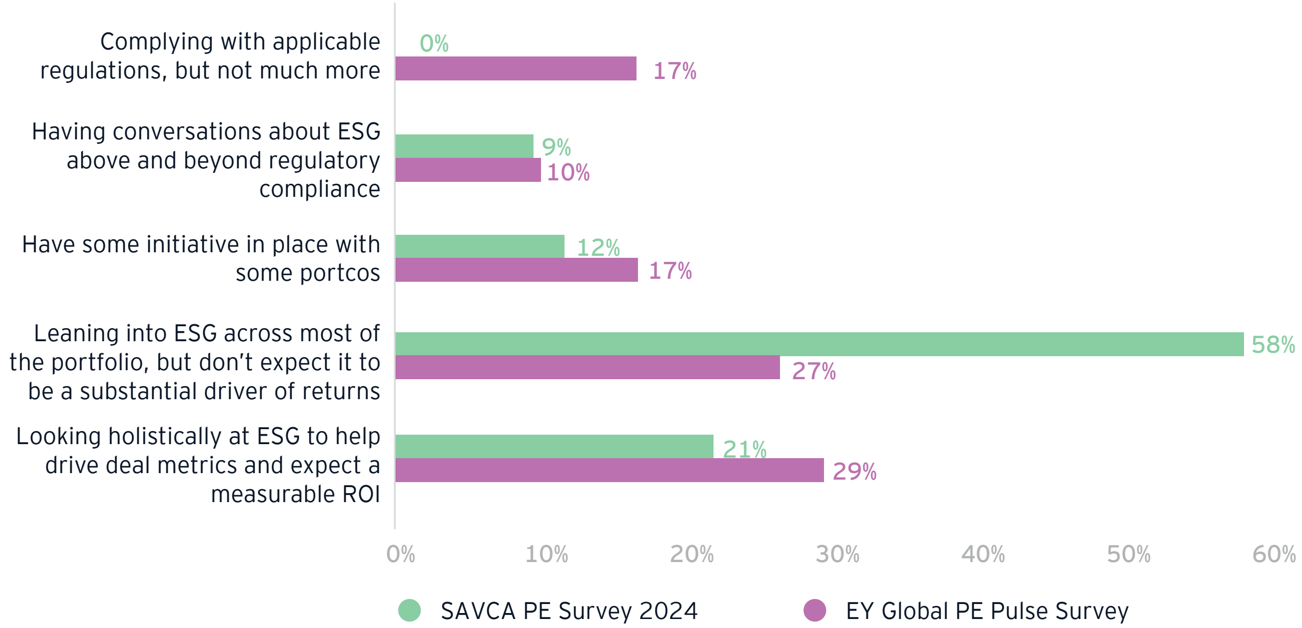
What are the top ESG risks you include in your decision-making?*



Other includes social and transformation.

*Participants could choose multiple options in the survey.

On a scale of 1-5, to what degree is your firm leaning on ESG and sustainability as a value creation lever?



Southern African firms are more pragmatic in utilising ESG as a value creation lever as compared to global firms - 58% of the participants in Southern Africa, versus 27% globally, have shown propensity towards ESG as a value driver in most of their portfolio although they do not expect it to be a substantial value creator.

Similarly, 21% of Southern African firms and 29% of global firms are using ESG holistically to improve deal multiples and get a better return on investment at the time of exit.

How is your firm identifying and addressing the material ESG issues that are most relevant to your portfolio companies?

35%

Firms with dedicated ESG professionals

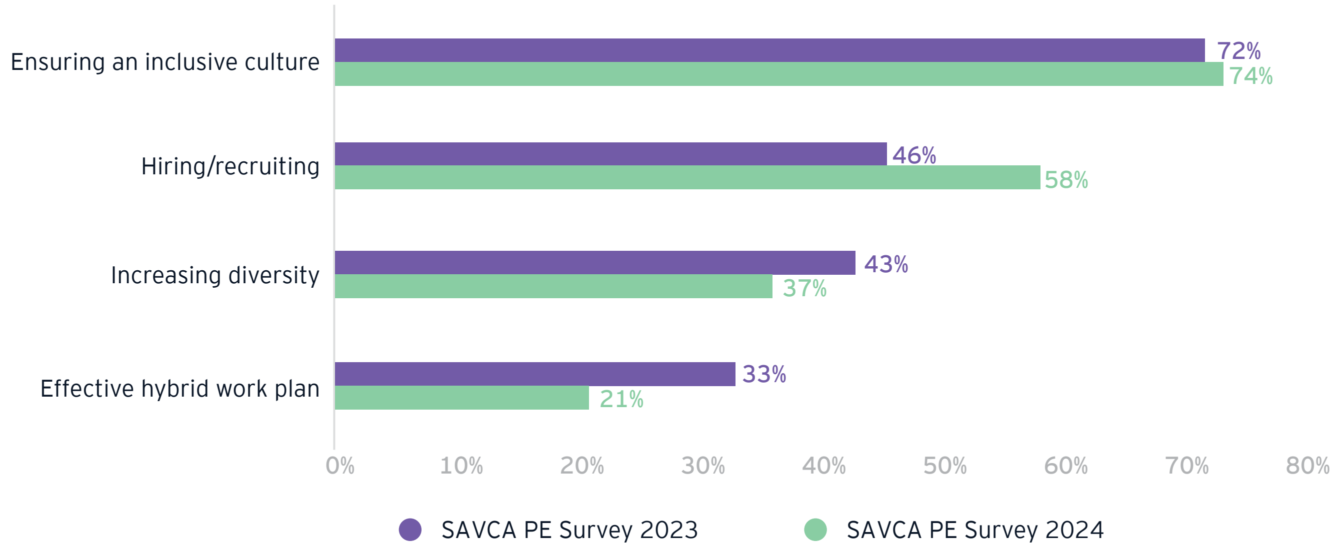
Over one-third of PE firms in the region have dedicated ESG professionals within their organization, while 30% of the surveyed PE firms in Southern Africa rely on their deal team to work with portfolio company management teams to identify and address ESG issues.

03

How are PE firms driving transformation?

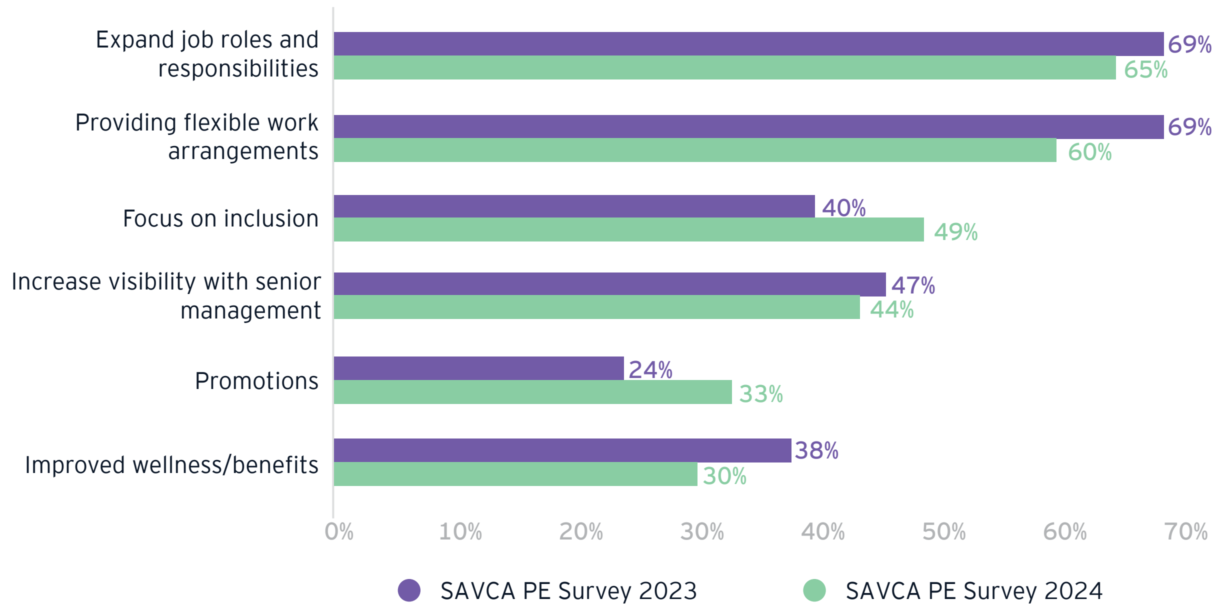
Talent

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



*Participants could choose multiple options in the survey.

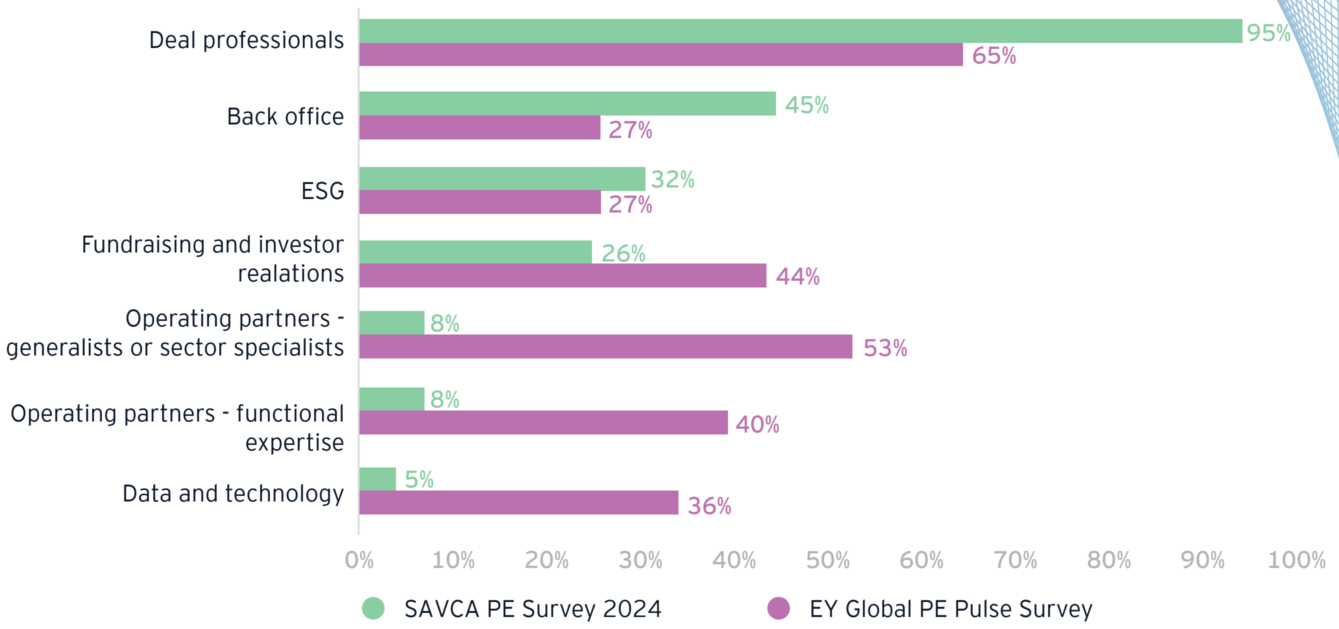
Other than compensation, how is your PE firm retaining employees?*



*Participants could choose multiple options in the survey

Though the share of PE firms focusing on expanding job roles and responsibilities and providing flexible work arrangements to retain employees have reduced moderately in comparison to the previous year, these strategies still remain as key priorities for PE firms to retain talent. PE firms have also increased their attention on inclusion and promotions as other means of retaining talent.

In what areas is your firm increasing hiring?*

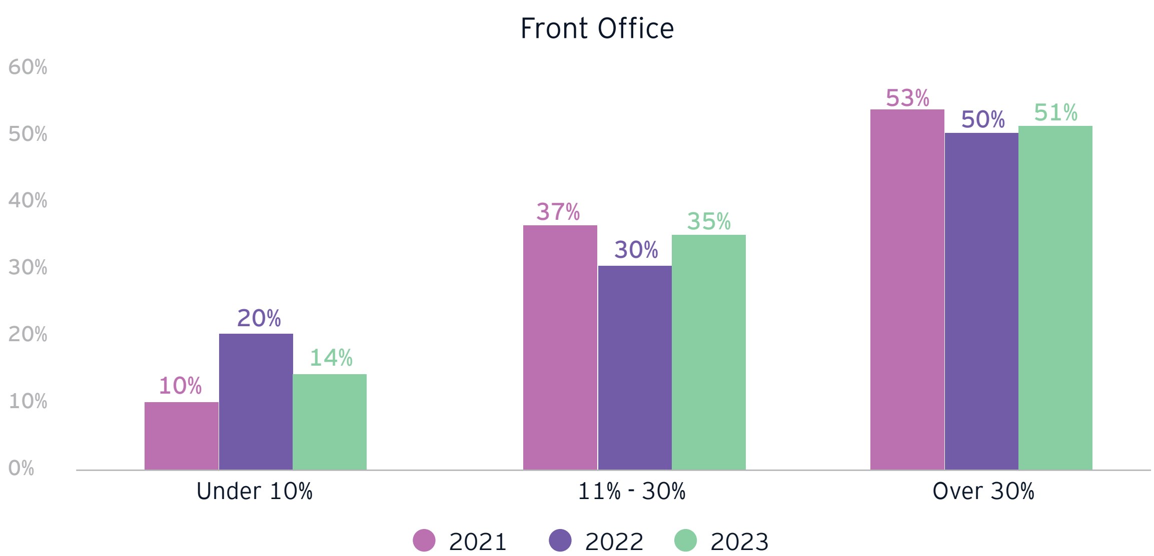


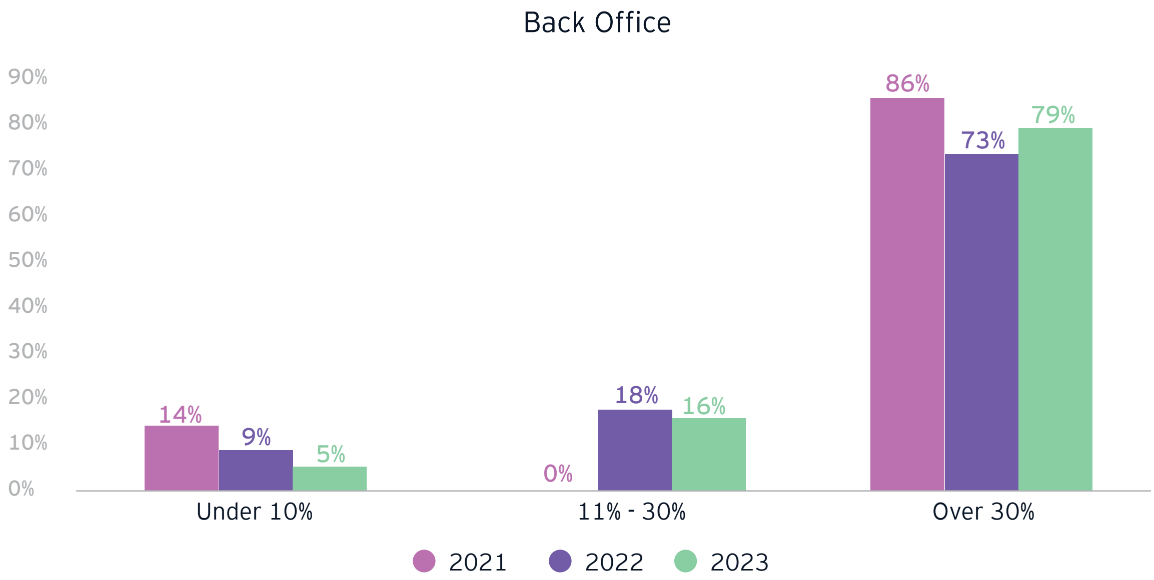
*Participants could choose multiple options in the survey.

Contrary to Global PE firms where hiring focus is homogenous across all the areas covered by private equity teams, Southern African PE firms have concentrated their emphasis on hiring deal professionals (95% of PE firms) and back-office employees (45% of PE firms). Notably, PE firms in Southern Africa are not paying much attention towards on-boarding operating partners and data & technology specialists. This is, however, likely to be due to the smaller size of PE firms in Southern Africa when compared to global PE firms covered in the EY Global PE Pulse Survey.

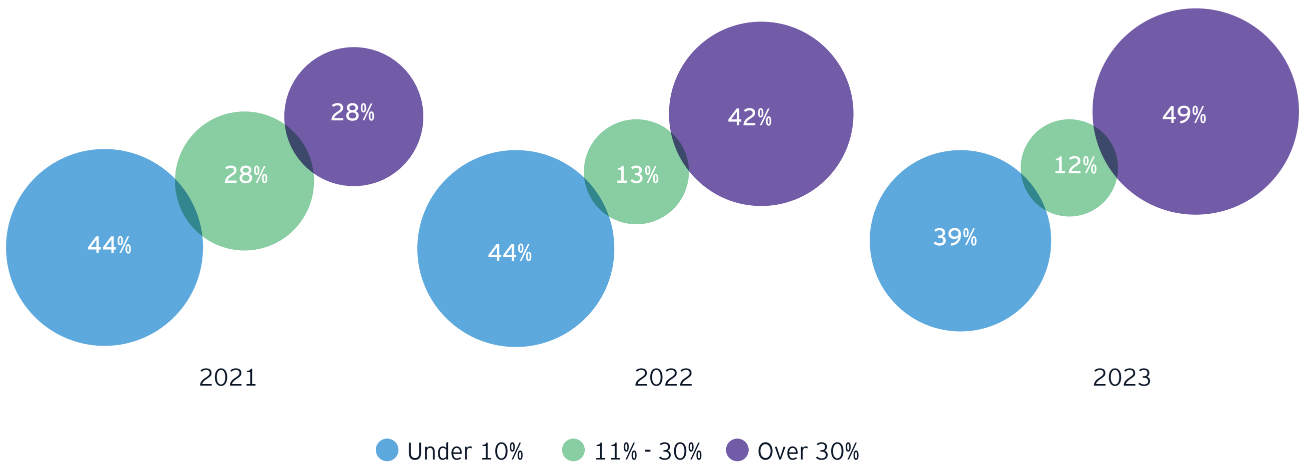
Women representation

What proportion of the members of your firm are women?

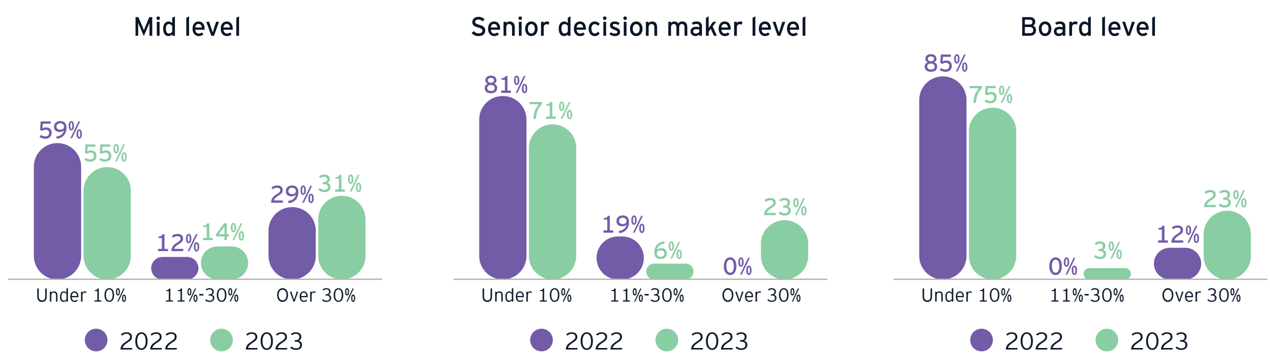




What proportion of the board members of your firm are women?



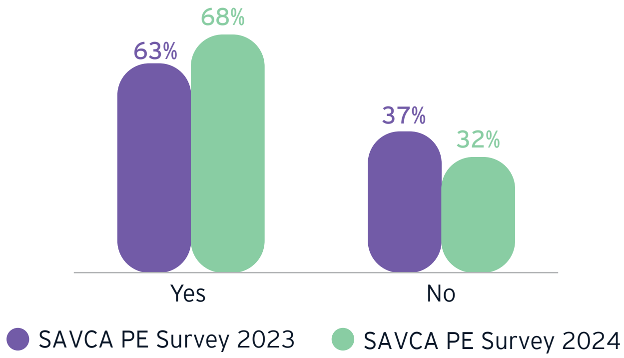
In the last year, what proportion of the total promotions at your firm were women?



Women representation at a board level in Southern African firms has continuously increased over the last three years with 49% of the firms reporting that more than 30% of their boards comprise female executives, an improvement of seven percentage points from 2022.
In 2023, there was an increase in the proportion of firms with over 30% women promotees at a board level (25% in 2023 vs 12% in 2022) and at a senior decision maker level (23% in 2023 versus none in 2022). Despite this improvement, Southern African PE firms need to continually maintain their focus on growing in-house female talent and promoting gender diversity.

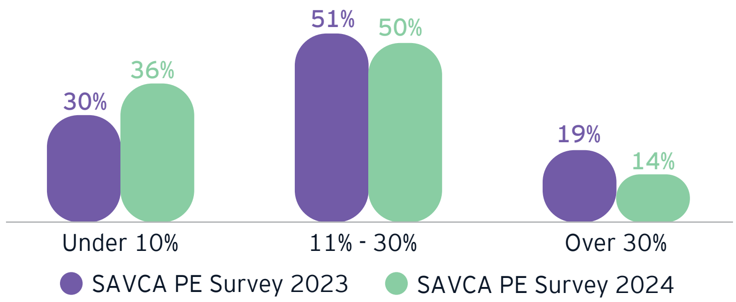
Diversity at portfolio companies

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

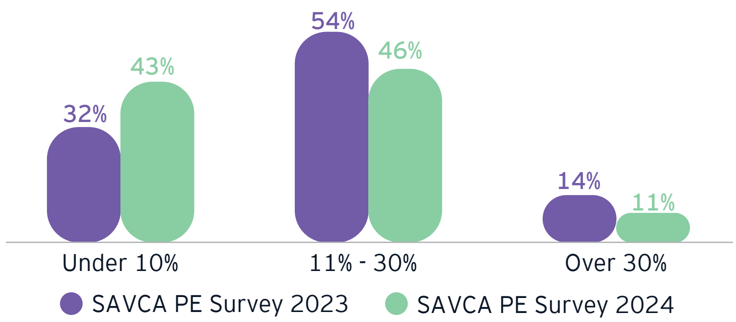


More than a two-third majority of respondents confirmed their commitment to driving DEI initiatives, in comparison to 63% last year.

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



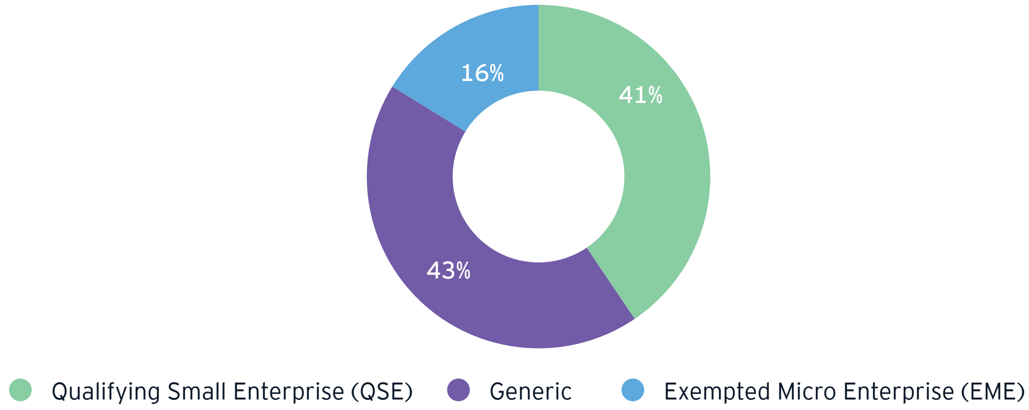
What proportion of executive management (senior decision makers) in your portfolio companies are women?



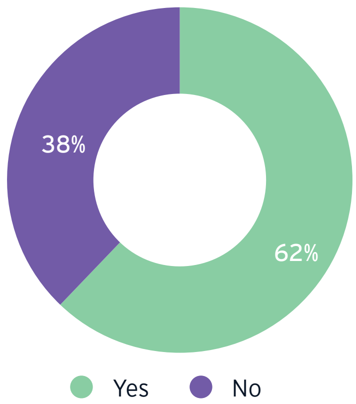
Southern African PE firms have decreased women representation in their portfolio company executive management teams and Boards. Thus, more needs to be done to reverse the trend of decreasing women representation at portfolio company leadership levels.

B-BBEE

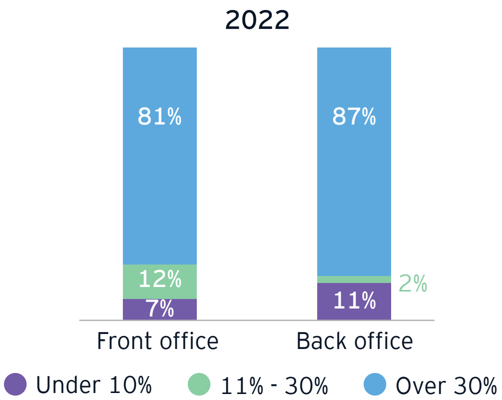
Classification: Is the fund manager classified as a Qualifying Small Enterprise (QSE), Generic, or an Exempted Micro Enterprise (EME) according to the B-BBEE codes?

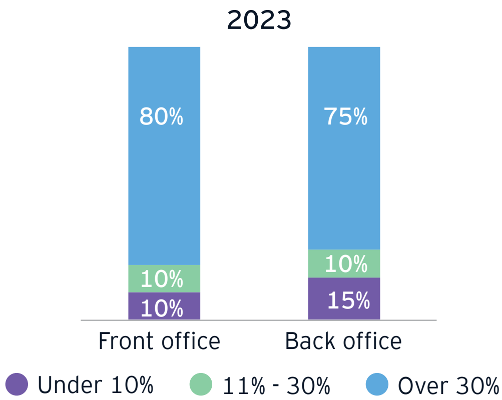


Is the fund manager accredited as a Black PE Fund Manager (according to the B-BBEE codes)?



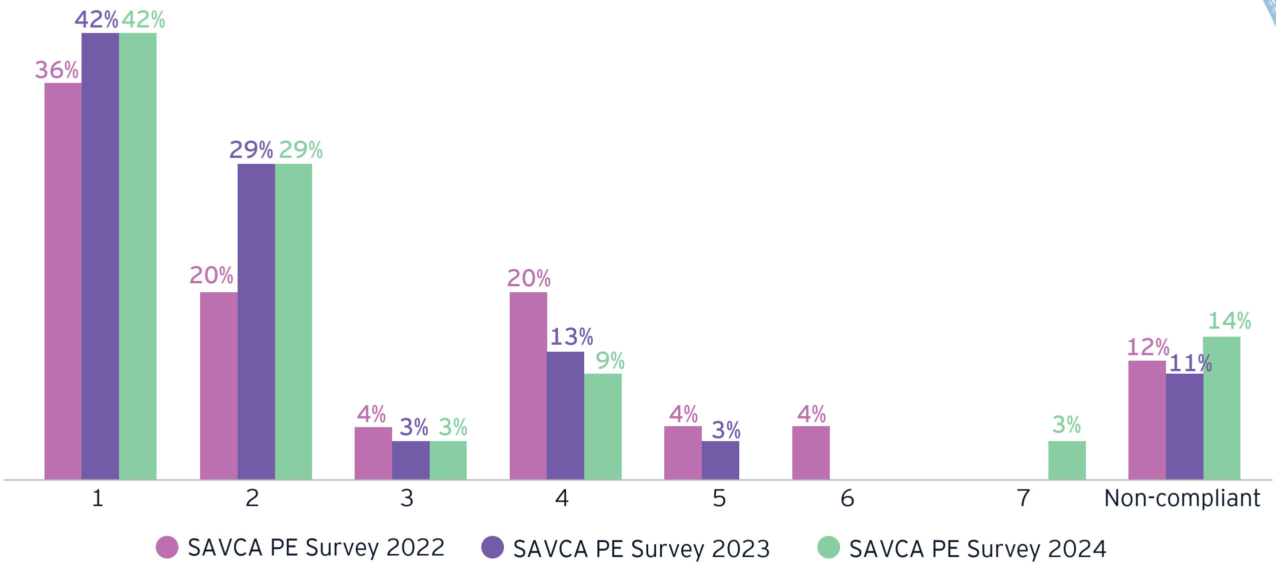
What proportion of the members of your firm are under-represented people with racially and ethnically diverse backgrounds?



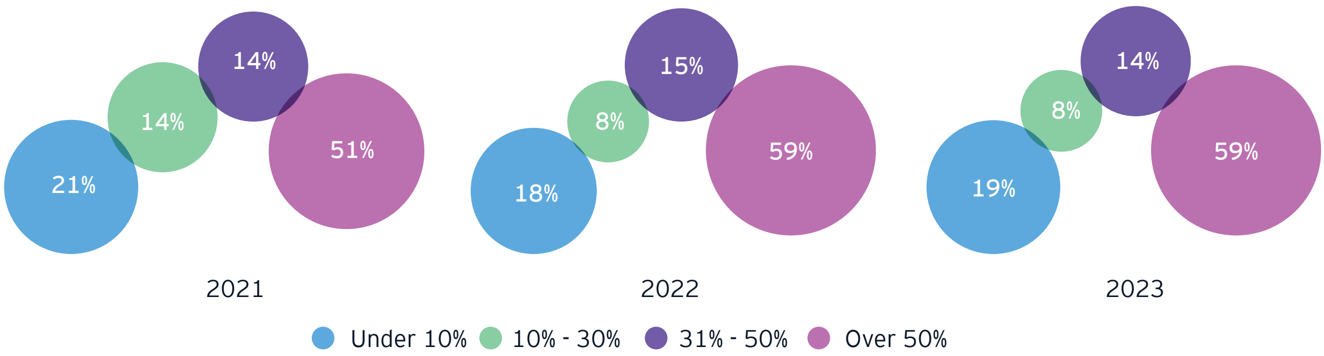


Southern African PE firms have consistently displayed their support for promoting people with racially and ethnically diverse backgrounds. 80% of firms in Southern Africa have over 30% under-represented people in their front office and 75% of firms have an over 30% proportion of ethnically diverse people in their back office. The proportion of under-represented people has however come down from last year, particularly in the back-office which was down from 87% last year.

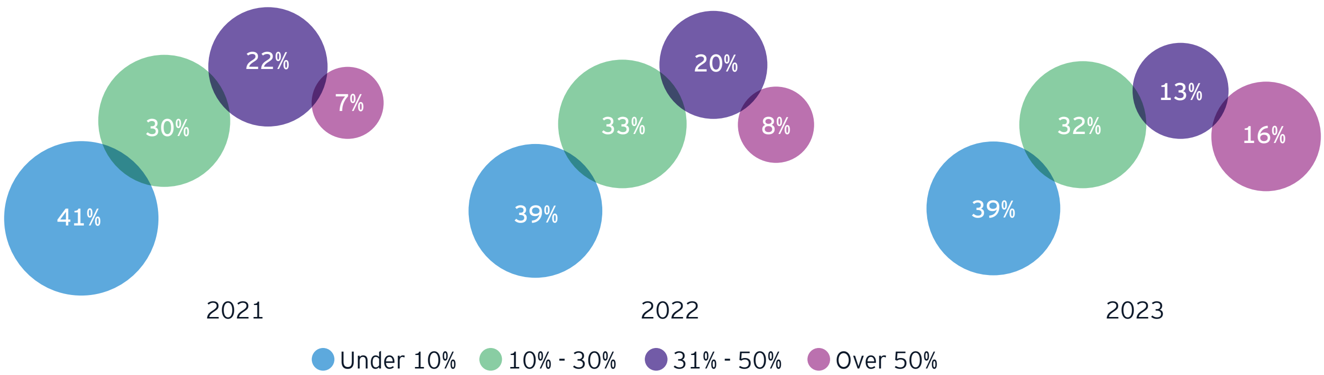
What B-BBEE status does the fund manager qualify for using the Generic Scorecard and/or Qualifying Small Enterprise Scorecard?



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

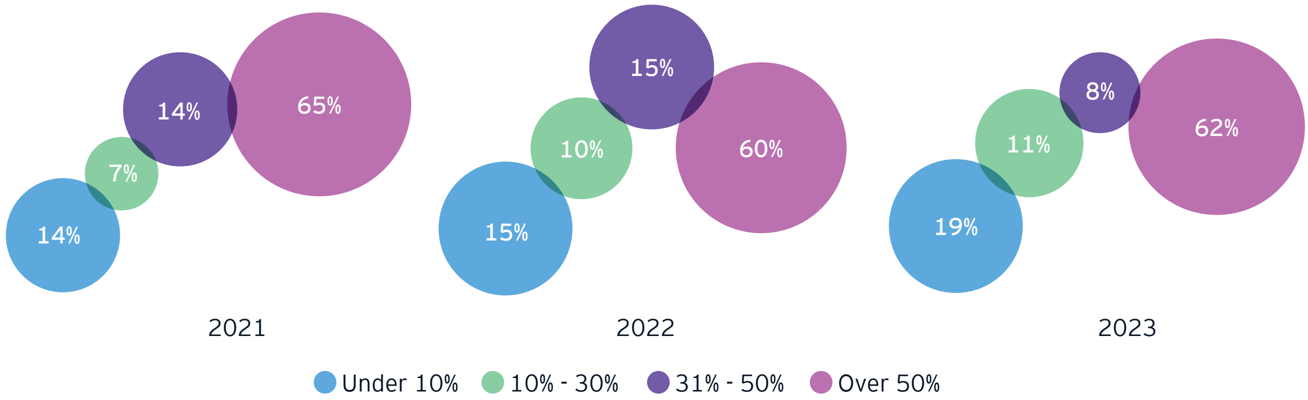


What percentage (%) of the ownership is classified as "black female ownership", without applying modified flow through?



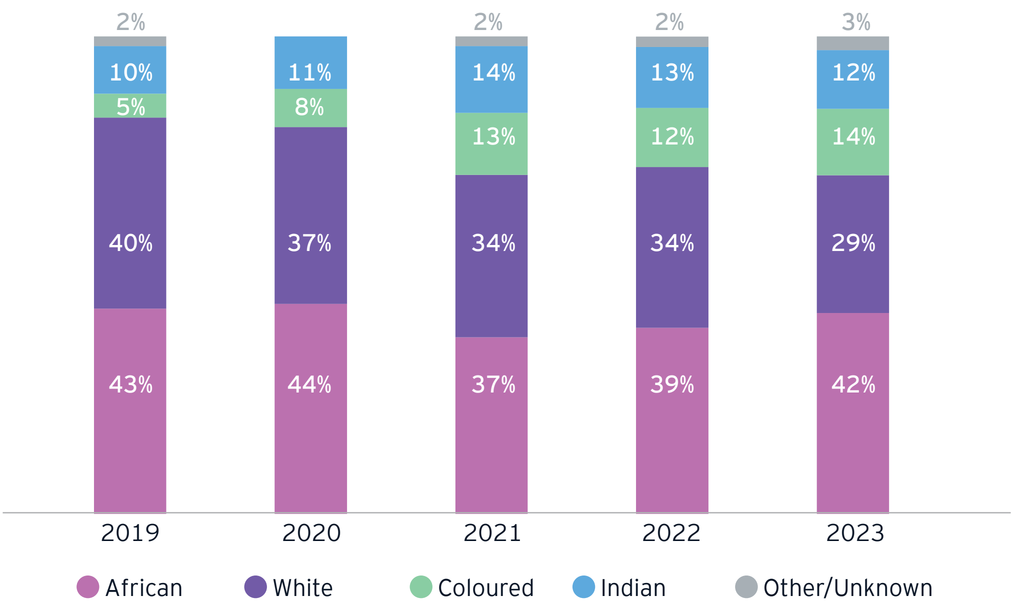
Double the number of firms reported black female ownership of over 50% in their firms, up from 8% of PE firms in 2022.

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.

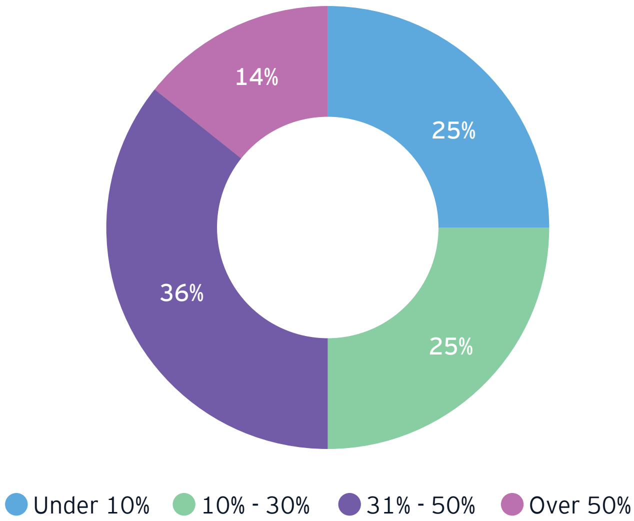


How do you plan to increase diversity?

PE firms' employee distribution by race



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

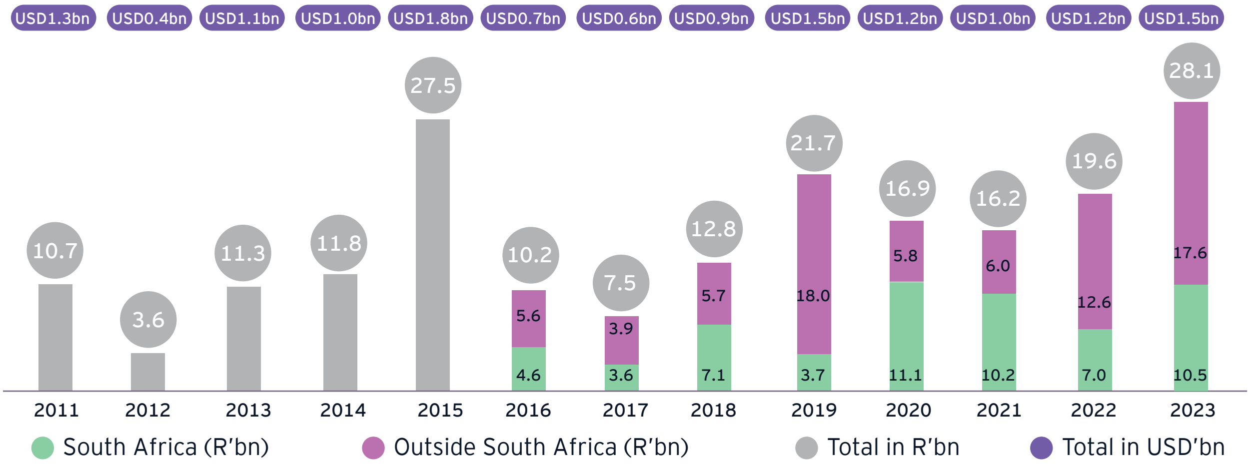


The survey results confirm that the private equity sector is progressing positively in its transformation journey. The key highlights for the industry include:

- 59% of PE firms have > 50% black ownership without applying modified flow through
- 16% of PE firms have > 50% black female ownership, up from 8% in the previous year
- 62% of PE firms have > 50% black management
- 50% of PE firms reported > 30% black management in their portfolio companies

04 Fundraising activity insights

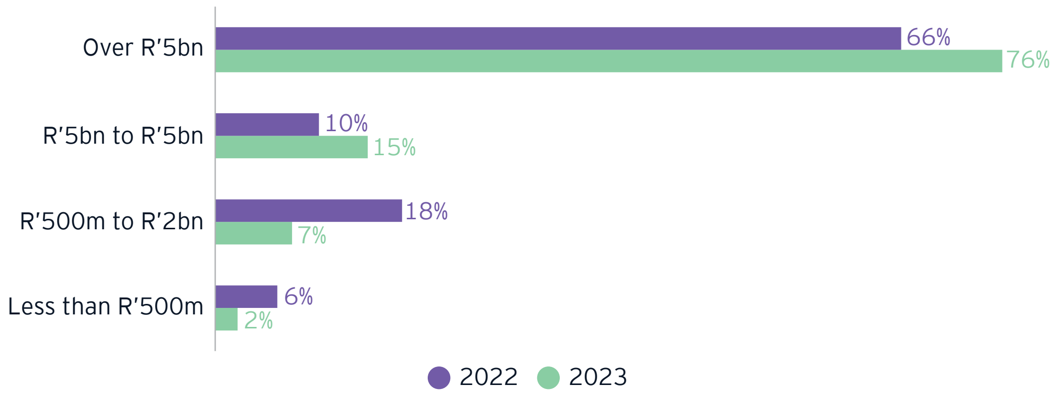
Value of funds raised (2011-2023), including split by investment destination from 2016 onwards (R'bn and USD'bn)



Fundraising in Southern Africa continued to follow the upward trajectory which had begun in 2022. Total fundraising increased by 43%, reaching over R28bn in 2023. For the first time since 2018, fundraising mandates for both South Africa and Africa (excl. South Africa) witnessed growth – increasing by 49% and 40% respectively.

Capital was raised by 21 PE firms in 2023 with seven PE firms each raising over a R1bn, whereas in 2022, 25 PE firms raised capital, however only four PE firms had each raised over R1bn. The value of funds raised in 2023 was the highest on record. While this could be partly attributed to the devaluation of the Rand, even in USD terms, funds raised was the highest since 2019 and was only surpassed by funds raised in 2015. The LPs' increased appetite for private capital could be ascribed to PE and VC fund's outperformance of public markets in emerging geographies over the long term.

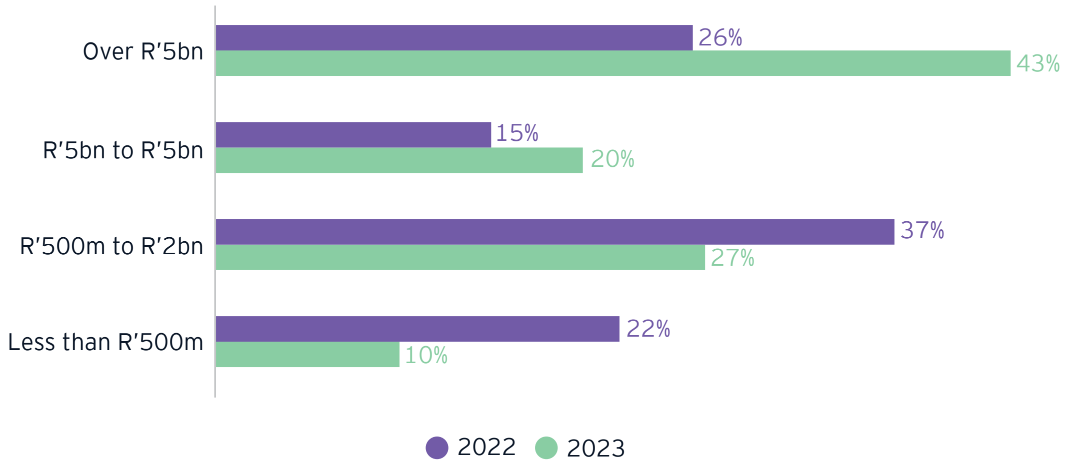
Percentage of funds raised by PE firm size (FUM split)



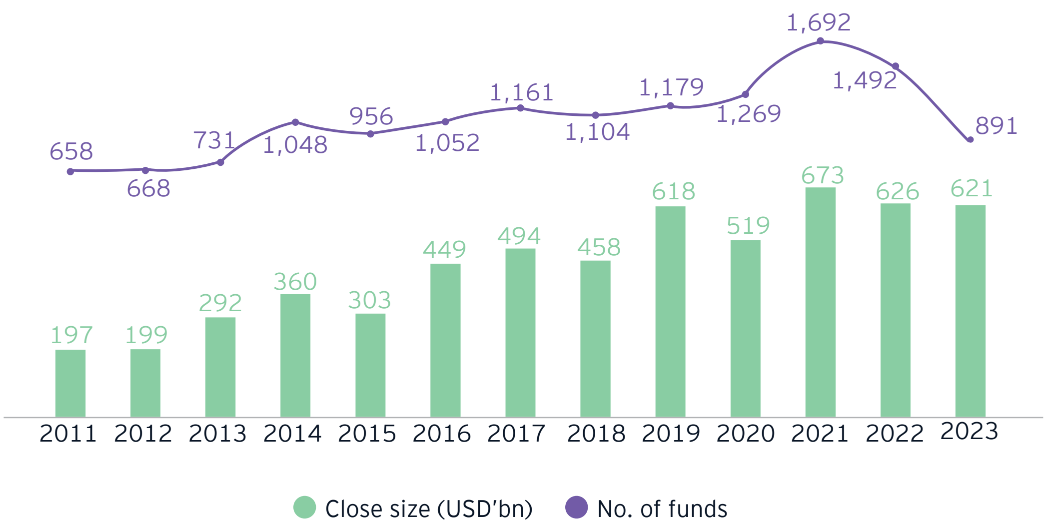
Investors have a propensity to favour experienced managers during onerous economic conditions as they have a proven track record of weathering through various economic cycles, which appears to have further improved the contribution towards FUM by large fund managers in Southern Africa.

In 2023, LPs allocated 76% of capital to fund managers with FUM of over R5bn and 15% to fund managers with FUM of R2 bn to R5bn, an increase from 66% and 10% respectively, in 2022. We also note that by the number of PE firms raising capital, the greatest proportion of PE firms raising capital are the large PE firms (43%), which was not the case in 2022 when PE firms with FUM of R500m to R2bn represented the greatest proportion (37%) of firms raising capital. Large PE firms only represented 26% of PE firms raising capital in 2022.

Percentage of firms raising funds in 2023 by PE firm size (FUM split)



Global PE fundraising trends - 2011 to 2023 (USD'bn)

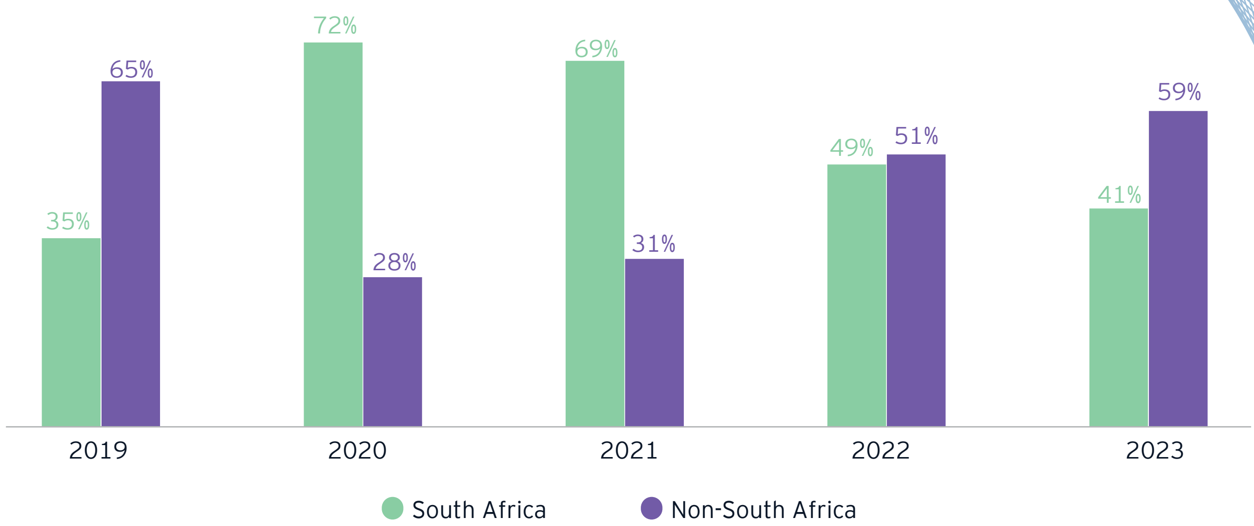


Source: Pitchbook
Note: The numbers in prior periods per Pitchbook get constantly updated by it, hence the information from Pitchbook as shown above for prior years is slightly different to that shown in prior SAVCA PE Surveys.

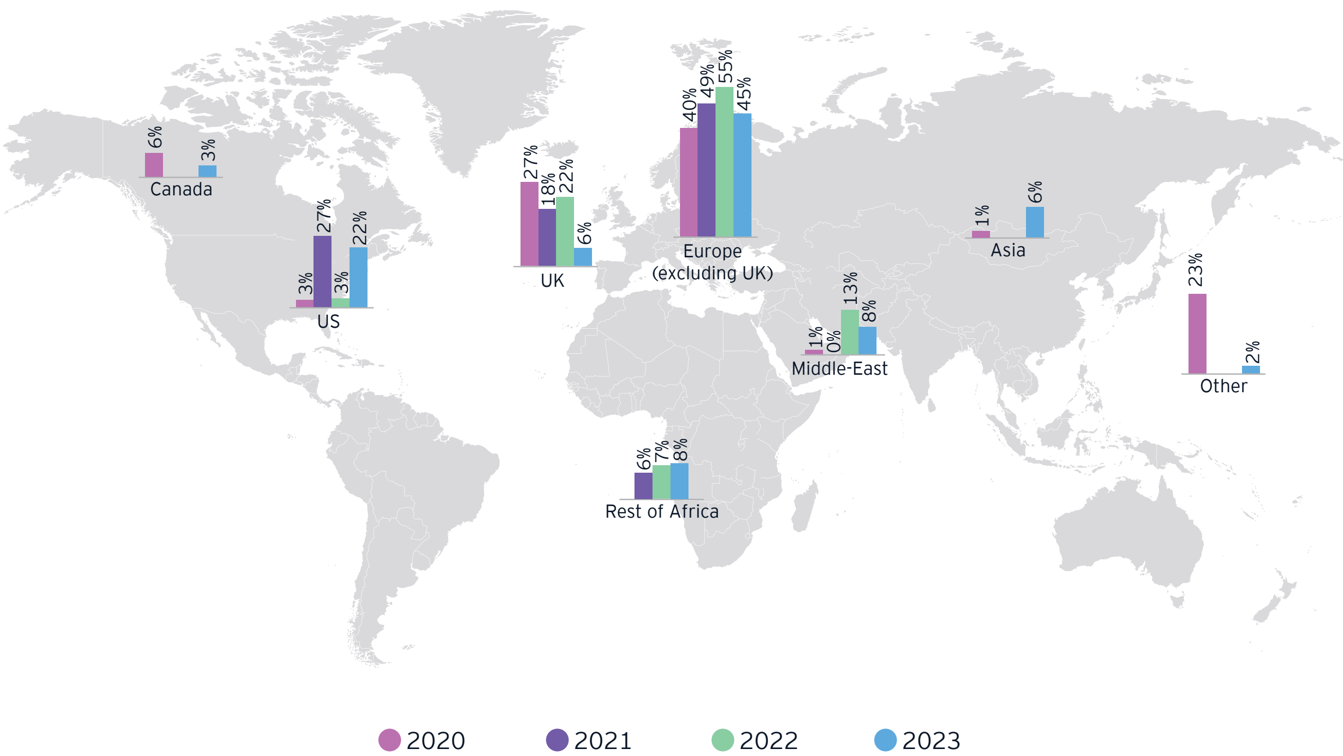
Global fundraising remained resilient despite LPs facing constrained flow of distribution from PE firms owing to low exits, causing depletion in recyclable capital. The diminishing denominator effect during the second half of 2023, with public markets recovering, prompted LPs to contribute towards PE.

After deteriorating in 2022, global fundraising value remained flat in 2023. Despite a decline of 40% in volume, global PE fundraising value in 2023 experienced a slight decrease of 1% reaching USD621bn. A decline in the redistribution of capital from reduced exits, caused LPs to cut down on the number of fund managers they invest in and increase their focus on experienced private equity firms with a proven track record. As result of this sentiment, these legacy firms were able to raise larger funds as evidenced by the increase in average fund size in 2023 as compared to 2022 and 2021.

Geographical source of funds raised, 2019-2023 (% of total)

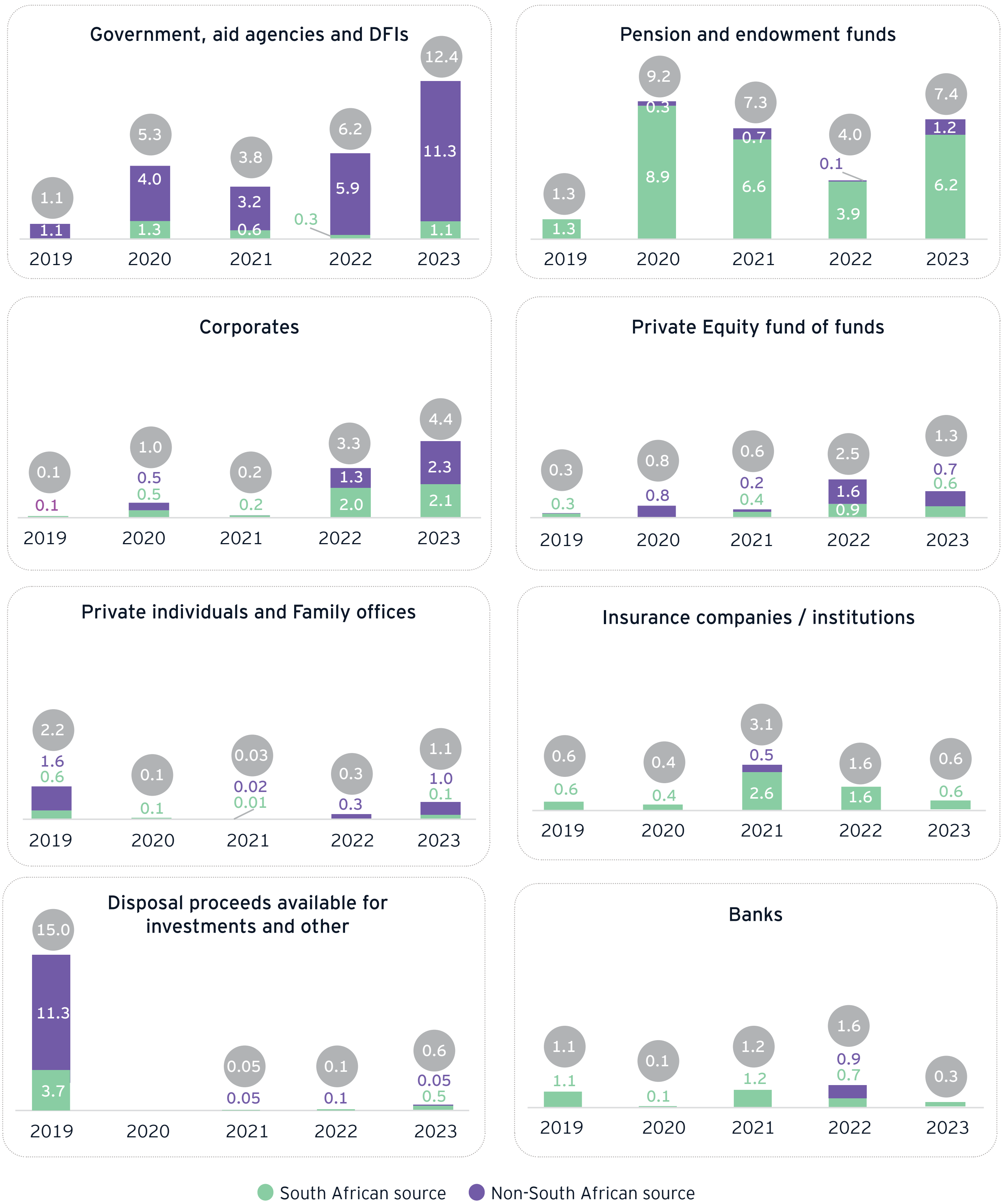


Breakdown of non-South African sources of funds raised by geography

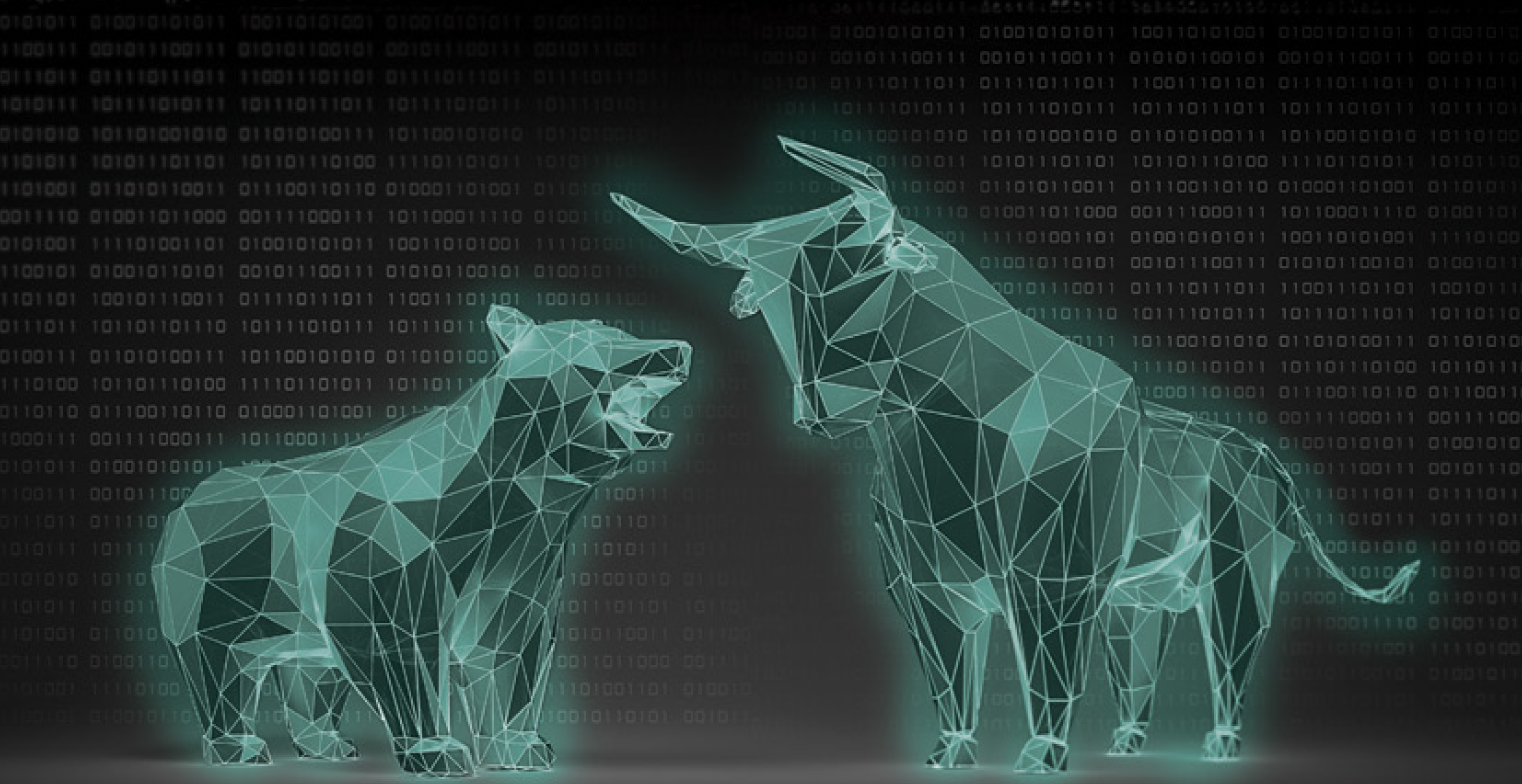


Southern African funds saw the re-emergence of interest from US based LPs garnering a contribution of 22% (vs. 3% in 2022 although was 27% in 2021) in total capital allocation from outside South Africa. Europe (excluding UK) remained the largest non-native contributor at 45% of non-South African LPs despite witnessing a decline of 10 percentage points. The contribution from UK based LPs declined to only 6% of non-SA based LP investment, by far the lowest contribution over the last four years. After withdrawing their contribution in 2021 and 2022, Asia and Canada-based LPs renewed their interest in the region with a contribution of 6% and 3% of non-SA based LP investment.

Source of funds raised, 2019-2023 (R'bn)

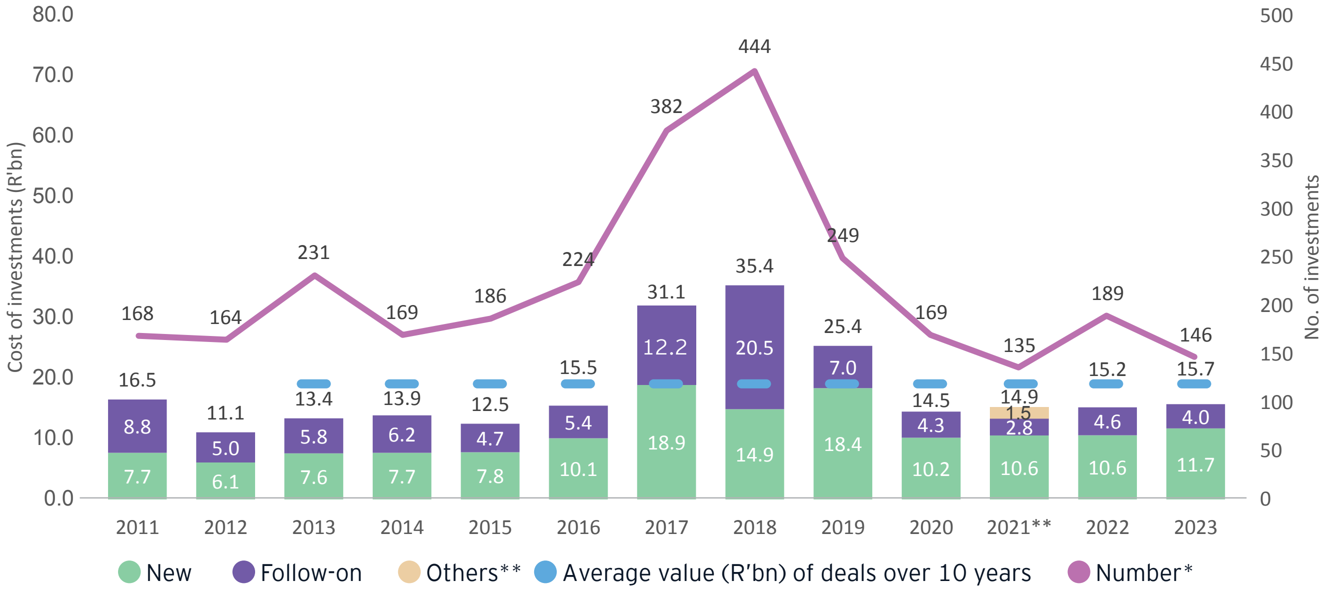


Non-South Africa-based government, aid agencies and DFIs continued to increase their allocations to Southern Africa-based funds and akin to 2022, they remained the largest contributor and were the largest driver of the overall increase in fundraising in 2023. As anticipated with the implementation of Reg. 28, pension funds in South Africa have increased their allocations to private equity. Non-South African pension funds also increased their contribution. While banks and insurance companies/institutions depleted their overall contribution, Southern African funds garnered increased investment from corporates, family offices and private individuals from outside South Africa.

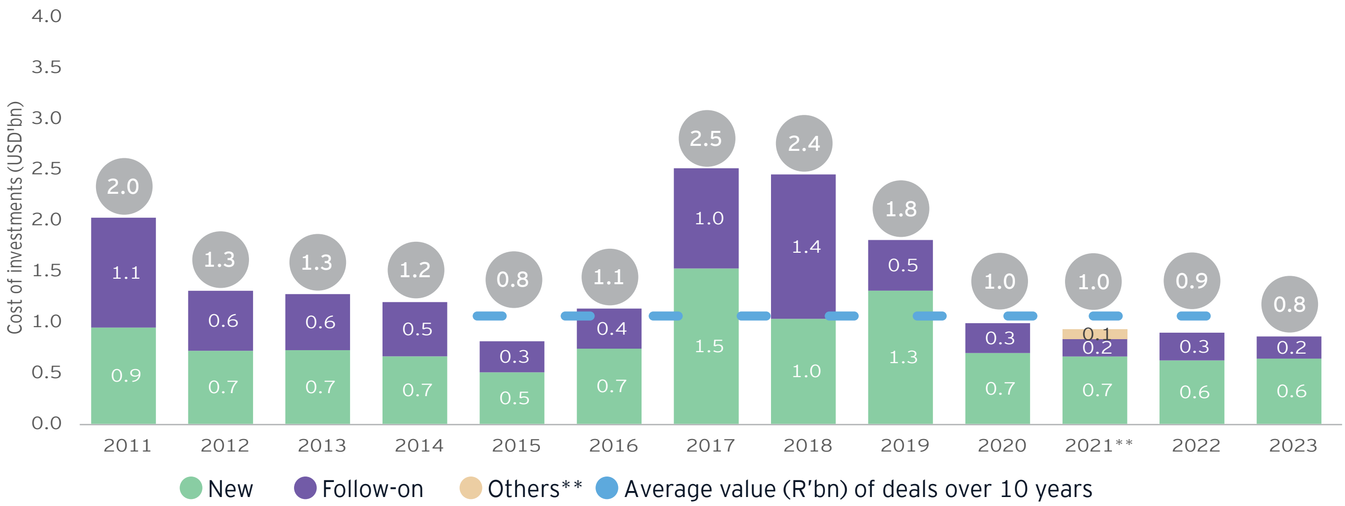


05 Investment activity insights

Number of and cost of investments split by new and follow-on (2011-2022 in R'bn and in the 2nd chart, in USD'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.

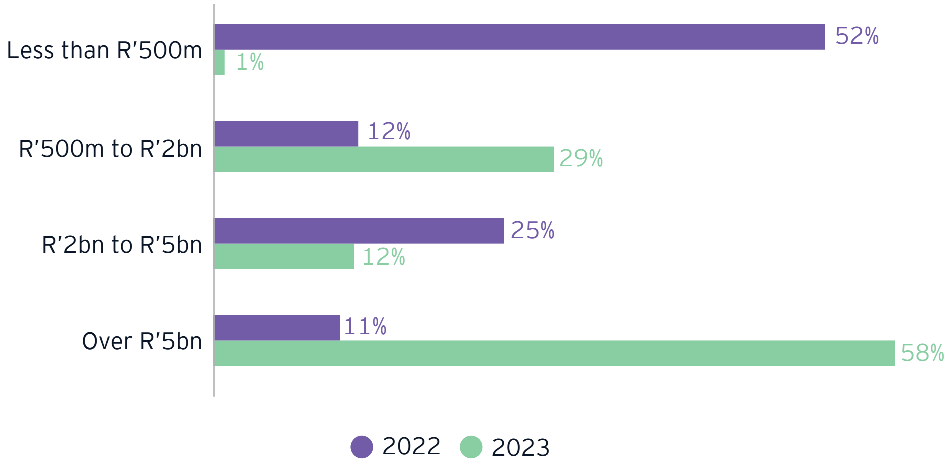


**Investments not categorised by respondents in 2021 to either New or Follow-on were disclosed as Others.

Deal activity by Southern African PE firms remained muted in 2023, as it witnessed a slight rise of R0.5bn in comparison to 2022, yet still below pre-Covid levels. Ever since the pandemic, deal-making by PE firms in Southern Africa has remained at similar levels, both in value and volume terms. The low level of investment activity could be attributed to the tougher economic conditions with higher interest rates, currency instability of the Rand, South Africa's energy crisis, and possibly, political uncertainty leading up to the South African elections in 2024. Challenging global economic conditions, and geopolitical uncertainty and challenges have likely also played their part.

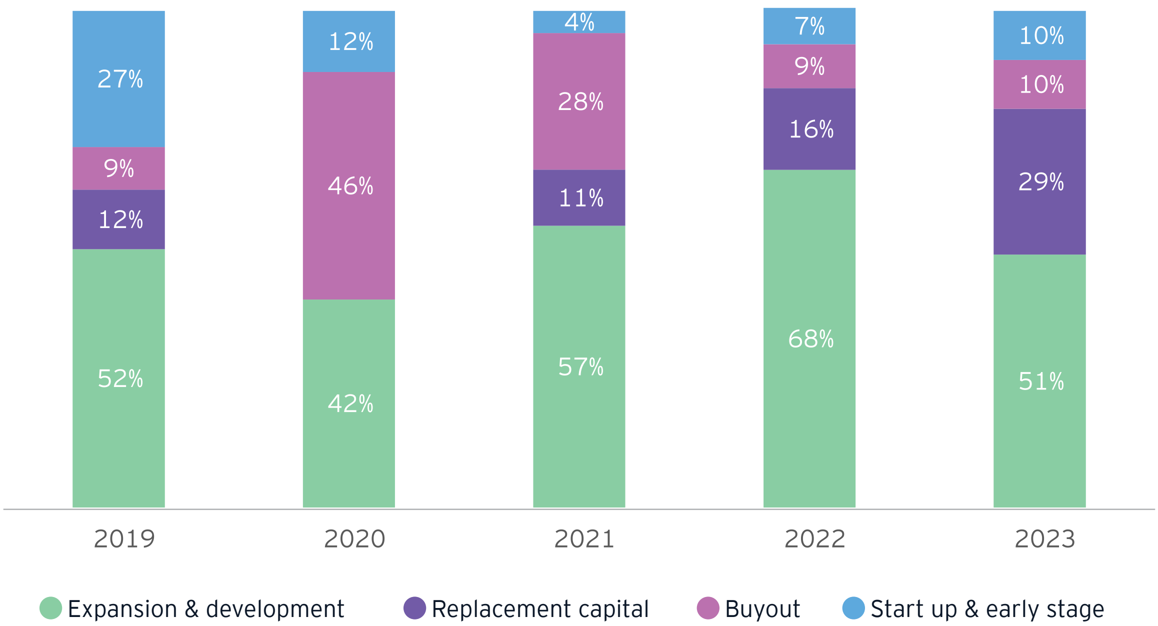
The average deal size has increased in 2023 following the re-emergence of larger deals that eluded the Southern Africa market in 2022. This is also confirmed in the chart hereafter which shows that most investments were made by larger PE firms (FUM of > R5bn), while most deals in 2022 were made by small PE firms.

Breakdown of numbers of investments by PE firm size (FUM split)



Contribution to deal volume from smallest and largest PE firms completely flipped in comparison to the previous year. In 2023, firms with FUM of over R5bn contributed 58% to investment activity, up 47 percentage points from 11% in 2022; conversely small firms (with FUM of below R500m) struggled to do deals in 2023 (only 1% of deals vs. 52% in 2022).

Cost of investments by stage, 2019-2023 (% of total)

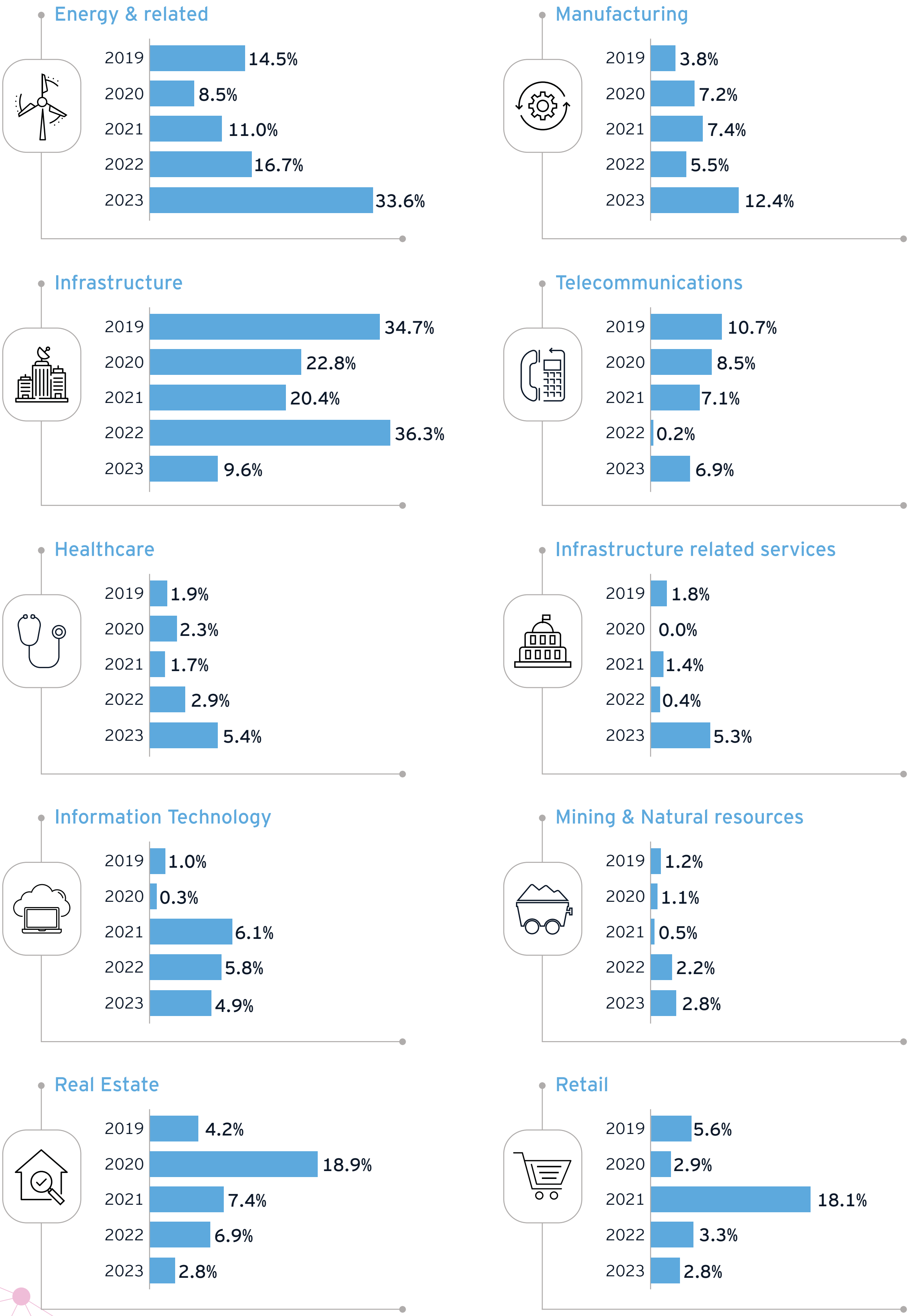


2021 numbers exclude R1.5bn worth of unclassified investments.

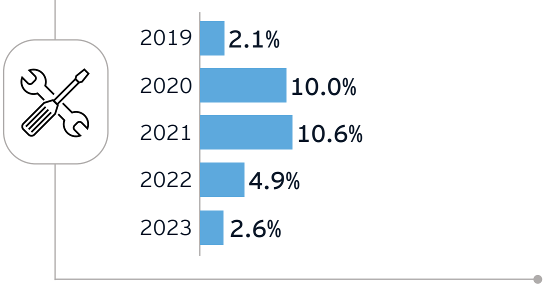
Though expansion and development remained the most preferred strategy at 51% of total investment value, it's share declined by 16 percentage points as replacement capital deals became more prominent.

High lending rates may have been a factor with replacement capital deals sought to reduce costly leverage. In 2022, the repo rate in South Africa continued to rise and reached 8.25%, before plateauing in the second half of 2023; this high cost of debt funding probably also encumbered PE investments in expansion and development stage assets/ businesses, which is also confirmed in the reduced proportion of investments in the infrastructure sector.

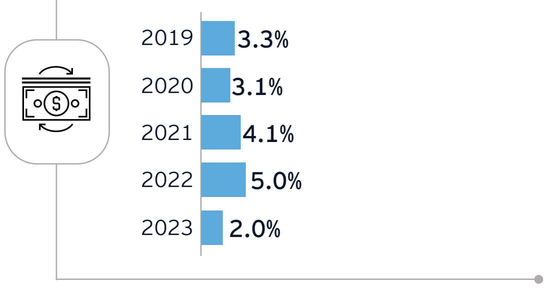
Investments by sector, 2019-2023 (% of total cost)



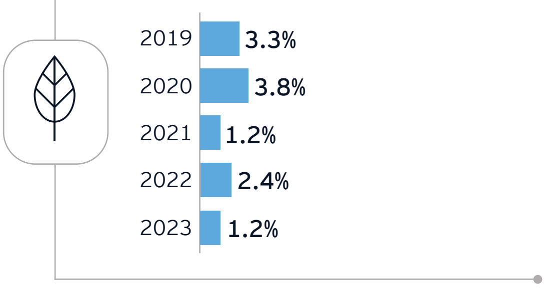
Services



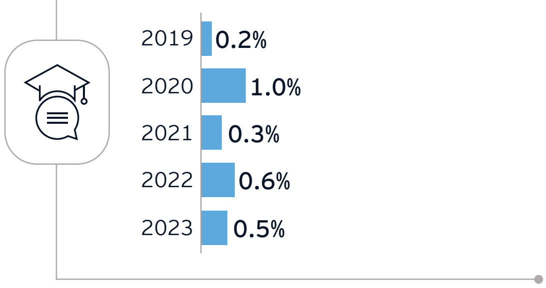
Banks, Financial Services & Insurance



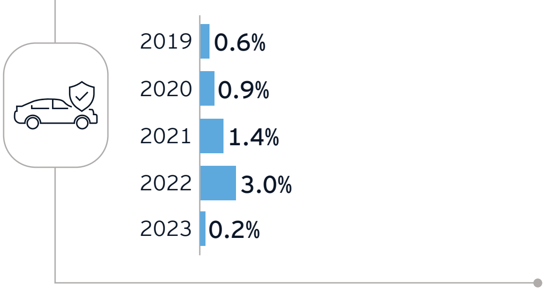
Agri & Agri processing



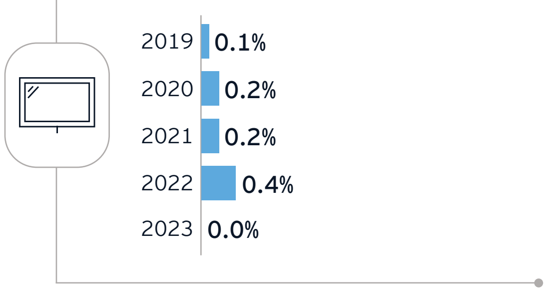
Education



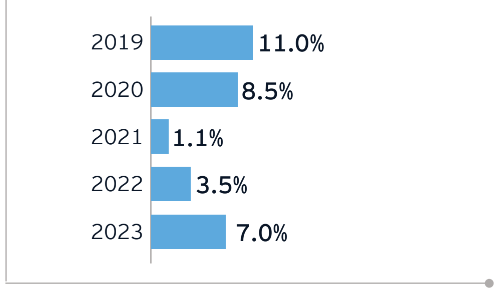
Travel & Leisure



Media



Others



Given the increase in the value of investments made in the energy and manufacturing sectors in 2023, below is a selection of investments made by PE firms in these two sectors:

PE acquirers	Other acquirers	Target	Business description
Selection of deals in the **energy** sector			
Inspired Evolution	FMO Entrepreneurial Development Bank, Stoa Infra & Energy	Red Rocket Energy	Developer of renewable energy projects
AIIM	N/A	NOA Group Holdings	An integrated energy platform
Inspired Evolution	IBL, Stoa Infra & Energy	Equator Energy	Operator of solar energy power plants
Metier	N/A	Africa Ren	Independent power producer
Mergence, Mahlako, Third Way	N/A	Aventro	A renewable energy initiative
Selection of deals in the **manufacturing** sector			
Vantage Capital	N/A	Kentainers	Manufacturer & provider of water & sanitation products & services
Exeo Capital	N/A	Amos Dairy	Manufacturer of milk products
Ascension Private Equity Fund I	N/A	Paul's Muesli (45% stake)	Manufacturer of muesli, granola and cereal bars

Energy sector emerged as the leader

The energy sector's share (by cost of investments) more than doubled in 2023, reaching ~34% of investments. This growth can probably be ascribed to the following factors:

- Moving further ahead in the value chain of renewables: Due to escalating concerns regarding climate risks and governments' initiatives to tackle these issues, renewable energy has persisted to be considered as a vital sector by PE firms. However, firms have not restricted themselves to greenfield projects and have directed their focus towards companies providing renewable energy for commercial and industrial purposes. This is evident from AIIM's investment in NOA Group Holdings and Inspired Evolution's investment in Equator Energy. Furthermore, these investments in the renewable energy sector are not restricted to Southern Africa as PE firms have allocated capital across the globe.
- In December 2022, the Electricity Regulation Act in South Africa was amended to remove the licensing threshold for generation facilities, which evoked a positive response from the commercial and industrial sector. These events have subsequently piqued PE interest in this segment of the renewable energy sector.
- The South African energy crisis, which exacerbated from mid-2022 onwards, is also directing investments towards the sector. To improve energy security in the country, in November 2022, South Africa unveiled its Just Energy Transition Investment Plan, outlining a five-year strategy for utilising a USD8.5bn financial package. This funding is pledged by the European Union, the United Kingdom, and the United States. The plan prioritises three areas: the electricity sector, new energy vehicles, and green hydrogen. This provides opportunity for PE firms to increase their investment in the renewable energy sector.

The manufacturing sector witnessed the most inflow of capital after the energy sector.

Number of investments by sector (excl. Business Partners)

Sector	2023 South Africa%	2023 Outside South Africa%	2023 Total%	2022 South Africa%	2022 Outside South Africa%	2022 Total%
Energy & related	14.5%	17.5%	15.1%	8.1%	28.6%	11.1%
Real Estate	11.1%	3.4%	9.6%	7.5%	7.1%	7.4%
Infrastructure	6.8%	13.8%	8.2%	5.6%	25.0%	8.5%
Manufacturing	7.7%	10.3%	8.2%	9.3%	-	7.9%
Information Technology	5.1%	13.8%	6.8%	11.8%	7.1%	11.1%
Banks, Financial Services and Insurance	5.1%	10.3%	6.2%	9.3%	3.6%	8.5%
Telecommunications	4.3%	13.8%	6.2%	1.2%	-	1.1%
Services	5.1%	3.4%	4.8%	6.2%	3.6%	5.8%
Retail	6.0%	-	4.8%	1.9%	3.6%	2.1%
Healthcare	4.3%	3.4%	4.1%	5.6%	7.1%	5.8%
Agri & Agri processing	-	10.3%	2.1%	3.7%	7.1%	4.2%
Mining & Natural resources and related	1.7%	-	1.4%	8.1%		6.9%
Travel & Leisure	0.9%	-	0.7%	0.6%	7.1%	1.6%
Education	0.9%	-	0.7%	1.2%	-	1.1%
Infrastructure related services	0.9%	-	0.7%	0.6%	-	0.5%
Media	-	-	-	2.5%	-	2.1%
Other/unknown	25.6%	-	20.4%	16.8%	-	14.3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Investments in the energy sector remained the most prominent contributor to deal volume in 2023, garnering over 15% of investments (11% in 2022). Real estate emerged as the second most active sector with 10%, particularly driven by investments in the South African real estate sector. Contributions from the infrastructure and manufacturing sectors remained strong at 8% each, whereas sectors such as information technology, financial services, and mining & natural resources witnessed a sizable dip in their share of deal volume.

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06 Portfolio value creation

The analysis includes employee, revenue, and EBITDA numbers (subject to availability of data) for portfolio companies held by Southern African PE firms across all of 2021, 2022 and 2023. 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 211 portfolio companies; revenue analysis covers 253 portfolio companies and EBITDA analysis covers 223 portfolio companies.

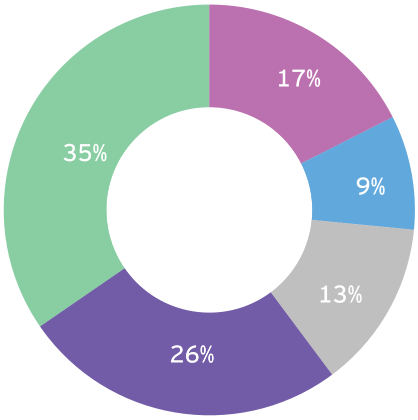
The portfolio company split by sector for each of employee numbers, revenue and EBITDA is shown below.

Sample size by sector

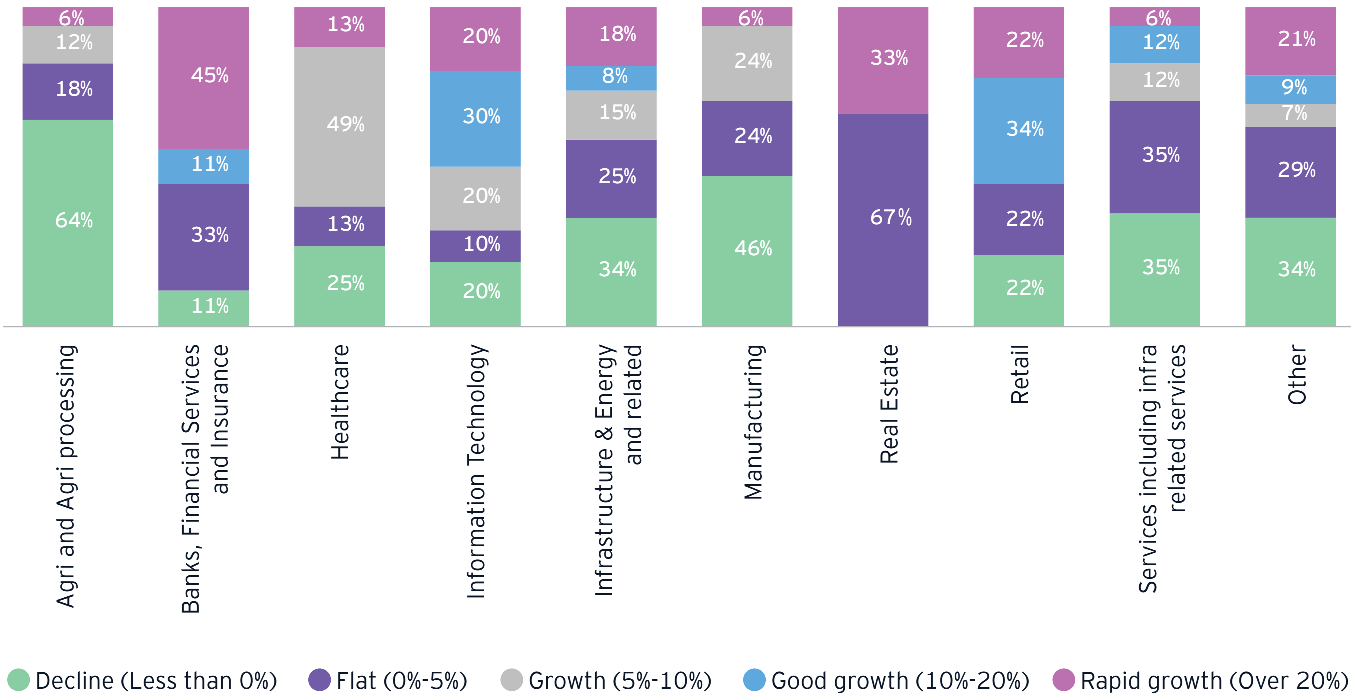
Sector	No. of companies reporting employee numbers	No. of companies reporting employee revenues	No. of companies reporting EBITDA
Agri and Agri processing	17	13	10
Banks, Financial Services and Insurance	9	17	15
Healthcare	8	12	10
Information Technology	10	20	20
Infrastructure & Energy and related	65	66	48
Manufacturing	17	23	20
Real Estate	3	57	57
Retail	9	12	13
Services including infra related services	17	13	11
Other	56	20	19
Total	**211**	**253**	**223**

Employee numbers

Overall employee growth (CAGR 2021-2023) (n=211)



Employee growth by sector (CAGR 2021-2023)

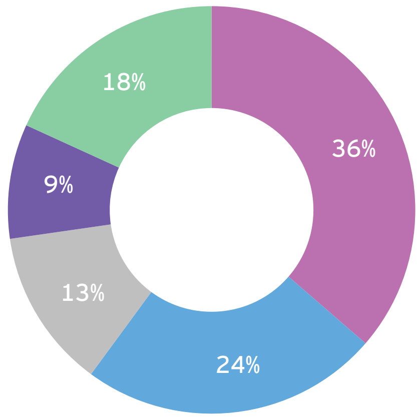


Employee growth has shown considerable variation within the portfolio companies of Southern African PE firms from 2021 to 2023. 65% of the portfolio companies experienced various degrees of growth in employee numbers – 17% claimed rapid growth (more than 20% CAGR in 2021-2023); 8% witnessed good growth (CAGR of 10-20%) and 13% experienced CAGRs of 5 to 10%. However, for the same period 35% of PE firm's portfolio companies saw a decline in their employees – this was notable for portfolio companies in the agri and agri-processing, manufacturing, services, and infrastructure and energy sectors – whilst 26% sustained employment at same levels.

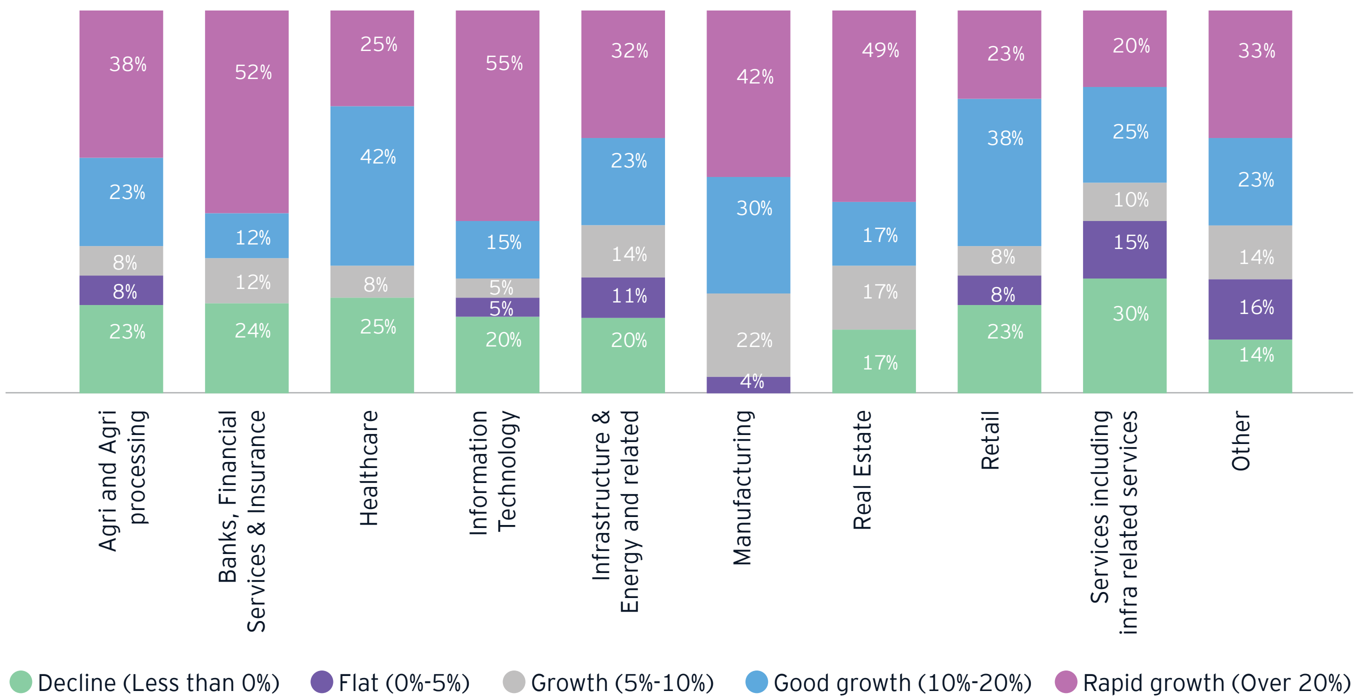
Consistent with 2022, portfolio companies in the financial services and real estate sectors increased their employees most rapidly with 45% and 33% of the companies in these respective sectors witnessing rapid employee growth (CAGR of > 20%) in 2023.

Revenue

Overall revenue growth (CAGR 2021-2023) (n=253)



Revenue growth by sector (CAGR 2021-2023)



60% of portfolio companies experienced revenue growth of greater than 10% from 2021 to 2023 with 36% of the companies experiencing rapid (more than 20% CAGR) growth. 18% of the portfolio companies witnessed a decline in their revenues from 2021 to 2023.

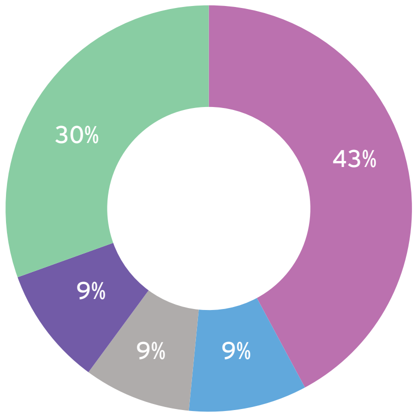
Revenues of IT-sector focused portfolio companies continued to proliferate, with 55% of them witnessing rapid growth (CAGR of over 20%). The percentage of IT companies with greater than 5% revenue growth also increased from 2022 to 2023. In 2022, 65% of the IT portfolio companies had witnessed at least a 5% increase in their revenue over the prior year, whereas in 2023, y-o-y growth of at least 5% was achieved by 85% of the companies.

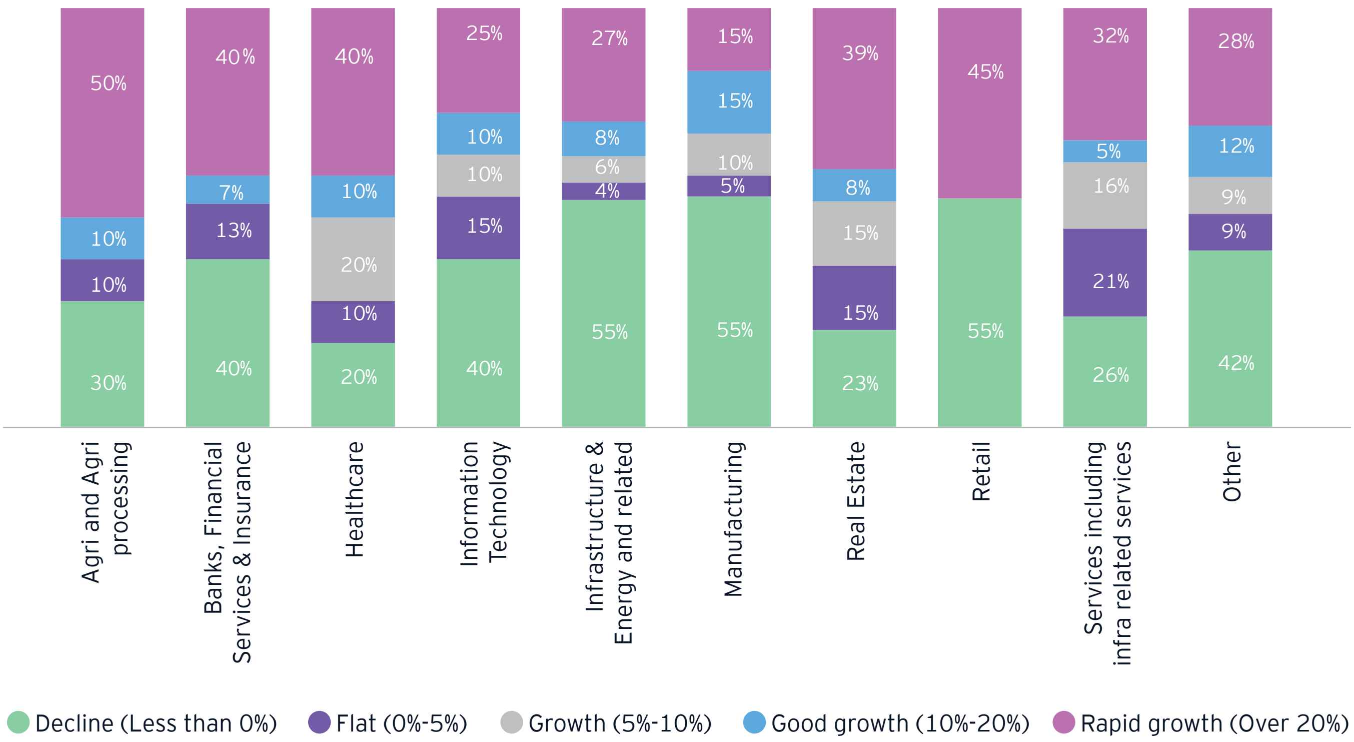
Companies in the financial services sector witnessed the most y-o-y decline from 2021 to 2023. In 2022, only 6% of the companies in the sector had experienced a decline in their revenue compared to 2021; however, this increased to 35% of companies with revenues declining in 2023. The decline can probably be ascribed to the hawkish macroeconomic environment which was especially difficult to navigate for the companies operating in the financial services sector. Besides companies in the financial services sector, revenue declines were experienced most by portfolio companies in the services and healthcare sectors. We do, however, note the contrasting experience of portfolio companies in the healthcare sector as 67% of companies had a CAGR of at least 10%, the best performing sector after the manufacturing (72% of companies had a CAGR of at least 10%) and IT (70% of companies) sectors.

Despite global and local economic headwinds in the form of stagnant growth or even recession, inflation, and persistent and growing geopolitical tensions, revenue growth was achieved by the vast majority of portfolio companies. The proportion of companies experiencing growth from 2021 to 2022, and 2022 to 2023 remained similar with c.70% of the portfolio companies witnessing growth of at least 5%.

EBITDA

Overall EBITDA growth (CAGR 2021-2023) (n=223)



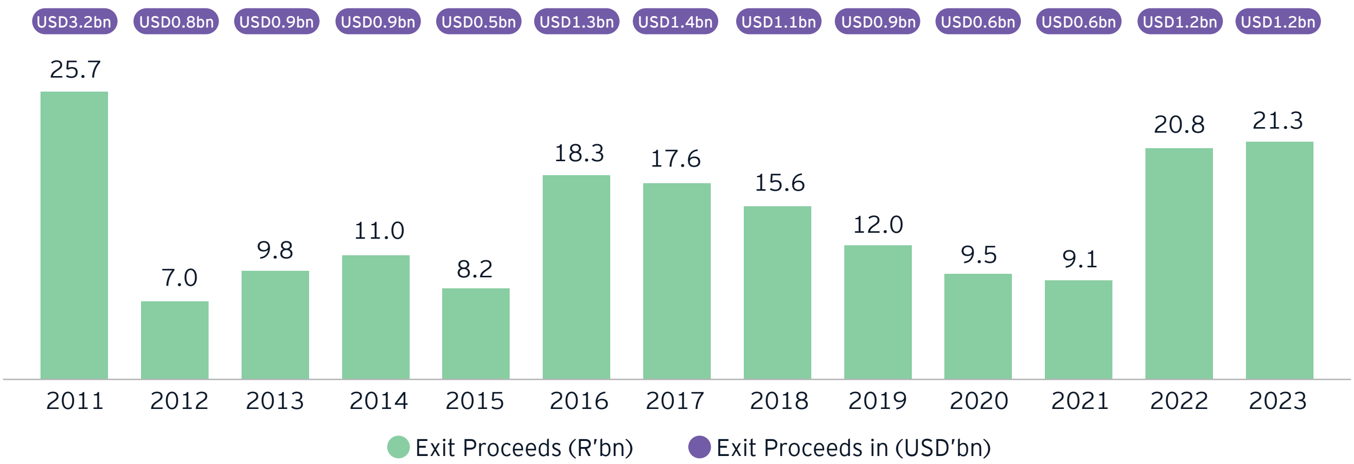


Growth in revenues of portfolio companies also translated into EBITDA growth. 70% of portfolio companies experienced growth in their EBITDA from 2021 to 2023 with 43% experiencing rapid growth. Portfolio companies in the retail, manufacturing, and infrastructure and energy sectors displayed the most EBITDA growth. However, despite witnessing rapid EBITDA growth in a sizable proportion of the portfolio companies, the retail sector also emerged as the sector with the second highest proportion of companies with a decline in EBITDA (45% of portfolio companies with dwindling EBITDA), after the agri and agri processing sector with 50% companies witnessing a decline in EBITDA for the same period.

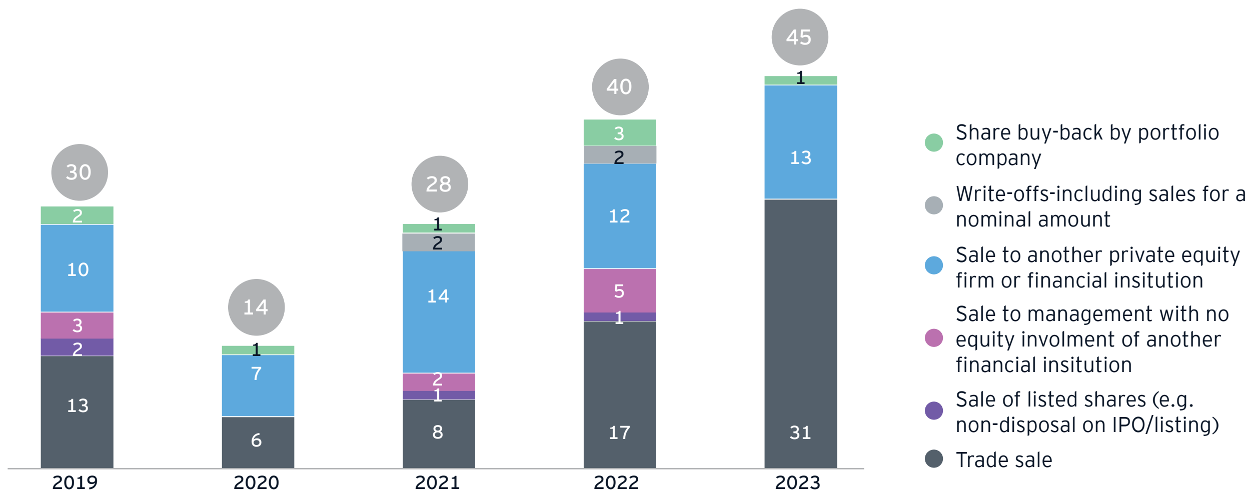
Overall, resilience and growth shown by portfolio companies during a period with difficult macro-economic conditions is proof of the PE sector's ability to actively support their portfolio company management teams, and in numerous cases, enable them to achieve rapid EBITDA growth.

07 Exit activity insights

Funds returned to investors, 2011-2023 (R'bn and USD'bn)



Number of exits (excluding Business Partners), 2019-2023*



*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.

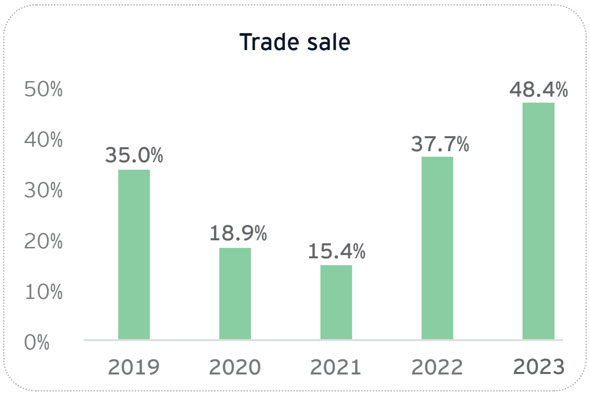
Exits play a pivotal part in the PE industry as they are imperative for churning of the PE capital cycle wherein cash flows from exits are recycled for fundraising and deployment. Exits are also imperative for determining fund performance.

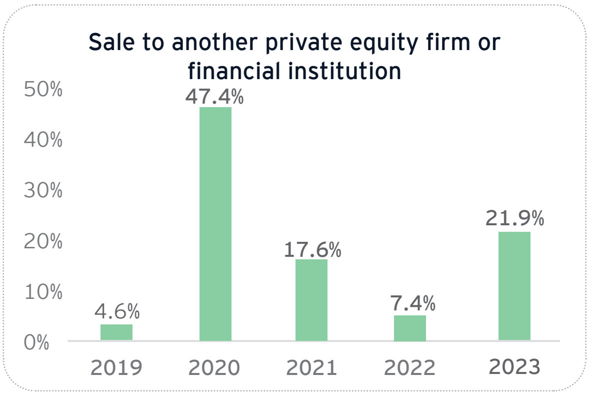
While globally, PE firms endured a challenging exit environment with subdued exit volumes and values, exits continued to increase in both volume and to a lesser extent by value in Southern Africa. Although a few firms sold off assets below their initial cost, the exit proceeds still improved by R0.5bn in 2023 when compared to 2022 and reached R21.3bn, the highest value since 2011.

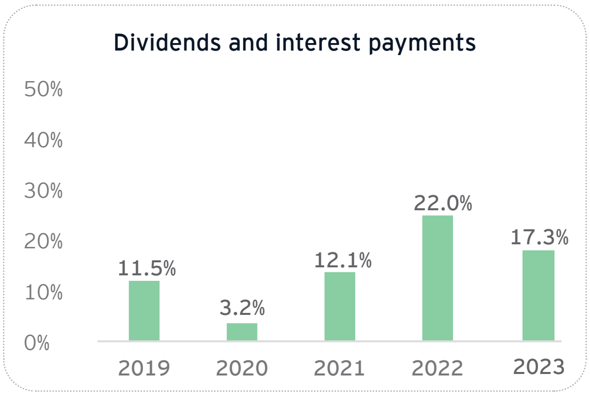
The flourish in exit activity is potentially indicative of a narrowing bid-ask gap in the region as expectations of buyer and sellers have come to similar levels, which is evident from the increase in the volume of exits to trade buyers.

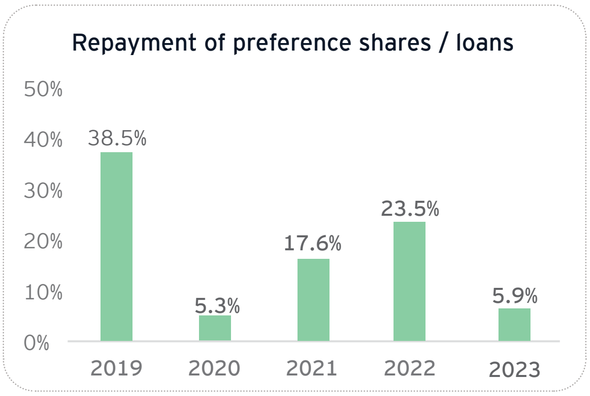
Exits through IPOs have always been sparse in the region, despite the global recognition of the Johannesburg Stock Exchange. This alludes towards complicated regulation around a public listing. In South Africa, one IPO of a PE-backed company occurred, being Premier Foods, a company in the FMCG sector. Premier Foods listed on the JSE in March 2023, raising R3.5bn. This exit was, however, not part of PE firms' submissions for the SAVCA PE Survey.

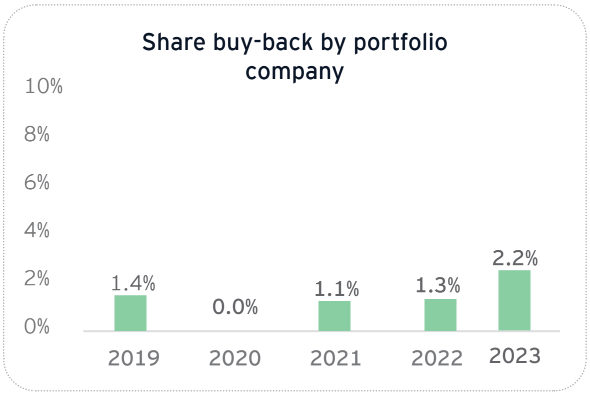
Proportion of funds returned based on exit route, 2019-2023 (% of total)

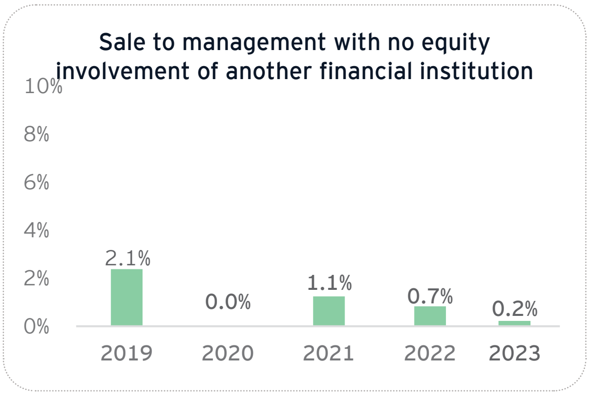


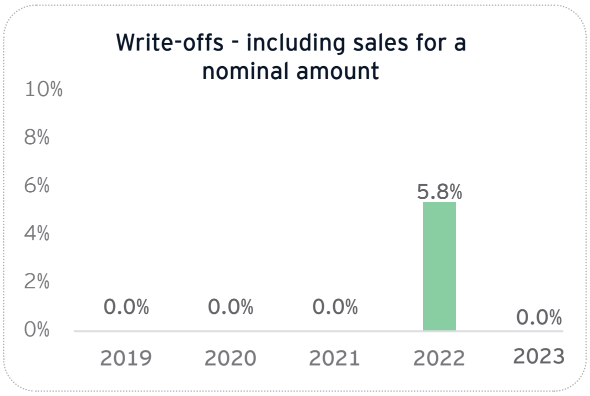


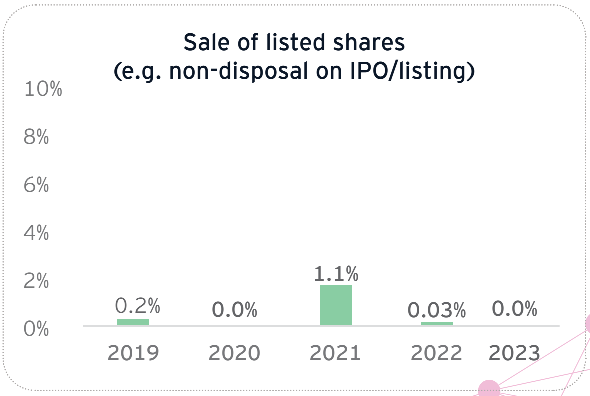


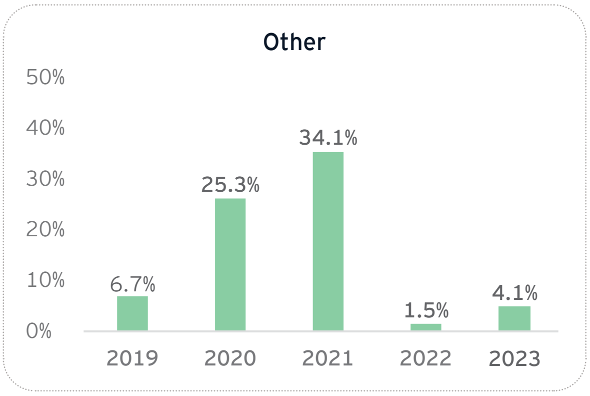




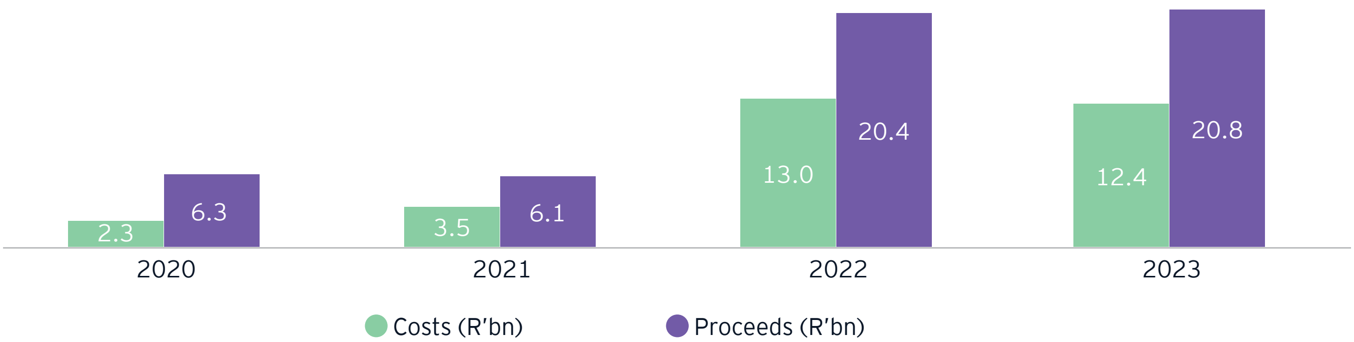






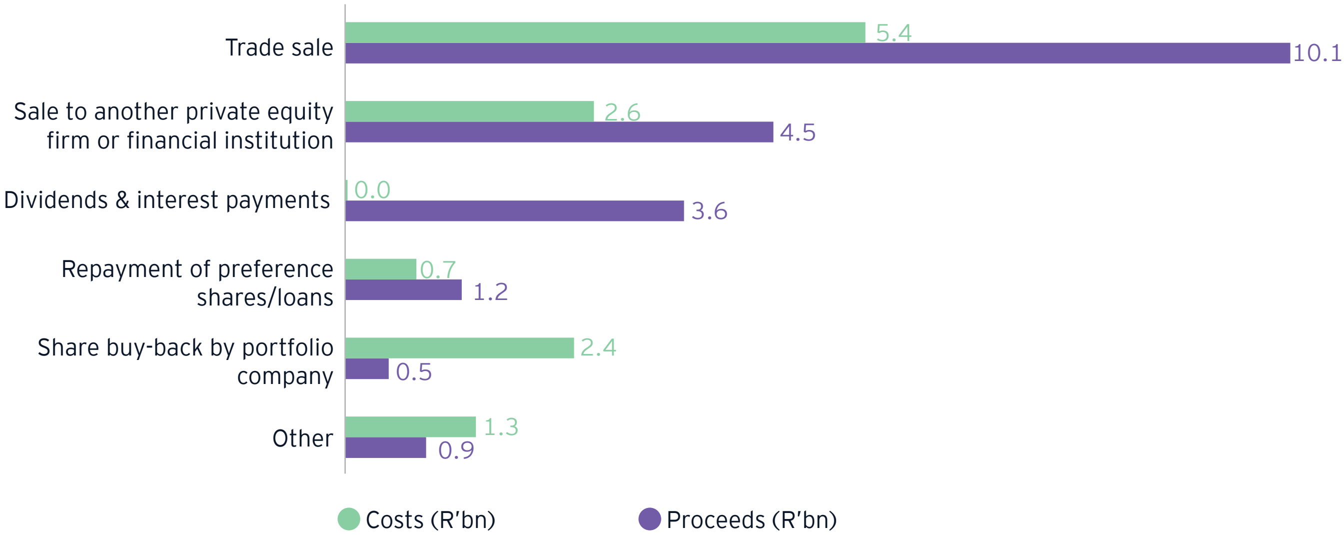


Total proceeds and cost of investments exited, 2020 - 2023 (R'bn)*



*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, 2023 (R'bn)*



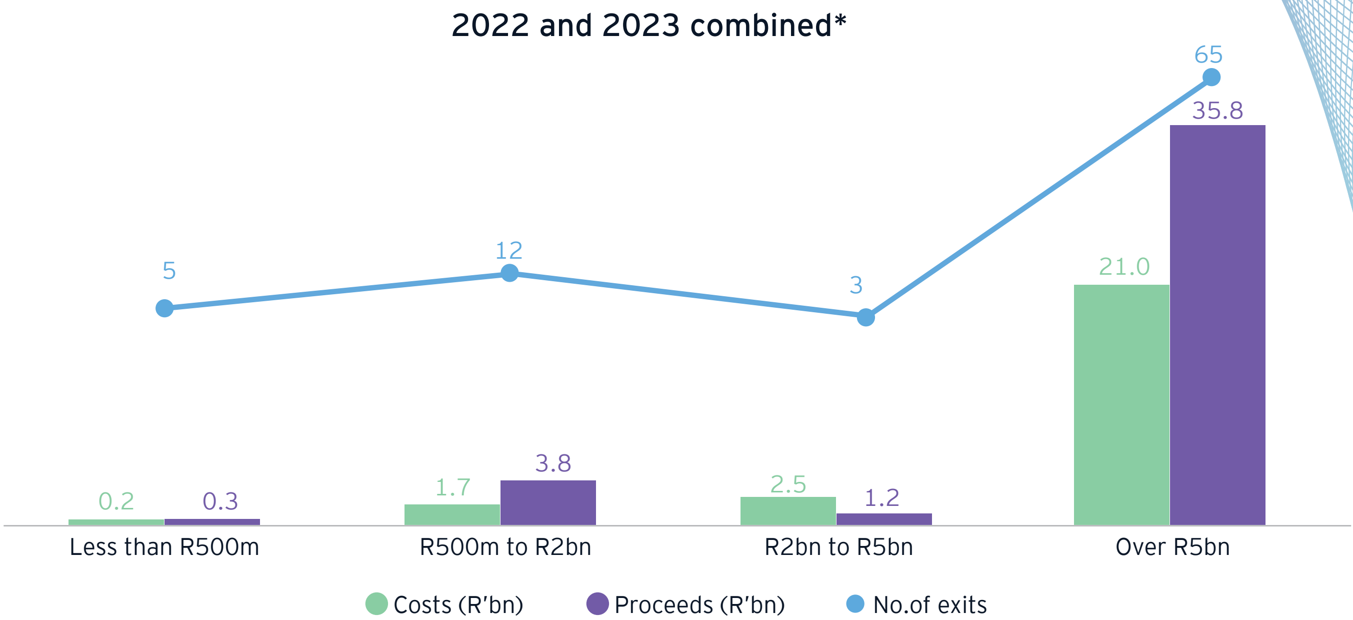
*Analysis includes only those exits where both proceeds and costs were provided by survey respondents.

Though the proportion of proceeds to cost of investments exited showed a slight improvement, it continued to remain relatively low at 1.7 times versus 1.6 times in 2022. PE firms struggled to get better returns from their exits in the current high lending cost and low-growth environment.

Exits to trade buyers remained the most favoured exit route with 31 out of 45 exits and also continued to be the most lucrative option with an average proceeds to cost ratio of 1.9 times. This was followed by secondary exits (sale to another PE firm or financial investor) with 13 exits and an average proceeds to cost ratio of 1.7 times.

^Dividends and interest payments and repayment of preference shares/loans are not considered for this analysis as the principal amount, or initial investments are not repaid at every instance and their consideration could skew the analysis.

Breakdown of costs vs. proceeds and number of exits by PE firm size (FUM split), 2022 and 2023 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).

Considering the last two years of exits, large firms (with FUM over R5bn) and small-to-mid-size firms with FUM between R500m and R2bn have been able to outperform with their exits achieving an average proceeds to cost ratio of 1.7 times and 2.2 times respectively.

In 2023, 91% of total proceeds came from exits by large firms, up from 83% in 2022. More will thus need to be done by PE firms with FUM of less than R5bn to achieve more exits going forward.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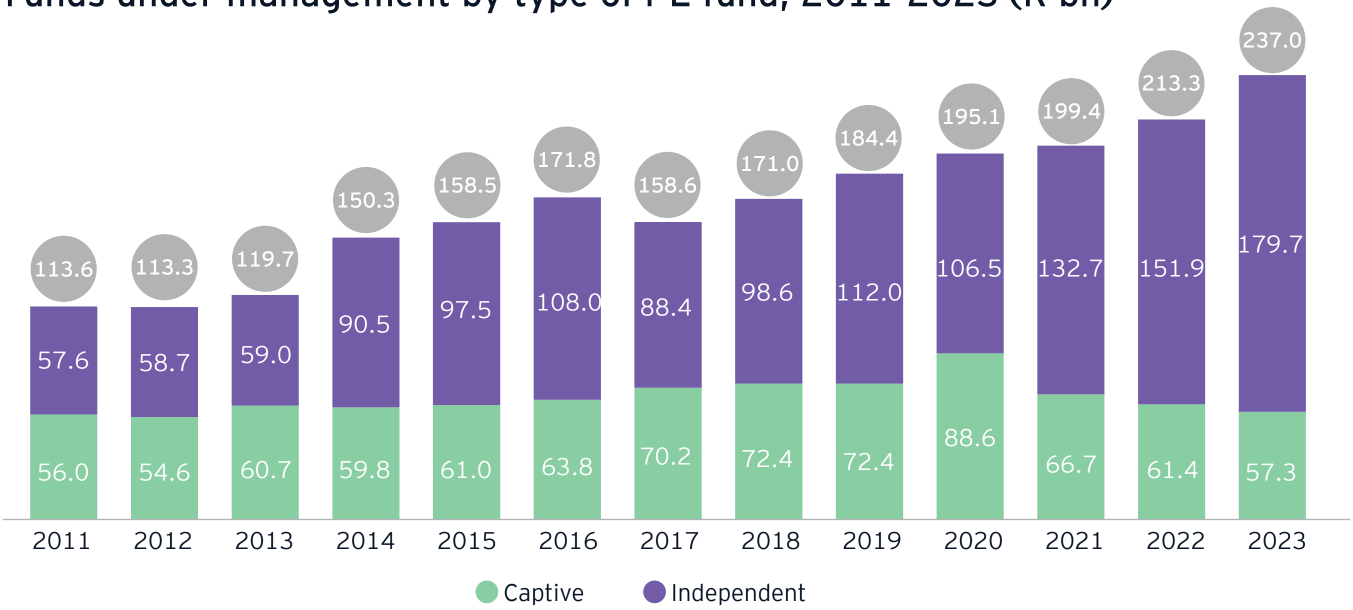
08 Funds under management insights

Funds under management by type of PE fund, 2011-2023 (R'bn)

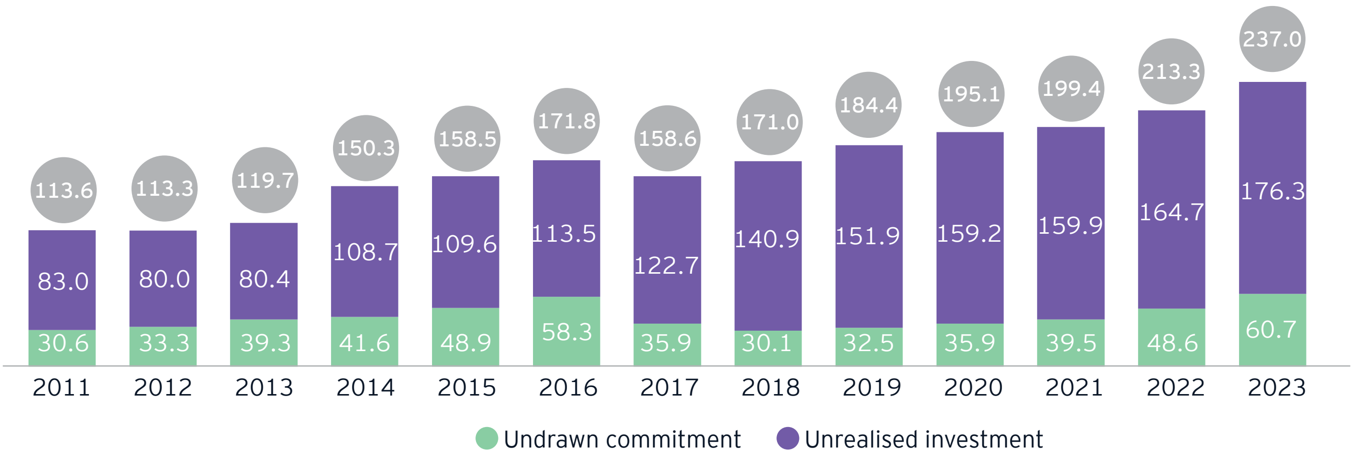


Funds under management (FUM) continued to move in an upward trajectory and gained ~11% from 2022 to reach R237bn in 2023. FUM of independent fund managers witnessed notable growth of ~18% (~R28bn).

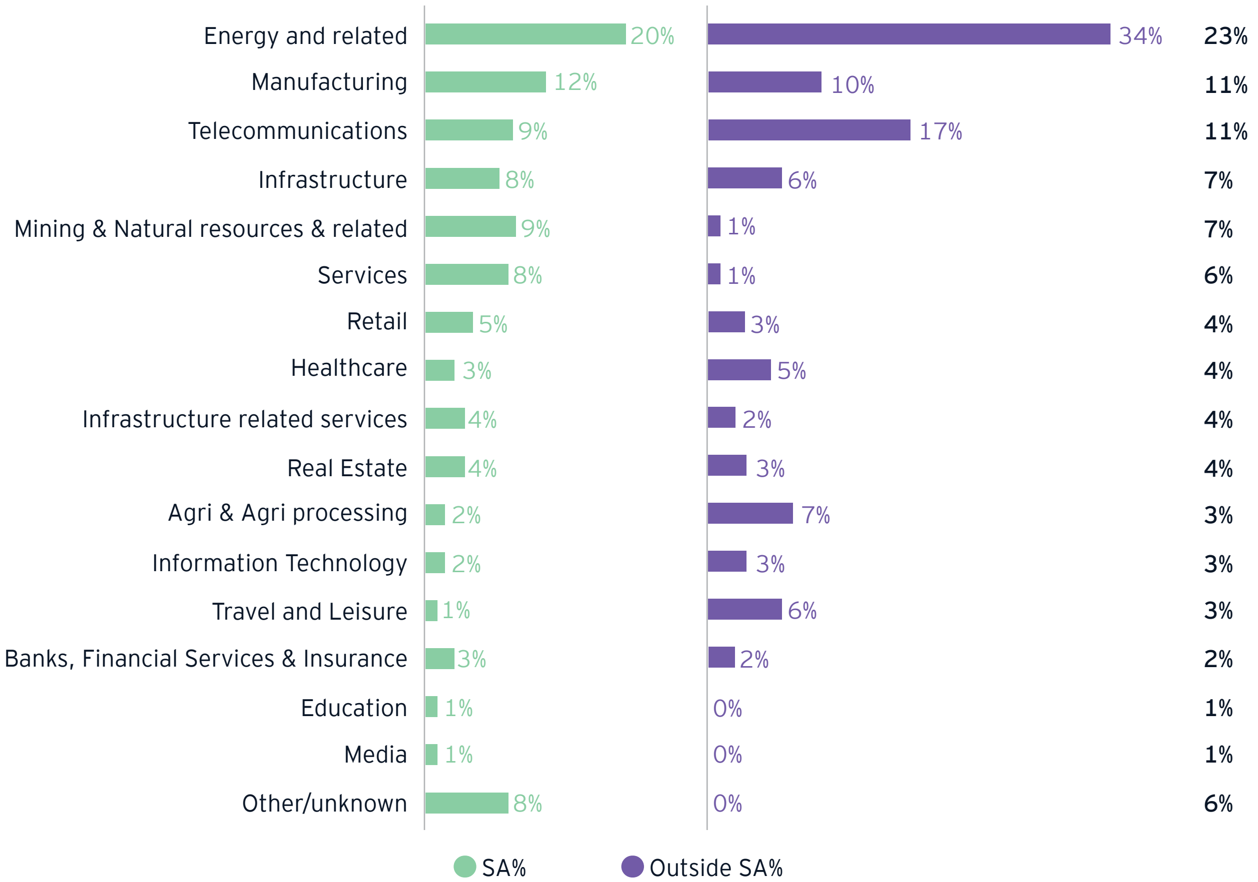
The cost of unrealised investments witnessed in 2023 grew by ~7% (~R12bn) in comparison to 2022 reaching over R176bn whilst undrawn commitments grew by ~25% and accumulated to ~R61bn, the highest in more than a decade. This increased availability of dry powder makes PE firms less susceptible to the higher interest rate environment and well poised to make investments in the near future. The growth can be attributed to the successful fundraising by independent fund managers.

Deterioration of the Rand in comparison to USD between 2022 and 2023 also contributed to the growth in FUM. When converted to USD – with respective rates at the end of each year – FUM growth comes out at 5% (FUM in 2022: USD12.4bn and in 2023: USD12.9bn).

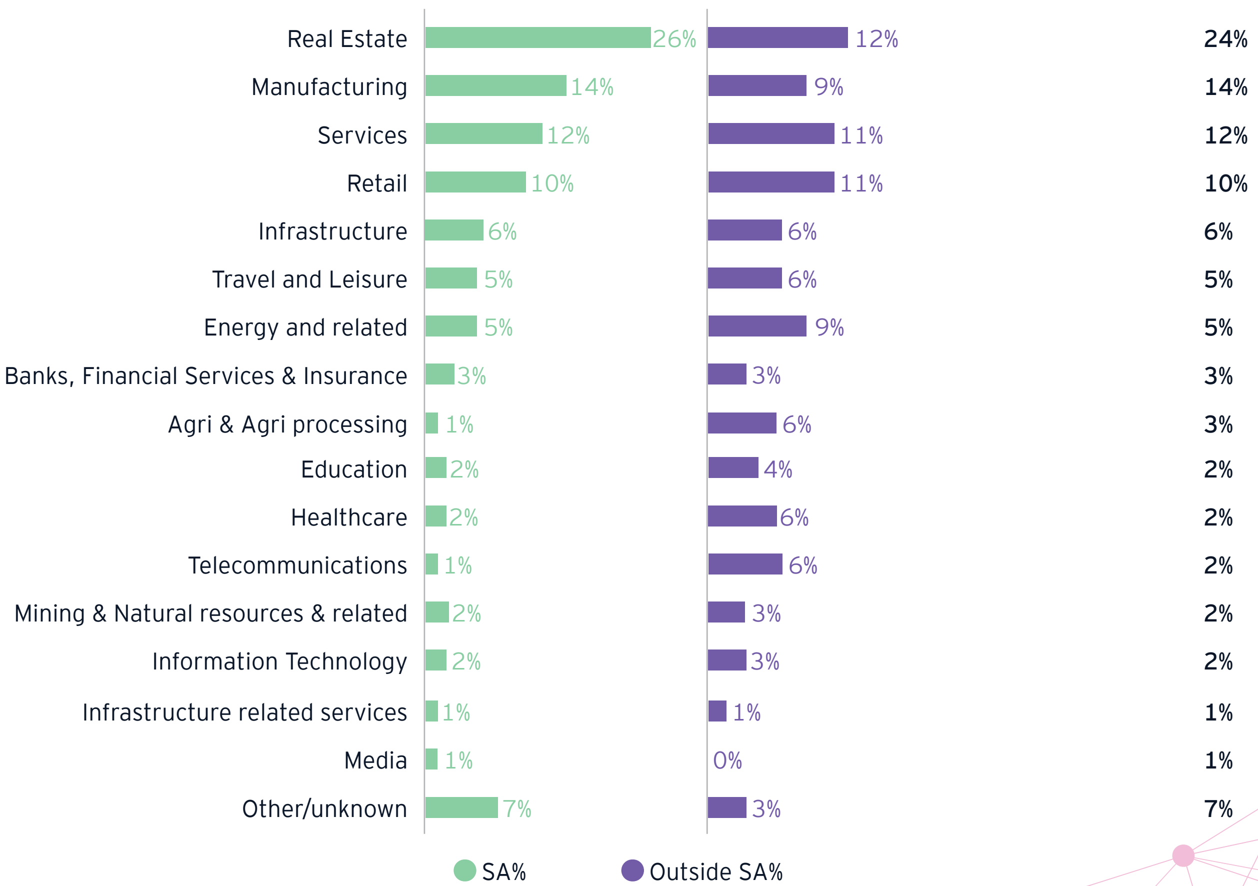
Composition of FUM by amount invested and undrawn commitments, 2011-2023 (R'bn)



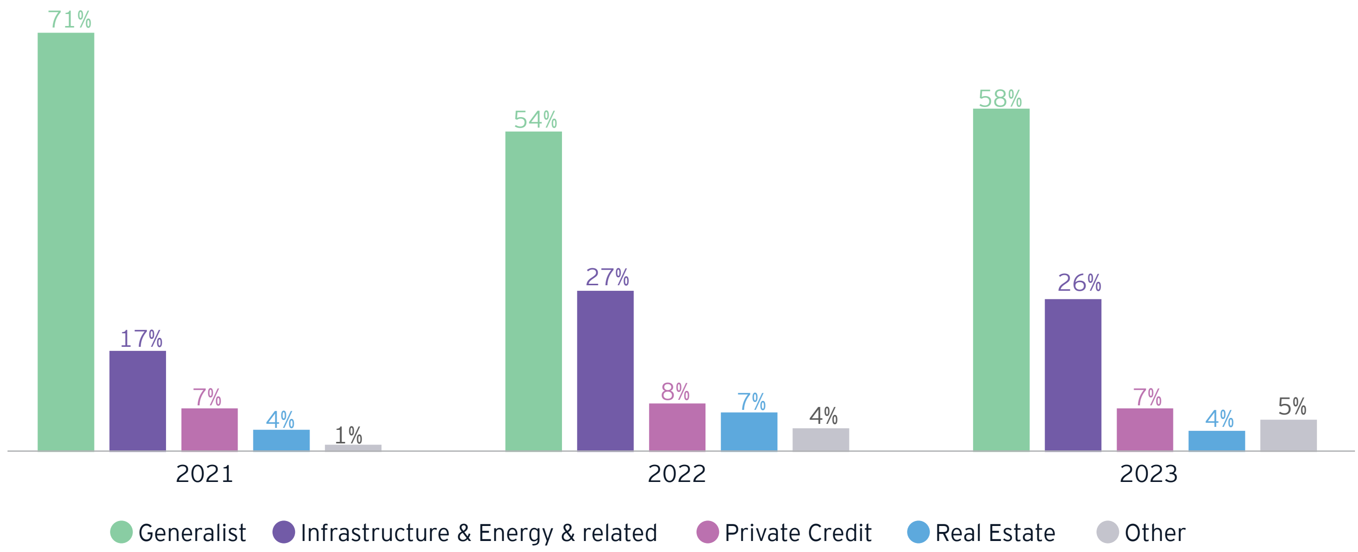
Percentage of unrealised investments by sector, 2023 (by cost)



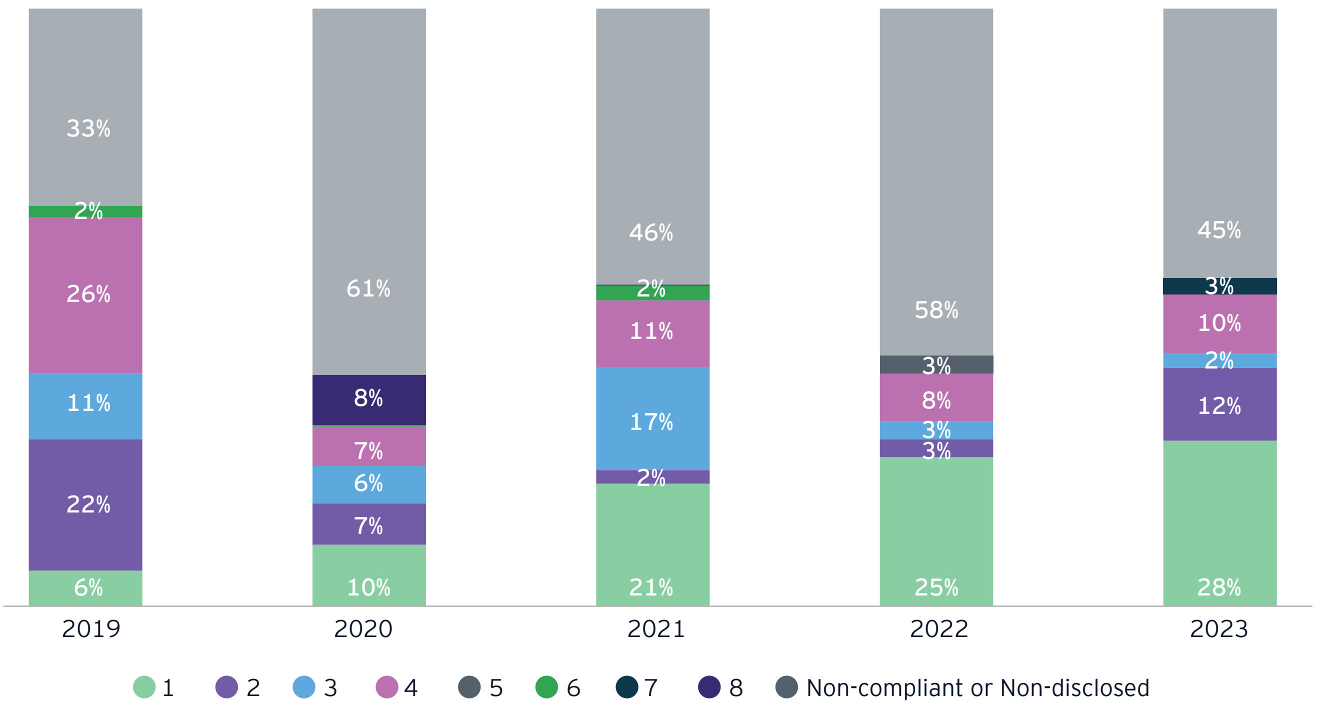
Percentage of unrealised investments by sector, 2023 (by volume)



Composition of FUM by focus of the fund 2021-2023 (% of total)



Composition of FUM by B-BBEE level of fund manager – 2019-2023 (% of total FUM)



09 Appendices

Appendix A: About the survey

The SAVCA 2024 Private Equity (PE) Industry Survey is presented by SAVCA and EY. The survey is based on responses from 46 PE firms operating in Southern Africa (which compares to 49 PE firms that participated in last year's survey). The survey covers analyses of the industry's strategic priorities, ESG and impact investing, talent, BBBEE, fund raising, investment and divestment activity, and funds under management. The data is based on annual calendar year data up to 31 December 2023 (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**	**2023**
South Africa	4.6	3.6	7.1	3.7	11.1	10.2	7.0	10.5
Outside South Africa	5.6	3.9	5.7	18.0	5.8	6.0	12.6	17.6
Total	**10.2**	**7.5**	**12.8**	**21.7**	**16.9**	**16.2**	**19.6**	**28.1**

Source of funds raised by type of investor and geography								
R'bn	2016	2017	2018	2019	2020	2021	2022	2023
Government, aid agencies and Development Finance Institutions (DFIs) - SA	-	-	-	-	1.3	0.6	0.3	1.1
Government, aid agencies and DFIs - Non-SA	-	-	4.5	1.1	4.0	3.2	5.9	11.3
Pension and endowment funds - SA	-	-	1.6	1.3	8.9	6.6	3.9	6.2
Pension and endowment funds - Non-SA	-	-	-	-	0.3	0.7	0.1	1.2
Corporates - SA	-	-	1.9	0.1	0.5	0.2	2.0	2.1
Corporates - Non-SA	-	-	0.1	-	0.5	-	1.3	2.3
PE fund of funds - SA	-	-	0.3	0.3	-	0.4	0.9	0.6
PE fund of funds - Non-SA	-	-	0.6	-	0.8	0.2	1.6	0.7
Private individuals and Family offices - SA	-	-	0.3	0.6	0.1	-	0.0	0.1
Private individuals and Family offices - Non-SA	-	-	0.4	1.6	-	-	0.3	1.0
Insurance companies / institutions - SA	-	-	1.8	0.6	0.4	2.6	1.6	0.6
Insurance companies / institutions - Non-SA	-	-	-	-	-	0.5	0.0	0.0
Disposal proceeds available for investments and other - SA	-	-	-	3.7	-	0.1	0.1	0.5
Disposal proceeds available for investments and other - Non-SA	-	-	-	11.3	-	-	0.0	0.1
Banks - SA	-	-	1.3	1.1	0.1	1.2	0.7	0.3
Banks - Non-SA	-	-	-	-	-	-	0.9	0.0
Total	**-**	**-**	**12.8**	**21.7**	**16.9**	**16.2**	**19.6**	**28.1**
South Africa total	4.6	3.6	7.2	7.7	11.3	11.6	9.4	10.5
Non-South Africa total	5.6	3.9	5.6	14.0	5.6	4.6	10.2	17.6
Total	**10.2**	**7.5**	**12.8**	**21.7**	**16.9**	**16.2**	**19.6**	**28.1**

Investments

Value of investments													
R'bn (unless reflecting by number/volume)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
New investments	7.7	6.1	7.6	7.7	7.8	10.1	18.9	14.9	18.4	10.2	10.6	10.6	11.7
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	4.6	4.0
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**	**15.7**

Number of investments (excl. Business Partners)						
	2018	2019	2020	2021	2022	2023
New	162	132	73	53	72	66
Follow-on	282	117	96	82	117	80
Total	**444**	**249**	**169**	**135**	**189**	**146**

Value of investments by stage						
R'bn (unless reflecting by number/volume)	2018	2019	2020	2021	2022	2023
Expansion and development	16.0	13.2	6.1	7.6	10.2	8.0
Buy-out and replacement capital	15.1	5.2	6.6	5.2	3.8	6.2
Start up and early stage	3.0	7.0	1.8	0.6	1.1	1.5
Unclassified	1.3	-	-	1.5	-	-
Total	**35.4**	**25.4**	**14.5**	**14.9**	**15.2**	**15.7**

Exits

Exits													
Funds returned to investors by nature (R'bn)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Trade sale	-	-	-	-	-	-	-	5.6	4.2	1.8	1.4	7.7	10.1
Sale to another PE firm or financial institution	-	-	-	-	-	-	-	0.9	0.6	4.5	1.6	1.5	4.5
Dividends and interest payments	-	-	-	-	-	-	-	2.5	1.4	0.3	1.1	4.5	4.1
Repayment of preference shares / loans	-	-	-	-	-	-	-	4.1	4.5	0.5	1.6	4.9	1.2
Other	-	-	-	-	-	-	-	2.3	0.8	2.4	3.1	0.5	0.9
Share buy-back by portfolio company	-	-	-	-	-	-	-	0.1	0.2	-	0.1	0.3	0.5
Sale to management with no equity involvement of another financial institution	-	-	-	-	-	-	-	-	0.3	-	0.1	0.2	0.0
Write-offs - including sales for a nominal amount	-	-	-	-	-	-	-	0.1	-	-	-	1.2	-
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**	**21.3**

Number of exits by type						
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
Trade sale	17	13	6	8	17	31
Sale to another PE firm or financial institution	7	10	7	14	12	13
Share buy-back by portfolio company	3	2	1	1	3	1
Sale to management with no equity involvement of another financial institution	2	3	-	2	5	-
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**	**45**

Funds under management

Funds under management by type of PE fund													
R'bn	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
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	57.3
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	179.7
Total	**113.6**	**113.3**	**119.7**	**150.3**	**158.5**	**171.8**	**158.6**	**171.0**	**184.4**	**195.1**	**199.4**	**213.3**	**237.0**

Composition of FUM by amount invested and undrawn commitments													
R'bn	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	60.7
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	176.3
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**	**237.0**

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
Denominator effect	The denominator effect occurs when one portion of a portfolio decreases dramatically, diminishing the total value of the portfolio. As a result, any segments of the portfolio that did not decrease in value now comprise a larger percentage of the total.
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 Private Equity 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
Agile Capital	www.agilecapital.co.za
AIH Capital - AWCA Investment Holdings	www.awcainvest.co.za
AIIM	www.aiimafrica.com
Alterra Capital	www.alterracapital.com
Ascension Capital Partners	www.ascensioncapital.co.za
Ata Capital	www.atacapital.co.za
Bayakha Infrastructure Partners (Alt Capital)	www.altcapitalpartners.co.za
Business Partners	www.businesspartners.africa
Capitalworks	www.capitalworksip.com
Convergence Partners	www.convergencepartners.com
Ditiro Capital	www.ditirocapital.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
Infinite Partners	www.infinitepartners.co.za
Inspired Evolution	www.inspiredevolution.co.za
Ke Nako Capital	www.kenakocapital.co.za
Mahlako	www.mahlako.co.za
Medu Capital	www.meducapital.co.za
Mergence Investment Managers	www.mergence.co.za
Metier	www.metier.co.za
Nedbank PE	www.nedbank.co.za
Novare	www.novare.com
Old Mutual Alternatives	www.oldmutualalternatives.com
Pembani Remgro	www.pembani-remgro.com
Phatisa	www.phatisa.com
Revego	www.revegoenergy.com
RMB Corvest	www.rmbcorvest.co.za
RMB Ventures	www.rmbventures.co.za
SA SME Fund	www.sasmefund.co.za
Sanari Capital	www.sanari.co.za
Sanlam PE	www.sanlaminvestments.com
Senatla Capital	www.senatlacapital.com
Tamela	www.tamela.co.za

Trinitas Private Equity	www.trinitaspe.co.za
Vantage Capital	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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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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