SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION

SAVCA 2021

Private Equity Industry Survey

Insights into the Southern Africa Private Equity Industry

Research partner

EY
Building a better working world

About the survey

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

SAVCA does not have access to any of the individually completed surveys submitted to EY. While care has been taken in the compilation of the survey results, SAVCA and EY do not guarantee the reliability of its sources nor of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

Jersey Finance

Delivering Insight ▪ Driving Innovation

Jersey for Supporting African Capital Raising

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Jersey can play an increasingly vital role in sourcing overseas capital securely and efficiently, helping to support economic growth and job creation in Africa.

The Island has been at the forefront of fund services for more than 60 years. It provides a straightforward tax-neutral environment, strong regulatory and legal frameworks, and vast experience in the alternative asset classes, including private equity, venture capital and infrastructure funds.

This, combined with a forward-thinking approach and the ability to offer certainty, stability and substance, gives Jersey the international pedigree that appeals to investors across Africa.

Offering a safe and familiar environment for European investors across institutional, high-net worth and pension funds, as well as meeting the market access requirements under the AIFMD, makes Jersey a highly attractive option for investors in Europe, offering a clear solution for private equity deal structuring in Africa.

Benefits for funds and managers include:

- A regulatory framework which has evolved specifically for alternative asset classes
- A tax-neutral environment to avoid the double or triple taxation of funds and their investors
- Fund service providers ranging in size and specialisation
- Regulations which are proportionate to the level of investor sophistication

£436.3bn

total net asset value of regulated funds under administration

as at 30 June 2021

89% **of fund assets in alternatives**

- Private equity
- Venture capital
- Real estate
- Infrastructure
- Hedge

as at 30 June 2021

456

Jersey Private Funds established since their launch in 2017

as at 30 June 2021

Foreward

As the world became accustomed to constant change through the COVID-19 pandemic, at SAVCA we also decided it was time to change how we reported on our private equity (PE) data. For twenty years, SAVCA reported annually on the industry trends for the preceding calendar year in the form of a report accompanied by an in-person event.

This year however, instead of one report, we published three volumes that not only highlighted deal activity and trends, but also captured important industry sentiments around key issues, supported by the inclusion of global comparisons. Given the robustness of the data being reported, each of these volumes warranted its own webinar where industry experts provided additional insights based on their experiences in the market.

These three volumes collectively culminated into this final report – capturing all the data, industry trends and market sentiments collected and analysed by our valuable research partner, EY. This report therefore not only provides important deal activity, fundraising and transformation data, but also valuable insights into the strategic priorities of PE firms, the impact of the pandemic on PE firms and their underlying portfolio companies, as well as changing operating models within the industry.

In terms of deal activity, we were pleased to see that the industry continued to invest regardless of a difficult trading environment, and that Southern African PE firms were still able to raise funds that will ultimately be deployed in support of economic growth and recovery. An interesting insight from Volume 2, was that 54.4% (R9.2bn) of total funds raised, were from Pension and Endowment Funds.

Of this R9.2bn, 97% were from South African pension and endowment funds. This speaks positively to the market sentiment that the PE industry continues to remain agile, and is a viable vehicle to invest in the real economy.

As in previous years, we would like to thank our members who participated in the survey, as well as those who supported the survey through taking up advertising space. Your support makes it possible for SAVCA to achieve its objectives of creating a more supportive regulatory environment, and to promote the value and impact of PE and venture capital to various stakeholders, including local and international investors.

We also take this opportunity to thank our research partner, EY, as they not only provided valuable market insights over and above data collection and reporting, but also were key to the creative element of the various volumes and this report.

We hope you enjoyed the new volume format and that the collective SAVCA report is both insightful and beneficial.

Tanya van Lill

CEO: SAVCA

Contents

Southern Africa PE Survey Highlights

Top priorities and the impact of COVID-19

The top 2 strategic priorities of PE firms are **raising capital for new funds and asset growth.**

While **39%** of PE firms noted a negative impact on their portfolio companies due to COVID-19 (59% noted a neutral impact),

69% of PE firms are expecting a recovery in deal activity over the next 12 months.

Fundraising

R11.1bn - Funds raised by PE firms from South African sources, of which R8.9bn **(52.7% of total funds raised)** came from local pension and endowment funds.

This is the largest value of funds raised from South African sources in the last 5 years and represented 72.5% of total Southern Africa PE fundraising in 2020 (R16.9bn).

Investment Activity

PE investments decreased to **R14.5bn** (vs. R25.4bn in 2019 and R35.4bn in 2018). While new investments by PE firms represented **70.3%** of capital deployed, follow-on investments represented **56.8%** of the number of investments (96 follow-on investments out of 169 investments in total, excluding investments by Business Partners).

Infrastructure remained the largest sector attracting investment, with **22.8%** of capital deployed into this sector (down from 34.7% in 2019).

By number of investments, manufacturing **(21.3%** or 36 investments) was the most popular sector for making investments, followed by services (20.1%).

ESG and Impact Investing

96% of PE firms consider ESG when making an investment decision.

59% of PE firms that do not have a specific impact investing mandate are likely to consider such a mandate in the next 5 years.

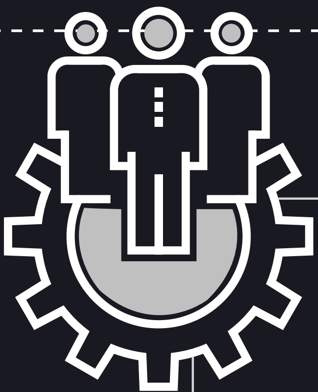
72% of PE firms intend to escalate efforts to manage and track the ESG performance of portfolio companies over the next 12 months.

56% of PE firms (vs. 24% globally per EY Global PE survey) noted that ESG risks and opportunities are considered ‘very seriously’, as the local market have mature ESG policies and processes, compared to 24% per the EY Global PE survey.

PE Value Creation

Despite the challenges posed by COVID-19 on portfolio companies, revenues earned by PE portfolio companies based on 93 portfolio companies across 24 PE firms) increased by **9.7%** to R169.3bn in 2020 (vs. the 5.4% increase in 2019 from 2018). The number of employees across these companies also continued to increase (**4.2%** in 2020 to 119,599 employees vs. a 4.4% increase in 2019). EBITDAs increased by **8.5%** in 2020 (vs. 2.4% in 2019). While the number of portfolio companies with increases in revenue were less, we noticed the strong adaptability of PE portfolio companies confirmed by **23.6%** of these portfolio companies increasing revenues by greater than 20%. These findings show strong growth despite the challenges of COVID-19 and a sluggish South African economy which bode well for achieving more exits in the near term.

Transformation of PE Firms' Teams



- PE firms' employees continued to transform as the proportion of transformed (African, Coloured and Indian) team members reached a high of **63%.**
- By gender, PE firms' back office teams are well diversified **(55% female)**, however 72% of front-office teams are male and thus still require greater transformation. Southern African PE firms' front-office teams with
- **44%** having > 30% females are however more transformed than global PE firms (only 13% of PE firms per the EY Global PE survey had females representing > 30% of front-office teams).
- Level 1 BBBEE PE firms represented **30.7%** of FUM (up from below 10% in prior years), while the % of non-compliant or PE firms that did not disclose their BBBEE rating decreased from 33.2% in 2019 to 18.5% in 2020.

Exit Activity

- Funds returned to investors decreased to **R7.2bn** (vs. R12.0bn in 2019), the lowest level since 2012 (R7.0bn).
- The number of exits (excluding Business Partners) decreased to **14** compared to 30 in 2019 and 29 in 2018, with exits to another PE firm / financial investor (7 exits) being the most popular exit route followed by exits to trade buyers (6 exits). More will need to be done to achieve greater exits in 2021 and in the near to medium-term.

Funds Under Management

- Funds under management reached a record high of **R205.7bn**, with captive PE firms representing 48.9% of FUM at 31 December 2020.
- Undrawn commitments (dry powder) represented **16.2%** of FUM, increasing slightly from R32.5bn at 31 December 2019 to R33.4bn at 31 December 2020.
- Infrastructure focused funds represented **33.4%** of FUM, up from 26.0% at 31 December 2019.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The better the question. The better the answer. The better the world works.

01 How COVID-19 impacted the PE industry?

What has the impact of COVID-19 been on PE activity and portfolio performance?

Extent to which COVID impacted your portfolio companies

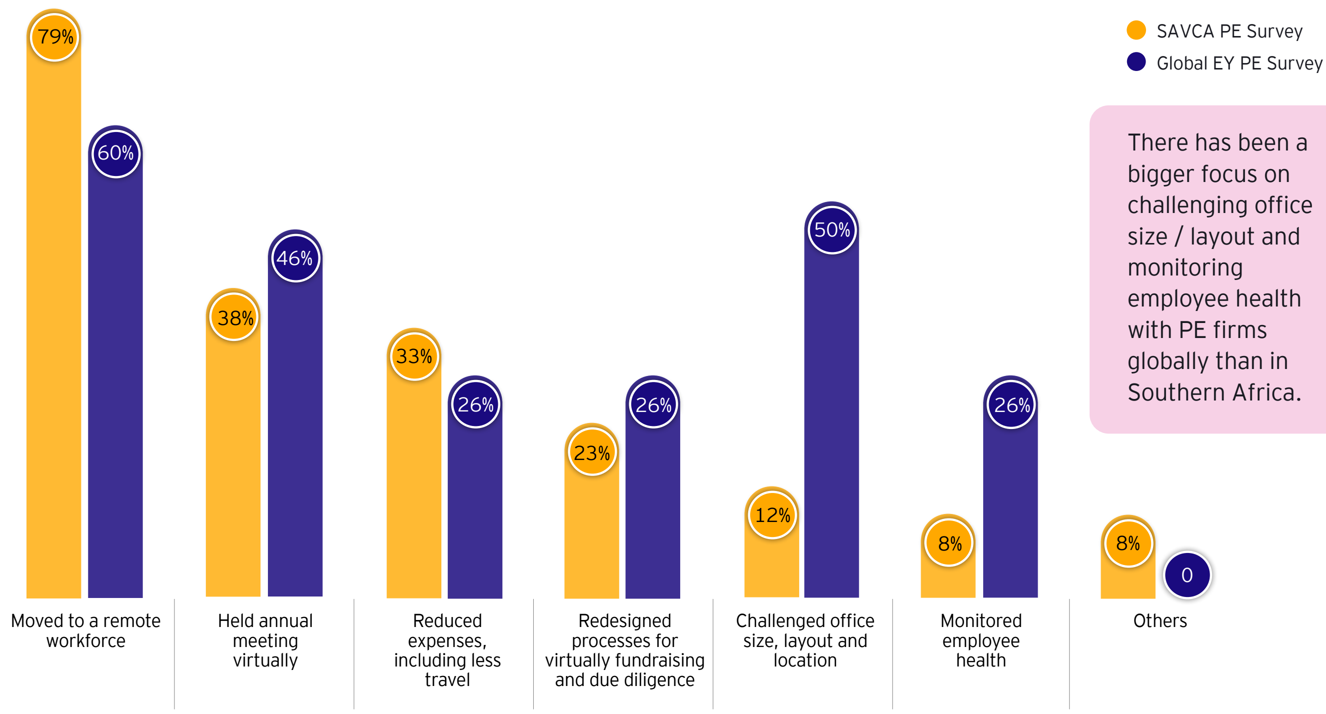
59% Neutral
39% Negative
2% Positive

Assessment of the impact of COVID-19 on PE activity over the next 12 months

69% Recovery in deal activity
19% Decline in deal activity
12% No/Limited impact

PE firms are largely expecting a recovery in deal activity in the next 12 months. The pandemic has mainly had a neutral or negative impact on performance of portfolio companies.

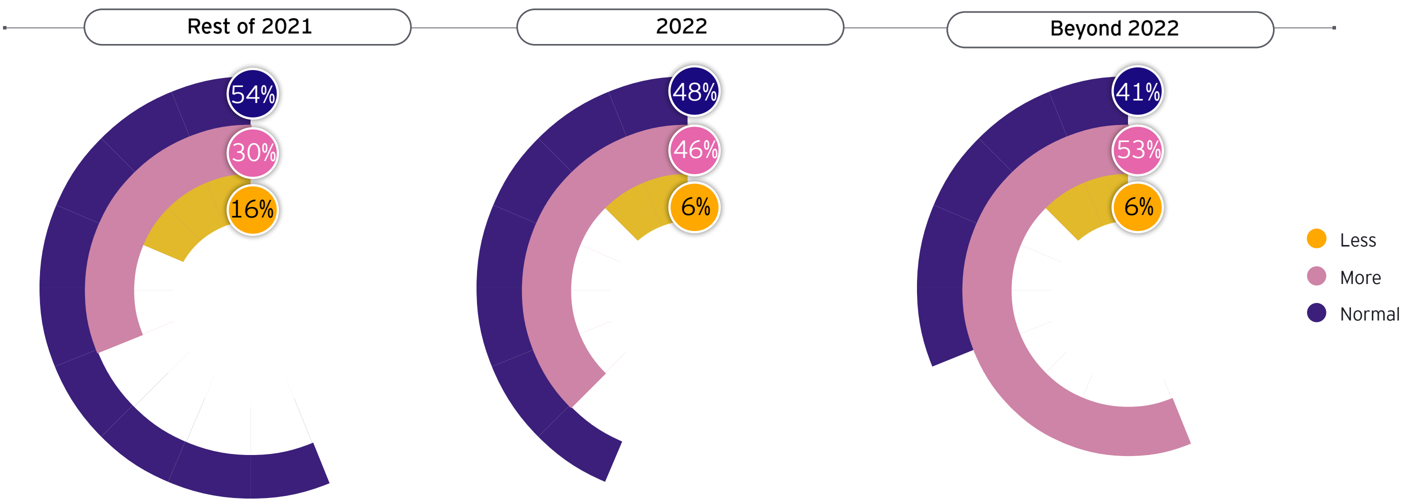
How did COVID-19 impact PE firms?



There has been a bigger focus on challenging office size / layout and monitoring employee health with PE firms globally than in Southern Africa.

Source: *EY 2021 Global Private Equity Survey*

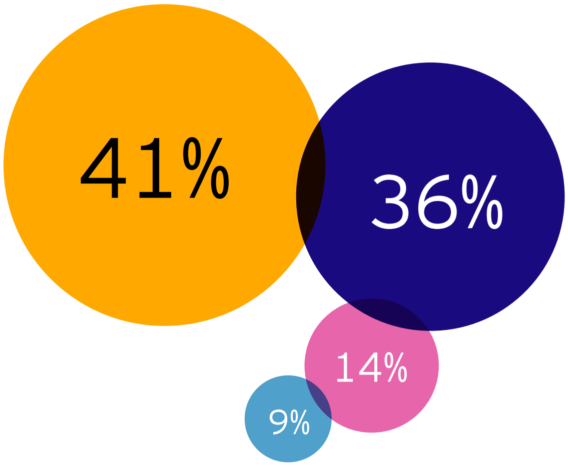
How do we expect this to impact deal volume?



02 Creating resilience and priority setting for a post-COVID world

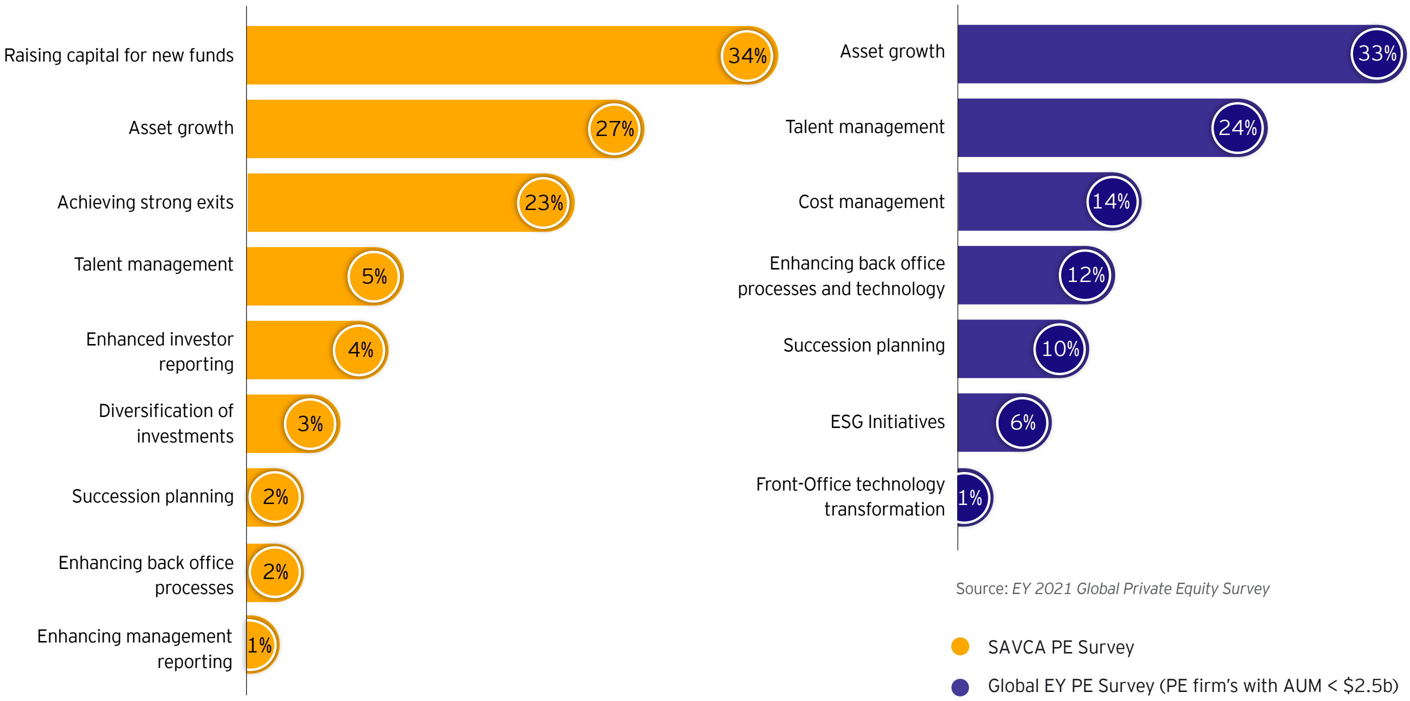
How are PE firms thinking about strategy for the next 12 months?

PE firms are largely **prioritising managing downside risk** in portfolio companies, and many have expressed that their strategy remains largely unchanged.



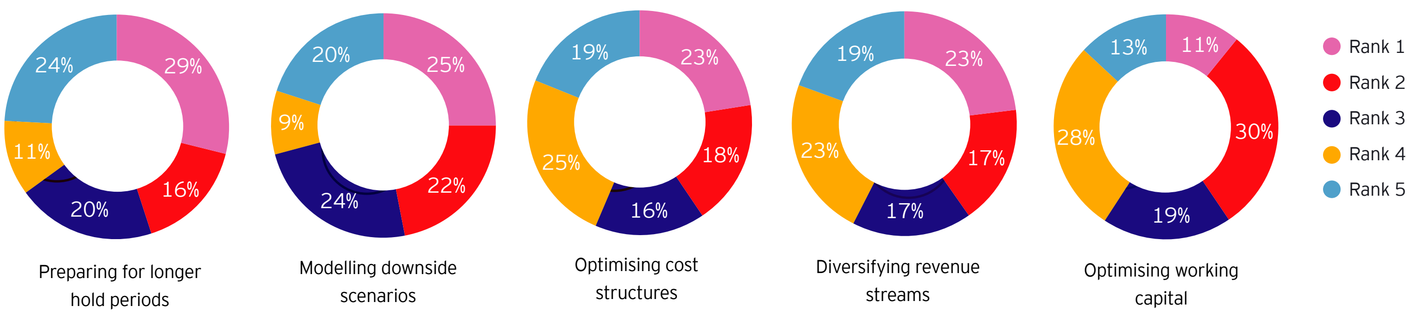
- Prioritise managing downside risk in portfolio companies
- Strategy remains largely unchanged from before the pandemic
- Focus on bolt-on and tuck-in acquisitions tailored to our portfolio companies
- Focus on opportunities involving distressed companies

How does this shape PE firms top strategic priorities?



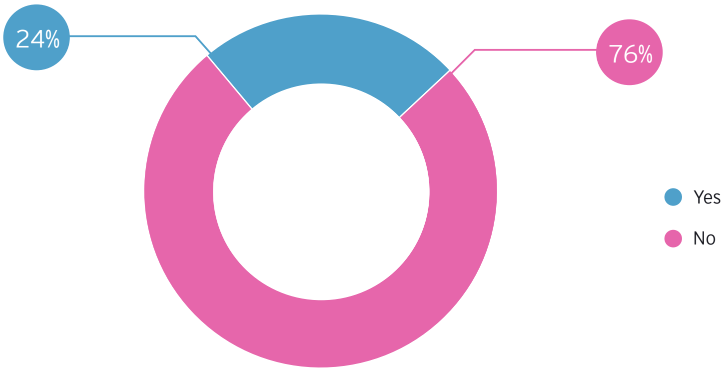
Source: *EY 2021 Global Private Equity Survey*

What steps has your PE firm taken to prepare portfolio companies for an economic downturn?



03 Creating agility for growth in operating models

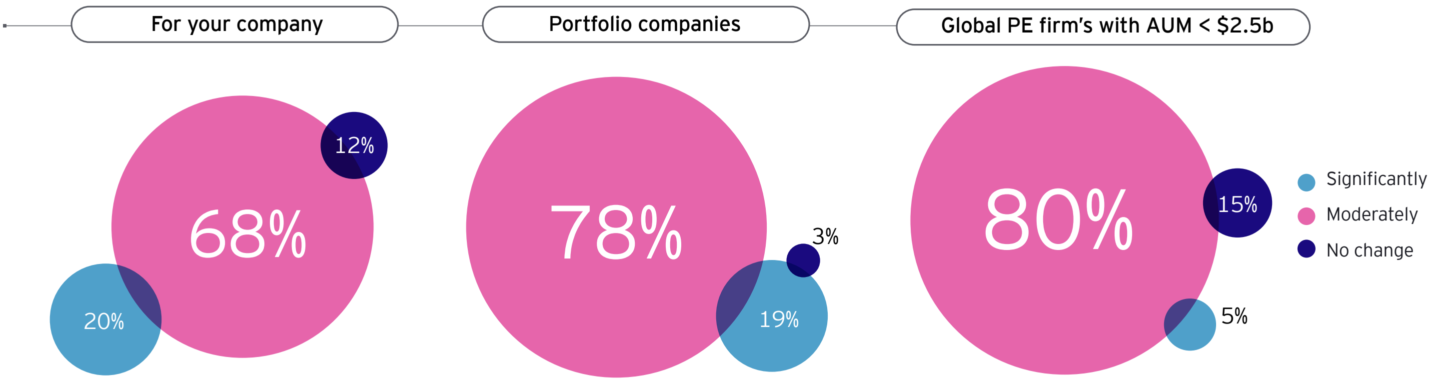
What would you anticipate the uptake being of technological advancements and digitalisation as a competitive differentiator in portfolio companies?



92%

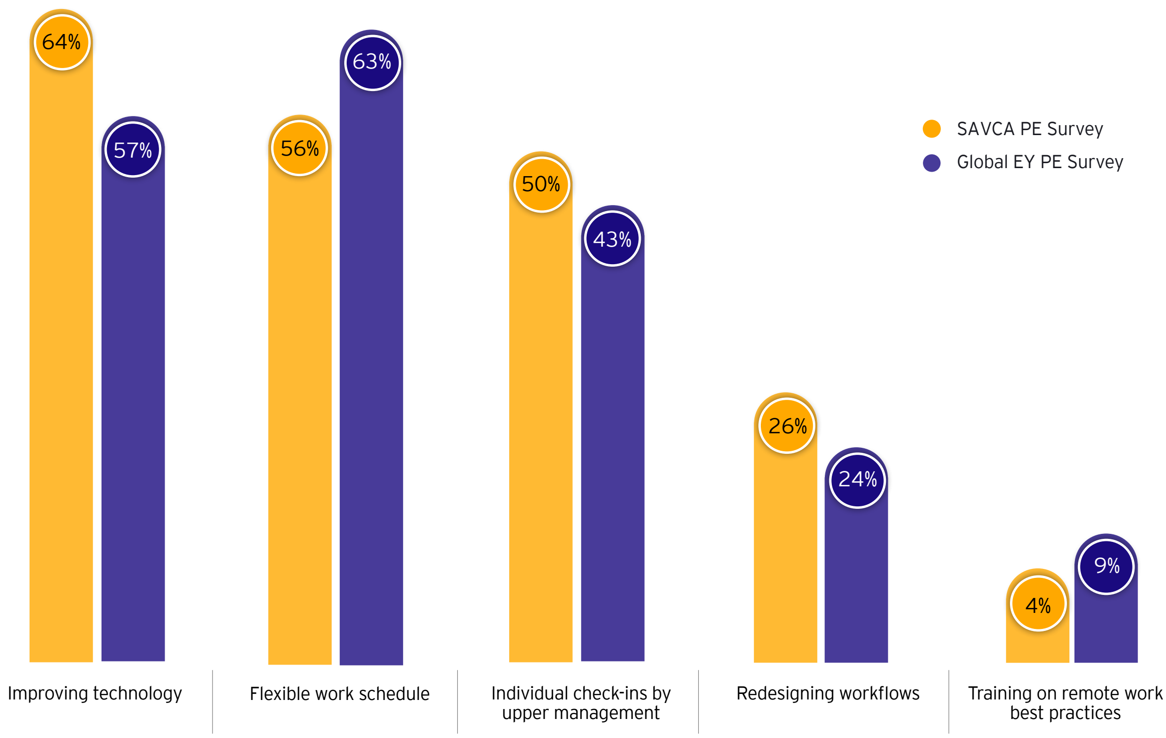
of those that indicated "No", said that they did **not expect operating models to be significantly transformed** over the next three years.

How much would you expect your operating model to transform in the next 3 years?



Source: *EY 2021 Global Private Equity Survey*

What steps have been taken to enable a remote workforce?



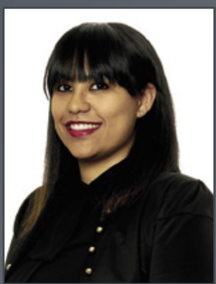
Source: *EY 2021 Global Private Equity Survey*

INFRASTRUCTURE ACTIVITY GATHERS MOMENTUM ACROSS AFRICA

Private equity funds are responding to a new wave of energy and other infrastructure projects in Africa.

Angela Simpson

Nicole Paige



Carey-Anne Jennings

Jason van der Poel

A significant uptick in activity in infrastructure investment has become evident across Africa in the past two years. Opportunities have emerged in the face of growing urbanisation and a demand for power, water, housing and telecommunications.

The first is electricity self-generation, where the regulatory environment is opening up. For example, South Africa recently amended its Electricity Regulation Act to allow private offtakers to build power generation capacity or purchase up to 100MW without a generation licence from the National Energy Regulator of South Africa. The number of companies procuring private power generation capacity, either onsite or wheeled from another site, has grown rapidly, with a corresponding need for capital and finance. We have seen several rounds of follow-on investments, capital raising and M&A activity as private equity investors support this growing industry and build platforms that can roll out solutions across the continent.

Apart from security of supply, two other factors are driving the appetite for renewable energy: ESG considerations and a reduction in carbon emissions to help address climate change.

The interest in "green" forms of energy also extends to some exciting innovations, such as efforts in South Africa to produce and use green hydrogen and green ammonia, using renewable energy. Green hydrogen has many industrial applications, and as conducive regulatory frameworks develop, it could have a significant and positive economic development multiplier effect in the region. There are also innovations in battery storage to complement renewable energy generation and guard against grid instability.

The South African government has launched the fifth bidding window in the Renewable Energy Independent Power Producers Programme (REIPPP) and the Risk Mitigation IPP. The Department of Mineral Resources and Energy has indicated it wants to move ahead with bid windows 6 and 7 of the REIPPP as well as gas-to-power and coal baseload procurement in rapid succession and nuclear capacity procurement in the next two years.

The fifth round of the REIPPP has attracted a lot of interest, with 102 projects bidding over 10,000 MW in pursuit of a 2,600 MW allocation. The successful bidders should be announced in October.

There are also opportunities for investors in the 36 Strategic Integrated Projects listed as priority projects under the South African Infrastructure Development Act. These range from water and sanitation to energy, transport, agriculture and digital infrastructure.

Bidding documents have been made available for investments in extensions at the Durban port and there has been discussion around partial privatisation of South Africa's rail system. Various government departments and the private sector are looking at solutions to address the country's intensifying water crisis, particularly maintenance backlogs and retreatment of wastewater.

While financial returns are important, many investors in these projects are also concerned about their environmental and social impact, particularly if they or their investors are development finance institutions (DFIs) or pension funds. Private equity investors may also have specific mandates to invest in Pan-African infrastructure. This is often achieved by deploying in-house expertise in ESG practices and transferring knowledge and skills in the various aspects of ESG, including reporting on compliance.

In digital infrastructure, Webber Wentzel has advised on at least four transactions in the past 18 months. These investments are aimed at expanding access to telecommunications and the internet, enabling a broader range of services such as retail, financial services and education.

Social housing is also still an attractive proposition. Our firm has recently advised on a multi-million dollar investment focusing on regenerating cities with affordable housing and associated services.

> There is reason for private equity investors in the South African and southern African regional infrastructure and energy markets to be optimistic about the quantity and quality of investment opportunities in the pipeline.

The scale of human need for such investment is enormous. The increased emphasis on positive environmental, social and governance outcomes through these investments is to be commended.

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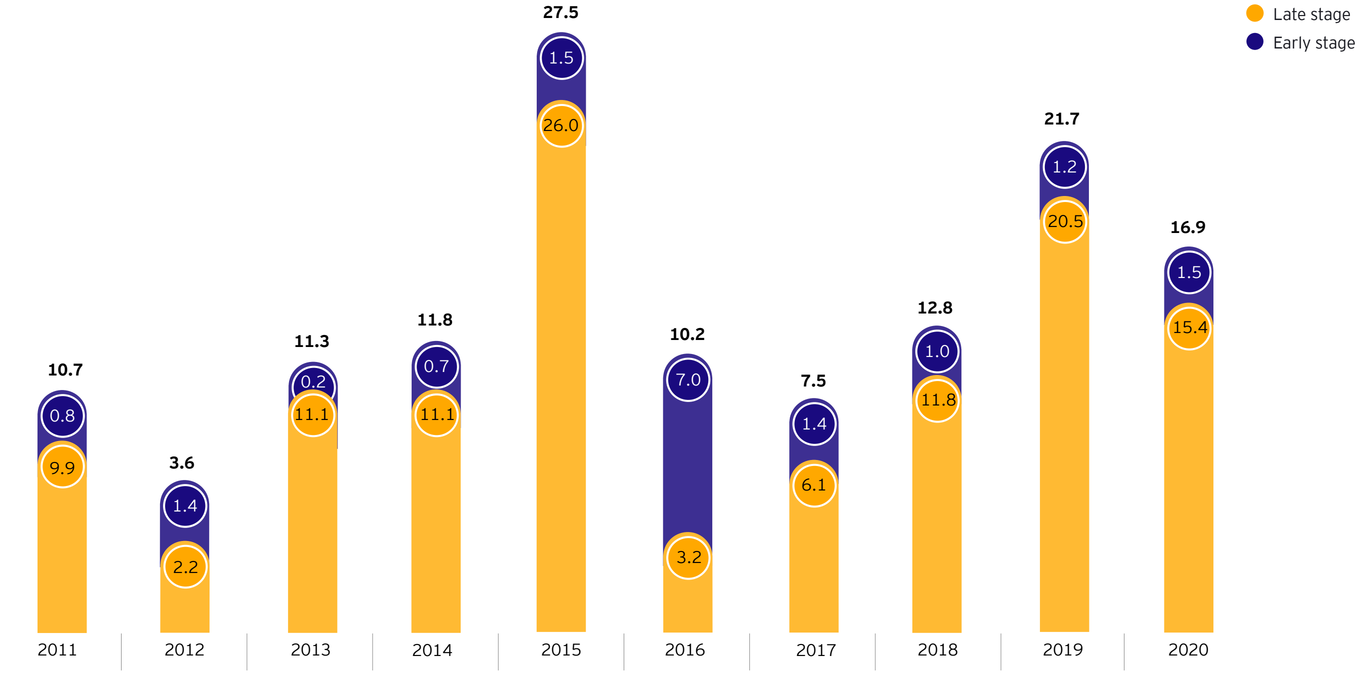
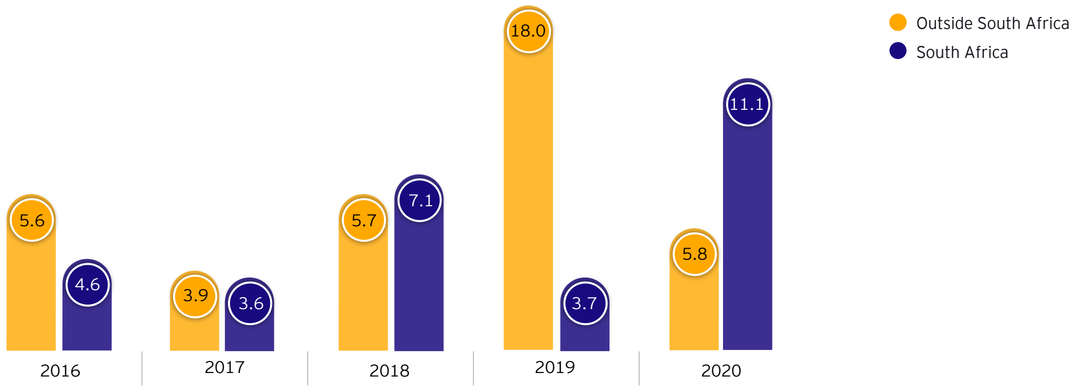
04 Fundraising activity insights

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

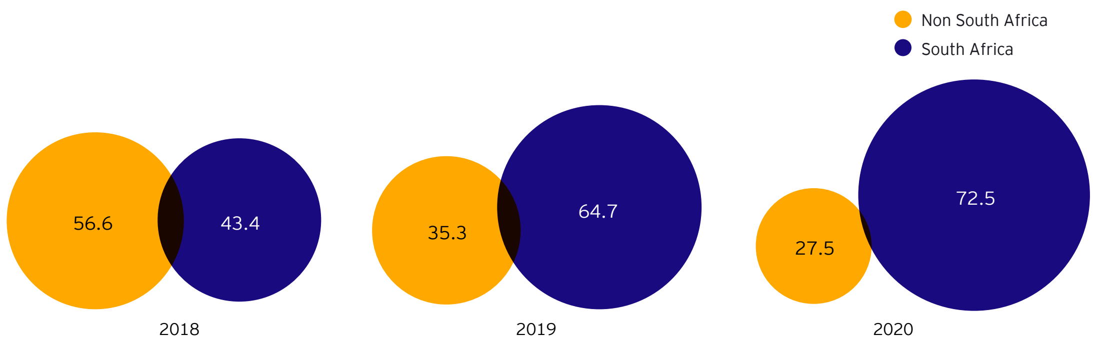


Fundraising declined in 2020, however was still higher than 2016-2018 despite the fundraising headwinds caused by COVID-19. 14 funds raised capital for late stage funds and 6 funds raised capital for early stage funds. The 22.1% decline in fundraising compares to a 19.1% decline in global PE fundraising,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

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

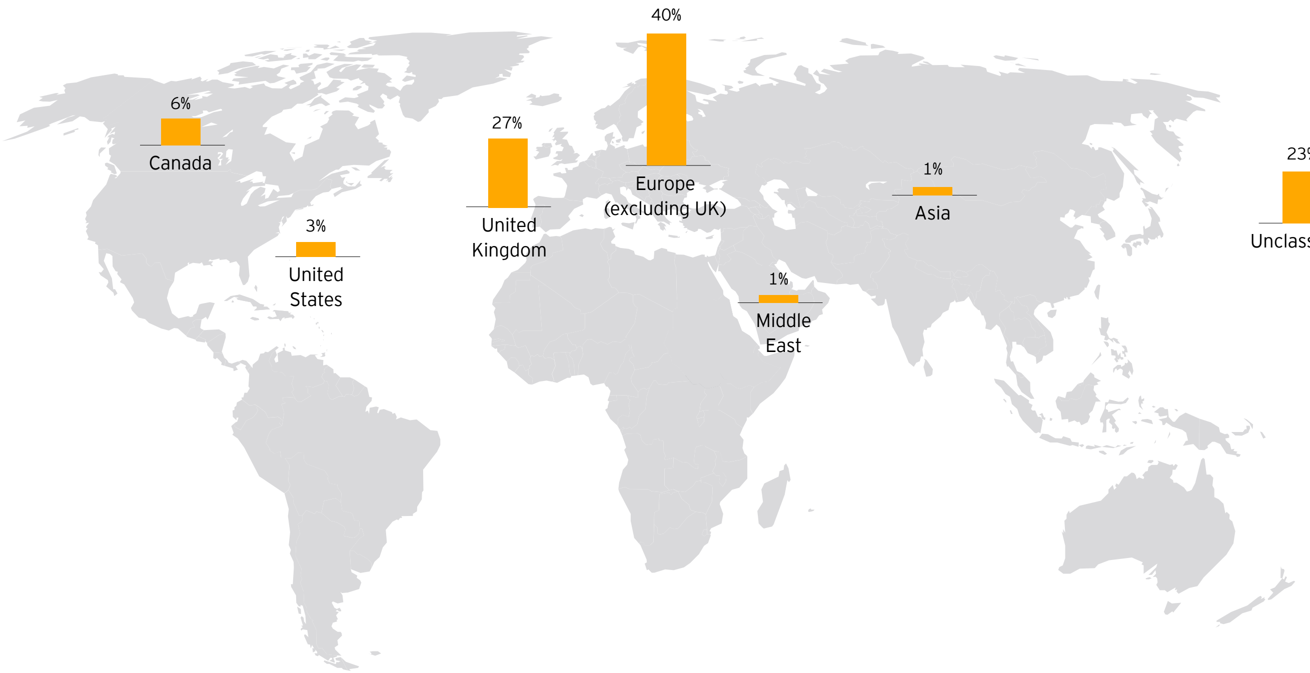


Geographical source of funds raised, 2018-2020 (% of total)



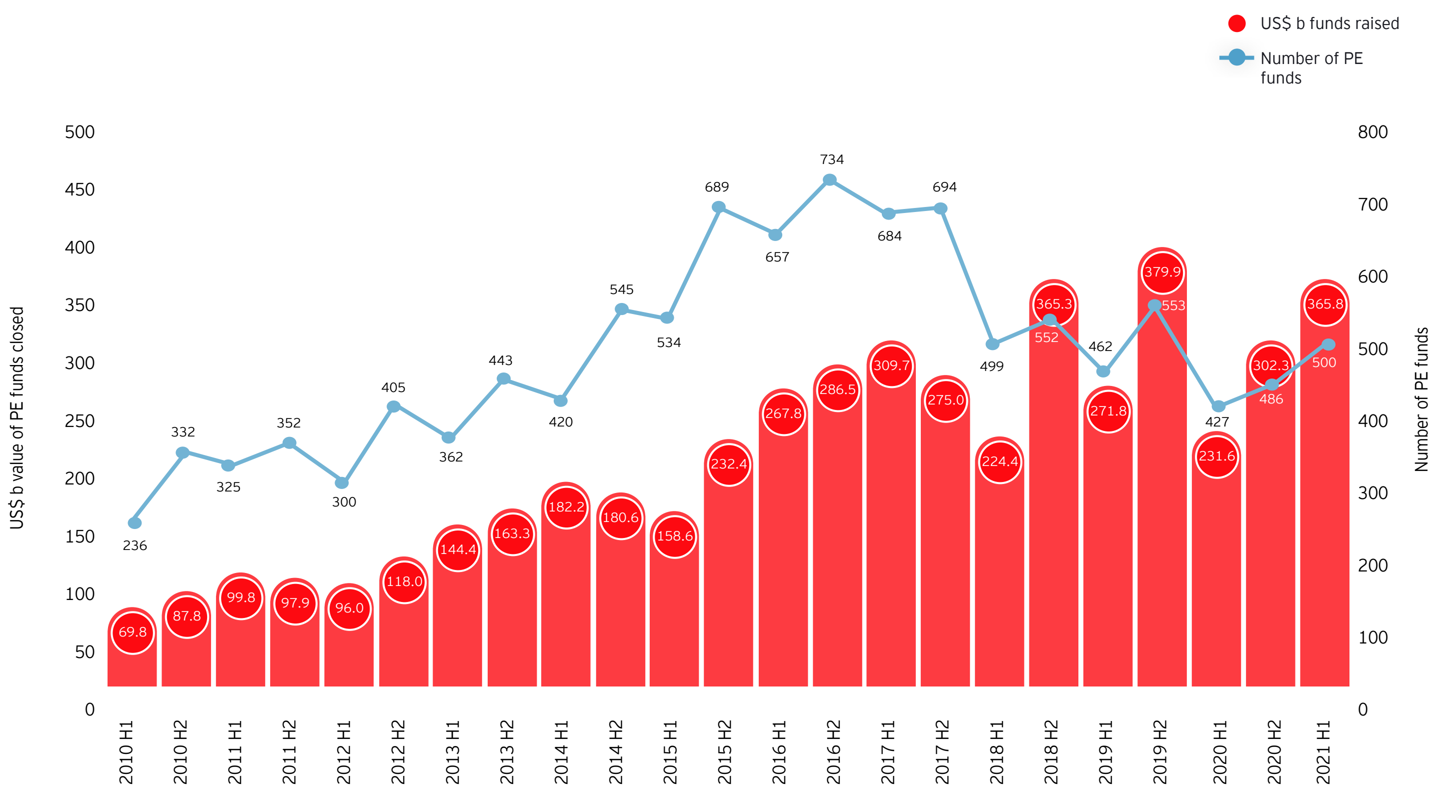
Funds raised from South African investors, especially local pension and endowment funds (see page 10 for breakdown by type of investor), increased sharply in 2020 showing strong confidence in the Private Equity industry. Funds raised are also largely being mandated for investments in South Africa, more than in any other year for the last 5 years.

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



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

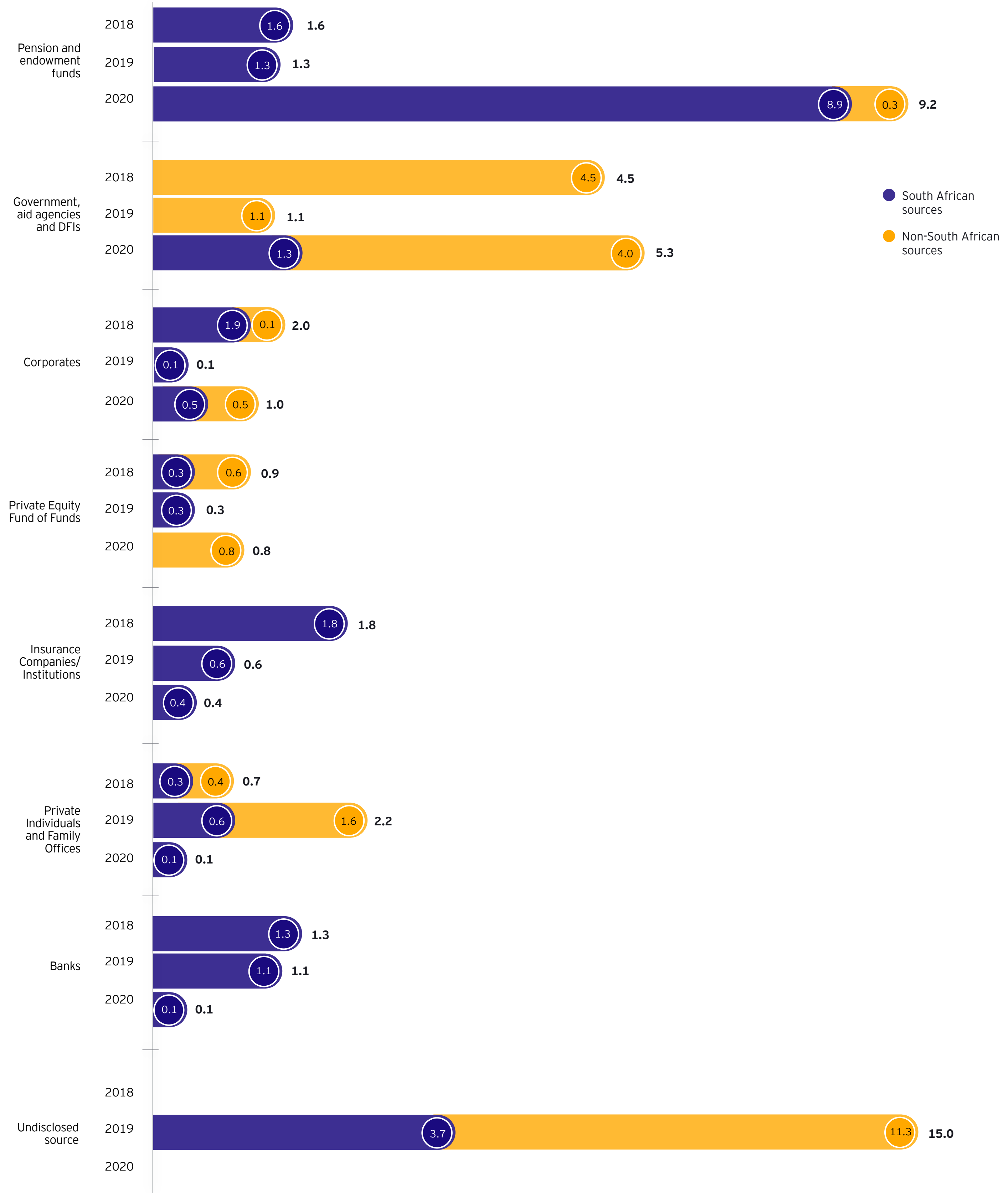
Global PE fundraising trends - 2010 to 1H 2021 (US$b)



EY Global PE Pulse report for H1 2021

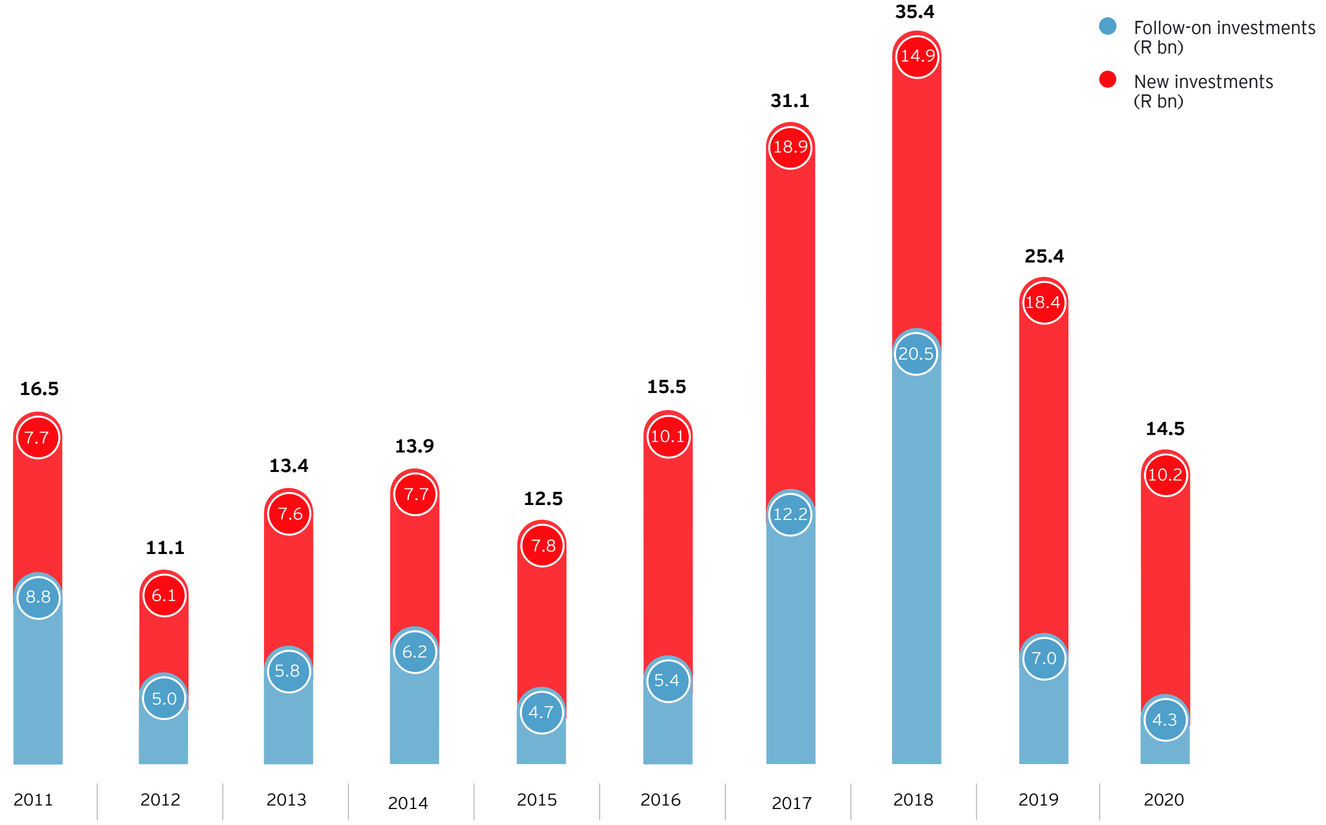
2021 is becoming a landmark fundraising year globally for private equity as an asset class off the back of the strong rebound seen in the second half of 2020.

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



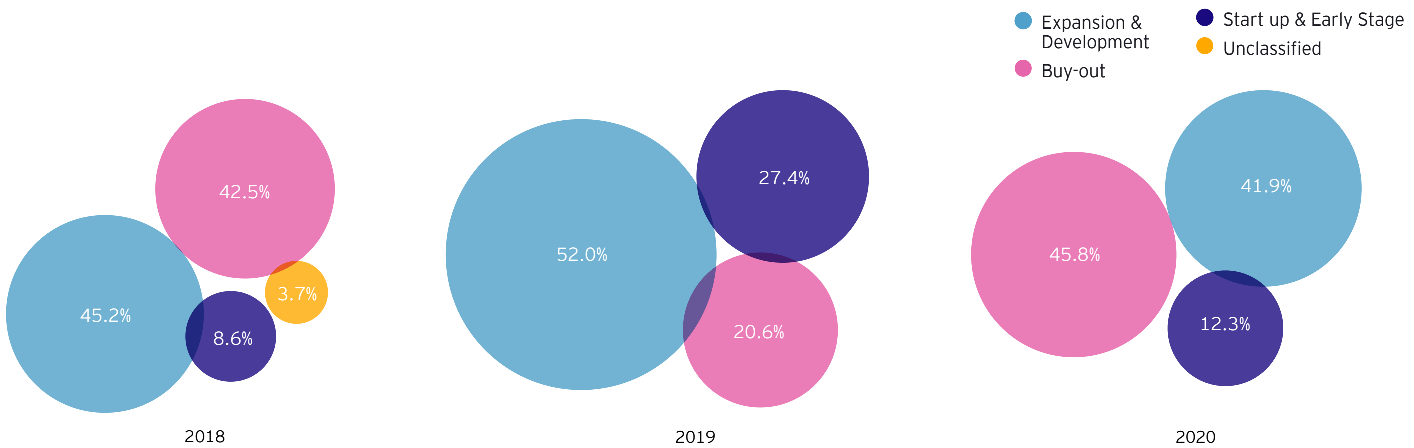
05 Investment activity insights

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



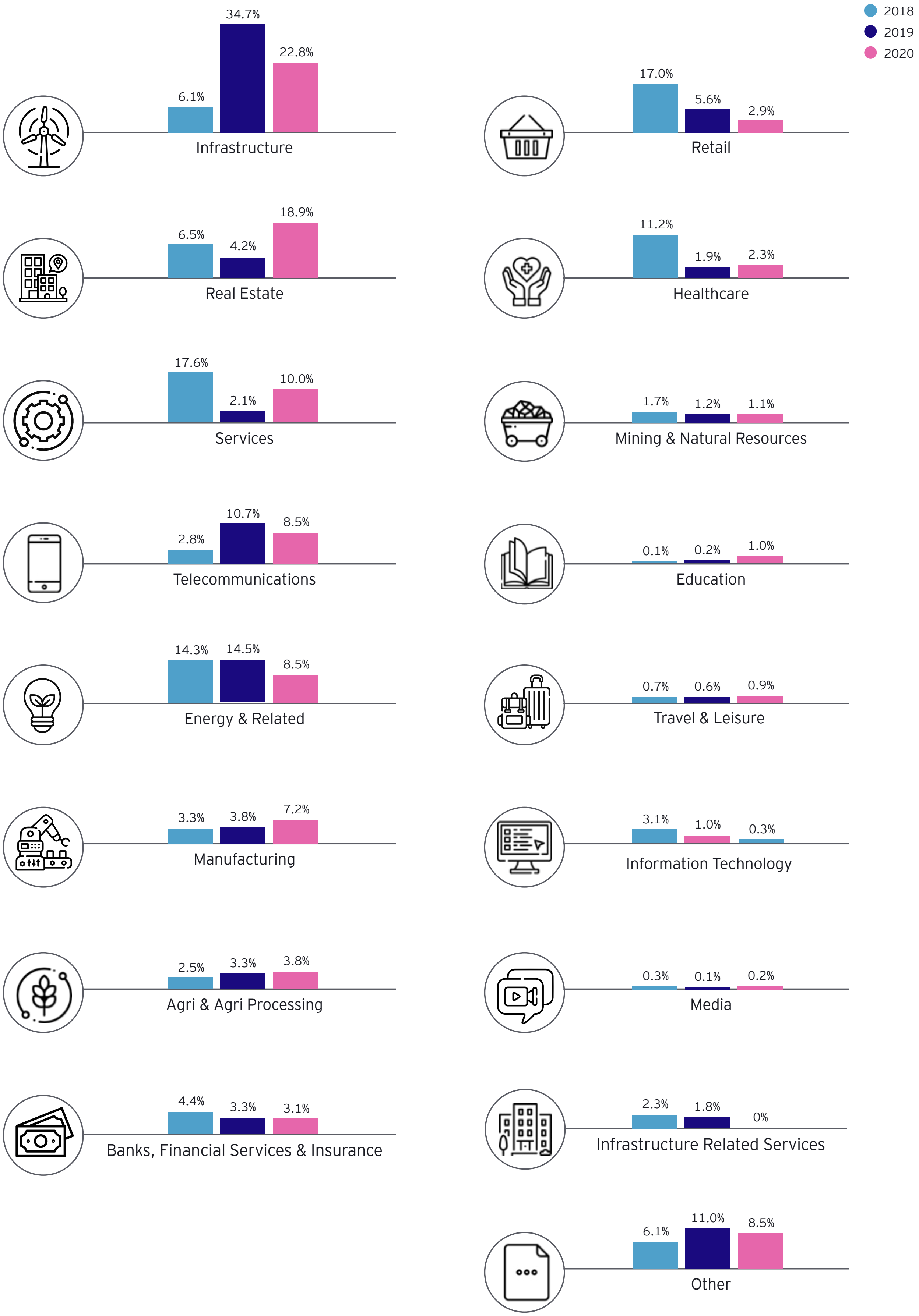
The volume of new and follow-on investments, excluding Business Partners, decreased to 73 and 96 respectively in 2020. This compares to 132 new and 117 follow-investments in 2019, which had declined from 162 new and 282 follow-investments in 2018. While the value and volume of investments declined in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

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



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

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



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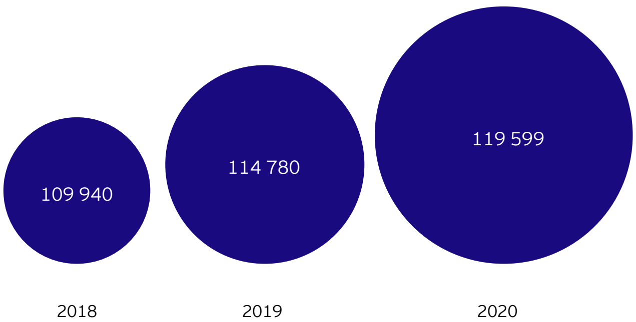
06 PE value creation

Number of employees at PE firms' portfolio companies (2018-2020)

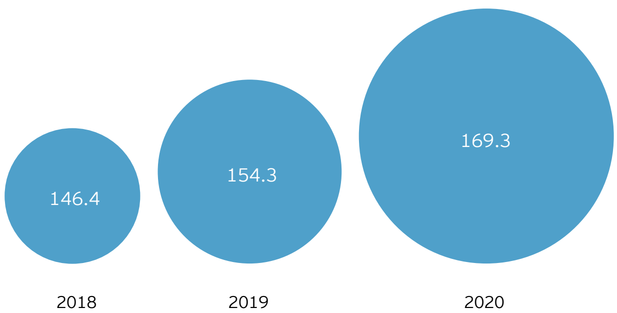


The number of employees increased by **4.4%** from 2018 to 2019 and increased by a further **4.2%** in 2020. The data indicates that, although anticipated, there wasn't a decline in the number of employees due to the impact of COVID-19 for these portfolio companies. The analysis is demonstrating that PE funds continue to increase the employment levels in their portfolio companies, despite the challenging environment in 2020 due to COVID-19.

In 2019, the number of portfolio companies that had increased employee levels was however only 48.4% of the portfolio companies that formed part of this analysis. While 16.5% had constant employee levels and 35.2% of portfolio companies had a decline in employee numbers.

In 2020, 38.5% of portfolio companies increased the number of employees, while 24.2% had constant levels and 37.4% of portfolio companies saw a decrease in the number of employees. There was thus an increase in the proportion of portfolio companies that had a decrease in the number of employees, which is expected due to COVID-19. It is however positive to highlight that the portfolio companies that had increases in the number of employees had a greater % increase than the % decrease in portfolio companies that experienced a decline.

Revenue generated by PE firms' portfolio companies (2018-2020) (R bn)



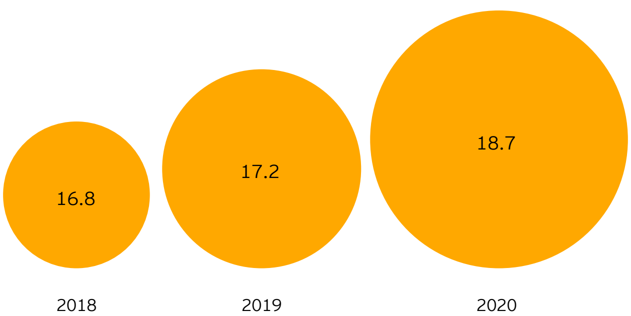
There was a **9.7% increase in revenues from portfolio companies from 2019 to 2020**, which was greater than the 5.4% increase from 2018 to 2019. This shows a very positive trend in portfolio companies greatly increasing revenues despite the challenges posed by COVID-19. This may be due to PE backed companies' management teams adapting more quickly and showing their entrepreneurial strength. Whether this growth can be sustained will be a key factor to consider going forward.

This revenue growth is particularly impressive when compared to the South African GDP contracting by 6.4% in 2020. This highlights the strong role of PE portfolio companies in the South African economy and the level of support offered by PE firms.

Of the 93 portfolio companies, **22 (almost ¼) saw an increase of greater than 20% in revenue in 2020.** It is thus also positive to see the high number of portfolio companies seeing strong growth in revenues.

However, the proportion of companies with revenue growth decreased in 2020 to 53.8% compared to 68.1% of portfolio companies increasing revenue in 2019.

EBITDA generated by PE firms' portfolio companies (2018-2020) (R bn)



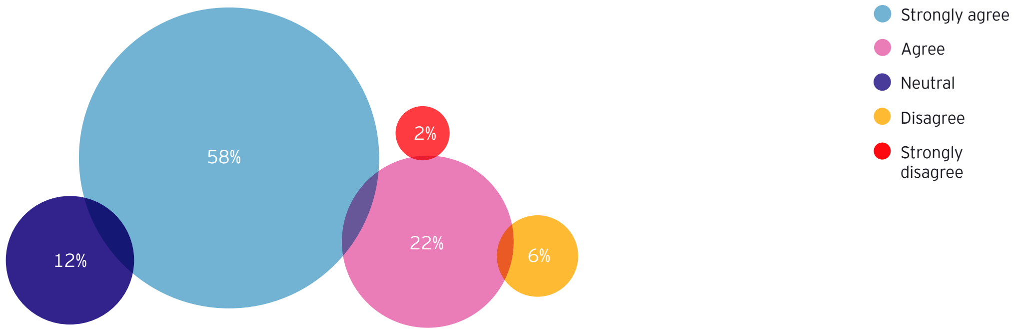
Similarly to revenue growth, EBITDA growth was greater in 2020 (8.5%) than in 2019 (2.4%).

The proportion of portfolio companies growing EBITDA remained fairly consistent between 2019 and 2020 at c. 40%. The proportion of companies with EBITDA decreases was lower in 2020 at 49.5% compared to 52.7% in 2019 – again, showing the adaptability of the PE portfolio companies during COVID-19.

EBITDA margins of the portfolio companies averaged 11.5%, 11.1% and 11.0% across 2018, 2019 and 2020 respectively. This confirms the EBITDA growth has largely been driven by the increased revenues rather than cost savings due to COVID-19.

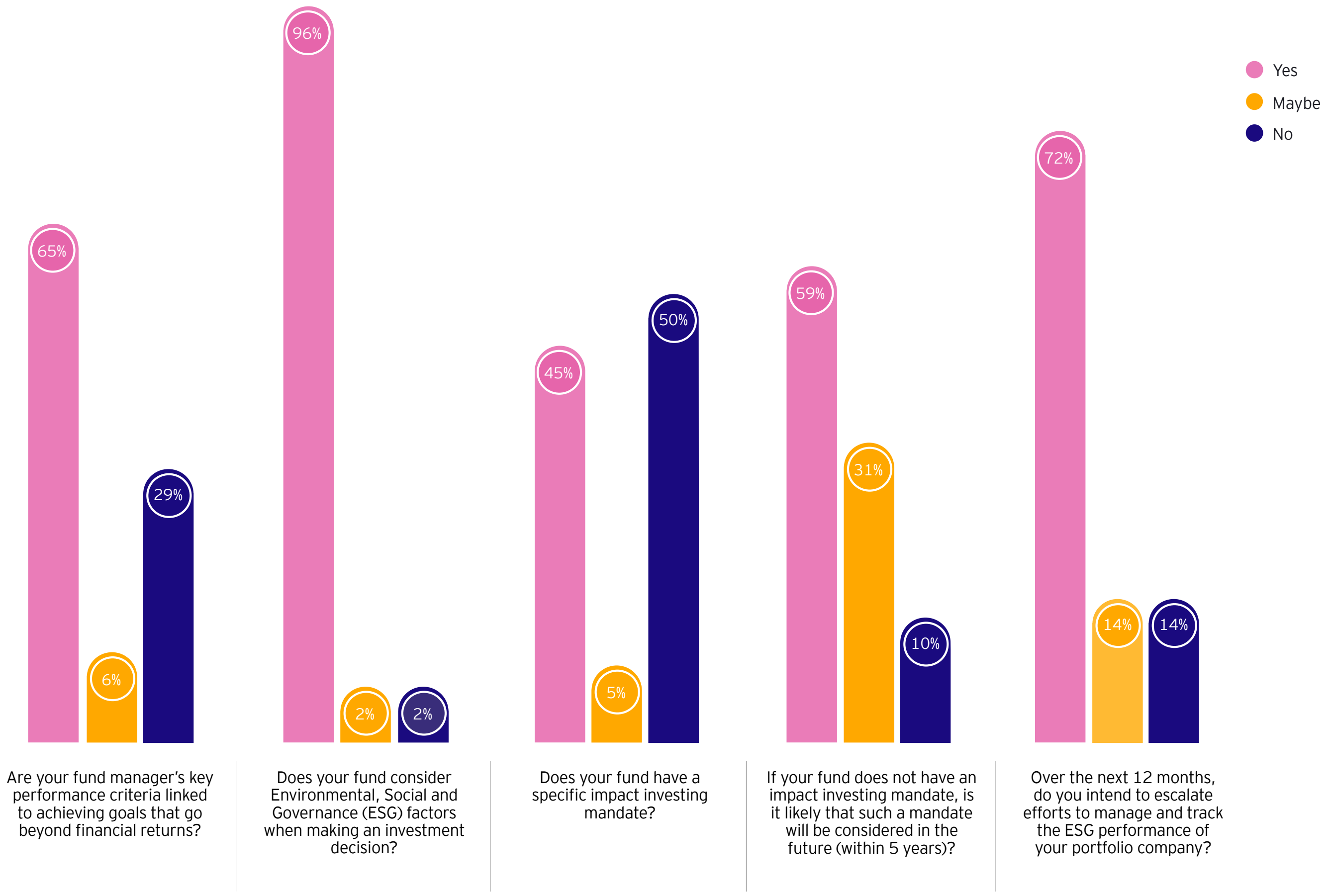
07 ESG and impact investing

Do you agree that the COVID-19 pandemic will meaningfully raise the profile of Environmental, Social and Governance (ESG) in the PE industry?



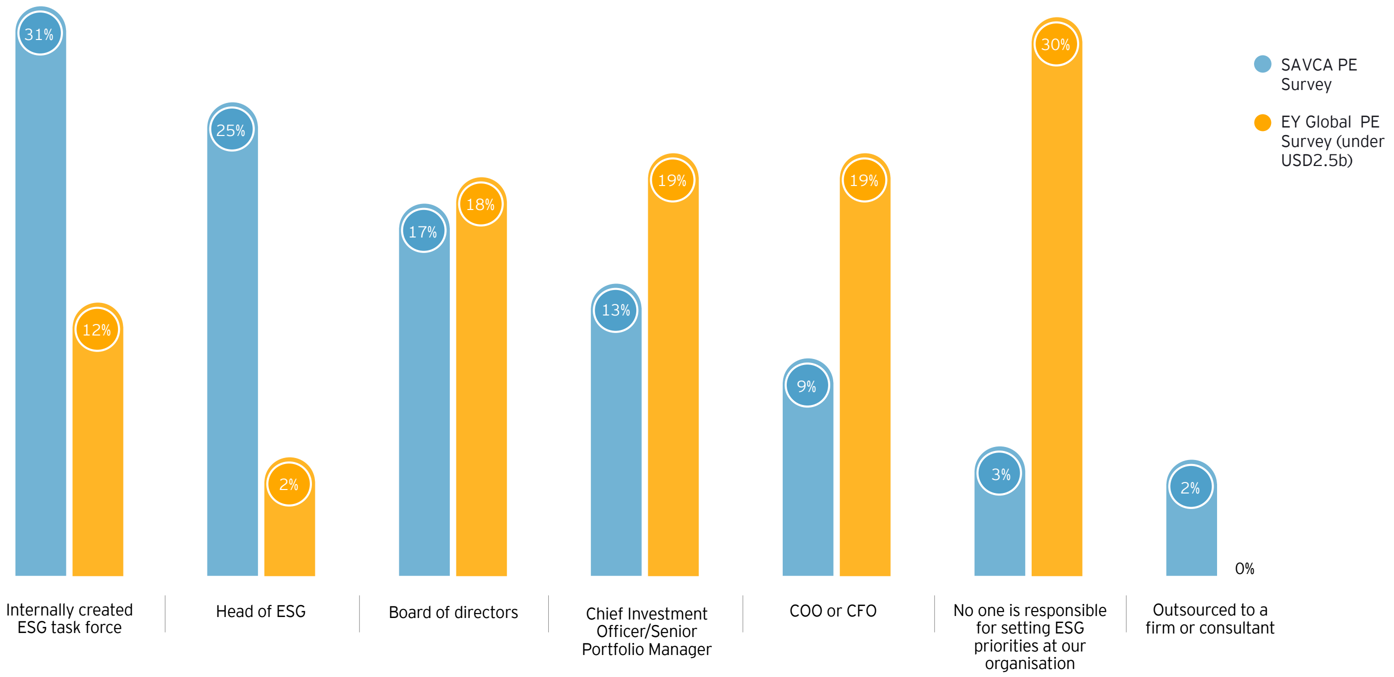
80% of respondents are of the view that the COVID-19 pandemic will raise the profile of ESG in the PE sector. This correlates with the increase in discussions the importance of ESG in the sector, although further actions are needed to implement these beliefs and realise social and environmental impact while creating value.

Impact of ESG on investing mandates



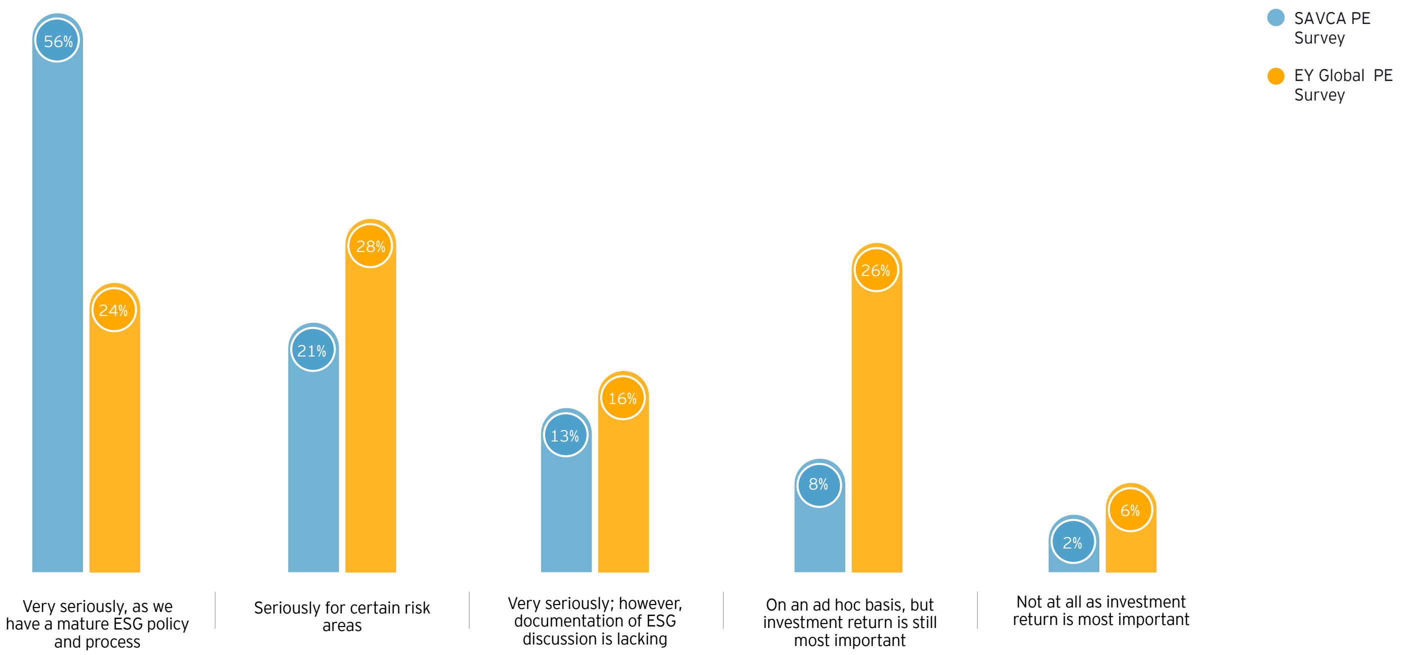
96% of PE firms consider ESG factors when making investment decisions, however, only 45% have specific impact investing mandates. The majority of PE firms (72%) intend on increasing efforts to manage and track performance against ESG metrics and factors that impact the performance of portfolio companies. Of the respondents whose funds do not have impact investing mandates, 59% are likely to consider implementing such mandates within the next 5 years.

Who is responsible for ESG priorities?



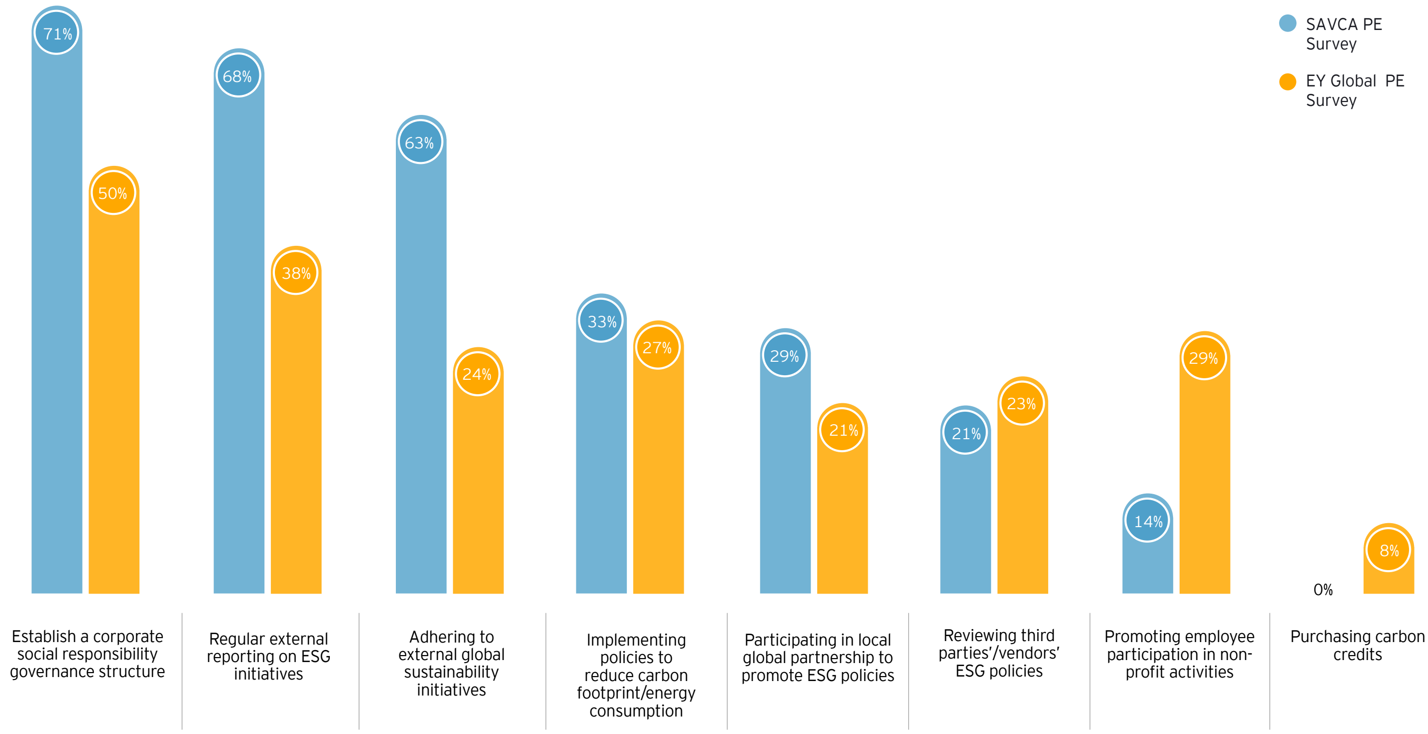
Southern African PE firms set ESG priorities mainly through an internally generated ESG task force (31%), head of ESG (25%) and board of directors (17%). In comparison, with PE firms globally, this responsibility falls predominantly with the COO/CFO (19%), CIO/senior portfolio manager (19%) and board of directors (18%). Interestingly, at 30% of global PE firms no one is responsible for setting ESG priorities, compared to only 3% at Southern African PE firms, thus showing that PE firms in Southern Africa are focused on ESG priorities.

How seriously are ESG risks and opportunities considered in the investment decision-making process?



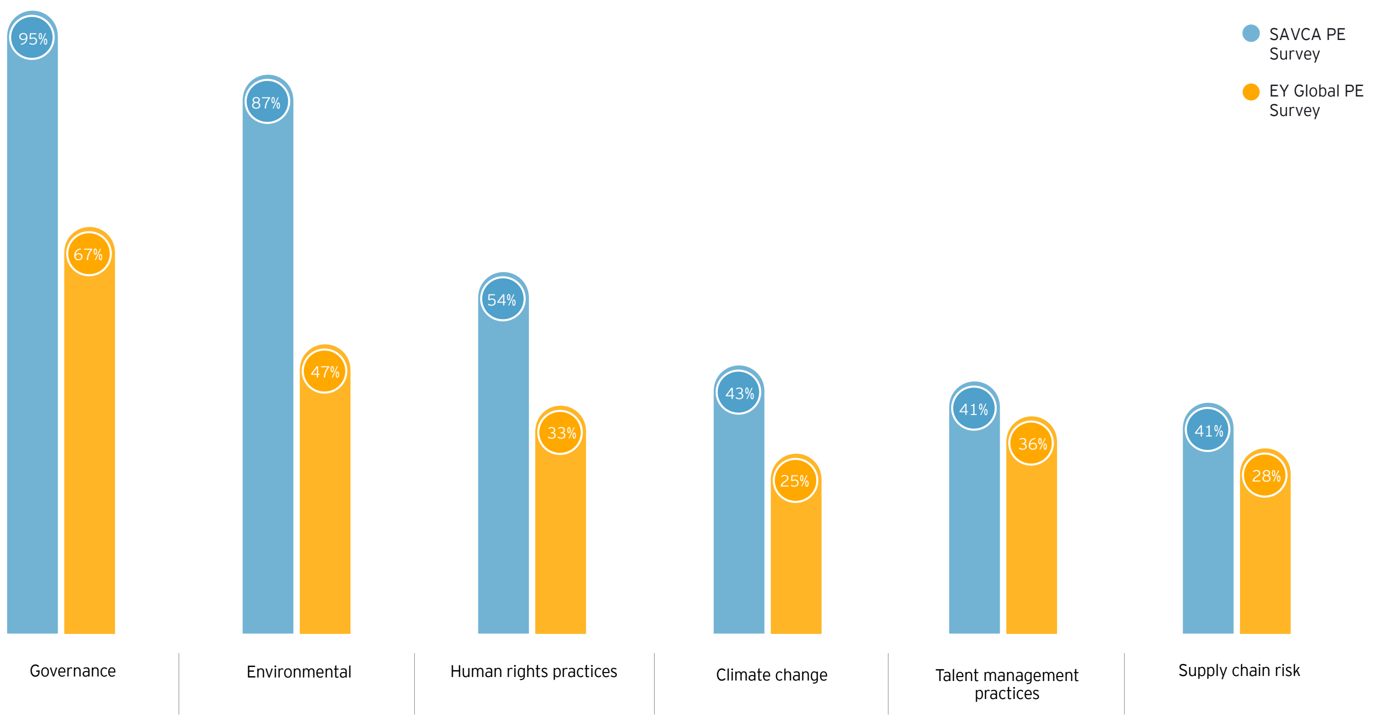
56% of Southern African PE firms consider ESG risks and opportunities very seriously in the investment decision-making process compared to 24% by Global PE firms. In contrast, 26% of global PE firms consider such risks and opportunities on an ad-hoc basis as investment return remains the most important consideration (8% in Southern African PE firms).

What are the components of your ESG policies?



Components of ESG policies vary across respondents with the top two for both Southern African and global PE firms being 1) establish a corporate social responsibility governance structure, and 2) regular external reporting on ESG initiatives. Interestingly, promoting employees' participation in non-profit activities featured fairly highly (29%) on global PE firms' ESG agenda but was lower for Southern African PE firms (14%).

What are the top ESG risks included in decision making?

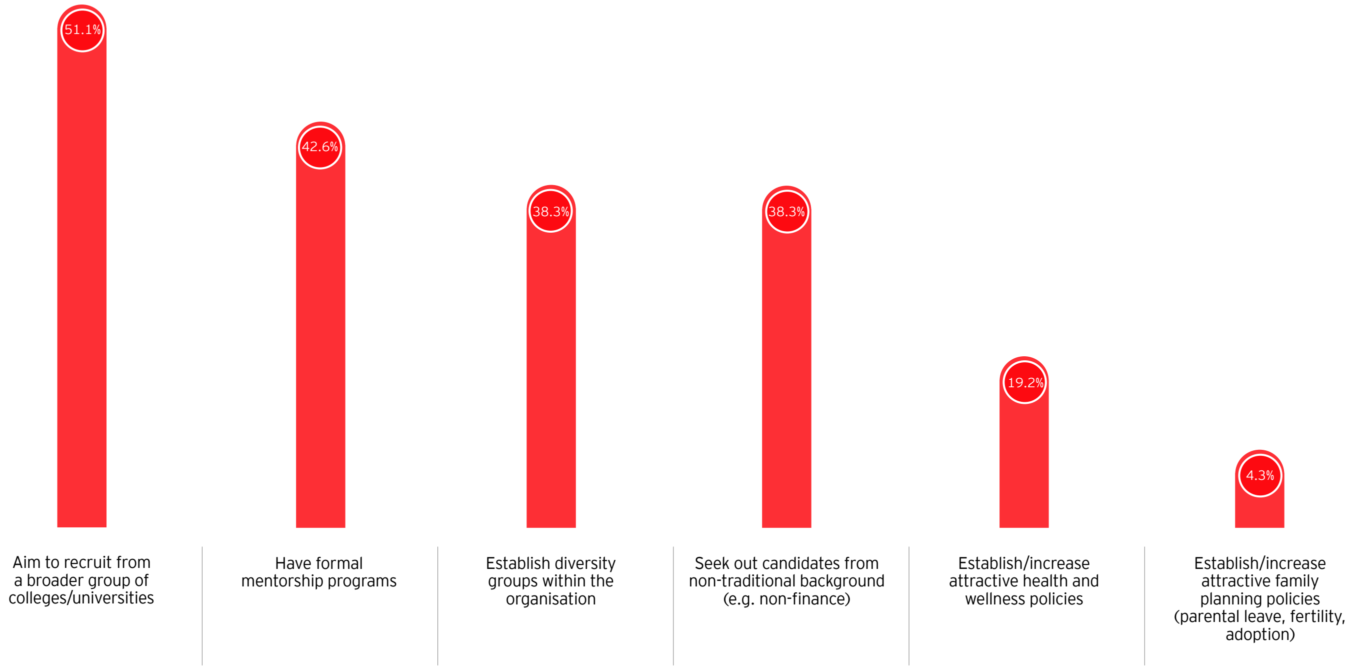


The top two ESG risks included in decision making for both Southern African and global PE firms are Governance and Environmental. Human rights practices also featured highly for Southern Africa PE firms (54%), compared to 33% for global PE firms.

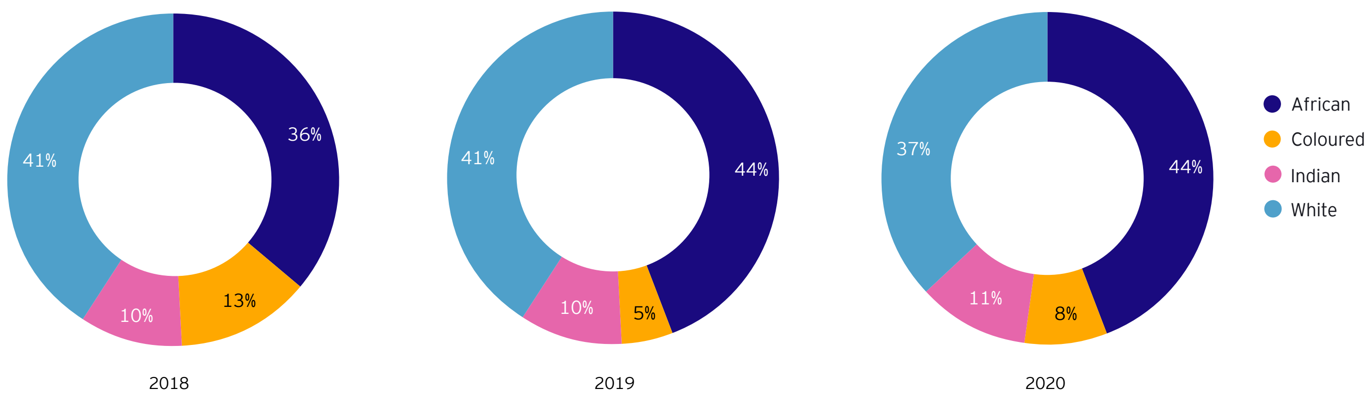
08 How are PE firms driving transformation within their teams?

Has your PE firm set diversity targets?

What are your plans to increase diversity?



PE firm employee distribution by race - 2018 to 2020

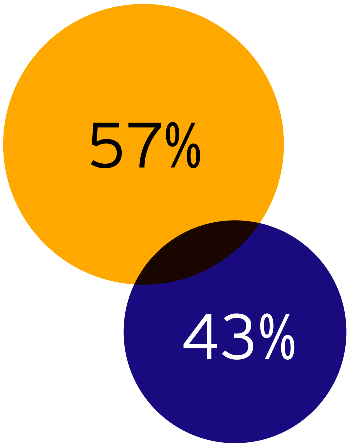


Note: Above analysis excludes PE firms' submissions which did not disclose a break-down and/or excluded undisclosed races.

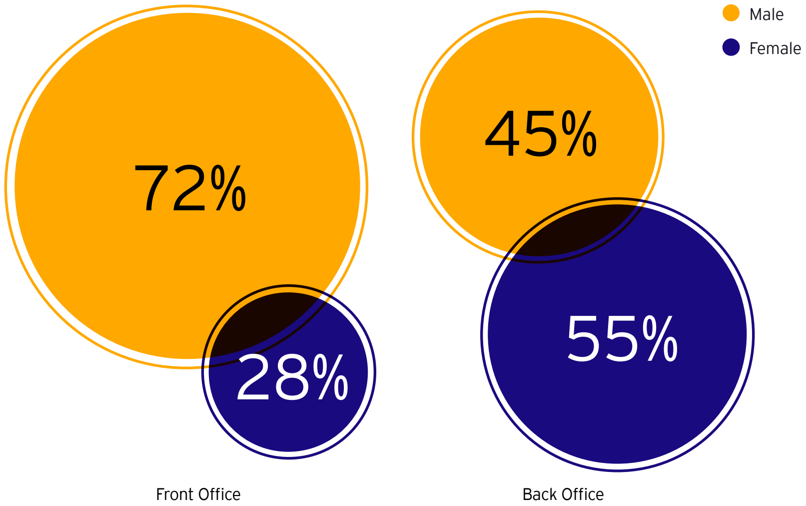
The private equity industry is driven by its people. The industry continued to diversify and transform in 2020.

PE firms' employee distribution by gender and role - 2020

PE firms people by gender, 2020



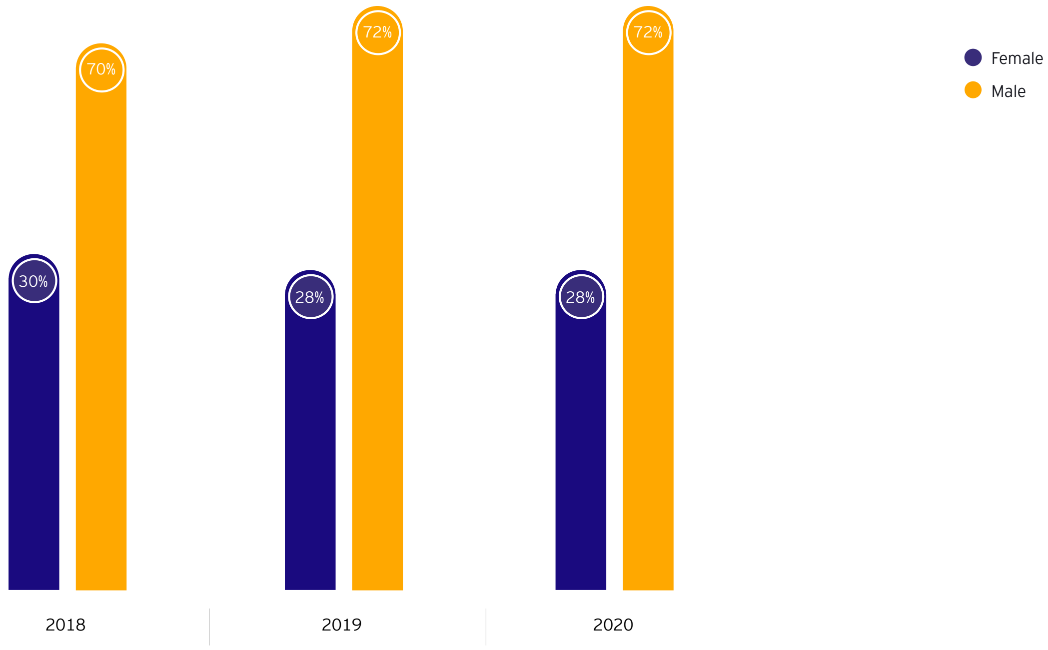
Front Office and Back Office by gender, 2020



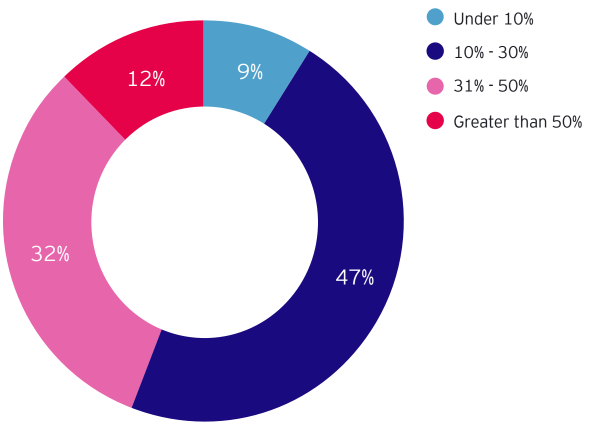
While the PE industry in South Africa continues to achieve greater diversity with a growing proportion of female employees, more can be done to achieve greater female representation of investment professionals (front office). This is however consistent with PE trends globally as reflected in the EY Global PE survey (shown on next page), which also reflects a much greater representation of female employees in back office roles.

Gender distribution of PE firm investment professionals

Proportion of women investment professionals (front-office) in PE firms (SAVCA study)



Female front-office employees as a % of total - 2020 (SAVCA survey)



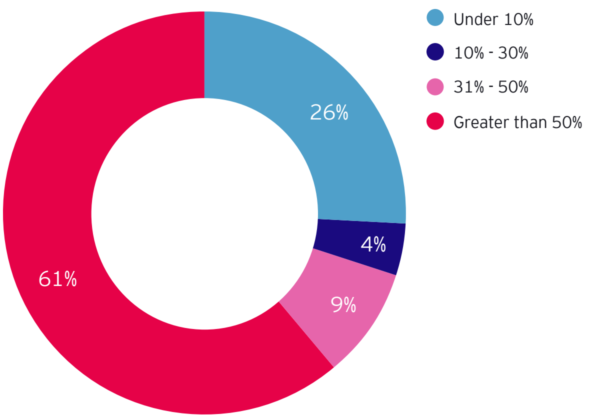
In comparing front-office gender diversity trends from the SAVCA survey to the EY Global PE survey (shown below), we noted that there was greater diversity in PE firms in the SAVCA survey, as highlighted by:

- A greater proportion of PE firms in Southern Africa with > 50% female representation in the front-office team (12% for SAVCA vs. 5% per the 2021 global PE survey released in Q1 2021); and
- A much greater proportion of PE firms in Southern Africa with a 31% to 50% female representation (32% for SAVCA vs. 8% per the 2021 global PE survey).

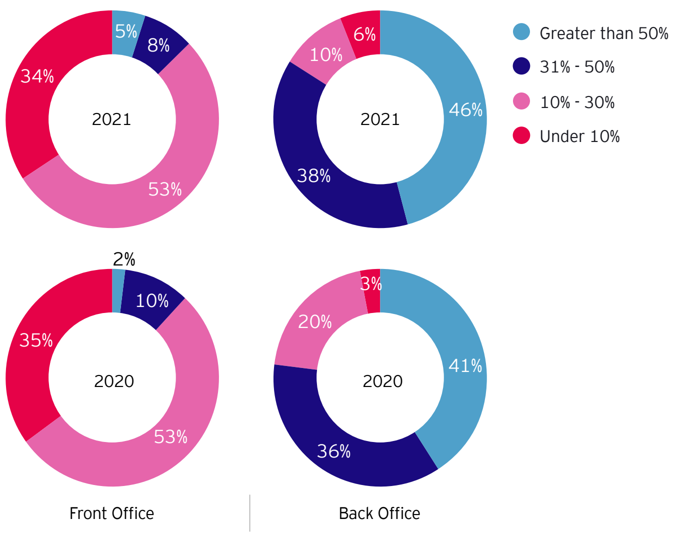
Although more needs to be done on gender diversity within front-office teams, Southern Africa is ahead of the global trends on gender representation within PE deal teams.

Female back office employees as a % of total - 2020

Proportion of women in PE firms (SAVCA survey)



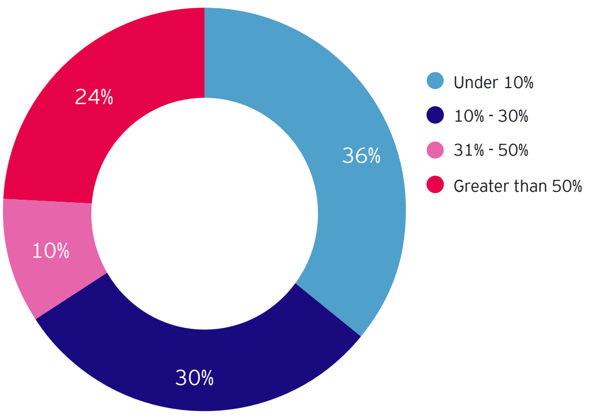
Proportion of women in PE firms (global survey)



Source: EY Global PE survey

The level of female representation in back office roles per the SAVCA survey for 2021 (position at the end of 2020) also showed much greater female representation than the global ratio per the EY Global PE survey. We do however note that there was a higher proportion (25%) of SAVCA survey respondents that had less than 10% females in back office roles than per the global ratio (6% for the 2021 survey).

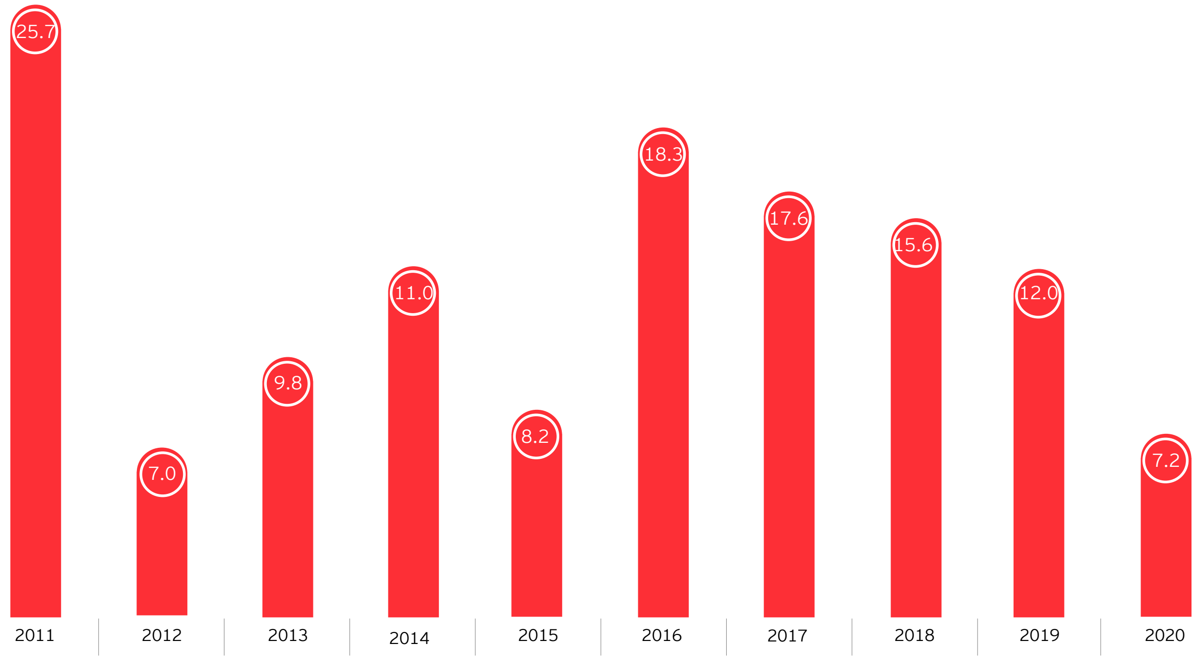
Female representation on PE boards (SAVCA survey)



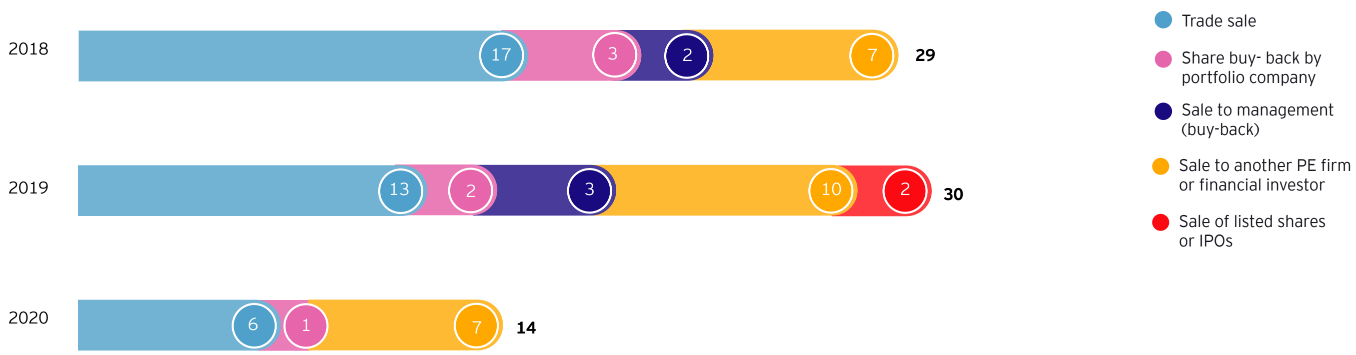
While it is positive to see 34% of PE firms with boards of directors with > 30% female representation, there is still a lot more to be done to diversify boards given 36% of boards still had less than 10% female representation.

09 Exit activity insights

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

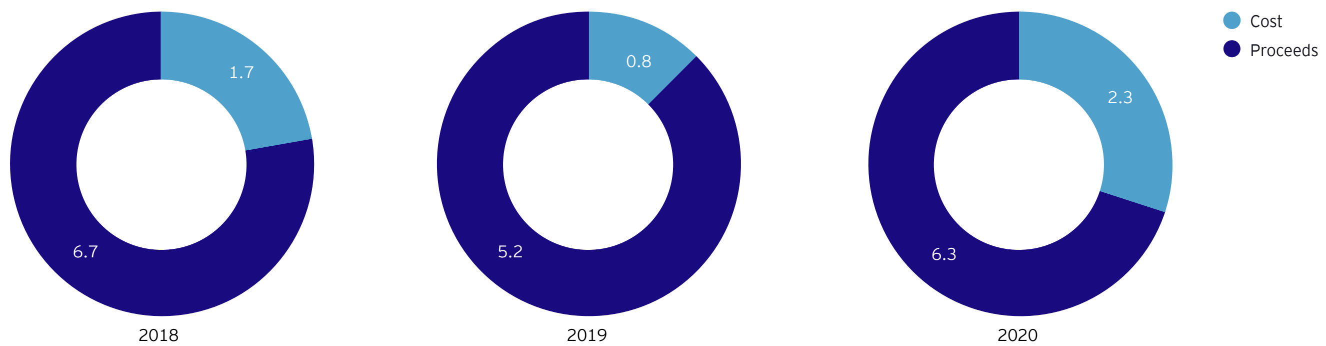


Number of exits (excluding Business Partners), 2018-2020



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

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

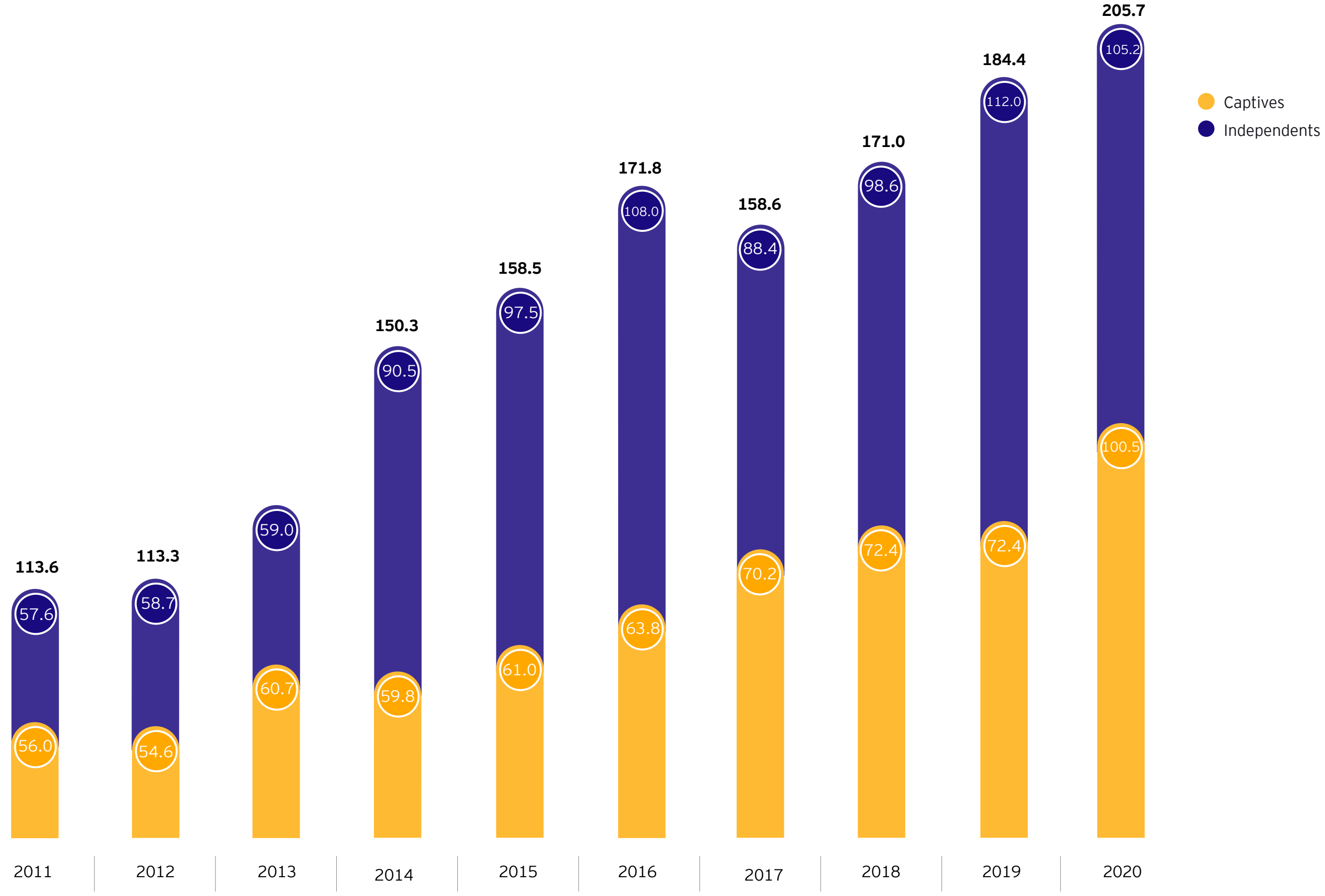


Nature of funds returned based on proceeds, 2018-2020 (% of total)

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

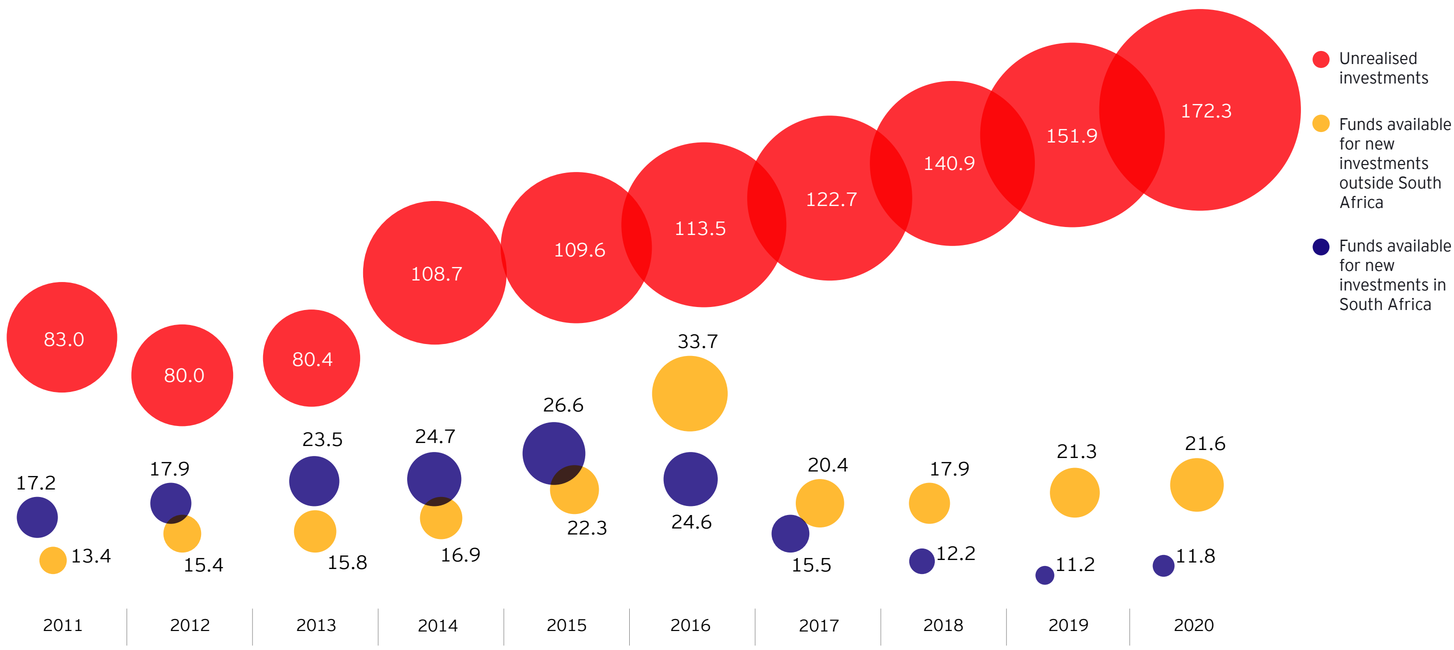
10 Funds under management insights

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

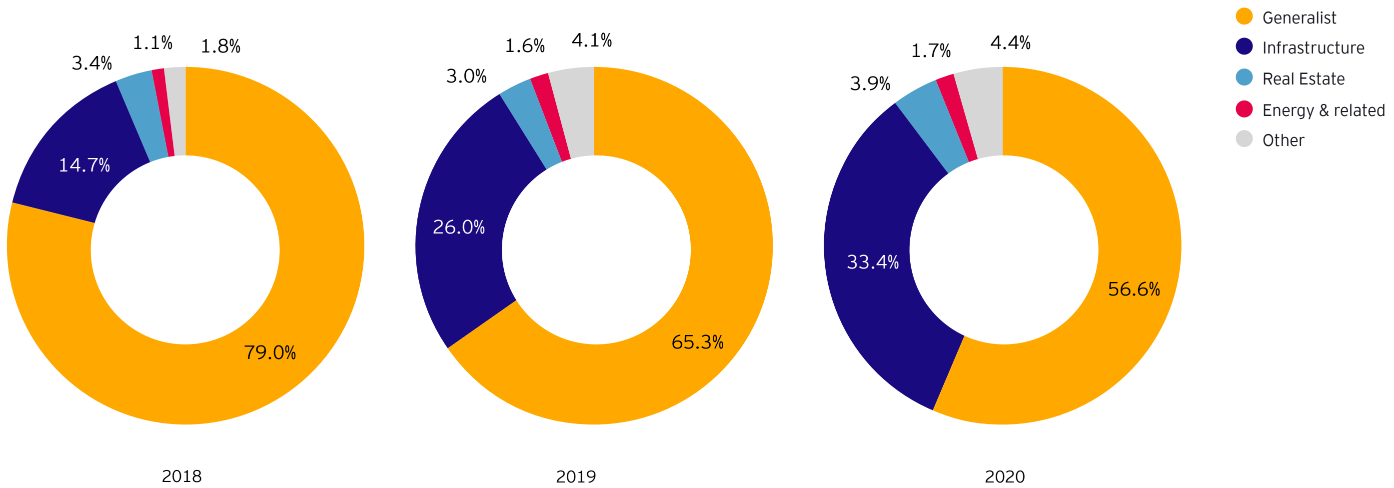


The increase in funds under management (FUM) was mainly driven by a few captive PE firms having increased values of unrealised investments (also reflected in the chart below). The value of capital available for new investments stayed relatively flat at slightly over R30 billion with approximately 1/3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

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

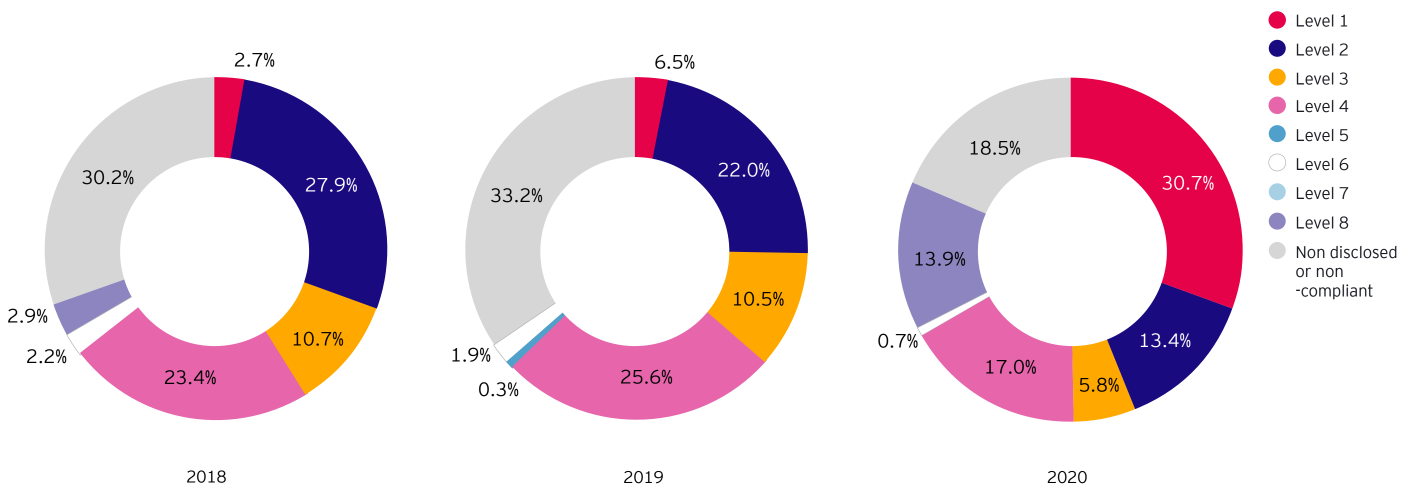


Composition of total FUM by focus of the fund (% of total at 31 December 2018, 2019 and 2020)



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

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



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

Appendix

A Data Tables

R bn (unless reflecting by number/volume)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
FUNDRAISING										
Late stage	9,9	2,2	11,1	11,1	26	3,2	6,1	11,8	20,5	15,4
Early stage	0,8	1,4	0,2	0,7	1,5	7	1,4	1	1,2	1,5
Total funds raised	**10,7**	**3,6**	**11,3**	**11,8**	**27,5**	**10,2**	**7,5**	**12,8**	**21,7**	**16,9**

Source of funds raised										
Pension and endowment funds - SA								1,6	1,3	8,9
Pension and endowment funds - Non SA								0	0	0,3
Government, aid agencies and DFIs - SA								0	0	1,3
Government, aid agencies and DFIs - Non SA								4,5	1,1	4
Corporates - SA								1,9	0,1	0,5
Corporates - Non SA								0,1	0	0,5
PE Fund of funds - SA								0,3	0,3	0
PE Fund of funds - Non SA								0,6	0	0,8
Insurance companies / Institutions - SA								1,8	0,6	0,4
Insurance companies / Institutions - Non SA								0	0	0
Private individuals and Family offices - SA								0,3	0,6	0,1
Private individuals and Family offices - Non SA								0,4	1,6	0
Banks - SA								1,3	1,1	0,1
Banks - Non SA								0	0	0
Undisclosed source - SA								0	3,7	0
Undisclosed source - Non SA								0	11,3	0
Total								**12,8**	**21,7**	**16,9**
South Africa total						4,6	3,6	7,2	7,7	11,3
Non-South Africa total						5,6	3,9	5,6	14	5,6
Total						**10,2**	**7,5**	**12,8**	**21,7**	**16,9**

R bn (unless reflecting by number/ volume)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Funds raised by investment destination										
South Africa						4,6	3,6	7,1	3,7	11,1
Non South Africa						5,6	3,9	5,7	18	5,8
Total						**10,2**	**7,5**	**12,8**	**21,7**	**16,9**
INVESTMENTS										
New investments	7,7	6,1	7,6	7,7	7,8	10,1	18,9	14,9	18,4	10,2
Follow-on investments	8,8	5	5,8	6,2	4,7	5,4	12,2	20,5	7	4,3
Total investments	**16,5**	**11,1**	**13,4**	**13,9**	**12,5**	**15,5**	**31,1**	**35,4**	**25,4**	**14,5**
Number of investments										
New investments	363	319	389	279	288	342	442	403	323	191
Follow-on investments	174	191	151	222	252	232	308	415	265	304
Total number of investments	537	510	540	501	540	574	750	818	588	495
Number of investments (excl. Business Partners)										
New investments								162	132	73
Follow-on investments								282	117	96
Total number of investments (excl. Business Partners)								**444**	**249**	**169**
Value of investments by stage										
Start up and Early Stage								3,0	7,0	1,8
Expansion and development								16,0	13,2	6,1
Buy-out and Replacement capital								15,0	5,2	6,6
Unclassified								1,3	0,0	0,0
Total value of investments								**35,4**	**25,4**	**14,5**
EXITS										
Funds returned to investors by nature (R bn)										
Trade sale								5,6	4,2	1,8
Sale to another PE firm or financial investor								0,9	0,6	4,5
Repayment of preference shares / loans								4,1	4,6	0,5
Dividends and interest payments								2,4	1,4	0,3
Sale to management with no equity involvement of another institution								0,0	0,3	0,1
Share buy-back by portfolio company								0,1	0,2	0,0
Sale of listed shares								0,0	0,0	0,0
Listing or IPO								0,0	0,0	0,0
Write-offs including sales for a nominal amount								0,0	0,0	0,0
Other / Unspecified								2,3	0,8	0,1
Total funds returned to investors	**25,7**	**7**	**9,8**	**11**	**8,2**	**18,3**	**17,6**	**15,6**	**12,0**	**7,2**

R bn (unless reflecting by number/volume)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of exits (excluding Business Partners)										
Trade sale								17	13	6
Sale to another PE firm or financial investor								7	10	7
Sale to management (buy-back)								2	3	0
Sale of listed shares or IPOs								0	2	0
Share buy-back by portfolio company								3	2	1
Total number of exits (excluding Business Partners)								**29**	**30**	**14**

FUNDS UNDER MANAGEMENT										
Funds under management by type of PE fund										
Captives	56,0	54,6	60,7	59,8	61,0	63,8	70,2	72,4	72,4	100,5
Independents	57,6	58,7	59,0	90,5	97,5	108,0	88,4	98,6	112,0	105,2
Total FUM	**113,6**	**113,3**	**119,7**	**150,3**	**158,5**	**171,8**	**158,6**	**171,0**	**184,4**	**205,7**

Composition of FUM by amount invested and undrawn commitments										
Unrealised investments	83,0	80,0	80,4	108,7	109,6	113,5	122,7	140,9	151,9	172,3
Undrawn commitments for outside SA	13,4	15,4	15,8	16,9	22,3	33,7	20,4	17,9	21,3	21,6
Undrawn commitments for SA	17,2	17,9	23,5	24,7	26,6	24,6	15,5	12,2	11,2	11,8
Total FUM	**113,6**	**113,3**	**119,7**	**150,3**	**158,5**	**171,8**	**158,6**	**171,0**	**184,4**	**205,7**

Respondents

PE Firm	Website
27four	www.27four.com/jobsfund/
Agile Capital	www.agilecapital.co.za/
AIH Capital	www.awcainvest.co.za/aih-capital/
Ascension Capital	www.ascensioncapital.co.za
ASO Capital	www.asocapital.com
Ata Capital	www.atacapital.co.za
Bopa Moruo Private Equity	www.bopamoruo.co.za/
Business Partners	www.businesspartners.africa
Capitalworks	www.capitalworksip.com
Convergence Partners	www.convergencepartners.com
Eos Capital	www.eoscapital.com.na
Ethos Private Equity	www.ethos.co.za
African Infrastructure Investment Managers (AIIM")	www.aiimafrica.com
Identity Partners	www.identitypartners.co.za
IJG Capital	www.ijg.net
Industrial Development Corporation	www.idc.co.za
Khulasande Capital	www.khulasande.co.za
Legacy Africa	www.legacyafrica.co.za
Metier Private Equity	www.metier.co.za
Medu Capital	www.meducapital.co.za
Multiply Group	www.multiplyinvest.com
Nedbank Private Equity	www.nedbank.co.za/
Norsad Finance	www.norsadfinance.com
Novare	www.novare.com
Old Mutual Alternative Investments	www.oldmutualalternatives.com/
Harith	www.harith.co.za
PAPE Fund Managers	www.papefunds.co.za
Pembani Remgro Infrastructure Managers	www.pembani-remgro.com
Phatisa	www.phatisa.com
RMB Corvest	www.rmbcorvest.co.za
Rockwood	www.rockwoodpe.co.za
Sanari Capital	www.sanari.co.za

Senatla Capital	www.senatlacapital.com/
Sanlam Private Equity	www.sanlaminvestments.com
STANLIB Infrastructure	www.stanlib.com/infrastructure
The SA SME Fund Limited	www.sasmefund.co.za
Trinitas Private Equity	www.trinitaspe.co.za
Vantage Capital	www.vantagecapital.co.za

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Notes

SAVCA Private Equity Conference 2022

25 – 26 May 2022 | Western Cape

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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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