



African Private Equity and
Venture Capital Association

2022 H1 African Private Capital Activity Report

September 2022



Executive Summary

Macroeconomic Environment

The global macroeconomic environment has endured a series of hard knocks in the first six months of 2022. Simmering global inflation has been exacerbated by recent geopolitical crises and surging commodity prices, magnifying financial vulnerability in a global economy that still bears scar tissue from the Covid-19 pandemic. This is compounded by a sharp move in interest rates stemming from increasingly aggressive counter-inflationary measures by central banks, whose governments are themselves also facing higher debt servicing costs and thus making public spending cuts. These macroeconomic headwinds have triggered risk-off investor sentiment in developed and emerging markets alike, creating a perfect storm for private capital in 2022.

In Africa more particularly, these contractions to the global economy are manifesting in revised economic growth projections, where Africa's real GDP is projected to decelerate to 4.1% in 2022 from nearly 7% in 2021¹. Amidst these mounting fiscal pressures, several African currencies have depreciated against the US Dollar in 2022 H1, while upward revisions to global commodity price forecasts for agriculture and oil caused inflation to accelerate. In this increasingly tenuous economic climate, how has the private capital industry in Africa fared?

1. Fundraising

Private capital fundraising in Africa showed a decline in 2022 H1, reaching US\$0.7bn in final closes. This equates to a 20% drop when compared to the corresponding period in 2021, and largely mirrors current trends in the global fundraising market, which remains subdued. Notably, global private equity fundraising saw an estimated 53% YoY decline in 2022 H1, with significant increases in the number of funds taking over 12 months to reach a final close².

2. Dealmaking

While private capital fundraising in 2022 thus far has fallen somewhat short of expectations, record-breaking fundraising in 2021 paved the way for a robust deal making environment in 2022 H1. Ample dry powder from preceding years and a bullish early-stage ecosystem saw the first half of 2022 emerge as one of the strongest half year Africa's private capital industry has seen to date, where 338 deals with a total value of US\$4.7bn took place.

3. Exits

As vibrant as the market for investments was in 2022 H1, exit markets were just as strong. Private capital investors achieved 22 full exits between January and June 2022, a 29% increase compared to 2021 H1. When compared to the global context, what the continent's exit landscape may lack in volume is made up for in consistency as it maintained its growth trajectory despite this period of economic turbulence worldwide. Illustratively, the global private equity exits market saw a 37% YoY decline in value in 2022 H1 from the same period a year ago³, with fund managers opting to hold fast to their portfolio rather than risking divestment at unfavourable prices given falling valuations in public and private markets.

1 African Development Bank, 2022. [2022 African Economic Outlook: Supporting Climate Resilience and a Just Energy Transition in Africa](#)

2 Prequin, 2022. [Private Equity Quarterly Update Q2 2022](#).

3 Bain and Company, 2022. [Shifting Gears: Private Equity Midyear Report 2022](#).

Please note this figure only relates to global buyout-backed exit value. It excludes exits in growth equity and venture capital investments which were more pronounced.

2022 H1 African Private Capital Report: Key Facts

2020 H1

US\$0.8 billion total value of private capital fundraising

133 total volume of private capital deals

US\$1.4 billion total reported value of private capital deals

16 private capital exits

 **North Africa** was the most active region by deal volume (26%)

 **Financials** was the most active sector by deal volume (20%)

2021 H1

US\$0.8 billion total value of private capital fundraising

195 total volume of private capital deals

US\$2.4 billion total reported value of private capital deals

17 private capital exits

 **West Africa** was the most active region by deal volume (31%)

 **Financials** was the most active sector by deal volume (29%)

2022 H1

US\$0.7 billion total value of private capital fundraising

338 total volume of private capital deals

US\$4.7 billion total reported value of private capital deals

22 private capital exits

 **West Africa** was the most active region by deal volume (34%)

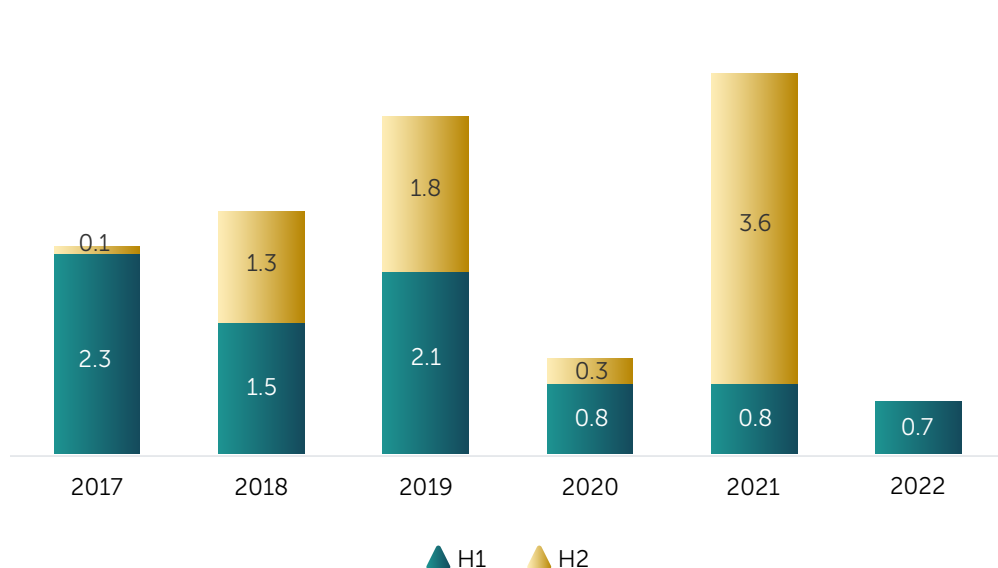
 **Financials** was the most active sector by deal volume (30%)

Fundraising

Declines in fundraising reflect a more challenging fundraising globally

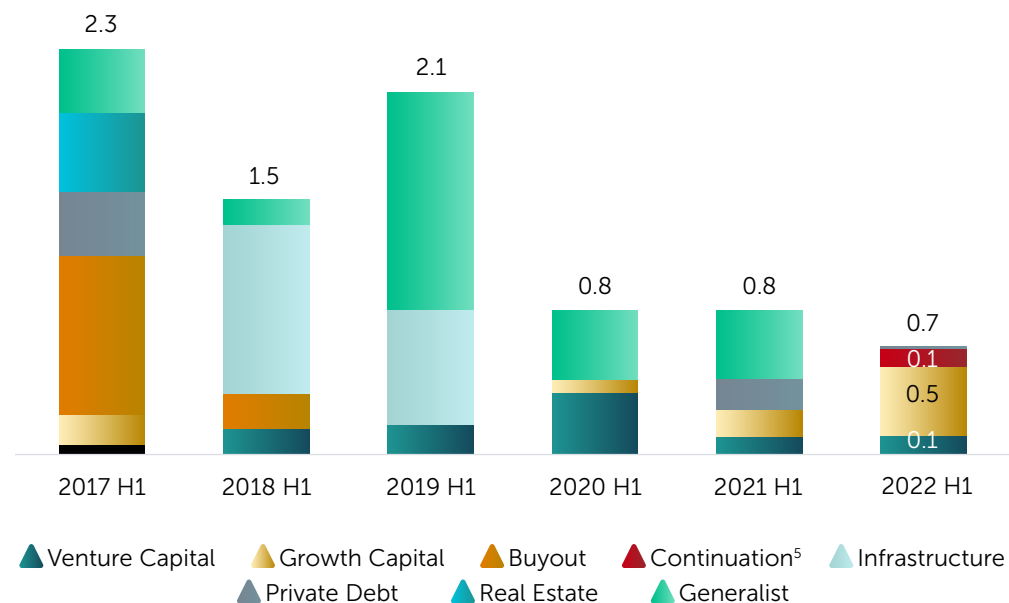
Private capital fundraising in Africa slowed down in the first half of 2022 reaching US\$0.7bn in final closes, a 20% drop compared to the corresponding period last year. The absence of generalist⁴ funds reaching a final close in 2022 H1 contributed significantly to the decrease in the fundraising value in the first half of this year. An additional of US\$0.7bn in interim closes was also reported through the first half of 2022. This decline in the value of African private capital fundraising, mirroring global trend, is mainly the result of a more challenging fundraising environment for fund managers globally.

Figure 1: Total value of African private capital fundraising by year of final close, US\$bn



Firstly, several overlapping concerns including **fears of a global economic downturn; food and fuel crises resulting from geopolitical uncertainty in Europe; and magnified inflation leading to a tightening of domestic monetary policies could have contributed to LPs reassessing their commitments in the short term.** Secondly, **an increasingly competitive fundraising environment,** especially for small and mid-market funds pegged against larger funds for which larger institutional investors have a preference and tend to allocate significant capital, **led private capital firms to postpone their closings to later in the year or early next year.** Finally, it is worth noting that the historic fundraising highs were the result of a handful of large funds that had achieved their final closes in those years (e.g. in 2021) and it is this **irregular nature of fundraising in the market that further contributed to the contraction in fundraising levels.**

Figure 2: Total value of African private capital fundraising by fund stage focus & year of final close, US\$bn



⁴ Generalist funds are defined as those with more than one fund stage focus (e.g., Growth Capital and Buyout)

⁵ Continuation Fund involves the formation of a new fund for the purpose of acquiring one or more assets from an original fund

Dealmaking

2.1 Global Trends

▶ Private capital dealmaking sets new record high driven by venture capital

Private capital investment in Africa in 2022 H1 saw a total deal volume of 338 deals with a cumulative deal value of US\$4.7bn, in one of the strongest half-year of private capital activity ever recorded. While the total volume of reported deals in 2022 H1 already represents 79% of the total deal volume reported in 2021, the average deal size also increased in 2022 H1 to reach US\$20mn from US\$15mn in 2021. This is not only an indication that ticket sizes in Africa are getting bigger, it also gives credence to our conclusion that the half-year dealmaking activity witnessed in 2022 H1 is one of the strongest in the industry's history.

The substantial amount of capital that was put on hold during the pandemic along with fresh capital raised by fund managers in 2021⁶ contributed significantly to this strong deal activity, as investors made deployments across various strategies and sectors.

Furthermore, the continued investor appetite for early-stage investments once again led to the strong growth of dealmaking on the continent. Venture capital accounted for 77% of the total volume, and 56% of the total value of private capital investments reported in Africa in 2022 H1. The tremendous growth of Africa's venture ecosystem has not only attracted international investors and supported the development of domestic venture capital firms, it has also encouraged pan-African private equity firms to broaden their strategy to include a dedicated focus on venture capital. For example, in May 2022 Helios Investment Partners launched *Helios Digital Ventures*, which invests in early-stage African technology companies. Another example is the *Verod-Kepple Africa Ventures* which was founded in February 2022 as a joint venture between Kepple Africa Ventures and Verod Capital Management to invest tech-enabled African startups.

Figure 3: Total volume of private capital deals reported in Africa, 2017 – 2022 H1

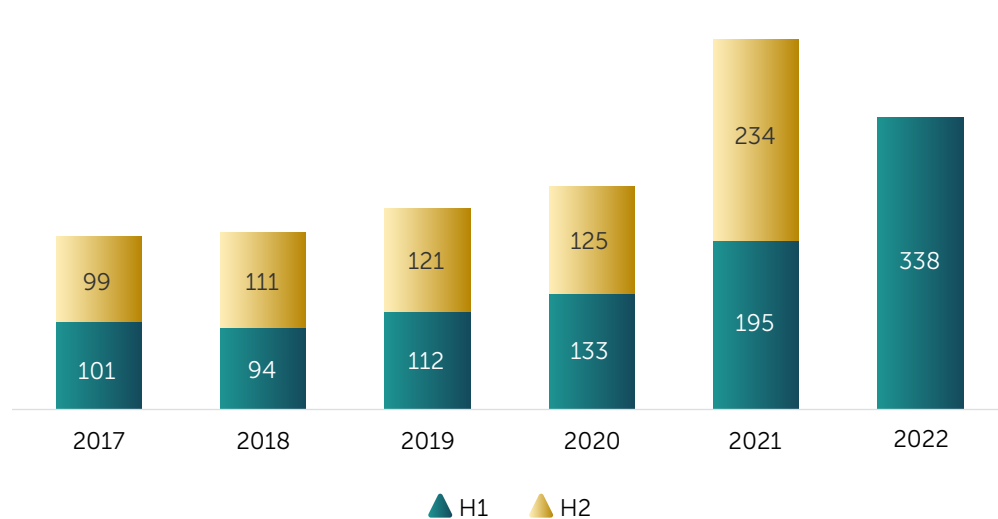
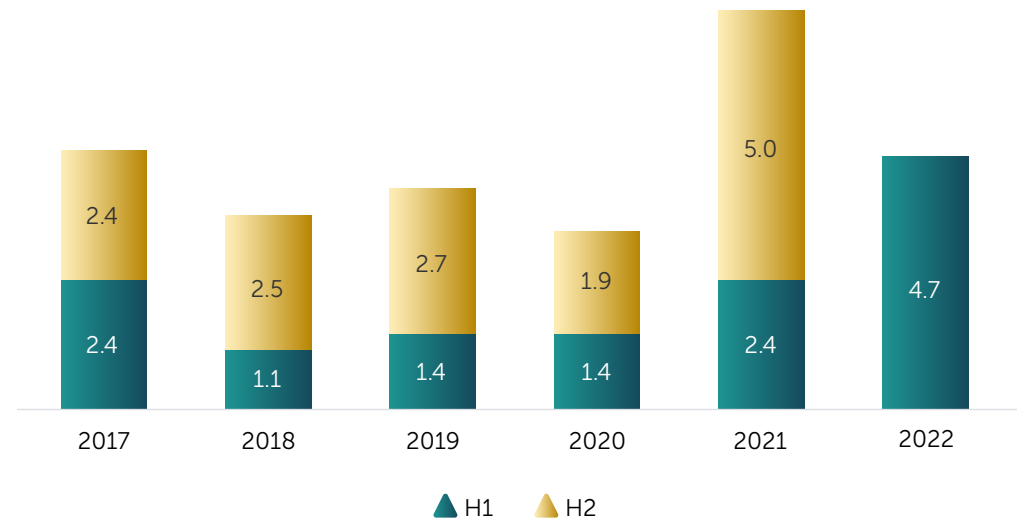


Figure 4: Total value of private capital deals reported in Africa, 2017 – 2022 H1, US\$bn



⁶ In 2021, the total value of Africa private capital fundraising reached US\$4.4bn with an additional of US\$2.3bn in interim closes. AVCA, [2021 African Private Capital Activity](#)

Dealmaking

Finally, a trend towards deals with larger ticket sizes contributed to the resilience of the dealmaking in the industry in the first half of 2022. Investments between US\$100-250mn in size presented a notable YoY increase (95%) - driven by venture capital where start-ups are raising larger, high-profile funding rounds earlier in their funding lifecycle.

Venture capital super-sized deals accounted for 22% of the total deal value in 2022 H1 owing to large investments in early-stage companies offering financial services. An example is the US\$105mn funding round in vehicle financing startup, *Moove Africa* by a consortium of investors including AfricInvest.

Figure 5: Total volume of private capital deals reported in Africa, 2017 H1 – 2022 H1

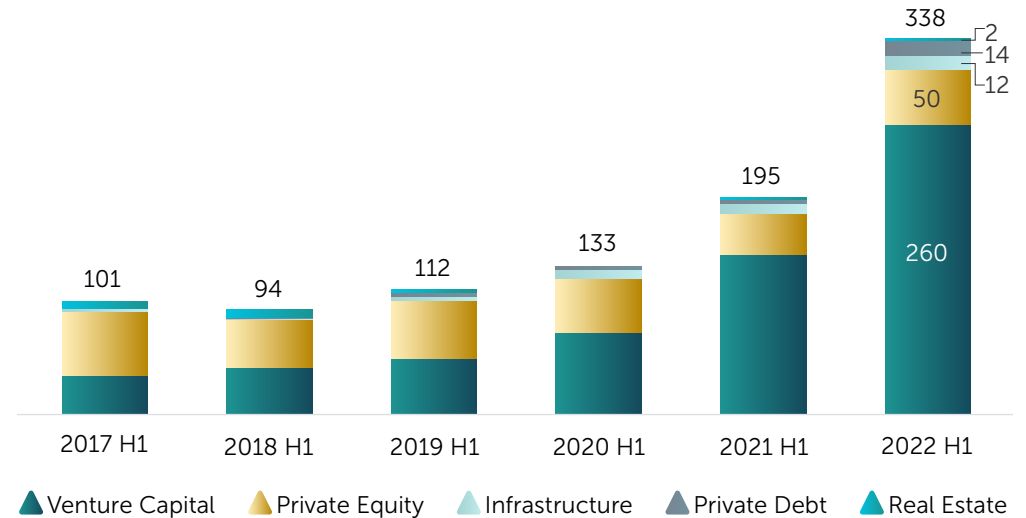


Figure 6: Total value of private capital deals reported in Africa, by asset class, 2017 H1 – 2022 H1, US\$bn

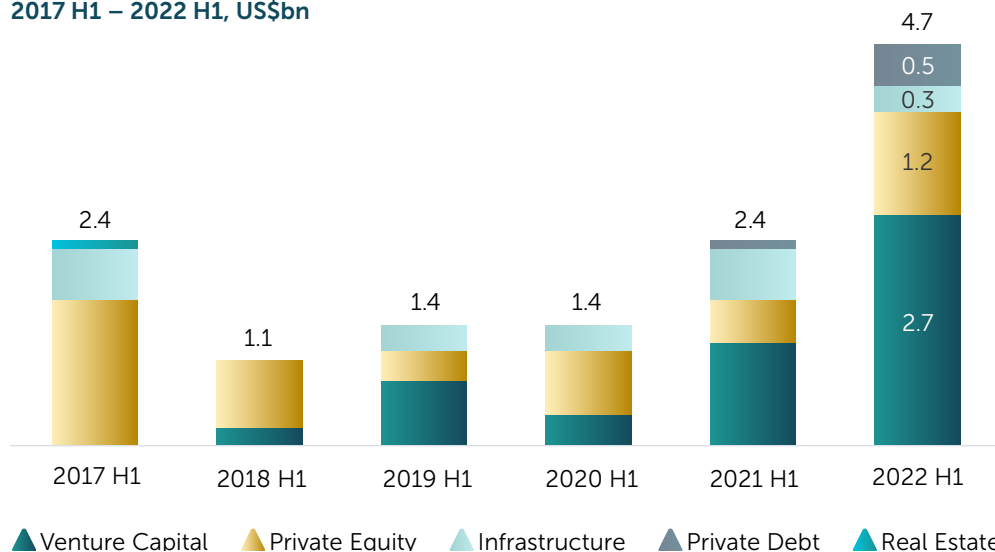
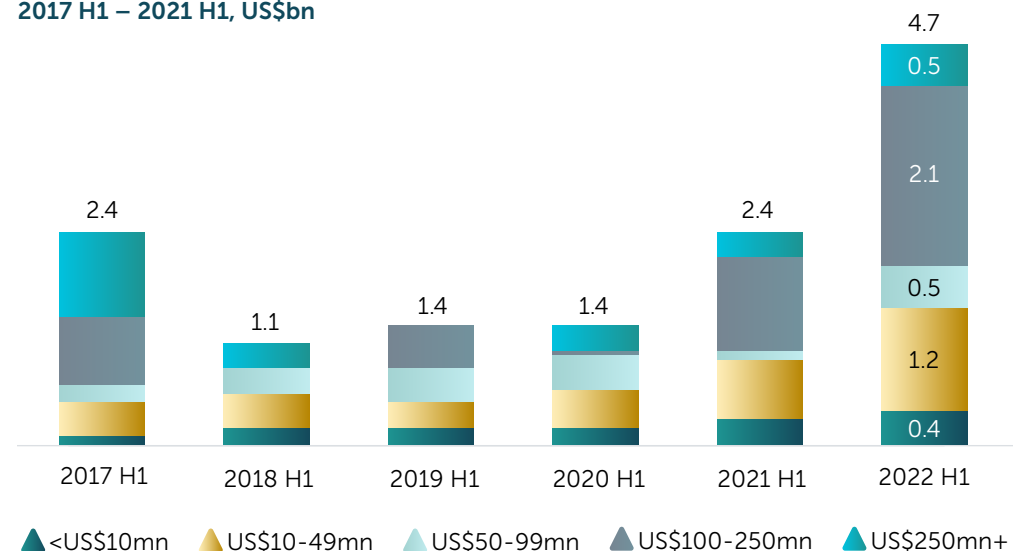


Figure 7: Total value of private capital deals reported in Africa, by ticket sizes, 2017 H1 – 2021 H1, US\$bn



Dealmaking

2.2 Sector Focus

▶ **Financials, Industrials, Consumer Discretionary, Information Technology and Healthcare are turning fund managers' heads**

Although fund managers in Africa continue to invest across a variety of industries, five sectors emerged as winners in the first half of 2022, collectively attracting 82% of the total volume of private capital investments.

Financials

Unsurprisingly, given its enormous potential, the continent's financial services industry has continued to attract investors from all over the world. Financials was the most active sector in 2022 H1 by volume, attracting 103 private capital investments. This represents almost 2x the number of financial deals (56) reported in 2021 H1. Considering technology's catalytic role in making financial products more accessible to Africans, investments in FinTech companies continued to lead the growth of Africa's financial sector in the first half of the year, comprising 89% of the total number of deals within Financials.

At US\$1.8bn, Financials was also the sector that attracted the largest amount of capital in 2022 H1. The contribution of venture capital investments to this sum was remarkable, with their total value reaching US\$1.3bn. An example is the US\$100mn investment in the pan-African digital payments network *MFS Africa* by a consortium of investors including AfricInvest in June 2022.

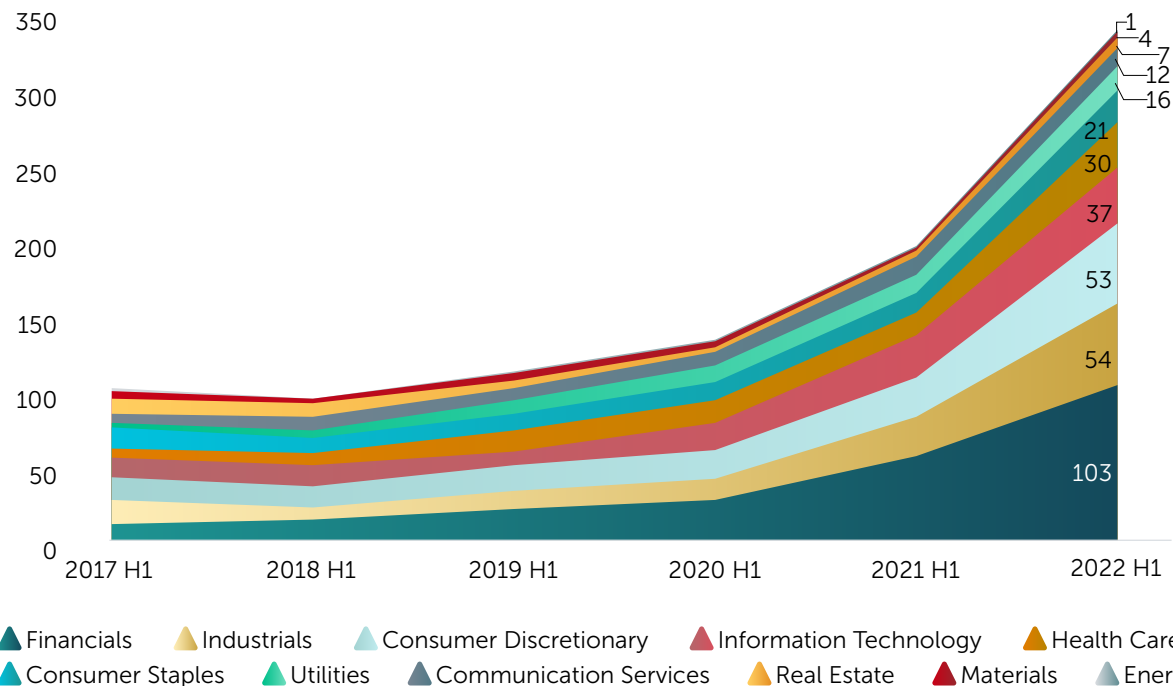
⁷ More specifically, the number of Transportation came close to doubling in the last year, rising from 13 in 2021 H1 to 24 deals in 2022 H1.

Industrials

Industrials has experienced remarkable growth in recent years. The sector has grown at a Compound Annual Growth Rate (CAGR) of 96% between 2020 H1 and 2022 H1, which reflects the continued interest of investors in opportunities that emerged within the sector. The sector owes its significant growth to investments in businesses that provide Commercial and Professional Services, along with investments in Transportation. Recognising the vital role of efficient mobility in promoting Africa's economic and social development, investors have been increasingly attracted by opportunities within Transportation, which has accounted for an increasing number of investments within the Industrials sector⁷. An example is the US\$110mn investment in Southern Africa's *The Logistics Group*, by a consortium of investors including African Infrastructure Investment Managers.

In 2022 H1 in particular, Industrials was the 2nd most active sector by both volume and value. Venture capital investments have also led the growth of this sector, accounting for 78% of investments by volume therein.

Figure 8: Total volume of private capital deals reported in Africa, by sector, 2017 H1 – 2022 H1



Dealmaking



Consumer Discretionary

The consumer theme is still persistent within Africa's private capital industry and has encouraged the development of several industries associated with the rise of the African consumer. The Consumer Discretionary sector has directly benefited from investors capitalising on the rising consumerism and disposable income of Africa's shifting demographics, which has seen the emergence of a new and growing middle-class.

The Consumer Discretionary sector, which grew at a CAGR of 67% between 2020 H1 and 2022 H1, attracted the 3rd largest number of private capital deals in 2022 H1 with 53 investments largely focused on businesses providing Retailing and Consumer Services. An example is Kasada's acquisition of *Cape Grace Hotel* which is based in South Africa in March 2022. Furthermore, investments in E-Commerce and providers of online consumer services were also heavily targeted by investors, accounting for over half (58%) of the total number of investments within the sector in the first half of this year.



Information Technology

Information technology has developed into one of the highest-interest sectors for private capital investment on the continent. 37 Information Technology investments took place in 2022 H1, up from 28 in 2021 H1 and 18 in 2020 H1. This trend and the continued prevalence of the Information Technology sector lies in large part to the acceleration of technological and digital solutions across a number of verticals (including Healthcare, Communications, Education and Entertainment) in response to the COVID-19 pandemic, when technology intervened like never before in every aspect of our lives. The fact that Information Technology experienced its first remarkable increase at the height of the pandemic illustrates the amplifying effect that COVID-19 had on the sector, with the number of investments doubling between 2019 and 2020 H1.

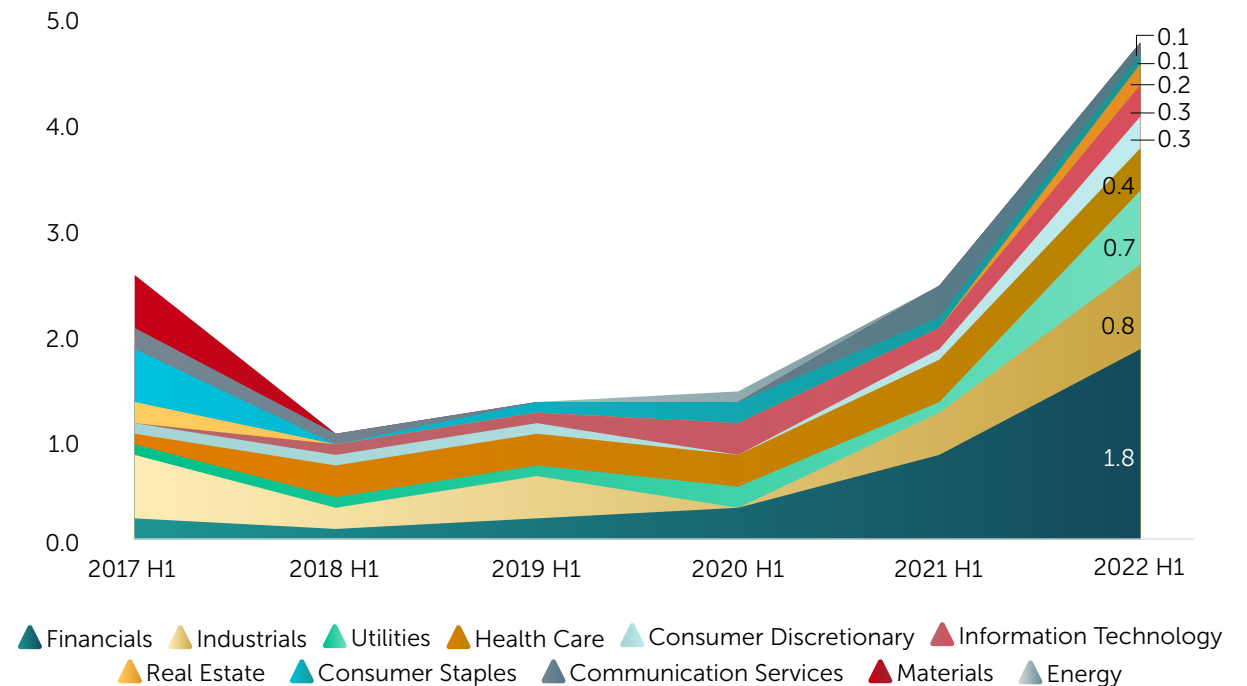


Healthcare

Two years on from the COVID-19 pandemic which demonstrated the need for resilient healthcare systems in Africa and globally, the number of investments in Africa's Healthcare sector is maintaining its upward trend. In 2022 H1, 30 private capital investments in Healthcare were reported on the continent, which is double the two preceding first semesters. Deals in companies providing healthcare equipment and services accounted for 67%, while investments in Pharmaceuticals and Biotechnology attracted 33%. Digital healthcare companies attracted 50% of the total number of investments within the sector.

Healthcare was the fourth largest sector by value in 2022 H1 raising a total of US\$442mn in deals. British International Investments and Development Partners International's US\$200mn second funding round in *KELIX Bio* for the acquisition of Morocco-based *Pharmaceutical Institute* was the largest healthcare investment in 2022 H1 in Africa.

Figure 9: Total value of private capital deals reported in Africa, by sector, 2017 H1 – 2022 H1, US\$bn



Dealmaking

2.3 Geographic Focus

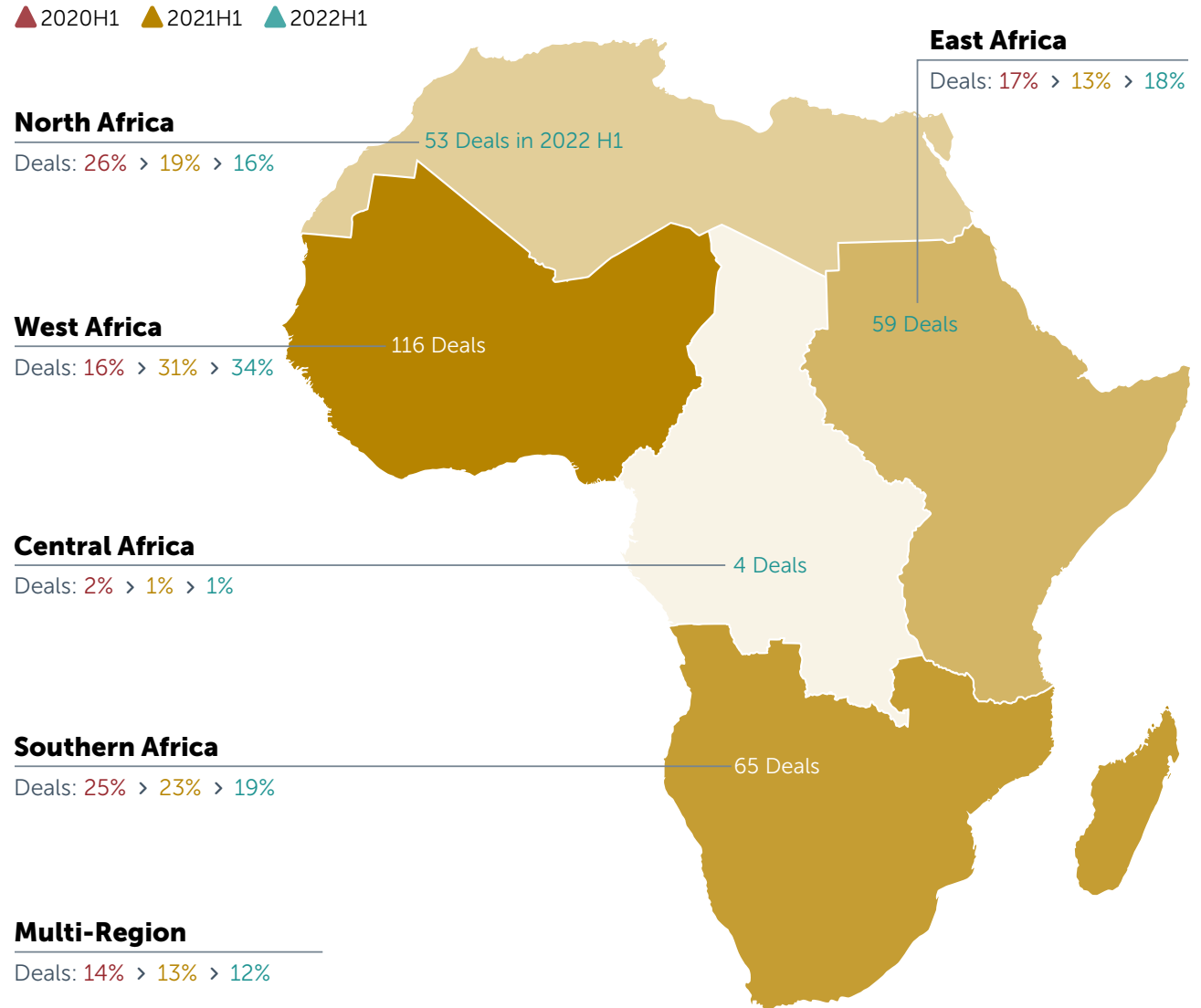
East Africa experiences strong growth in dealmaking, but West Africa continues to dominate

West Africa dominated private capital deal making by volume in 2022 H1. Nigeria continued to lead dealmaking activity by volume, followed by Ghana and Senegal. The important steps that the Senegalese government has taken to improve the country's business environment have cemented its status as an emerging private capital destination within West Africa⁸.

East Africa experienced the strongest growth in its share of deal volume compared to the corresponding period last year. The number of investments recorded in the region more than doubled (from only 26 in 2021 H1 to 56 in 2022 H1), a growth which was driven by a higher number of investments in Kenya. The country saw 43 investments in 2022 H1 (a 153% increase compared to 2021 H1) with early-stage deals in Financials and Consumer Discretionary - mainly online retailing - contributing significantly to this remarkable growth. Kenya's financial industry has been identified as a priority sector in the government's *Vision 2030 Agenda*, which aims to create a vibrant and globally competitive financial sector. Institutional and regulatory reforms undertaken under the banner of this development framework has attracted investment from local and international investors alike to the sector. For example, in July 2022 the Nairobi International Financial Centre, a new business environment established to streamline financial services and incentivize investment, came into effect⁹.

⁸ AVCA, [2022 Country Snapshot: Senegal](#)
⁹ AVCA, [Industry Quarterly Review, Q2 2022](#)

Figure 10: Share of volume of private capital deals in Africa, by region, 2020 H1 – 2022 H1



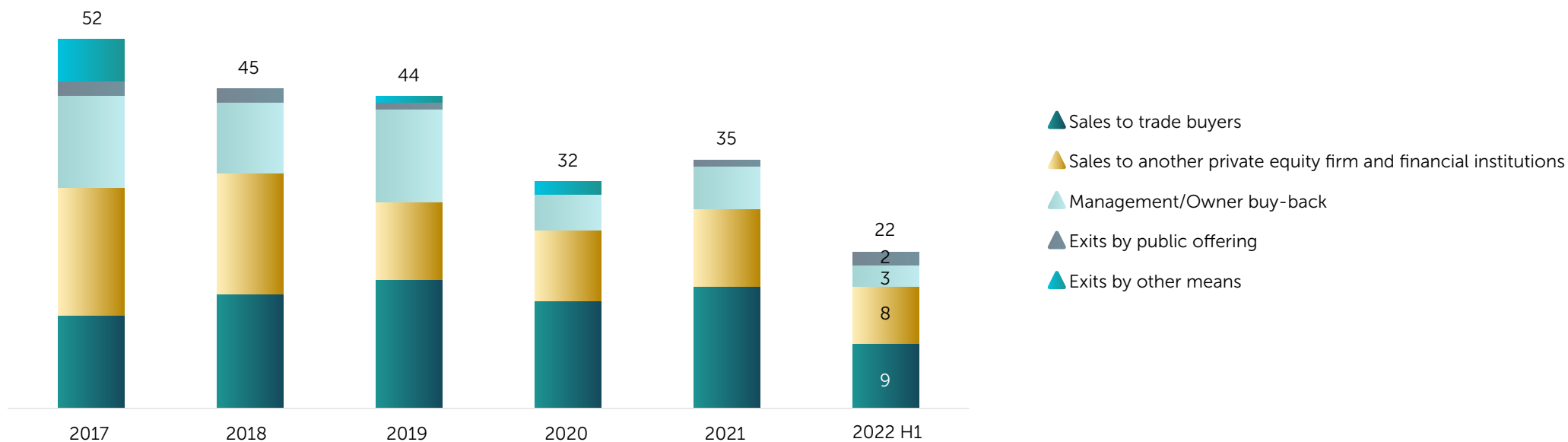
Exits

Private capital exits increase in 2022 H1 due to a growth in Trade and Secondary sales

Private capital exit activity experienced notable growth in the first half of 2022. Fund managers achieved 22 full exits, which represents a 29% increase compared to the corresponding period in 2021. Although exit activity in Africa has been on an upward trend since 2021 (after the sharp decline in 2020 due to the disruption caused by the COVID-19 pandemic), the volume of exits in 2022 H1 increased even further, driven by growth in Trade and Secondary Sales. Exits to PE and other Financial Buyers grew by 21% compared to 2021 H1 with their 2022 H1 number closely approaching their preceding annual levels. The growth in Secondary transactions demonstrates an industry which is constantly maturing, offering more liquidity and exit options for investors in a market where achieving exits has historically been a concern for investors.

Exits to Trade Buyers also saw an increase of 29% in 2022 H1 compared to 2021 H1, continuing to represent the most common exit route. Multinational strategic buyers represented the largest proportion of trade buyers within this exit route, which indicates that private capital owned companies remain attractive opportunities for multinational strategic buyers looking to expand their operations in Africa. An example is Old Mutual’s successful exit from *Consol Holdings* to Luxembourg-based Ardagh Group, one of the largest glass producers in the world, in April 2022.

Figure 11: Total volume of full private capital exits in Africa, by exit routes, 2017 – 2022 H1





Research Methodology

Scope

AVCA's African Private Capital report presents the current state of the private capital in Africa and provides an overview of the latest trends of fundraisings, investments, and exits.

The report covers activity by private capital fund managers that have raised third-party funds from institutional investors and are active across the following alternative investments: venture capital, private equity, infrastructure, private debt and real estate.

Data sources and quality controls

AVCA Research team collects data on a semi-annual basis directly from fund managers, press releases, and uses desk-based research to ensure data completeness. The AVCA research team reviews all data obtained, queries any obvious errors, verifies the cut-off rules, and processes all necessary changes to historical data that have been reported by contributors. Therefore, AVCA cannot guarantee the ultimate accuracy of the data.

Statistics explained

Market approach

AVCA data and statistics are based on the "market approach". The statistics are an aggregation of the figures according to the geographical destination of the capital, regardless of the location of the private capital fund. At the African level, this relates to fundraising for Africa, and investments in companies headquartered or with major operations in Africa, regardless of the location of the private capital fund.

Fundraisings

AVCA data and statistics on fundraising only include final closes by the private capital fund. However, the report also provides an indication of interim closes that were reported during the period.

It is to be noted that, only funds that focus solely on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate are included in the report. Funds with a global investment remit that invest in Africa are excluded.

Investments

Deals cover all investments made by private capital funds across venture capital, private equity, infrastructure, private debt and real estate. They include all deal types associated with these asset classes, namely seed, early-stage, later stage, growth capital, buyout, greenfield, brownfield, direct lending, distressed debt, mezzanine, venture debt.

Deals value includes equity, mezzanine, junior & senior debt and significant co-investments (where available).

Exits

AVCA data and statistics on exits only include full exit by the private capital fund.



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About AVCA

CHAMPIONING PRIVATE INVESTMENT IN AFRICA

The African Private Equity and Venture Capital Association is the pan-African industry body which promotes and enables private investment in Africa. AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations. This diverse membership is united by a common purpose: to be part of the Africa growth story.