African Private Equity and
Venture Capital Association

2020 ANNUAL AFRICAN PRIVATE EQUITY DATA TRACKER

MARCH 2021

including:

Fundraising
Deals
Exits
Regional Spotlights
Case Studies

FOREWORD

A thriving private investment ecosystem is essential to ensure inclusive growth in Africa.

AVCA's Annual African Private Equity Data Tracker is a critical component of AVCA's mission to provide comprehensive data on the key trends driving private equity investment and fundraising across the continent.

This year, the Data Tracker provides insights to AVCA members and the broader industry on Africa's PE investment climate during the year and the effect of Covid-19 on the industry's activity.

Our data shows the resilience of the African private equity industry in a time of global uncertainty and economic volatility, with a total of 255 reported deals summing up to the value of US$3.3bn in 2020.

With 55% of deals reported in 2020 being in technology-enabled companies, it is clear that digital innovation is gaining traction across Africa. We also saw robust and steady activity in Consumer Discretionary, Industrials and Utilities, demonstrating investors' continued interest in the sectors driving the continent's growth.

Over the past 20 years, the African private equity industry has evolved significantly and continues to play an important role in providing capital to businesses to support growth and create sustainable impact on the continent. 2021 marks a new dawn for the Association and our industry; and there is no better time to showcase private investment success stories and to encourage local and international investors to continue deploying capital in the continent's fast-growing sectors.

As the pan-African body responsible for championing private investment into Africa, we look forward to helping our members and stakeholders adapt to the current business environment and to reach their full potential over the next decade.

Abi Mustapha-Maduakor
Chief Executive Officer

EXECUTIVE SUMMARY

The Covid-19 pandemic abruptly stalled the momentum of Africa's prospective economic growth in 2020, which was expected to reach 3.9% in 2020 and 4.1% in 2021[1]. Instead, GDP growth contracted by 3.4% and cumulative losses associated with this declined economic activity are estimated to fall between US$173.1 – US$236.7bn for 2020 and 2021[2]. With the exception of South Africa and parts of North Africa, the continent was comparatively less impacted by the Covid-19 pandemic than the rest of the world, implementing pre-emptive containment measures to manage case numbers and control the spread of the virus. In October 2020, sub-Saharan Africa only had a quarter of the average confirmed cases per million within the emerging markets and developing economies[3]. The IMF reports the pandemic induced a 6.1% decline in per-capita income in 2020 and a 9% decline in foreign remittances, which sets average living standards back by over a decade and pushes millions of Africans into extreme poverty[4]. This is compounded by reduced tax revenues and foreign direct investment flows into Africa. On a positive note, some West African nations made a concerted effort to attract more FDI in 2020. The World Bank's 2020 Ease of Doing Business Report named both Togo (2) and Nigeria (10) in their list of top-10 most improved economies, with Côte d'Ivoire and Niger also making ascensions of more than 10 places in the report.

In this macroeconomic context, 2020 saw a decrease in fundraising numbers, as a result of the economic effect of the pandemic. PE fundraising dropped to US$1.2bn in final closes, from US$3.9bn in 2019. An example of an Africa-focused fund - that reached its final close in 2020 - is TLcom's TIDE Africa Fund which raised US$71mn to make investments in early-stage businesses that leverage technology across key sectors. In terms of deal execution, the volume of deals continued to rise, with a marginal drop in the total deal value. In 2020, the number of deals recorded reached a high of 255, with early-stage investments representing 49% of the total volume.

The pandemic and subsequent lockdown restrictions showcased the viability of some sectors and presented new investment opportunities. Digital innovation and acceleration in the adoption of new technologies catering to people's demands and need for online services were some of the new opportunities arising in 2020. Financials was the most active sector in 2020, attracting 21% of the total deal volume, followed by Information Technology and Consumer Discretionary at 13% each. Within Financials, financial technology deals accounted for 70% of the total number of deals. An example included Convergence Partner's investment in Channel Vas, a leading provider of mobile financial services across sub-Saharan Africa and beyond.

Additionally, deals in technology enabled companies accounted for more than half (55%) of the total deal volume recorded in 2020. Healthtech, fintech, edtech and agritech were amongst the top picks for investors seeking to take advantage of market gaps and introduce new ideas arising from the pandemic. An example was African Capital Alliance's investment in Global Accelerex, the leading provider of electronic payment and business management solutions in Nigeria.

In 2020, the number of exits dropped to 33 from 44 in 2019. However, we witnessed some notable exits during the year such as Adenia Partners' exit from Mauvilac, the Mauritian paint manufacturer, to the Dutch multinational company AkzoNobel. Exits to Trade Buyers represented the most common exit route (46%), a trend we also saw last year, with PE and other financial buyers coming second at 33%.

Overall, the African Development Bank predicts a fragile, partial recovery of about 3% in 2021. Full recovery timelines are difficult to predict given the epidemiology of the virus and the regional variation of its impact. But Africa's road to economic recovery from the disruption caused by the pandemic has already begun, albeit with cross-regional disparities.

1 African Development Bank, 2020. African Economic Outlook 2020: Developing Africa's Workforce for the Future. Available at: https://www.afdb.org/en/knowledge/publications/african-economic-outlook

2 African Development Bank, 2020. African Economic Outlook 2020: Developing Africa's Workforce for the Future Available at: https://www.afdb.org/en/knowledge/publications/african-economic-outlook

3 IMF, 2021. Global Economic Prospects 2021: Sub-Saharan Africa. Available at: http://pubdocs.worldbank.org/en/389631599838727666/Global-Economic-Prospects-January-2021-Analysis-SSA.pdf

4 IMF, 2021. Global Economic Prospects 2021: Sub-Saharan Africa. Available at: http://pubdocs.worldbank.org/en/389631599838727666/Global-Economic-Prospects-January-2021-Analysis-SSA.pdf

KEY FINDINGS: PE FUNDRAISING

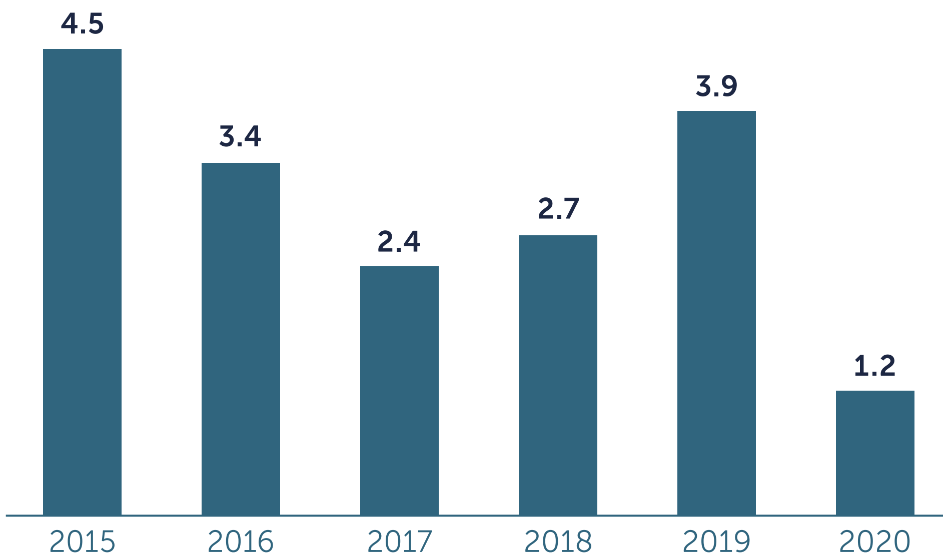
US$18.1bn

Total value of African PE fundraising, 2015-2020

US$1.2bn

Total value of African PE fundraising in 2020

Total value of African PE fundraising, by year of final close, US$bn



US$115mn

Median size of final closed funds in Africa, 2015-2020

Selection of PE funds that announced a final close in 2020

Fund Manager	Fund Name	Reported Close Amount (mn)	Regional Focus	Sector Focus
TLcom Capital	TIDE Africa Fund	US$71	Sub-Saharan Africa	Generalist (Technology)
CardinalStone Capital Advisers	CardinalStone Capital Advisers Growth Fund LP	US$64	Nigeria and Ghana	Generalist
Agooji	Alitheia IDF Fund	US$100	Sub-Saharan Africa	Generalist
Goodwell Investments, Alitheia Capital	uMunthu	US$80	Sub-Saharan Africa	Generalist

53%

of the total volume of funds closed in 2020 were growth and buyout focused funds. Venture Capital funds accounted for 40% of the total number of funds closed, while infrastructure funds represented 7%

35%

of the total value of funds raised in 2020 originated from sector-focused funds; 20% of the value within sector-focused funds came from infrastructure funds

49%

of the total amount closed was originated from sub-Saharan Africa funds; Regional funds were second representing 25% of the total funds raised; Country-focused and pan-African funds represented the remaining 26%

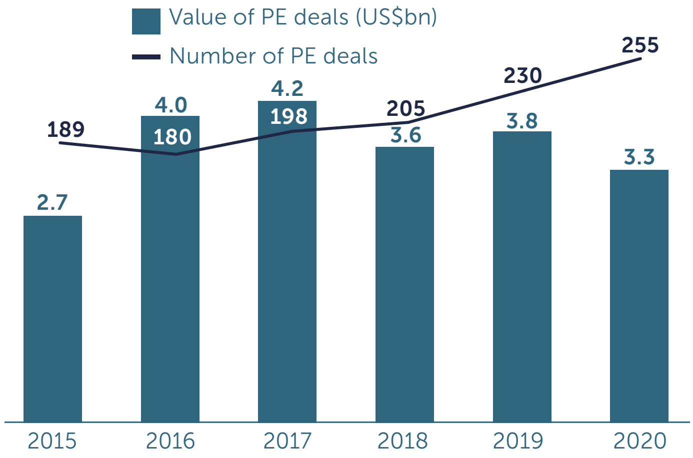
KEY FINDINGS: PE DEALS

US$21.7bn — **Total value of reported African PE deals, 2015-2020**

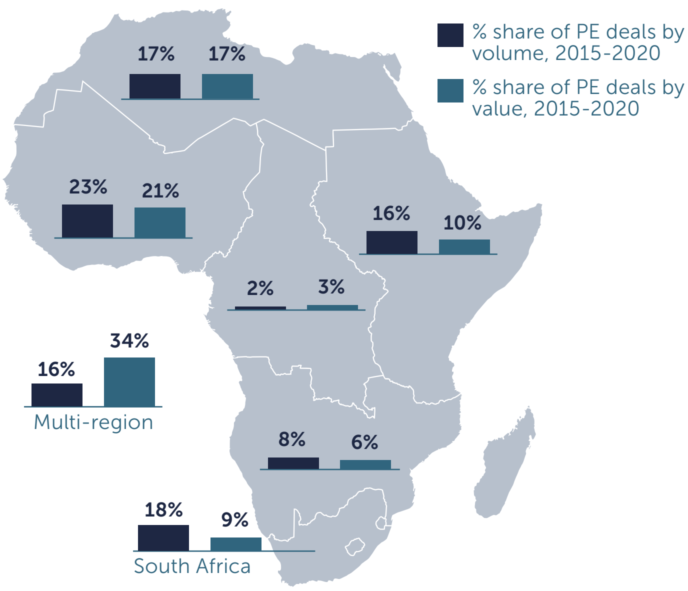
1257 — **Total volume of reported African PE deals, 2015-2020**

46% — **% share of reported deals in technology-enabled companies in Africa, 2015-2020**

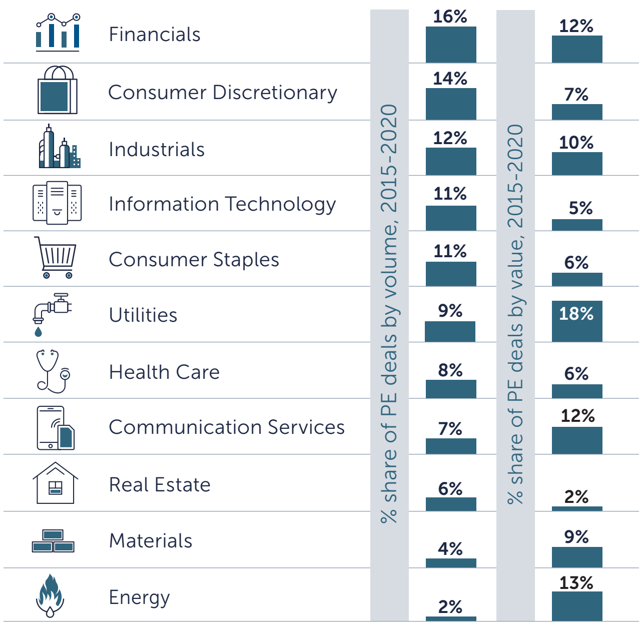
Number and value of African PE deals, by year



Share of number and value of African PE deals, by region, 2015-2020



Share of number and value of African PE deals, by sector, 2015-2020



Selection of PE deals announced in Africa in 2020

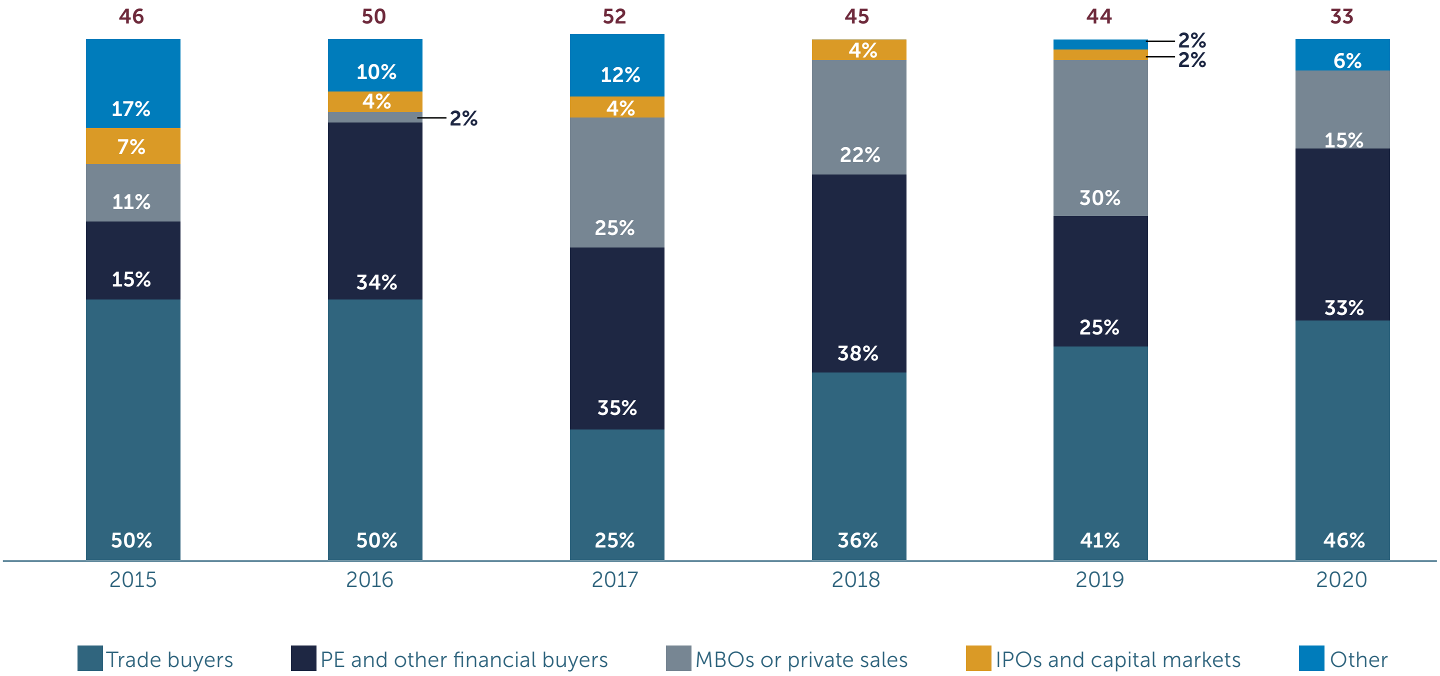
Portfolio Company	Sector	Investor(s)	Region
Africa Specialty Risk Group	Financials	Helios Investment Partners	Multi-region
AXA Mansard Pensions	Financials	Verod Capital Management	Southern Africa
BIMA	Financials	LeapFrog Investments & other investors	Multi-region
Broadreach Energy	Utilities	Metier	Multi-region
Channel VAS	Financials	Convergence Partners	Multi-region
Global Accelerex	Financials	African Capital Alliance	West Africa
International Community School	Consumer Discretionary	AfricInvest Group	East Africa
LMPS Group	Information Technology	CDG Capital Private Equity	North Africa
MetroFibre Networx	Communication Services	African Infrastructure Investment Managers	Southern Africa
Mukuru	Financials	Emerging Capital Partners	Southern Africa
Octotel	Communication Services	Actis	Southern Africa
Sifiso Learning Group	Consumer Discretionary	Old Mutual Alternative Investments	Southern Africa
SparkMeter	Utilities	Alitheia Capital & other investors	East Africa

KEY FINDINGS: PE EXITS

270

Number of reported African PE exits, 2015-2020

Number of exits and share of exit routes, 2015-2020*



*Investments are recorded as exited once fully or majority exited by the PE firm

The number of exits decreased in 2020, reflecting the economic crisis caused by the global pandemic. Exits to Trade Buyers was the most common exit route in 2020 (46%), a trend we also saw last year, whereas exits to PE and other financial buyers came second, representing 33% of the total number of exits in 2020.

Selection of PE exits announced in Africa in 2020

Portfolio Company	Exiting PE Investor(s)	Sector	Region	Exit Route
Mauvilac	Adenia Partners	Materials	Southern Africa	Trade buyers
Cookhouse Wind Farm	African Infrastructure Investment Managers	Utilities	Southern Africa	PE and other financial buyers
Esprit	AfricInvest Group	Consumer Discretionary	North Africa	Trade buyers
GHL Bank	Actis	Financials	West Africa	Trade buyers
Africatel (Unitel)	Helios Investment Partners	Communication Services	Southern Africa	Trade buyers

SOUTHERN AFRICA KEY FINDINGS: 2015-2020

364

Number of reported PE deals

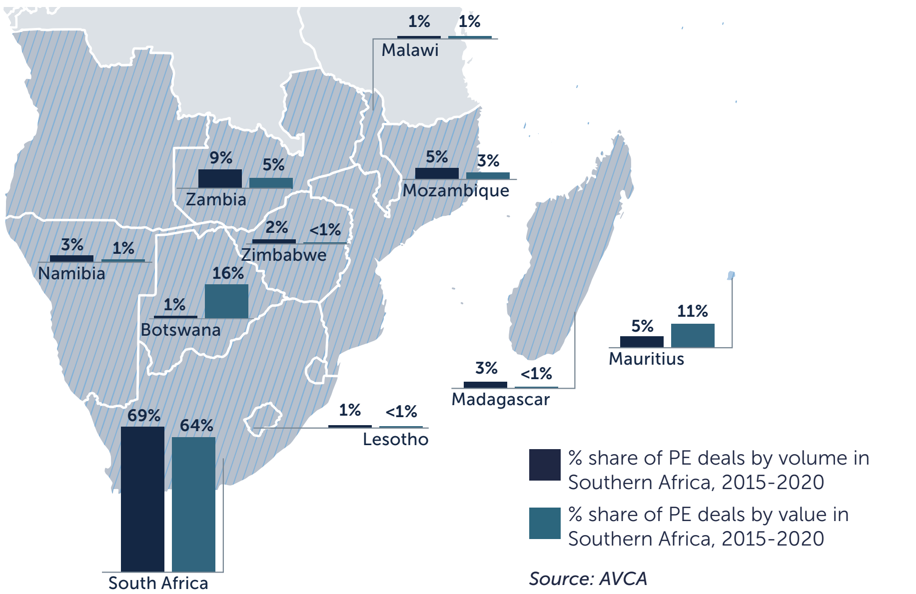
US$4.4bn

Value of reported PE deals

US$5mn

Median deal size

Share of number and value of PE deals in Southern Africa, by country, 2015-2020



Source: AVCA

SOUTH AFRICA

The African Development Bank's regional economic outlook for 2020 initially projected Southern Africa's economic recovery from 0.7% growth in 2019 to 2.1% in 2020, with South Africa specifically contributing 60% of regional economic output in 2020. However, following the Covid-19 pandemic, economic growth forecasts declined by 7% from the original projection (baseline scenario) and 8.7% (worst-case scenario). South Africa's economy also plunged into junk territory in 2020 and the country experienced a 7% shrink in its economy.

The Department of Statistics of South Africa also announced that eight out of ten industries made positive gains in Q4 of 2020, however mining, finance, real estate and business services recorded a decline in economic activity. The agriculture industry escaped the effects of the pandemic relatively unscathed, as it had a 13.1% expansion in production in 2020.

Assuming less restrictive lockdowns, improved electricity supply and greater fiscal stimulus from improved tax collections, PWC's 2021 economic outlook predicts South Africa's GDP will grow by 3.4% in 2021. This projected recovery from the worst recession in over 50 years will be underpinned by a resumption of tourism, a rebound in commodity prices and the rollback of pandemic-induced restrictions.

A notable regulatory change in South Africa is the abolishment of the prohibition against loop structures, effective from January 2021, applicable to private equity funds that are tax resident in South Africa.

Another regulatory change is the Conduct of Financial Institutions Bill which, once enacted, is intended to streamline the conduct requirements for financial institutions and build a strong market conduct legislative framework for all financial institutions. Collective investment schemes and private equity funds will now be licensed under the framework of the COFI Bill.

President Cyril Ramaphosa's 2021 State of the Nation Address outlined the government's plans to implement several infrastructure projects to attract foreign investments and stimulate job creation. Coupled with the national Treasury's proposed decrease in corporate income tax rates from 28% to 27%, we expect this to encourage further PE activity in 2021.

MAURITIUS, BOTSWANA, NAMIBIA

In Mauritius, the Global Business Company regime replaced the deemed tax credits with the partial exemption regime, under which certain incomes under fixed parameters can benefit from tax reductions.

Although Botswana's economy contracted due to the pandemic by an estimated 8.9% in 2020, after growing by 3.0% in 2019, real GDP growth is projected to recover to 7.5% in 2021 and 5.5% in 2022, based on a revival in domestic demand as the effects of the pandemic recede and commodity prices rebound due to the re-opening of global economies, according to AfDB's economic outlook 2021 report. The country faces threats from persistent drought and the adverse effects of poor economic conditions in South Africa on Botswana's exports and SACU receipts, however, the fiscal deficit is projected to narrow to 6.3% of GDP in 2021 as domestic revenues pick up.

The COVID–19 pandemic hit Namibia's economy hard, however the economy is projected to grow by 2.6% in 2021 and 3.3% in 2022, on the back of a steady recovery in financial services, tourism, retail and wholesale trade, and the mining industries, according to AfDB.

BOWMANS

Investment Case Study: Alpha Polyplast

Investors: Inside Capital Partners & Bayspan Trust (Promoter's Family Trust)

Country: Zambia

Sector: Materials

Year of investment: 2020

Investment size: US$2.75mn

Investment rationale

- The key offering of this investment was that it promised an attractive risk adjusted return and it ticked a number of upside opportunities, namely: strong impact credentials in terms of environmental clean-up, employment creation for unskilled workers; strong product diversification and growth potential anchored by lots of headroom in the installed production capacity. The business also offered a natural FX hedge, through strong regional export sales.
- Inside's on-the-ground presence came to play through building a strong trustworthy relationship with the promoter that led to negotiating a mutually beneficial deal.

Key learnings from doing business in Southern Africa

- Foreign Exchange (FX) risk is acute in this part of the world. The cost of hedging tends to be punitive and therefore, if investing in a hard currency, one ought to be mindful of potential erosion in value on account of local currency devaluation. To a large extent this drives the quest for export-oriented business or business that can offer US Dollar indexed pricing.
- The political landscape in the region is characterized by instability in and around presidential election times, a phenomenon that adversely impacts business for at least two concurrent years. There is, therefore, commercial merit to supporting regional businesses; not just as a natural FX hedge but to mitigate against political risk.

Exit Case Study: Mauvilac

Exiting Investor: Adenia Partners

Country: Mauritius

Sector: Materials

Entry Year: 2014

Exit Year: 2020

Exit Route: Trade buyers

Returns: 3x CoC

GP value-add

During a 6-year investment period, Adenia, in collaboration with a new Mauvilac management team, developed and implemented an ambitious value creation plan to modernize Mauvilac and lift its operations to international best-in-class sustainable standards including ISO 9001, ISO 14001 and ISO 450001. This plan included:

- **Strengthening Mauvilac's brand** through significant investments in institutional marketing.
- **Upgrading infrastructure** to become more environmentally sustainable and modern.
- **Optimizing the product range** including development of the "Go-green" label – the first environmentally-friendly paints in Mauritius – and Nanotech, an anti-bacterial paint that enabled Mauvilac to post a strong performance despite Covid-19.
- **Improving job quality** with an emphasis on building a strong team of local talent.
- **Expanding Mauvilac's distribution network** with the opening of concept stores across the island.

Key learnings from doing business in Southern Africa

Partnering with a seasoned industry expert to lead the transformation of the company was key to success.

- Adenia recruited a new CEO with 10+ years of senior leadership within a major paint company.
- CEO's experience enabled Mauvilac's brand refresh, implementation of upgraded infrastructure and standards, extension of company's distribution network.
- Resulted in an outstanding financial performance, with EBITDA growing by 60%.

Investing in traditional companies and incorporating ESG and financial objectives into their core processes can deliver both strong, sustained positive impact and high financial returns.

- Following enactment of sustainable transformation plan, Mauvilac was sold to AkzoNobel, third largest paint manufacturer worldwide.
- Mauvilac was valued at 10x EBITDA (vs. 7x at acquisition), generating a 3x cash-on-cash return for Adenia's investors.

WEST AFRICA KEY FINDINGS: 2015-2020

313

Number of reported PE deals

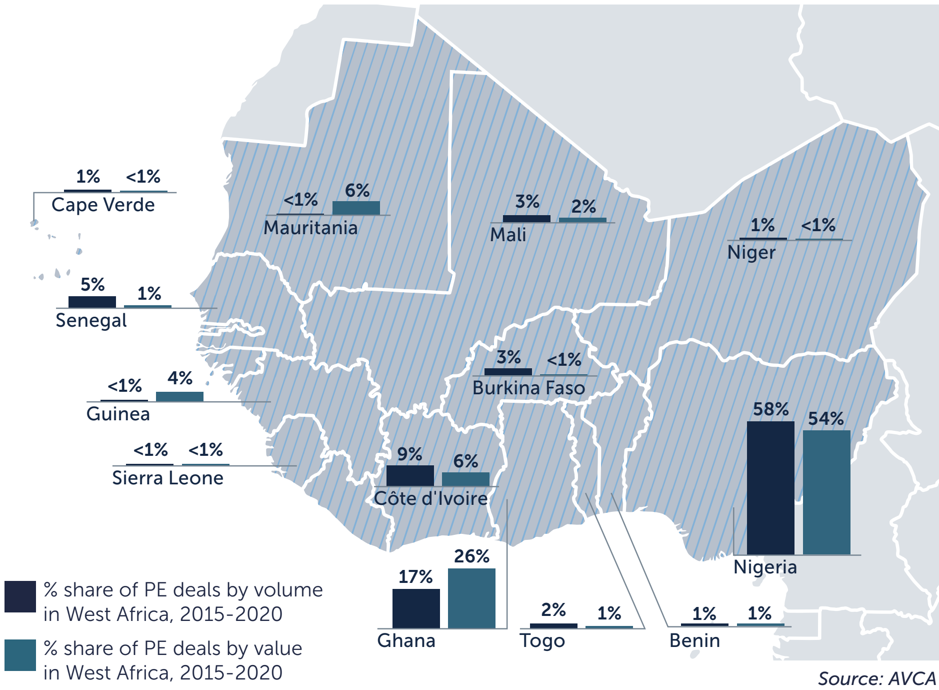
US$5.4bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in West Africa, by country, 2015-2020



Source: AVCA

NIGERIA

Nigeria entered a recession in 2020 owing to the effects of the pandemic. The economy contracted by 1.9%, the worst contraction rate since 1970, but with the rebound in oil prices and economic growth, largely driven by the agriculture and ICT, Nigeria is set to make a strong economic recovery in 2021.

Nigeria witnessed key legal and regulatory changes, most notably the passing into law of the Companies and Allied Matters Act 2020 and the Company Regulations which came after many years of extensive consultation. The regulations seek to enhance the ease of doing business in Nigeria by establishing new vehicles like the LLP and the single shareholder company, providing more options for FDI and FPI into Nigeria, bringing the company regulations in line with international standards.

The Banking and Finance Industry witnessed an overhaul in the form of the Finance Act, the Banks and Other Financial Institutions Act as well as a number of Regulations from the Central Bank of Nigeria which have resulted in a more robust financial ecosystem for the Nigerian economy at large and most especially the growing FinTech Sector.

GHANA

Ghana was poised to maintain its trajectory as one of the continent's ten fastest growing economies at the start of 2020, but this momentum stalled following the Covid-19 pandemic. The IMF's Global Economic Prospects report indicated real GDP growth fell to an estimated 1.1% in 2020, down from 6.5% in 2019.

Ghana is also facing significant challenges with sovereign debt. The combined effect of revenue shortfalls and increased government spending (with the Coronavirus Alleviation Programme) resulted in a high fiscal deficit of 14.5% of Ghana's GDP for 2020, according to the World Bank. Given its reliance on single commodities, Ghana's economic revival is partially contingent on the post-pandemic global economic recovery.

That said, Ghana's economy is expected to rebound in 2021, with the IMF projecting 1.4% GDP growth in 2021. This is buoyed in part by the recent introduction of the US$ 17.4 bn COVID-19 Alleviation and Revitalisation of Enterprises Support initiative by the government to rehabilitate the nation.

IVORY COAST

Although Côte d'Ivoire's economy contracted in 2020, it's one of the few economies in sub-Saharan Africa that maintained growth. The IMF report a real GDP growth of 1.8% in 2020, which they estimate will elevate to 5.5% in 2021.

The government extended its National Plan of Development to transform Côte d'Ivoire into an emerging economy with a strong industrial base. Côte d'Ivoire has made significant strides in this regard, rising 12 places in the World Bank's 2020 Ease of Doing Business Report to rank 110th worldwide. Specific developments include the 2020 Finance Law, which established an electronic filing and payment system to streamline the tax-paying process and the Tax Annex which introduced several measures to improve tax transparency.

Côte d'Ivoire faced significant political upheaval following the general election in October 2020. The social and political unrest surrounding the contentious election could diminish investor appetite in the country, which has been on an upward trend since 2018.

SF SEFTON FROSS

Investment Case Study: Tomato Jos

Investor: Alitheia Capital/Goodwell Investments

Country: Nigeria

Sector: Consumer Staples

Year of investment: 2020

Investment size: US$2mn

Investment Rationale

- Estimated to be 3.0mn tons per annum, Nigeria's demand for tomatoes is large and growing. However, despite the country being the 13th largest producer of tomatoes in the world and having the potential for comparative advantage, low yields, poor storage, and inadequate transportation result in up to 45% of fresh produce being lost before reaching the consumer; leading to imports of tomato concentrates and an attractive market opportunity.
- Tomato Jos is increasing local supply by leveraging its vertically integrated business model to grow and process tomatoes sustainably. Growing tomatoes at a yield that is 9 times greater than the national average, Tomato Jos is able to guarantee offtake, create access to market and increased income for its partner smallholder farmers, secure throughput for its processing plant, and promote local industry and import substitution of processed tomato paste.

Key learnings from doing business in West Africa

- With most agricultural products in the West Africa region remaining at the primary produce stage, there is huge opportunity for local value creation and product transformation to finished goods. A vertically integrated business model with access to an efficient supply chain can result in greater ability to control the cost and availability of fresh produce, a critical success factor in food processing.
- Combined with access to capital on favourable equity and debt terms, the food processing industry can be better positioned for local creation of value-added products that are competitive in the market.

Exit Case Study: GHL Bank

Exiting Investor: Actis (Neoma Africa Fund III)

Country: Ghana

Sector: Financials

Entry Year: 2016

Exit Year: 2020

Exit Route: Trade buyers

Returns: Not disclosed

GP value-add

- Actis took over the management of this investment in 2019 following Actis taking over a number of funds formerly managed by The Abraaj Group. Changing regulatory dynamics in the Ghanaian financial services sector caused Actis to reassess the investment thesis. The outcome of this swift assessment considered that significant additional regulatory capital would be required to meet the business' growth ambitions over a long-time frame and that this would be better achieved with a trade player sector over the long term.
- Actis' relationships with strategic investors in Africa supported a sale to the largest banking group on the continent.

Key learnings from doing business in West Africa

- Strategic interest in West Africa remains strong for well run businesses.
- To attract strategic interest, good quality governance provides support for trade players to get comfort in their M&A strategies.

NORTH AFRICA KEY FINDINGS: 2015-2020

220

Number of reported PE deals

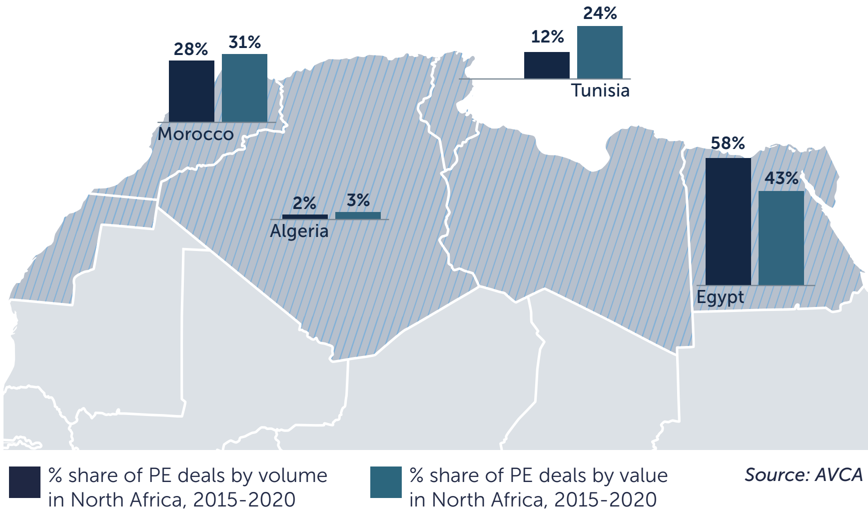
US$3.6bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in North Africa, by country, 2015-2020



Source: AVCA

MOROCCO

Despite the government's dynamic response to insulate its economy, in 2020 Morocco experienced its most significant economic slowdown in 25 years as a result of the Covid-19 pandemic. Although, the IMF projected a 7.2% contraction in Morocco's GDP, the Moroccan Association of Capital Investors is optimistic regarding Morocco's new industrial strategy, which focuses on creating new supply chains with European markets by profiting from relocations from China to Morocco.

Facilitating financing and capital markets transactions remains a priority and hence 2020 saw the issuance of a ministerial order which now facilitates synthetic securitisations to transfer credit risks. Additionally, the transparency and activity of the Moroccan regulatory bodies has increased and Morrocco made strides towards digitisation in 2020 with the introduction of an electronic National Registry for movable securities.

EGYPT

The recent IMF's budgetary consolidations and legal reforms have helped Egypt face the Covid-19 pandemic with relatively healthy macroeconomic indicators compared to its neighbours. According to the World Bank, GDP growth was maintained at 3.5% for 2020, albiet lower than the pre-Covid projected 6%. Despite projections of a declining growth to 5.6% in 2021 due to the pandemic, rating agencies have maintained their rating for Egypt and the nation remains a top destination for start-up fundraising.

Regarding legal and regulatory developments, the new Egyptian banking law (effective as of September 2020) promotes investments and financial stability in Egypt. Specifically, the law facilitates cashless e-payment systems and creates a licensing regime for fintech and e-payment activities, which rids investors of legal uncertainty around the fintech ecosystem in Egypt.

TUNISIA

The pandemic put pressure on the government's financing needs and tiggered a recession which could reach 9% of Tunisia's GDP, according to the World Bank.

Even though Tunisia's budgetary deficit ballooned to 11.4% of the GDP as a result of increased public spending, while only 3% of GDP was targeted early 2020, according to Reuters, Tunisia is making efforts to develop notably by adopting a strong start-up ecosystem.

Following the enactment of the 2018 Start-up Act, Smart Capital (the Start-up Act State-designated operator) created thirteen specialised investment funds going from seed to late stage investments in 2020. A draft law encouraging start-up companies to cooperate with researchers and universities is expected to further enhance the creation of a technopole in Tunisia.

ALGERIA

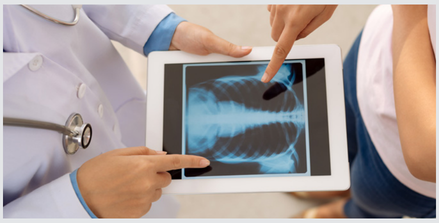
According to the IMF, the partial lock-down measures and decrease in oil prices deteriorated Algeria's economic perspectives for 2020 and should lead to an economic contraction of 5.5% in 2021.

To boost foreign investments in Algeria, the Finance Law for 2020 relaxed two major restrictions on foreign ownership of Algerian companies; the rule requiring foreign entities to partner with Algerian entities as well as the State's pre-emption right triggered by the transfer of shares by or to foreign investors have been largely rescinded. Finally, the Finance Law for 2020 now allows foreign investors to finance their investments in Algeria with facilities provided by foreign lenders.

The government aims to foster an Algerian start-up ecosystem, by introducing tax benefits and additional funding opportunities aimed at providing initial seed funding for startups.

CLIFFORD CHANCE

Investment Case Study: MetaMed



Investors: Mediterrania Capital Partners, FMO, Proparco, DEG and EBRD

Countries: Egypt, Jordan and Saudi Arabia

Sector: Health Care

Year of investment: 2020

Investment size: EUR100+ million

Investment rationale

- The diagnostic imaging (DI) industry in North Africa has been growing exponentially, driven by an increased awareness of diagnostic imaging usage; rising health care expenditures by public and private institutions; a large and underserved population with increasing earning capacity; strong demographic trends; and new technological advancements.
- In January 2018, Mediterrania Capital Partners invested in Cairo Scan, the leading private provider of radiological and clinical laboratory services in Egypt. Cairo Scan has the largest branch network in Giza and Cairo and a team of 300+ highly skilled doctors and nurses.
- Leveraging strong synergies with Cairo Scan, the investment in MetaMed by Mediterrania Capital Partners and its co-investors creates the largest platform of Diagnostic Imaging and related services in Egypt, Jordan and Saudi Arabia, with more than 45 branches in total.

Key learnings from doing business in North Africa

- 2020 was characterised by the Covid-19 outbreak and its unprecedented health and economic crisis. In that environment, we learned the importance of having strong assets, as they proved to be extremely resilient during the most challenging months of the pandemic and are better prepared to face any type of unexpected shocks.
- Focusing on ESG factors and making sure that our partner companies help develop a sustainability agenda is becoming more important than ever. Companies that prioritise a responsible and ethical working relationship with their employees, their communities and the environment tend to be attractive long-term investments.
- Having a team of experienced investment professionals, combined with a local presence in the countries in which we invest, strengthened our ability to manage and overcome the different challenges that we faced during the pandemic. Experienced managers have the maturity and the knowledge required to overcome any type of crisis, and having a local presence allowed us to be close to our portfolio companies - offering them daily, on the ground support whilst concurrently exploring new investment opportunities.

Exit Case Study: Hydrosol Fondations

Exiting Investor: AfricInvest and other investors

Country: Tunisia

Sector: Industrials

Entry Year: Initial: 1997, Follow-on: 1998, 1999, 2006

Exit Year: 2020

Exit Route: Trade buyers

Returns: 30% IRR

GP value-add

Being a long term and committed shareholder during the development of Hydrosol, AfricInvest managed to add value by achieving the following:

- Strengthening the machine park for the construction of piles as well as technical foundation works.
- Encouraging the institutionalization of the company through the improvement of corporate governance and the promotion of a better quality of reporting.
- Strengthening the company's export activity internationally with the creation of a Joint-Venture in Algeria with a local partner and a second one in Côte d 'Ivoire with the STUDI Group.

Key learnings from doing business in North Africa

- By operating in close geographic proximity to portfolio companies, investors are better placed to support the management team and react promptly.
- Stock options played an important role in incentivizing the company's management team.

EAST AFRICA KEY FINDINGS: 2015-2020

237

Number of reported PE deals

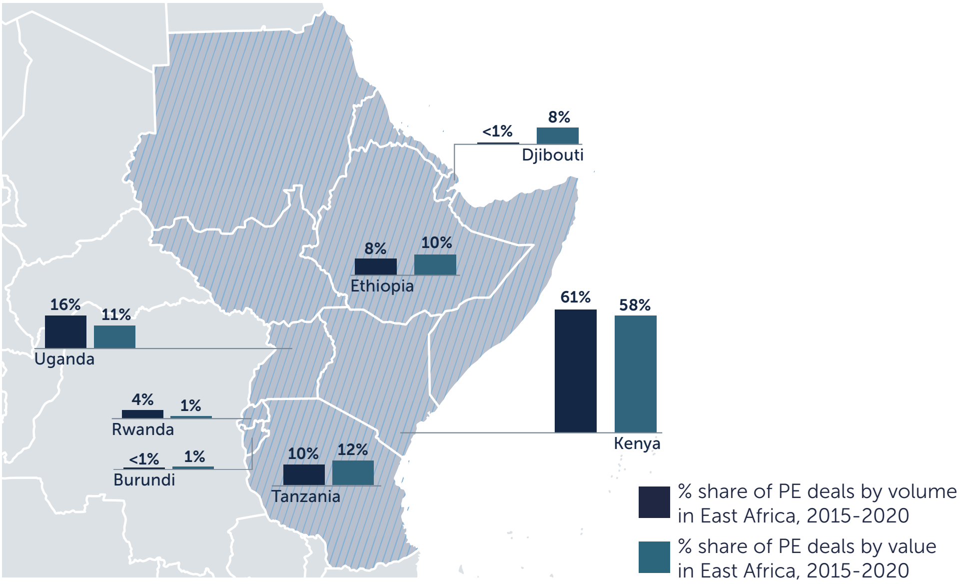
US$2.8bn

Value of reported PE deals

US$6mn

Median deal size

Share of number and value of PE deals in East Africa, by country, 2015-2020



Source: AVCA

According to Fitch Solutions and KPMG analysis, East Africa's regional real GDP growth rate is expected to make a recovery from an average of 0.2% in 2020 to an average of 4.1% in 2021 and 6.0% in 2022. The decline in 2020 is mainly driven by the economic disruption caused by the Covid-19 pandemic.

KENYA

According to Fitch Solutions, Kenya's nominal GDP, which accounts for on average c.33% of East African nominal GDP (2019 – 2022), is expected to increase from USD99.4 billion in 2020 to USD 114.0 billion in 2022. This will be driven by the Agribusiness, Manufacturing and Tourism sectors.

RWANDA

Rwanda, having been in the middle of an economic boom prior to the Covid-19 pandemic, is expected to lead the region's economic recovery from 2.4% in 2020 to a projected real GDP growth rate of 7.0% in 2022. This will be driven by the Agribusiness, Tourism and Mining sectors.

TANZANIA AND UGANDA

Tanzania and Uganda's real GDP has also been impacted by their elections in Q4 2020 and Q1 2021, respectively. Elections in both countries are likely drivers for economic policy uncertainty as well as financial market uncertainty.

The World Bank predicts that East Africa's trade deficit will continue to increase mainly as a result of foreign debt servicing and increases in net imports, which was exacerbated by the disruption of supply chains and weakened global demand for goods due to Covid-19.

Debt in the East African economies continues to grow at a faster rate, with the collective government debt growing at a CAGR of 10.4% from USD 159.4 billion in 2019 to a forecasted USD 214.5 billion in 2022. This is due to increased borrowing to offset the impact of Covid-19, funding of large infrastructure projects in the transport and energy sectors and the preparation for future oil exports.

- It is anticipated that East African economies may struggle to rollout large scale vaccination programmes due to logistical challenges, however, the governments of these countries are not likely to impose harsh lockdown measures as witnessed in 2020.
- Covid-19 has also impacted the private equity industry, which, according to analysts, could play a key role in the regions long term economic recovery. Two key impacts include:
  - increased volatility, credit risk and business disruptions, which have made the process of valuing illiquid assets more challenging. This often leads to price expectation gaps between the seller and the private equity firm, and as such, particularly in East Africa, this has resulted in a delay in the sales process; and
  - increased remote access for private equity firms and their portfolio companies has resulted in greater cyber security risks.
- During the Covid-19 period, private equity firms restructured and reorganised their portfolio companies to protect cash and value rather than focus on acquisitions.
- With mounting pressure from Limited Partners to invest surplus liquidity, the private equity industry in East Africa post Covid-19 is likely to be driven by increased investment in higher quality resilient assets supported by cash generation and strong management teams.

Investment Case Study: Ilara Health

Investor(s): TLcom Capital and other investors

Country: Kenya

Sector: Health Care

Year of investment: 2020

Investment size: US$3.5mn (Series A round)

Investment rationale

- The existence of a massive and under-served market for testing and diagnostics for a vast majority of the African population, where technology can play a key role to accelerate access to high quality health care, was the rationale behind our investment.
- The business model of leasing digital diagnostic devices to various points of care across Africa, enables serving this large market profitably and at scale.

Key learnings from doing business in East Africa

- Technology can bring efficiency and affordability in large markets with string demand but currently underserved due to mismatch between price points of supply and affordable prices of demand.
- Digital platforms can create value not only via their core product and services but also by leveraging the monumental amount of relevant data that can extend the business model and accelerate scaling.

Exit Case Study: Global Woods

Exiting Investor: Criterion Africa Partners

Country: Uganda

Sector: Materials

Entry Year: 2015

Exit Year: 2020

Exit Route: Trade buyers

Returns: 1.8x

GP value-add

- The growth capital provided by Africa Sustainable Forestry Fund in 2015 financed the expansion of the planted area of the Global Woods plantation by 2,700 hectares, helping the company to achieve its full planted area of 8,400 hectares. This planting program increased the long term carbon sequestration in the forest, and provided positive social and economic impacts for the workers and communities in and around the plantation.
- Criterion Africa Partners was able to assist the company in professionalizing its management, including in the areas of corporate strategy, forest management, financial management and reporting, corporate governance, as well as worker health and safety.

Key learnings from doing business in East Africa

- Investments in workers and communities can pay important dividends regarding the quality of the forest management in the plantations as well as in the license to operate in the community, even in the face of potential land use conflicts.
- It is important to be alert to the tax impacts of investment structures when capital is introduced from international investors. In the case of Global Woods, the original company holding structure was sub-optimal, and led to challenges when it came time to exit the company.

We are grateful to our members and all participants who supported this important project by giving their time and sharing their perspectives and data.

To assist AVCA's research efforts, please send your PE firm's data to research@avca-africa.org.

Methodology

Private equity (PE) is defined as both private equity and venture capital.

Transactions cover all investments made by private equity firms across all sectors, including infrastructure.
It excludes PIPE transactions where the PE firm was unlikely to have any influence on company strategy.
It includes initial and follow-on investments.

Deals dates are taken to be the date on which the deal is announced, unless otherwise specified.

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

Sectors for transactions are based on Global Industry Classification Standard classifications. They reflect the GICS sector reclassification that was made effective in September 2018, in which the Communication Services sector (which includes the former GICS Telecommunication Services sector, as well as some sub-industries that were previously classed under Information Technology and Consumer Discretionary) was introduced.

Investments are recorded as exited once fully or majority exited by the PE firm.

Vintage year of fundraising is based on year of final close, where available. If a fund has achieved a final close but the year of final close is not known, year of first close is used instead.

GPs that are included have raised, or are raising, third-party PE funds from institutional investors. Qualifying funds include funds that have a sole focus on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate. Funds with a global investment remit that invest in Africa are excluded.

Disclaimer

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