AVCA Member Profile: Venture Partners Botswana

When Venture Partners Botswana (VPB) was founded in 2002, it was the first dedicated private equity and venture capital fund manager in Botswana. The firm now invests in businesses across the Southern African Development Community (SADC) and is raising for its third fund, VPB III, which will target regionally-focused companies operating in consumer-driven, high growth sectors.

With new government focus on building economic diversification through sustainable wealth and employment, we speak to Anthony Siwawa, CEO of Venture Partners Botswana, about the value of supporting a diverse range of business sectors in the SADC, and the challenges associated with doing so.

Q: What led you to create an investment firm focused on Botswana?

A: I come from a corporate finance background and spent some time investing in private equity in South Africa before moving back to Botswana.

We established the business primarily because we saw the gap in capital deployment; 90% of the local capital was reserved for investment in the public market whereas the majority of the capital needed was in the private markets.

Botswana had come from 30 years of uninterrupted high growth but investments were primarily in extractive industries. We wanted to channel capital into the fast growing local companies.

Q: What were the challenges you faced when fundraising for the first time? Do these challenges still exist and what strategies have you developed to overcome them?

A: To fundraise effectively we spent a lot of time educating the market, government and regulators, as there wasn't a strong non-banking regulatory framework. At the same time, the government was evaluating ways to stimulate the local economy, broaden the economic base away from traditional extractive sectors and attract capital from the private sector.

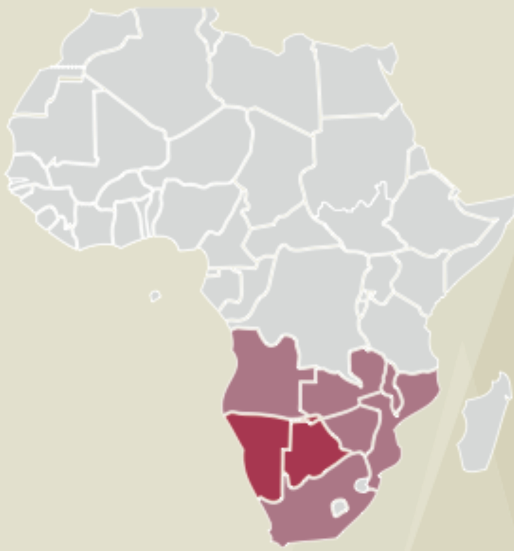
GP Overview

Name of GP
Venture Partners Botswana

Number of Funds
3

Funds
CEDA Venture Capital Fund, VPB Namibia Growth Fund, VPB III

Country Presence
Botswana & Namibia



This culminated in the launch of the CEDA Venture Capital Fund (CVCF) in 2002, which was primarily sponsored by the government of Botswana through the Citizen Entrepreneurial Development Agency. It was a US$40 million fund, which provided venture capital and growth equity financing to indigenous companies in high growth sectors such as manufacturing, retail, agribusiness, and financial services.

55% of the fund was dedicated for venture capital investments and 45% for growth capital investments, with ticket sizes between US$0.5 - 5 million. 19 investments were made through the fund, with 10 successful exits as of February 2014.

In 2007, we decided to become a regional firm as part of our expansion strategy, after honing our investment strategy on the first fund. We focused on Namibia as it has the largest institutional structure in sub-Saharan Africa outside of South Africa, and there were only subtle differences between the economies of both countries.

We were able to successfully raise the fund (approx. US$ 20 million) in 2010 from local Namibian institutional investors, as they saw this as an opportunity to re-invest in private equity, taking cognizance of the regulatory changes with regard to alternative assets as well as the country's need for risk capital. We had also considered raising capital from international institutional investors, but 2009 - 2010 were difficult years for fundraising globally.

On our latest fund VPB III, we have developed a different fund strategy, which will enable us to list the fund on the Botswana Stock Exchange to attract investors from Botswana, Namibia and South Africa. This gives institutional investors an opportunity to invest in a listed entity (which they are familiar with), while accessing alternative investments. This hybrid model was created in response to local investor appetite.

Q: Beyond the extractive industries, what makes Botswana & Southern Africa an attractive area for investment?

A: Southern African countries are going through significant infrastructure investment, which has driven growth in consumer demand. Hence our focus on primary industry sectors such as logistics, retail, financial services, healthcare and service industries, like hospitality across the SADC region - Botswana, Namibia, Mozambique, Zambia and South Africa.

Q: How has the environment for sourcing deals evolved with South African fund managers & companies looking north of their borders to access growth opportunities?

A: As majority of our deals are sourced through our local networks, we are seeing some competition for deals, however we also view these companies as potential investment partners, (as they are relatively new to the market) and future exit opportunities. For example, we invested in a local Transport and Logistics business and then brought in a large multi-national as a partner, and have successfully grown it into a sector leading company.

Q: How do you address the well-documented issues to investing in African SMEs? How do you create value in your investments to maximize your exit potential?

A: We've found that entrepreneurs and family owned businesses don't understand the asset class and its value-add, therefore education forms an important part of our investment process.

On all our investments, we acquire a significant minority stake, take board seats, establish reporting requirements, instill improved governance procedures and have veto rights on major decisions. It is important to note that a key value addition is developing clear strategies for achieving economies of scale expeditiously, in order to realize value upon exit.

In addition, we found that constant engagement and proximity to the portfolio company is also key to driving value. To date, the majority of our exits have been strategic sales or sales back to the entrepreneur / founder.

Q: What is your one key message to the market?

A: As investors in Africa, we understand the needs of the local economy. We are primary industry investors and we know where future growth will emerge. These markets require clear, informed strategies that are tailored to the needs of the local economies. Success in our markets is rarely a straight line.

Contact AVCA

The Banking Hall, Cropthorne Court,
26 Maida Vale, London, W9 1RS

www.avca-africa.org
T: +44 (0)20 3632 0408