AVCA Member Profile:
Pantheon

Pantheon is a leading global private equity (PE) fund investor with over US$31bn in assets under management. Pantheon's assets are diversified across a range of primary, secondary, infrastructure and co-investment activities.

Dushy Sivanithy is a Principal within the European Primary Investment team based in London. In 2009 he widened his remit to cover African PE. Two years later, Pantheon's investors were also ready to commit to the regional shift.

Dushy talks to AVCA about marrying the perceptions of African PE with the realities, and about where Pantheon goes from here.

Q: What prompted Pantheon to begin investing in African PE?

A: Pantheon was one of the early entrants and most active in the emerging markets of Asia. Back in 1992 we opened an office in Hong Kong. Several companies began to follow suit in mid-2005, by which time we had already lived through the Asia crisis. We grew up with the industry in Asia and had learned lessons from that experience.

As African PE started to take off, we wanted to be one of the early entrants there too. Pantheon's first African PE commitment was in 2000 through Ethos Private Equity and our next investment was in 2011 in Helios II.

We are still in the early stages of our exposure to the continent. Although we started in South Africa, we find other parts of the continent more interesting as they are growing at a greater pace.

Q: Which countries and sectors are on your radar?

A: Because of its sheer scale, we are looking at West Africa, more specifically Nigeria. Nigeria has some structural issues which have led to huge inefficiencies, however we are starting to see some encouraging signs of change there. For example, Nigeria is dependant on a great many imports but in the case of rice, through some joined up thinking, it became self sufficient in rice production in only three years.

We like East Africa; the integration between the countries in the region is making investment there more interesting.

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Dushy Sivanithy
Principal
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Post-Arab Spring we think North Africa could be interesting in the next cycle especially Egypt, simply because of its size.

We have avoided commodities but think consumer staples, financial services and telecoms will continue to be of interest.

Q: How did you get comfortable with Africa's risk profile?

A: In 2009 I was given the responsibility of ensuring that we were mapping and getting a feel for the manager universe in Africa. Pantheon wanted to determine if there was potential to invest more money there.

We concluded that it's a large continent with 54 countries all so diverse that you cannot lump them together. A broad brush for Africa won't do. Each region or country has different drivers.

People tend to have preconceptions that corruption and political risk is high on the continent. It is still a feature of all emerging markets but it is no worse in Africa. Africa has gone through some fundamental structural reform. In addition, the DFIs [Development Finance Institutions] have done a fantastic job of incubating young PE firms. African PE players have the right processes in place with a strong governance culture established from day one.

ESG is still an area we are paying a lot of attention to and we avoid business-to-government transactions. Business-to-consumer and business-to-business is where we put our capital.

Q: How did moving into African PE work in practice?

A: We started out by meeting pension funds in countries like Kenya, South Africa and Nigeria. We talked to regulators to understand the context and we tried to look at all the different parts of the PE ecosystem.

We talked to established groups that had built franchises to captive funds and to those doing transactions on a deal-by-deal basis. PE investing is a long courtship process. We look at their objectives and how they achieve them. We need to understand our managers really well. We have spent time with groups that we think are interesting but who are not ready for our capital yet.

Q. Is there an opportunity to do secondary PE deals in Africa?

A: The secondary market in Africa does not really exist yet. We approached people we knew had invested in African funds, including DFIs since part of their role is to attract institutional investors into the asset class. We probably looked at €300mn worth of secondary investments but we could not get any over the line.

Q. Have you learned anything unexpected in Africa?

A: There is a fantastic land grab to be had by being early. What we had not counted on is that a lot of these markets are savvier than we had initially anticipated. The competition for deals is coming from local entrepreneurs. Many have large amounts of cash and are buying up businesses, not selling them.

In the countries where we have made multiple investments, we have our own established networks. AVCA conferences have been useful for meeting with other GPs and for deal flow.

Q. How does AVCA help you?

Over time, a lot of the introductions that I required have been facilitated by AVCA. It has given me valuable access to people on the ground in Africa. Since it relaunched, AVCA has done a great job of raising the profile of African PE generally. It has been very patient with investors and courted them knowing that they will not invest today but probably will in future.

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