Africa’s macroeconomic outlook at the start of the new decade was broadly positive, featuring predictions of robust economic growth across the continent averaging 3.9% in 2020 and 4.1% in 2021. However, as is the case globally, the COVID-19 pandemic has precipitated an economic crisis, altering Africa’s socioeconomic landscape and its growth prospects quite significantly. Downward revisions to Africa’s growth are illustrative of the new economic reality, which threatens to upend recent development progress made.

Given pre-existing structural vulnerabilities, some African markets are expected to slide into deeper recession as 2020 progresses, mirroring the severe contractions of the global economy more generally. The COVID-19 containment measures on the Continent have interfered with intra-African trade and disrupted regional supply chains.

Africa’s PE industry, however, has demonstrated its resilience with US$1.1bn of funds raised in 2020 H1 (including both final and interim closes) and 81 PE deals reported during the period, totalling US$0.7bn. Financials, Information Technology and Consumer Discretionary were the most active sectors, attracting 49% of deals by volume, with technology enabled companies representing 51% of the investments. The Health Care sector accounted for the largest share of PE deals by value (24%), led by the Mediterrania Capital Partners’ investment in MetaMed, the largest platform of Diagnostic Imaging centres in Egypt, Jordan and Saudi Arabia.

Through the pandemic, several home-grown financing solutions have been developed to support businesses adversely-affected by the health and economic crisis, such as the South Africa Recovery Fund launched by Ninety One and Ethos Private Equity, with a targeted fund size of ZAR10bn (approximately US$600mn).

In 2020 H1, the number of exits dropped to 13 from 25 in the corresponding period last year. However, we witnessed some notable exits in the first half of the year, such as Adenia Partners’ exit from Mauvilac, the Mauritian paint manufacturer, to the Dutch multinational company AkzoNobel and Actis’ exit from GHL Bank, a full-scale commercial bank in Ghana, to First National Bank Ghana.

Although no region across the globe will emerge unscathed from the COVID-19 induced shock, we expect PE and VC firms to continue to support Africa’s economies weather the storm in the second half of 2020 and beyond as they work to address the economic fallout from the pandemic.
In 2020 H1, North Africa attracted the largest share of PE deals by volume (31%) and value (42%), followed by West Africa representing 21% of the deal volume and 22% of the deal value.

49% of the total number of deals reported in 2020 H1 in Africa were early-stage; within early-stage deals, Information Technology was the most active sector, with Financials coming second. Most of the early-stage deals in the Financials sector were mobile-enabled banking and financial services.

Information Technology sector showed an important increase in terms of volume and value, rising to 17% and 16% in 2020 H1 from 8% and 7% in 2019 H1 respectively.

In 2020 H1, North Africa attracted the largest share of PE deals by volume (31%) and value (42%), followed by West Africa representing 21% of the deal volume and 22% of the deal value.

Financials, Information Technology and Consumer Discretionary were the most active sectors by deal volume in 2020 H1, attracting 49% of the total deal volume.

Health Care, Information Technology and Financials were the top 3 sectors by deal value accounting for 54% of the total deal value in 2020 H1.

Selection of PE funds that announced a close in 2020 H1

<table>
<thead>
<tr>
<th>Fund Manager</th>
<th>Fund Name</th>
<th>Status</th>
<th>Reported Close Amount (mn)</th>
<th>Regional Focus</th>
<th>Sector Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>AfricInvest Group</td>
<td>AfricInvest Fund IV</td>
<td>First Close</td>
<td>US$ 202</td>
<td>Pan-African</td>
<td>Generalist</td>
</tr>
<tr>
<td>Alitheia IDF</td>
<td>Alitheia Identity Fund</td>
<td>Second Close</td>
<td>US$ 75</td>
<td>Sub-Saharan Africa</td>
<td>Generalist</td>
</tr>
<tr>
<td>Old Mutual Alternative Investments</td>
<td>Old Mutual Private Equity Fund V</td>
<td>First Close</td>
<td>ZAR 3,000</td>
<td>Sub-Saharan Africa</td>
<td>Generalist</td>
</tr>
<tr>
<td>TLcom Capital</td>
<td>TLcom TIDE Africa Fund</td>
<td>Final Close</td>
<td>US$ 71</td>
<td>Sub-Saharan Africa</td>
<td>Generalist (Technology)</td>
</tr>
</tbody>
</table>

KEY FINDINGS: PE DEALS

Total value of reported African PE deals in 2020 H1: US$ 0.7 bn

Total volume of reported African PE deals in 2020 H1: 81

In 2020 H1, North Africa attracted the largest share of PE deals by volume (31%) and value (42%), followed by West Africa representing 21% of the deal volume and 22% of the deal value.
Selection of African PE deals announced in 2020 H1

<table>
<thead>
<tr>
<th>Portfolio Company</th>
<th>Sector</th>
<th>Investor(s)</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Polyplast</td>
<td>Materials</td>
<td>Inside Capital Partners</td>
<td>Southern Africa</td>
</tr>
<tr>
<td>Inq Holdings</td>
<td>Communication Services</td>
<td>Convergence Partners</td>
<td>Multi-region</td>
</tr>
<tr>
<td>Le Wagon</td>
<td>Industrials</td>
<td>AfricInvest &amp; Cathay Capital</td>
<td>Multi-region</td>
</tr>
<tr>
<td>Lion Brands</td>
<td>Consumer Staples</td>
<td>Cepheus Growth Capital Partners</td>
<td>East Africa</td>
</tr>
<tr>
<td>MET Health</td>
<td>Financials</td>
<td>Oasis Capital Ghana</td>
<td>West Africa</td>
</tr>
<tr>
<td>MetaMed</td>
<td>Health Care</td>
<td>Mediterrania Capital Partners, FMO, Proparco, DEG &amp; EBRD</td>
<td>North Africa</td>
</tr>
<tr>
<td>Naivas Group</td>
<td>Consumer Staples</td>
<td>Amethis, IFC, DEG &amp; other investor</td>
<td>East Africa</td>
</tr>
<tr>
<td>NASECO Seeds</td>
<td>Consumer Staples</td>
<td>Pearl Capital Partners</td>
<td>East Africa</td>
</tr>
<tr>
<td>Okra</td>
<td>Financials</td>
<td>TLcom Capital</td>
<td>West Africa</td>
</tr>
<tr>
<td>Pioneer Diagnostics Center</td>
<td>Health Care</td>
<td>Zoscales Partners</td>
<td>East Africa</td>
</tr>
<tr>
<td>Société Industrielle des</td>
<td>Consumer Staples</td>
<td>Development Partners International</td>
<td>North Africa</td>
</tr>
<tr>
<td>Conserves Alimentaires</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangerine Life Insurance</td>
<td>Financials</td>
<td>Verod Capital Management</td>
<td>West Africa</td>
</tr>
<tr>
<td>Tempohousing Nigeria</td>
<td>Real Estate</td>
<td>Argentil Capital Partners</td>
<td>West Africa</td>
</tr>
<tr>
<td>Tomato Jos</td>
<td>Consumer Staples</td>
<td>Alitheia Capital &amp; other investors</td>
<td>West Africa</td>
</tr>
<tr>
<td>Transcom S.A.</td>
<td>Consumer Discretionary</td>
<td>Kibo Capital Partners</td>
<td>Southern Africa</td>
</tr>
</tbody>
</table>
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. For the latter, only the estimated (or actual if available) allocation to Africa is included in the aggregate numbers reported. Funds with a global investment remit that invest in Africa are excluded.

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Contact:
Rajan Rosick, Mauritius
rrosick@tridenttrust.com
+230 210 9770

Karine Seguin, London
kseguin@tridenttrust.com
+44 20 7935 1503

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