Healthcare in Africa: Growth Drivers

Overall, the healthcare sector in sub-Saharan Africa has shown considerable growth in the last twenty years. Average life expectancy on the continent has risen by 21 years, from 40 in 1950 to 61 in 2018. Three countries have fulfilled their commitment to the Abuja declaration signed in 2001: Rwanda (which allocated 20% of its national budget to healthcare), Botswana (17%) and Zambia (16%). Whilst many African countries were unable to meet the 15% minimum stipulated in the declaration, 27 countries have increased the proportion of their total government expenditures allocated to health since 2001. From a public sector perspective, the governments of Ghana, Rwanda, and South Africa have all introduced universal healthcare coverage and developed their national health insurance systems to reduce the necessity of out-of-pocket healthcare spending for their respective citizens. However, according to UNECA’s Healthcare and Economic Growth in Africa report, there is an estimated health financing gap of US$66 billion per annum in Africa. In this environment, the scope for and necessity of private investment in Africa’s healthcare sector is enormous and the private sector will likely play a crucial role in the development of resilient pan-African healthcare systems.

Digital technology featured more prominently in Africa’s healthcare delivery systems in recent years and technology is helping to address various health challenges across the continent. For example, mobile telecommunications operator Airtel Tanzania is disseminating information about infant care to mothers and pregnant women via text messages to improve patient connectivity. The Rwandese government made international headlines by using drone technology to deliver life-saving medical supplies to rural areas. Additionally, technology is being used to track essential commodities via the mobile platform mTRAC, which is used by over 27,000 healthcare professionals to record medicine stock/inventories in hospitals nationwide.

Nevertheless, despite these monumental gains, Africa’s healthcare sector still faces several deep-seated challenges. Africa’s burden of disease is disproportionate to its population size. In addition to communicable diseases like malaria and tuberculosis, the continent is concomitantly dealing with an increasing prevalence of non-communicable diseases such as cancer, diabetes and cardio-respiratory disease. The result is a double disease burden placed on a region where public resources are limited and health systems are already weak and overburdened. Additionally, Africa’s shifting demographics poses another significant health challenge. It is imperative that Africa’s rapidly expanding youthful population, which is predicted to be the largest workforce in the world by 2040, has access to good quality healthcare to capture the benefits of this demographic dividend.

Rather than deterring private investment in Africa, these challenges present numerous commercial opportunities for potential investors. The private sector is playing an increasingly important role in health financing in Africa. Private sector healthcare providers currently deliver nearly 50% of all healthcare in sub-Saharan Africa and nearly 60% of healthcare financing on the continent comes from private sources. Meeting the growing demand for improved healthcare services in Africa not only delivers strong financial returns, but the resulting development impact is also significant.
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Share of volume and value of PE & VC fund investments in Healthcare in Africa, by region, 2015-2020

Deals in the Healthcare sector represented 8% of the total deal volume in 2019 and 2020 respectively, showing the continued investor commitment to bridge the healthcare gap on the continent. The share of the total reported value of Healthcare deals in Africa in 2020 increased to 16% of the total reported deal value, from only 3% in 2019.

Selection of PE & VC fund investments in Healthcare in Africa, 2015-2020

Portfolio company | Investor(s) | Region | Year of Investment
--- | --- | --- | ---
Abacus | The Carlyle Group | East Africa | 2018
Ciel Healthcare | Kibo Capital Partners | Multi-region | 2016
Dar Pharmaceuticals | Synergy Capital Managers | West Africa | 2015
Group Oncorad | CDG Capital Private Equity | North Africa | 2019
HMAO Group | Amethis | West Africa | 2015
International Clinical Laboratories | Ascent Capital Africa | East Africa | 2015
Opham | Adenia Partners | Southern Africa | 2015
Pyramid Group | LeapFrog Investments | Multi-region | 2018
Zanzibar Pharma | Development Partners International, CDC & EBRD | Multi-region | 2020
Zenufa Laboratories | Catalyst Principal Partners | East Africa | 2016

Selection of PE & VC funds with a final close between 2015-2020 targeting investments in Healthcare in Africa

Fund Manager | Fund Name | Reported Amount of Final Close (mn) | Geographic Focus | Sector Focus
--- | --- | --- | --- | ---
AfricInvest Group | Maghreb Private Equity Fund IV | EUR194 | North Africa | Generalist
LeapFrog Investments | LeapFrog Emerging Consumer Fund III | US$700 | Africa & Asia | Financial Inclusion & Healthcare
Kibo Capital Partners | Kibo Fund II | US$63 | East & Southern Africa | Generalist
Metier | Metier Capital Growth Fund II | ZAR2,800 | Sub-Saharan Africa | Generalist
TLcom Capital | TIDE Africa Fund | US$71mn | Sub-Saharan Africa | Generalist (Technology)

Between 2015 and 2020, the total value of final closed PE & VC funds in Africa was US$18.1bn. Of this, 50% originated from funds that included Healthcare as a targeted sector in their investment mandate.
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SECTOR SNAPSHOT: HEALTHCARE

Exits

16
Number of reported full exits in Healthcare in Africa, 2015-2020

Selection of exits in Healthcare in Africa, 2015-2020

<table>
<thead>
<tr>
<th>Portfolio company</th>
<th>Exiting Investor(s)</th>
<th>Region</th>
<th>Year of exit</th>
<th>Buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hygeia HMO</td>
<td>Satya Capital</td>
<td>West Africa</td>
<td>2016</td>
<td>IFC, Investment Funds for Health in Africa, Swiss Re &amp; CIEL Healthcare</td>
</tr>
<tr>
<td>International Medical Group</td>
<td>Kibo Capital Partners &amp; other investor</td>
<td>East Africa</td>
<td>2015</td>
<td>Ciel Group &amp; Fortis</td>
</tr>
<tr>
<td>Laboratoires Steripharma</td>
<td>The Abraaj Group</td>
<td>North Africa</td>
<td>2019</td>
<td>CDG Capital Private Equity</td>
</tr>
<tr>
<td>Medis Laboratories</td>
<td>AfricInvest Group</td>
<td>North Africa</td>
<td>2016</td>
<td>Actis</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Exit Route</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>PE and other financial buyers</td>
<td>50%</td>
</tr>
<tr>
<td>Trade buyers</td>
<td>25%</td>
</tr>
<tr>
<td>IPOs and capital markets</td>
<td>19%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
</tbody>
</table>

Endnotes

3 Ibid
6 African Development Bank, 2013. Health in Africa over the next 50 Years.

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.