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AVCA is proud to present its 2021 African Private Capital Activity Report. This year, we dive deep into the current state of private capital in Africa, providing a regional overview of the latest trends in fundraising, investments, and exits. This report demonstrates the post-Covid-19 resurgence of the continent’s private capital industry, with private capital fundraising reaching record levels of US$4.4bn in 2021; an increase which is 63% higher than the annual fundraising average of US$2.7bn from 2016 to 2020.

2021 was also an exceptional year in terms of private capital activity on the continent. A record high of 429 private capital investments took place, with a total reported value of US$7.4bn. The impressive growth in Africa’s investment activity over the year, which was driven by venture capital super-sized deals and large investments in Africa’s infrastructure space, further proves that investors are keen on balancing any short-term challenges against long-term growth potential.

We also saw a steady 259 exits reported between 2016 and 2021, which allows us to showcase the continent’s private investment success stories, and the critical role in providing capital to businesses to create lasting growth and impact on the continent.

AVCA’s mission remains to support and enable sustainable private capital on the continent and in doing so, provides data and intelligence that supports investors to execute on the continent. We are confident that this report, alongside AVCA’s broader research, provides relevant and valuable insights into African Private Equity at present.

On behalf of the AVCA team, I would like to thank all those who have contributed information to the report, we are grateful to our members and all participants who supported this important research by giving their time and sharing their perspectives and data. We look forward to hearing your comments and thoughts on our findings.
No stranger to crisis and volatility, African economies have continually demonstrated their resilience. Historically, the continent has maintained growth in adverse conditions: through the global financial crisis, periods of political instability, and outbreaks of communicable disease. It comes as no surprise, then, that Africa should maintain this strength and fortitude in its recovery from the Covid-19 pandemic.

That said, Africa’s rebound in 2021 surpassed even the optimistic predictions put forward at the close of the preceding year. Forecasts of a modest economic recovery at the tail end of 2020 gave way to strong growth in 2021. Data from the IMF reveals that sub-Saharan Africa’s economy expanded by 3.7% in 2021: fuelled by a more advantageous external environment (including a sharp improvement in global trade and commodity prices) along with favourable harvests which lifted agricultural production. Africa’s growth in 2021 was neither accidental nor precarious. Instead, it is the product of intentional, concerted efforts by several African governments which devoted resources to stimulate equitable, inclusive growth for their respective populations and reshape their various economic landscapes. Examples include but are not limited to: Ghana’s US$17.4 billion COVID-19 Alleviation and Revitalisation of Enterprises Support (CARES) initiative; South Africa’s Economic Reconstruction and Recovery Plan; Kenya’s US$1.1 billion County Governments Post-Covid-19 Socioeconomic Recovery Strategy; and Nigeria’s US$5.9 billion Nigerian Economic Sustainability Plan. This cross-continental effort to reorient strategic priorities set the stage for the private sector to not just adapt, but also to thrive in the global post-pandemic economy.

Buoyed in part by this favourable macroeconomic outlook, Africa’s private capital landscape grew by leaps and bounds in 2021. Local and international investors proved extremely keen on harnessing the continent’s potential: a strong demographic dividend, a 1.2 billion (and rapidly rising) population market, plentiful natural resources and access to the world’s largest free trade area. Last year, private capital investors balanced any short-term challenges against the long-term growth potential for the continent, and as such made 2021 an exceptional year for private capital activity in Africa.

While promising, Africa’s economic recovery was not without its pitfalls in 2021. A sporadic vaccine roll-out, flaring currency volatility, and regional disparities in performance cast a shadow over the macroeconomic environment last year. In this uncertain – and still challenging – context, investors and African governments alike share a mutual expectation
of a long road ahead to complete ‘business as usual’ recovery. What is guaranteed, however, is the promise of Africa’s growth story, which showed some bruising in the immediate aftermath of the pandemic but ultimately remained unbroken.

1. Fundraising

In 2021, private capital fund managers continued to successfully close funds targeting investments across different strategies, sectors and regions within Africa. Specifically, in 2021 the total value of Africa private capital fundraising grew 4x the level of 2020, and reached US$4.4bn.

Infrastructure and Growth Capital fundraising reached record levels in 2021, representing 45% and 36% respectively of the total value of final closed funds in Africa. Over half (59%) of the total fundraising value originated from sector specific funds - investing in sectors such as renewable energy, technology, and agribusiness. An example is the Metier Sustainable Capital Fund II - managed by Metier – which closed at US$156mn to invest in distributed energy, resource efficient businesses and small-scale utility projects in Africa.

An additional of US$2.3bn of interim closes was also announced during the year, with Infrastructure focused vehicles accounting for 40% of the total value.

Overall, the varied strategies adopted by private capital fund managers through the years have significantly helped Africa’s private capital landscape to broaden and deepen.

2. Investments

2021 was a monumental year for private capital investment activity on the continent. The volume of private capital deals recorded in Africa, in 2021, reached a record high of 429, with the total deal value also being the highest on record at US$7.4bn. Venture capital super-sized deals (deals above US$100mn) significantly contributed to this deal value increase, accounting for 32% of the total investment value. Overall, investments in early-stage companies gained significant momentum attracting 54% (US$4bn) of the total value reported on the continent last year.

2021 was also marked by a significant increase in the total value of investments between US$100mn and US$250mn in size, which accounted for 40% of the total deal value. An example is the US$130mn investment in Eastcastle Infrastructure, a company specializing in Africa’s telecoms tower sector, by a consortium of investors including Adenia Partners, African Infrastructure Investment Managers and IFC.

From a regional perspective, West Africa attracted the largest share of deal volume at 33%, while large multi-region deals with operation across different regions within Africa accounted for the largest share by value (40%). An example of a large multi-region deal announced in 2021 was TPG’s US$200mn investment in Airtel Mobile Commerce BV, which is the holding company for several of Airtel Africa’s mobile money operations and operates across multiple countries within Africa.

Financials emerged as the most active sector in 2021 accounting for 30% of the total deal volume, and 39% of the total deal value. The largest deal within Africa’s Financials sector was the US$400mn investment in Africa-focused fintech company, OPay, from a consortium of investors in August 2021.

There was also a marked increase in co-investments by LPs and other investors in 2021, further demonstrating widespread confidence in Africa’s long term growth fundamentals.

3. Exits

In 2021, the number of exits increased to 36 from 32 in 2020. Sales to trade buyers was the most common exit route (50%) on the continent last year, whereas exits to PE and other financial buyers came second, representing 31% of the total number of exits in 2021.

Exits by public offering accounted for 3% of the total volume of exits reported on the continent last year. A notable example is Amethis’ exit from Velogic, a leading transport and logistics company based in Mauritius, through an IPO on the Development & Enterprise Market of the Stock Exchange of Mauritius.
2021 Private Capital in Africa: Key Facts

**US$4.4bn**
A high record of capital raised that will be deployed in companies and infrastructure projects in Africa

**Infrastructure and Growth capital fundraising reached record levels,** cumulating respectively 45% and 36% of the total value of final closed funds

**59%**
59% of the total fundraising value was raised by sector specific funds

**US$7.4bn**
US$7.4bn invested in 429 deals, a double record since 2016

**Venture capital and Infrastructure deals reached record high,** concentrating respectively 54% and 25% of the total value of private capital investment reported

**Deals >US$250mn in size were concentrated in infrastructure projects and venture capital investments**

**36**
36 reported exits; sales to trade buyers representing the most common exit route

**Large deals (US$100-250mn) reached a record high, accounting for 40% of the total deal value**

**West Africa** attracted the largest share of deal volume (33%)

**Financials** was the most active sector by volume (30%) and attracted the largest share of deal value (39%)
1.1 African Private Capital Fundraising

**US$4.4bn**

Africa-focused funds, raised across the array of private capital, reached a record high of US$4.4bn in 2021, a 4x year-on-year increase, and 63% above the annual average (US$2.7bn) over the past five years.

The fast rise of Infrastructure and Growth funds activity relative to their last five-year average contributed to the resurgence of fundraising in 2021. Infrastructure funds, mainly renewable energy-focused, raised US$2bn, accounting for 45% of the total value of final closed funds in 2021. This confirms the increasing interest of institutional investors in this asset class whose historical risk-and-return profile have made it increasingly attractive. This upward trend in infrastructure investing is a positive sign for the continent, given the wide infrastructure finance deficit which is estimated at around US$100bn per year, and needs to be filled to promote economic development in Africa.

2021 was also an exceptional year for Growth funds which raised US$1.6bn, and accounted for 36% of the total value of final closed funds during the year. A notable fundraise was the final close of Development Partners International’s fund **African Development Partners III** at US$900mn, with an additional US$250mn of dedicated co-investment capital, resulting in a total of US$1.15bn for investments in Africa.

Private debt funds emerged from the periphery of fundraising activity in 2021 and summed up to a total of US$0.2bn, driven by renewable energy focused vehicles.

---

**Figure 1: Total value of African private capital fundraising by year of final close, US$bn**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.4</td>
</tr>
<tr>
<td>2017</td>
<td>2.4</td>
</tr>
<tr>
<td>2018</td>
<td>2.8</td>
</tr>
<tr>
<td>2019</td>
<td>3.9</td>
</tr>
<tr>
<td>2020</td>
<td>1.1</td>
</tr>
<tr>
<td>2021</td>
<td>4.4</td>
</tr>
</tbody>
</table>

**Figure 2: Total value of African private capital fundraising by fund stage focus & year of final close, US$bn**

<table>
<thead>
<tr>
<th>Year</th>
<th>Venture Capital</th>
<th>Growth capital</th>
<th>Buyout</th>
<th>Generalist</th>
<th>Infrastructure</th>
<th>Renewables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.5</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>2017</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2018</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>2019</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>2020</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>2021</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>
1.2 Sector Focus

59% of the total fundraising value reported in 2021 originated from sector-specific funds focused on investing in renewable energy, agri-business, food value chain and technology sectors. Private capital fundraising in Africa has shifted crucially. Investors exhibited preferences towards the size and experience in the funds they chose, but they have also increased their demand for funds’ specialised expertise. 59% of the total fundraising value reported in 2021 originated from sector-specific funds focused on investing in renewable energy, agri-business, food value chain and technology sectors. It is to be noted that these funds have historically accounted for just over half of the total value of fundraising (52%). This indicates that with the maturation of the African private capital industry, fund managers are increasingly adopting specialised investment strategies in sectors presenting significant opportunities for private capital investors in Africa. Notably, Metier Sustainable Capital Fund II – a pan-African private equity fund for renewable energy, energy efficiency and resource efficiency – closed at US$156mn; and Sawari Ventures’ Egypt fund closed at US$69mn to invest in Egyptian technology driven companies.

Figure 3: Share of the total value of African private capital fundraising, by sector focus & year of final close, US$bn
2.1 African Private Capital Deals

US$7.4bn  
Total value of private capital deals reported in Africa in 2021

US$27.4bn  
Total value of reported private capital deals in Africa from 2016 to 2021

Private capital investments rose to record breaking levels in 2021. The US$7.4bn in private capital deal value more than doubled 2020’s total of US$3.4bn, surpassed the previous record of US$4.8bn reached in 2017, and represented an 85% increase compared to the historical annual average deal value over the period 2016-2020 (US$4bn). The accumulation of unspent capital pre-COVID-19 pandemic, coupled with the COVID-19 deal activity hiatus, resulted in fund managers’ increased appetite to deploy capital to work across the continent.

Consequently, this remarkable increase of investment activity in 2021 was mainly the result of the accelerated pace of capital deployment by private capital fund managers in the post-Covid era across various investment strategies and sectors.
Investments in venture capital in Africa accounted for 54% of the total deal value reported in 2021. The pace of venture capital deal making has noticeably gained momentum since 2016 and led the resurgence of 2021 private capital investments with US$4.0bn1 worth of VC deals being executed within the year. Venture capital investments accounted for 54% of the total deal value reported in the year, and corresponded to more than the total deal value of 2020. Some notable venture capital investments recorded in 2021 include the US$400mn Series C investment round in the Africa-focused digital payment startup, OPay; the US$250mn investment in the drone delivery startup, Zipline, by a consortium of investors including Emerging Capital Partners; the US$200mn Series E investment round in Andela, the global network for remote engineering talent.

Infrastructure investments also punctuated the deal value in 2021 totalling US$1.8bn, and accounting for 25% of the total value of private capital investments. These infrastructure investments were focused on renewable energy projects, transportation infrastructure, telecommunication services, and data centres. With data centres being a prerequisite for developing rich and self-sufficient ICT ecosystems, and as the demand for data centre services in Africa continues to grow, this sector is expected to attract an increasing interest from both infrastructure-specific and generalist fund managers. An example is the African Infrastructure Investment Managers’ acquisition of a majority stake in Ngoya Etix DC (renamed Onix Accra 1), a carrier-neutral data centre located in the Greater Accra region of Ghana, in March 2021.

1 This report only includes venture capital deals that saw participation from a private capital fund manager. The US$4.0 billion across 319 deals totalled here thus represents the total volume and value of venture capital deal activity in 2021 that was raised from deals with participation from firms that have raised, or are currently raising, third-party funds from institutional investors. Deals with participation only from other types of investors have been excluded from this report. For the overall venture capital activity in Africa from 2014-2021, please refer to AVCA’s 2021 Venture Capital in Africa Report.
Total volume of private capital deals reported in Africa

As dynamic as the market for deal value was in 2021, the deal volume was just as strong. The total number of private capital deals reached a record high of 429, a +100% increase from the annual average deal volume (215) from 2016 to 2020. The volume of private capital deals in Africa has been on an upward trend since 2016 and grew at a rate of 19% over the period 2016 and 2021.

Although the socio-economic effects of the global pandemic were severe, the deal making activity in Africa continued its rising trajectory driven by venture capital investments, which accounted for 74% of the total deal volume in 2021.
2.2 Investment Ticket Sizes

Deals sized between US$100mn and US$250mn presented a remarkable increase in 2021, accounting for 40% of the total deal value.

While the volume of deals soared to 429 in 2021, up 66% from 2020, the growth in the value of capital deployed far outpaces the growth in the number of deals executed. The trend toward bigger funds doing larger sized deals accelerated in 2021. Deals sized between US$100mn and US$250mn presented a remarkable increase in 2021, accounting for 40% of the total deal value. The value of these deals in 2021 has almost tripled compared to the historical annual average share (14%) between 2016 and 2020, and accounted for US$2.9bn. These investments were driven for the first time, by venture capital super-sized deals that attracted 63% of the volume and 58% of the value of these investments. An example is the US$100mn Series C investment round in MFS Africa, a pan-African digital payment hub, by a consortium of investors including AfricInvest FIVE. Additionally, deals above US$250mn in size, accounted for 24% of the total value of private capital investments during the year. These large deals were concentrated in infrastructure projects and venture capital investments across Financials, Utilities, and Industrials sectors.

The spike in deal activity in 2021 was not only due to super-sized deals but also the increased volume of smaller sized deals largely driven by venture capital investments. In 2021, deals below US$50mn in size accounted for 90% of the total number of investments, and reached a record of US$2bn. This is 67% above their annual average value between 2016 and 2020 (US$1.2bn), and represents 27% of the total value of private capital investments during the year.
2.3 Geographic Focus

**West Africa**

West Africa attracted the largest share of deal volume at 33% in 2021. From a regional perspective, **West Africa** has once again confirmed its position as the leading force on the continent and attracted the largest share of deal volume at 33% in 2021, an impressive growth of almost 3x compared to the annual average of the deal volume between 2016 and 2020 (50 deals). The deal volume reported in West Africa was dominated by Nigeria, the largest economy on the continent, which concentrated 69% of the region’s total deal volume in 2021. West Africa’s increase in deal activity was driven by venture capital investments, which accounted for 86% of all deals reported within the region. Fintech dominated West Africa’s venture capital scene attracting 45% of the total number of venture capital deals. A notable example is the US$200mn Series A investment round in the Senegal-based mobile money provider, Wave, by a consortium of investors. Additionally, almost half (44%) of infrastructure investments recorded on the continent in 2021 were in West Africa.

**Southern Africa** fell behind West Africa in terms of deal volume in 2021 and accounted for the second largest share of private capital deals (20%) with South Africa – the region’s most mature and sophisticated market for private capital – attracting 78% of the deal activity.

**Figure 6: Share of volume of private capital deals reported in Africa, by region, 2016 – 2021**

- **North Africa**
  - Deals: 16% > 19% > 17%
- **West Africa**
  - Deals: 26% > 26% > 33%
- **Central Africa**
  - Deals: 2% > 1% > 1%
- **Southern Africa**
  - Deals: 23% > 24% > 20%
- **Multi-region**
  - Deals: 16% > 15% > 13%

69% Nigeria

Nigeria concentrated 69% of the region’s total deal volume in 2021.
North Africa’s increasing share of deal volume has been driven by the growing interest of investors in Egypt, which has emerged as a prominent hub for venture capital investments. In 2021, North Africa accounted for the third largest share of deal volume (17%), with Egypt attracting 69% of the region’s deal activity by volume.

East Africa’s declining share of deal volume and value does not reflect a decrease in investors’ appetite for investment opportunities within the region but rather indicates the strong dynamic of other regions. In 2021, East Africa attracted the fourth largest share of deal volume, with Kenya accounting for 66% of the total deal volume followed by Uganda (13%).

Large multi-region deals with operations across different regions within Africa have accounted for the largest share of deals by value. In 2021, the share of multi-region deals reached 40% of the total value of private capital investment reported, US$3.0bn. These deals were driven by deals between US$100-250m in size, which accounted for two third (70%) of the total deal value of multi-region investments. Within multi-region investments, the financial services sector accounted for 36% and 47% of the total volume and value respectively. Investments in financial technology companies operating across multiple countries within Africa significantly contributed to the dominance of multi-region deals.

Although Central Africa has attracted the smallest share of the volume of private capital deals on the continent, the region has seen a handful of large deals in infrastructure related sectors that have significantly affected the region’s share of deal value within Africa. In 2021, Central Africa accounted for 14% of the total deal value, driven by large infrastructure projects in Gabon’s transportation and renewable energy sectors. A notable example is the Meridiam and Gabon Power Company’s financing of Kinguélié Aval hydroelectric power plant in Gabon, which reached its financial close in July 2021.
2.4 Sector Focus

Private capital fund managers have invested across a broad range of industries, with sectors – which benefit directly from Africa’s growing consumer market and increasing level of digitalisation across the continent – seeing the most activity by volume.

In 2021, **Financials** experienced remarkable growth, attracting the largest share (30% and 39% respectively) of the total volume and value of investments reported in Africa. This was the result of a handful of large deals in fintech companies operating across the continent. Some notable examples within Africa’s fintech space include the Series C investment round in *Chipper Cash*, an Africa cross-border payments company, which raised a combined US$250mn in May and November 2021 by a wide range of investors; the US$120mn investment in the Egyptian fintech, *MNT-Halan*, in September 2021 by a consortium of global investors. The growth of the Financial Sector is further highlighted by the historical trend since Financials’ share of deal volume and value increased to 24% and 29% in 2019-2021, from 13% and 7% respectively in 2016-2018.

Fund managers have also invested in sectors that help plug Africa’s infrastructure deficit such as Utilities, Communication Services, and Transport. **Utilities** attracted a substantial share of private capital investments by value (18%) from 2016 to 2021, because of the significant capital required to construct renewable energy projects, which accounted for the majority of the value of the Utilities sector.

![Figure 8: Share of volume of private capital deals reported in Africa, by sector, 2016 – 2021](image)

**Figure 9: Share of value of private capital deals reported in Africa, by sector, 2016 – 2021**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2016-2018</th>
<th>2019-2021</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financials</td>
<td>13%</td>
<td>24%</td>
<td>30%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>14%</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>12%</td>
<td>12%</td>
<td>14%</td>
</tr>
<tr>
<td>Industrials</td>
<td>12%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Health Care</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>11%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Utilities</td>
<td>8%</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td>Communication Services</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>9%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Materials</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Energy</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

![Figure 8: Share of volume of private capital deals reported in Africa, by sector, 2016 – 2021](image)
While Africa’s exit environment has been viewed as a consistent challenge for investors operating on the continent, the COVID-19 pandemic came to deteriorate this situation by impelling fund managers to revise their exit planning and timelines. According to AVCA’s 2021 African Private Equity Industry Survey, 91% of the investors surveyed had predicted that African GPs would contend with a slower exit schedule for their existing portfolio.

The number of full exits reported in Africa has been on a downward trend since 2017. This decrease in overall exit activity, which first occurred in 2018, was due to regional trends associated with a fall in the number of exits recorded in South Africa. This reflected the country’s macroeconomic uncertainty at that time, which was associated with high unemployment, depreciation of the South African Rand leading to higher inflation and depressed levels of commodity prices. The number of exits reached a record-low of 32 in 2020, illustrating the negative impact of the global pandemic on Africa’s private capital industry. However, 2021 marked a 13% year-on-year increase with the total number of full exits reported in Africa increasing to 36.

Figure 1: Volume of African private capital exits, by exit routes & year

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to trade buyers</td>
<td>50</td>
<td>52</td>
<td>45</td>
<td>44</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Sales to another private equity firm and financial institutions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management/Owner buy-back</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exits by public offering</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Exits by other means</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

An example is Injaro Investments’ sale of its 30% stake in seed producer, M&B Seeds and Agricultural Services Ghana, to the founder and other shareholders. Other examples include the CDG Invest Growth’s sale of Techniques Science-Santé to Helios Investment Partners; and the Mediterrania Capital Partners’ sale of its remaining stake in Cash Plus, the largest independent money transfer company in Morocco, to a group of Moroccan family offices.

Sales to trade buyers, which have historically attracted the largest share of exits reported in Africa, continued to represent the most common exit route in 2021, accounting for 50% of the total exit volume.

This indicates that strategic buyers remain highly attracted by companies which have been backed by private capital fund managers and have experienced the transformative impact of the asset class. At 31%, sales to private capital fund managers and other financial institutions represented the second largest volume of exit routes in 2021, accounting for 31%.

Exits by public offerings accounted for 3% of the total exit volume in 2021. The development of capital markets in Sub-Saharan Africa thus far has been slow, and African stock exchanges need to expand and modernise before more investment or exit activity on this medium can be expected. Nevertheless, a notable example is Amethis’ exit from Velogic, a leading transport and logistics company based in Mauritius, through an IPO on the Development & Enterprise Market of the Stock Exchange of Mauritius.

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Regional Spotlights
Southern Africa Key Findings: 2016-2021

409
Volume of reported deals in Southern Africa

US$5.0bn
Value of reported deals in Southern Africa

US$3.6mn
Median deal size in Southern Africa

Share of volume and value of Private Capital deals in Southern Africa, by country, 2016-2021

South Africa

According to the African Development Bank, real GDP growth was projected to rebound to 3.0% in 2021, but the pace of the recovery is expected to slow to 1.6% in 2022 due to structural constraints such as unreliable electricity supply and job regulations. The growth prospects of emerging economies such as South Africa will also be influenced by the US Federal Reserve’s tightening monetary policy, and slower growth in China, adding to the issues that have historically plagued emerging markets. The domestic economy is facing several challenges, including the highest unemployment rates ever recorded, unreliable energy supply, rising inflation, and the South African Reserve Bank’s decision to raise the interest rate by 25 basis points to 3.75%, with further rate hikes expected during the year.

President Cyril Ramaphosa’s 2022 State of the Nation Address confirmed the government’s commitment to regulatory reforms to attract foreign investment and create jobs. The President also announced timelines for projected public-private partnerships aimed at improving the efficiency of South African roads and ports, with the port partnerships commencing in April 2022. Furthermore, acknowledging the unduly complex nature of South Africa’s regulatory regime, the President announced an intention to work with business leaders to address this, paying particular attention to issues of property registration, cross-border trade and construction permits.

With growing rates of foreign-investment friendly economic reforms, 2022 is expected to be the year where South Africa takes strides in its efforts to recover from the economic impacts of the pandemic.
In terms of South Africa’s private equity industry, the SARB’s Monetary Policy Committee decision to increase the repo rate by 25 basis points to 4% will likely result in mixed reactions across the various local private equity players. Although fundraising may be slightly more challenging and any planned exits may be adversely impacted, fund managers may look to take advantage of undervalued entities and assets, particularly after accumulating capital during the lower interest periods.

MAURITIUS

The IMF forecasts the growth of Mauritius to reach 6.7% in 2022. A host of regulatory and policy initiatives have been recently introduced in order to drive private investment and increase foreign direct investment into Mauritius. These include the creation of an export development certificate which allows enterprises that are exporting or willing to export to benefit from a set of incentives, as well as the introduction of a premium investor certificate. This investor certificate permits companies investing at least Rs 500 million, and companies involved in the manufacture of pharmaceuticals and medical devices, to benefit from bespoke incentives. The objectives of the scheme are to promote the emergence of pioneering industries, innovative sectors and first movers.

NAMIBIA

According to the IMF, Namibia achieved a 1.3% GDP growth in 2021, and is expected to enjoy a 3.6% increase in real GDP in 2022. The Bank of Namibia observes that this projected improvement in Namibia’s GDP growth is mainly on account of anticipated better growth rates across all industries, with diamond mining expected to register robust growth rates3.

Contributor: WEBBER WENTZEL in alliance with Linklaters

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3 Economic Outlook Update - February 2022 | Bank of Namibia
Investment Case Study: The Maia Group

Investor: EXEO Capital
Country: South Africa
Sector: Consumer Staples
Year of Investment: 2021
Investment size: US$8mn

Investment rationale

- The Maia Group offers EXEO Capital the opportunity to tap into the expanding healthcare market spurred on by the increased global health awareness which has propelled preventative healthcare spending in recent years.

- The investment focus is on the whole supply chain here: brand ownership, manufacturing, distribution, wholesale and specialist retail, considering that the Maia Group is a holding company with a wide range of businesses. Owning the supply chain assures product exclusivities, increases product reliability, and realises synergies across the group.

Key learnings from doing business in Southern Africa

- The importance of shifting supply chains towards locally manufactured products in lieu of importing products. This improves product availability, reliability and reduces cost, and these savings can be passed on to the consumer.

- A strong focus on product innovation is required to keep up with changing consumer trends and a very competitive landscape.

Exit Case Study: Velogic

Exiting Investor: Amethis
Countries: Mauritius & the Indian Ocean Region
Sector: Industrials
Entry Year: 2013
Exit Year: 2021
Exit Route: IPOs & capital markets
Returns: Not disclosed

GP value-add

In a competitive environment for logistics players, Amethis invested in Velogic, the foremost transportation and logistics services company in Mauritius, to support the expansion of the company’s agile positioning in the Indian Ocean and the geographical diversification of its revenue.

- Velogic’s growth and increased profitability was achieved by concentrating on more value-added services for its clients, namely the strengthening of its one-stop-shop positioning. For instance, Velogic leveraged its partnership with one of the leading global market players, UPS, to increase sales in the Indian Ocean region, by offering courier and last mile delivery services.

- Amethis also supported Velogic’s first establishment in continental Africa, with the acquisition of two companies in Kenya, on the customs clearance and transportation segments. This expansion, along with the organic volume growth in its existing markets of Madagascar and India, helped grow the share of these new markets which now represent over a third of Velogic’s revenues.

- This dual strategy enabled Velogic to grow its EBITDA at a CAGR of 10% over the course of Amethis’ investment and generate a consistent dividend flow. All of which allowed for the success of Velogic’s IPO on the Stock Exchange of Mauritius in 2021.

Key learnings from doing business in Southern Africa

- Geographical diversification is key. During the Covid pandemic, Velogic’s varied revenue spanning its 6 main markets (Mauritius, France, Madagascar, Reunion, Kenya, India), enabled the company to maintain its FY 20 EBITDA despite a halt in global trade.

- The quality of Velogic’s governance, its excellent management and leadership, and the dynamism of the Stock Exchange of Mauritius enabled Amethis to successfully list Velogic, with a significant share of retail investors.
**North Africa Key Findings: 2016-2021**

- **Volume of reported deals in North Africa**: 275
- **Value of reported deals in North Africa**: US$4.0bn
- **Median deal size in North Africa**: US$4.5mn

**Share of volume and value of Private Capital deals in North Africa, by country, 2016-2021**

- **Morocco**: 24% volume, 7% value
- **Algeria**: 2% volume, 2% value
- **Tunisia**: 7% volume, 7% value
- **Egypt**: 58% volume, 45% value

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**MOROCCO**

The coronavirus pandemic has had significant impacts on the Moroccan economy, with a 6% contraction in Morocco's GDP in 2020, according to the World Bank. However, the quick reaction of the Government to the outbreak of COVID-19, both at the health and economic levels, helped in mitigating the economic disruption caused by the virus, and its social and economic consequences. According to the World Bank, Morocco may return to its pre-pandemic level of GDP in 2022.

Also, the in-depth legal reforms undertaken over the last years in various fields should continue to foster local and foreign investments: the digitalization of processes with local authorities, the modernization of Moroccan corporate law, the sophistication of Moroccan regulatory bodies, the enactment of long expected new laws and regulations (including law on securities over movable assets), the flexibilization of foreign exchange regulations, etc.

**ALGERIA**

In 2021, the recovery of the Algerian economy has been significant with a GDP growth rate of 6%, according to the World Bank. The Algerian government has continued its efforts to strengthen and develop the attractiveness of the country for foreign direct investments. Recent regulations have substantially reduced the 51% local shareholding requirement by enacting a limited list of strategic sectors clearly identified as subject to the 49/51 rule. This opens the way to potential local development for non-Algerian companies.
At the same time, Algeria continues to implement up-to-date regulations in the medical and pharmaceutical sector which is a major sector that the Algerian government wants to boost in consideration of its large domestic market.

TUNISIA

On 25th of July 2021, the president of the Tunisian Republic decided to suspend the activity of the Assembly of People's Representatives based on the provisions of the Tunisian Constitution. A new government was constituted in October 2021 whose mission is to find solutions from a political, social and economic perspective.

In terms of investments, Tunisian law provides for a principle under which national and foreign investments are free, unless the activity at stake is subject to governmental authorizations. Non-nationals are allowed to invest in Tunisia either by setting up companies or by taking interests in existing companies up to 100% depending on the activity at stake. Services and industrial activities are fully open to foreign investors. Foreign investments in trade and distribution activities are subject to restrictions.

EGYPT

After an extremely difficult first year of the pandemic, the lifting or easing of restrictions and resumption of the economic activity and international travel gave Egypt a promising start to economic recovery in 2021 especially due to the gradual pick-up of the tourism and hospitality sectors. According to the Egyptian Planning Minister, the annual GDP grew by 9.8% in Q3 of 2021, a growth rate which is considered the fastest rate of growth seen in two decades.

2021 also witnessed a huge increase in venture capital agreements and startup investments including transactions with international involvements. Such record is expected to rise even higher in 2022 in particular in the fintech industry thanks to the new regulatory framework which has just been finally approved by the Parliament after a long wait.
Investment Case Study: Si-Ware Systems (NeoSpectra)

**Investors:** Sawari Ventures, TMC Financial, Sango Capital & others  
**Country:** Egypt & global market reach  
**Sector:** Information Technology (Semiconductors)  
**Year of Investment:** 2021  
**Investment size:** US$10mn+

**Investment rationale**
- NeoSpectra presented a unique investment opportunity in one of the handful world-class Deep Technology companies in Egypt and North Africa. The company was founded by top-tier engineers and scientists who developed one of a kind next frontier technology with the potential to revolutionize handheld devices in a similar manner of introducing high resolution cameras on mobile phones.  
- Si-Ware's spectroscopy solutions have applications in healthcare, smart farming, environment, transportation, food quality, and in many more other industries.  
- Their new spectroscopy based “lab on a chip” technology is revolutionary and transformative to the industry. The lower pricing, increased simplicity and miniaturization of spectrometers will open up a host of additional applications - for both consumer and industrial usage - reshaping and growing the existing US$4bn market.  
- The technology is the result of a decade worth of R&D made by 40 top tier engineers and scientists, and is reflected in more than 55 patents covering design and process elements.

**Key learnings from doing business in North Africa**
- As a North Africa focused investor, a company like Si-Ware cements our belief in the level of African innovation, and the calibre of local talent that can compete on world-class level.  
- Sawari and other African VC fund managers, need to shed the limelight on the stellar opportunities outside the “hot” sectors like fintech for key global players to actively participate in our markets; this will make the industry more sustainable, help the companies grow faster, and reduce concentration of capital in a single sector with the repercussions on valuation inflation and such.

Exit Case Study: Techniques Science Santé (T2S)

**Exiting Investor:** CDG Invest Growth  
**Countries:** Morocco, Côte d’Ivoire, Burkina Faso, Mauritania, Mali  
**Sector:** Health Care  
**Entry Year:** 2016  
**Exit Year:** 2021  
**Exit Route:** PE & other financial buyers  
**Returns:** 4x; 30% IRR

**GP value-add**
Over CDG Invest Growth’s five-year investment period, T2S’s sales outgrew the market and achieved a 12% CAGR. Over the same period, its EBITDA grew at 31% CAGR and was multiplied by 4x. CDG Invest Growth created value by:
- Establishing financial and operating reporting to monitor and drive the business. This enabled a better allocation of the T2S’s resources to drive growth, margins and working capital and allowed the implementation of transformational changes in the business.  
- The reorganisation of the sales and maintenance processes to adapt to the customers’ changing needs. For instance, selling integrated projects instead of selling equipment one by one, which also played an important part in CDG Invest Growth’s strategy.  
- The recruitment of a deputy CEO enabled the founder to focus on the core business.

**Key learnings from doing business in North Africa**
- A very hands-on approach and the implementation of private equity value creation methods allowed CDG Invest Growth to liberate the unlocked value in a North African company. This dual strategy enabled a local Moroccan SME to become the undisputed leader in its sector and geography. In addition, this strategy allowed T2S to attract interest from various high-quality investors at exit, and overall achieve an ROI above 4x in 5 years.  
- The development of T2S with the support of an active private equity fund enabled the company to accelerate its penetration of the African market with the opening of a subsidiary in Abidjan in 2021. The regional expansion across Francophone West Africa was crucial in the equity story for the exit, and opened new long-term growth avenues for the business.
**Share of volume and value of Private Capital deals in East Africa, by country, 2016-2021**

- **Kenya**: 56% of volume, 50% of value
- **Ethiopia**: 7% of volume, 8% of value
- **Djibouti**: 1% of volume, 8% of value
- **Uganda**: 15% of volume, 11% of value
- **Burundi**: <1% of volume, 1% of value
- **Rwanda**: 5% of volume, 1% of value
- **Tanzania**: 6% of volume, 9% of value
- **HQ location outside Africa-operating within the region**: 1% of volume,12% of value

**East Africa Key Findings: 2016-2021**

- **Volume of reported deals in East Africa**: 265
- **Value of reported deals in East Africa**: US$2.7bn
- **Median deal size in East Africa**: US$4.5mn

According to the African Development Bank, the East African region is projected to grow by 4.9% in 2022, up from an average of 4.1% in 2021, and 0.4% in 2020. This growth is projected to be catalysed by an improved performance of the agricultural sector, sustained public expenditure on infrastructure and greater economic integration across the region.

**KENYA**

As affirmed by the African Development Bank, the Kenyan economy has demonstrated strong economic recovery with GDP expected to grow by 5% in 2021. This growth is projected to increase to 5.9% in 2022 with the anticipated full reopening of the economy.

However, Fitch Ratings warns that the anticipated general election slated for August 2022 poses downside risks to Kenya’s projected growth in 2022. The latter is driven by the potential instability in social conditions and disruption of economic activity during the run-up to the 2022 elections. Other risks to this growth could emanate from delays in the full reopening of the economy, inability to secure external financing for budgetary support and a slowdown in global growth levels.4

4 *Kenya Economic Outlook | African Development Bank*
ETHIOPIA & RWANDA

Given its strategic location within the Horn of Africa and its proximity to the Middle East, Ethiopia is anticipated to continue to benefit from the global rebound in international trade. According to the African Development Bank, Ethiopia’s GDP grew by a projected 2% in 2021 down from 6.1% in 2020. However, growth is expected to rebound in 2022 rising to an anticipated 8%, led by a rebound in industry and service.

The African Development Bank also notices that the key downside risks to Ethiopia’s economic outlook include low investor confidence, in part due to sporadic domestic conflicts, weakness in global growth, and climate change. Furthermore, existing capital controls within the Ethiopian economy continues to constraint foreign direct investment, since these controls seek to limit access to foreign exchange within the economy in order to keep currency depreciation under control. As such, foreign businesses operating in Ethiopia have difficulty recouping capital invested in the country once it has been converted to local currency.

According to Fitch Ratings, Rwanda's GDP grew by 5.0% in 2021 up from a 3.4% contraction the previous year. This growth was supported by a recovery of the industrial sector, above-average rainfall and strong performance in the agricultural sector. In 2022 and beyond, growth is expected to return to pre-pandemic levels standing between 7-8%. The implementation of the African Continental Free Trade Area is further expected to boost intraregional trade and support economic growth. However, according to Fitch Ratings, this growth is cautioned by downside risks including a resurgence of COVID-19 among the low vaccinated population, along with potential deterioration in the domestic political situation or in governance which could negatively impact Rwanda’s growth model.

TANZANIA

GDP growth in Tanzania is expected to grow by 4.1% in 2021 with an increase to 5.8% expected in 2022, according to the African Development Bank. This growth is expected to be driven by improved performance in tourism product, and the reopening of major trade corridors. According to the African Development Bank, the major downside risks to Tanzania’s economic outlook include business regulatory bottlenecks that constrain private sector activity and uncertainties regarding the pandemic. The country is currently executing its “Blueprint for Regulatory Reforms to Improve the Business Environment in Tanzania”, with an aim to address the remaining hurdles to doing business in Tanzania and promote investment.

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5 After all these headline grabbing reforms, is Ethiopia really open for business?, African Policy Journal, March 2019
6 Fitch Revises Rwanda’s Outlook to Negative; Affirms at ‘B+’ (fitchratings.com)
7 Rwanda Economic Outlook | African Development Bank - Building today, a better Africa tomorrow (afdb.org)
8 Tanzania Economic Outlook | African Development Bank
Investment rationale

- With this investment, Zoscales Partners aimed at catalysing the provision of high quality and affordable healthcare in Ethiopia. Like many emerging market economies, Ethiopia is faced with a deficit of high quality medical services. As incomes rise, so does domestic demand. However, in healthcare, much of this is addressed through outbound medical tourism. PDC is one of the extremely few players in the local market to offer affordable sophisticated services, and so it is an attractive investment target commercially and also from an impact perspective.

- Zoscales seized the opportunity to support the leading diagnostics imaging company in Ethiopia with its ambition to expand by geography and by clinical sophistication. This was important to Zoscales because it would enable the company to scale and therefore enhance commercial value, and at the same time, it would improve access to healthcare to cities and towns beyond the capital.

Key learnings from doing business in East Africa

- The key to unlocking value in East African Private Equity is not only to inject capital in the portfolio company, but also to provide intensive operational support in terms of systems, processes, and access to talent. As an example, the Zoscales operations team led the redesign of the company’s marketing capabilities. This enabled PDC to make stronger relationships with physicians, which in turn led to more referrals and ultimately greater volumes of patients seen.

- Success in East African Private Equity relies to a great extent on true alignment between entrepreneurs and their GP partners. As such, building relationships of mutual trust and support is imperative.
West Africa Key Findings: 2016-2021

Volume of reported deals in West Africa: 416
Value of reported deals in West Africa: US$7.2bn
Median deal size in West Africa: US$3.8mn

West Africa is projected to grow albeit at a relatively slower rate than the rest of Africa in 2022, due to high fiscal and public debt—including FX debt—risk, for instance in Ghana and Sierra Leone.

NIGERIA

Nigeria’s economic recovery in 2022 continues with an estimated GDP growth of 4.03% (year-on-year) in the third quarter of 2021, albeit with forecasts of 0.1% improved economic growth from 2021. This is driven by increased crude production and oil prices, fiscal changes and technological improvements in fiscal and regulatory administration boosting non-oil revenues.

Notable Nigerian legal, regulatory and policy changes that are likely to impact the PE & VC industry in 2022 include:

• the Finance Act, with its revised definition of ‘dividend’ that took place in 2021. This has implications for the tax treatment of certain securities lending transactions and means increased effective corporate tax rates, which will impact shareholder returns. Furthermore, this includes mandatory contributions of 0.005% of net profits to the Nigerian Police Trust Fund, and of 0.25% of certain corporate PBT to the National Agency for Science and Engineering Infrastructure Fund.

• Regulatory changes in Securities and Exchange Commission (SEC) Amendments to the Rules on Mergers, Take-Overs, and Acquisitions 2021. The new amendments prescribe (i) mandatory SEC review and approval requirements for public company acquisitions and disposals that result
in a significant change in business direction or policy; (ii) rules for carve-outs, spin-offs, and split offs; and (iii) additional guidance on transaction structuring and implementation.

- the Pension Commission’s draft of framework guidelines for co-investment by pension fund administrators, which identifies co-investments in certain transactions as a viable option for diversifying pension fund allocations.
- investors in downstream gas utilisation companies enjoying tax-free dividends for up to 5 years except in limited circumstances.
- the Petroleum Industry Act enacting industry-wide institutional, regulatory, and fiscal reforms.
- Nigeria’s National Assembly has not yet domesticated the African Continental Free Trade Agreement by enactment as required by Nigerian law.

CÔTE D’IVOIRE

Côte d’Ivoire’s economic growth was significantly affected by COVID-19, hitting an 8 year low in 2020, with a 2% real GDP growth. However, the country’s real GDP growth in 2021 tripled to 6%, almost back to pre-pandemic levels and is meant to grow to 6.5% in 2022 according to the IMF. Côte d’Ivoire over the past decade has showed strong and sustained economic development. The government’s National Development Plan’s (NDP) 2021-2025 objective is to ensure a stable socio-political environment while stimulating productivity using domestic resources, focusing on the private investment sector and construction. The Ivorian government targets an average growth of 7.65% over 2021-2025.

GHANA

High fiscal and public debt (including FX debt) risk in Ghana is a constraint to its ability to enable pre-pandemic economic growth. However, according to the World Bank, Ghana’s economy is expected to recover over the medium term, owing to strong domestic demand and commodity price growth. Ghana’s real GDP growth in 2020 halted to a mere 0.4% due to the Covid-19 pandemic but picked up in 2021 to reach 4.7% of real GDP growth and is expected to reach 6.2% in 2022. Although Covid-19 has stricken a significant blow to Ghanaian economic growth and has worsened its fiscal and public debt, its economy seems to be bouncing back in an important way.

The energy sector poses the largest fiscal risk for the country as its costs far exceed revenues. This relates for instance, to investment in new oilfields and other government endeavors to enable industrialization. These are currently costing 1-2% of GDP annually and are currently delaying a resurgence in real GDP growth.

Contributor:

UDOMA & BELO-OSAGIE

**Investment Case Study: WIOCC Holding Company Limited (“WIOCC”)**

**Investor:** African Capital Alliance  
**Countries:** Pan-African operations including Nigeria, Togo, Ghana, Côte d’Ivoire  
**Sector:** Communication Services  
**Year of Investment:** 2021  
**Investment size:** US$85mn equity as part of part of WIOCC’s US$200mn capital raise  

**Investment rationale**

- Opportunity to partner with a strong management team with a proven track record in the delivery of hyperscale network infrastructure across Africa. WIOCC has become the carrier of choice for cloud operators, content providers and network operators, among others. With this investment, WIOCC is well positioned to deliver top tier Data Centers with accompanying solutions across Africa, including in key markets in West Africa.

- Global internet data flows have grown significantly. Digital access in Africa is experiencing fast-paced growth amidst reducing barriers, facilitated by mobile data; enhanced internet infrastructure; increased internet content as well as a young and growing urban population. In terms of infrastructure, there are three major international subsea cables currently under construction to significantly increase the speed and capacity of digital access in the continent. This will help deepen the innovative and technological solutions across Africa. Through its significant investments in all three cables and its role as cable landing party in multiple locations, where it will also construct major Data Center hubs, WIOCC is well poised to be a facilitator in this transformational phase for the continent.

**Key learnings from doing business in West Africa**

- This step change in digital access is one of the most critical drivers for transforming Africa’s economic potential, by creating and expanding markets and new opportunities for sustainable economic growth. WIOCC’s success in meeting customer needs has offered incremental business for other data requirements. Customers in the connectivity business continue to select WIOCC as partner for their Data Center requirement.

- Opportunities to create significant value are often related to the ability to address long-standing business problems, thereby providing an opportunity to generate sustainable returns. WIOCC works directly with customers to deliver creative solutions for data requirements that cannot be addressed with the usual offerings.

- Successful expansion of new entrants into the region can be facilitated by the right types of partnerships — providing market access and knowledge, as demonstrated by ACA’s partnership with WIOCC.

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**Exit Case Study: Ademat**

**Exiting Investor:** Adenia Partners  
**Country:** Côte d’Ivoire  
**Sector:** Industrials  
**Entry Year:** 2016  
**Exit Year:** 2021  
**Exit Route:** PE & other financial buyers  
**Returns:** above 4x

**GP value-add**

- **Operational excellence:** Following the acquisition of Ademat, Adenia embarked on a transformation program to strengthen the organisation of the company. Innovative management tools were introduced to enable better strategic decision-making and monitor financial performance. Other initiatives include the setup of an automated maintenance management system and the adoption of an integrated QSE management framework. Ademat now offers a best-in-class troubleshooting service to make sure its customers have uninterrupted power.

- **ESG Action Plan:** An ESG Action Plan was implemented, focused on improving job quality, infrastructure and operations, and reducing Ademat’s environmental impact. To improve job quality, all staff benefits were adjusted to include biannual bonuses, social security payments, and annual salary reviews. On average, employees are now hired at a salary twice the legal minimum in Côte d’Ivoire. Ademat has also relocated, investing €700k to build a bigger site with three-times more storage. This improves communication between previously separated teams; enhances health and safety conditions; and provides access to a staff canteen and infirmary. By the end of Adenia’s investment period, Ademat’s operations were in line with ISO 14001 and 45001 standards. Finally, Ademat arranged for the recycling of its products from its clients to reduce their environmental impacts. In 2020, 2.2k liters of used oil and 1.6k filters were collected and safely treated.

This investment shows Adenia’s approach creates lasting value through the modernization of governance and standards, along with the improvement of employment conditions and job quality. Ademat’s reinforced positioning, enhanced organization and financial profile generated appetite from various investors, resulting in a successful exit in April 2021.
Key learnings from doing business in West Africa

• Quality of service is one of the most – if not the most – important differentiating factor

Reliable access to electricity is a crucial component of the continuity of many businesses.

In Côte d’Ivoire, the power security landscape is vast. Yet, Ademat benefits from an unparalleled reputation thanks to its unique technical and servicing capabilities.

During Adenia’s investment period, project design and maintenance capabilities were reinforced to increase customer satisfaction. These major improvements generated numerous commercial successes, of which the installation of back-up energy equipment to secure the national water distribution system of Côte d’Ivoire. Now Adenia has a market share exceeding 40%.

• Proximity to our assets is key for optimal decision making

Adenia’s portfolio companies operate in markets where comprehensive sectorial analyses are sparse. Being on the ground and well-connected to the local economic environment is thus fundamental to support stakeholders in strategic decision-making.

Such proximity was decisive in introducing mitigation measures during the Covid-19 crisis or assessing and executing key commercial development projects for the company.
Outlook

2021 turned out to be a record-breaking year that exceeded all expectations regarding the growth of Africa’s private capital industry. It was not just a year of resilience but also a year that reinforced the high potential of Africa’s private capital industry which attracted a wider range of global investors.

Although it is too soon to predict whether the investment activity in 2022 will exceed the record high of deal volume and value achieved in 2021, there are strong signs which drive our optimism for the thriving future of Africa’s private capital industry. Not only was 2021 an exceptional year from an investment activity perspective, but also from a fundraising point of view. African private capital fund managers closed funds totalling US$4.4bn in final closes - the highest fundraising value since 2016 - and US$2.3bn in interim closes. These fund managers will need to deploy the capital raised; a fact which indicates that the investment activity in 2022 will follow a similar, if not a more positive trajectory.

Private capital investment will continue to be targeted at Financial Services, Technology, Consumer Goods & Services, and Infrastructure sectors. The Financials Services sector, driven by outstanding growth in Africa’s fintech space, emerged as 2021’s most prominent sector. The rapid growth of mobile and internet penetration in Africa, coupled with challenges related to traditional banking infrastructure and services, have laid the foundation for fintech to flourish and transform the financial services sector in Africa. Additionally, technology with its power to disrupt and transform the development of several other industries such as agribusiness, healthcare, mobility will also continue to be on investors’ radar.

Infrastructure related sectors such as transportation, renewable energy, digital infrastructure, and utilities are also expected to experience significant growth. In 2021, infrastructure fundraising reached record levels, accounting for almost half (45%) of the total value of final closed funds, and 40% of the total value of interim closes. With several large infrastructure funds about to reach their fundraising targets, we can expect significant development within the asset class as investors translate the continent’s infrastructural deficits to lucrative commercial opportunities with the potential for strong returns.

Furthermore, with the consumer theme continuing to be prevalent in Africa’s private capital landscape, industries associated with consumer services and FMCGs remain attractive investment options. The relaxation of the travel restrictions, and the reopening of the economies will likely drive increasing interest in Africa’s hospitality sector.

Finally, in 2021 a record level of African startups managed to raise capital from a wide range of investors. Investments in early-stage companies are poised for growth as Africa’s startup ecosystem continues to attract increasing levels of global attention.

Looking forward, the future of private capital in Africa looks bright driven by the continent’s strong growth fundamentals, digital transformation, technology adoption, cross-country and cross-sector collaboration, and increasing levels of regional integration.
2021 African Private Capital Activity Methodology

Scope
AVCA’s Africa Private Capital report presents the current state of the private capital in Africa and provides an overview of the latest trends of fundraisings, investments, and exits.

The report covers activity by private capital fund managers that have raised third-party funds from institutional investors and are active across the following alternative investments: venture capital, private equity, infrastructure, private debt and real estate.

Data sources and quality controls
AVCA Research team collects data on a semi-annual basis directly from fund managers, press releases, and uses desk-based research to ensure data completeness. The AVCA research team reviews all data obtained, queries any obvious errors, verifies the cut-off rules, and processes all necessary changes to historical data that have been reported by contributors. Therefore, AVCA cannot guarantee the ultimate accuracy of the data.

Statistics explained
Market approach
AVCA data and statistics are based on the “market approach”. The statistics are an aggregation of the figures according to the geographical destination of the capital, regardless of the location of the private capital fund. At the African level, this relates to fundraising for Africa, and investments in companies headquartered or with major operations in Africa, regardless of the location of the private capital fund.

Fundraisings
AVCA data and statistics on fundraising only include final closes by the private capital fund. However, the report also provides an indication of interim closes that were reported during the year 2021.

It is to be noted that, only funds that focus solely on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate are included in the report. Funds with a global investment remit that invest in Africa are excluded.

Investments
Deals cover all investments made by private capital funds across venture capital, private equity, infrastructure, private debt and real estate. They include all deal types associated with these asset classes, namely seed, early-stage, later stage, growth capital, buyout, greenfield, brownfield, direct lending, distressed debt, mezzanine, venture debt.

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

Exits
AVCA data and statistics on exits only include full exit by the private capital fund.
Sector
The classification of invested company by sector is based on the 2018 Global Industry Classification Standard Classifications (GICS). A detailed breakdown is provided in following:

- **Consumer Discretionary**
  - Automobile & components
  - Consumer durables & apparel
  - Consumer services
  - Retailing

- **Consumer Staples**
  - Food & Staples Retailing
  - Food, Beverage & Tobacco
  - Household & Personal Products

- **Financials**
  - Banks
  - Diversified Financials & Capital Markets
  - Insurance

- **Information Technology**
  - Software & IT Services
  - Technological Hardware & Equipment
  - Semiconductors & Equipment

- **Communication Services**
  - Telecommunication Services (including Wireless)
  - Media & Entertainment

- **Healthcare**
  - Healthcare Providers Equipment & Services
  - Pharmaceuticals, Biotechnology & Life Sciences

- **Industrials**
  - Capital Goods
  - Commercial & Professional Services
  - Transportation

- **Materials**
  - Chemicals
  - Construction Materials
  - Metals & Mining
  - Paper & Forest Products

- **Real Estate**
  - REITs - Equity Real Estate Investment Trusts
  - Real Estate Management & Development

- **Energy**
  - Energy Equipment & Services
  - Oil, Gas, Consumable Fuels

- **Utilities**
  - Electric utilities
  - Gas utilities
  - Multi-utilities
  - Water utilities
  - Independent Power & Renewable Electricity Producers

Confidentiality
All data received is treated with the utmost confidentiality. Only AVCA research team has access to the underlying data and data is published in an aggregated form only.
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 organisation’s data to research@avca-africa.org.

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Championing Private Investment in Africa

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