

THE PRIVATE EQUITY LANDSCAPE IN AFRICA



GKA
CAPITAL

GLOBALSCOPE CAPE TOWN – APRIL 2014

THE PRIVATE EQUITY LANDSCAPE IN AFRICA

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THE AFRICAN OPPORTUNITY

AFRICA TODAY

- 54** African sovereign countries
- US\$1.7 trillion** Africa's combined GDP
- 1.07 billion** People in Africa
- 52** African cities with >1 million people
- 60%** Africa's share of the world's total amount of uncultivated arable land
- 30%** Africa's share of the world's mineral resources
- US\$860 billion** Africa's combined consumer spending



THE AFRICAN OPPORTUNITY

AFRICA TOMORROW

7

Number of the world's top 10 fastest growing economies by 2015 to be in Africa

US\$2.6 trillion

Africa's combined GDP in 2020

1.1 billion

Africans of working age in 2040

50%

% of Africans living in cities by 2030

US\$1.4 trillion

Africa's combined consumer spending in 2020



DEVELOPMENT OF THE PE LANDSCAPE IN AFRICA

Started in SA
Emergence of PE funds based in and focussed on SA

DFIs support fund managers with a broader mandate to invest across Africa

An increase in **SA based PE investors** supporting funds with an African focus

Late
1980s

Early
1990s

Early
2000s

DEVELOPMENT OF THE PE LANDSCAPE IN AFRICA

TODAY

Increased global investor interest - international firms such as Warburg Pincus, Carlyle, Actis and Blackstone active

EM PE Association survey found that Africa has gone from 5th most popular PE destination in 2012 to 1st – ahead of Brazil, Russia, India and China

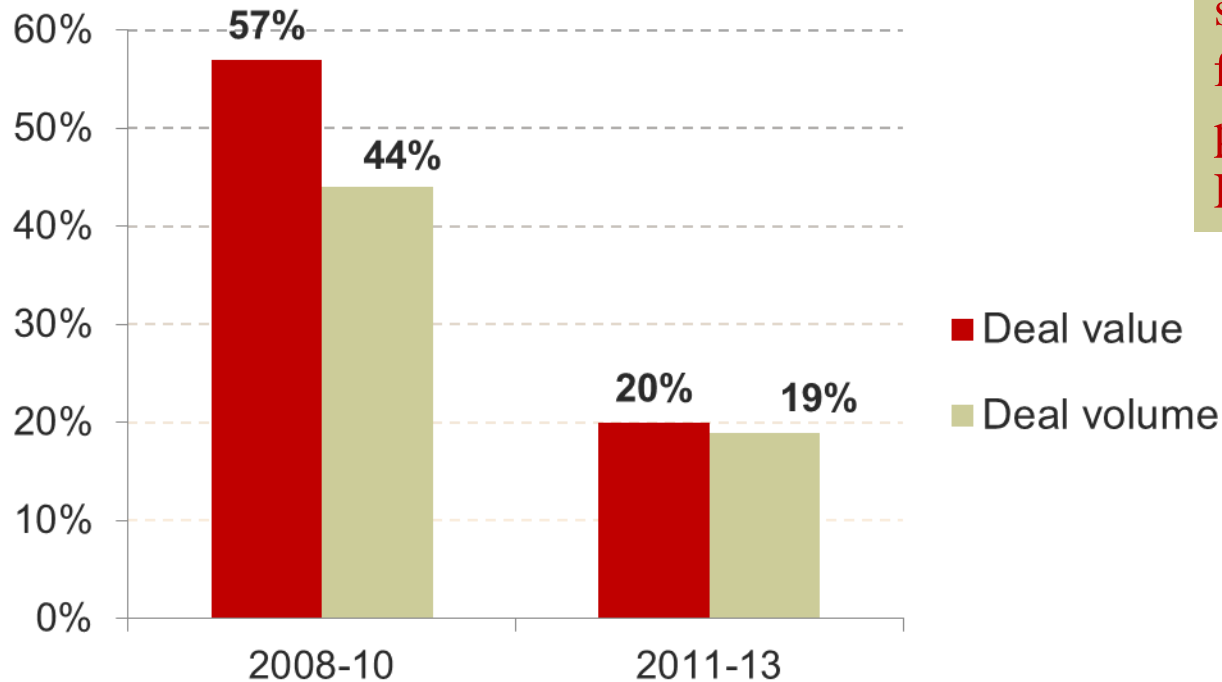
In 2013 sub-Saharan Africa attracted US\$1.6 bn in PE investment, marking the highest investment of its kind in 5 years

More than 50% of the funds raised by SA based PE fund managers have come from outside SA

DEVELOPMENT OF THE PE LANDSCAPE IN AFRICA

TODAY

SA's % of PE investment in sub-Saharan Africa

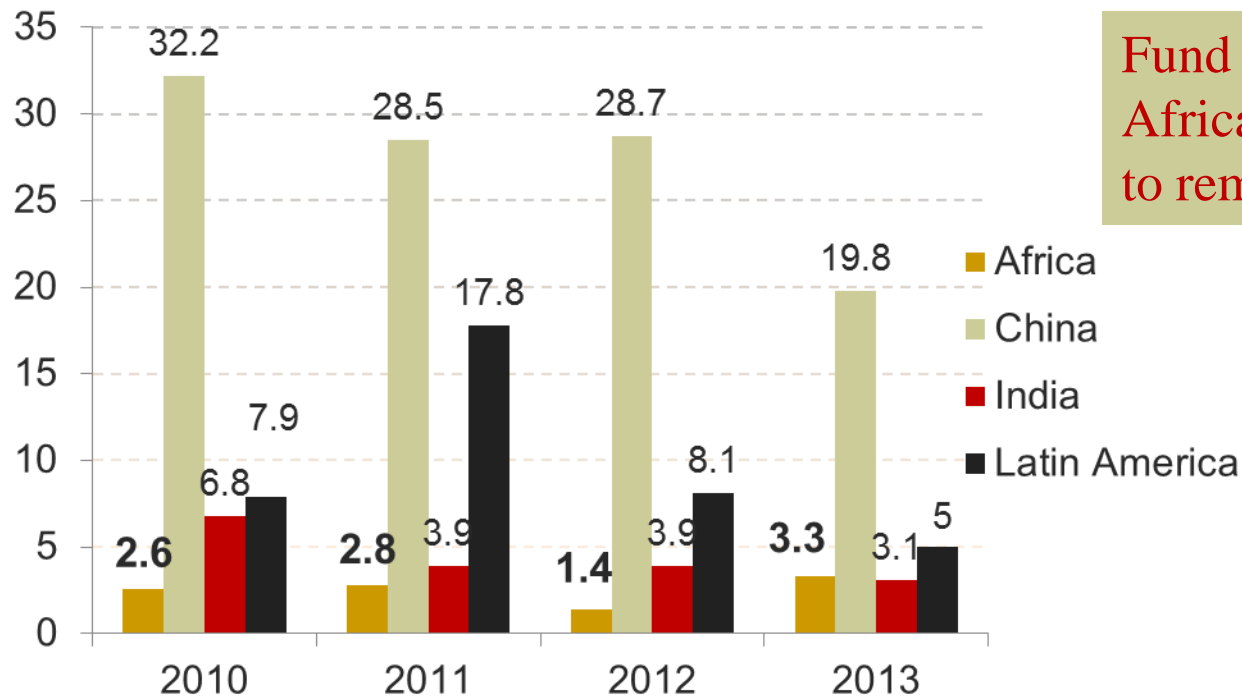


There has been a shift in recent years from SA, particularly toward East and West Africa

DEVELOPMENT OF THE PE LANDSCAPE IN AFRICA

OUTLOOK

PE fund raising in Africa and other emerging markets (US\$ bn)



Fund raising in Africa expected to remain strong

DEVELOPMENT OF THE PE LANDSCAPE IN AFRICA

OUTLOOK

China factor to continue: US\$ Billion Chinese development funds made available for African countries

A new wave of growth from wealthy African entrepreneurs and African sovereign wealth funds

Growth in PE fund of funds to accompany growing middle class

Increasing trend of African government pension funds allocating a sizeable portion of their capital to PE (e.g. SA, Botswana, Nigeria)

Increase in funds with niche strategies in an attempt to build a competitive edge e.g. infrastructure, green energy

DRIVERS FOR PE GROWTH IN AFRICA

- Stagnant returns in US and Europe
- World Bank projection: Sub-Saharan Africa fastest growth in the world
- Growing middle class with increasing levels of purchasing power
- Lack of competition in comparison to more developed markets
- PE penetration levels (PE investment as a % of GDP) significantly lag that of USA and Europe

DRIVERS FOR PE GROWTH IN SA

SA DOWN BUT NOT OUT

- Labour unrest, currency devaluation posing inflation risks, slowing credit growth, challenging external environment → subdued GDP growth
- YET 40-50% of all African PE funds invested in SA in 2013
- BECAUSE SA has demonstrated long term sustainable growth e.g. South African Mining Index performance
- AND continues to be a springboard into Africa (especially for more cautious investors)

DRIVERS FOR PE GROWTH IN SA

SA INCREASINGLY A SPRINGBOARD INTO AFRICA

- SA invested R36 billion into Africa in 2013 across a range of industries
- Africa has replaced Europe as the main market for SA manufactured exports, absorbing approx. 28.2% of SA's exports
- Africa accounted for 12% of SA's dividend earnings in 2012 (up from 2% in 2002)

DRIVERS FOR PE GROWTH IN SA

MANY SA PE FUNDS ARE SITTING ON MATURE PORTFOLIOS AND READY FOR EXITS

- Mix of sales to trade buyers, other PE firms and possibly listings on the JSE

PE INVESTMENT TARGETS

MAIN INDUSTRIES TARGETED ACROSS AFRICA

1. INFRASTRUCTURE

- Electricity
- Roads and Civils
- Water and Sanitation
- Harbour and Railways

2. MINING AND MINERALS

PE INVESTMENT TARGETS

3. TECHNOLOGY

- Telecommunications
- Information Technology

4. ENGINEERING – All disciplines

5. FOOD – Production and Processing

6. RETAIL AND WHOLESALE

7. PRIVATE EDUCATION

THE AFRICAN CHALLENGE

- Deal size small relative to other markets
 - a challenge for large global players with minimum investment values
- PE investments in Africa often require hands-on value creation beyond simple financial engineering and severe cost-cutting
- Shallow talent pool
- Weak exit opportunities
- Weak infrastructure and logistics coupled with poor regional integration