



Africa PECS Highlights



Economic climate



Both IMF economic growth projections as well as survey respondents' expectations anticipate a more positive outlook for sub-Saharan Africa (SSA) over the 2017-18 period.



Arguably, 2016 marked the bottoming out of Africa's growth downturn.



PE market outlook



The current private equity (PE) landscape across SSA's regions exhibits a high demand for quality assets and a need to maximise returns from portfolio companies.



Looking ahead, PE activity is expected to increase over the next 12 months.



Deal activity



Most respondents across all three regions are investment ready and expect to invest more over the next 12 months.



Competition for new investments is expected to increase, particularly in East and West Africa.



Anticipated increased competition results in respondents expecting entry multiples to increase, most strongly in East and West Africa.



Consumer-focused sectors, which include food and beverages, agriculture, healthcare and financial services, rank among top focus sectors for respondents.



Fundraising



West Africa is the most optimistic region for an improved fundraising environment.



Fundraising sources are expected to vary between regions from mainly governments/DFIs in West Africa, to mostly pensions/endowments in East Africa, and private individuals and governments/DFIs in Southern Africa.



Increased debt finance access for transactions is expected to be most evident in West Africa.



Europe is expected to be a favoured geographical source from which to raise capital.



Exits



Given the general uptick in SSA's economic outlook, most respondents expect the volume of exits to increase or remain the same over the next 12 months, with the average lifecycle for investments expected to be more than five years.



West Africa's exit environment is expected to improve in the next 12 months, with East and Southern Africa expected to see limited changes in the exit environment.



The most anticipated exit routes are sales to strategic investors and secondary sales to PE funds.



Limited partners



Limited partners (LPs) are most interested in investing in mid-sized growth funds.



Challenges ahead



Across the regions, there are three key challenges to improving corporate governance – the distinction between managers and owners, corporate governance itself, and transparency.



Another potential challenge that may affect PE in SSA is the issue of the UK leaving the EU, although most respondents expect this to have a minimal impact.



The majority of respondents across all regions indicate that they expect lower foreign aid from the US following Donald Trump's 'America First' campaign.

