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2018 Deloitte Africa Private Equity Confidence Survey

Cautious optimism along the path of recovery

January 2019

Africa PECS Highlights

Economic climate:

- Sub-Saharan Africa's (SSA's) economic recovery has been more accelerated than previously expected, with both the International Monetary Fund (IMF) and survey respondents continuing to anticipate a positive overall outlook for the region in the 2018-20 forecast period.

PE market outlook:

- The core focus in the current SSA private equity (PE) landscape is on sourcing new, high quality investment opportunities and helping current portfolio companies reach their full growth potential.

Deal activity:

- Continuing the previous year's trend, most respondents across all three regions are investment ready.
- Competition is expected to largely increase or remain the same as investor sentiment and economic growth projections remain favourable.
- Kenya, South Africa, and Nigeria continue to be key investment hubs in the respective regions. However, Côte d'Ivoire and Ghana were noted by respondents as the top target investment countries in West Africa.
- Consumer-focused sectors, which include food and beverages, agriculture, healthcare, and financial services, rank among top focus sectors for respondents.

Fundraising:

- Fundraising is expected to largely improve or remain the same across all three regions.
- Europe was again noted by participants as being a key source of capital for fundraising activities.

Exits:

- The exit environment in SSA is largely expected to remain the same.
- The most anticipated exit routes are secondary sales to PE or sales to strategic investors.

Limited partners:

- Most limited partners (LPs) surveyed identified themselves as development finance institutions (DFIs) or financial institutions, while family offices and insurance companies are also represented.
- More than two thirds of LP respondents expect to invest in regionally focused funds during the next 12 months.

Challenges ahead:

- Across all three regions respondents cited a variety of factors as major challenges to corporate governance, most significantly the distinction between managers and owners, trust and a shared vision between all stakeholders and corporate governance itself.
- Additionally, SSA faces a series of economic challenges as a result of global events. Although most respondents are not concerned about the effect Brexit will have on United Kingdom (UK) trade with Africa, there is concern that a slowdown in Chinese growth coupled with rising US protectionism will negatively affect Africa.

Contents

Foreword

There is cautious optimism as private equity continues to be an agile asset class, navigating tough geopolitical and macro-economic conditions across Africa.

We are pleased to present the 2018 Deloitte Africa Private Equity Confidence Survey (PECS).

This forward-looking survey provides valuable insights into how fellow PE practitioners currently view the African PE landscape, as well as their future expectations.

Consistent with the 2017 results, investor confidence remains favourable across all three surveyed regions, with overall PE activity expected to increase or remain the same.

There is still a high level of investor readiness, yet this is complemented with a level of caution, as PE players target the acquisition of quality assets at the right price and management of exit timing, to deliver the expected returns on investments.

As a proven agile asset class, the PE industry is expected to continue its resilience amidst multiple political and economic challenges across the continent.

With many key African economies expected to grow, the overarching message from practitioners is that the investment path should be trodden with cautious optimism.

Deloitte would like to thank all those who completed the survey and thereby contributed to us being able to deliver the message of investor confidence over the next 12 months.

Gladys Makumi
Partner
Financial Advisory
East Africa

Clinton Wolder
Partner
Financial Advisory
Southern Africa

Temitope Odukoya
Partner
Financial Advisory
West Africa

A word from EAVCA

Deal activity for the region is expected to increase on the back of regional managers being armed with fresh capital and favourable economic conditions.

The East Africa Private Equity and Venture Capital Association (EAVCA) is once again delighted to partner with Deloitte Africa in sharing the findings of the 2018 PECS.

As an industry association, we identify our mandate as serving as an active interface for the PE and venture capital industry with policy regulators and other strategic partners and showcasing the opportunities and potential for East Africa as a capital destination. The partnership with Deloitte in presenting this issue of the PECS thus aligns with our objective to narrow the information gap by availing real industry perspective that accurately depicts the regional context of doing business.

Although different factors weigh in on East Africa's progress at a macro level, improved governance in the region coupled with the deliberate efforts by many East African economies to tackle graft continues to positively influence investor confidence for the region.

The region's governments have also spent a considerable amount to develop local infrastructure - expanding the transport networks and reinforcing electricity supply.

More recently, we have seen a push for local industry and value creation as a means of growing the region's balance of trade - with Kenya, Tanzania and Ethiopia leading in the push for industrialisation. These initiatives at a policy level align to create the conducive environment for business to thrive.

At an industry level, fundraising in East Africa seems to be cooling off, coming from a peak in 2017. Regional managers, armed with the fresh capital and bolstered by the economic soundness are now keen to deliver their value on new investments, which will likely increase the deal activity in the region.

While traditional sectors such as manufacturing, agribusiness and financial services continue to lead deal activity, technology and tech-enabled businesses are speedily gaining traction as the new growth frontier, accelerating inflow of venture capital to East Africa. Venture capital is necessary to narrow the funding gap in the early stage and small business enterprise, the majority of which is founded on a technology strategy.

Given the above, EAVCA upholds the East African findings provided in this report and is optimistic of another progressive year of PE activity in the region.

Eva Warigia
Executive Director
East Africa Private Equity and Venture Capital Association (EAVCA)

A word from SAVCA

The PE industry is weathering the storm of ongoing economic challenges, such as Southern Africa's subdued GDP growth, and positioning itself to take advantage of inevitable opportunity.

The Southern African Private Equity and Venture Capital Association (SAVCA) is pleased to partner with Deloitte in presenting the findings of the 2018 Deloitte Africa PECS. Sector research, such as the following report, reflects valuable insights into the growth of the industry, while also assisting SAVCA – as well as its peers – in promoting, developing and transforming the PE asset class.

The Southern African region has been characterised by ongoing political shifts, including key changes in leadership in markets such as Angola, South Africa and Zimbabwe. The developments in South Africa and its neighbour Zimbabwe have certainly led to an increase in cautious optimism and a boost in investor and business confidence. However, it will take significant work and policy reform to continue to address slow growth rates and drive sector and economic development. Interestingly, Malawi and Zambia are expected to record real GDP growth rates of 4.3% respectively over the 2018-20 period, perhaps carving out even more potential cross-sector investment opportunities for PE players.

Overall, the survey shows that PE activity in the region is broadly anticipated to remain the same, with less of a focus on new investments when compared to other regions. Increased attention will, however, continue to be placed on growing already established portfolio companies.

Where will investors look for viable investment opportunities that deliver relative returns? The survey's respondents highlight the food and beverages, manufacturing, and healthcare and pharmaceutical sectors as growth areas to watch. Furthermore, a significant improvement in Southern Africa's fundraising environment is also expected over the next 12 months.

Further afield, there has been much speculation over the actual impact international policy shifts will have on the African continent. Notably, over 80% of surveyed respondents believe that Brexit will either increase or have no material impact on trade between the UK and African countries. The outlook for US-African relations, however, paints a slightly different picture. The majority of survey participants believe that the Trump administration's protectionist stance will negatively affect trade between the US and Africa, but that this decreased trade activity and foreign direct investment (FDI) will not impact their specific investments.

Sentiment and perceptions aside, it is clear that PE will continue to demonstrate its ability to renew, imagine, strive and evolve (rise). The asset class has continuously showcased it resilience against listed peers, including its dynamism when faced with macroeconomic headwinds. As a sector, we have every reason to be confident about sustainable growth in 2019, particularly when it comes to increased investment interest in the Southern African region.

Tanya van Lill
Chief Executive Officer
Southern African Venture Capital and Private Equity Association (SAVCA)

A word from PEVCA

Although 2018 proved to be moderately better, the industry continues to navigate through a tough operating environment and is finding ways to be adaptable.

Given the recent establishment of the Private Equity and Venture Capital Association, Nigeria (PEVCA), this is our first time contributing to the Deloitte Africa PECS. PEVCA's focus is to converge local industry participants along common interests and challenges, and develop or support initiatives that seek to promote the ecosystem in Nigeria.

While macroeconomic indicators have generally been sluggish, GDP growth did turn a corner in the year. Inflation pressures continued despite some tapering observed by half year. Overall, the macro ripples reflected on contracted consumer spend and increased the cost profile of businesses across sectors.

Fundraising proved to be relatively more challenging through the year, particularly for first time fund managers. Governance issues in the PE industry in another emerging market led to increased scrutiny of governance terms alongside additional requests to managers; mainly from international DFIs, which continue to be the primary capital provider for Nigerian PE.

Local capital allocation to the sector remains slow in view of concerns around currency risks and return levels. More managers are, however, looking to adapt structures and products in order to attract the available pool of local capital. With these adaptations and the newly introduced rules regarding the multi-fund structure for pension fund investments, local allocation is expected to improve in the medium term.

While businesses were still challenged with managing core input costs and obtaining financing from banks, increased foreign exchange supply and relatively stable rates brought some needed relief. Given the general pressures on business performance and value creation (among others), managers are increasingly focusing on improving operational efficiencies across their portfolio companies to enhance the attractiveness of their assets.

Deal activity within the year picked up and deployments generally fared better than in the previous year. The improvements are at least partly attributable to a relatively more stabilised forex regime and better price symmetry as compared to about two years ago where price discovery was very difficult.

Closing deals has, however, taken longer with managers spending more time working through negotiations with an increasingly savvy base of target companies and founders. For managers with an appetite for smaller ticket-size deals (<US$20m), it does appear that deal pipelines are richer when compared with larger ticket investors, and the need to originate and incubate investment opportunities to scale is becoming evident. Larger investors are increasingly turning to buy and build platform options to create deals in the right ticket sizes.

The point of view that a somewhat neutral play on deal activity is likely in view of the imminent Nigerian election is arguable given the long-term nature of PE. The expectation is that managers will forge ahead anyway. The typical wait-and-see approach is more likely to reflect on decision making around holding positions and strategies toward exit opportunities. This approach typically also extends to the regulatory and policy outlook of the country as observations are made around key ministerial appointments post-election.

Perhaps the stronger influencer on the perception around the attractiveness of the Nigerian market was the regulatory clamp-down on Nigeria's biggest telecom operator. Expectedly, investor confidence took a hit with significant capital flight experienced in public markets and possibly some additional pressure and questions for fundraising managers. Ultimately, in line with expectations of managers and other long-term investors in Nigeria, the issues appear to be mostly resolved. It is hoped that the fallout from the incident will include reforms to clarify and improve rules around capital importation and repatriation, and more impetus to encourage local listings. The latter could generate more momentum for other listings, creating additional exit opportunities for managers.

Additionally, managers are facing increasing pressure from investors to substantiate, through liquidity events, the prolonged narrative around the country's potential for higher returns.

In the midst of varying perspectives around the rationale behind the event, one thing is clear to both industry operators and investors alike: the importance of regulation as a business and economic enabler cannot be overstated. As such, the legal and policy framework alongside the regulatory approach is a key component of growth across the spectrum of PE investing in Nigeria. Investors continue to observe the trajectory of the country's policy environment. A boots-on-the-ground strategy and local knowledge are critical in navigating through regulatory changes and assessing where the real threats are entrenched.

Despite the challenges in view, the enabling force of private capital in Nigeria's economy cannot be trivialised and there remains the expectation that PE in Nigeria will continue to adapt to the peculiarities of its ecosystem in order to unlock opportunities layered within.

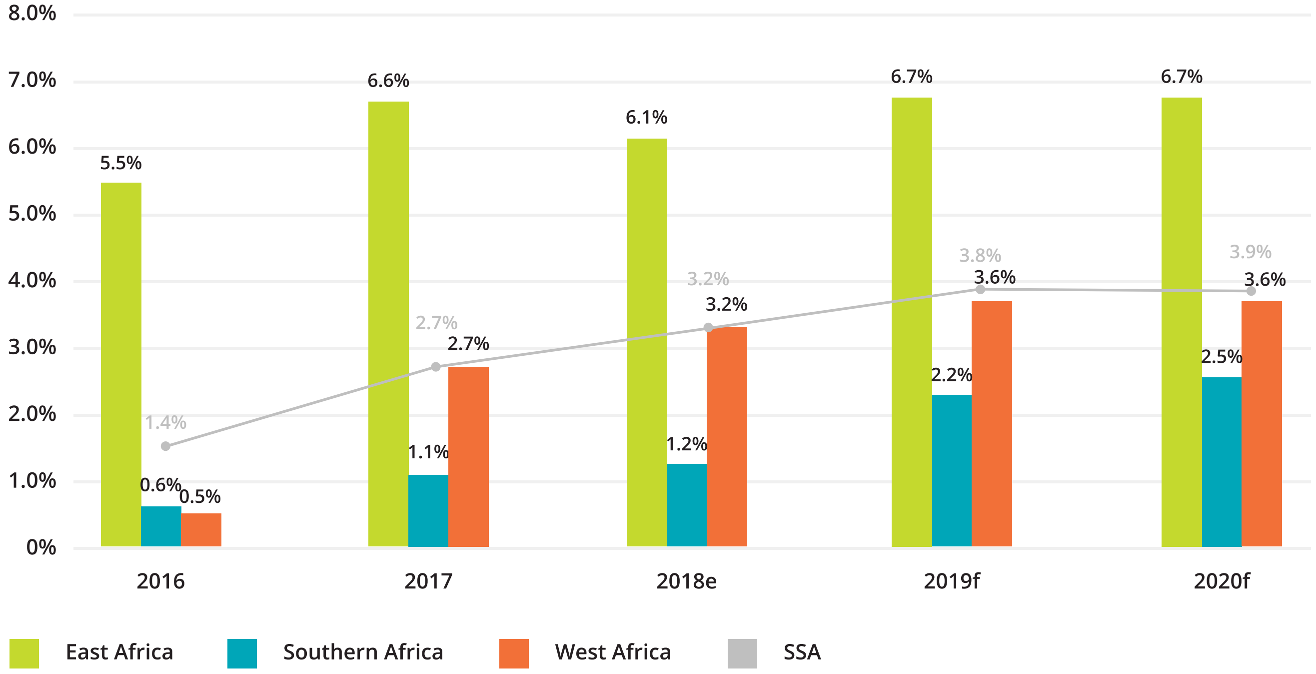
Ify Ossi
Executive Secretary
Private Equity and Venture Capital
Association, Nigeria (PEVCA)

Economic climate

SSA growth and macro outlook

SSA's recovery has been more accelerated than previously expected. After bottoming out in 2016 and growing only by 1.4%, the SSA region recovered, expanding by an estimated 2.7% in 2017.

Figure 1a. Regional real GDP growth, 2016-20f (%)



Source: Authors' calculations based on IMF, October 2018

Recovery has been faster than expected amongst economies that are not overly natural resource dependent, which again emphasises the continent's resilience, with structural reforms, improved macroeconomic policies, and rising domestic demand translating to more stable economic output growth.

However, the recovery of resource-driven economies has been mostly underpinned by rising commodity prices. And as oil and other commodity prices have been recovering, real GDP growth in the SSA region is projected to accelerate to 3.2% and 3.8% in 2018 and 2019, respectively.

The IMF expects economic growth to accelerate in around two thirds of the countries in SSA over this period, driven largely by expected stronger global growth, improved capital market access, and higher commodity prices.[1] That said, the projected strengthening of commodity prices is set to be muted, with commodity prices not expected to reach the pre-crisis highs of the 2000s.

Consequently, real GDP growth in resource-rich SSA is not forecast to reach the levels seen during the commodity super-cycle, when real GDP growth in SSA averaged around 5.9% per annum over the 2000-10 period.

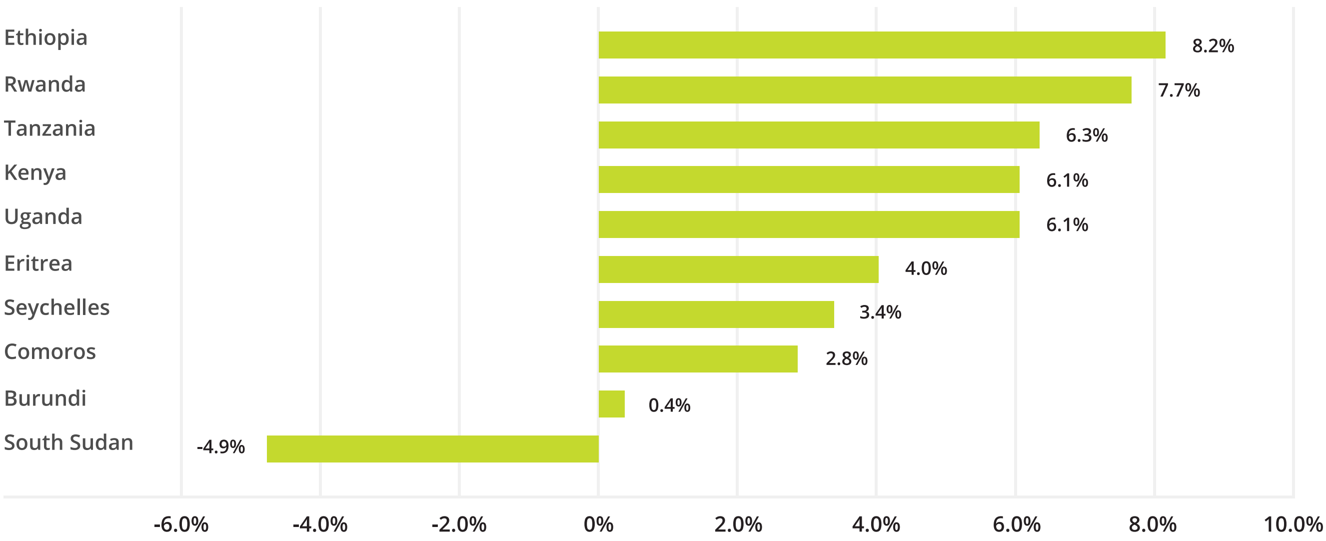
Despite pressure stemming from commodity prices still being well below their previous highs, SSA boasts an array of opportunities in which investment, from abroad and domestically, can bear fruit.

For example, the Africa Development Bank (AfDB) recently updated the estimate of Africa's infrastructure requirements. Previously, the widely accepted assumption was that the continent needed to invest US$93bn a year to bridge Africa's infrastructure deficit. The AfDB now estimates that figure to lie between US$130bn and US$170bn a year.[2] With institutional investors and commercial banks managing assets exceeding US$100trn globally, African countries boast exciting opportunities that hold the potential for attractive returns.

East Africa growth and macro outlook

East Africa continues to markedly outperform the rest of SSA.

Figure 1b. Real GDP growth in East African economies, 2018-20f average (%)



Source: Authors' calculations based on IMF, October 2018

Strong growth in agriculture on account of good rainfall, strong private consumption, investments in public infrastructure and growth in light manufacturing, together with a lack of dependence on hard commodity exports have served the region well. East African real GDP growth is forecast to remain considerably stronger (more than double) than that of other regions covered in this report, and expected to average 6.5% p.a. over the 2018-20 period.

From a political perspective, East African countries like Kenya and Ethiopia have elected leaders whose pro-business policies are increasingly transforming the region into a key target area for investors looking at the African continent. The peace deal struck between Eritrea and Ethiopia, which concluded the conflict that has spanned over 20 years, has exemplified the rising tide of optimism in the region.

Within East Africa, Ethiopia is set to continue to be the fastest-growing economy. The country grew by an impressive average of 9.4% in 2016-17, and is projected to expand by an equally impressive average of 8.2% over the 2018-20 period. Ethiopia's extremely strong growth outlook is underpinned primarily by the government's efforts to change the structure of the economy from one that depends on agriculture to a manufacturing hub. Consequently, there are vast public investments being aimed toward plugging Ethiopia's infrastructure deficits and constructing industrial zones.

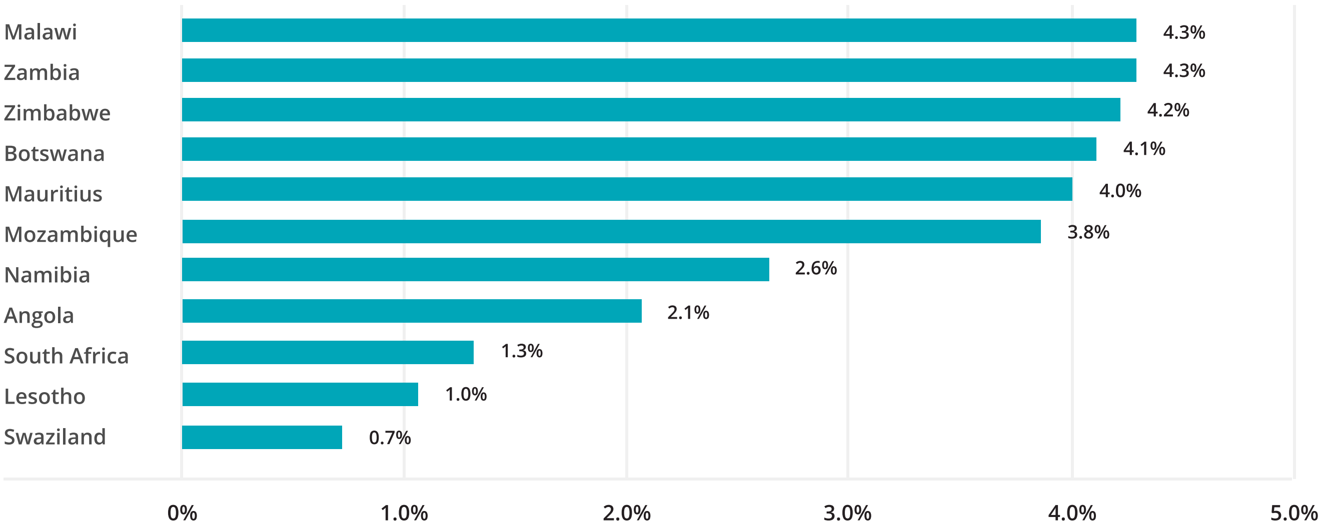
Rwanda and Tanzania are also competing for the position as the region's fastest-growing economy, with projections of average real GDP growth of 7.7% and 6.3%, respectively, over the same period. Economies such as Kenya and Uganda are also set to contribute to the region's strong growth outlook, with these countries projected to both average 6.1%, over the 2018-20 period.

The region's growth outlook is underpinned by ongoing investments into infrastructure, improved agricultural production and sound economic policies. Regional integration via the East African Community (EAC) also contributes to stronger growth performance by boosting cross-border trade, as well as improving the efficiency of investment flows within the region. In particular, investment in public infrastructure is a key priority for governments going forward. The region's overall economic growth momentum is likely to depend on its ability to improve its economic diversification and political stability to maintain investor confidence.

Southern Africa growth and macro outlook

In line with the wider SSA region, Southern Africa is poised for a recovery, albeit a somewhat more muted one.

Figure 1c. Real GDP growth in Southern African economies, 2018-20f average (%)



Source: Authors' calculations based on IMF, October 2018

The region is forecast to continue its recovery after bottoming out at 0.6% in 2016 and recording 1.1% in 2017, before accelerating to an average of 2.0% over the 2018-20 period.

Politically, several leadership changes have dominated Southern Africa's macroeconomic climate, with new executive leadership in Angola, South Africa and Zimbabwe within the space of a few months. Frustrations from a lack of delivery on government promises, coupled with high debt, liquidity shortages and inadequate infrastructure continue to weigh on growth.

In South Africa, the election of Cyril Ramaphosa as president has inspired improved business and consumer confidence, although the economy is still trying to recover from legacy issues under the previous administration.

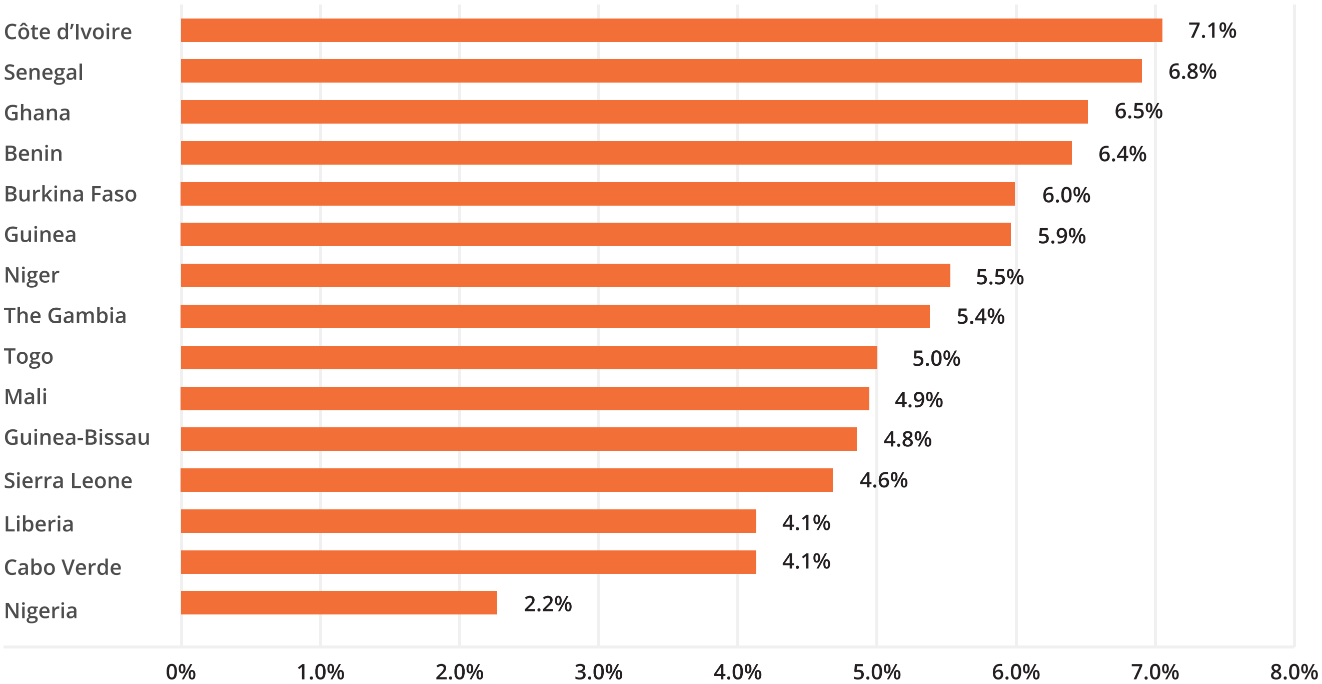
South Africa was in a technical recession after contracting for a second consecutive quarter in the second quarter of 2018. The IMF expects real GDP growth of 0.8% and 1.4% in 2018 and 2019, respectively, with the country coming out of the technical recession in the third quarter of 2018. The South African Reserve Bank (SARB) expects growth of 0.6% in 2018.[3] South Africa is by far the largest economy in the region, acting as both a key export market for its neighbours' merchandise commodities and an important source of imports for them. It is also home to the vast majority of multinationals that conduct operations across the region. Consequently, South Africa's poor economic performance is tempering the region's overall economic outlook.

Nevertheless, there are still pockets of strong performance in the region. Botswana is forecast to grow by 4.1% per year on average over the 2018-20 period, despite concerns about a slowdown in demand for diamonds. Zambia and Mauritius are projected to record real GDP growth rates of 4.3% and 4%, respectively, over the same period, while Malawi is expected to expand by 4.3%.

West Africa growth and macro outlook

Similar to Southern Africa, West Africa's regional powerhouse is constraining the region's economic performance and outlook.

Figure 1d. Real GDP growth in West African economies, 2018-20f average (%)



Source: Authors' calculations based on IMF, October 2018

Nigeria's economy was hit hard by the global commodity price downswing in 2014-15, culminating in a 1.6% contraction in 2016 – the country's first recession in over 20 years. Still, the crisis forced the government to acknowledge the need to reduce the economy's oil dependency, setting up a number of initiatives aimed at diversifying the economy.

The Economic Recovery and Growth Plan (ERGP), launched in early 2017, led the drive to review previous policy decisions. The recovery of the oil price nudged Nigerian growth back into positive territory in 2017. However, growth remains below pre-2015 levels and is expected to remain around 2% over the short to medium term.

The size of Nigeria's economy, the largest in SSA, dominates the region's growth outlook. Consequently, West Africa is projected to expand by an average of only 3.5% over the 2018-20 period. However, the majority of the other economies in the region have a more favourable outlook, based in part on a recovery in international oil prices.

At the top of the pack, Côte d'Ivoire is forecast to grow by an impressive average of 7.1% over the 2018-20 period, making it one of the top growth performers on the continent. The country's strong growth outlook is underpinned by the government's pro-business reforms, along with sizeable public infrastructure investments.

Alongside Côte d'Ivoire, there are several other economies in West Africa that are projected to show robust growth. Investments in Senegal's power sector are starting to bear fruit, with the improved electricity supply facilitating economic activity. The country is expected to grow by an average of 6.8% over 2018-20, driven largely by investment from the private sector aimed at Senegal's nascent oil sector, as well as the agricultural and infrastructure sectors.

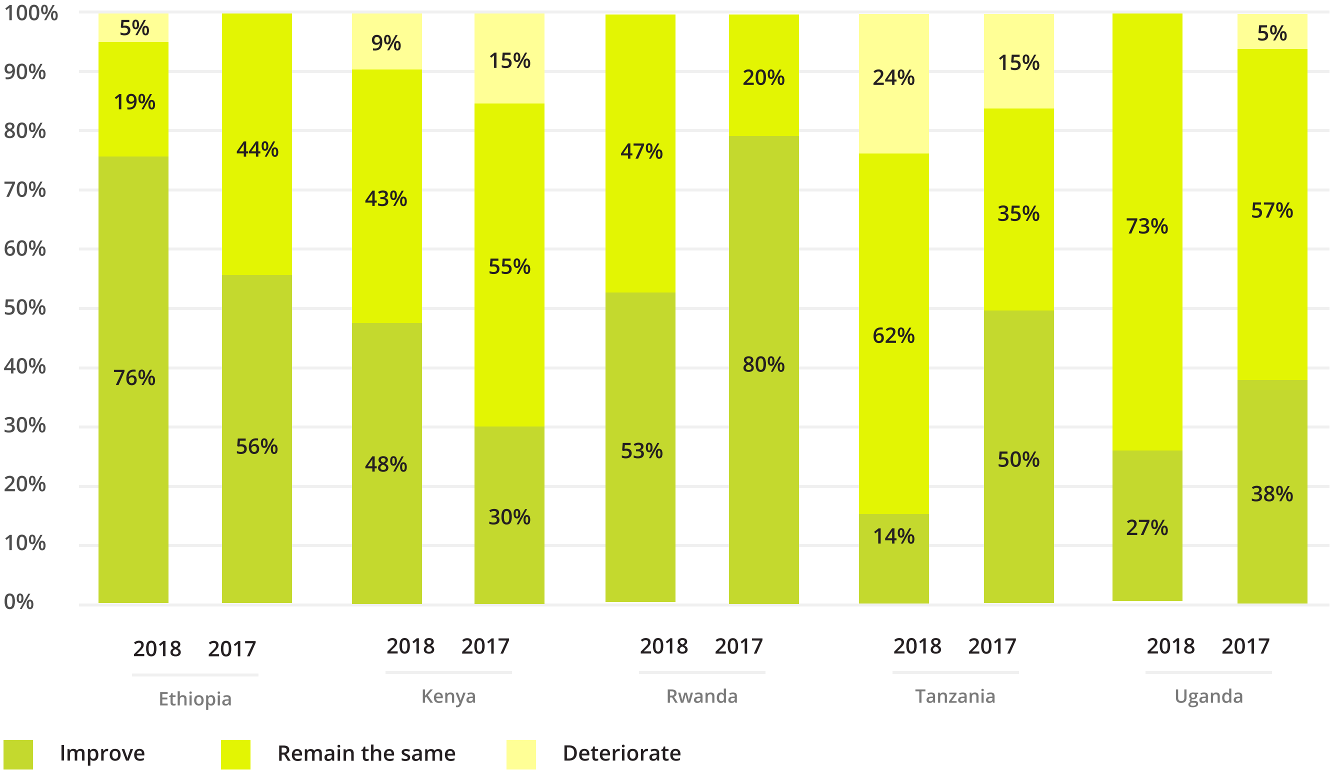
Ghana, another recovering oil-exporting economy, is projected to grow by 6.5% over the forecast period, with Burkina Faso and Guinea expected to record real GDP growth of 6% and 5.9%, respectively, over the same period.

Respondents' economic expectations[4]

Expectations of survey respondents are in line with the IMF outlook in the respective regional economies, echoing similar sentiment in the short term.

East Africa

Figure 2a. Over the next 12 months, we expect the overall economic climate in East Africa to



Overall, respondents expect the economic climate in East Africa to either remain the same or improve over the next 12 months. Given the strong economic growth rates seen in preceding years, expectations for conditions to remain the same translate into a generally optimistic outlook for the East African economic climate.

Higher expectations for economic improvements are most visible in Ethiopia and Kenya, as well as Rwanda (with still more than half of respondents expecting Rwanda to improve), which are also expected to be higher growth economies (above 6%) in the region in 2018-19, as per the IMF. Regional opportunities include ongoing public spending on infrastructure, the rebound of agriculture from last year's drought and strong demand from a growing middle class.

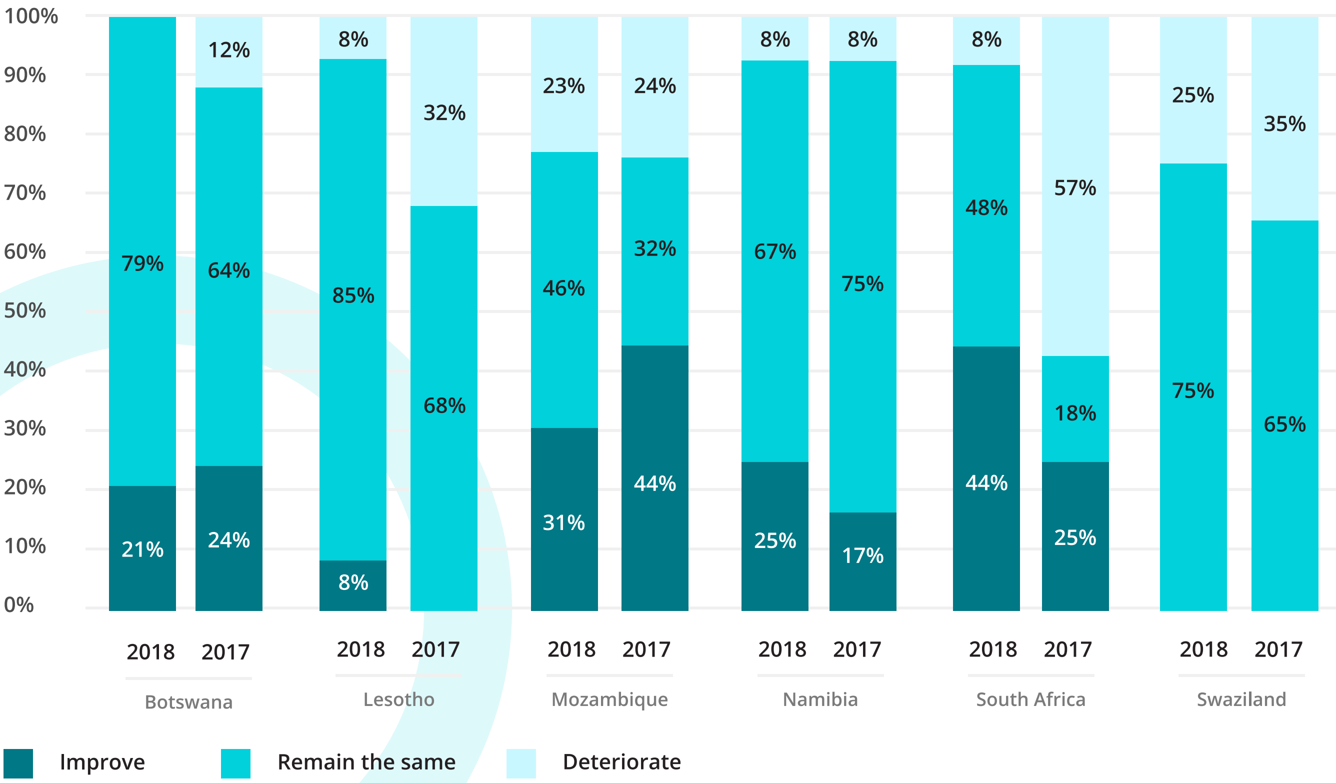
The deterioration expected by some in Tanzania could be linked to less predictable government decisions and unfavourable policies towards foreign investors, which are likely to create uncertainty and impact business confidence.

In addition, there is an increased concern over the long-term sustainability of debt financing provided by China to East African governments to finance their development agenda. According to *The East African,* as of October 2018, the East African economies owed China US$30bn in infrastructure loans obtained over ten years. This has increased the burden on taxpayers as the percentage of government revenue used to service these debts has been increasing, with the real impact of these loans yet to be felt in the economy. As such, focus will be placed on how the governments manage the rising public debt burden whilst pursuing their development agenda.

Respondents' economic expectations (cont.)

Southern Africa

Figure 2b. Over the next 12 months, we expect the overall economic climate in Southern Africa to



Based on the survey, there are expectations that a subdued economic climate will remain in the Southern African region. A large share of respondents for each country expect the previous status quo to remain.

In general, respondents are more optimistic about South Africa in the 2018 survey compared to the previous two years, in line with the economic optimism following the country's new executive leadership, although key structural and governance challenges remain. As indicated, this is likely to translate into an average growth outlook of 1% for 2018-19 in the country.

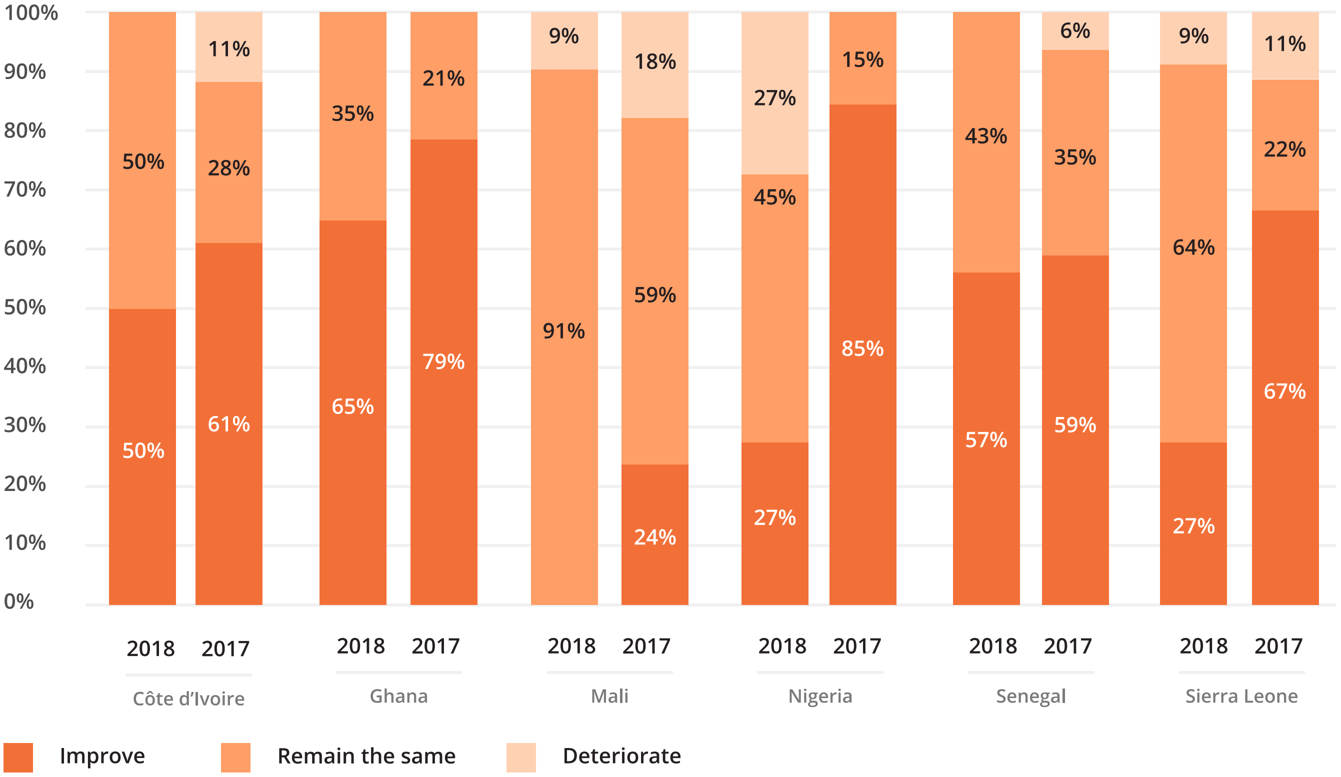
The outlook for Botswana, Lesotho, Namibia and Swaziland is expected to be mostly flat, with respondents mainly expecting the countries' economic climates to remain the same. While Botswana's outlook remains among the best in class in the region according to the IMF, Namibia is also expected to recover, coming out of a recession in 2019.

Respondents are mixed with regards to the economic climate in Mozambique, however the majority expect conditions to remain the same, as the potential transformation of the economy from available natural resources remains subject to several downside risks.

Respondents' economic expectations (cont.)

West Africa

Figure 2c. Over the next 12 months, we expect the overall economic climate in West Africa to



According to respondents, the economic climate in West Africa is largely expected to improve or remain the same, mainly in Côte d'Ivoire, Ghana and Senegal. These economies are already key drivers of growth in the region and are expected to average near or above 6% real GDP growth over the 2018-20 period.

Although oil prices have stabilised, strengthening the fiscus and supporting growth in Nigeria, efforts to structurally transform the oil-dependent economy continue to be slow. As a result, almost half of respondents expect the economic climate in Nigeria to remain the same.

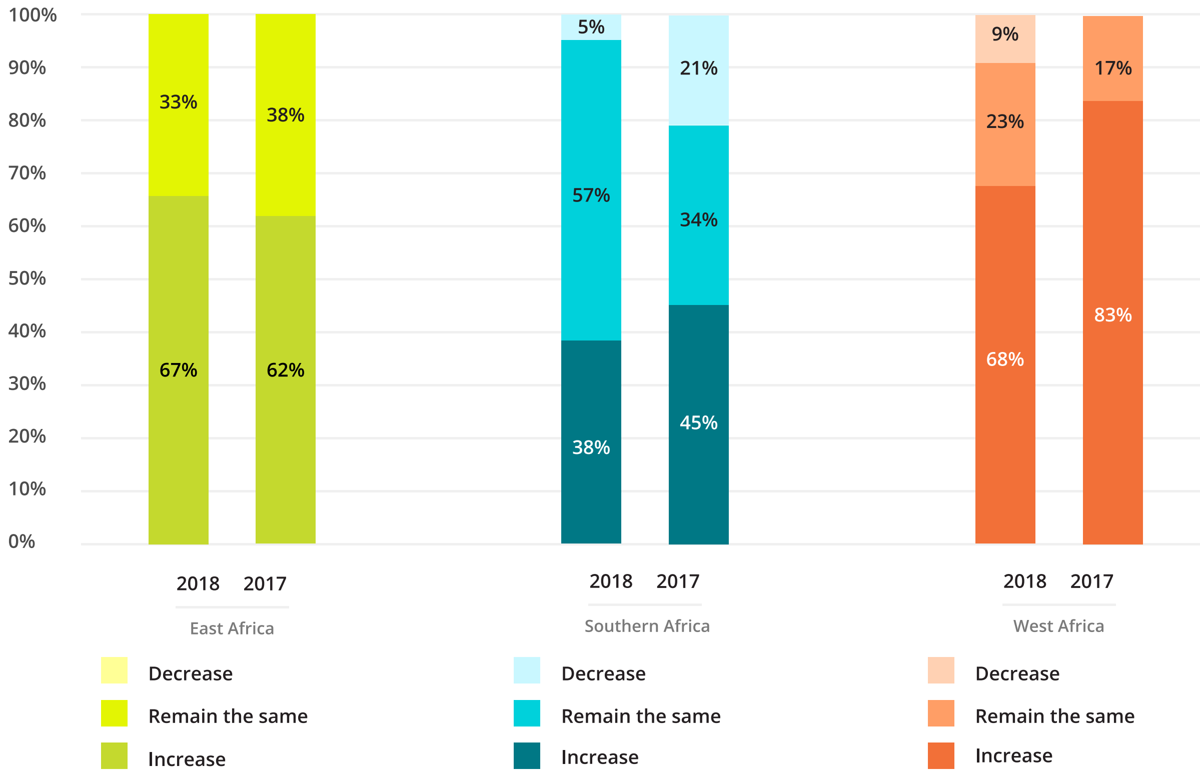
The economic climate in Mali and Sierra Leone is expected to largely remain the same.

PE market outlook

Overall PE activity

The majority of respondents expect PE activity to increase. This is specifically prevalent in East and West Africa.

Figure 3. Over the next 12 months, we expect overall PE activity in the region to



East Africa

Given the region's steadfast growth expectations, two thirds of respondents expect overall PE activity in East Africa to increase over the next 12 months. The increase could be attributed to optimism about growth in agriculture and manufacturing , implementation of sound macroeconomic policies and continued recovery in business activities. In addition, Kenya's Big Four Agenda - four key areas tabled by the president to improve the living standards of Kenyans during his last presidential term - is expected to provide investment opportunities particularly in the agriculture, manufacturing, healthcare and housing sectors. Thus, Kenya remains the gateway for investors looking to enter the East African economies. The decision by the Ethiopian government to privatise some of the state-owned firms in June 2018, as part of a major policy shift to loosen the state's grip on the economy, is expected to provide investment opportunities to private investors in the medium to long term.

Southern Africa

The overall PE outlook in the region has softened, with the majority of respondents expecting PE activity to remain the same compared to the expectation of an increase in 2017. The region's economic powerhouse, South Africa, experienced a brief period of improved business confidence following the African National Congress (ANC) elective conference in late 2017 and appointment of Cyril Ramaphosa as President in February 2018, however, the economy has struggled to gain traction during the year, sliding into a technical recession during the second quarter of 2018.

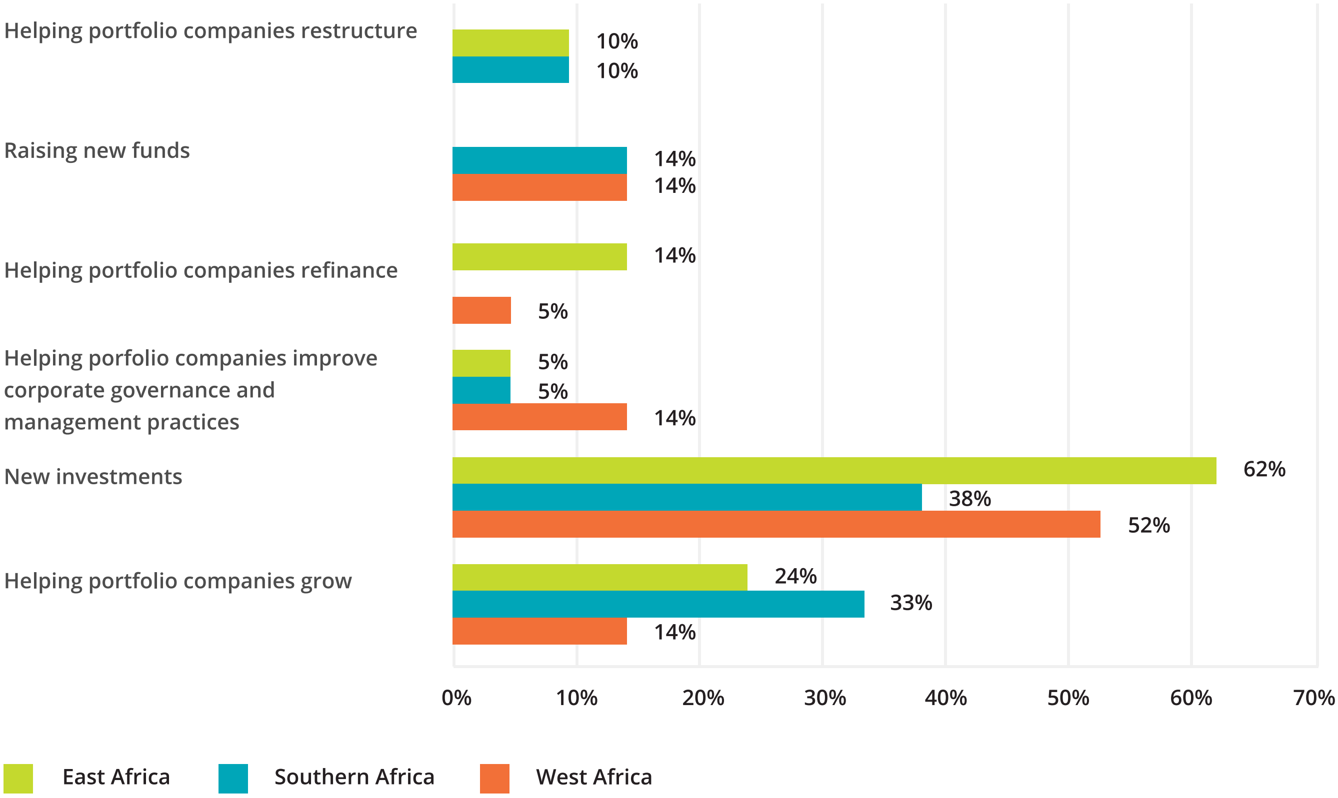
West Africa

Most respondents still believe that PE activity in West Africa will increase over the next 12 months, despite Nigeria's economic struggles. With Nigeria accounting for about 70% of West Africa's GDP, the upcoming elections in that country have slowed FDI inflows, with foreign investors taking a wait-and-see approach on increasing their investment in the country but still scanning the market for prospects, while awaiting the pending election outcomes.

Focus areas

Respondents in higher growth regions spend more time on finding new investments, while in Southern Africa, where growth is more muted, there is an increased focus on supporting portfolio companies.

Figure 4. Over the past 12 months, we have spent the majority* of our time on



* Note: Answers do not sum to 100%, given that respondents were allowed multiple answers.

East Africa

Over the past 12 months, the core focus within the region has been searching for new and quality investments due to available capital. Additionally, a number of funds focusing on East Africa have looked to grow their portfolio companies as they seek to add value before any exits. In 2018, there has been an increased focus on searching for new investments and a reduced focus on helping portfolio companies grow compared to 2017, following an improved macroeconomic and political environment in Kenya.

Southern Africa

Although the largest focus area for Southern Africa is still on new investments, there is less focus on new investments compared to the other regions. Helping portfolio companies grow is expected to be a key focus area for PE practitioners.

West Africa

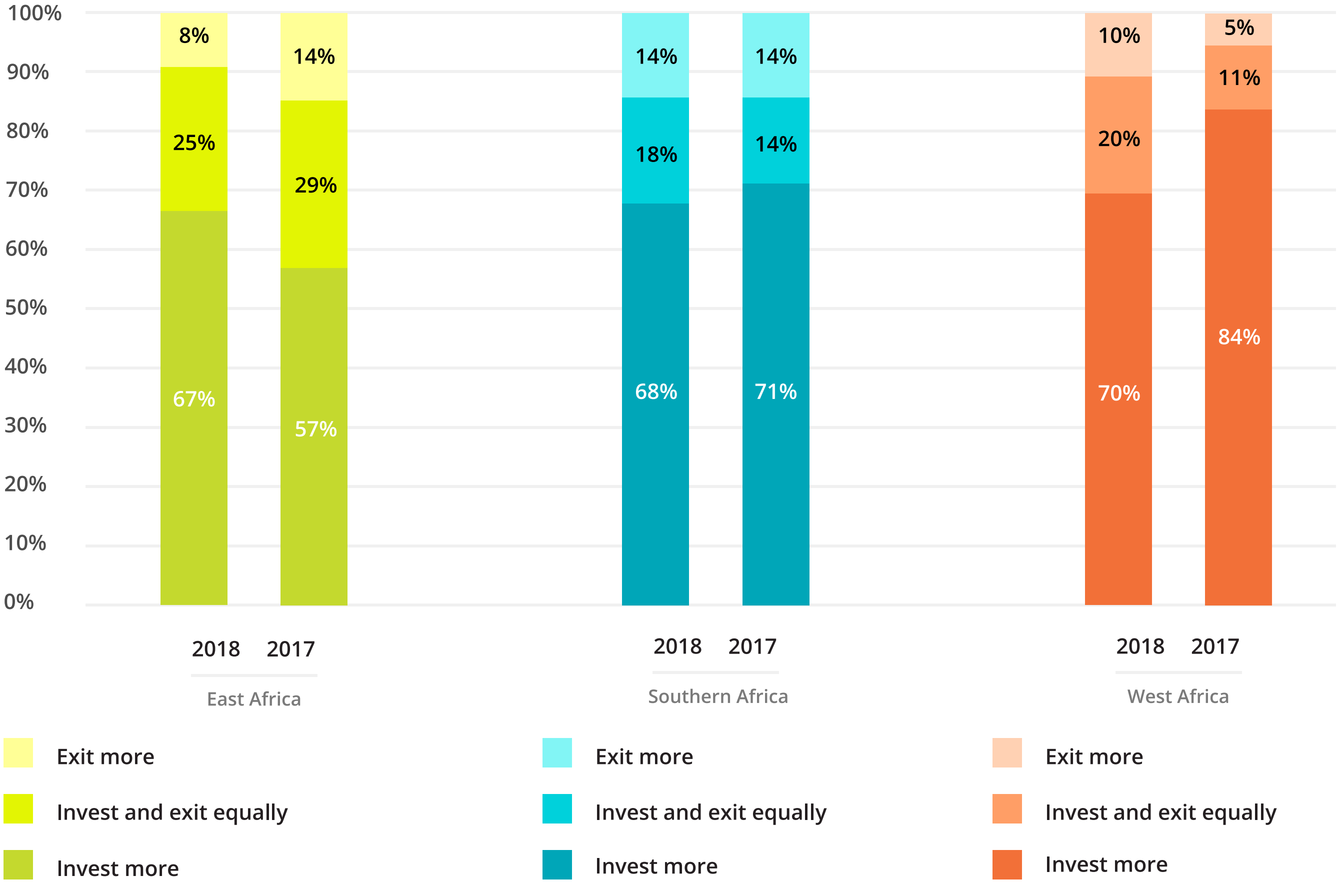
For West Africa the primary focus has been on finding new investments. There is also a strong focus on improving corporate governance, helping portfolio companies grow and raising new funds within the region.

Deal activity

Investment readiness

Continuing the previous year's trend, most respondents are investment ready and expect to invest more over the next 12 months.

Figure 5. Over the next 12 months, we expect to*



*Note: Some responses will not add up to 100% due to rounding.

East Africa

In contrast to the other two regions, investment readiness in East Africa is expected to increase over the next 12 months, principally due to an anticipated stable or improved political and economic climate for most East African countries. Only 8% of respondents expect to exit investments during the next 12 months, highlighting a favourable outlook for the performance of current investment holdings, as well as the expected deployment of funds that have been raised.

Southern Africa

The majority of respondents still expect to invest more in Southern Africa over the next 12 months, although this is down marginally from 2017 results. This is despite limited growth for the regional powerhouse, South Africa, and the country's upcoming elections in mid-2019.

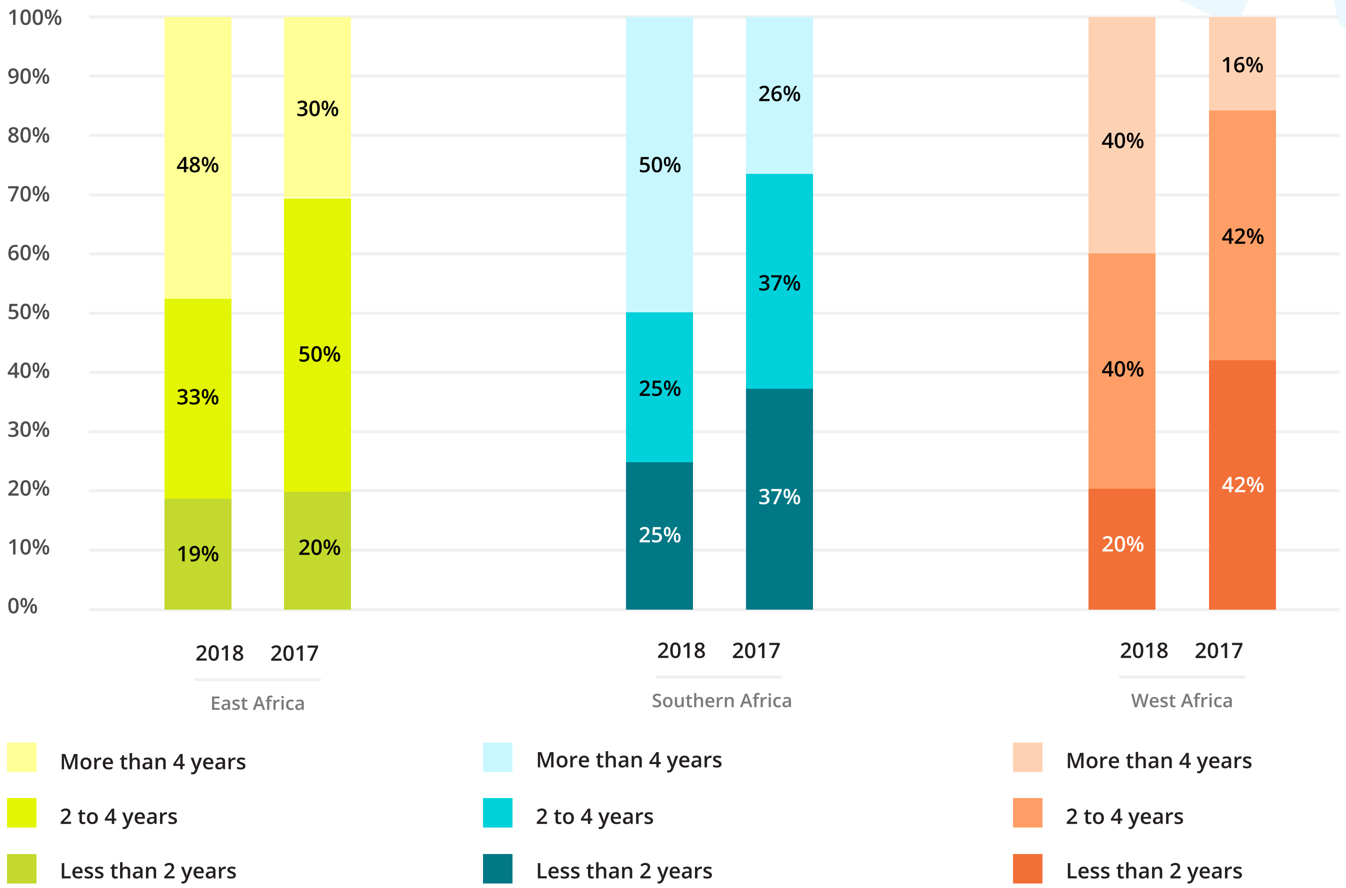
West Africa

The majority of respondents expect to invest more over the next 12 months in West Africa, due to the positive growth and investment outlook for the region. Both the decrease in respondents expecting to invest more, and increased expectation of exits are not surprising given the actions of various industry regulators.

Fund investment period

There is an anticipated increase in the investment time horizon across all three regions, with most managers expecting to take more than four years to invest their current fund.

Figure 6. We expect the time it will take to invest our current fund to be



East Africa

In East Africa, the majority of respondents expect to invest their fund over more than four years. Regional managers are armed with fresh capital and are expected to deploy funds on the back of favourable economic conditions.

Southern Africa

In Southern Africa, the majority of respondents also expect to invest their funds over more than four years. The expected investment time frame is driven by a combination of cautious optimism for the deployment of funds, as well as the deployment of new capital, expected to be raised from increased investor and business confidence in the region.

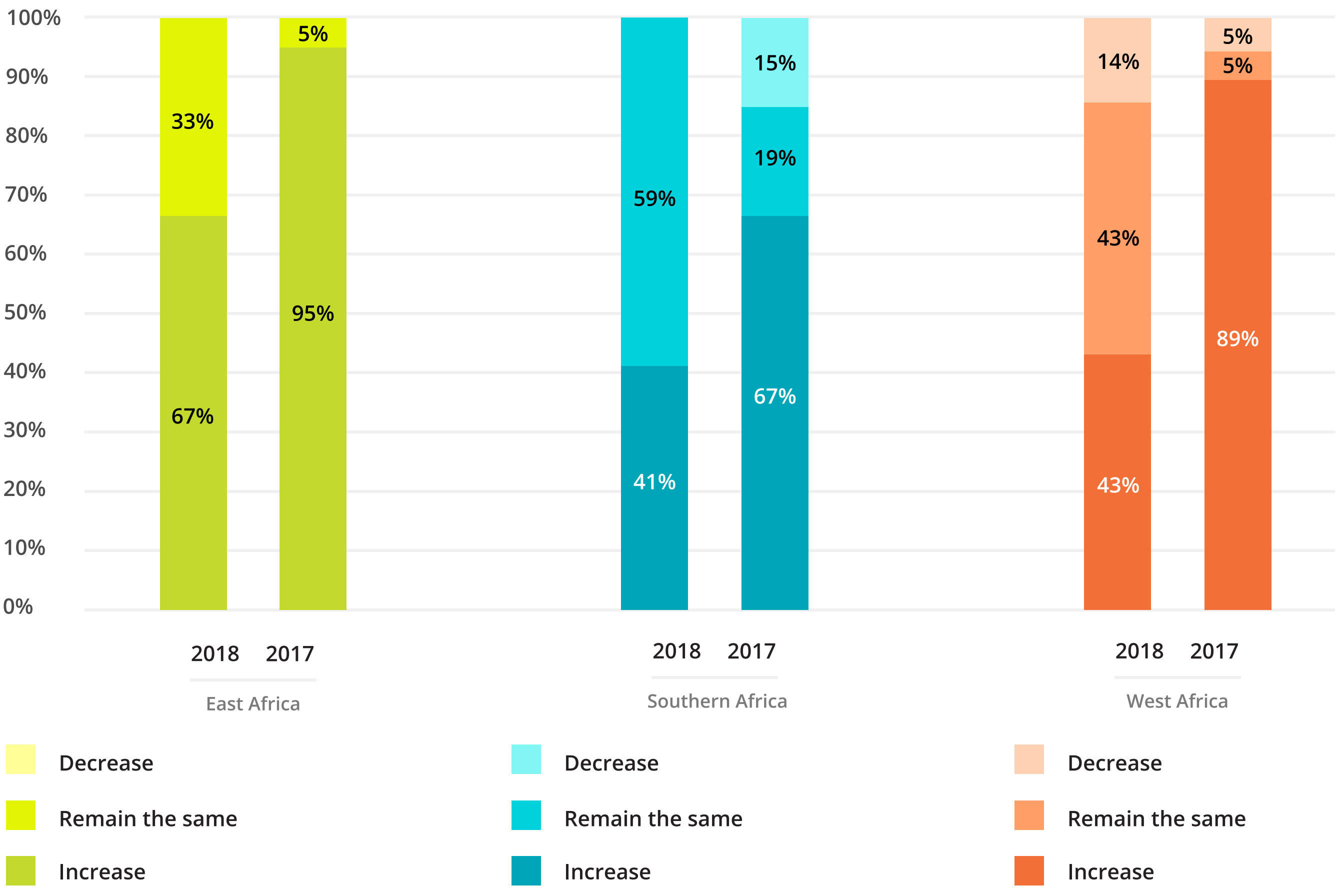
West Africa

In West Africa, most respondents expect the funds to be invested between two to four or more than four years. The increase in the time horizon from the 2017 results is linked to the availability of quality deals, as well as expected short-term volatility in the run up to the 2019 elections in Nigeria, as some investors assess the impact of the elections and political environment before investing in the region.

Competition for assets

Competition for quality assets is expected to continue across all three regions.

Figure 7. We expect that competition for new investment in the region will*



*Note: Some responses will not add up to 100% due to rounding.

East Africa

In East Africa, most respondents expect competition for investment assets to increase. This is in line with the positive growth and investment sentiment for the region.

Southern Africa

In Southern Africa, competition for assets is expected to remain largely the same, as PE practitioners navigate through challenging economic conditions to find quality assets at the right price.

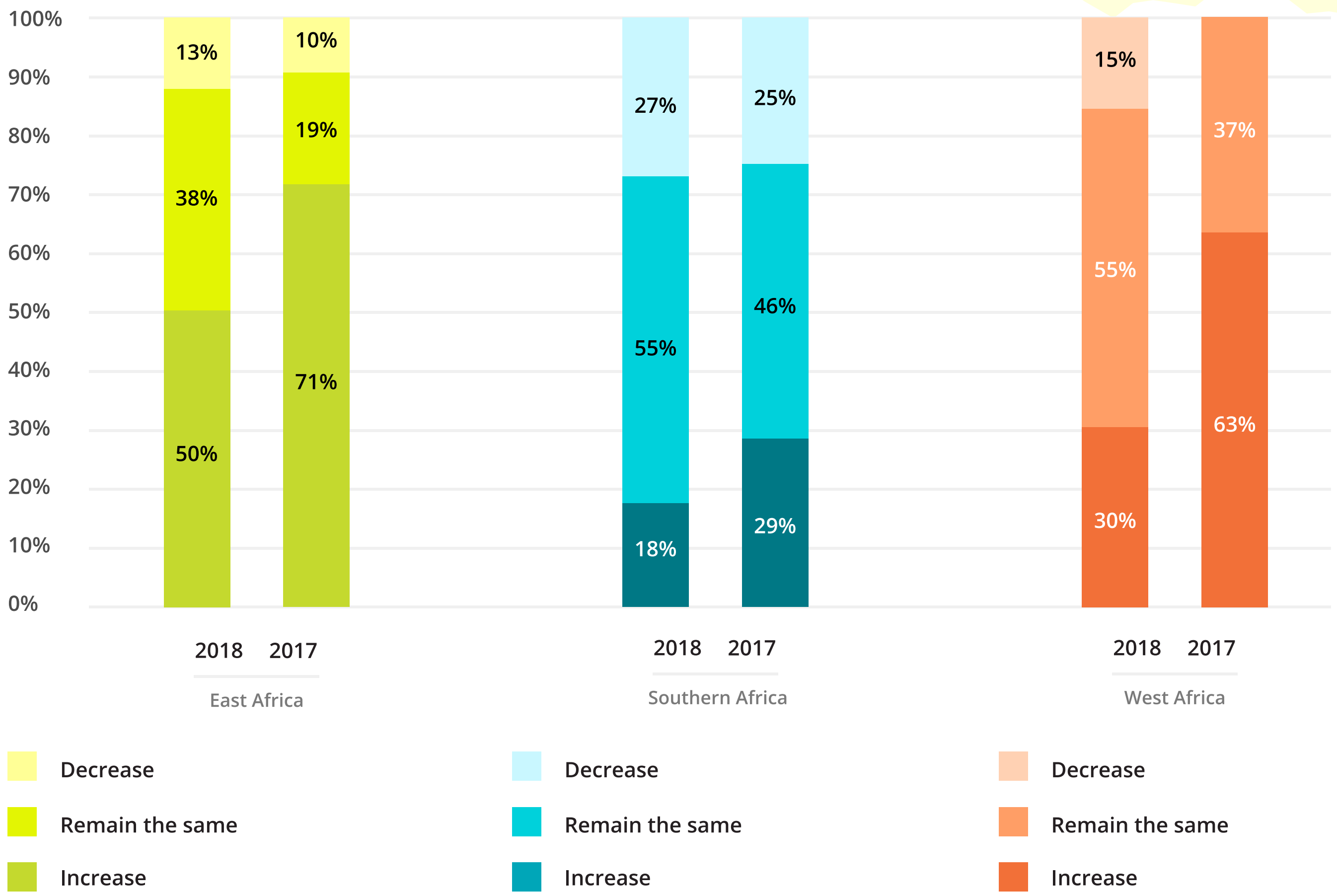
West Africa

As some investors have adopted a wait-and-see approach ahead of the 2019 elections in Nigeria, this could partially explain less relative competition in the short term, although competition is still expected to be high for available deals.

Entry multiples

Entry multiples are expected to largely increase or remain the same as a result of continued competition across the three regions.

Figure 8. Over the next 12 months, we expect entry multiples on transactions in our region to*



*Note: Some responses will not add up to 100% due to rounding.

East Africa
Half of the respondents expect entry multiples to increase over the next 12 months, with 38% expecting entry multiples to remain the same. This is in line with the expected increase in competition for quality deals in the region, as valuable assets will be priced at a premium.

Southern Africa
In Southern Africa, respondents largely expect entry multiples to stay the same. Although growth in entry multiples is anticipated for the mid-market fund space, where competition is expected to continue for quality assets.

West Africa
For West Africa, the majority of respondents expect entry multiples to increase or remain the same on the back of a favourable investment outlook for the region.

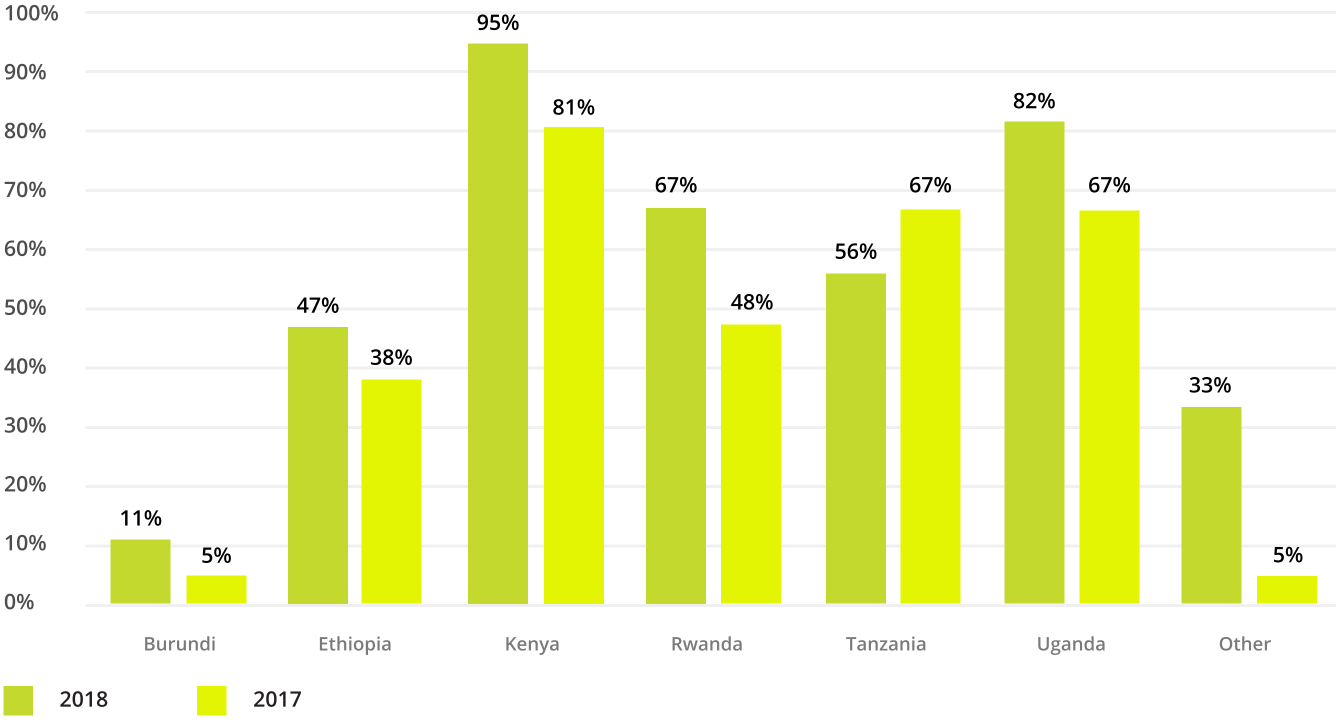
Country focus

Kenya, South Africa and Nigeria continue to be the key investment hubs in the respective regions. Côte d'Ivoire and Ghana were noted by respondents as the top target investment countries in West Africa.

East Africa

E

Figure 9a. In case the focus will be on new investments, we expect to invest in the following countries*



* Note: Answers do not sum to 100%, given that respondents were allowed multiple answers.
'Other' refers to other countries in the East African region.

The majority of the respondents indicated that Kenya remains the most attractive destination for new investments in East Africa. This is mainly due to an expected increase in investment opportunities from the private sector, as private consumption is expected to grow. In addition, improved macroeconomic conditions and political stability are expected to attract new investors. The implementation of the Big Four Agenda is also expected to provide investment opportunities in the target sectors of agriculture, manufacturing, housing and healthcare.

The Ethiopian government's decision to privatise some state-owned entities in June 2018 – a major policy shift towards opening the economy to private investors – is expected to provide investment opportunity and increase the entry of new investors into the Ethiopian PE market.

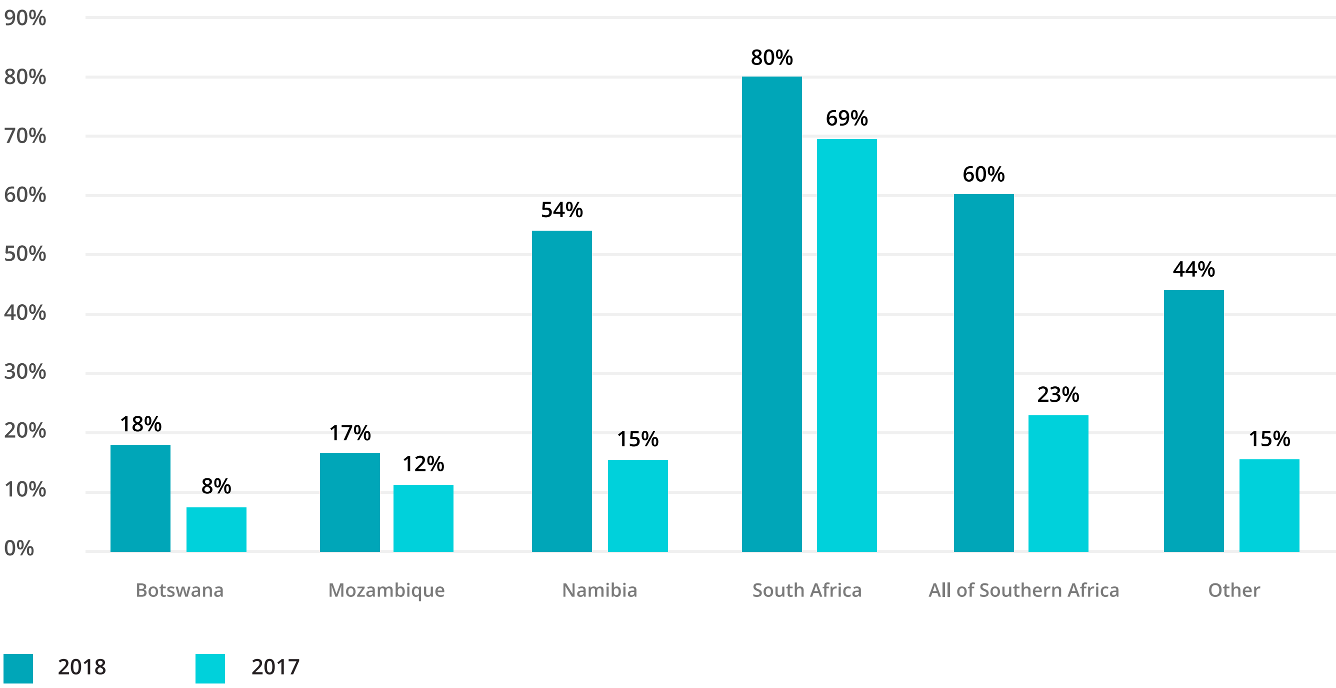
Respondents also expect to focus more on new investments in Rwanda. This is attributable to the country's improving economic conditions, stable political environment, increase in infrastructure development and improving ease of doing business. In contrast, respondents expect to focus less on new investments in Tanzania, largely due to the government's unfavourable foreign policies. These policies create uncertainty in the business environment and reduce business confidence.

The increased focus on new investments in Uganda in 2018 compared to 2017 could be attributable to the government's increased investment in public infrastructure (including energy and oil) and continued efforts towards integration of the EAC. This is expected to open opportunities for the country in the region through the free movement of goods, services and labour.

Country focus (cont.)

Southern Africa

Figure 9b. In case the focus will be on new investments, we expect to invest in the following countries*



* Note: Answers do not sum to 100%, given that respondents were allowed multiple answers. 'Other' refers to other countries in the Southern African region.

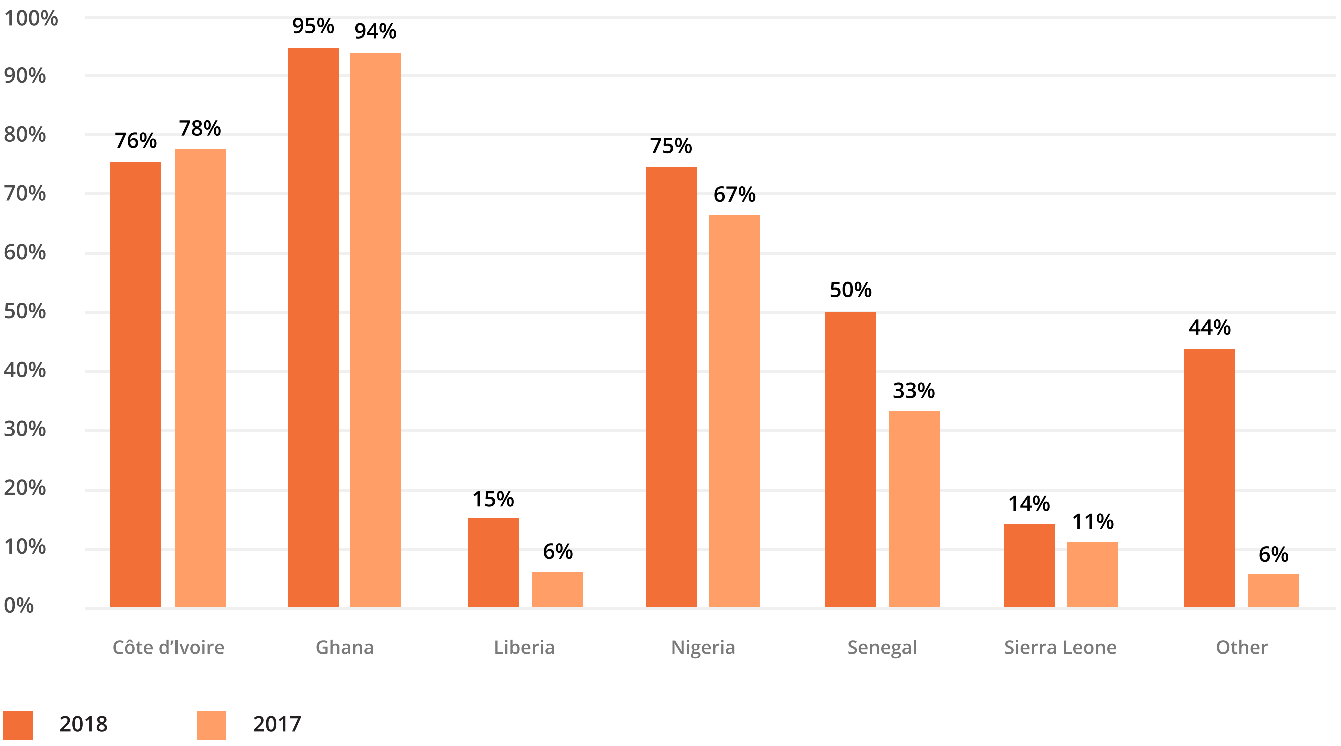
There is a marked increase in interest from respondents across each country within the region, although the focus is still on South Africa, driven by renewed optimism around the political and economic landscape. There is also a notable rise in interest in Namibia, stemming from an expectation of an improvement in the country's economic climate and the bottoming out of a recessionary environment.

In Botswana, GDP growth is expected to accelerate over the next two years on account of the positive outlook for diamond production and prices, resulting in an increase in investments focusing on expansionary projects within the industry.

Country focus (cont.)

West Africa

Figure 9c. In case the focus will be on new investments, we expect to invest in the following countries*



* Note: Answers do not sum to 100%, given that respondents were allowed multiple answers.
'Other' refers to other countries in the West African region.

Despite being the largest economy in the region, Nigeria is not the top choice for new investments among respondents. Still, Nigeria cannot be ignored as an investment destination despite a slow recovery from the economic recession, over exposure and the upcoming elections.

However, short-term risks have seen investors sharpen their focus on other key growth markets in West Africa. Ghana and Côte d'Ivoire are seen as favoured investment countries, in line with sentiment from the previous year. This is largely given these economies' size (Ghana is the second and Côte d'Ivoire the third-largest economy in West Africa), favourable economic environment and growth outlook.

Although Ghana is the most attractive investment destination among respondents, investor concerns over the country's persistently high debt-to-GDP ratio and increased exchange rate depreciation continue. These have, however, been offset by a decreasing fiscal deficit and single digit inflation in 2018.

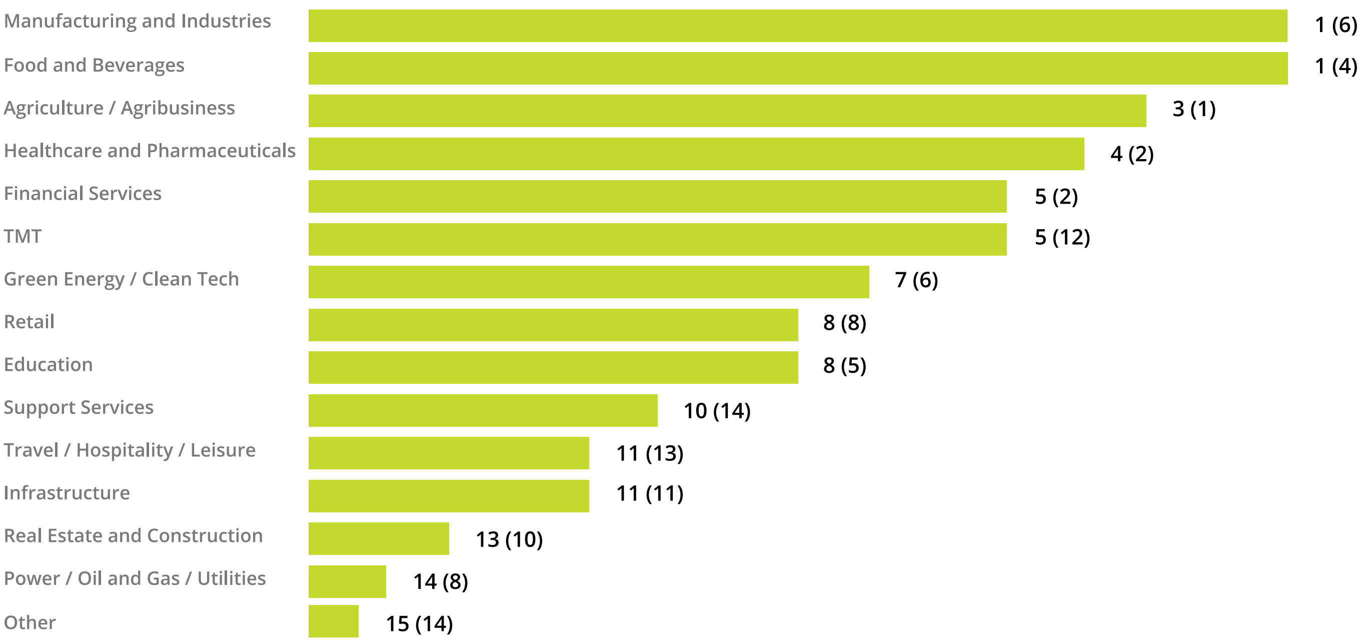
Notable increases in Senegal, Liberia, as well as 'Other', further support the relative economic stability within the West African region and the need to diversify exposure in the region.

Sector focus

Consumer-focused sectors, which include food and beverages, healthcare and pharmaceuticals, agriculture and agribusiness, as well as financial services, rank among the top PE sector focus areas in each region.

East Africa

Figure 10a. In the next 12 months, we expect to focus on opportunities in the following sectors*



* Note: The 2017 PECS sector ranking is provided in parenthesis.

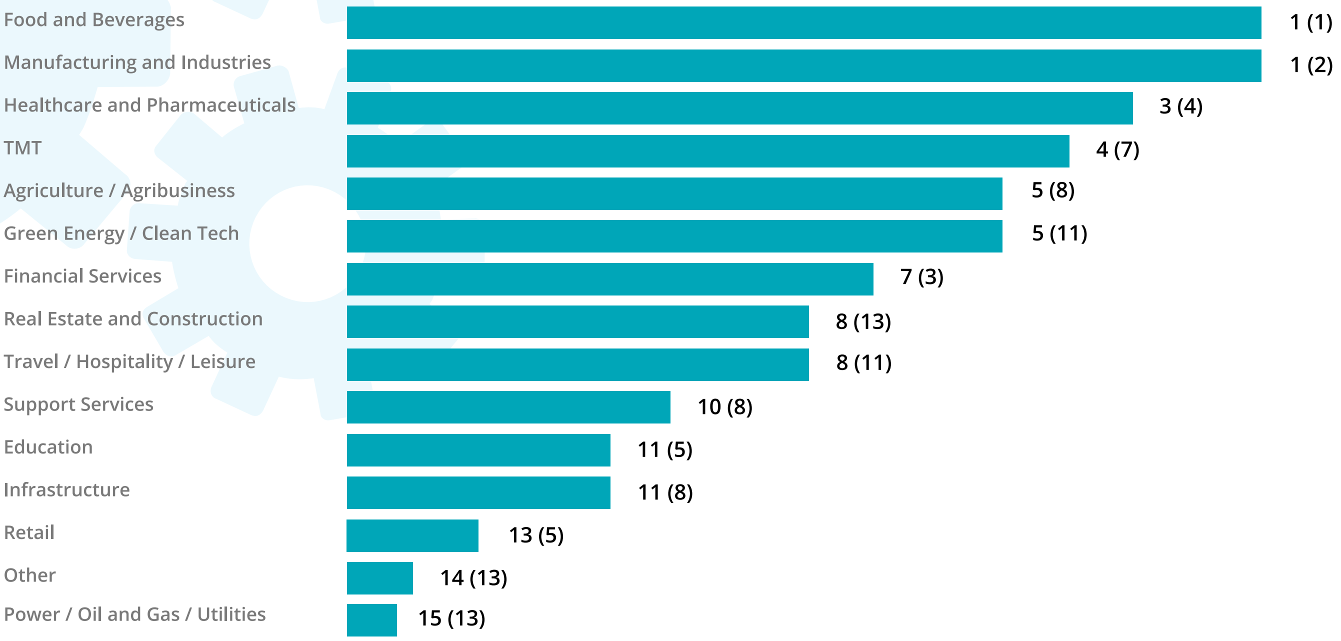
Driven by rising populations and growth of the middle class, East Africa's sector focus is primarily expected to be on consumer focused sectors such as manufacturing and industries, food and beverages, agriculture and agribusiness, and healthcare and pharmaceuticals.

Positive sentiment towards the agriculture and agribusiness, and manufacturing and industries sectors is underpinned by the significant contribution of the sectors to the region's economic growth. Particularly in Kenya, the government is focused on (through the Big Four Agenda) increasing investments across the value chain of these sectors. A burgeoning middle class continues to support increased investor interest in both the food and beverages, and healthcare and pharmaceuticals sectors as disposable incomes increase.

Sector focus (cont.)

Southern Africa

Figure 10b. In the next 12 months, we expect to focus on opportunities in the following sectors*



* Note: The 2017 PECS sector ranking is provided in parenthesis.

In Southern Africa, food and beverages, manufacturing and industries, and healthcare and pharmaceuticals continue to be key sectors targeted for investment opportunities. A recent study estimates that the food and beverages industry in South Africa will grow by up to 7% by 2020.[5]

Manufacturing opportunities are evidenced by increasing competition being posed by smaller players in the hope of fuelling small and medium-sized enterprises (SMEs) growth in the country. Similarly, opportunities are linked to enterprise and supplier development initiatives of various sub-sectors in the manufacturing (e.g. automotive) and processing industries.

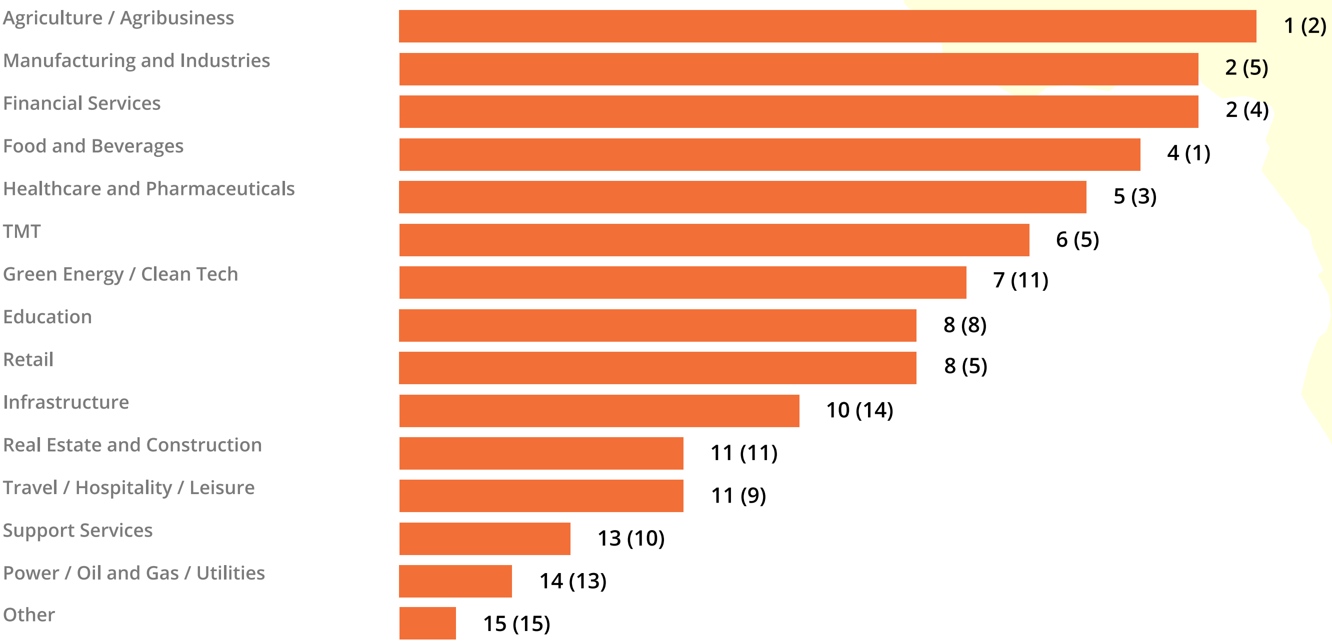
The implementation of the universal National Health Insurance (NHI) system by the South African government over the medium term is expected to see an increase in public spending on healthcare. The Economist Intelligence Unit (EIU), forecasts a compound annual growth rate (CAGR) of 8.8% in public spending on healthcare over the 2018-22 period. Similarly, total pharmaceutical sales are forecast to increase by a CAGR of 9.3% over the same period.[6]

Recent policy uncertainty in the mining sector, has put pressure on investment in the power, oil and gas, and utilities sector. Green energy is likely to be seen as the alternative, with the renewable and clean tech energy focus by government progressing steadily in South Africa.

Sector focus (cont.)

West Africa

Figure 10c. In the next 12 months, we expect to focus on opportunities in the following sectors*



* Note: The 2017 PECS sector ranking is provided in parenthesis.

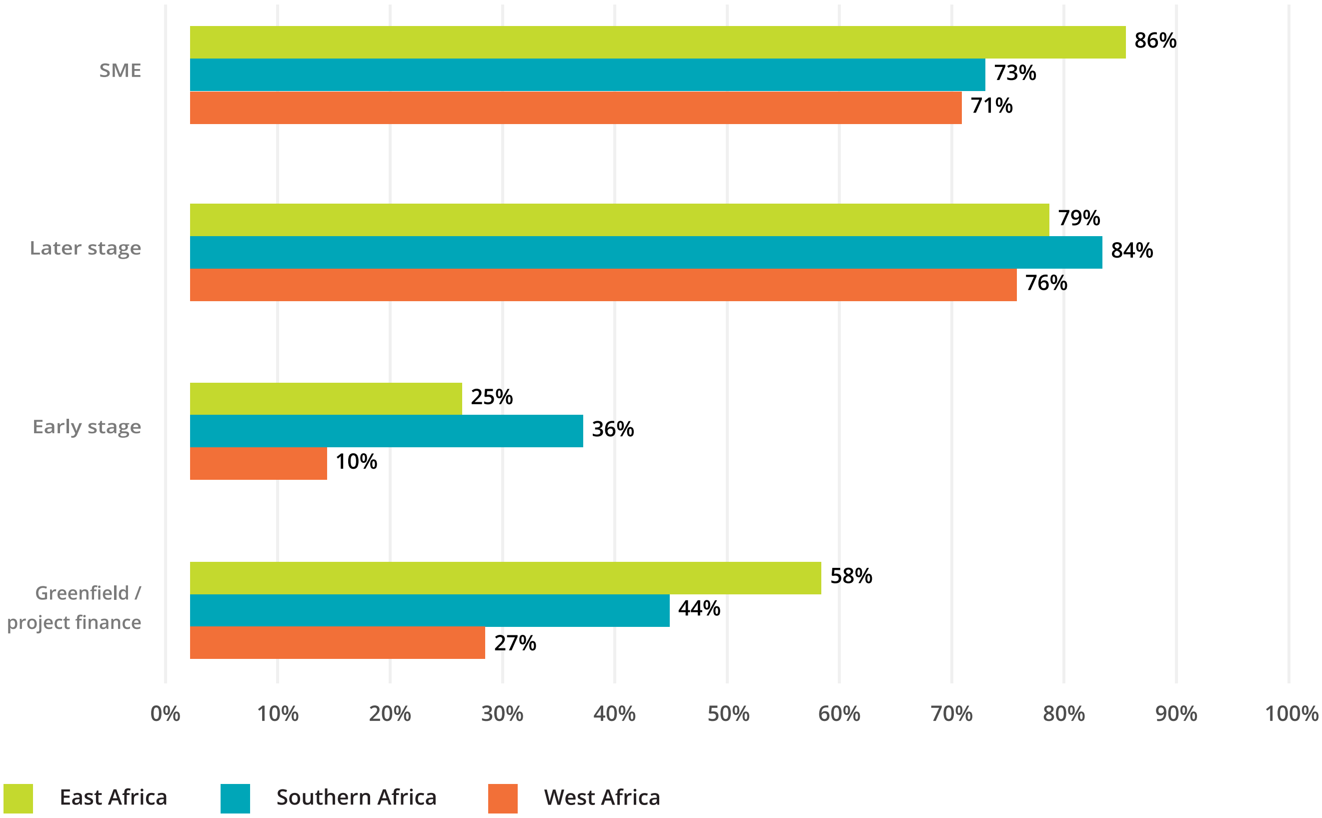
Due to a large, young, urbanising population and a growing middle class, West Africa is expected to continue to attract investment into consumer-facing sectors.

Agriculture and agribusiness, manufacturing and industries, financial services, food and beverages, as well as healthcare and pharmaceuticals, are again the top sectors identified for investment. Manufacturing and industries has emerged as a new focus sector, shifting from fifth most important in 2017 to second in 2018.

Company life stage focus

New investments are expected to largely target SME and later stage companies across regions.

Figure 11. In the next 12 months, we expect to target the following companies by region*



* Note: Answers do not sum to 100%, given that respondents were allowed multiple answers.

East Africa

SME and later stage target companies continue to be key investment areas for the East Africa region. In addition, there is a notable increase in interest for greenfield/ project finance companies. The favourable economic environment and increase in investment readiness for the region, positively impacted the investment outlook for all company categories compared to the prior year.

Southern Africa

In Southern Africa, the strong focus on later stage companies is indicative of limited new opportunities in a low growth environment. The greater attention given to SME investments aligns with the South African government's focus on SMEs to enhance growth, through tax incentives and other regulatory channels.

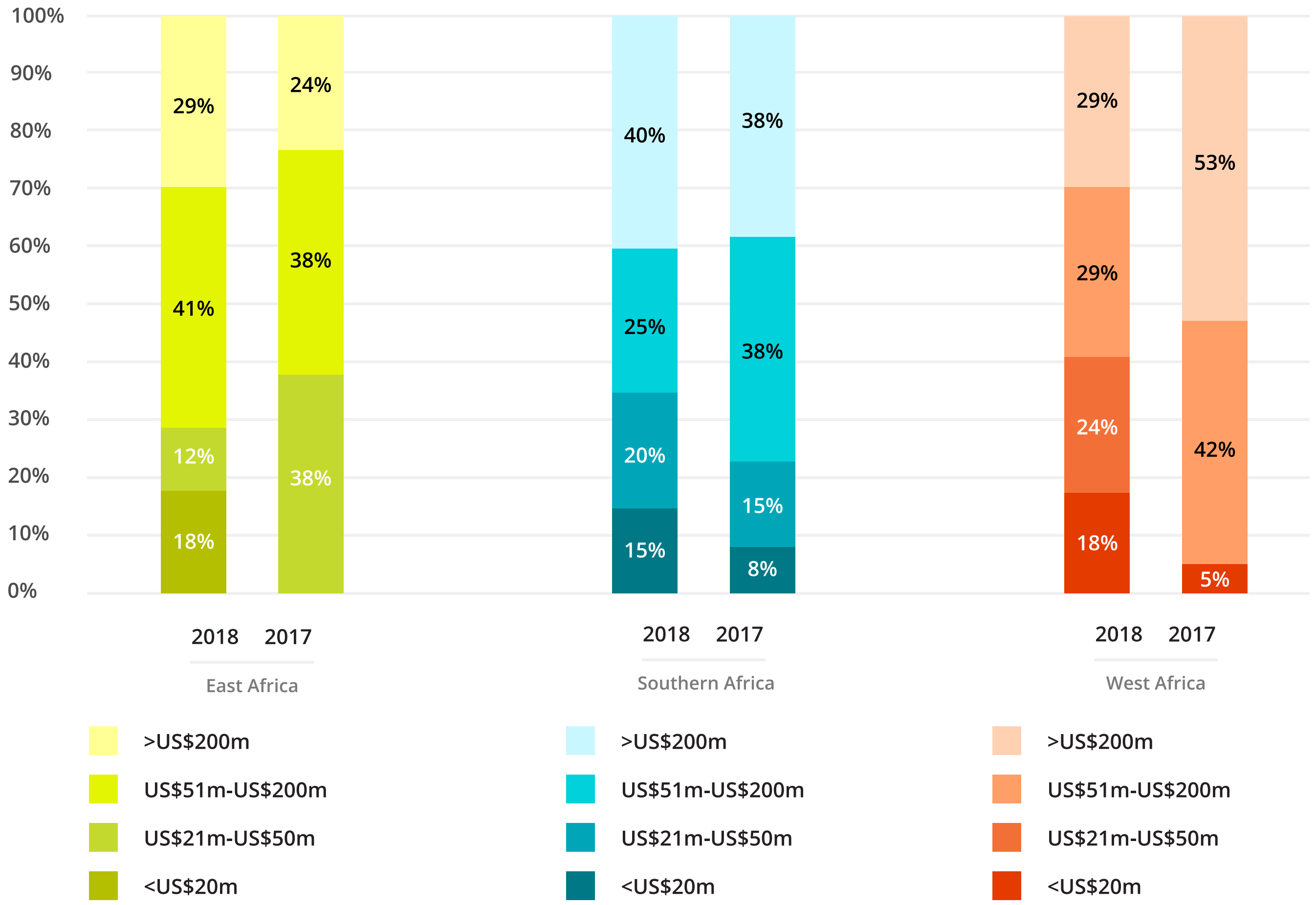
West Africa

For West Africa, the majority of respondents expect to invest in later stage companies followed by SMEs. This is driven by competition in the region for quality assets.

Total size of funds under management

Respondents mainly manage mid-sized (US$51m-US$200m) to large-sized funds (above US$200m) in each region.

Figure 12. The total size of the fund we manage by region is



East Africa

The majority of respondents in East Africa manage funds in excess of US$51m, with the increase in bigger fund sizes reflecting increased attention from international investors. However, there has also been an increase of smaller funds (<US$20m), highlighting the emergence of smaller-sized funds, which are keen to undertake start-up and early stage company deals.

Southern Africa

The majority of respondents in Southern Africa manage large funds (above US$200m) and mid-sized funds (US$51m-US$200m). This is indicative of the maturity of the PE market in this region, particularly in South Africa.

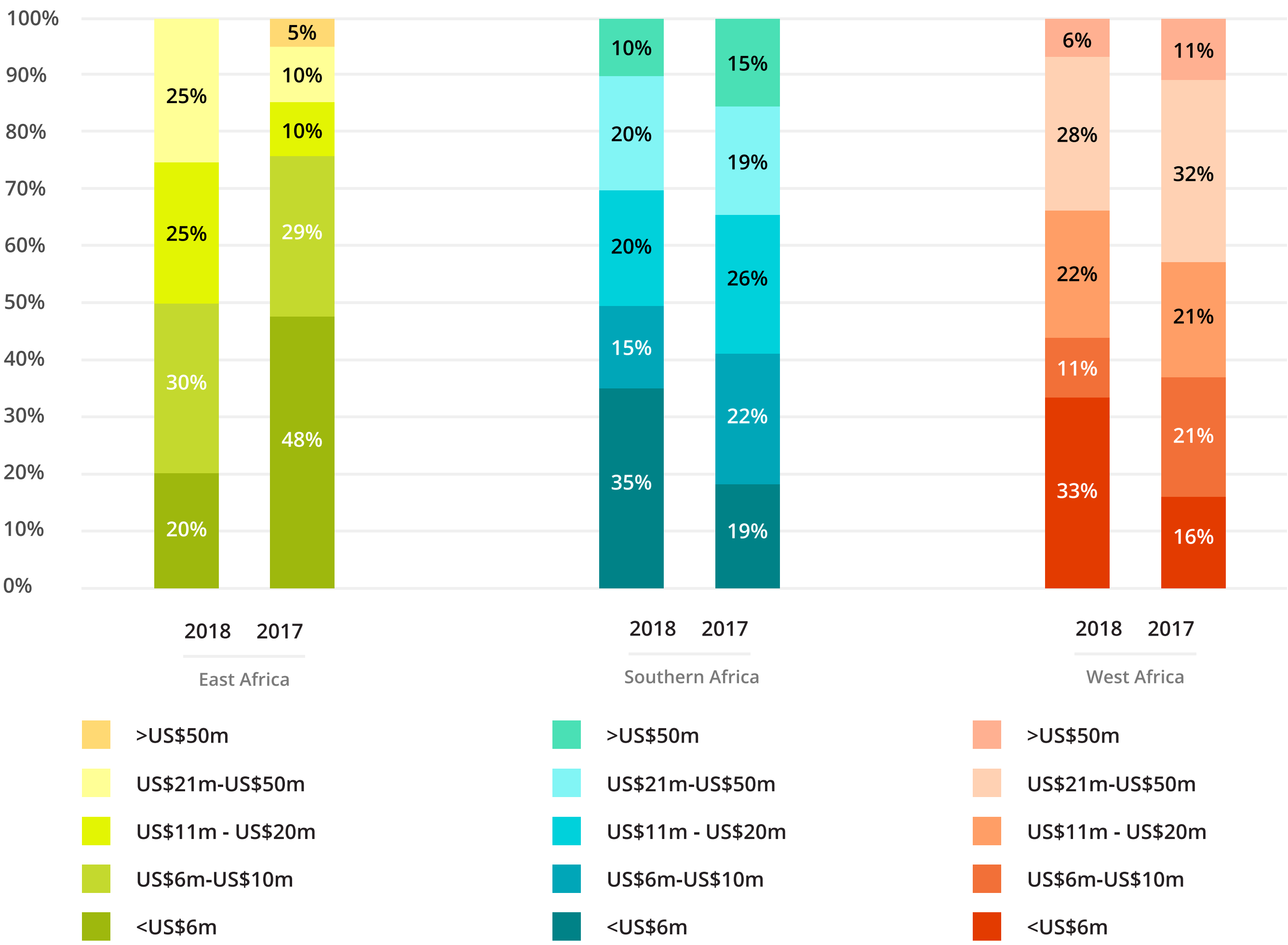
West Africa

Fund sizes of respondents in West Africa are evenly distributed between large funds (above US$200m), mid-sized funds (US$51m-US$200m) and also smaller funds.

Transaction sizes

Deal sizes vary by region. There was, however, a notable increase on the focus for smaller deals (<US$6m), particularly in Southern and West Africa.

Figure 13. Our investment focus per transaction is*



*Note: Some responses will not add up to 100% due to rounding.

East Africa

There is a substantial increase in focus on mid-sized transactions (US$6m-US$50m). No respondents indicated a focus on large transaction sizes (>US$50m), implying that these transactions may be rare in the market and largely done by strategic buyers.

Southern Africa

Southern Africa's investment size per transaction remained broadly the same as in previous years, although the focus has shifted towards smaller transaction sizes. With the majority (70%) of the investment focus being on transactions below US$20m, this highlights the growth of the mid-market investment space.

West Africa

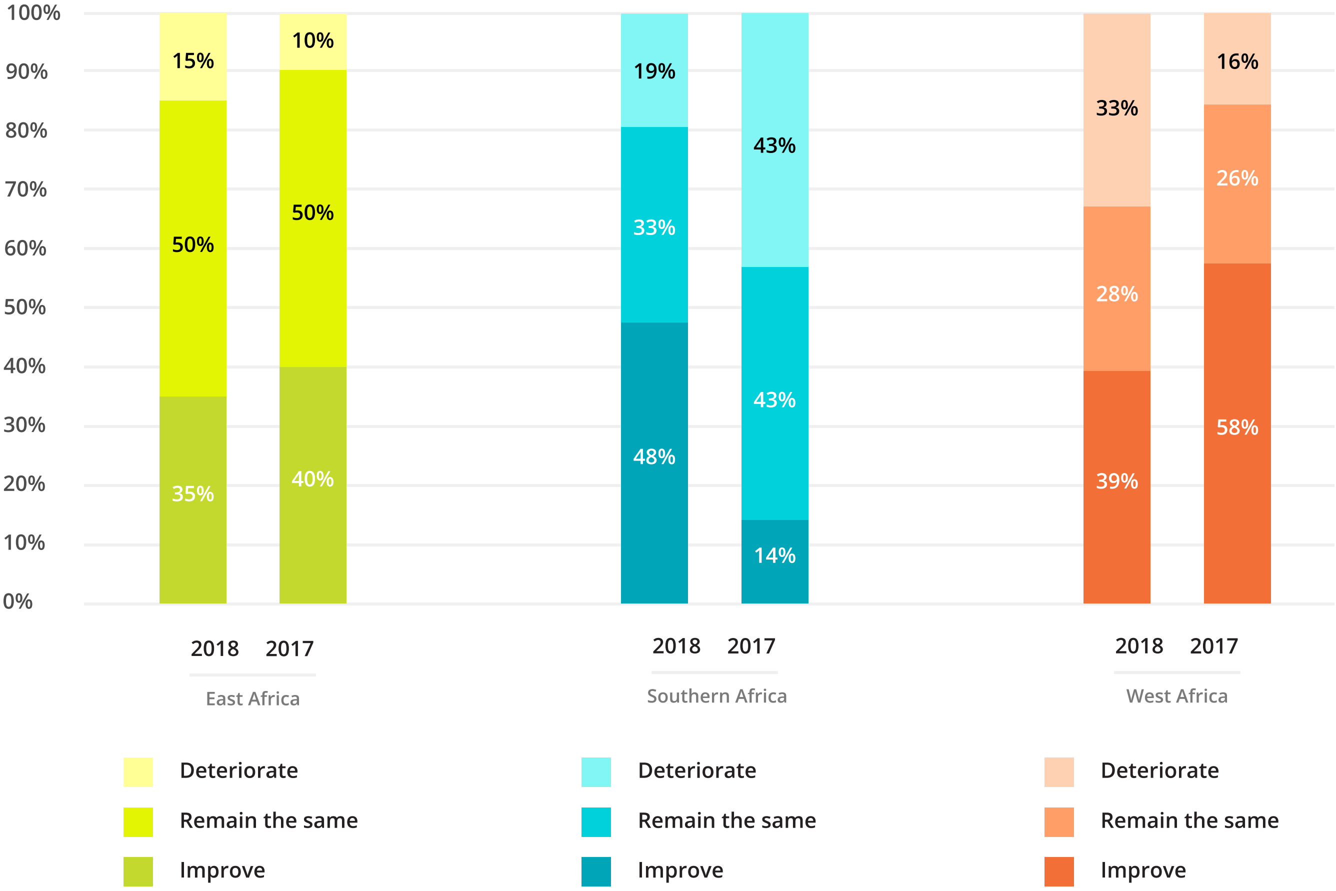
In West Africa, there has been an increase in small transaction sizes (below US$6m), due to a continued rise of indigenous funds within the region. The decrease in large transactions (above US$50m) can be attributed to the subdued economic environment in Nigeria. However, larger investors are increasingly turning to buy and build platform options to create deals with the right ticket sizes.

Fundraising

Fundraising environment

The fundraising environment is expected to largely improve or remain the same across all three regions.

Figure 14. Over the next 12 months, investors expect the fundraising environment for PE to



East Africa

In East Africa, the fund raising environment is largely expected to remain the same or improve. This is partly attributable to the recognition of PE as an asset class by local pension funds.

Southern Africa

Southern Africa is expected to see an improved fundraising environment. South African President Cyril Ramaphosa's focus on attracting US$100bn investment into the country is a key driver of the optimism around the fundraising environment.

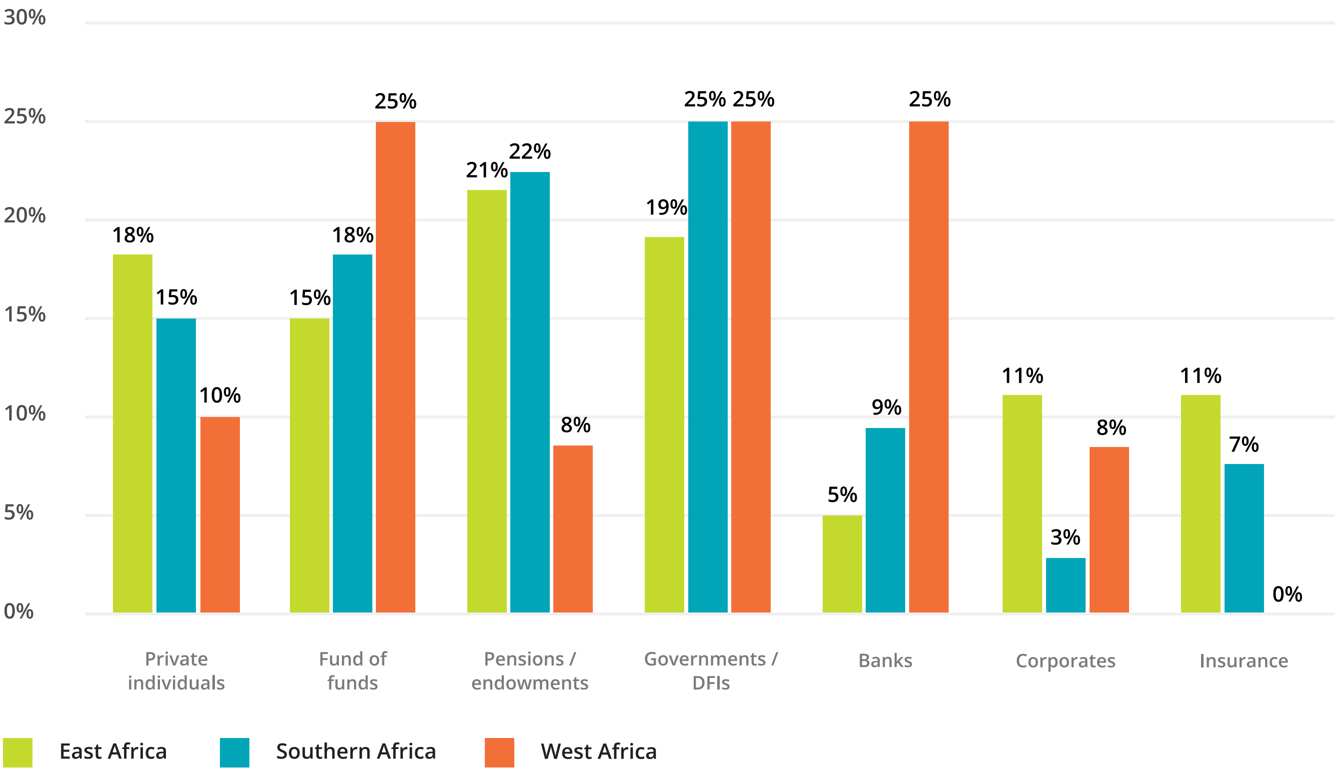
West Africa

Respondents are generally less optimistic about the fundraising environment in West Africa compared to 2017. One likely contributor influencing investor attractiveness adversely in Nigeria was the regulatory clamp down on the country's biggest telecom operator, with investors continuing to keep a close eye on policy and regulatory developments in that country.

Sources of funding

Preferred funding sources vary across the regions. However, key sources include governments/DFIs, pensions/endowments, fund of funds, and banks.

Figure 15. We intend to raise funds within the next 12 months from the following source of third party funding*



*Note: Some responses will not add up to 100% due to rounding.

East Africa

In East Africa, similar to the findings of the 2017 PECS, a number of local PE investors intend to raise funds from local pension funds, governments/DFIs, as well as private individuals over the next 12 months. Pension funds and DFIs are increasingly allocating more funds to the PE industry. Improving regulations such as the recognition of PE as a fully-fledged investment class by the pension industry regulator in Kenya is a contributory factor.

Southern Africa

Given the relative market maturity, preferred funding sources within the region remain largely distributed between pensions/ endowments, governments/DFIs and fund of funds.

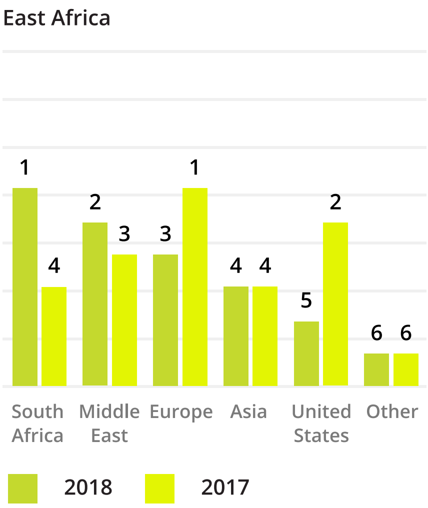
West Africa

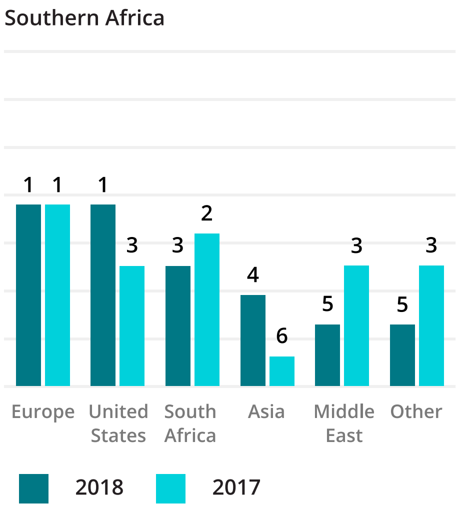
In West Africa the core sources of fundraising are expected to be fund of funds, government/DFIs and banks. While local capital allocation remains subdued due to currency risk and return level concerns in Nigeria, newly introduced rules regarding the multi-fund structure for pension fund investments, coupled with more managers looking to adapt structures and products to attract local capital, could see local allocation improve in the medium term.

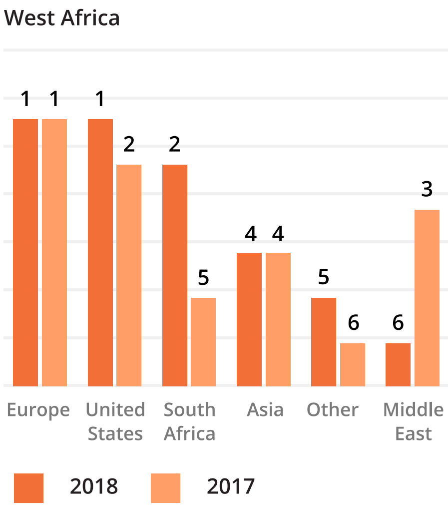
Capital raising: geographical source

Europe is expected to continue being a key source of capital for fundraising activities across SSA.

Figure 16. We intend to raise funds within the next 12 months from the following geographical source







East Africa
The region's stability and high GDP growth continues to attract a diversified investor base. The majority of funds are expected to be raised from South Africa, the Middle East and Europe. There have been a number of international funds targeting the region, with most of the DFIs being located in Europe. Also, the focus on Asia is mainly attributable to an increased attractiveness of the East Africa region as an investment destination for financiers in Asia.

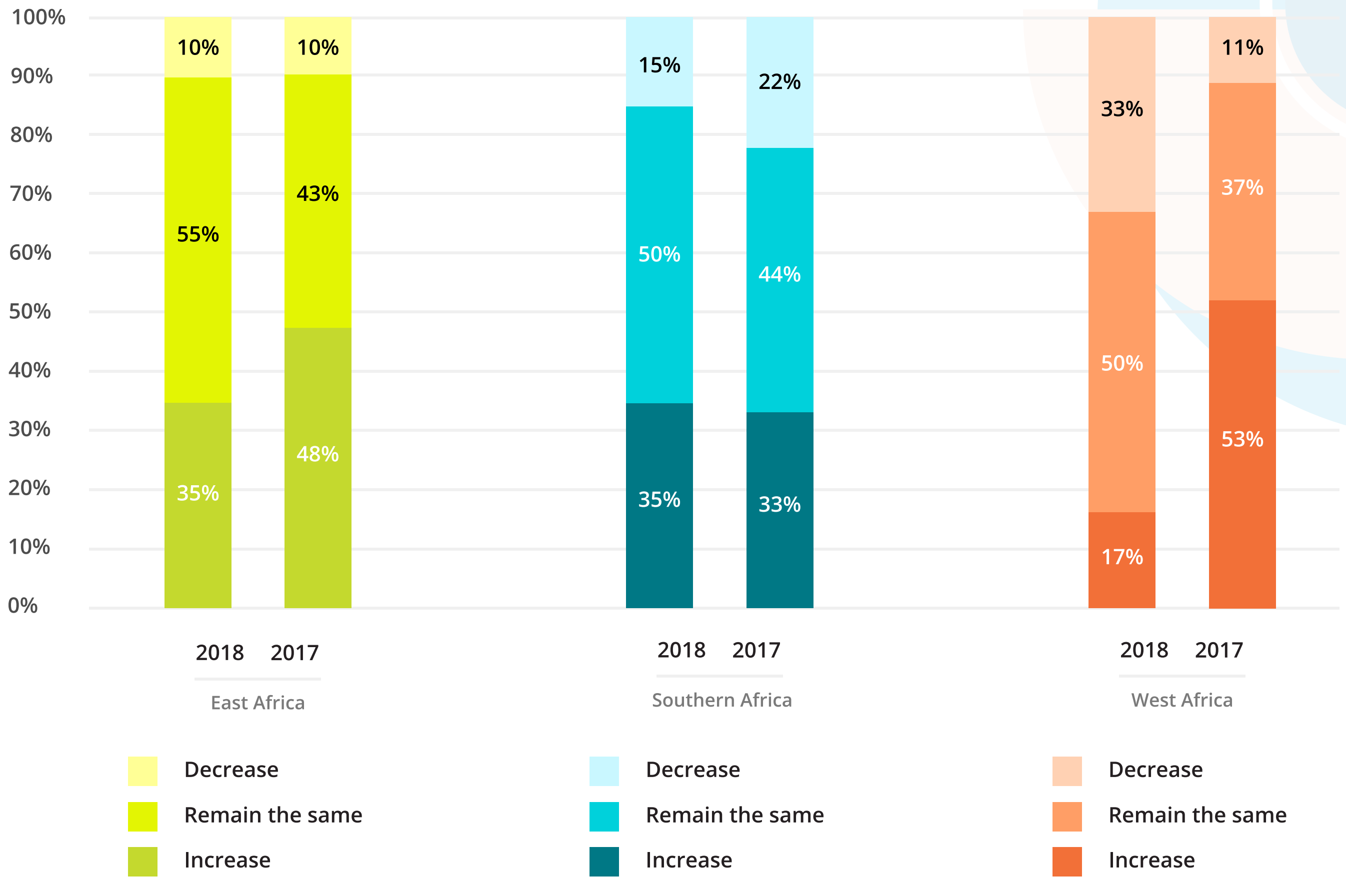
Southern Africa
Although Europe and the US continue to be the key sources of funding for the region, South Africa remains a favourable geographical source of funding for Southern Africa, given the country's mature capital and debt markets.

West Africa
Europe and the US continue to be the expected top sources of funding for West Africa.

Debt finance

Debt finance access for transactions is mostly expected to remain the same across all regions.

Figure 17. Over the next 12 months do you expect access to debt finance for transactions to



East Africa
The majority of respondents expect debt finance access to remain the same within the region. This is due to no expectations of change in the interest rate cap law in Kenya. However, lending institutions have become more stringent in their lending policies as a measure to reduce their credit risks.

Southern Africa
In Southern Africa, the majority of respondents expect access to debt finance to remain the same. This is on the back of an interest rate hike in South Africa in November 2018 – the first rate hike in almost three years – in one of Africa's most developed capital markets.

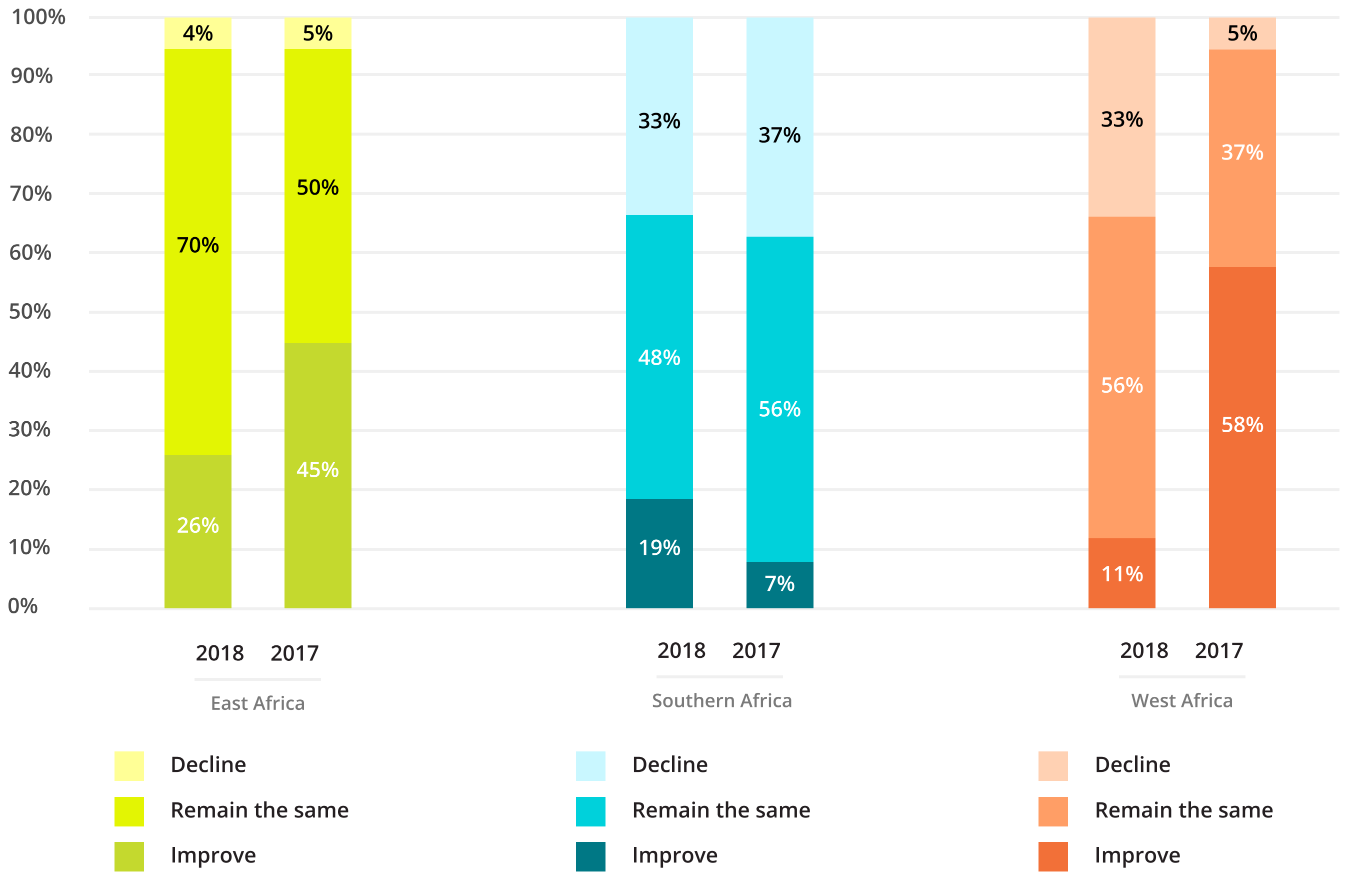
West Africa
For West Africa, notably fewer respondents expect access to debt finance to increase when compared to 2017, as the recent economic downturn in Nigeria continues to affect the ability of regional banks to lend.

Exits

Exit environment

The exit environment is expected to remain the same across all three regions.

Figure 18. During the next 12 months, we expect the exit environment by region to



East Africa

Seventy percent of the respondents expect the exit environment to remain the same over the next 12 months. Investors are expected to delay exits (if possible) to benefit from a high growth environment.

Southern Africa

Given the improved investor sentiment in South Africa, there is an expected improvement in deal activity and exits. This will, however, depend on the life cycle of the funds as well as the ability of fund managers to manage exit timing and underlying returns.

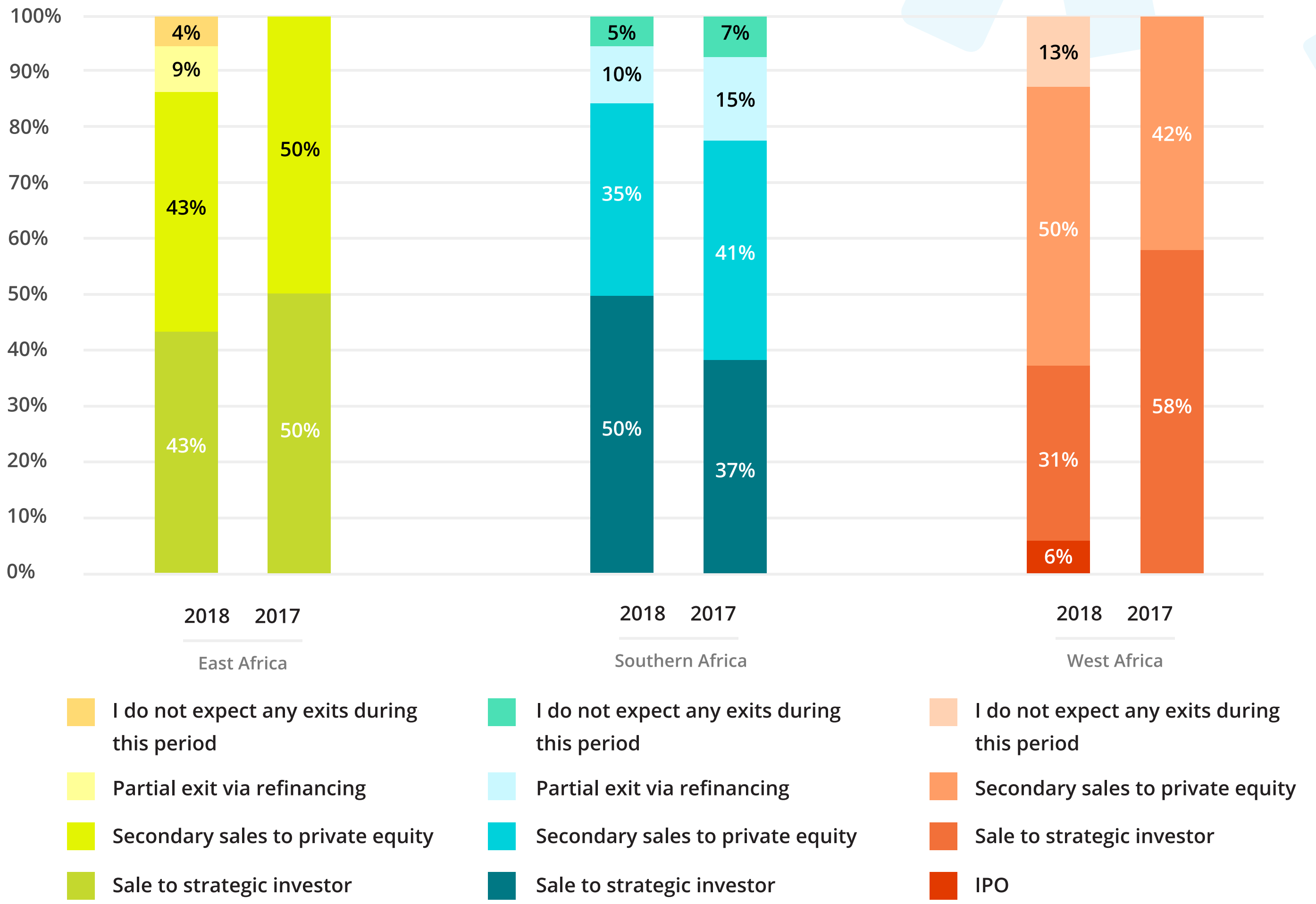
West Africa

In West Africa, the majority of respondents also expect the exit environment to remain the same as investors tend to apply a wait-and-see approach in Nigeria.

Exit routes

The majority of respondents expect to exit via secondary sales to PE or sales to strategic investors.

Figure 19. During the next 12 months, we expect the exit route that is most dominant in our region to be



East Africa

The majority of respondents expect to exit via secondary sales to PE or a sale to a strategic investor. A share of respondents do not expect any exits or partial exits via refinancing over the next 12 months, highlighting that some investors are expecting to take advantage of the forecast high growth environment, by delaying exits.

Southern Africa

In Southern Africa, the majority of respondents continue to prefer a sale to a strategic investor or secondary sales to PE as exit routes. The increased competition for quality assets has resulted in auctions becoming a larger exit route in Southern Africa to drive deal value.

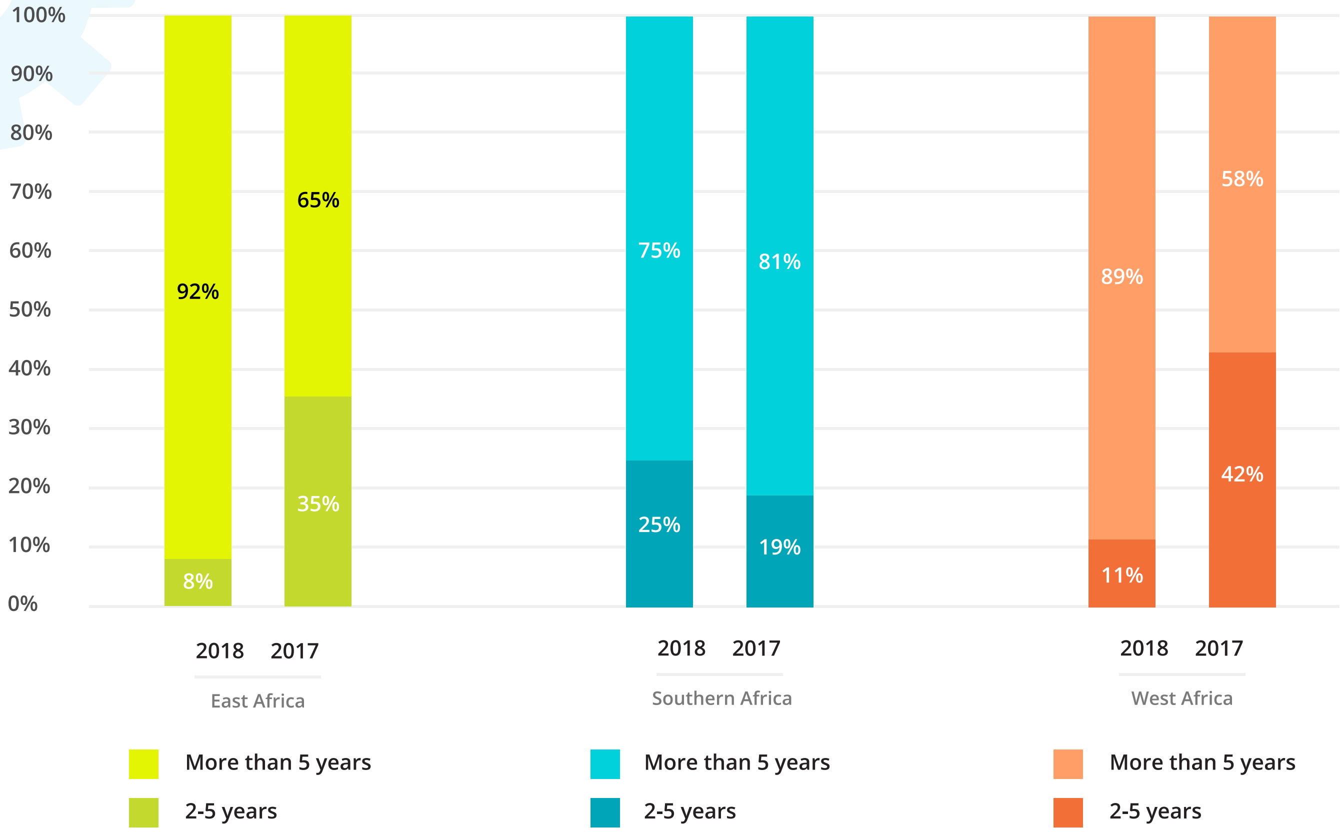
West Africa

Similarly to 2017, secondary sales to PE and sales to strategic investors are expected to be the most prominent exit routes over the next 12 months within the region. While there is a small focus to exit via Initial Public Offerings (IPOs) in West Africa (6%), 13% of respondents do not expect to exit at all over the next 12 months.

Average life cycle

The majority of respondents expect the average life cycle for investments made in the current year to be more than five years.

Figure 20. We expect the average life cycle from initial investment to exit for investments made in the current year to be



East Africa

There was a noted reduction in the share of respondents who expect the average life cycle of an investment to be between two and five years, with more than 92% expecting the life cycle to be longer than five years. This is driven by the anticipated delay in exits as investors aim to take advantage of the favourable forecast economic environment.

Southern Africa

The majority of respondents within Southern Africa expect the average investment life cycle to be more than five years. This is a typical observation across the global PE environment, where exit strategies are generally between five and seven years to allow for optimal growth time and strategic execution of initial strategies, particularly in a low-growth environment.

West Africa

There is a significant increase in the investment horizon within the region, as investors wait for more favourable economic conditions to realise profits.

Limited partners

LP fund investments

More than two thirds of survey respondents expect to invest in a regionally focused fund.

Figure 21. What kind of LP is your organisation?

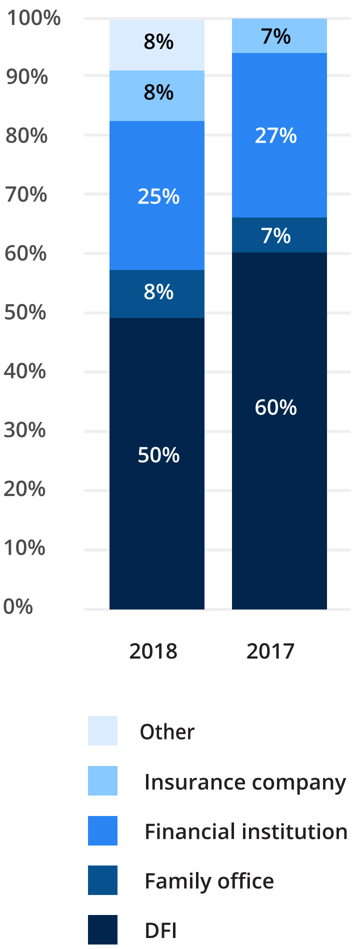


Figure 22. During the next 12 months do you expect to invest in a regionally focused fund?

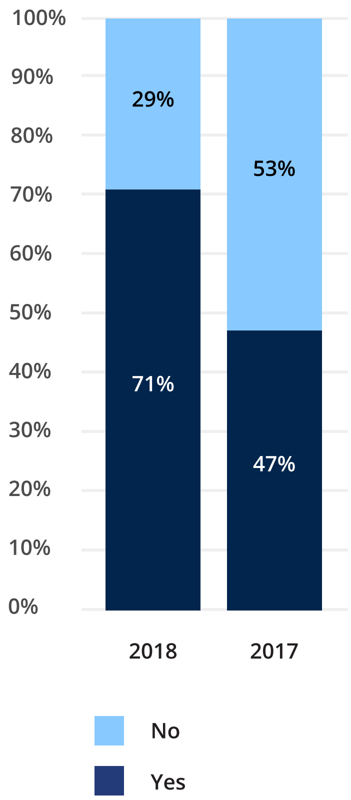
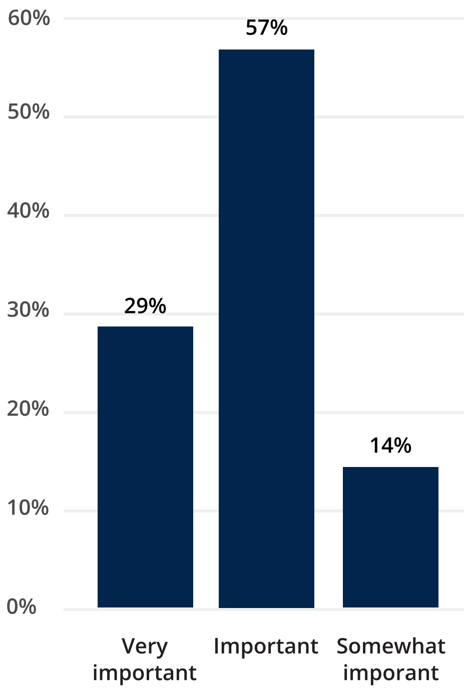


Figure 23. When investing in a regional fund, what level of importance do you attribute to social impact investments?



Most LPs surveyed identified themselves as DFIs or financial institutions, while family offices and insurance companies are also represented.

More than two thirds of respondents expect to invest in regionally focused funds during the next 12 months. Economic growth prospects within the region and portfolio diversification were cited as the main reasons to invest in regionally focused funds by respondents.

Surveyed LPs were also most interested in investing in SME focused funds, and mid-sized growth play funds.

Just short of 90% of LPs surveyed indicated that the social impact their investments will make within the region is either an important or a very important consideration when making their investment decision. This follows global trends of responsible investing.

Challenges ahead

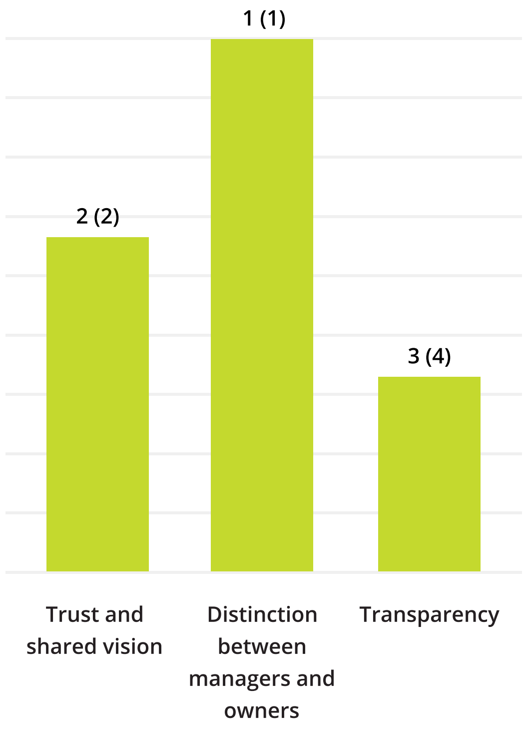
Top challenges related to improving corporate governance

Across all three regions respondents cited a variety of factors as major challenges to corporate governance.

East Africa

E

Figure 24a. We expect the biggest challenges related to improving corporate governance for our portfolio companies to be*



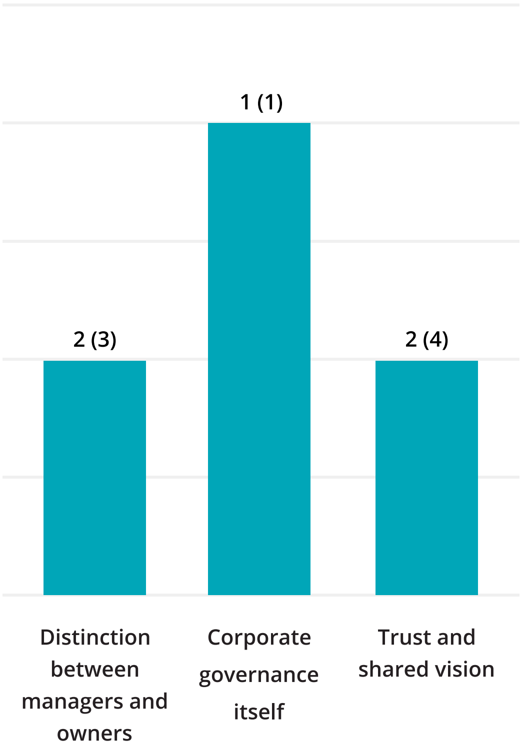
* Note: The graphic only displays the top three challenges for 2018. The comparative 2017 PECS ranking is provided in parenthesis.

In East Africa, the distinction between managers and owners is again expected to be the biggest challenge to improving governance. This is particularly prevalent in small or mid-sized companies where owners (who subscribe as directors) are actively involved in management of a company's operations. Therefore, a conflict of interest may arise due to lack of an independent board of directors to objectively monitor management's performance against set goals.

Top challenges related to improving corporate governance (cont.)

Southern Africa

Figure 24b. We expect the biggest challenges related to improving corporate governance for our portfolio companies to be*



* Note: The graphic only displays the top three challenges for 2018. The comparative 2017 PECS ranking is provided in parenthesis.

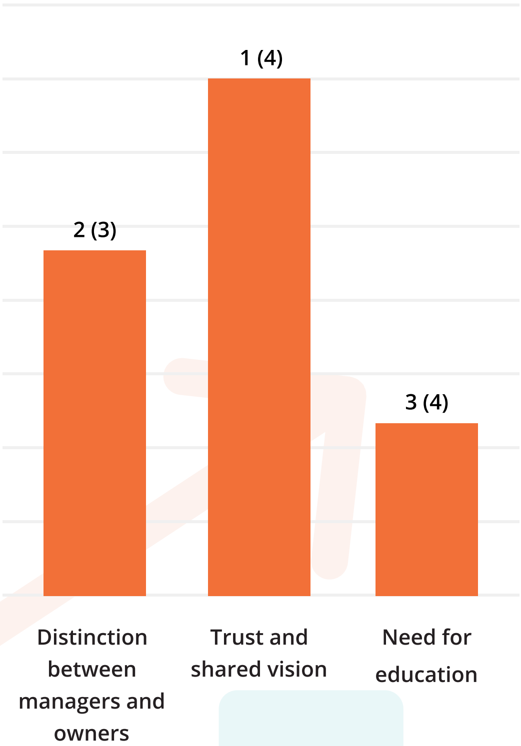
Respondents again are most concerned about corporate governance itself in the Southern African region. In South Africa, specifically, corporate culture needs to be driven by good governance if it is to restore trust in the current environment.

Respondents also highlighted the distinction between managers and owners, and the lack of trust and a shared vision as equally important challenges to improving corporate governance.

Top challenges related to improving corporate governance (cont.)

West Africa

Figure 24c. We expect the biggest challenges related to improving corporate governance for our portfolio companies to be*



* Note: The graphic only displays the top three challenges for 2018. The comparative 2017 PECS ranking is provided in parenthesis.

In West Africa, the lack of trust and a shared vision is seen as the major challenge to improving corporate governance. While transparency has become less of a concern, the distinction between managers and owners is ranked as a bigger challenge – again an issue particularly prevalent in smaller or mid-sized companies.

Top challenges related to the international environment

The impact of Brexit on Africa-UK trade

Figure 25. What impact do you believe Brexit will have on trade between the UK and African countries?

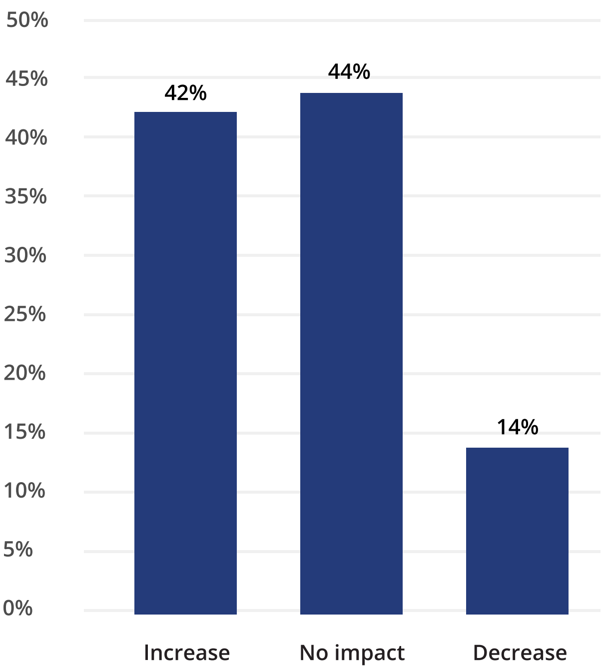
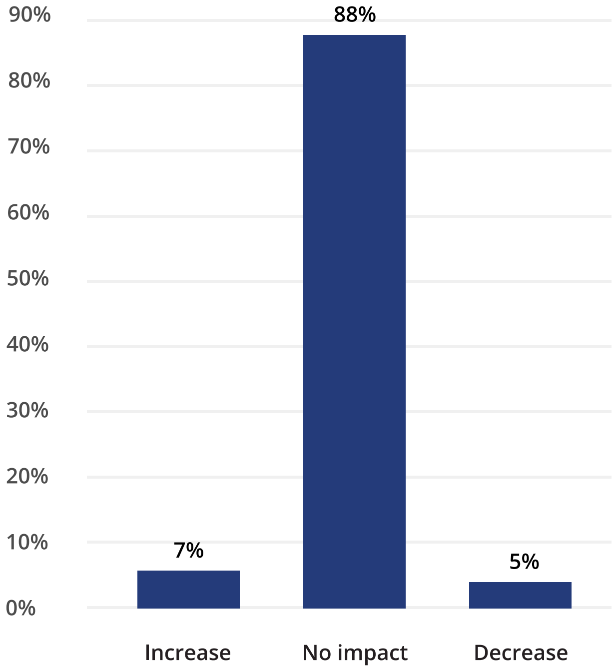


Figure 26. What impact will Brexit have on your mandate to deploy funds in Africa?



As British foreign policy actively shifts towards finding new trade partners, 86% of survey respondents expect Brexit to either increase or have no material impact on trade between the UK and African countries.

Some respondents expect that trade ties between the UK and Africa may be weakened in the short term, because of the lengthy process of the renegotiation of new trade deals, which may result in the decrease in trade volumes. For companies, these uncertainties may result in risk aversion, leading to increased financing costs, which may, in turn, cause capital inflows into Africa to dwindle. This would affect countries with very close ties to the UK. However, in the long run, and upon completion of new trade deals, such decline in trade volumes may reverse.

On the eve of a three-country trade delegation trip to Nigeria, Kenya and South Africa in August 2018, the UK Prime Minister Theresa May stated that “as we prepare to leave the European Union, now is the time for the UK to deepen and strengthen its global partnerships.”[7] Ms May subsequently announced that the UK aims to become the top foreign investor in Africa by 2022.

The majority of respondents indicated that recent Brexit developments will not affect their mandate to deploy funds in Africa.

Top challenges related to the international environment (cont.)

The impact of rising protectionism on US-Africa relations

Figure 27. What impact do you believe the Trump administration's stance will have on trade between the US and African countries?

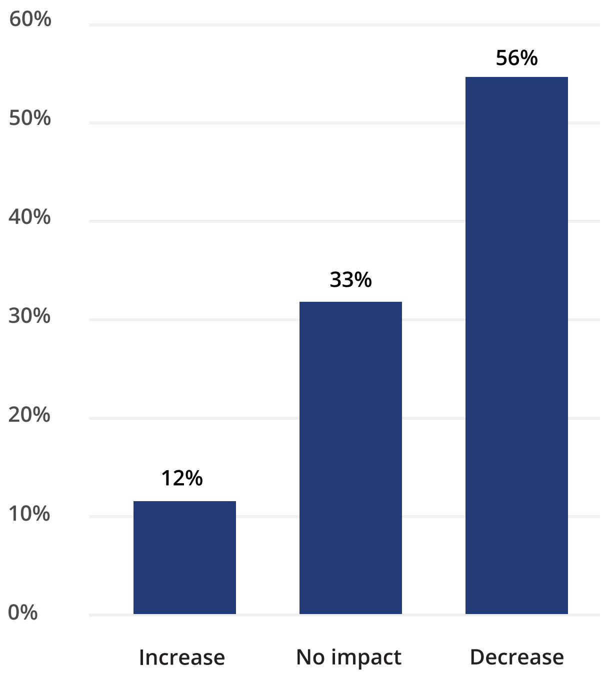
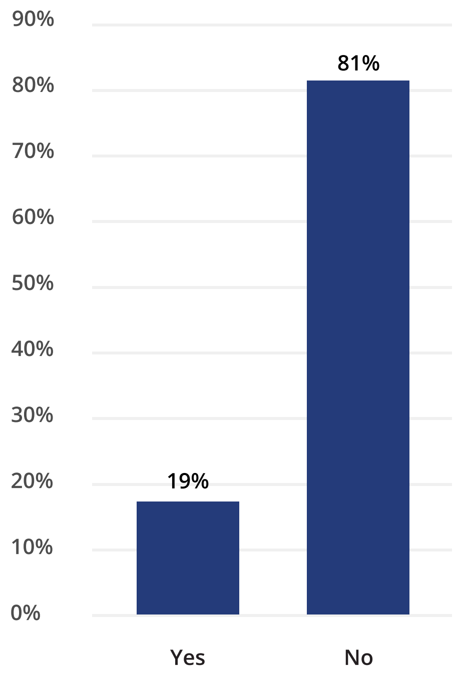


Figure 28. Do you believe that a decrease in investment into Africa from the US will affect your own investments into Africa?



The majority of survey respondents believe that the Trump administration's protectionist stance will negatively affect trade between the US and Africa, but respondents do not expect lower levels of US investments in Africa to affect their own investments.

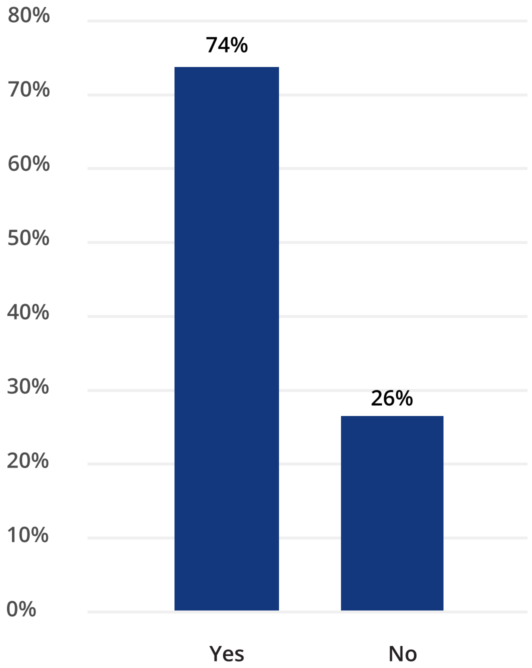
Although US President Donald Trump's policies are mostly aimed at curbing the influence of global competitors such as China and Europe, the effects of imposed trade tariffs on the value chains of goods such as steel and aluminium, for example, will have severe consequences for relatively smaller African economies, who rely heavily on global trade due to the limited nature of regional trade.

The ripple effects of a trade war between the US and Africa's largest trading partner, China, is likely to result in lower levels of FDI and a slow down in demand for commodity exports. This is, in turn, likely to adversely impact the majority of African economies who continue to rely on commodity exports as key earners of foreign exchange.

Top challenges related to the international environment (cont.)

The impact of China's economic outlook

Figure 29. Are you concerned that a slowdown in China's economic growth will negatively affect Africa's growth outlook?



Seventy-four percent of respondents believe that a slowdown in economic growth in Africa's largest trading partner will negatively affect the continent's growth outlook. Indeed, SSA's economic growth trajectory has tracked that of China with a high growth correlation over the two decades to 2015 and specifically since the culmination of China's commercial foreign policy towards Africa through the triennially held Forum on China-Africa Cooperation (FOCAC) summits.[8]

Key commodity-exporting economies such as Angola, the Democratic Republic of the Congo (DRC), South Africa and Zambia have relied on strong Chinese demand for key raw materials for their economic performance, while other countries have benefited from Chinese investment in infrastructure, agriculture and, more recently, light manufacturing activity, specifically in East Africa.

Survey methodology

The 2018 Deloitte Africa PECS focuses on three regions, surveying respondents with operations, and thus activities and knowledge of each of these regions. These include East Africa, Southern Africa and West Africa.

The survey was carried out by leveraging the Africa-wide network and presence of Deloitte in Africa. The survey was conducted between August and November 2018 and was targeted at general partners (GPs) operating in the three regions, with additional questions aimed at LPs.

For GPs across the three regions a total of 62 usable responses were received, and 15 responses from LPs.

The questions posed to respondents were in line with those asked in previous editions of the PECS.

Endnotes

1. International Monetary Fund (IMF), 2018. SSA Regional Economic Outlook.
2. African Development Bank (AfDB), 2018. African Economic Outlook 2018.
3. South African Reserve Bank (SARB), 2018. Statement of the Monetary Policy Committee, 22 November 2018. Available [Online]. https://www.resbank.co.za/Publications/Detail-Item-View/Pages/Publications.aspx?sarbweb=3b6aa07d-92ab-441f-b7bf-bb7dfb1bedb4&sarblist=21b5222e-7125-4e55-bb65-56fd3333371e&sarbitem=8945
4. This section, and all sections that follow, unless otherwise specified, are based on the responses received by GPs for the 2018 PECS.
5. Frost & Sullivan, 2018. Press Release: "South Africa's food and beverage industry a key driver for future economic growth". Available [Online]. https://www.prnewswire.com/news-releases/south-africas-food-and-beverage-industry-a-key-driver-for-future-economic-growth-300721626.html
6. Economist Intelligence Unit (EIU), 2018. Industry Report: Healthcare 4th Quarter 2018. South Africa.
7. The Independent, 2018. "May vows post-Brexit UK will be leading investor in Africa". AFP. August 2018. Available [Online]. http://www.theindependentbd.com/home/printnews/163917
8. Deloitte Africa, 2016. Africa from the Inside: Spotlight on China in Africa: China's rebalancing spells changes for Africa's business model. Available [Online].

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Acronyms

AfDB	African Development Bank
ANC	African National Congress
CAGR	Compound annual growth rate
DFI	Development finance institution
DRC	Democratic Republic of the Congo
EAC	East African Community
EAVCA	East Africa Private Equity and Venture Capital Association
EIU	Economist Intelligence Unit
ERGP	Economic Recovery and Growth Plan
FDI	Foreign direct investment
FOCAC	Forum on China-Africa Cooperation
GPs	General partners
GDP	Gross domestic product
IMF	International Monetary Fund
IPO	Initial Public Offering
LPs	Limited partners
NHI	National Health Insurance
p.a.	per annum
PE	Private equity
PECS	Private Equity Confidence Survey
PEVCA	Private Equity and Venture Capital Association, Nigeria
SARB	South African Reserve Bank
SAVCA	Southern African Venture Capital and Private Equity Association
SME	Small and medium-sized enterprise
SSA	Sub-Saharan Africa
UK	United Kingdom
US	United States

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