

# East Africa Private Equity Deal Dashboard

2016

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# Foreword

EAVCA in association with RisCura, are pleased to release the inaugural East African Private Equity Deal Dashboard. The purpose of this dashboard is to provide investors and practitioners with an aggregate view of the deals and exits that have taken place across the region. This dashboard highlights the sectors, countries and deal types that have occurred.

We would like to thank all participants who have made their data available to us to facilitate this report. Particular thanks must also go to the EAVCA Board for encouraging member participation. Our hope is that the number of responses will increase in our next survey.

We trust that the information provided in this report will be useful to both the East African Private Equity industry and its investors.

**Nonnie Wanjihia**

*Executive Director, EAVCA*



# Market commentary

East African economies had a challenging year in 2015 due to significant currency depreciation and a high interest rate environment. The direction of these two key indicators depends on global events such as the US Federal Reserve's decision on interest rates, that is largely out of policy makers' control. However, there are some promising events such as the low crude oil prices that could have a positive impact on local economies and relieve some of the current account imbalances. Additionally, the peaceful October 2015 Tanzania elections holds great promise for the upcoming February 2016 Uganda polls and the 2017 Kenya and Rwanda elections.



Progress on the standard gauge railway that is expected to connect the coastal town of Mombasa, Kenya to Kigali, Rwanda is progressing well and the energy deficit is also being addressed. Integration efforts between the East Africa community members, which will allow easier movement of goods and services, are also highly commendable.

Opportunity remains in private equity, particularly since the public market opportunities are relatively limited. Overall, we expect the private equity industry to benefit significantly from a growing, stable, East Africa and we have already seen significant investments in the region. Kenya remains the central focus of the investments, and leads the call for integration, which holds great promise for investors and East Africans alike.

**Rory Ord**  
*Executive, RisCura*



# Private equity in East Africa

Private equity is a long-term asset class that differs in nature from most other assets, including listed equity. Typically, private equity fund investments show low correlation to quoted equity markets and are relatively illiquid, particularly in the early years.

Private equity will normally show a drop in net asset value before showing any significant gains. This is often the effect of management fees and start-up costs on the relatively small capital base of a new fund.

Private equity offers investors the opportunity to invest in an asset class that has historically outperformed listed equity over the long term. The investor has to consider investment in this asset class with the particular objectives it wants to achieve.

East Africa continues to attract interest from private equity firms and investors. However, due to the early stage of the industry there is need to continually track deals to establish individual firm track record. The industry will continue to grow if performance is monitored and communicated to potential investors. The fundraising done by the region's private equity pioneers is commendable and gives encouragement to new GPs.

# Survey sample

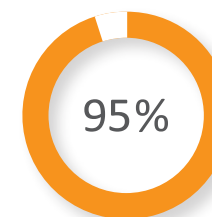
13 of the invited EAVCA members responded to our invitation to participate in this survey. Data from a further three pan African funds investing in East Africa were included, bringing the total to 16 funds. Although more participation would have given us deeper insight, the results did prove useful to draw general conclusions. We collected a total of 63 entry transactions concluded in the region which, while not a full complement of deals concluded, present a fair sample allowing some conclusions to be drawn on private equity activity in East Africa.

On the basis of committed capital

Most funds included had vintage years after

2008

95% of funds were USD denominated



Two thirds of funds had a 10-year term, with infrastructure funds extending towards 15 years and a minority of permanent capital

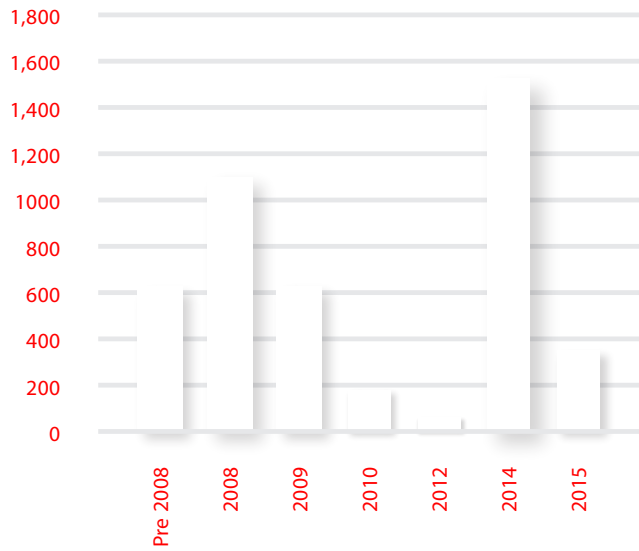


Just over half the funds were focused on growth capital

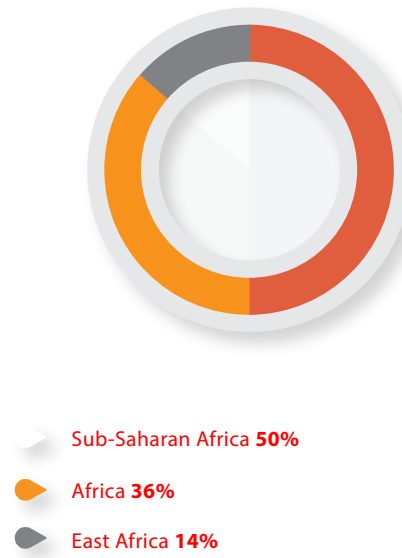
1/2

Most funds surveyed were investing more widely in Africa than East Africa

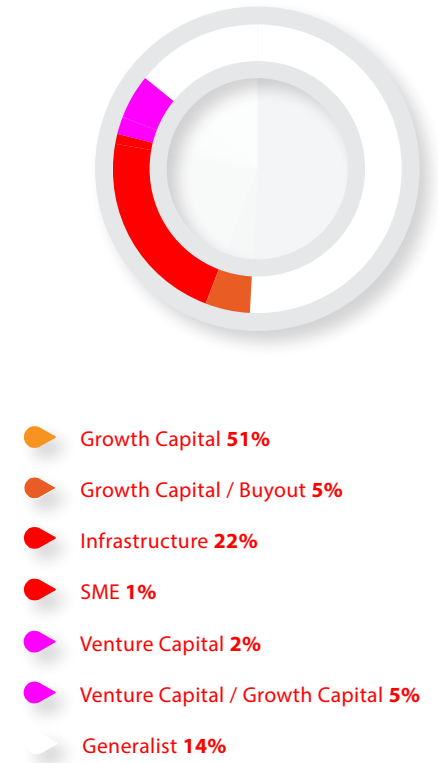
**Committed capital by vintage year (USDm)**



**Committed capital by geographic focus**

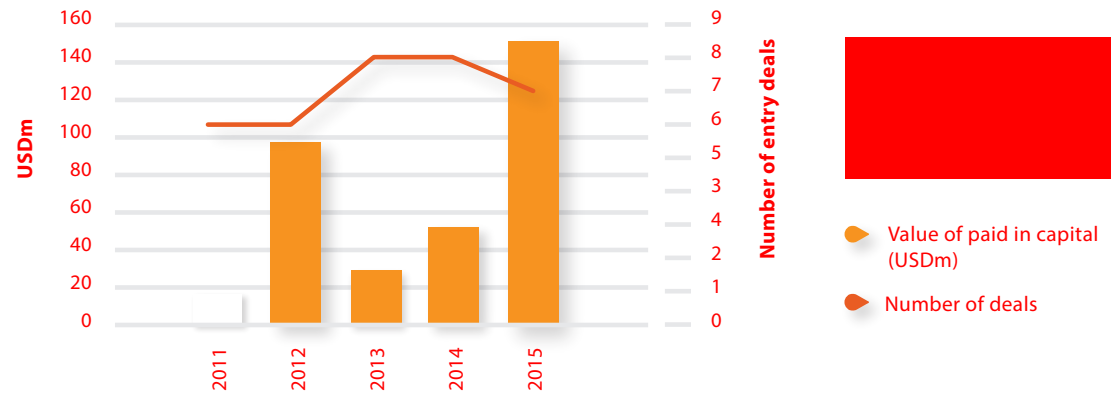


**Committed capital by investment focus**



# Headline statistics

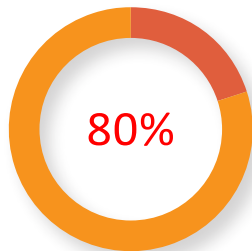
Entry transaction activity over time



The average entry deal EV/EBITDA multiple over the past four years

**7x**

More than 80% of deals by count are minority deals



Three exits were reported



Most deals did not include any debt financing, while the overall Debt/EBITDA was 0.9x. Of the deals that did include debt, the average debt multiple was 2x

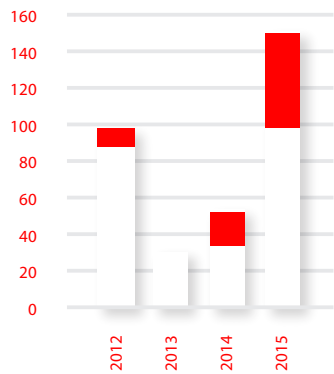
**2x**



# Deal type

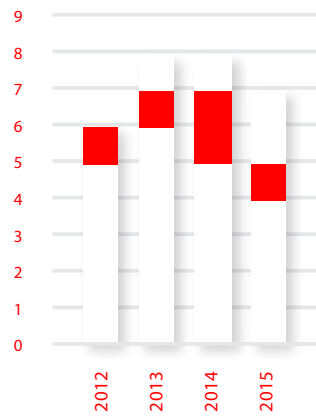
The majority of deals have been buyout/replacement and growth capital. Historically, the majority of deals were growth capital deals but over time the other deal types have increased in number.

Value of deals by type (USDm)



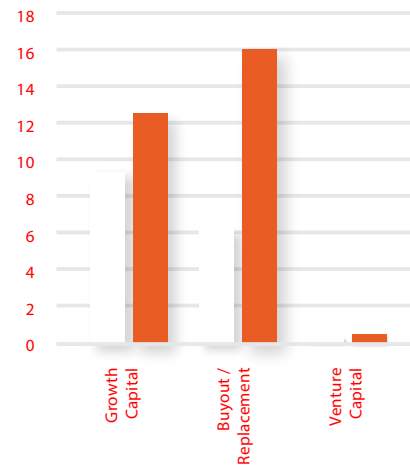
- ◆ Growth Capital
- ◆ Buyout / Replacement
- ◆ Venture Capital

Number of deals by type



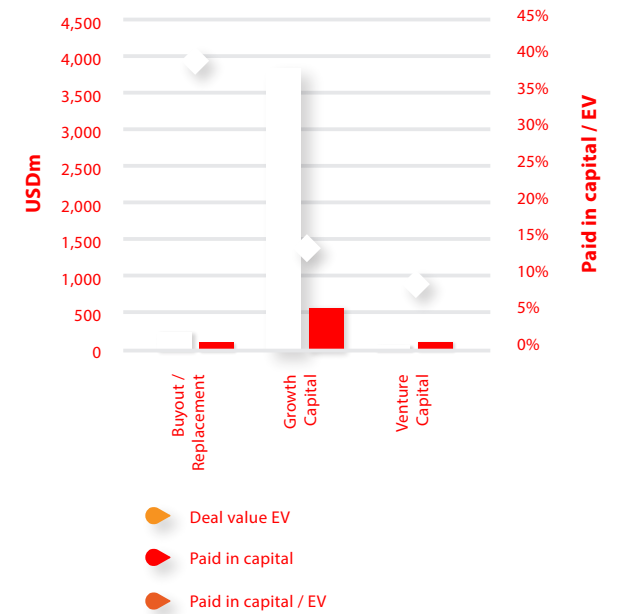
- ◆ Growth Capital
- ◆ Buyout / Replacement
- ◆ Venture Capital

Average deal value by type (USDm)



- ◆ Pre 2012
- ◆ Post 2012

Deal value by type (USDm)



- ◆ Deal value EV
- ◆ Paid in capital
- ◆ Paid in capital / EV

# Geographic focus

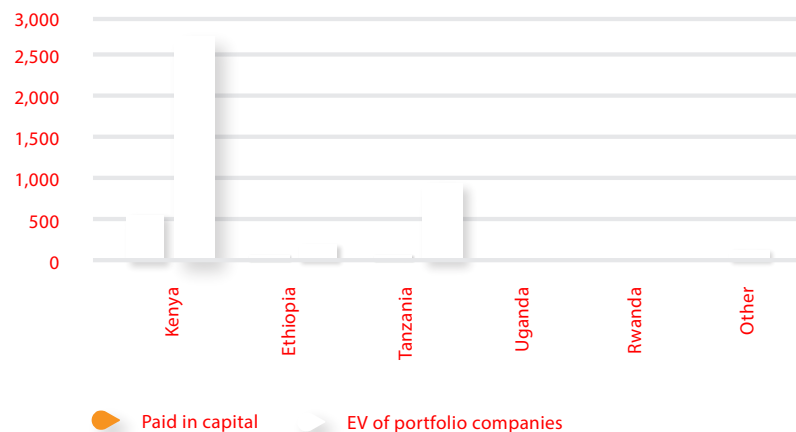
East Africa has made significant strides in recent years to become a region that facilitates ease of business and investment across its borders. The results of this emphasis are clear to see in the value of deals done that have a regional focus rather than a single country within East Africa.

The desire for regional exposure has been the focus of private equity dealmaking discussions over recent years.

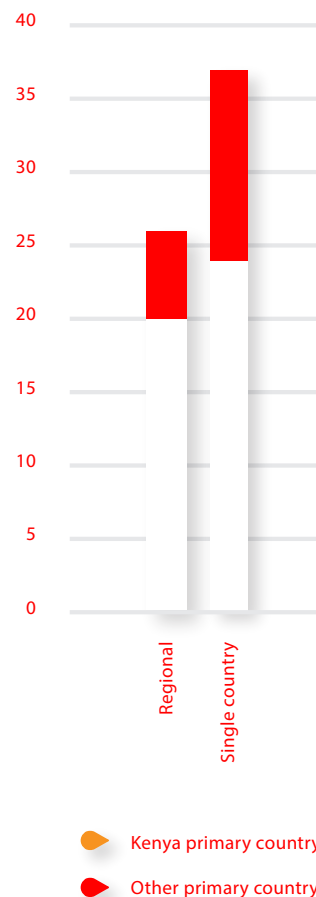
It is interesting to note though, that the number of single-country deals still exceeds regional deals. This points to the fact that larger deals tend to be regionally focused, while smaller deals are single-country focused.

While much of the focus is toward regional opportunities, within this strategy Kenya remains the country of operation in most instances.

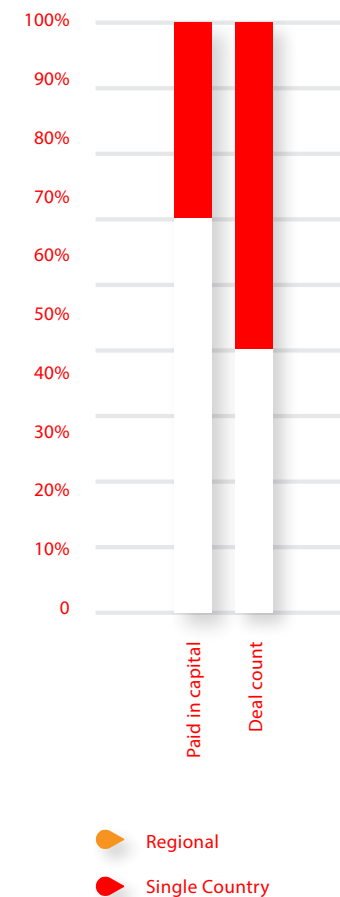
Deal value by primary country of operation (USDm)



Number of regional and single country deals

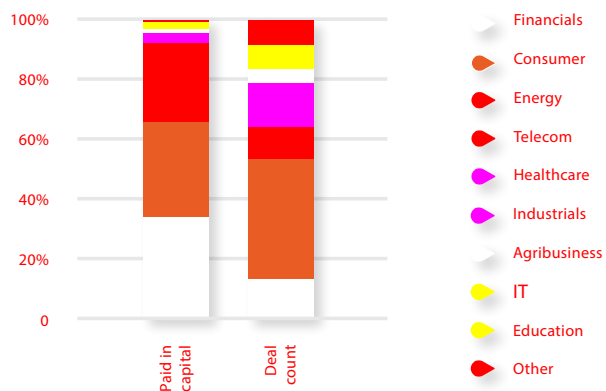


Ratio of regional to single country deals



# Deals by sector

Split of deal sectors



## Deal value by sector

Deal activity in East Africa is highly concentrated in a few key sectors:

- 35% of deals are in financials including banks, insurance and asset management companies.
- A further third of deals by value are in consumer-related companies, including both staples and discretionary consumer spending.
- This is followed by energy investments at 15%.
- This means that these top three sectors take up 81% of the invested capital.

## Deal count by sector

From a deal number perspective the story is slightly different:

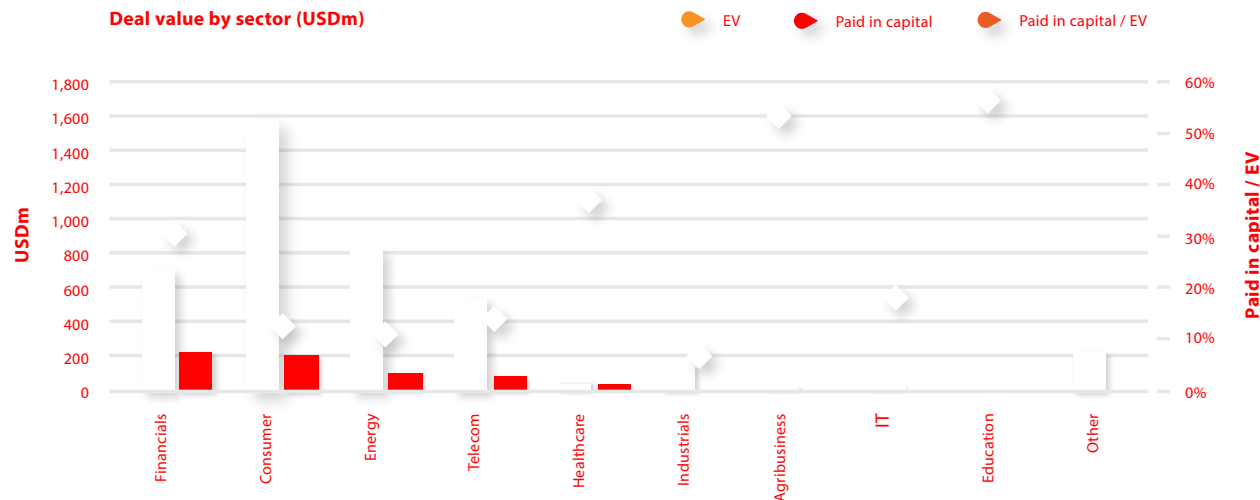
- Consumer businesses still dominate the deal numbers with 40% of the deal value.
- While financials is the second biggest category by number of deals, it makes up 14% of deals, compared to the 35% by deal value.
- No other sector makes up more than 10% of the deal volume.

## Paid in capital/EV by sector

When comparing paid in capital to Enterprise Value:

- It is clear that most deals are minority deals across all sectors with paid in capital.
- Of the three big sectors, financials seems to attract the highest levels of paid in capital to Enterprise Value.
- In general, the smaller deals seems more likely to be majority deals, or at least have higher levels of investment relative to Enterprise Value.

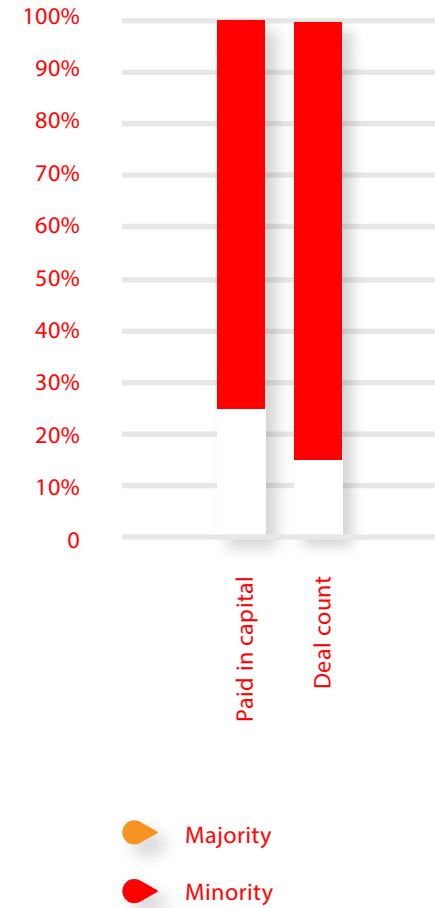
Deal value by sector (USDm)



# Control status

Most deals in East Africa tend to be minority deals. Majority deals are disproportionately likely to be buyout/replacement deals. More than half of majority deals are buyout/replacement deals, while only 5% of minority deals are buyout/replacement deals.

**Split of deals by control status**



# Definitions

## **BMI Research**

Business Monitor International

## **Committed capital**

The value of dedicated investment funds pledged by the investors of a private equity fund and available for investment. This is a proxy for the size of the fund.

## **East Africa**

Burundi, Ethiopia, Kenya, Rwanda, South Sudan, Tanzania and Uganda

## **EBITDA**

Earnings before Interest, Tax, Depreciation and Amortisation

## **EV**

Enterprise Value

## **Fund Size**

Determined by the committed capital of a fund

## **GDP**

Gross Domestic Product

## **GP**

General Partner

## **Multiple**

A measurement of a company's price, determined by dividing one metric by another metric.

## **Paid in Capital**

Paid in capital is the amount of capital "paid in" by investors, and represents the funds raised by the business from equity.

## **US**

United States

## **USD**

United States Dollar

## **Vintage Year**

Defined as the year in which a fund first draws down capital from its investors.

# About

## **EAVCA**

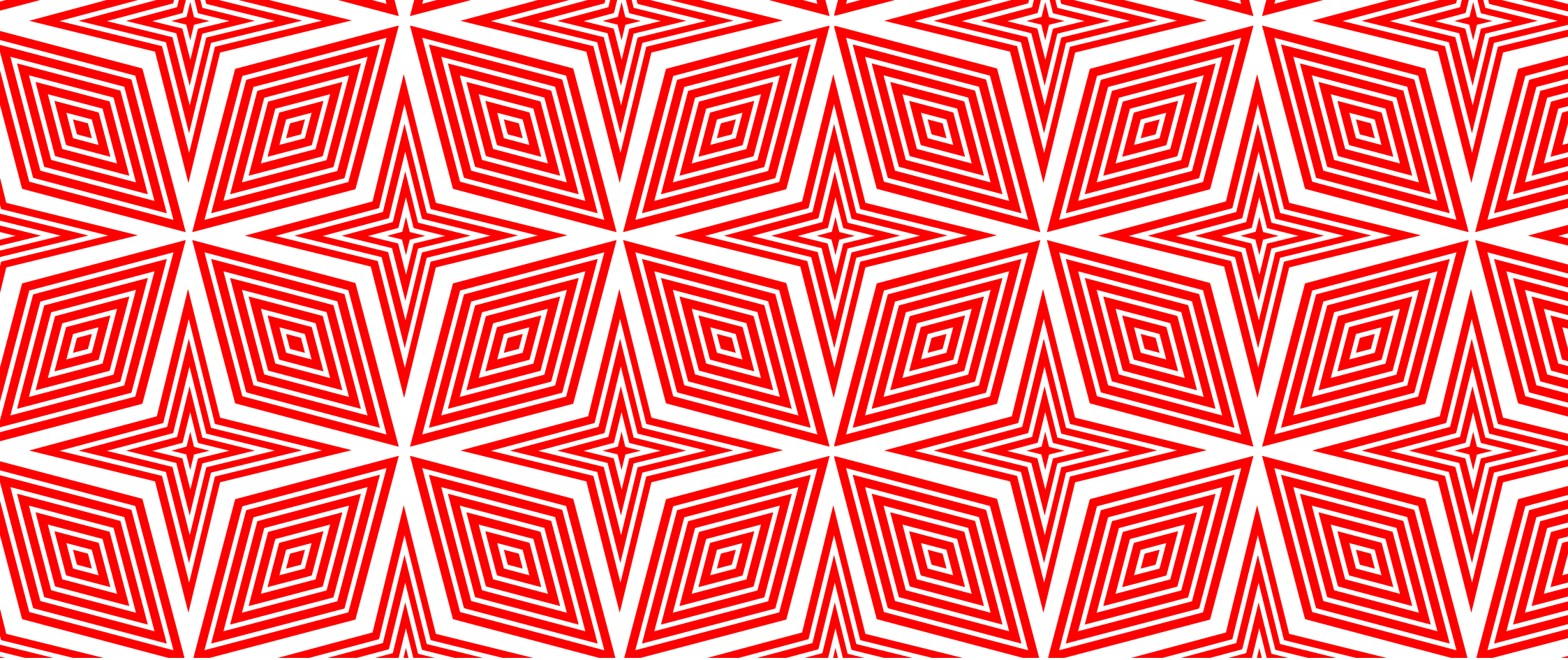
The East African Private Equity and Venture Capital Association (“EAVCA”) was founded in 2013 to represent the private equity industry in East Africa and provide a voice for industry players to raise awareness and engage on regional policy matters. The association offers training with more localized content, targeting junior team members. Furthermore the Association offers networking opportunities for members and the wider investment community and captures industry data and statistics.

**For more information call +254 (0) 717 665 342 or visit [www.eavca.org](http://www.eavca.org).**

## **RisCura**

RisCura is a global, independent provider of professional investment services. It services institutional investors, asset managers, hedge funds and private equity firms with over USD200 billion in assets under management. RisCura is a leading provider of investment consulting, independent valuation, risk and performance analysis services to investors.

**For more information about our services please contact Rory Ord on [rord@riscura.com](mailto:rord@riscura.com) or visit [www.riscura.com](http://www.riscura.com).**



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