

# **Southern Africa Private Equity Roundtable**

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# Presentation objectives



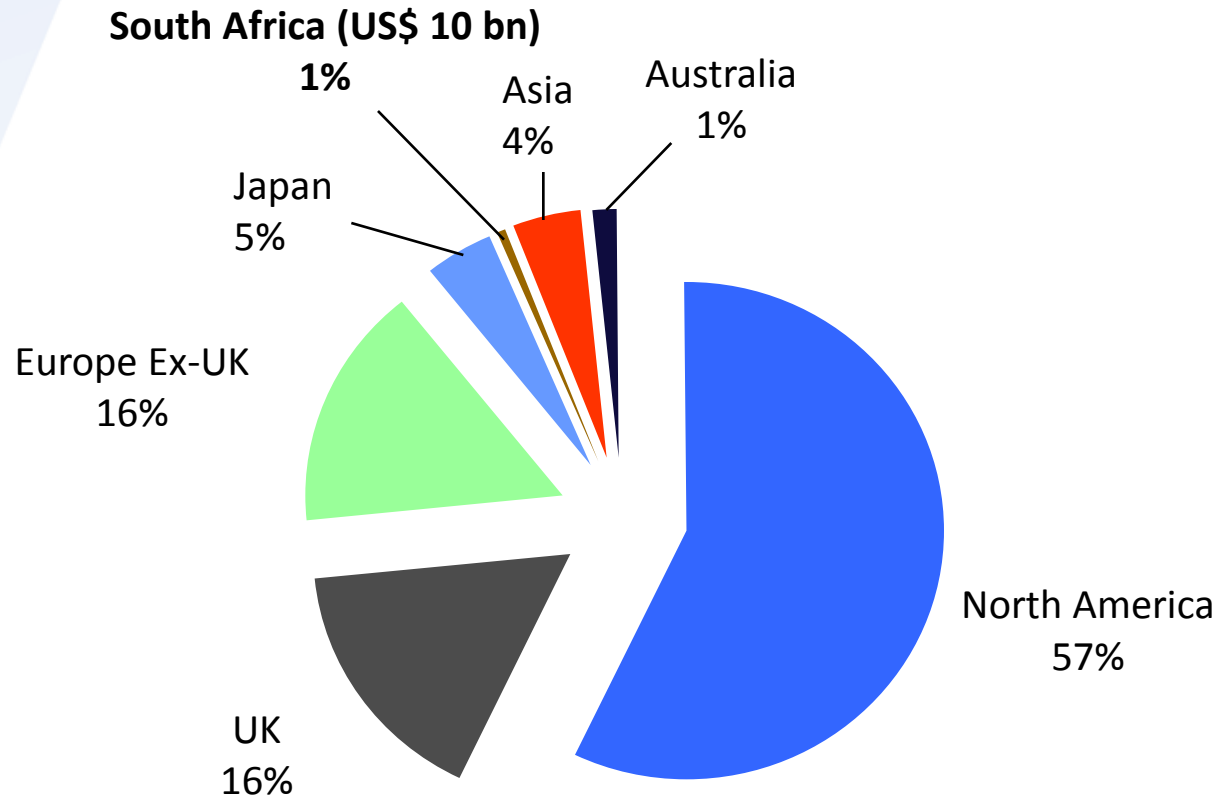
- Provide an overview of SAVCA, the Private Equity and Venture Capital industry in South Africa
- Discuss some facts and figures of the industry and the economic impact thereof

# SAVCA Overview



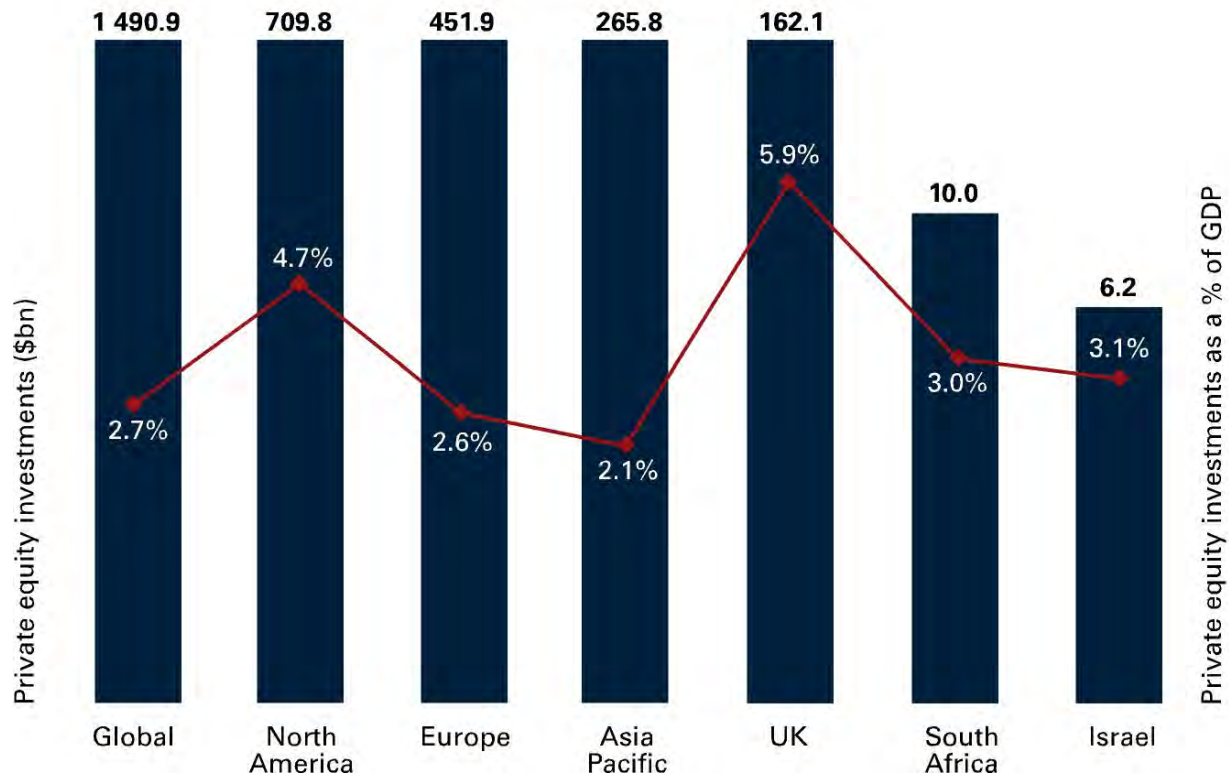
- SAVCA is the industry body that was formed in 1998 to represent and promote the interests of the private equity and venture capital industry in South Africa
- 74 Full members
  - Who manage capital (3rd party and/or proprietary capital) for investment (equity or quasi equity) in predominately unlisted companies
  - Includes South African, Botswana, Namibian, Zimbabwean Private Equity funds and funds that have offices across the continent
- 35 Associate members

# The South African private equity industry is small by international standards ...



... but represents a significant percentage of GDP (US\$ Billion) ...

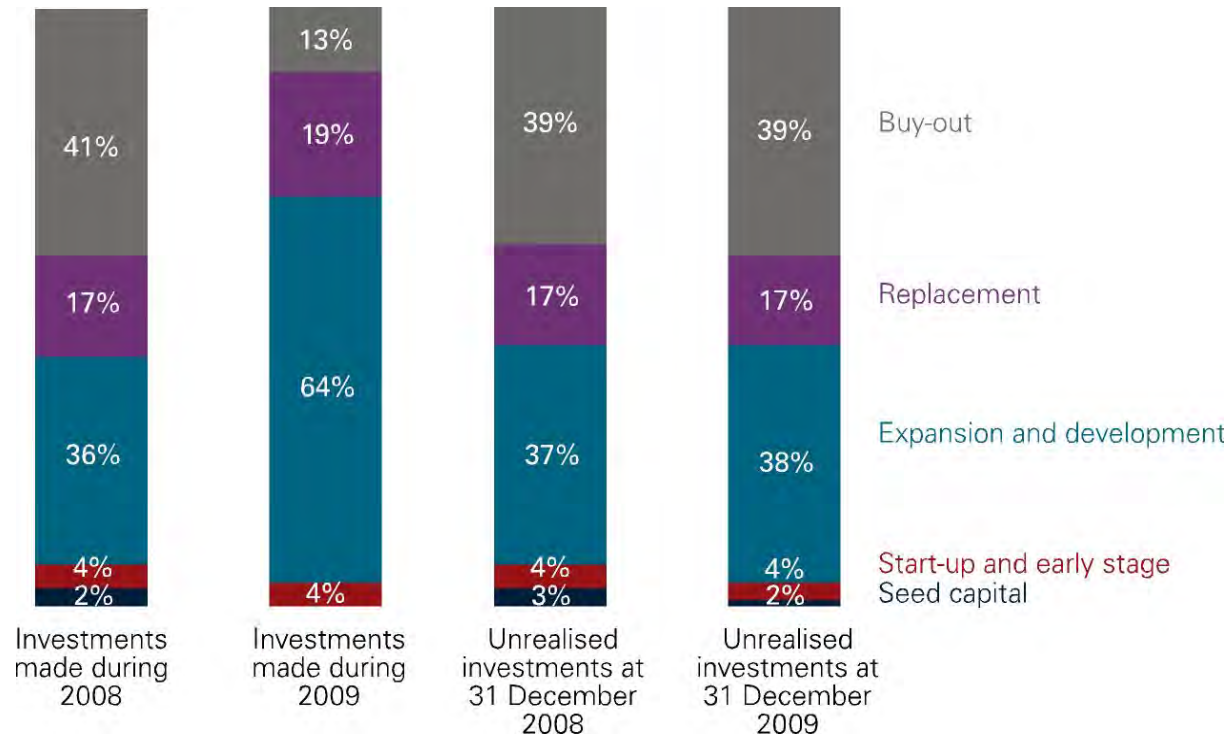
Size of Industry as % of GDP



# Most activity is expansion/development-focused



- The bulk of investment activity is for Expansion and Development
- Seed capital, start-up and early stage 6% (25% by number of investments)



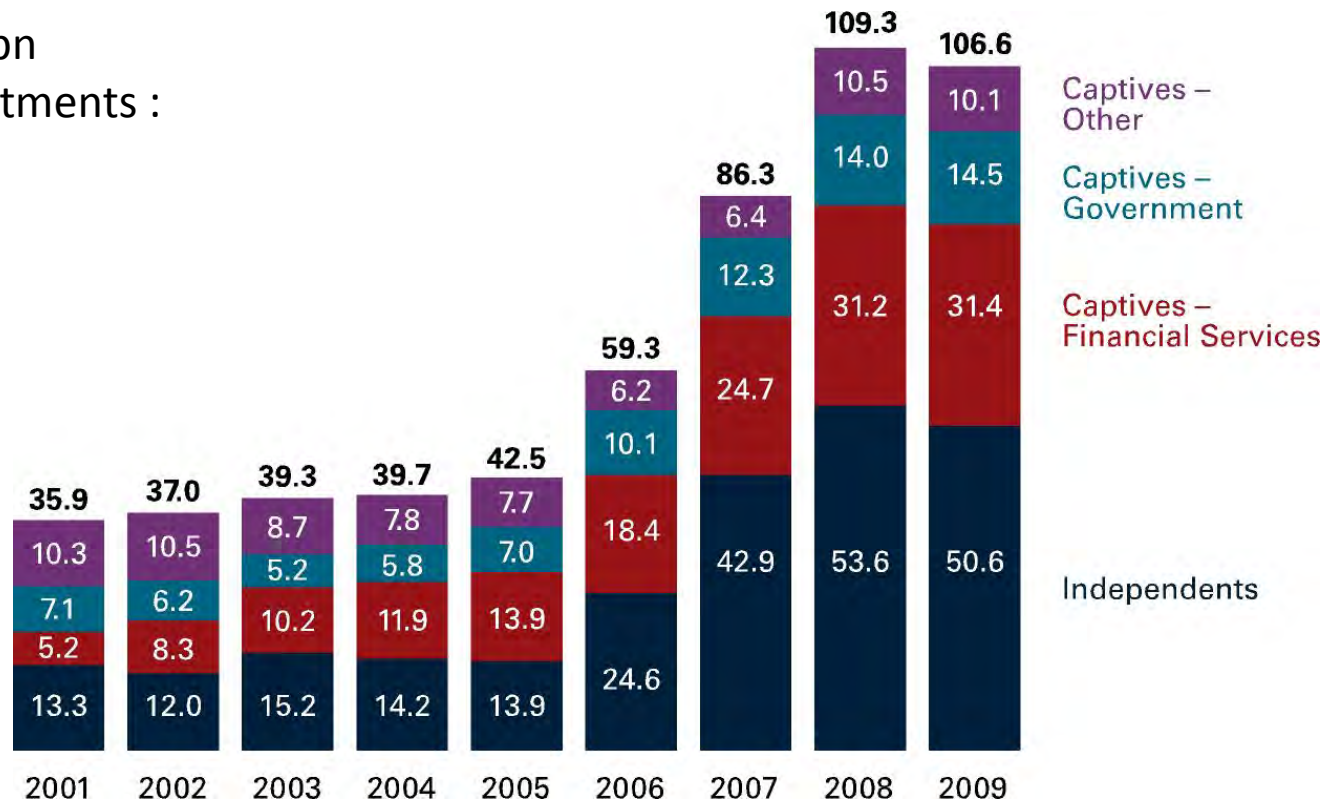
**Analysis of investments by stage based on cost of investments**

# The funds under management by the industry are significant

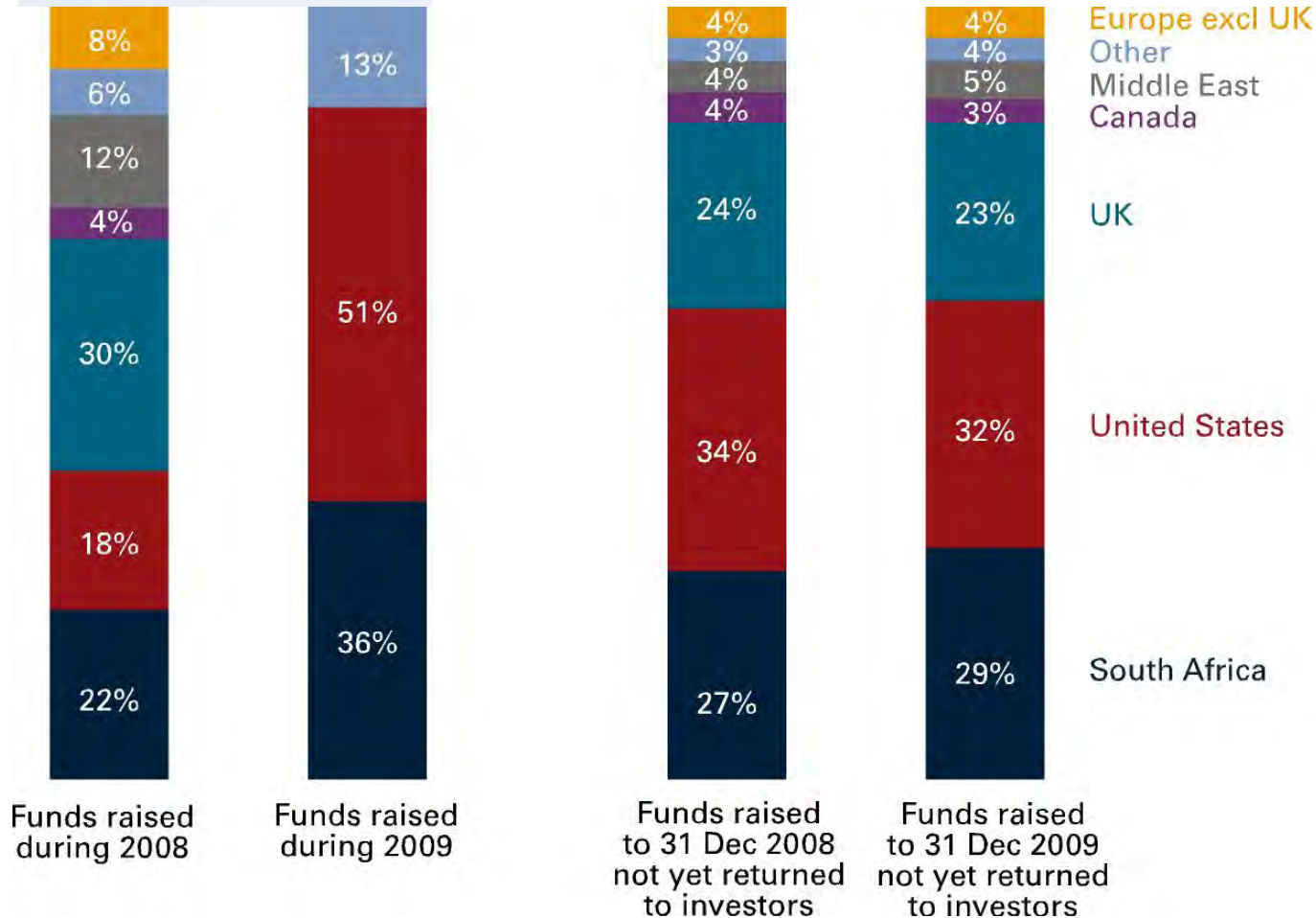


- CAGR of 14% since 1999
- Split of FUM:
  - Invested : R73.7bn
  - Undrawn commitments : R32.9bn

Composition of total funds under management at year end (Rbn)

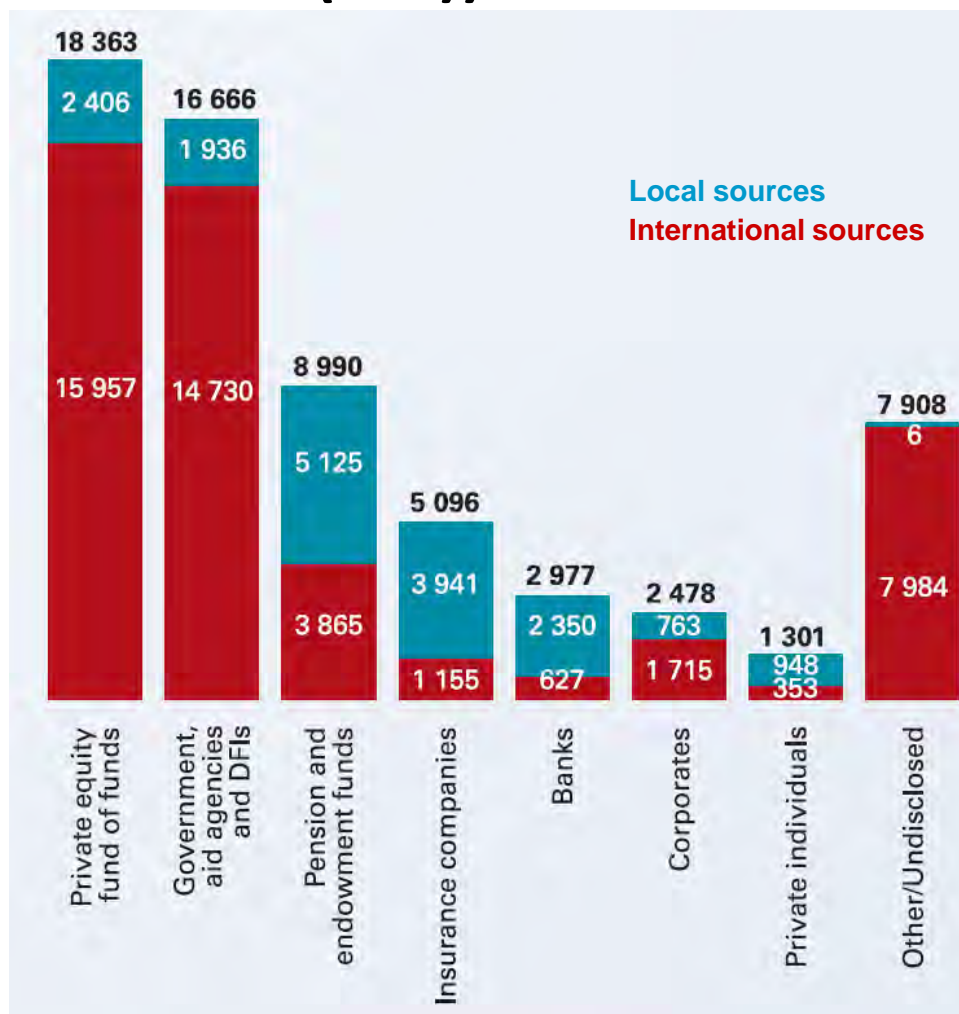


# Third party funds raised are sourced from various geographies



Geographic sources of third party funds raised

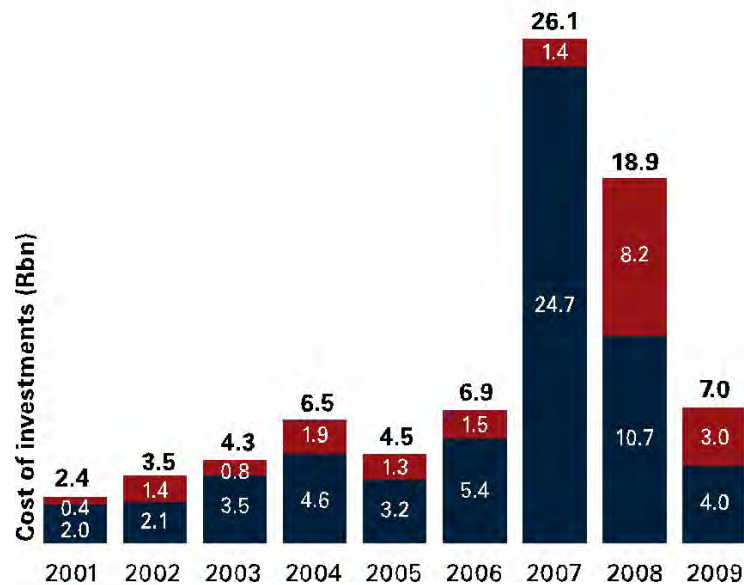
# And from a variety of sources (cumulative third party funds raised not yet returned to investors (Rm))



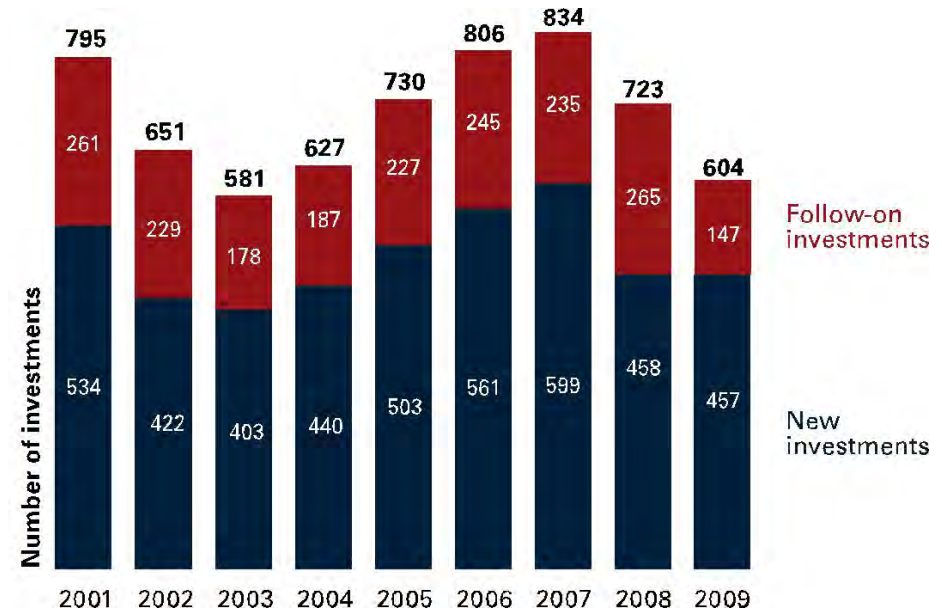
# Investment activity (equity portion only)



Cost of investments made during the year (Rbn)



Number of investments made during the year



# Over the three-year period from 2005/2006 to 2008/9, Private Equity-backed companies have achieved:

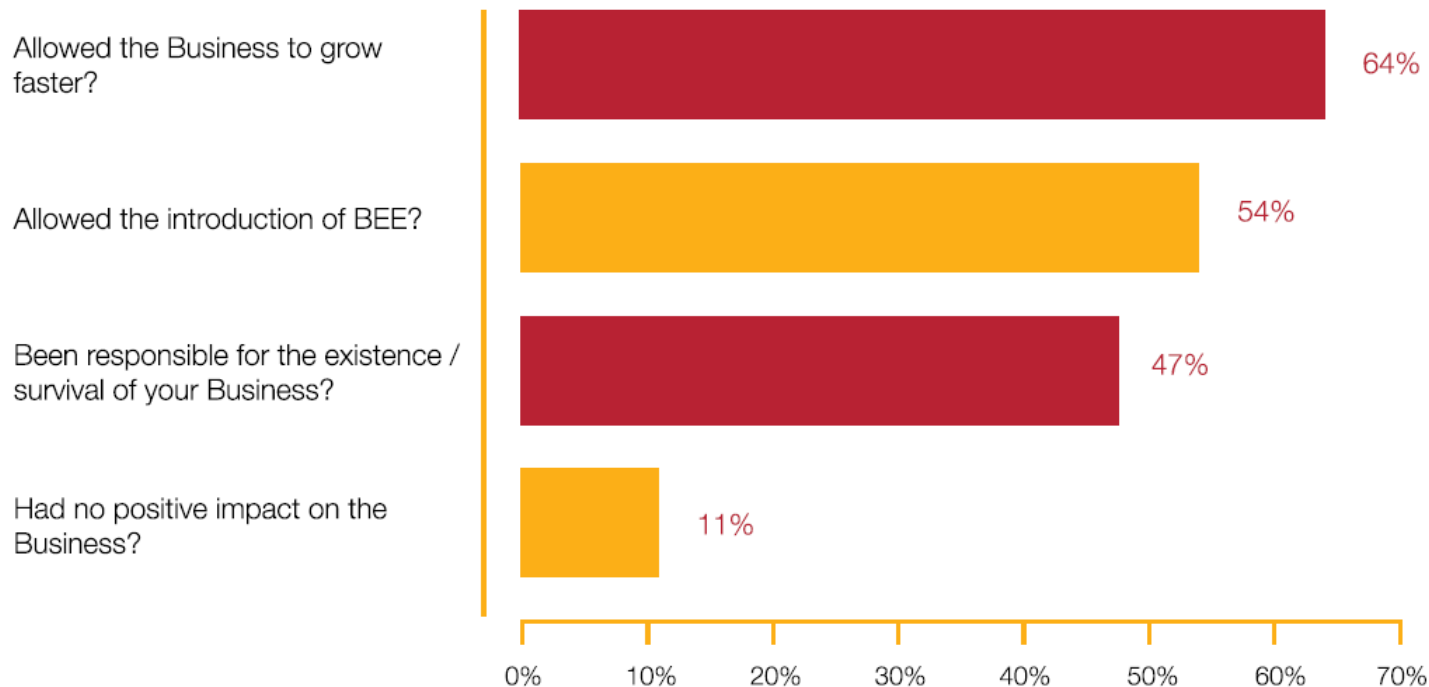


- **Employment growth rates of 9% p.a.** compared with JSE listed business's growth rates of 4%
- **Employment of 5% of SA's formal** sector employees which equates to around **427 000 jobs**
- **Average domestic employment growth rates of 10% p.a.** compared with 1% across all businesses in SA
- **Average turnover growth of 20%**, compared to 18% for JSE businesses
- **Pre-tax profit growth of 16%** per annum compared to 14% for JSE businesses
- **Average R&D expenditure growth of 7%** compared to 1% for JSE listed businesses

# So what is the role/impact of role of Private Equity

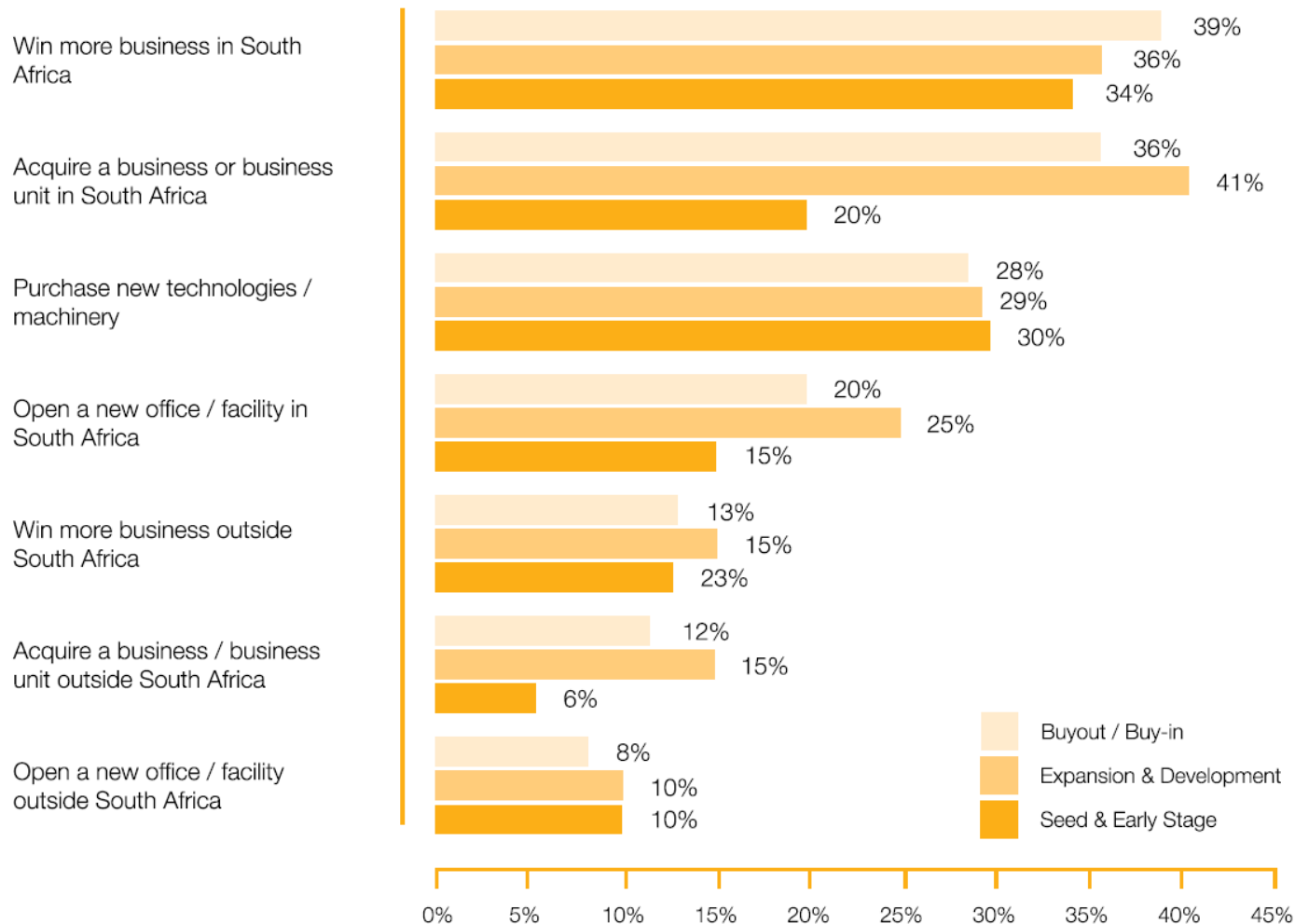
- In the main, respondents report that private equity has made a positive contribution to their business

## Private equity contribution



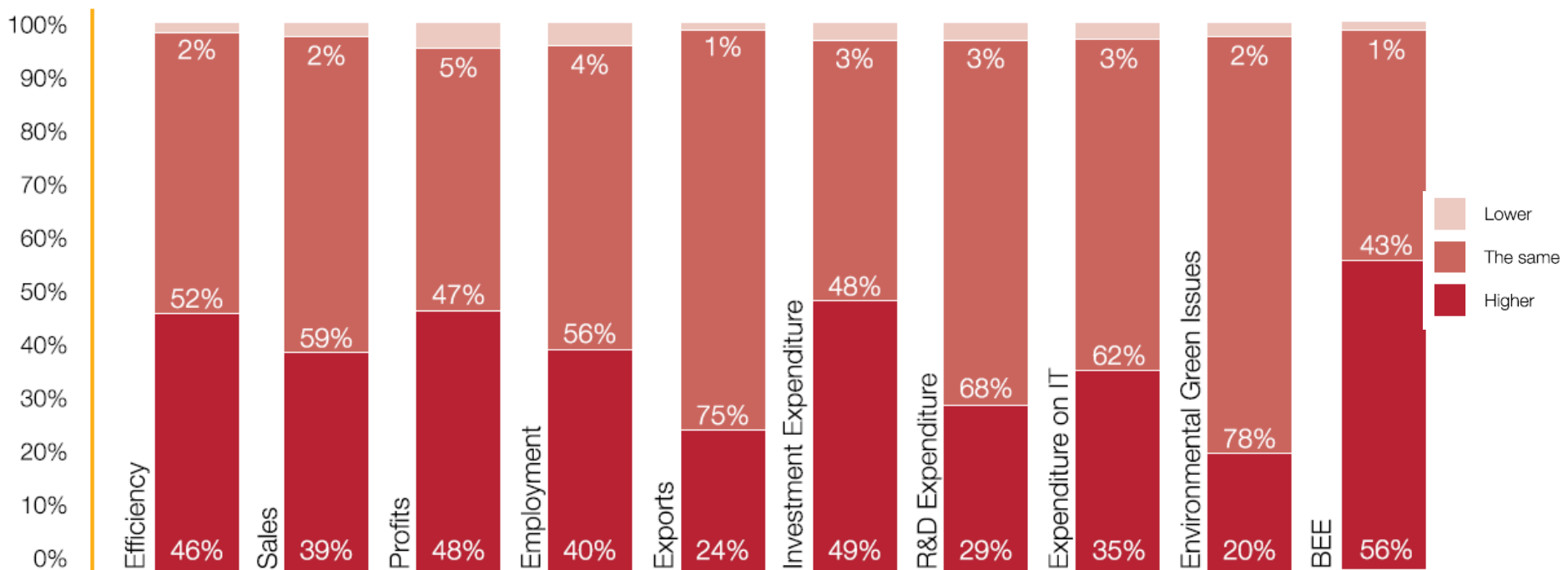
# Achievements under Private Equity

- 36% of investees are winning more business, 33% are able to acquire a new business or business unit because of the PE and VC investment



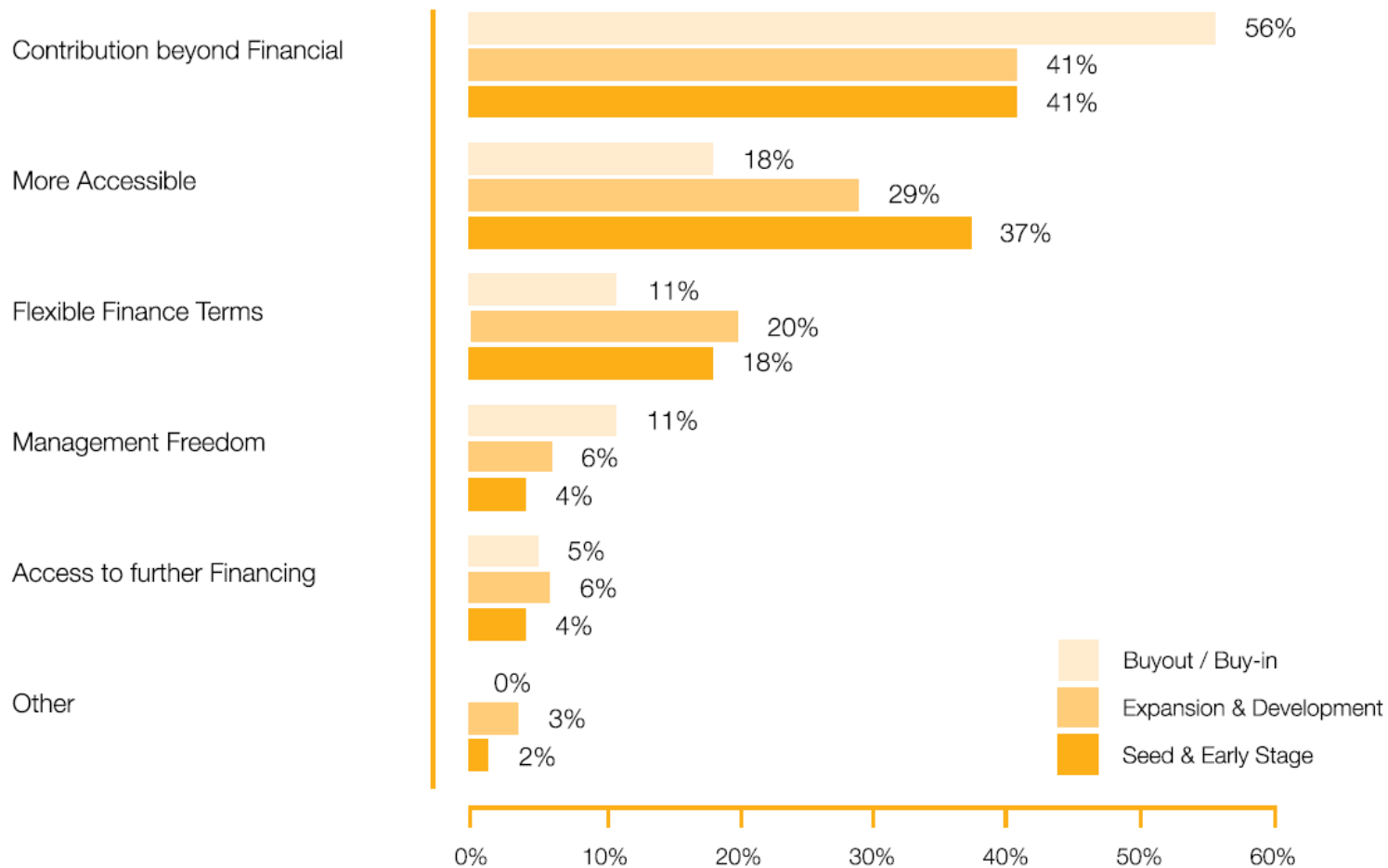
# Impacts Private Equity

- Respondents report that performance in key areas of business had improved since receiving PE or VC backing



# Reasons for Private Equity

- Respondents were asked if they felt private equity was preferable to other forms of financing and why this was so



# Financial and Employment performance



- When analysing growth by financing stage, the figures reveal some interesting trends:
- Buyouts
  - Buyouts show strong growth levels in almost all variables, including employment.
  - Only capital expenditure shows negative growth of -5% although median growth over the period is 18%.
- Expansion and development capital businesses
  - Show similarly strong growth rates with a noteworthy 43% growth in exports.
- Seed and early stage backed companies
  - Show dramatic growth in most categories:
    - Exports grew by 102%, more than doubling in each of the years in the period of consideration.
    - EBITDA grew 32%
    - Capital expenditure and total sales grew by over 20% on average.

# Comparisons with listed companies



## Comparison of growth rates – 2005/6 – 2008/9

Modified Average	Private Equity Backed	Listed Companies - JSE	Listed Companies - ALSI 40
Sales	20%	18%	16%
Pre-tax profit/EBITDA	16%	14%	15%
Worldwide Employment	9%	4%	7%
Investment	16%	26%	29%
R&D	7%	1%	12%

Source: SAVCA, IE Consulting and McGregor BFA