



# KPMG and EAVCA

**Private Equity Sector Survey of East  
Africa for the period 2015 to 2016**

June 2017

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# Foreword

# East Africa: A Beacon for Africa's Private Equity Investment

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KPMG and East Africa Venture Capital Association (EAVCA) are pleased to announce yet another year of positive collaboration in developing the Private Equity in East Africa Survey Report.

This is the second Survey out of East Africa that authoritatively documents the private equity and venture capital activities in the region. The Survey builds upon the sector tracking in our first issue that covered the period 2007-2014. The KPMG/EAVCA Survey methodology was through questionnaires, supplemented by other information sources such as discussions and international reports. The results documented in the report represent the position of 28 private equity and venture capital funds that participated in this year's Survey, a significant increase from the 18 respondents that participated in our first Survey.

East Africa has demonstrated resilience against turbulent economic times to record above continental average GDP growths. This is attributed to improvement in governance, and the relative currency stability that many of East Africa's economies enjoyed during the period 2015-2016. Furthermore, as a net importer of petroleum products, East Africa has a natural hedge that cushioned it from the turbulent commodity price crisis that rocked other parts of Africa.

This positive economic story recorded in the region has a direct correlation to the growth of the private equity and venture capital sector during the period 2015 and 2016. The number of funds with presence in the region doubled from 36 recorded in our first Survey to 72 in 2016. This represents a 100% growth in two years compared to the first seven years of private equity activity in East Africa.

As more investors look into East Africa as an investment destination, funds raised for East Africa investment have also increased. In the years 2015 and 2016, there was an estimated total of USD 1.1 billion raised for private equity investment in East Africa. This compares to USD 1.6 billion reported to be raised in the period 2007-2014, indicating a steep growth (41%) in funds looking at East Africa over the past two years. In terms of sources of funds raised, majority of the PE funds participating in this Survey noted that their primary source of funds were development finance institutions (32% of total respondents) while the category 'Other sources' which includes asset classes such as insurance, fund managers and so forth, recorded the second largest proportion of respondents (28%). Europe and North America continue to lead as sources of funds raised for PE investing in East Africa.

A notable development in the PE sector is the increasing participation of regional pension funds in PE investment. Indeed, during the 2015 and 2016 Survey, one respondent noted that they had raised the bulk of their funds from regional pension funds. A 2015 amendment to the Retirement Benefit Authority of Kenya's regulation saw an allocation of up to 10% of a fund's assets under management allowed for direct investment by the country's pension funds into private equity as a distinct asset class. In Tanzania, a similar regulation allows for up to 5% investment. This is a welcome move for the PE sector as we advance the profile of PE investment in East Africa to match global standards, where pension funds are the backbone of private equity in markets such as North America and Europe.

Another positive of the region's economic growth story is an increase in the number of strong private enterprises that have scalability which is fundamental to attract private equity investment. Moreover, business owners in the region are beginning to appreciate the strategic value of private equity investments in their companies, particularly with second generation business leaders who are keen to scale their businesses to the next level of growth. As a result, the number of PE deals recorded in the region has steadily risen over the years, with 36 deals reported from our Survey respondents for the period 2015 and 2016. This compares to the 79 deals covered in over the period 2007-2014.

Based on the Survey responses, the sector has seen a shift in private equity investment from an agribusiness deal focus, to financial services and manufacturing. During the period 2015 and 2016, 25% of the deals recorded were in financial services, while manufacturing followed at 22%. Agribusiness accounted for 6% of the deals recorded in the same period, compared to 27% of the sector's deals recorded in the period 2007-2014. The shift in sector interest in private equity deals is reflective of the region's emerging trend to move into value-add industries and service sector industries. Countries such as Ethiopia, Kenya, and Tanzania have adopted economic growth plans that identify industrialization as their next frontier for growth and economic empowerment.

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In terms of exit activity, the Survey notes that there has been an increase in exits within East Africa. The period 2015 and 2016 saw 11 exits recorded from our Survey respondents, which builds on the 21 exits recorded in the period 2007-2014. The exits data provided indicates a sector average holding period of 5-7 years. Exit to strategic investors remains the preferred mode of exit for most PE funds investing in the region (78%) although there has been an increase in exits through secondary exits within the sector.

Finally, KPMG/EAVCA is pleased to present the first indicative sector IRRs based on the 2015- 2016 Survey report. Of the 28 respondents that participated in the Survey, the sector average gross target IRR was 22%, while the funds noted an average actual IRR of 19%. This presents a strong case for investors looking to make positive returns in the region.

KPMG/EAVCA wishes to thank all the respondents that took time and effort to participate in the second Survey. We fully acknowledge this Survey is not a full representation of the Private Equity sector in East Africa and remain optimistic that more funds will be taking part in future, to help achieve a complete picture which will assist with fund raising, investment activity and exits.

The private equity and venture capital sector in East Africa - while still relatively nascent - has achieved a positive growth outlook in such a short span of time. We hope this report will further reinforce the region's positive outlook as a key pillar to Africa's foreign direct investment.

Happy Reading!



**Sheel Gill**

Partner and Head of Strategy and  
Deal Advisory  
KPMG Advisory Services Limited



**Eva Warigia**

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



# Survey Highlights

# 1

# Survey Highlights

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## Fund raising

- It is estimated that of the total PE funds raised globally (USD 4.8 trillion) between 2007 and 2016, approximately 0.6% (USD 28 billion) is earmarked for Africa and 0.06% (USD 2.7 billion) for East Africa.
- 75% of the respondents noted, their main source of funds remain investors from Europe and North America largely comprising of DFIs, high net worth individuals/family offices and others such as insurance/asset managers/partners equity.

## Investment activity

- A total of 115 PE backed deals in East Africa have been reported by respondents from 2007 to 2016 (36 were reported from 2015 to 2016), with an estimated value of over USD 1.4 billion (USD 600 million for the 36 deals in 2015 to 2016). This implies an estimated USD 1.3 billion of dry powder is yet to be deployed by the PE funds in East Africa.
- The reported PE backed deals and values represents 45% and 8% respectively, of total reported and disclosed deals in East Africa.
- Average number of deals reported per year increased to 18 per year for the period 2015 to 2016 compared to 9 per our 2014 Survey. Similarly, there has been an increase in the average investment size grew to USD 17 million in 2015 to 2016 from USD 10 million as per our 2014 Survey.
- Kenya remains the most popular investment destination in EA with Financial Services, Energy and Natural Resources and FMCG being the dominant sectors.


## Exits and performance

- The preferred method of returns to investors is repayment. However there has been an increase in the number of investors opting for rollover of funds compared to our 2014 Survey.
- Total exits over 2007 to 2016 were reported at 34, with 13 recorded in period 2015 to 2016. The most active sector remains Financial Services which recorded 15 exits out of the 34 exits. Not only has there been increased exits over the last two years, more importantly there has also been a shift in exits method. Seven of the 34 exits have been through secondary exits to financial investors and 13 through sale to strategic investors. There has been a decline in the share buyback method from 11 (in 2007 to 2014) to 2 in 2015 and 2016.
- Whilst information on performance questions were largely incomplete as many funds are in their maiden years, of the responses received, the average reported actual IRR has been 19%, only 3% lower compared to a target IRR of 22%.

## ESG and Investment professionals

- 85% of the respondents indicated they give environmental, social and governance matters very high importance during the life of the investment.
- The number of investment professionals employed by the PE funds local offices is estimated at 280 as at 2016 (117 as per our 2014 survey). There has been an increase from an average of one to five per our 2014 Survey to 5 to 20 between 2015 and 2016. Moreover, the % of female employees employed by the PE sector in EA has also increased. 21 respondent reported to have between 21% to 50% of employees being female.





Survey  
methodology and  
sources of  
information

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# Survey methodology and sources of information

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## **Participant criteria**

The principle source of the information for this Survey were responses to the Survey questionnaire. In addition, we have sourced publically available information on the private equity sector and deal activity in East Africa.

The Survey questionnaire was developed jointly by EAVCA and KPMG. The questionnaire has four sections: fund raising, investment activity, exits and performance, and investment professionals.

For clarity, the guidelines for participants in this Survey were as follows:

- Have as their principal business the management of funds (third party and/or proprietary capital) for the provision of capital (equity and quasi equity) primarily to unlisted companies;
- Focus on making equity or quasi equity investments in companies in East Africa, regardless of where the fund is managed from;
- Employ investment professionals dedicated to the management of funds raised and deploy such funds through investments in East Africa; and
- Aim to generate returns mainly through sale of investments and/or impact/social developmental returns.

## **Survey methodology**

The Survey was initially undertaken in March 2017 at breakfast organized by EAVCA in conjunction with KPMG where data was collected through use of turning point survey gadgets. This information was supplemented by the use of KPMG's proprietary survey software – Global Compliance Confirmation System (GCCS), to reach out to additional participants across the East African region.

In total, for the 2015 to 2016 Survey, there were 40 respondents, of which 28 met the participant criteria noted above. In cases of duplicate responses from the same fund, we selected the most reasonable response in preparing the analysis contained in this report.

Names of all respondents have been disclosed in the later pages of this Survey, however actual information from each respondent has not been disclosed.

Individual responses on exits and performance were largely incomplete and thus such information was analyzed to the extent possible. We consider information on exits and performance an important element of a fund's lifecycle. Thus we gathered wider data on exits to aid current trends but more importantly form the basis of future surveys.

## **Sources of information**

Other sources of information, especially for deal activity and global and African funds raised, have been sourced from:

- Mergermarket
- Bloomberg
- Thomson Reuters
- NKC African Economics
- African Venture Capital Association
- Bain and Company Global Private Equity Report 2016 and 2017
- KPMG's Private Equity Industry Survey of East Africa for the period 2007 to 2014



Private Equity  
Sector in East  
Africa

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# Private Equity sector in East Africa

A “private equity fund” in East Africa is a term collectively used for a wide variety of financial investors. Such financial investors include:

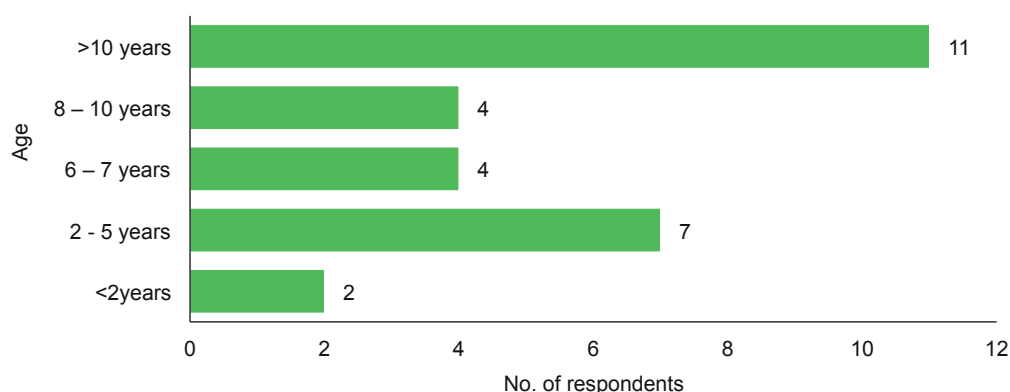
- Direct equity investing arms of DFIs;
- Traditional private equity funds i.e. general partners;
- Impact investors;
- Venture capitalists;
- Family offices; and,
- Hybrid funds focussing on mezzanine financing, distressed opportunities.

As at May 2017, the EAVCA has estimated that the total number of private equity funds investing in East Africa are close to 72. This number is estimated to have increased from 36 since our 2014 Survey. The exact value of funds under management, operating in East African cannot be determined since each fund has a unique fund-raising, investment and portfolio management model. For example there are global, regional and East African funds that:

- invest across emerging markets and/or pan-African investments through one general fund;
- are sector centric but invest across Africa through a dedicated fund; and,
- pursue a fly-in fly-out model across selected countries in Africa.

The East African Private Equity sector is emerging as seen from the average age of funds represented by the respondents, with 61% being less than 10 years old. Of the respondent funds over 10 years in age many were initially set up to focus on investments across other jurisdictions in Africa and have recently embarked on an East African investment strategy.

## Average age of funds of respondents

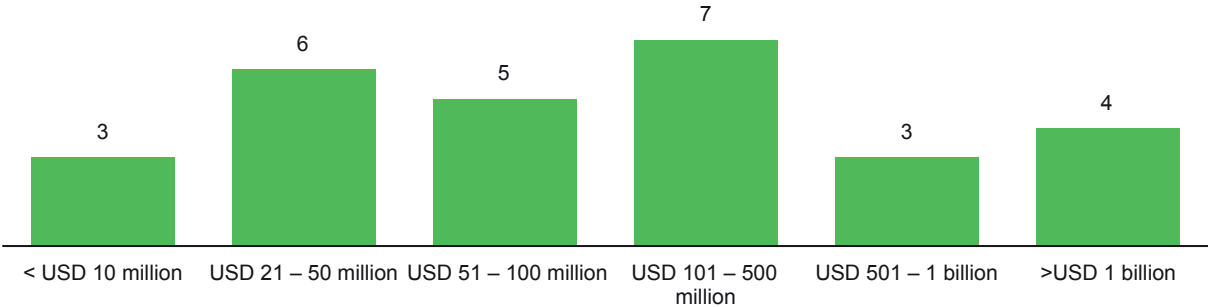


Source: Survey.

# Private Equity sector in East Africa (cont.)

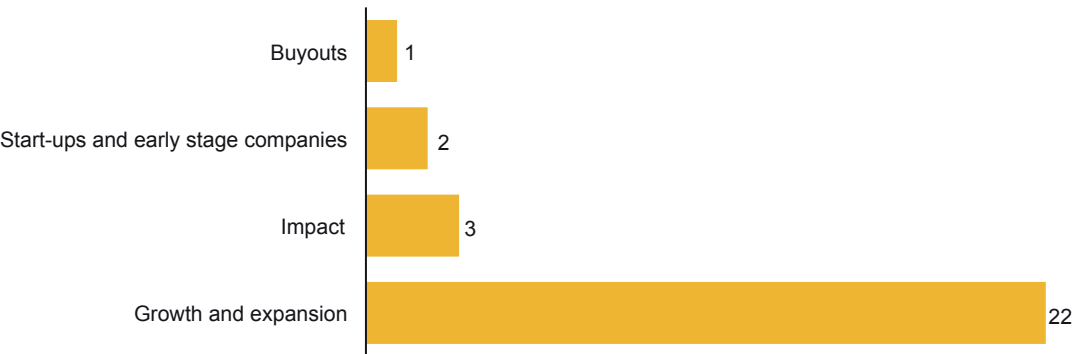
In line with the growth and funding cycle of the potential investee companies in East Africa, 21 of the respondents indicated the size of their fund is in the small-cap to mid-cap range and their focus has towards growth and expansion.

## Fund sizes of respondents



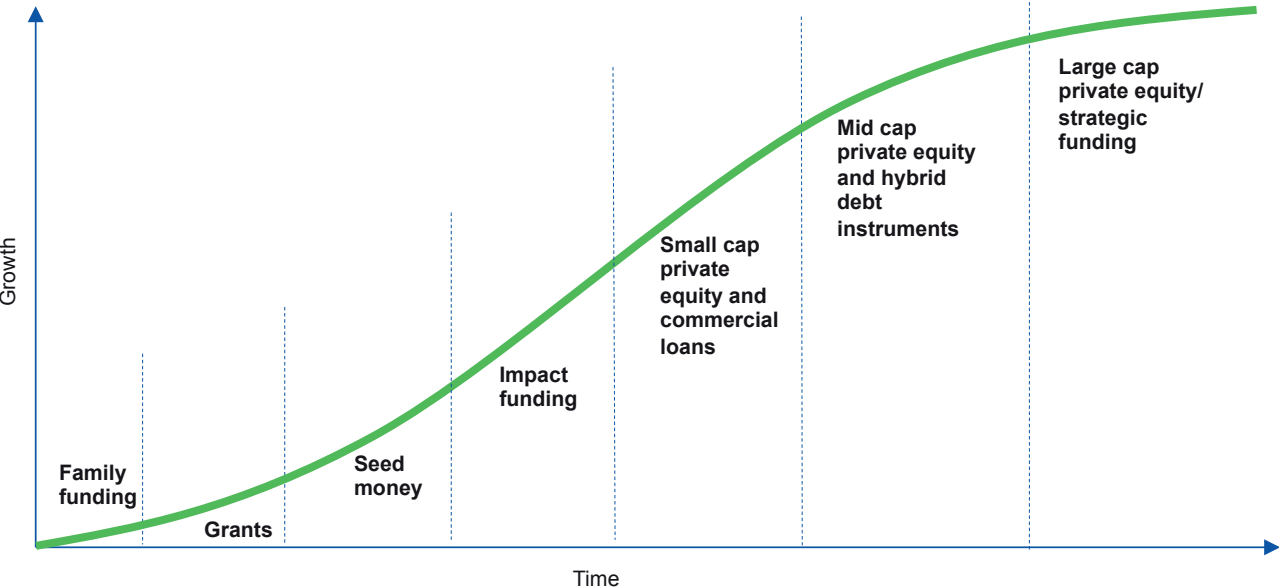
Source: Survey.

## Fund Investment preferences



Source: Survey.

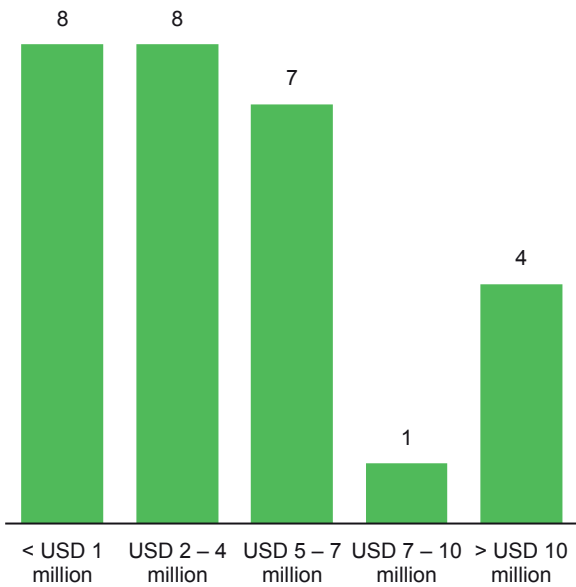
## Typical growth and funding cycle of SMEs in East Africa



Source: KPMG.

# Private Equity sector in East Africa (cont.)

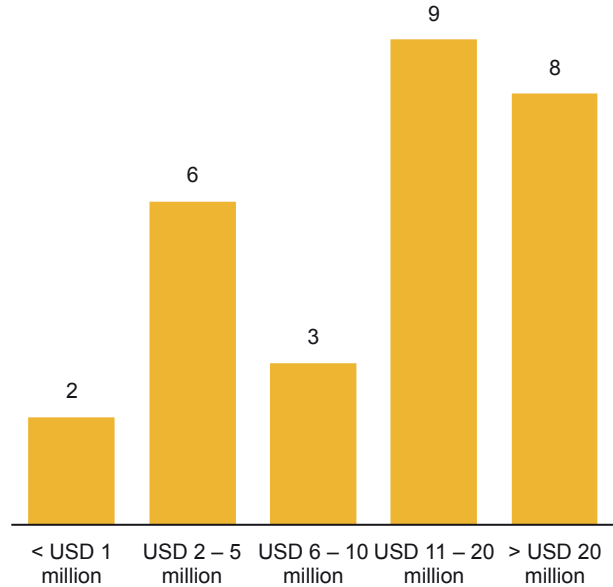
In line with the investment criteria noted earlier and fund sizes, the minimum to maximum investment sizes reported by respondents ranges from < USD 1 million to > USD 20 million.



Source: Survey.

### Minimum investment size

— 57% of the respondents indicated their minimum investment size is less than USD 4 million. Although, there is typically an understanding that smaller deals will have follow-on investment opportunities.

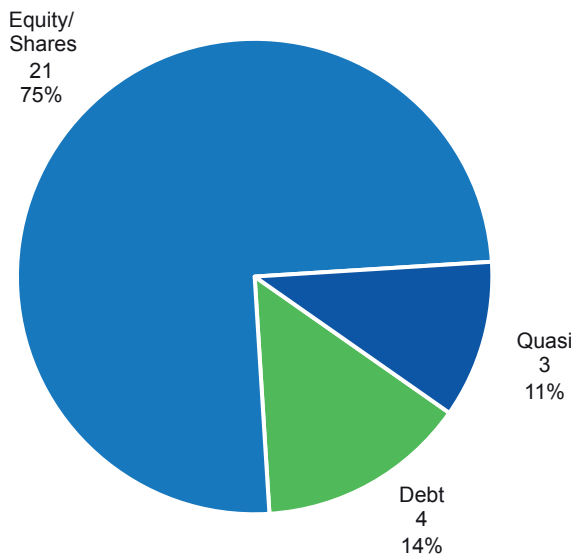


Source: Survey.

### Maximum investment size

— 61% of respondents indicated their preferred investment size is above USD 11 million.

### Preferred investment instrument



Source: Survey.

### Preferred investment instrument

— 75% of the respondents stated direct equity investment as their preferred investment method.



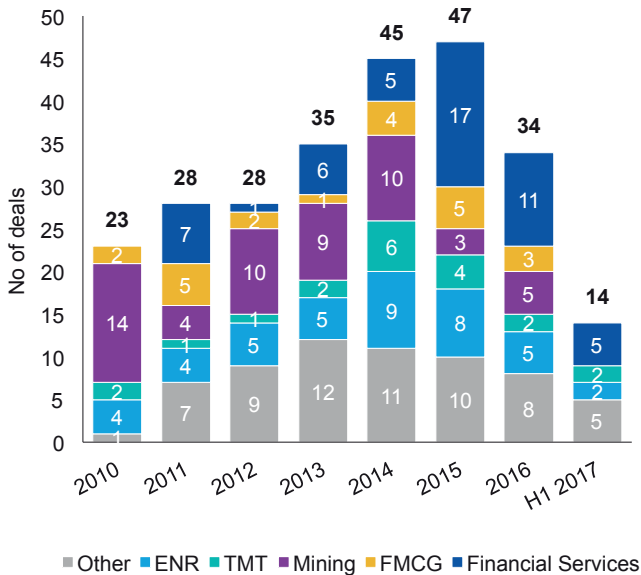
# Deal activity in East Africa

1. East Africa
2. Kenya
3. Tanzania
4. Ethiopia
5. Uganda
6. Rwanda

# 4

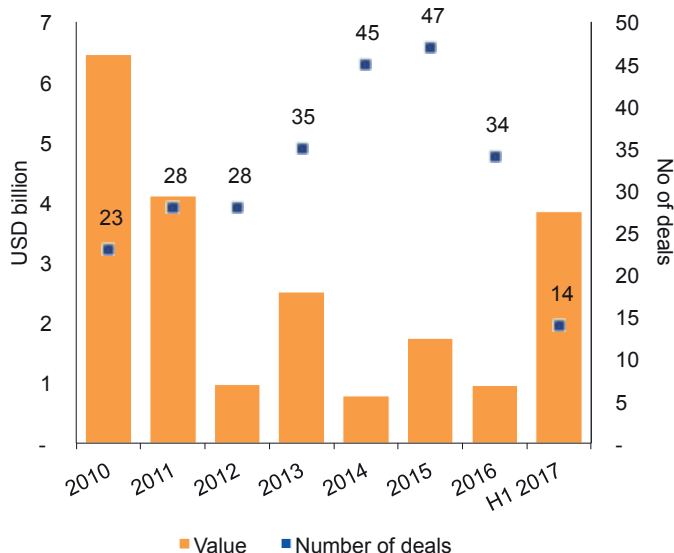
# Deal activity in East Africa - 2010 to H1 2017

## East Africa deal volume by sector (2010 - H1 2017)



Source: Bloomberg, Reuters, NKC Research.

## East Africa deal value and volume by year (2010 - H1 2017)



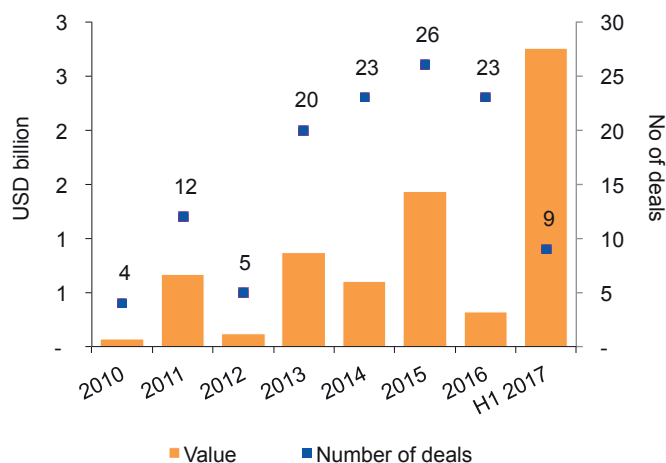
Source: Bloomberg, Reuters, NKC Research.

- Between 2010 to H1 2017 total reported deal volume in East Africa was 254 at a value of USD 21.1 billion.
- Deal volumes shown in the opposite chart, represent disclosed transactions whose values were disclosed.
- Annual deal volumes have steadily increased in the East Africa region from 23 in 2010 to 47 in 2015. However, there was a marked decline in deals completed and disclosed in 2016. We attribute this to the slight devaluation of local currencies against USD and longer than anticipated deal closure timeframes.
- Since 2010, the Mining sector has seen the most deal activity in terms of volume (55), followed by the Financial Services (52) and the Energy and Natural Resources sector (42).
- The proportion of deals in the Financial Services sector to total deals in particular has shown strong growth in recent years from 25% in 2011 to 36% in the first half of 2017. This indicates the maturity of the Financial Services sector with investors actively looking to invest in this sector. This sector has also boasted secondary exits.
- Highest deal values disclosed have been reported for Mining, Energy and Natural Resources and Telecommunications, Media and Technology sectors.
- To date, the year with the highest value of deals is 2010 with a record to the tune of USD 6.5 billion. This was driven by the African Barrick Gold deal in Tanzania. Excluding this deal, values have been erratic due to the diversification of sectors invested and political uncertainty across various EA countries between 2011 to 2016.



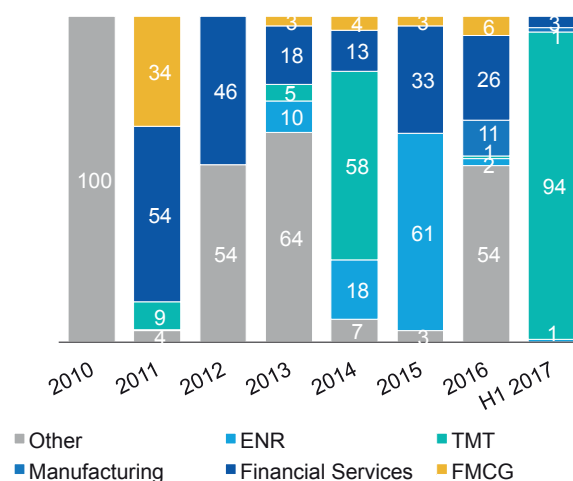
# Deal activity in Kenya - 2010 to H1 2017

**Kenya - Deal value and volume by year (2010 - H1 2017)**



Source: Bloomberg, Reuters, NKC Research.

**Kenya - Proportion of total deal value by sector (%)**



Source: Bloomberg, Reuters, NKC Research.

- The volume of deals in Kenya has increased significantly to 23 in 2016, after reaching a low of 5 in 2012. The lull in 2012 can only be attributed to the political environment at that time.
- The Financial Services sector in Kenya has witnessed the most deals at 42, followed by the Energy and Natural Resources at 16 and FMCG at 12 sectors.
- The first half of 2017 has witnessed a substantial increase in the total value of deals, largely due to the Vodacom Group Limited and Safaricom Limited deal reported at USD 2.6 billion.

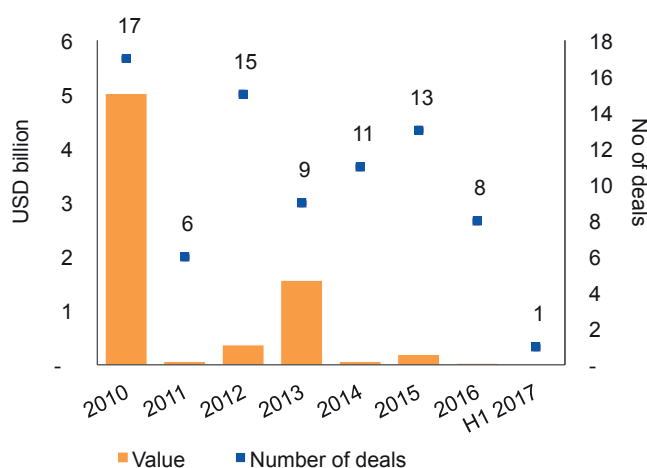
**Top 10 Deals by Sector in Kenya (USD million)**

Target Company	Acquirer Name	Deal Value	Sector	Period
Safaricom Ltd	Vodacom Group Ltd	2,600	TMT	H1 2017
Africa Oil Corp-Blocks 4	Maersk Oil and Gas A/S	845	ENR	2015
I&M Bank Ltd	City Trust Ltd	335	Financial Services	2011
Ardan Risk & Support Services Ltd	Africa Oilfield Logistics Ltd	329	Transport & Logistics	2013
Kenya Breweries Ltd	East African Breweries Ltd	224	FMCG	2011
UAP Holdings Ltd	Old Mutual PLC	155	Financial Services	2015
ARM Cement Ltd	CDC Group PLC	140	Mining	2016
Wananchi Group Kenya Ltd	Investor Group	130	TMT	2014
CMC Holdings Ltd	Al-Futtaim Group	127	Retail	2013
Essar Telecom Kenya Ltd	Investor Group	120	TMT	2014

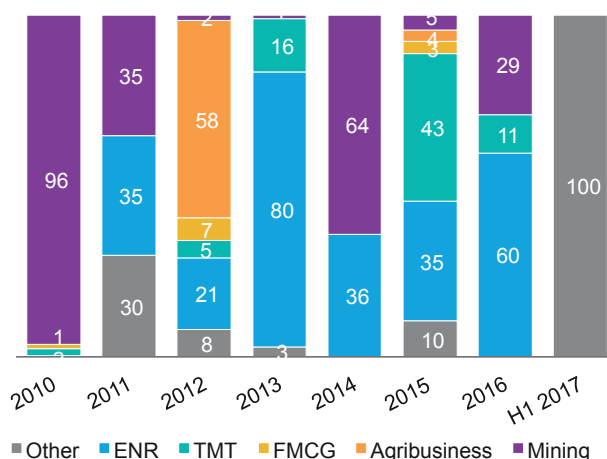
Source: Bloomberg, Reuters, NKC Research.

# Deal activity in Tanzania - 2010 to H1 2017

**Tanzania deal value and volume by year (2010 - H1 2017)**



**Tanzania - proportion of total deal value by sector (%)**



Source: Bloomberg, Reuters, NKC Research.

Source: Bloomberg, Reuters, NKC Research.

- Two deals in years 2010 and 2013 account in terms of deal size. These comprised a USD 4.8 billion Mining deal (the acquisition of African Barrick Gold in early 2010) and a USD 1.3 billion ENR deal (the acquisition of three oil blocks by Pavilion Energy in later 2013). These two deals dwarf all other Tanzanian deals in terms of value.
- Of the total deals reported between 2010 to H1 2017, the majority of the Tanzanian deals are in the Mining at 40, Energy and Natural Resources at 19 and Technology, Media & Telecommunication sectors at 7, with fewer deals in the Manufacturing, Healthcare and Financial Services sectors.

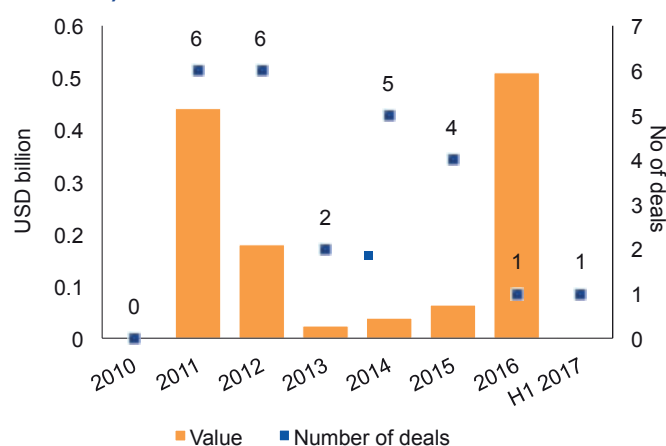
## Top 10 Deals by Sector in Tanzania (USD million)

Target Company	Acquirer Name	Deal Value	Sector	Period
African Barrick Gold PLC	Shareholders	4,781	Mining	2010
Tanzania Blocks 1, 3 & 4	Pavilion Energy Pte Ltd	1,250	ENR	2013
Vodacom Tanzania Ltd	Vodacom Group Ltd	243	TMT	2013
Export Trading Co Ltd	Standard Chartered PLC, Pembani Remgro Infrastructure Fund, Carlyle Group LP	210	Agribusiness	2012
Millicom International Cellular SA-Tower Assets	SREI Infocomm Services Ltd	86	TMT	2010
Zanzibar Telecom Ltd	Millicom International Cellular SA	74	TMT	2015
Serengeti Breweries Ltd	East African Breweries Ltd	60	FMCG	2010
Shoprite Holdings Ltd-Stores(3)	Nakumatt Holdings Ltd	47	Retail	2013
Mnazi Bay	Wentworth Resources Ltd	39	ENR	2012
Off Grid Electric	Electranova Capital	30	ENR	2015

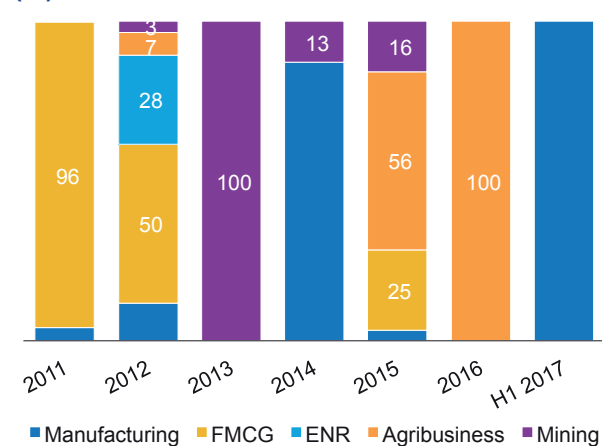
Source: Bloomberg, Reuters, NKC Research.

# Deal activity in Ethiopia - 2010 to H1 2017

**Ethiopia deal value and volume by year (2010 - H1 2017)**



**Ethiopia - proportion of deal value by sector (%)**



Source: Bloomberg, Reuters, NKC Research.

Source: Bloomberg, Reuters, NKC Research.

- There has been a decrease in M&A activity over the last five years. The volume of deals in Ethiopia has decreased significantly to 1 in H1 2017, compared to 6 in 2012 and 2011. The deal between National Tobacco Enterprise SC and Japan Tobacco Inc. (USD 510 million) dominated the 2016 deal value.
- The Manufacturing sector witnessed the highest volume in the period under review at 8. Other sectors such as Mining at 7, FMCG at 5 and Agribusiness at 3 were also popular sectors of investment in Ethiopia.

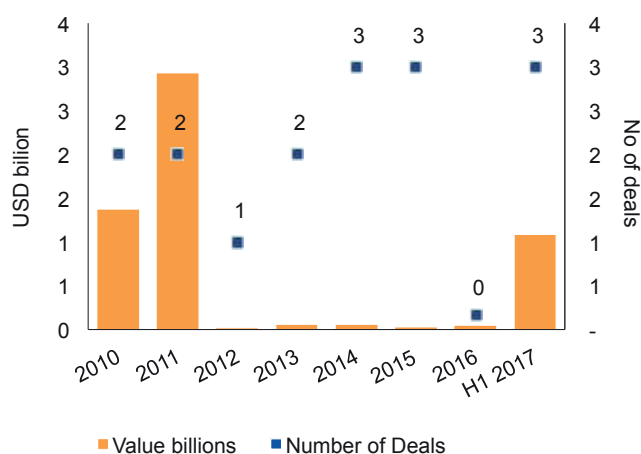
**Top 10 Deals by Sector in Ethiopia (USD million)**

Target Company	Acquirer Name	Deal Value	Sector	Period
National Tobacco Enterprise SC	Japan Tobacco Inc	510	Agribusiness	2015
Meta Abo Brewery S. C	Johnnie Walker	255	FMCG	2012
Dashen Brewery Plc	Duet Beverages Africa Ltd	90	FMCG	2016
Bedele Brewery SC	Heineken NV	85	FMCG	2015
Harar Brewery SC	Heineken NV	78	FMCG	2014
Tullow Oil PLC-South Omo Block	Marathon Ethiopia Ltd BV	50	ENR	2014
Tepi Green Coffee State	Green Coffee Agro Industry Plc	35	Agribusiness	2011
Kadisco Chemical Industry PLC	Berger International Ltd	19	Manufacturing	2013
Addis Tyre Co SC	Horizon Plantations Ethiopia Plc	18	Manufacturing	2013
Ethiopian Gold Exploration Ltd	Gold Fields Ltd	17	Mining	2014

Source: Bloomberg, Reuters, NKC Research.

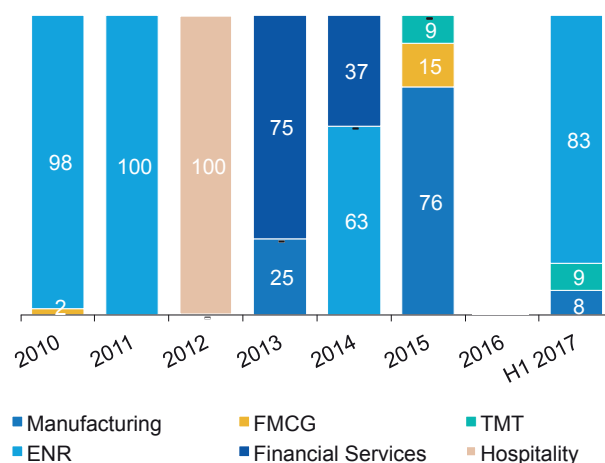
# Deal activity in Uganda - 2010 to H1 2017

**Uganda deal value and volume by year (2010 - H1 2017)**



Source: Bloomberg, Reuters, NKC Research.

**Uganda - proportion of total deal value by sector (%)**



Source: Bloomberg, Reuters, NKC Research.

- Uganda continued to witness significantly lower deal activity compared to its neighbours.
- The Energy and Natural Resources sector has seen the most deal activity in recent years with 5 deals, most of which related to Uganda oil and gas exploration blocks. Followed closely by the Financial Services at 3 and Manufacturing at 3 sectors in terms of deal volumes.
- In H1 2017, the Energy and Natural Resources sector continued to dominate the deal space in terms of value USD 900 million followed by Telecommunication, Media Technology sector at USD 100 million and Manufacturing at USD 88 million.

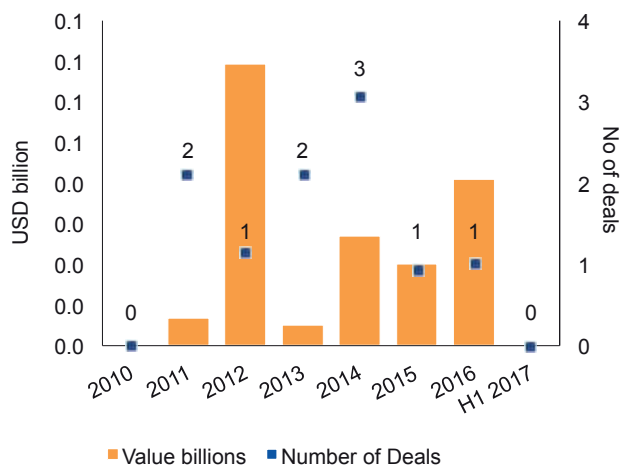
## Top 10 Deals by Sector in Uganda (USD million)

Target Company	Acquirer Name	Deal Value	Sector	Period
Uganda Exploration Areas	CNOOC Ltd	1,467	ENR	2011
Uganda Exploration Areas	Total SA	1,467	ENR	2011
Blocks 1 and 3A	Tullow Oil PLC	1,350	ENR	2010
Uganda Exploration Areas	TOTAL SA	900	ENR	2017
CSquared	Mitsui & Co, Convergence Partners International Finance Corp, Alphabet Inc	100	TMT	2017
Sadolin Paints (U) Ltd	Kansai Plascon Africa Ltd	88	Manufacturing	2017
Development Finance Co of Uganda Ltd	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA	44	Financial Services	2013
Umeme Ltd	Investec Asset Management	40	ENR	2014
Rwenzori Tea Investments	McLeod Russel India Ltd	30	FMCG	2010
Quality Chemicals Ltd	Cipla Ltd	26	Manufacturing	2015

Source: Bloomberg, Reuters, NKC Research.

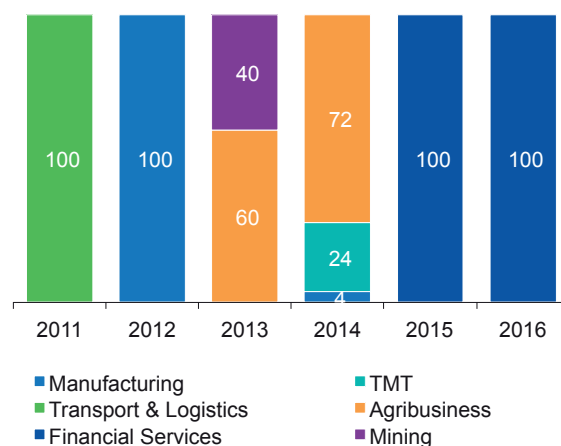
# Deal activity in Rwanda - 2010 to H1 2017

Rwanda deal value and volume by year (2010 to H1 2017)



Source: Bloomberg, Reuters, NKC Research.

Rwanda - proportion of total deal value by sector (%)



Source: Bloomberg, Reuters, NKC Research.

- Rwanda has seen the fewest deals across all five East African countries.
- The Agribusiness, Financial Services, Manufacturing and Transport & Logistics sectors have seen the most deals. However, only the Financial Services sector recorded deals in 2015 and 2016.
- The largest publicly disclosed value in Rwanda is the acquisition of a 51% stake in Cimerwa Cement by Pretoria Portland Cement at USD 69 million in 2012.

Top 10 Deals by Sector in Rwanda (USD million)				
Target Company	Acquirer Name	Deal Value	Sector	Period
Cimerwa Ltd	PPC Ltd	69	Manufacturing	2012
Compagnie Generale de Banque Ltd	Attijariwafa Bank SA	41	Financial Services	2016
Banque Populaire du Rwanda Ltd	Atlas Mara Ltd	20	Financial Services	2015
Pfunda Tea Co Ltd	McLeod Russel India Ltd	20	Agribusiness	2014
RSwitch Ltd	Millicom International Cellular SA	7	TMT	2014
Magasins Generaux du Rwanda SA	Portek International Ltd	6	Transport & Logistics	2011
ProDev Sal	Fanisi Venture Capital Fund SCA SICAV-SIF	3	Agribusiness	2013
Rusororo Aggregate Ltd	Fusion Capital Ltd	2	Mining	2013
Kigali Cement Co Ltd	ARM Cement Ltd	1	Manufacturing	2014
Magasins Generaux du Rwanda SA	Portek International Ltd	1	Transport & Logistics	2011

Source: Bloomberg, Reuters, NKC Research.



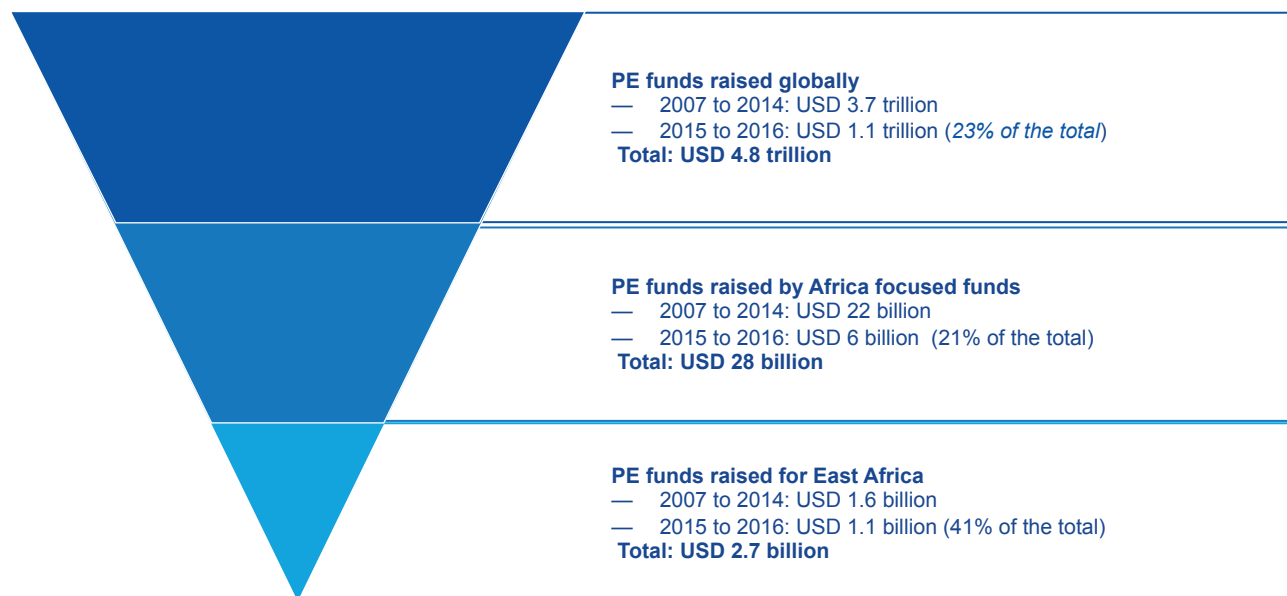
# Survey results

1. Fund raising
2. Investment activity
3. Exits and performance
4. Investment professionals

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# Fund raising - Global, Africa and East Africa

## Fund raising statistics



Source: Bain private equity report 2016 and 2017 global, SAVCA report for Africa, AVCA 2016.

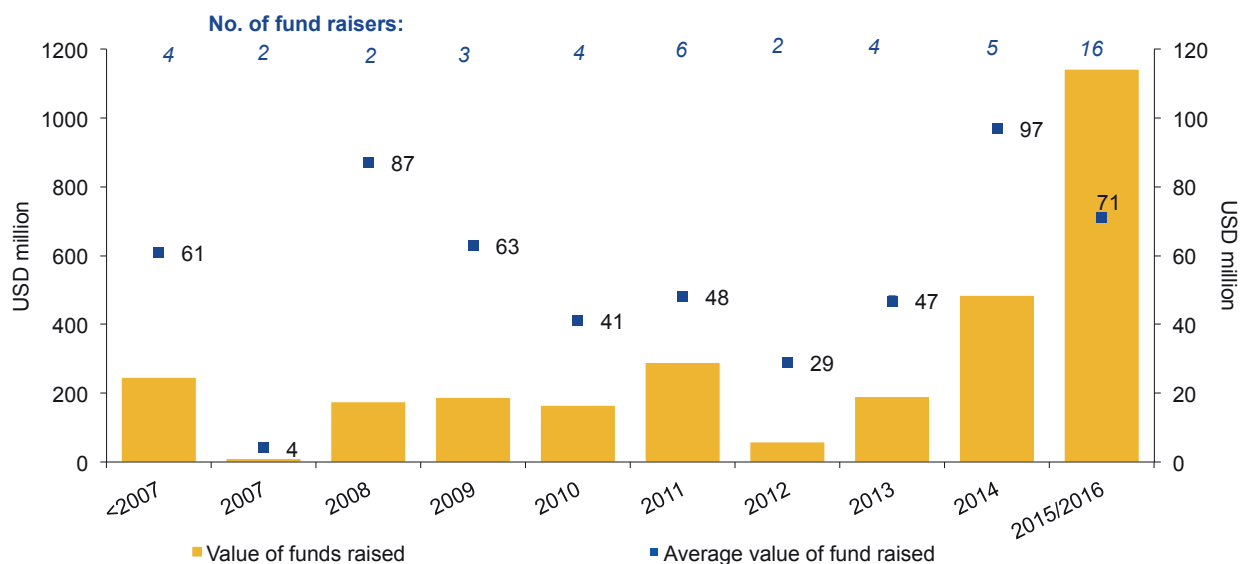
- The annual average of PE funds raised globally and at Africa level has been consistent over the period 2007 to 2016. However, during 2015 to 2016 there has been an increased level of fund raising for East Africa.
- We have estimated USD 1.1 billion as being raised by approximately 16 pan-African and East African focused Private Equity funds earmarked for investment in the East African region represents growth of 41% compared to 21% raised for Africa over the period 2015 to 2016.



Of the total global PE funds raised globally (USD 4.8 trillion) between 2007 and 2016, approximately 0.6% is earmarked for Africa and 0.06% for East Africa.

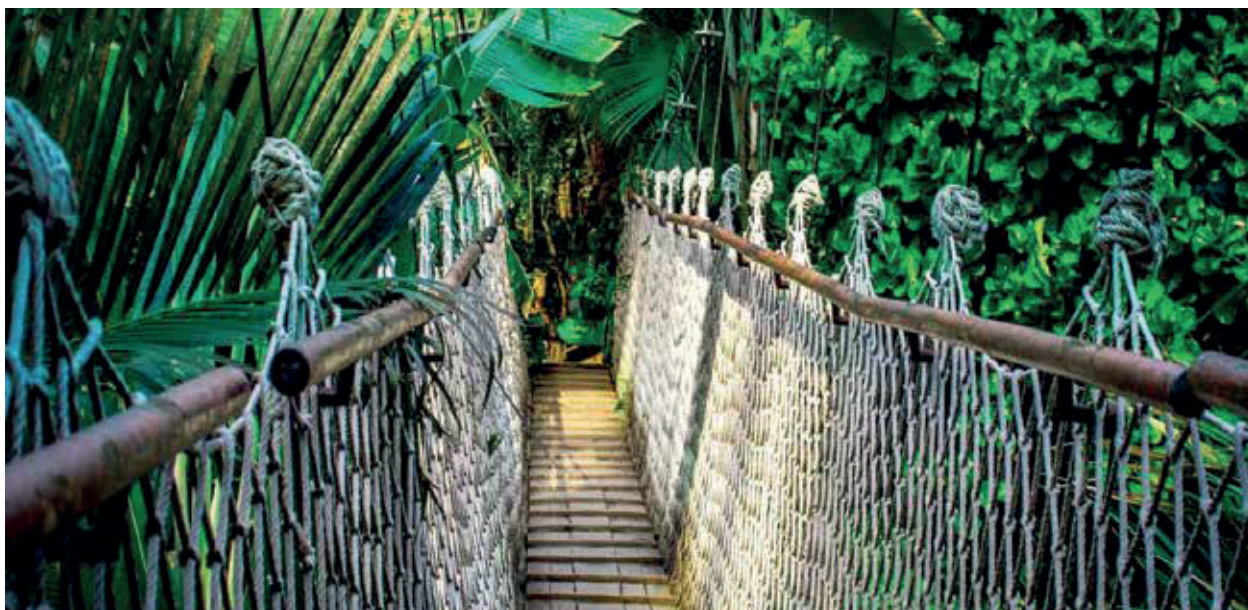
# Fund raising: East Africa

## Fund raising by year



Source: Various.

- The most active fundraising years were 2011, 2014 and 2015/16. 2015/2016 saw the most active funding with USD1.1 billion raised by 16 respondents. In 2014, 5 respondents raised funds to the tune of USD 486 million. Whilst in 2011, 6 respondents raised USD 289 million.
- In 2015/16 there have been 16 pan-African and East African funds who have raised in total close to USD 4.6 billion. However, not all these funds are ear-marked for East Africa and thus we have estimated only a quarter has been allocated for their East African investment strategy.

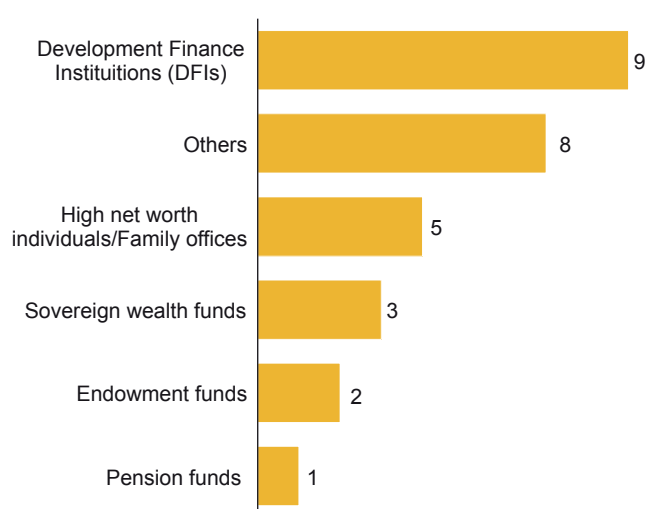


The average increase in number and amounts of fund raisings during 2015 to 2016 (16 funds raising approximately USD 1 billion for East Africa) reflects the shift of more pan-African funds to invest in East Africa.



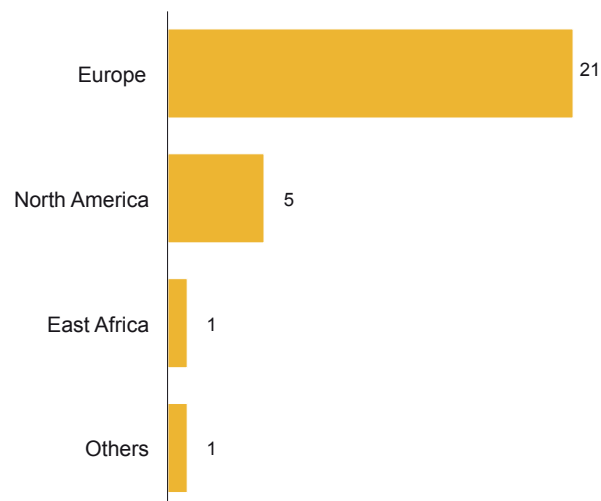
# Fund raising: investor and country

## Sources of funds by investor type



Source: Survey.

## Sources of funds by country of origin



Source: Survey.

## Sources of funds by investor type

- 9 of the 28 respondents indicated that they received funding from DFIs with high net worth individuals of family offices being the third most common source of funds.
- There has been no notable increase in the number of investor types across endowment, sovereign wealth and pension funds. However, there has been an increase in the other category which could include insurance companies, fund (investment) managers and partners own equity.

## Sources of funds by country of origin

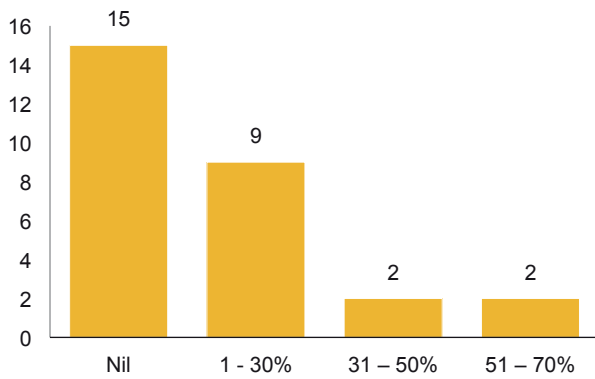
- 75% of respondents cited Europe as their main source of funds. This is a 25% increase compared to the 50% in the 2014 survey.



Similar to 2014, investors from Europe and North America largely comprising DFIs and high net worth individuals/ family offices are currently the largest investors into the Private Equity sector of East Africa.

# Fund raising: returns

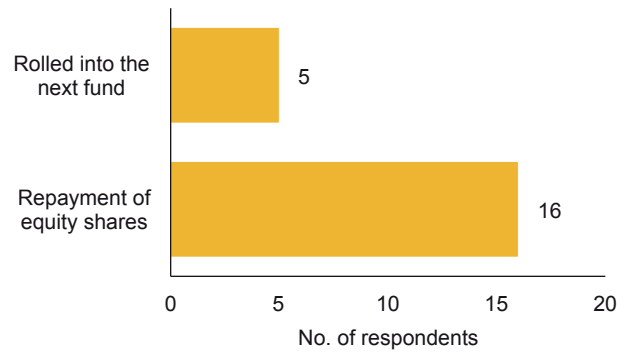
## Proportion of funds returned to investors



Source: Survey.

- It is not a surprise that 54% of the respondents have reported nil returns to investors since many of the funds in EA are in their maiden stage.
- Of the non-maiden funds four have reported returning 31% to 70% to their investors.

## Preferred method for return of funds



Source: Survey.

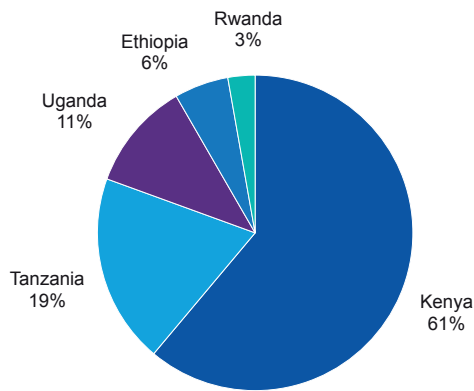
- 76% of the 21 respondents prefer to have a repayment of their investment at the end of the fund life.
- Seven respondents did not specify their preferred method for return of funds.



The preferred method of returns to investors is repayment. However there has been an increase in the number of investors opting for rollover compared to our 2014 Survey.

# Investment activity: volume and value - 2015 to 2016

## Deal volume by geography (2015-2016)

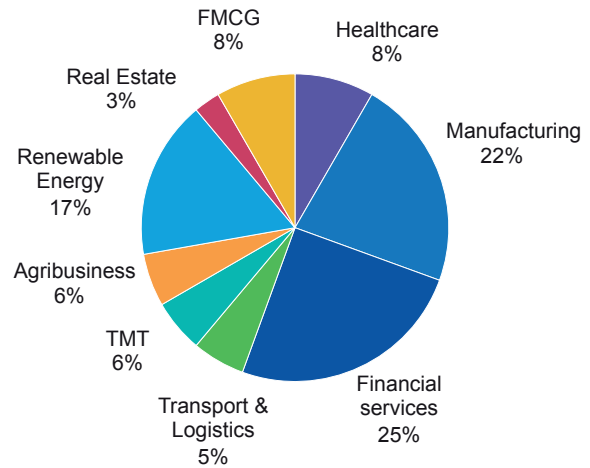


Total value: 36 deals

Source: Survey.

— Of the total 36 deals reported by the PE sector in East Africa, Kenya dominates with 61% of the total deals reported. This is similar to our 2014 Survey

## Deal volume by sector (2015-2016)

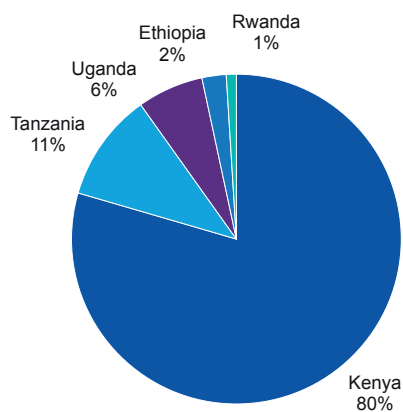


Total value: 36 deals

Source: Survey.

— The Financial Services sector had the largest share at 25% of the reported 36 PE deals.

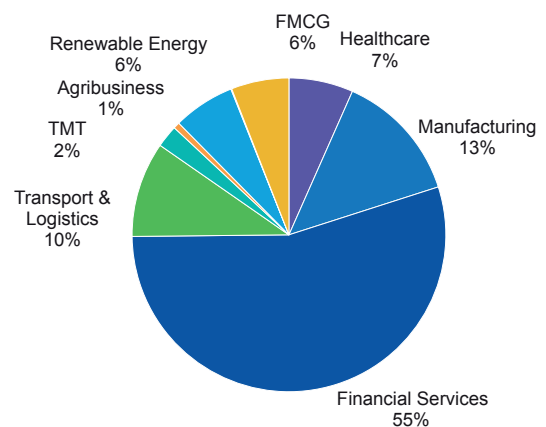
## Deal value by geography (2015-2016)



Total value: >USD 600 million

Source: Survey.

## Deal value by sector (2015-2016)



Total value: >USD 600 million

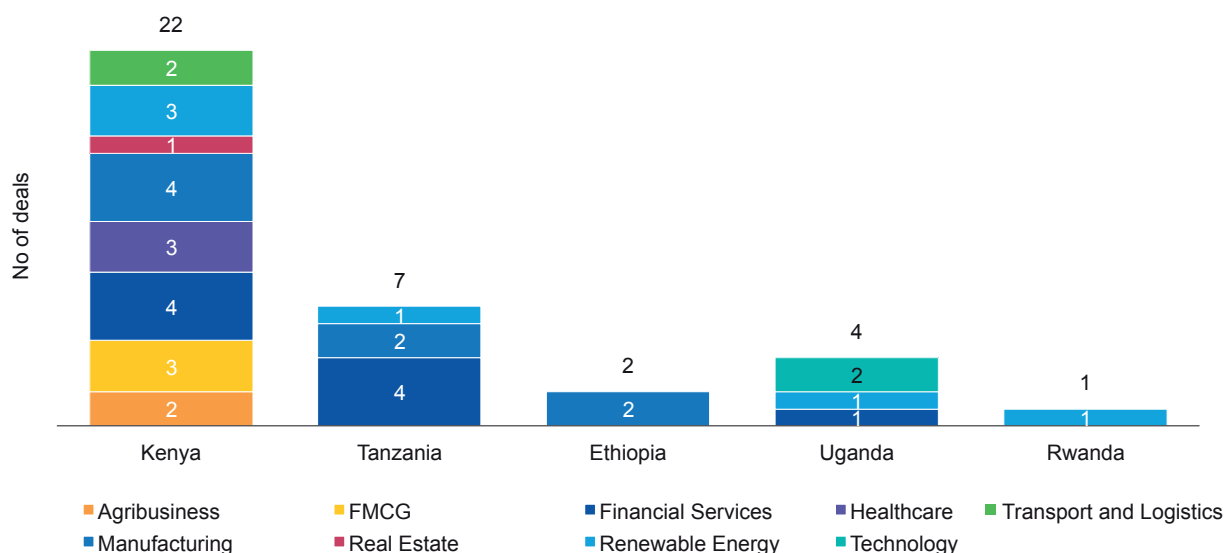
Source: Survey.



PE backed deals in EA from 2015 to 2016 have been reported at 36 with a value over USD 600 million. FS, Manufacturing and Renewable Energy together comprises 64% of the total 36 reported deals. Whilst FS, Manufacturing and Transport & Logistics together comprises 68% of the total estimated USD 611 million deal value.

# Investment activity: volume and value - 2015 to 2016 (cont.)

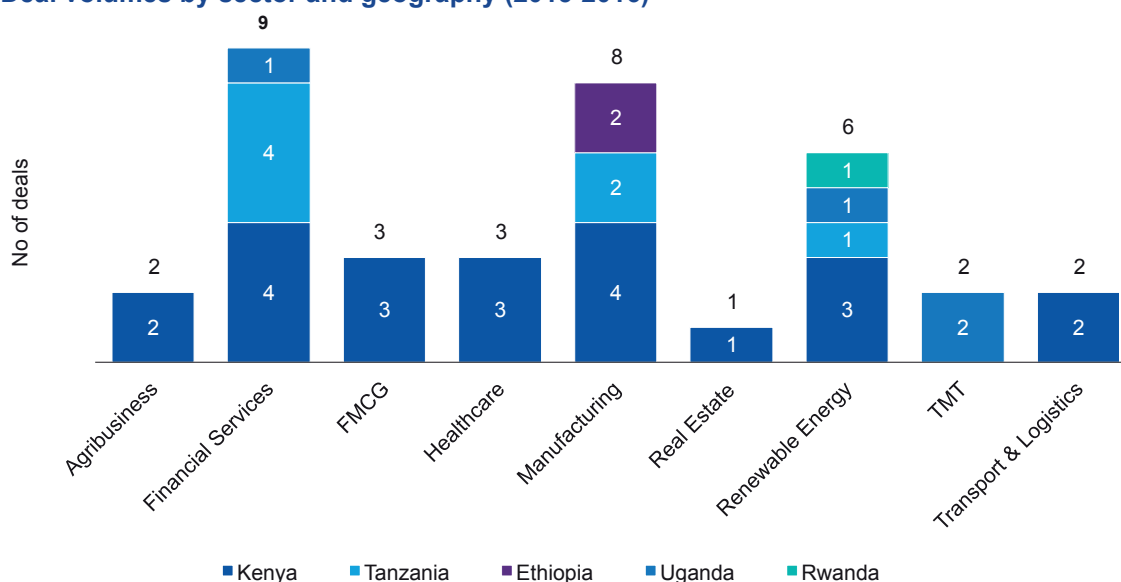
## Deal volumes by geography and sector (2015-2016)



Source: Survey.

- Of the 22 Kenyan PE deals reported the top two sectors are: FS (18%) and Manufacturing (18%).
- Tanzanian PE deal space is dominated by FS sector (57%), whilst TMT sector dominates Ugandan deal volumes at 50%. Manufacturing sector leads the entire Ethiopian deal volumes and Renewable Energy sector in Rwanda.

## Deal volumes by sector and geography (2015-2016)



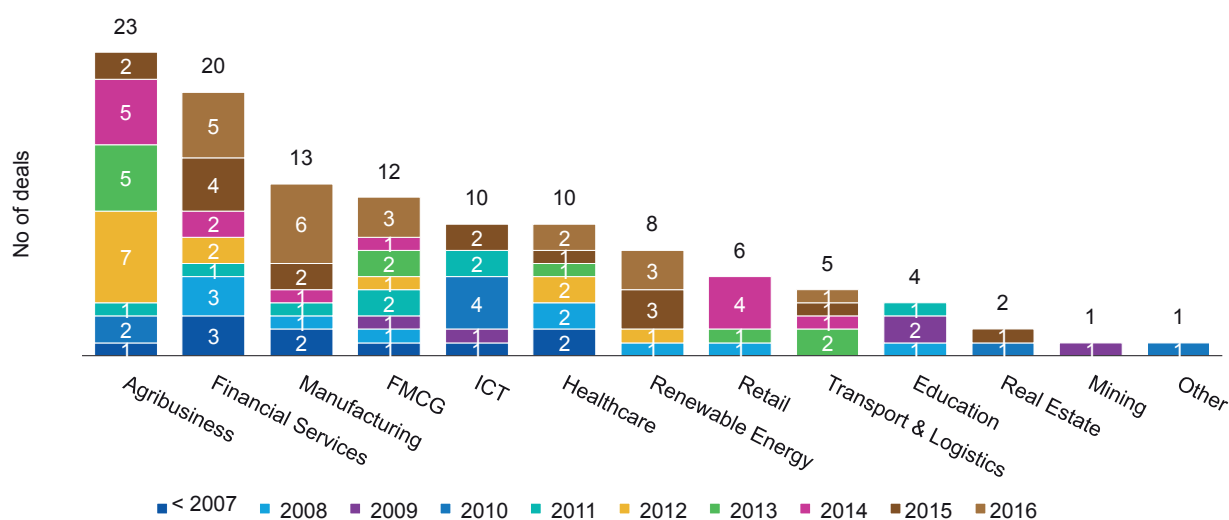
Source: Survey.



Kenya has the most diversified investment sector profile. Financial Services, Manufacturing and Renewable Energy deals have been reported across most of the EA countries in 2015 to 2016.

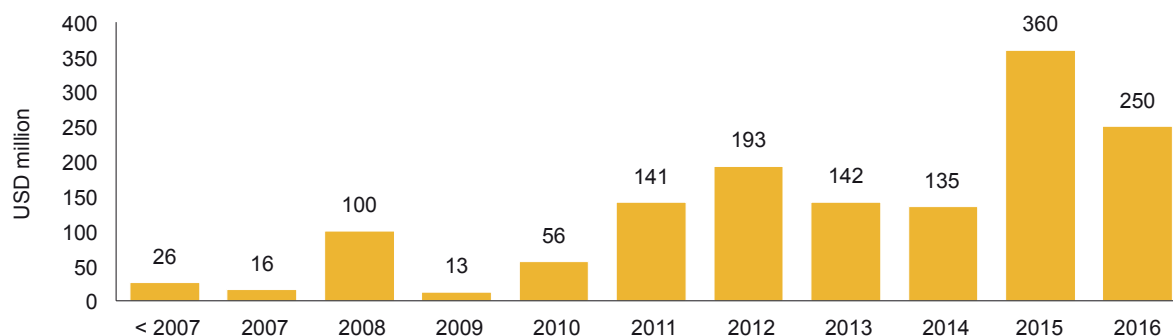
# Investment activity: deal volumes and value - 2007 to 2016

## Deal volumes by sector (2007-2016)



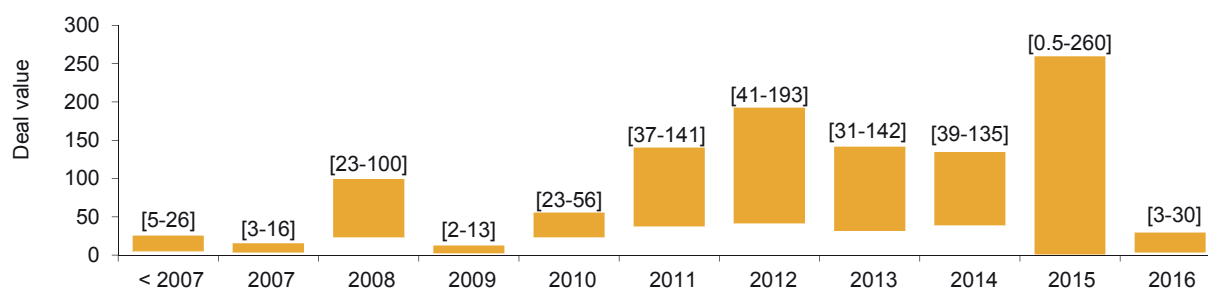
Source: Survey.

## Estimated deal value per year



Source: Survey.

## Deal value range by year (2007-2016)



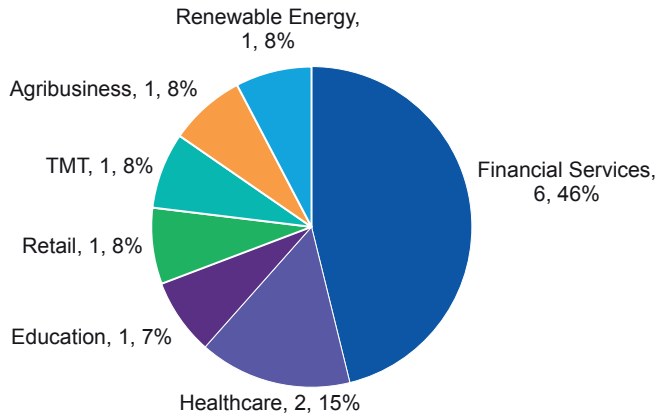
Source: Survey.



Total reported PE backed deals in East Africa by respondents were 115 between 2007 to 2016, approximately valued at USD 1.4 billion. The income in the deal range in 2015 indicates the diversification in types of investments and impact of exits.

# Exits and performance by sector - 2007 to 2016

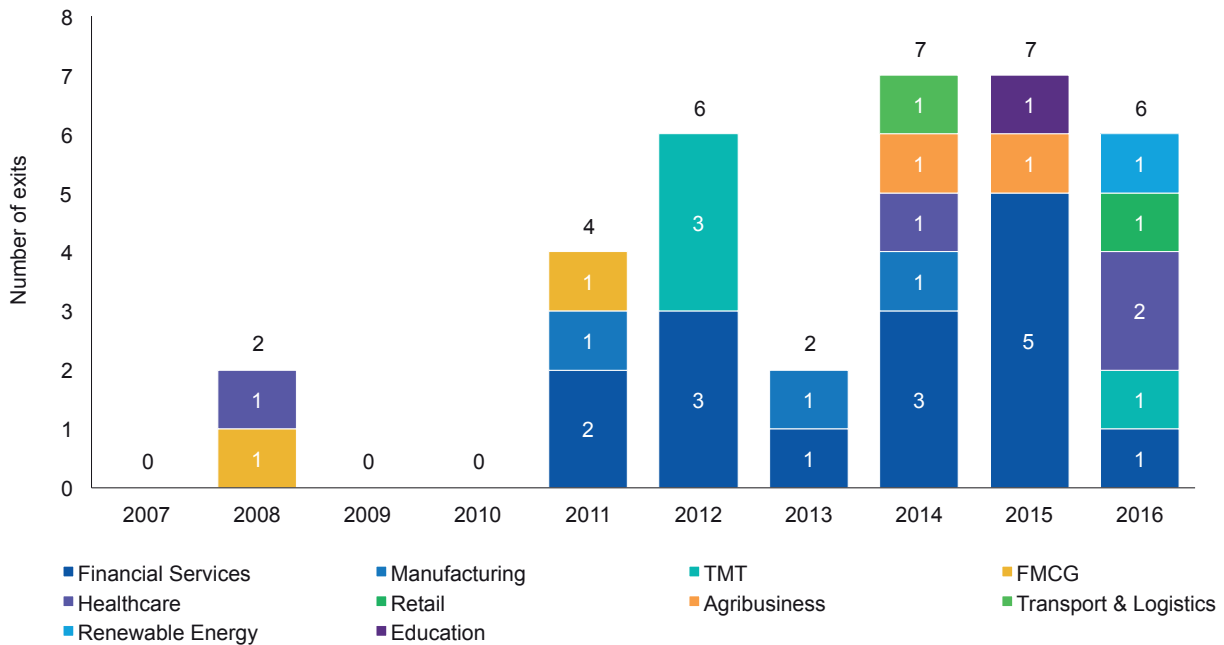
## Reported exits by sector (2015-2016)



Source: Survey.

— Sectors such as Mining and Real Estate reported no PE exits between 2007 to 2016.

## Reported exits by sector (2007-2016)



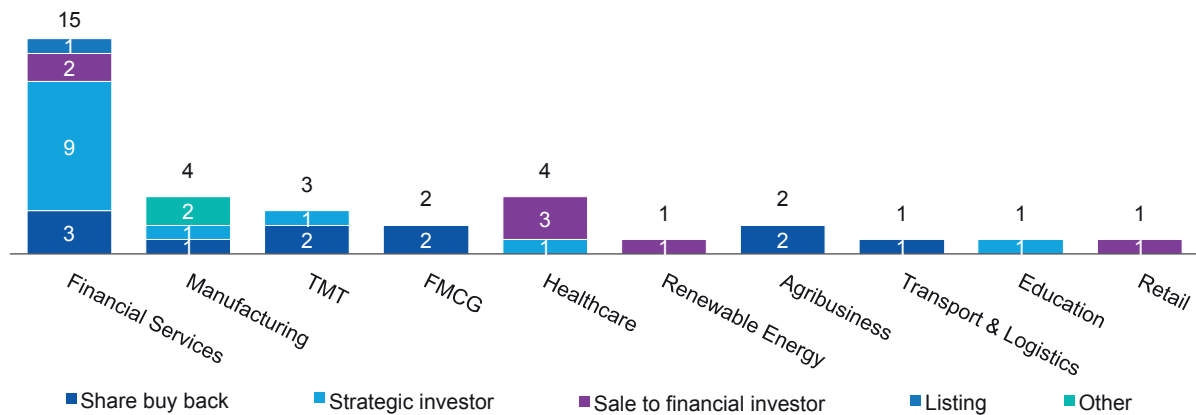
Source: Survey.



Total exits between 2007 to 2016 were reported at 34, with 13 in 2015 to 2016. 6 of the exits reported in 2015 and 2016 were in the Financial Services sector.

# Exits and performance by sector and method - 2007 to 2016

## Exits by sector



Source: Survey, Private Equity Africa, Thomson Reuters.

Of the 13 exits in 2015 and 2016:

- 6 were in the Financial Services sector.
- 7 exits were through secondary exits to financial investors and 5 exits were made to strategic investors.

Of the 34 exits reported by the respondents from 2007 to 2016:

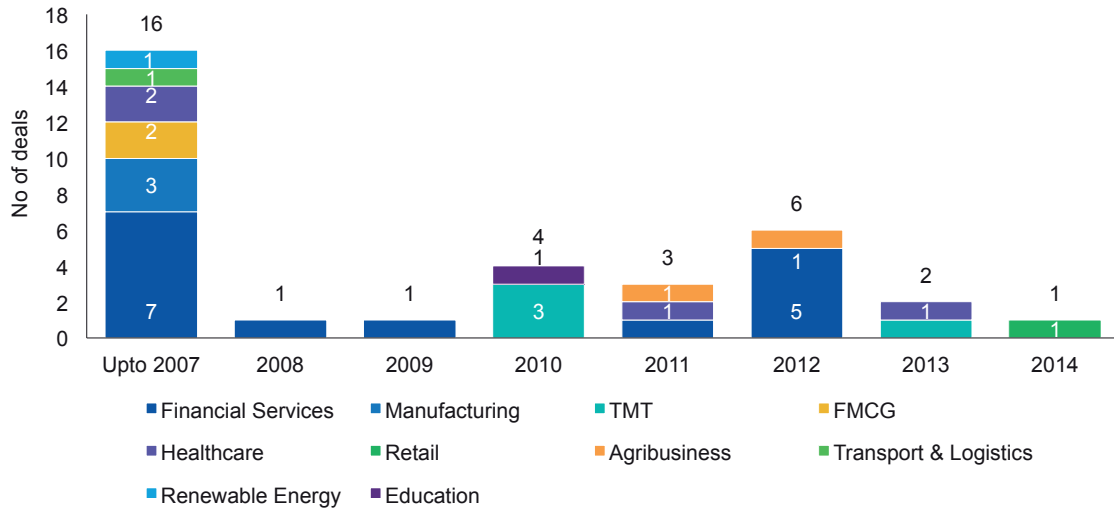
- 15 relate to the Financial Services; 4 to the Manufacturing sector, 3 to the TMT sector, 2 in the FMCG sector, 4 in the Healthcare sector, 1 in the Agribusiness, Transport & Logistics and Education respectively.
- A significant amounts of exits were made via sale to strategic investors (13) followed closely by share buy backs (11). Sale to financial investors, listing and others accounted for seven.



There has been increased exits over the last two years (13 compared to 21 over 2007 to 2014), more importantly there has also been an increase in secondary exists to financial investors (11) and strategic investors (13).

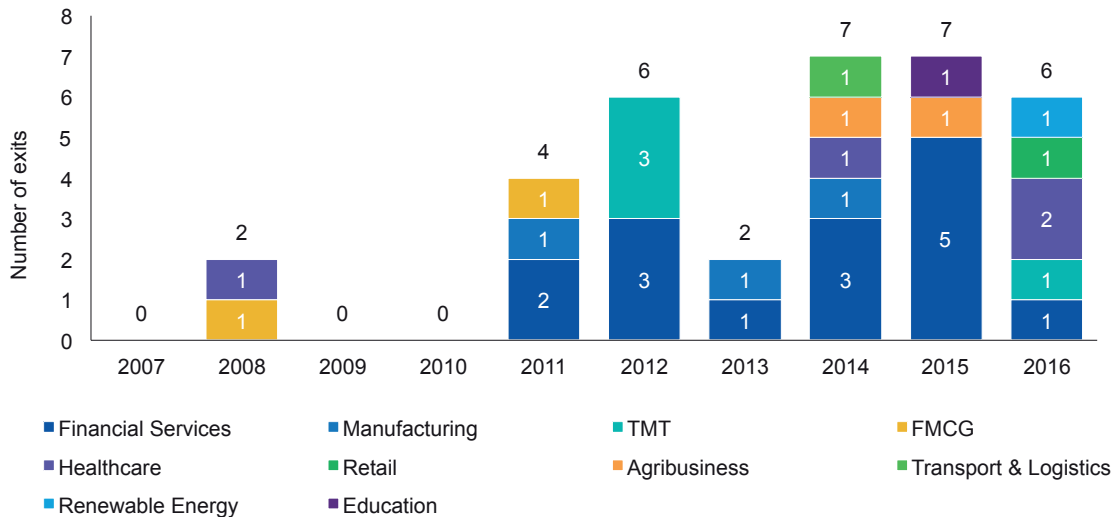
# Exits and performance by year - 2007 to 2016

## Initial year of investment of exits



Source: Survey.

## Exits by year



Source: Survey.



Exits in 2015 and 2016 had initial year of investment in 2007 and/or 2010/2011, implying a holding period of around 5 to 9 years.



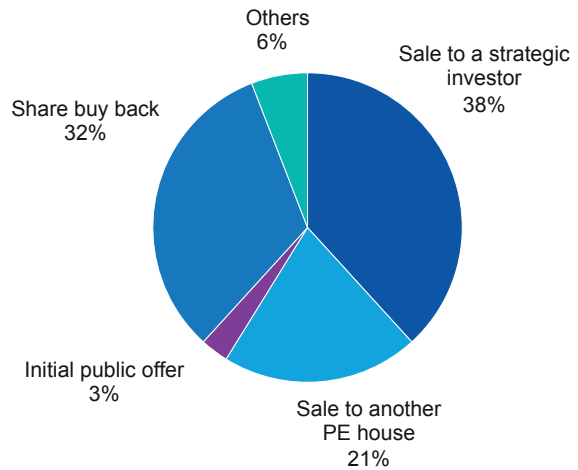
# Exits and performance: mode and IRR

## Preferred mode of exits



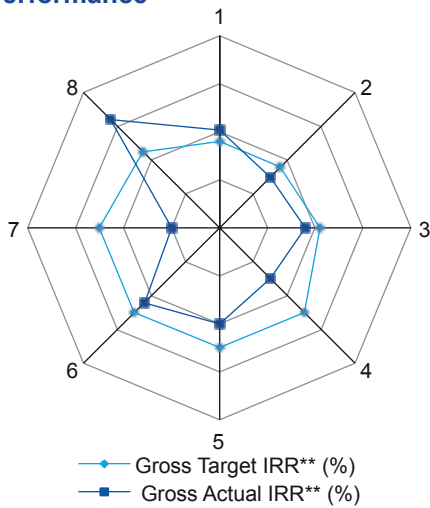
Source: Survey.

## Actual Mode of exits



Source: Survey.

## IRR Performance



Source: Survey.

## Mode of exit

- There has been a deviation in the mode of exits from preferred to actual, with share buy backs and other being more prominent.
- Nevertheless, the most preferred route of exit being through sale to a strategic investor (78%) has underperformed with only 38% being realised through this route.

## IRR performance

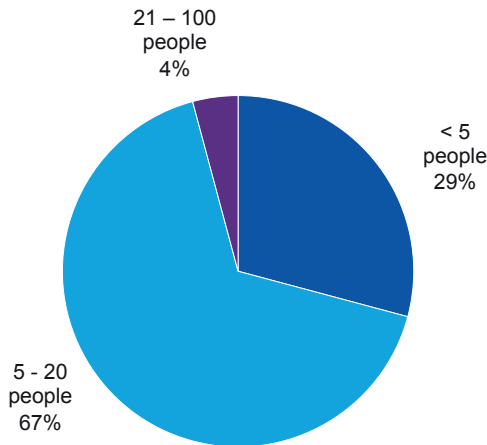
- Of the 8 respondents only 2 have exceeded their targeted IRR.



Secondary exits has been recorded at an actual of 21% compared to the preferred level of 15%. On average reported actual IRR has been 19% versus budgeted targets of 22%.

# Investment professionals

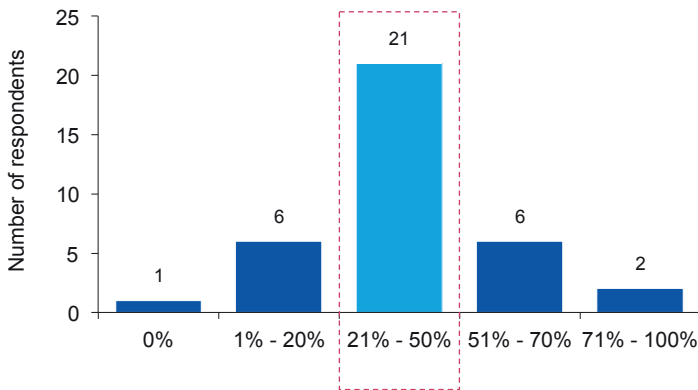
## Investment professionals at their East Africa office



Source: Survey.

- 26% of the respondents reported having local offices in East Africa. Of these, 67% reported the average number of investment professionals as 5 to 20.
- Compared to our earlier survey, 89% of the respondents reported having local offices in the region and 53% of these reported the average number of professionals of one to five.

## Proportion of female employees in local office



Source: Survey.

- Out of the 28 respondents, 2 did not report while 21 are reported to have between 21% to 50% of employees being female.
- In the 2014 survey, five of the respondents reported having at least 50% of their investment professionals as female.



The number of investment professionals increased from an average of 1 to 5 between 2007 to 2014 to 5 to 20 between 2015 and 2016. Moreover, the percentage of female employees has also increased.

A desert landscape with orange sand dunes, green trees, and a large white number 6. The scene is set in a vast, open desert under a clear blue sky. In the foreground, there is a large, white, stylized number '6' that dominates the right side of the frame. To the left, a dark purple rectangular box contains the text 'List of respondents' in white. The background features a large, smooth sand dune on the left, several green trees in the middle ground, and a large, leafless tree on the right. The ground is a mix of orange sand and sparse vegetation.

List of  
respondents

6

# List of respondents

Name of respondent	Head office
Acumen Fund	United States – New York
AfricInvest	Tunisia – Tunis
AgriVie Investment Advisors	South Africa – Capetown
AHL Venture Partners	Canada – Vancouver
Ascent Capital Africa Ltd.	Kenya – Nairobi
Catalyst Principal Partners	Kenya – Nairobi
Centum Investment Company Plc	Kenya – Nairobi
CrossBoundary LLC (Energy)	United States – Washington DC
Emerging Capital Partners	United States – Washington DC
Grofin	Mauritius – Saint Louis
Investment Fund for Developing Countries (IFU)	Denmark – Copenhagen
Kuramo Capital Management	United States – New York
Metier - Capital Growth Funds	South Africa – Johannesburg
Metier - Sustainable Capital Funds	South Africa – Johannesburg
Mkoba Private Equity Fund	Tanzania – Dar-es-salaam
Norfund	Norway – Oslo
Novastar Ventures	Kenya – Nairobi
Pearl Capital Partners	Uganda – Kampala
Phatisa Fund Managers LLC	South Africa – Johannesburg
Power Capital	United Kingdom – London
Progression Capital Africa Limited	Mauritius – Saint Louis
Proparco	France – Paris
Silk Invest	United Kingdom – London
Swedfund	Sweden – Stockholm
TBL Mirror Fund	Kenya – Nairobi
The Abraaj Group	United Arab Emirates – Dubai



Glossary

7

# Glossary

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<b>AUM</b>	Assets/Funds Under Management
<b>ACVA</b>	African Venture Capital Association
<b>DFI</b>	Development Finance Institutions
<b>East Africa</b>	For the purpose of this Survey comprises of Kenya, Ethiopia, Tanzania, Uganda and Rwanda
<b>EAVCA</b>	East African Venture Capital Association
<b>ENR</b>	Energy and Natural Resources
<b>ESG</b>	Environmental, Social and Governance
<b>FMCG</b>	Fast Moving Consumer Goods
<b>FS</b>	Financial Services
<b>GCCS</b>	KPMG's Global Compliance Confirmation System
<b>GPs</b>	General Partners
<b>H1 2017</b>	Five months covering January to May 2017
<b>ICT</b>	Information and Communication Technology
<b>LPs</b>	Limited Partners
<b>PE</b>	Private Equity
<b>TMT</b>	Telecommunications, Media and Technology
<b>SMEs</b>	Small and medium sized enterprises
<b>Survey</b>	Private Equity Sector Survey of East Africa for the period 2007 to 2014 and 2015 to 2016
<b>USD</b>	United States Dollar





# Contacts

The contacts at KPMG in connection with this report are:

## **Josphat Mwaura**

CEO and Senior Partner  
KPMG Advisory Services Limited  
Tel:+254 202 806 000  
Mob:+254 709 576 333  
jmwaura@kpmg.co.ke

## **Sheel Gill**

Partner and Head of Strategy and Deal Advisory  
KPMG Advisory Services Limited  
Tel:+254 709 576 305  
Mob:+254 725 650 283  
sheelgill1@kpmg.co.ke

The contact at EAVCA in connection with this report is:

## **Eva Warigia**

Executive Director  
East Africa Private Equity and Venture Capital Association (EAVCA)  
Tel:+254 722 433212  
eva@eavca.org

## **Important notice**

In compiling this information for this survey, KPMG has worked closely with EAVCA, to try to ensure meaningful interpretation and comment has been included in this report. EAVCA reviewed the document prior to its public release, but does not have access to any individually completed questionnaire submitted to KPMG or any other information not presented in this publication. Although care has been taken in the compilation of the survey results, KPMG and EAVCA do not guarantee the reliability of its sources or of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

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