



2022 African Private Capital Activity Report

APRIL 2023

PUBLIC VERSION

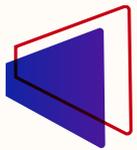


Table of Contents

Key Facts

2022: A Year in Review

1. Investments

- 1.1 Private Capital Dealmaking Activity: A Global Comparison
- 1.2 Private Capital Dealmaking Activity in Africa
- 1.3 Private Capital Dealmaking by Asset Class
- 1.4 Private Capital Dealmaking by Ticket Size
- 1.5 Private Capital Dealmaking by Geography
- 1.6 Private Capital Dealmaking by Sector
- 1.7 Spotlight: Tech-enabled Companies

3

4

6

6

7

9

12

13

17

22

2. Exits

- 2.1 Private Capital Exits in Africa 23
- 2.2 Private Capital Exits by Sector 25
- 2.3 Private Capital Exits by Geography 26
- 2.4 Holding Periods 28

3. Fundraising

- 3.1 Private Capital Fundraising in Africa 29
- 3.2 Concentration of Capital 31
- 3.3 Origin of Fundraising 32
- 3.4 First-time Fund Managers 36
- 3.5 Sector Focus 37
- 3.6 Interim Closes 38

Research Methodology

23

23

25

26

28

29

29

31

32

36

37

38

40

2022: Key Facts

INVESTMENTS

MARKET SIZE

US\$7.6bn

was invested across **626 private capital deals**

DEAL SIZE

US\$17mn

US\$17mn was the average private capital deal size

US\$3.4mn was the median private capital deal size

SECTOR FOCUS



Financials was the most active sector by private capital deal volume (29%) and attracted the largest share of private capital deal value (32%)

REGIONAL FOCUS



West Africa attracted the largest proportion of private capital deal volume in Africa (31%), driven by **Nigeria which was the most active country**

EXITS

EXITS

82 private capital exits were reported, setting a record high

EXIT ROUTES

48% Sales to trade buyers was the most active exit route (**48%**)

AVERAGE HOLDING PERIOD

6.6 years The average holding period

FUNDRAISING

FUNDRAISING

US\$2.0bn Total value of fundraising in Africa

DFIs dominated private capital fundraising, accounting for **59% of the fundraising value**
International capital contributed 86% to the fundraising value

FIRST TIME FUND MANAGERS

US\$0.3bn

in final closes raised by first-time fund managers

INTERIM CLOSES

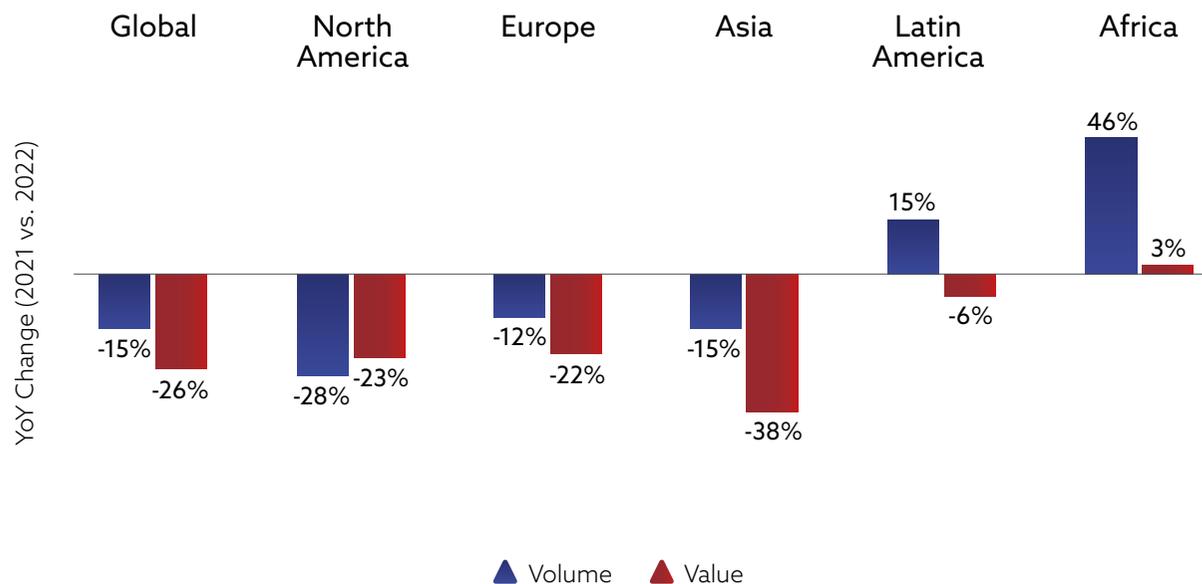
US\$1.7bn

Interim fundraising reached US\$1.7bn

1.1 Private Capital Dealmaking Activity: A Global Comparison

2022 presented numerous challenges for private capital fund managers globally. The global economic slowdown, which was exacerbated by several factors, including the Russia-Ukraine war and the resulting energy crisis, supply chain disruptions, along with rising inflation and the associated increase in interest rates, led to a contraction of economies, which subsequently resulted in a tough macroeconomic environment for investments worldwide. Global private capital investment activity experienced a decrease of 15% in volume and 26% in value of deals (Figure 1), due to a rapid slowdown of deal activity in the second half of the year as debt availability declined and economic uncertainty intensified. Some of the world's major regions witnessed significant year-over-year decreases in private capital deal volume and value. In North America and Europe, two of the world's most developed markets, the volume of investments experienced a 28% and 12% decrease, whereas the value of deals declined by 23% and 22%, respectively. On the other hand, emerging markets presented a more nuanced picture. Specifically, Asia saw the largest drop in deal value (-38%), while its deal volume experienced a decrease of 15%. In Latin America, however, there was an increase of 15% in deal volume and a modest 6% decline in deal value. In this challenging environment, Africa remained resilient and recorded a remarkable 46% year-over-year increase in deal volume and a modest 3% growth in deal value.

Figure 1: Annual percentage change of Private Capital Deal Value and Volume in 2022



Source: AVCA, PitchBook*, LAVCA

*Data on investments in North America, Europe, Asia, and globally have been chosen to follow a methodology as similar as possible to this report.



1.2 Private Capital Dealmaking Activity in Africa

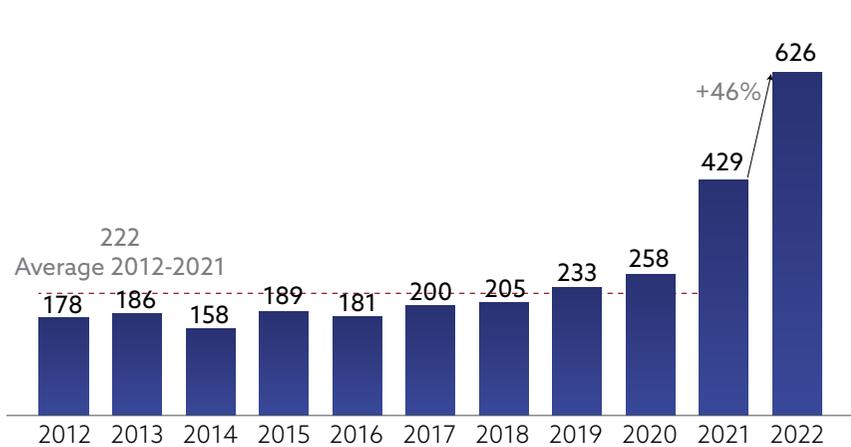
KEY FINDINGS

626 deals in 2022, the **highest record for deal volume in Africa**

US\$7.6bn total deal value in 2022, **second highest record for deal value in Africa**

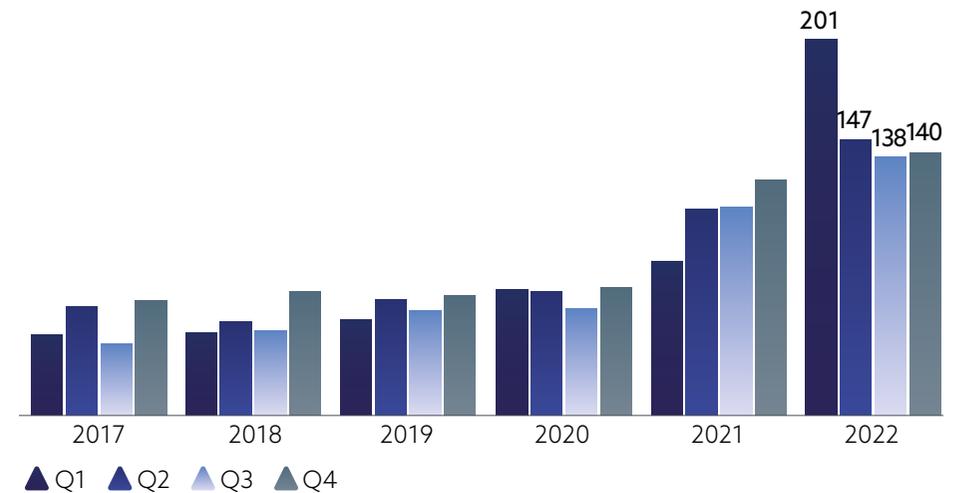
2022 was the highest year on record for deal volumes in Africa in the past 10 years, surpassing the record levels achieved in 2021 and representing a 46% year-over-year increase. Riding off the back of the impressive deal volume records set in the second half of 2021, dealmaking activity in 2022 got off to a positive start. An upsurge of investments in venture capital in Q1 led the first half of the year to record the highest volume of deals in any corresponding half-year in the period 2012-2022. This level of deal making was sustained in the subsequent quarters, which also reported record levels despite the macroeconomic conditions that affected the second half of 2022. This resurgence was the result of a 24% year-over-year growth in the volume of private equity investments, and a 7.2x growth in private debt investments driven by investments in venture debt, which is becoming an important investment strategy in the private capital landscape in Africa. In 2022, venture debt represented half of the total private debt deal volume.

Figure 2: Total Volume of Private Capital Deals in Africa, by Year

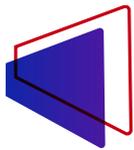


Source: AVCA

Figure 3: Total Volume of Private Capital Deals in Africa, by Year & Quarter

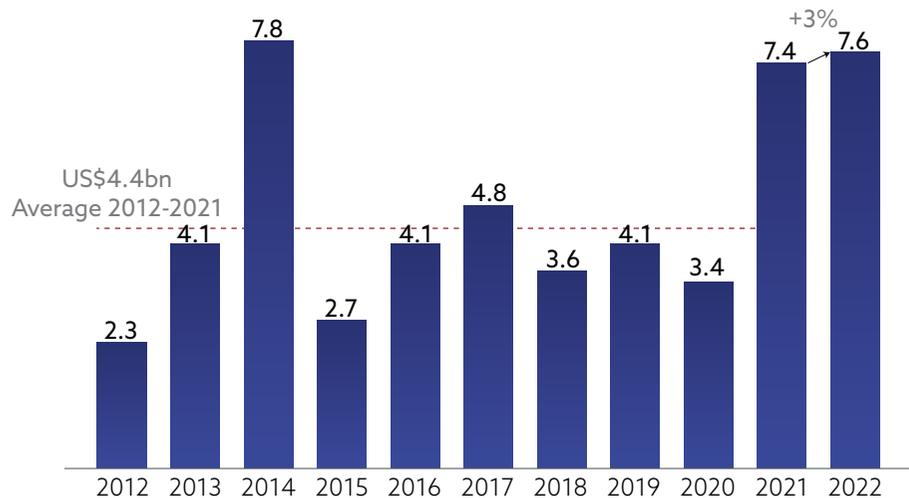


Source: AVCA



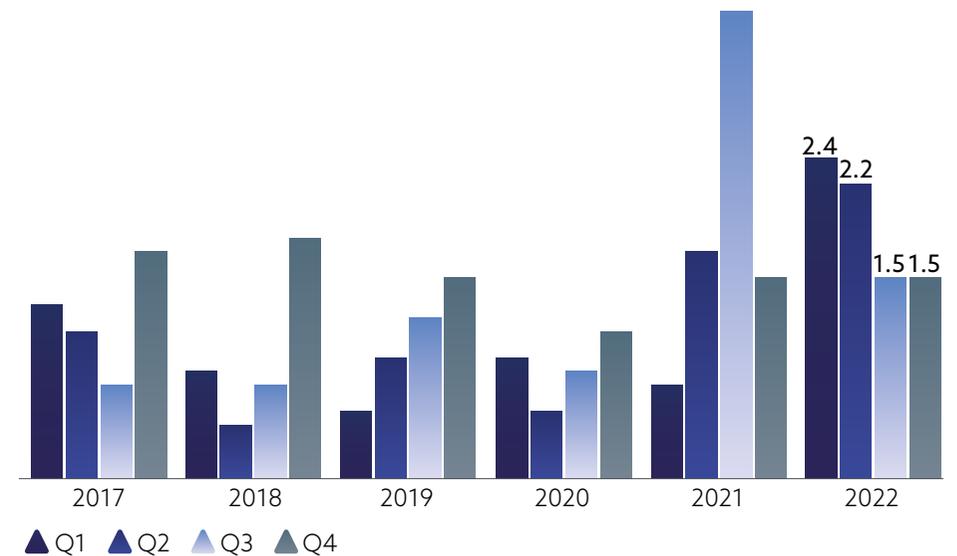
The total value of private capital investments in Africa remained resilient to the face of the economic uncertainty over the course of the year, closing 2022 slightly above 2021 and pre-pandemic averages. Indeed, it was the second-most active year of the last decade, with private capital firms reporting investments valued at US\$7.6bn, representing a modest 3% increase from the record level in 2021. Investment activity in the first half of 2022 recorded US\$4.6bn in deal value to become the most dynamic first half in the period 2012-2022. In a shift from the trends that have been observed in the past decade, the first half of 2022 recorded higher deal values than the second half of the year, occasioned by an increase in deals with ticket size above US\$100mn. On the other hand, investment values in the second half of the year were especially affected by the wind of panic and uncertainty around the global economic outlook, resulting in reduced ticket sizes.

Figure 5: Total Value of Private Capital Deals in Africa, by Year, US\$bn

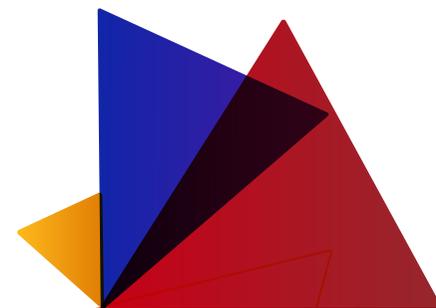


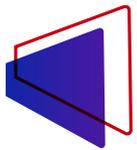
Source: AVCA

Figure 6: Total Value of Private Capital Deals in Africa, by Year & Quarter, US\$bn



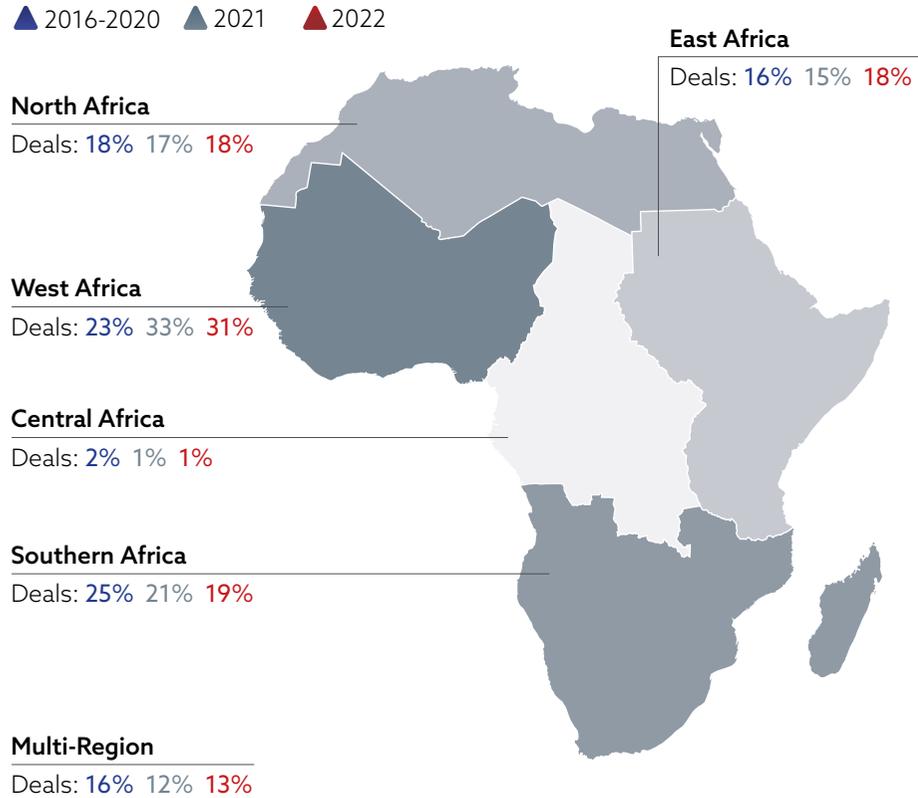
Source: AVCA





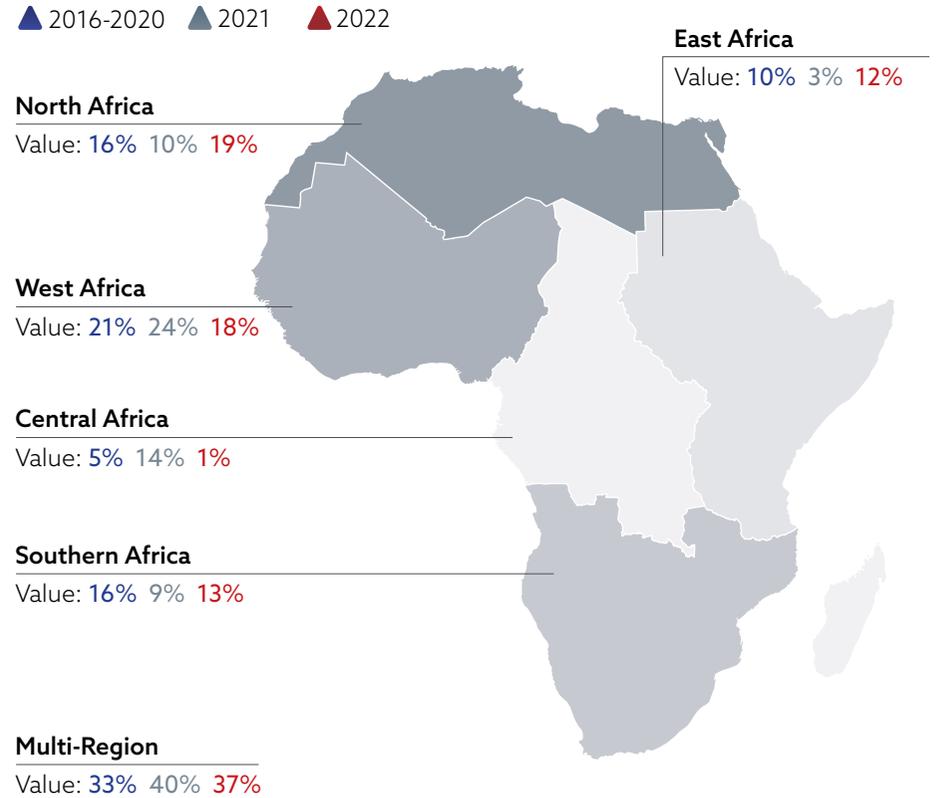
1.5 Private Capital Dealmaking by Geography

Figure 11: Share of Volume of Private Capital Deals in Africa, by Region, 2016 – 2022



Source: AVCA

Figure 12: Share of Value of Private Capital Deals in Africa, by Region, 2016 – 2022



Source: AVCA



1.6 Private Capital Dealmaking by Sector

KEY FINDINGS

Financials, Consumer Discretionary and Industrials continue to attract the lion's share of the total volume of private capital deals

Financials accounted for the largest share by both volume (**29%**) and value (**32%**) in 2022

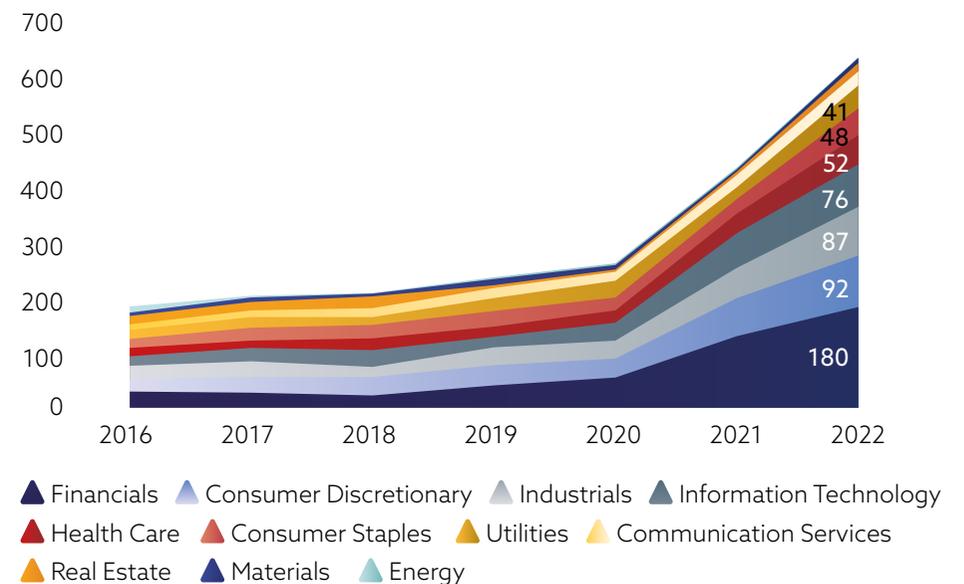
Information Technology, Healthcare, Utilities sectors on the rise

US\$1.7bn Utilities, driven by investments in renewables, claimed US\$1.7bn in the total deal value, the second largest in 2022

68% of investments were in **technology or technology enabled companies**

Private capital investment activity showed significant increases in all sectors, with the exception of the Energy sector. The performance of the industry was more mitigated by deal value, as conversely almost all sectors recorded a decline in their total deal value, except for Utilities, Healthcare, Information Technology, Materials and Real Estate, reflecting lower average ticket size injected into assets. Overall, Financials, Consumer Discretionary and Industrials were the 3 most active sectors by volume in 2022, with these three sectors collectively accounting for just under 60% of the total number of private capital deals on the continent. By deal value, Financials was the most-funded sector in Africa's private capital industry, echoing the trend in the venture capital landscape. In second and third place were the Utilities and Industrials sectors.

Figure 14: Total Volume of Private Capital Deals in Africa, by Year & Sector



Source: AVCA

2.1 Private Capital Exits in Africa

82

private capital exits were reported in Africa in 2022, setting a record high and representing a 2.3x YoY increase

65%

of the total number of exits reported in Africa took place in 2022 H2

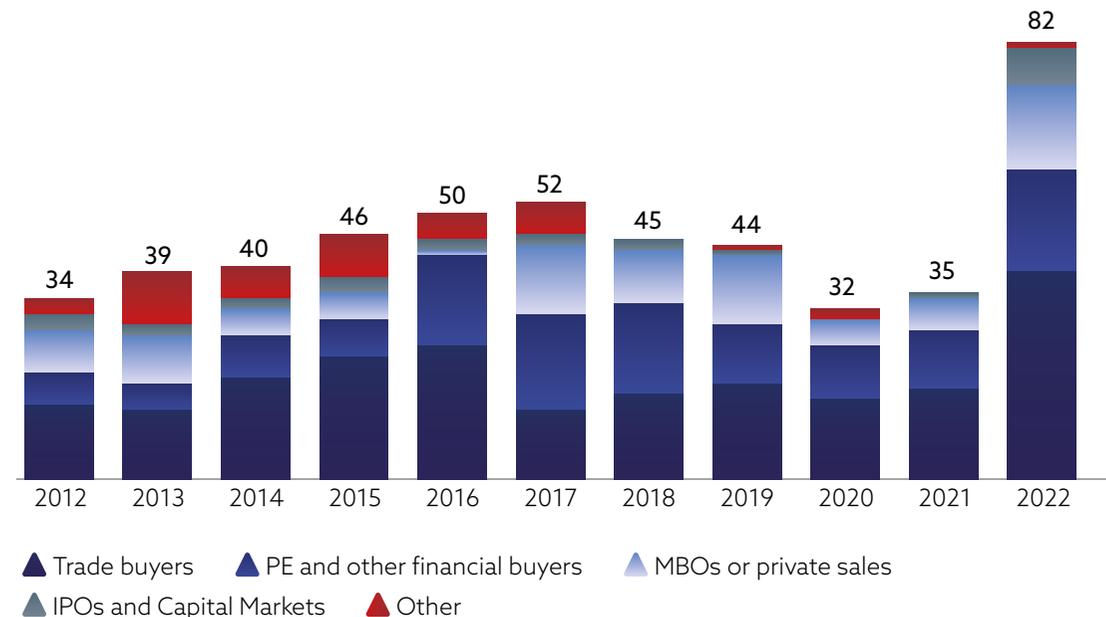
Trade Sales

was the most active exit route accounting for 48% of all exits in 2022

All exit routes in Africa in 2022 reached historically high record levels

Private capital exit activity in Africa soared to unprecedented levels in 2022. Specifically, the number of private capital exits reached an impressive 82 full exits, representing the highest number of exits ever recorded in a single year on the continent. This record-breaking number of exits marks a 2.3x year-over-year growth, and an 86% increase when compared to the pre-pandemic average (44 from 2012 to 2019). Given the pervasive global macroeconomic uncertainty of 2022, which is only expected to worsen in the near to medium term, private capital fund managers in Africa may have been prompted to prioritize asset disposals in 2022. This was further exacerbated by the disruptions caused by the COVID-19 pandemic which had impelled fund managers to postpone their exit planning and timelines.

Figure 1: Total Volume of Private Capital Exits in Africa, by Exit Routes & Year



Source: AVCA

3.1 Private Capital Fundraising in Africa

KEY FINDINGS:

Decline in fundraising mirrors extremely tough fundraising conditions globally

US\$2.0bn

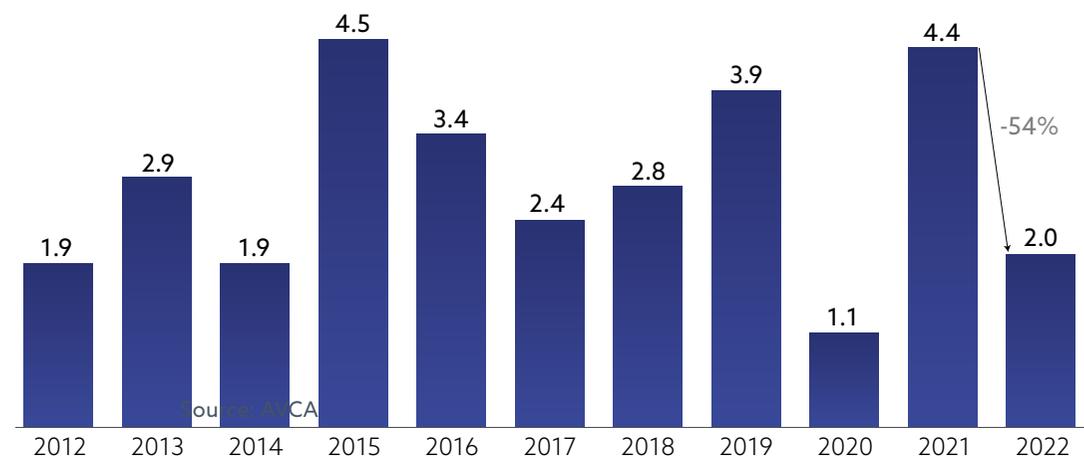
The **total value of fundraising in Africa in 2022**, a decrease of 54% YoY

2-year

Average length of time to fundraise for funds closed in 2022

2022 proved to be a particularly challenging year for private capital fundraising globally. In this environment, Africa was no exception. The decline in the value of fundraising in 2022 in Africa was mainly influenced by the global macroeconomic downturn and uncertainty. Several factors, including high inflation, rising interest rates, geopolitical uncertainty coupled with subdued economic prospects in developed markets, are likely to have discouraged many foreign investors from making long term commitments into other parts of the world including Africa. In this macroeconomic environment, which has created extremely challenging fundraising conditions for fund managers globally, it is also likely that several fund managers in 2022 chose to concentrate their efforts on dealmaking and exiting existing portfolio companies instead of raising capital under these unfavourable and turbulent times. Consequently, the dismal fundraising trend in 2022 in Africa comes as no surprise.

Figure 2: Total Value of African Private Capital Fundraising by Year of final close, US\$bn





2022 African Private Capital Activity Methodology

Scope

AVCA's African Private Capital Activity report presents the current state of the private capital in Africa and provides an overview of the latest trends of fundraisings, investments, and exits.

The report covers activity by private capital fund managers that have raised third-party funds from institutional investors and are active across the following alternative investments: venture capital, private equity, infrastructure, private debt including venture debt and real estate.

Data sources and quality controls

AVCA Research team collects data on a semi-annual basis directly from fund managers, press releases, and uses desk-based research to ensure data completeness. The AVCA research team reviews all data obtained, queries any obvious errors, verifies the cut-off rules, and processes all necessary changes to historical data that have been reported by contributors. Therefore, AVCA cannot guarantee the ultimate accuracy of the data.

Statistics explained

Market approach

AVCA data and statistics are based on the "market approach". The statistics are an aggregation of the figures according to the geographical destination of the capital, regardless of the location of the private capital fund. At the African level, this relates to fundraising for Africa, and investments in companies headquartered or with major operations in Africa, regardless of the location of the private capital fund.

Fundraisings

AVCA data and statistics on fundraising only include final closes by the private capital fund. However, the report also provides an indication of interim closes that were reported during the year 2022.

It is to be noted that, only funds that focus solely on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate are included in the report. Funds with a global investment remit that invest in Africa are excluded.

Investments

Deals cover all investments made by private capital funds across venture capital, private equity, infrastructure, private debt and real estate. They include all deal types associated with these asset classes, namely seed, early-stage, later stage, growth capital, buyout, greenfield, brownfield, direct lending, distressed debt, mezzanine, venture debt.

Deals value includes equity, mezzanine, junior & senior debt and significant co-investments (where available).

Exits

AVCA data and statistics on exits only include full exit by the private capital fund.

A single exit is regarded when private capital funds have invested and exited in the same company simultaneously.

Sector

The classification of invested company by sector is based on the 2018 Global Industry Classification Standard Classifications (GICS). A detailed breakdown is provided in following:

Consumer Discretionary

- Automobile & components
- Consumer durables & apparel
- Consumer services
- Retailing

Consumer Staples

- Food & Staples Retailing
- Food, Beverage & Tobacco
- Household & Personal Products

Financials

- Banks
- Diversified Financials & Capital Markets
- Insurance

Information Technology

- Software & IT Services
- Technological Hardware & Equipment
- Semiconductors & Equipment

Communication Services

- Telecommunication Services (including Wireless)
- Media & Entertainment

Healthcare

- Healthcare Providers Equipment & Services
- Pharmaceuticals, Biotechnology & Life Sciences

Industrials

- Capital Goods
- Commercial & Professional Services
- Transportation

Materials

- Chemicals
- Construction Materials
- Metals & Mining
- Paper & Forest Products

Real Estate

- REITs - Equity Real Estate Investment Trusts
- Real Estate Management & Development

Energy

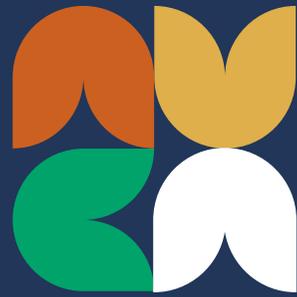
- Energy Equipment & Services
- Oil, Gas, Consumable Fuels

Utilities

- Electric utilities
- Gas utilities
- Multi-utilities
- Water utilities
- Independent Power & Renewable Electricity Producers

Confidentiality

All data received is treated with the utmost confidentiality. Only AVCA research team has access to the underlying data and data is published in an aggregated form only.



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at Nile Plaza, Egypt

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Contact AVCA

37 North Row
3rd Floor
London W1K 6DH

E avca@avca-africa.org

W www.avca-africa.org

C www.avcaconference.com

T +44 (0)20 3874 7008

Championing Private Investment in Africa

The African Private Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.

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