

SECTOR SNAPSHOT: HEALTHCARE

Healthcare in Africa: Growth Drivers

Overall, the healthcare sector in sub-Saharan Africa has shown considerable growth in the last twenty years. Average life expectancy on the continent has risen by 21 years, from 40 in 1950 to 61 in 2018¹. Three countries have fulfilled their commitment to the Abuja declaration signed in 2001: Rwanda (which allocated 20% of its national budget to healthcare), Botswana (17%) and Zambia (16%)². Whilst many African countries were unable to meet the 15% minimum stipulated in the declaration, 27 countries have increased the proportion of their total government expenditures allocated to health since 2001³. From a public sector perspective, the governments of Ghana, Rwanda, and South Africa have all introduced universal healthcare coverage and developed their national health insurance systems to reduce the necessity of out-of-pocket healthcare spending for their respective citizens. However, according to UNECA's Healthcare and Economic Growth in Africa report, there is an estimated health financing gap of US\$66 billion per annum in Africa⁴. In this environment, the scope for and necessity of private investment in Africa's healthcare sector is enormous and the private sector will likely play a crucial role in the development of resilient pan-African healthcare systems.

Digital technology featured more prominently in Africa's Healthcare delivery systems in recent years and technology is helping to address various health challenges across the continent. For example, mobile telecommunications operator Airtel Tanzania is disseminating information about infant care to mothers and pregnant women via text messages to improve patient connectivity. The Rwandese government made international headlines by using drone technology to

deliver life-saving medical supplies to rural areas. Additionally, in Uganda, technology is being used to track essential commodities via the mobile platform mTRAC, which is used by over 27,000 healthcare professionals to record medicine stock/inventories in hospitals nationwide⁵.

Nevertheless, despite these monumental gains, Africa's healthcare sector still faces several deep-seated challenges. Africa's burden of disease is disproportionate to its population size. In addition to communicable diseases like malaria and tuberculosis, the continent is concomitantly dealing with an increasing prevalence of non-communicable diseases such as cancer, diabetes and cardio-respiratory disease. The result is a double disease burden placed on a region where public resources are limited and health systems are already weak and overburdened. Additionally, Africa's shifting demographics poses another significant health challenge. It is imperative that Africa's rapidly expanding youthful population, which is predicted to be the largest workforce in the world by 2040, has access to good quality healthcare to capture the benefits of this demographic dividend⁶.

Rather than deterring private investment in Africa, these challenges present numerous commercial opportunities for potential investors. The private sector is playing an increasingly important role in health financing in Africa. Private sector healthcare providers currently deliver nearly 50% of all healthcare in sub-Saharan Africa and nearly 60% of healthcare financing on the continent comes from private sources⁷. Meeting the growing demand for improved healthcare services in Africa not only delivers strong financial returns, but the resulting development impact is also significant.

Healthcare & Life Sciences was identified by the **highest proportion of LPs and GPs** alike as an attractive sector for PE investment in Africa over the next three years.

AVCA 2021 African Private Equity Industry Survey

PE & VC fund investments in Healthcare* in Africa

97

Number of reported PE & VC fund investments in Healthcare in Africa, 2015-2020

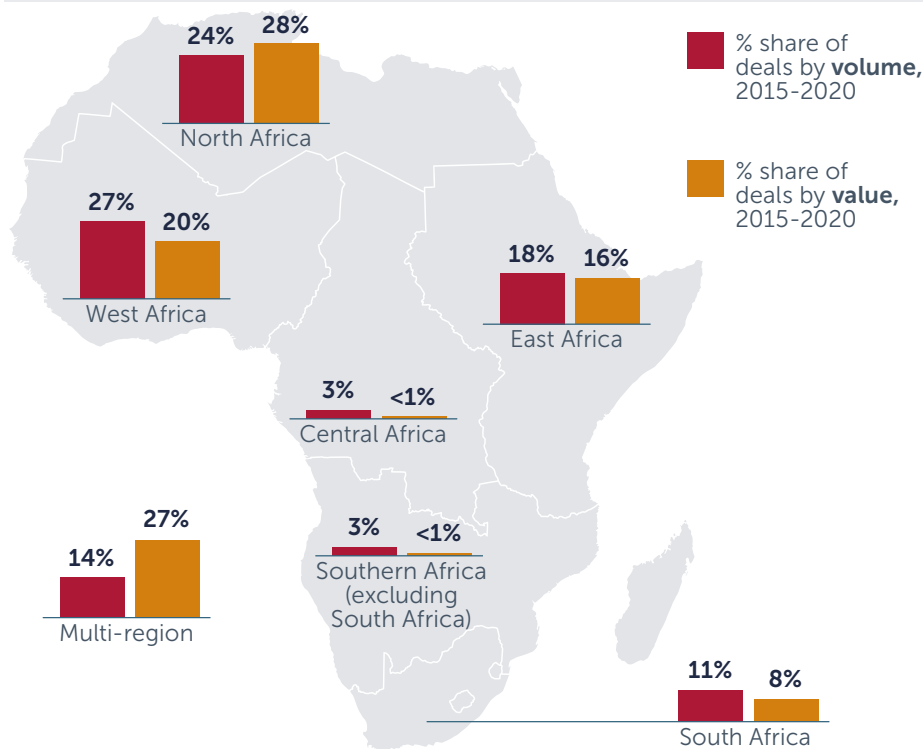
US\$1.3bn

Total value of reported PE & VC fund investments in Healthcare in Africa, 2015-2020

Healthcare technology deals represented **35%** of the total volume of PE & VC fund investments within Africa's Healthcare sector between 2015 and 2020. In 2020, healthcare technology investments represented **45%** of the total number of investments within Africa's healthcare sector.

* Please note that according to the GICS classification system, the Healthcare sector includes the following: Health Care Equipment & Supplies, Health Care Providers & Services, Health Care Technology, Biotechnology, Pharmaceuticals, Life Sciences Tools & Services. For further information, please see [here](#).

Share of volume and value of PE & VC fund investments in Healthcare in Africa, by region, 2015-2020



Deals in the Healthcare sector represented **8%** of the total deal volume in 2019 and 2020 respectively, showing the continued investor commitment to bridge the healthcare gap on the continent. The share of the total reported value of Healthcare deals in Africa in 2020 increased to **16%** of the total reported deal value, from only **3%** in 2019.

Share of volume of PE & VC fund investments in Healthcare in Africa, by year band, 2015-2020



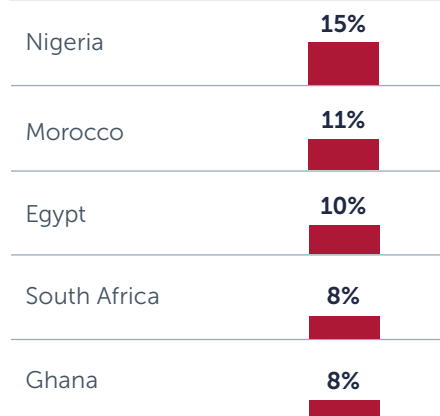
Share of volume of PE & VC fund investments in Healthcare in Africa, by industry group, 2015-2020



Selection of PE & VC fund investments in Healthcare in Africa, 2015-2020

Portfolio company	Investor(s)	Region	Year of Investment
Abacus	The Carlyle Group	East Africa	2018
Ciel Healthcare	Kibo Capital Partners	Multi-region	2016
Darl Pharmaceuticals	Synergy Capital Managers	West Africa	2015
Group Oncorad	CDG Capital Private Equity	North Africa	2019
HMAO Group	Amethis	West Africa	2015
International Clinical Laboratories	Ascent Capital Africa	East Africa	2015
Opham	Adenia Partners	Southern Africa	2015
Pyramid Group	LeapFrog Investments	Multi-region	2018
Zanzibar Pharma	Development Partners International, CDC & EBRD	Multi-region	2020
Zenufa Laboratories	Catalyst Principal Partners	East Africa	2016

Top 5 countries by share of volume of PE & VC fund investments in Healthcare in Africa, 2015-2020



Funds

Selection of PE & VC funds with a final close between 2015-2020 targeting investments in Healthcare in Africa

Between 2015 and 2020, the total value of final closed PE & VC funds in Africa was **US\$18.1bn**. Of this, **50%** originated from funds that included Healthcare as a targeted sector in their investment mandate

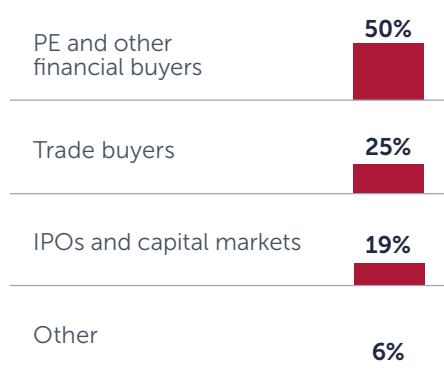
Fund Manager	Fund Name	Reported Amount of Final Close (mn)	Geographic Focus	Sector Focus
AfricInvest Group	Maghreb Private Equity Fund IV	EUR194	North Africa	Generalist
LeapFrog Investments	LeapFrog Emerging Consumer Fund III	US\$700	Africa & Asia	Financial Inclusion & Healthcare
Kibo Capital Partners	Kibo Fund II	US\$63	East & Southern Africa	Generalist
Mediterrania Capital Partners	Mediterrania Capital Fund III	EUR286	North Africa & Francophone Sub-Saharan Africa	Generalist
Metier	Metier Capital Growth Fund II	ZAR2,800	Sub-Saharan Africa	Generalist
TLcom Capital	TIDE Africa Fund	US\$71mn	Sub-Saharan Africa	Generalist (Technology)

Exits

16

Number of reported full exits in Healthcare in Africa, 2015-2020

Share of volume of exits in Healthcare in Africa, by exit route, 2015-2020



Selection of exits in Healthcare in Africa, 2015-2020

Portfolio company	Exiting Investor(s)	Region	Year of exit	Buyer
Hygeia HMO	Satya Capital	West Africa	2016	IFC, Investment Funds for Health in Africa, Swiss Re & CIEL Healthcare
International Medical Group	Kibo Capital Partners & other investor	East Africa	2015	Ciel Group & Fortis
Laboratoires Steripharma	The Abraaj Group	North Africa	2019	CDG Capital Private Equity
Medis Laboratories	AfricInvest Group	North Africa	2016	Actis
MetaMed	Gulf Capital	North Africa	2020	Mediterrania Capital Partners, FMO, Proparco, DEG & EBRD
Polymedic	AfricInvest Group	North Africa	2019	NBK Capital Partners & Foursan Capital Partners

Endnotes

- 1 The World Bank, 2021. [Life Expectancy at Birth – Sub-Saharan Africa](#).
- 2 Human Rights Watch, 2020. [Africa: Covid-19 Exposes Healthcare Shortfalls](#).
- 3 Ibid
- 4 UNECA, 2019. [Healthcare and Economic Growth in Africa](#)
- 5 UNECA, GBC Health and Aliko Dangote Foundation, 2019. [Healthcare and Economic Growth in Africa](#).
- 6 African Development Bank, 2013. [Health in Africa over the next 50 Years](#).
- 7 International Finance Corporation, 2016. [The Business of Health in Africa: Partnering with the Private Sector to Improve People's Lives](#).

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Championing Private Investment in Africa

The African Private Equity and Venture 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.