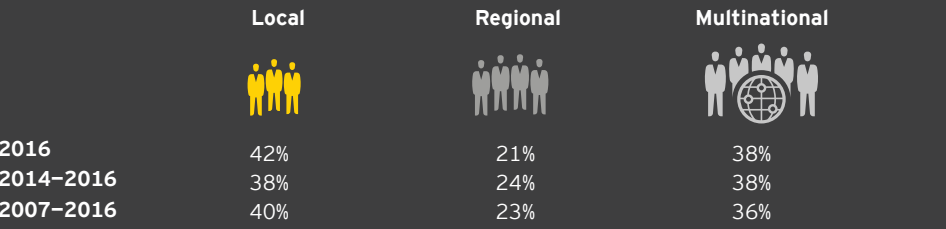


Trade buyer by type

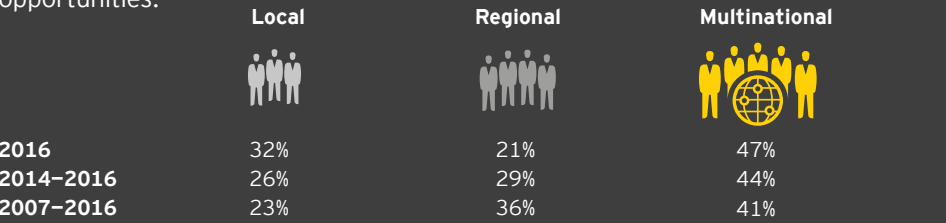
Local companies continued to represent the largest proportion of trade buyers.



PE or financial buyer by type

Multinational financial investors account for the largest share of financial buyers, while interest from local financial investors has increased.

The increase in the proportion of multinational PE or financial investors is consistent with the understanding that global or pan-emerging market PE or financial investors view PE-owned companies as attractive investment opportunities.



Looking forward

Where to invest next



Outlook for exit activity

On the basis of AVCA's member outreach, PE funds views on the outlook for exits are:

- Increase in overall exit activity and in auction processes
- Trade sales expected to continue to dominate as an exit route
- More exits via PE or financial buyers expected as the number of PE houses is increasing
- Pressure on certain sectors may lead to miss-matched price expectations

Lessons in better preparing for exits and enhancing value creation

On the basis of *EY Global Divestment Study*, which included interviews with 100 PE houses, 70% of PE houses surveyed fail to adequately prepare on time for an exit. Ten key considerations for delivering better exits and enhancing value creation are:

- More rigorous portfolio reviews
- More time and focus on exit planning

- Use analytics to make faster and better divestment decisions with greater factual support for the equity story
- Developing scale that is interesting to strategic investors
- Portfolio company management to be well prepared and have adequate (internal and external) resources
- Use an independent exit committee
- Expand the buyer pool by consistently re-evaluating possible buyer lists
- Timing in light of macro and other market uncertainties
- Make technological change a priority consideration to improve portfolio company's operations pre exit
- Balance price maximization and the ability to close a transaction with different buyers

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About AVCA

AVCA: 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.

How private equity investors create value

EY and AVCA's fifth annual survey analysis of the ways that private equity investors create and preserve value in the companies they own and operate in Africa

About this study

The 2017 *How private equity investors create value* study is presented by EY and African Private Equity and Venture Capital Association (AVCA). The study examines Private Equity (PE) exits from 2007 to 2016 using data drawn from both public sources and confidential, detailed interviews with former PE owners of exited businesses for exits to 2015. For 2016, our analysis is limited to publicly available information.

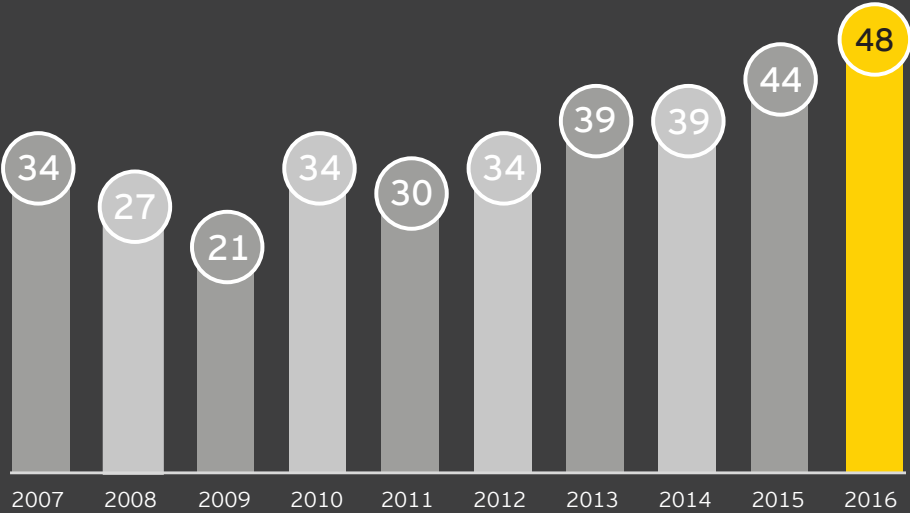
The study now draws from a population of 350 exits occurring in Africa over the study period. The exits had a minimum entry enterprise value of US\$1m and included only full (not partial) exits. Our analysis entails an examination of the decision to invest, value creation during PE ownership, exit strategies and key lessons learned during the process. Our aim is to produce an analysis that can help enhance the understanding of exit modalities and strategies in African markets and the underlying drivers of value creation.

Our most sincere thanks to the firms that participated, without whom the study would not be possible.

# Exit activity in Africa (2007-2016)

## PE exits hit records highs in 2016

The number of exits achieved by PE houses in Africa has showed an upward trend with a record number of exits in 2016.

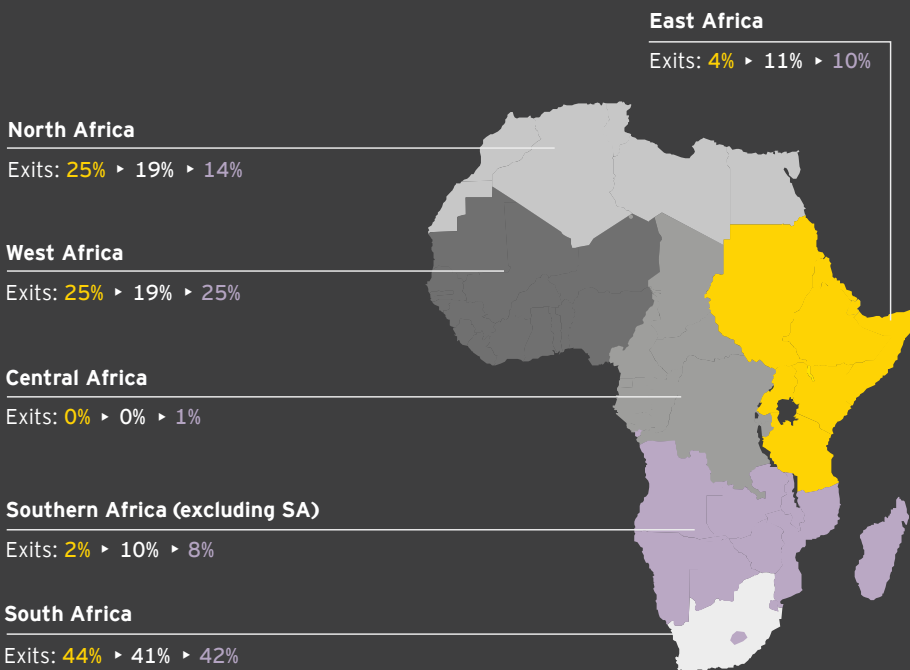


## The regional view

The bulk of PE exits continue to be concentrated in South Africa (SA).

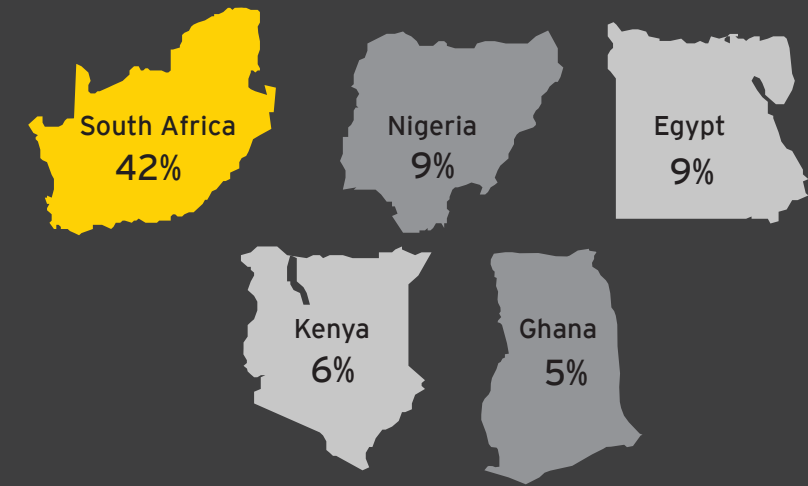
Exits in North Africa increased to its highest levels in 2016 and exits in West Africa also recovered in 2016.

2016 2014-2016 2007-2016



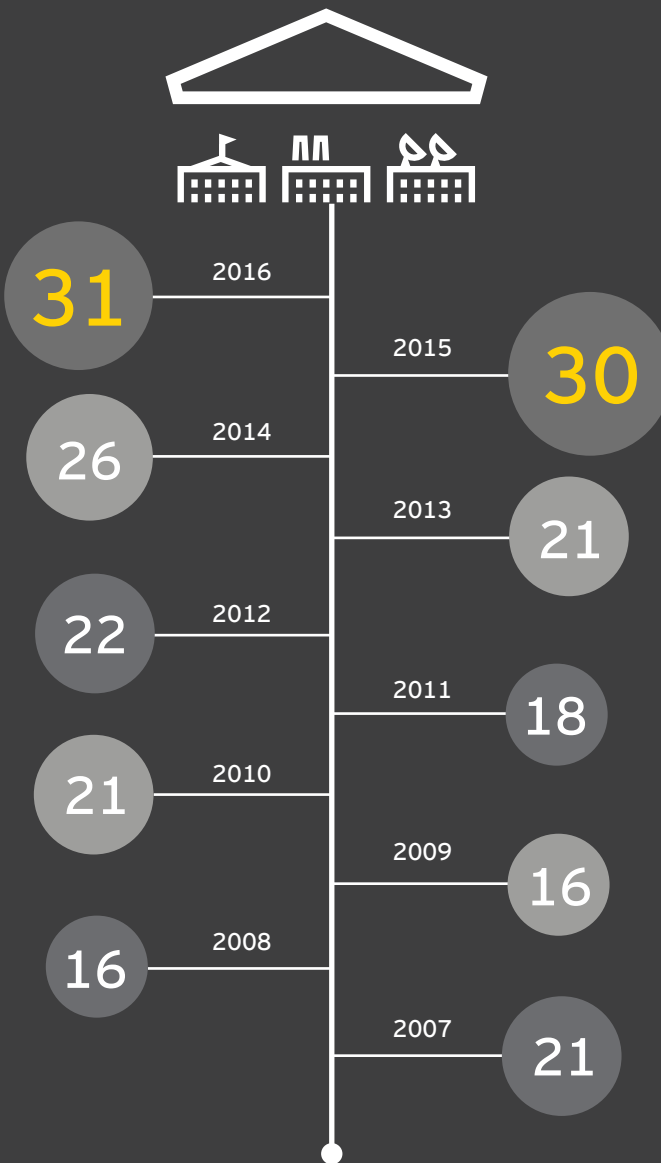
## Top countries for exits (2007-2016)

Over the last 10 years, the top five countries accounted for 70% of PE exits.



## Number of PE houses exiting

The number of PE houses achieving exits in 2016 increased slightly to a new high of 31 PE houses, indicating that the African PE sector continues to mature despite recent economic headwinds, which a number of African economies have experienced recently.



## PE exits by industry

Financial services, industrials, consumer goods and services continued to attract the highest number of PE exits between 2007 and 2016, and during the last three years.

Exits from the healthcare and industrials sectors continued to increase.

	2016	2014-2016	2007-2016
Financials	10%	19%	20%
Industrials	21%	17%	15%
Consumer goods and services	6%	12%	12%
Telecoms and media	10%	5%	8%
Healthcare	10%	12%	8%
Business services	10%	8%	7%
Resources	4%	2%	7%
Construction & materials	10%	8%	6%
Technology	4%	3%	6%
Retail	4%	8%	5%
Oil and gas	0%	0%	3%
Power and utilities	6%	5%	2%
Real estate	2%	1%	2%

## Average holding period by year

An increase in the average holding period confirms our view that PE houses are inclined to hold their investments in portfolio companies for longer than developed markets. The average in 2016 is also distorted by a greater number of exits of infrastructure investments with longer hold periods.



## Exit route

A significant uptick in sales to PE and other financial buyers occurred in 2016 indicating a maturing and more competitive African PE industry. A marked decline in management buy outs (MBOs) and private sales occurred in 2016.

Exits to trade buyers still represent the most common exit route.

