



Private Equity and Venture Capital in Africa

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AGENDA

- 1. What is Venture Capital**
- 2. The Role of VC in Development**
- 3. Overview of African Venture Capital Industry**
- 4. The Dynamics of VC Industry**
- 5. Key Requirements for growth and success of vc**
- 6. UNIDO/AVCA Technical Assistance Fund**
- 7. Conclusion**



What is Venture Capital

- **VC's invest Medium to Long Term Capital**
- **Targets companies with above average growth**
- **Equity and Quasi Equity (Not Debt or Loan)**
- **No interest repayments**
- **VC becomes shareholder**
- **VC Contributes to the running of the company**
- **Aims to increase the value of the company**
- **After a few years VC Exits or sells their interest**
- **Makes a return on its investment**
- **VC Executives remunerated by performance of investment on exit**



Role of Venture Capital in Development

- **Equity Financing for growth Companies**
- **Job creation e.g. Close to 1 in 5 Jobs in UK provided by venture backed companies**
- **Foreign investment into Africa**
- **Broadening of capital instruments for companies**



Overview of African Venture Capital

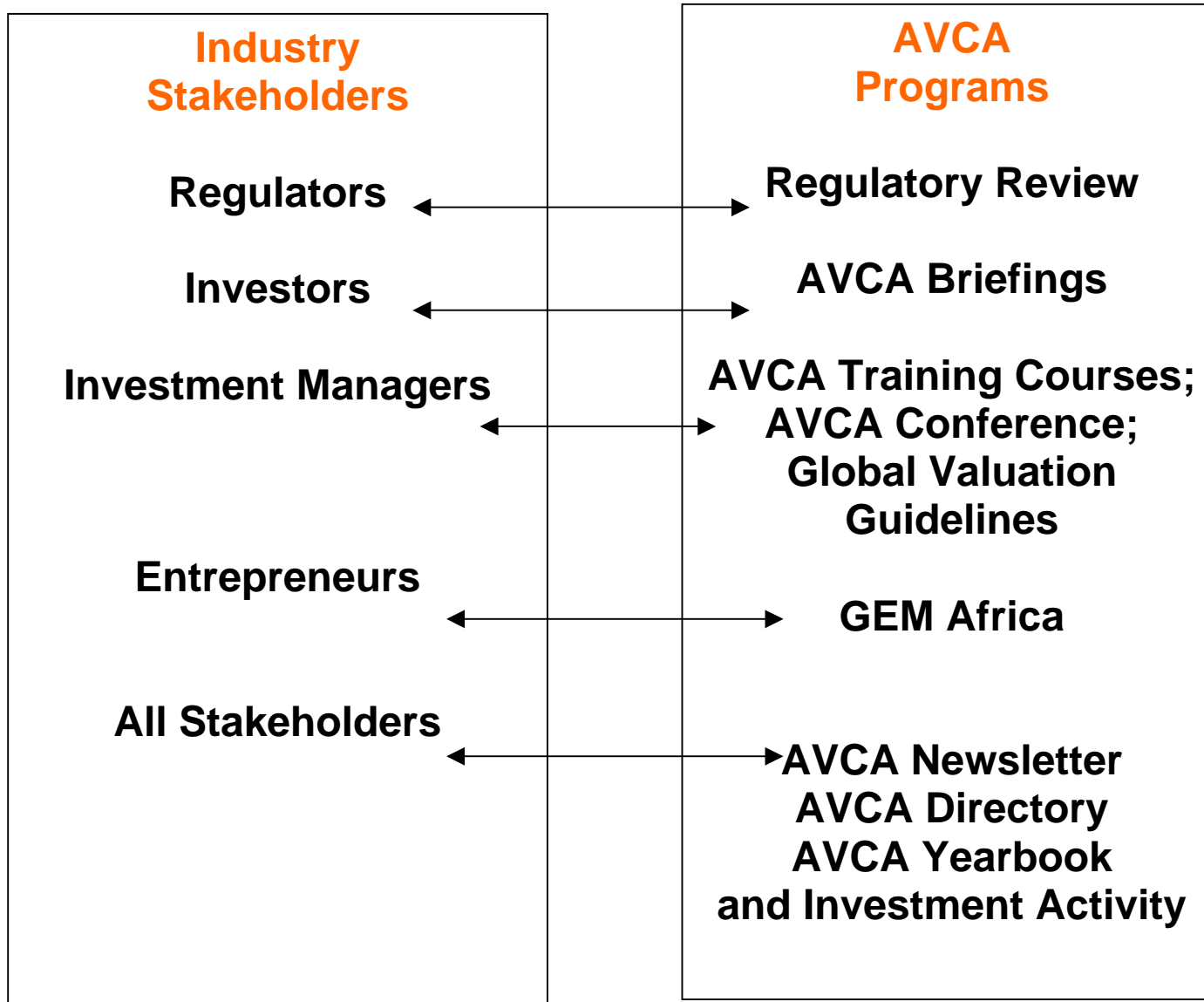
- \$12-15 billion under management
- Investment **0.01%** of global vc/pe investments
- Fund raising **0.007%** of global fund raising.
- African vc/pe contributes **0.075%** to African GDP in 2005 compared to the global vc/pe industry which contributed **0.3%** to global GDP
- **\$550 million** raised in 2005
- **\$750 million** invested
- **\$250 million** divested
- **80%** of funds raised from Foreign Investors

Exits

- **Top 3 exit routes in 2005**
 - Sale to management
 - Sale to other pe firm
 - Trade sale

- **Number of IPO's**
 - 1 in 131 exits in 2004 valued at \$1.3 m
 - 1 in 126 exits in 2005 (no information on value)

Dynamics of VC Industry



Key Requirements for Growth and Success of VC in Africa



- **African Fund of Funds**
 - **Targeting local and international investors)**
- **Technical Assistance Fund for SME's**
- **Tax and regulatory incentives**
- **Financial support for industry association**

**Staff, Training, Conference, Publications,
Regulatory Review, Investor Relations,
Entrepreneurship development, Public Relations**

AFRIPANET/AVCA Technical Assistance Fund



- **\$50 million revolving grant to Fund Managers and Portfolio companies**
- **Pre and post investment capacity building**
- **Including training, governance, expert technical support, IT systems improvements**
- **Grants paid back as soon as possible**



Examples of TA Received by AVCA Members

- Technical audit of the wood manufacturing plant
- Recruitment and training of private equity team in Morocco
- Raising a pan African fund (structuring and set up, marketing, preparation of legal documentation)
- Training of the Local Investment Partners covering various parts of Africa (Ghana, Cameroon, Togo, ...)
- Raising a pan African fund (structuring and set up, marketing, preparation of legal documentation)
- Technical assistance used in support and development of the SME portfolio companies by way of mentorship and training

Examples of TA Requirements

- Engagement of Technical Partners & capacity building
- Capacity building and sourcing of technical expert
- Market Research on cassava products
- Recruitment of expatriate management staff for a limited time, succession plan and training of local staff to take over from the expatriated
- Put in place a new IT system, need for new expertise to package and develop new products
- Recruitment of an international expert for limited time for industrial and managerial assistance
- Expansion of the sewage treatment plant given the implementation of the new yoghurt factory
- Restructuring of the company. It needs an external advisor to work on the procedures, the stocks, the IT system...



Actions from this conference

- Active interaction between capital markets and vc/pe industry
 - Attend and speak at conferences
 - SE's actively encourage vc/pe portfolio companies to list

- Financial support from governments
 - AVCA annual budget (up to \$3 million)
 - AVCA Technical Assistance Fund (\$50 million)
 - Pension reform to allow investment into vc/pe
 - Tax incentives to investors, portfolio companies (e.g. VCT)

- Forums for continued engagement between public sector, private sector and civil society (through media)

Conclusion



THANK YOU

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