

South African Private Equity Investors Confident in Attractiveness of Domestic Market

15 August, Johannesburg. South African private equity fund managers remain confident about the attractiveness of their home market, following two years of successful fundraising and a gradual pick-up in deal activity. This is according to the results of the latest annual Global Venture Capital Confidence Survey from professional services firm Deloitte and the U.S. National Venture Capital Association (NVCA), which gauged the confidence levels of more than 300 venture capital, private equity and growth equity investors from sixteen countries in the Americas, Europe, Asia and Africa. Confidence levels were measured to assess investor sentiment on the global venture capital and private equity environment, market factors shaping industries, and investments in specific geographies and industry sectors.

The survey findings show that only Singapore (3.67) was ranked ahead of South Africa (3.5), which was matched by Brazil (3.5), when local investors were asked to rank nations according to their attractiveness for private equity on a scale of 1 to 5, with a higher value indicating greater appeal. That put South Africa ahead of the likes of India and the US (both 3.25), Germany (3.14), Australia and China (3), the UK (2.88) and Japan (2.5).

“It may be a case of ‘better the devil you know’ but South Africans are clearly still upbeat about successfully concluding private equity deals in their home market,” says Sean McPhee, Deloitte Partner and head of Private Equity. “It may also be a symptom of the relatively downbeat economy, which emboldens those with the resources and know-how to take control of underperforming companies which they believe they can extract better value from through strategic guidance, hands-on management and more efficient business practices.”

The generally positive view among South African fund managers of their domestic private prospects was matched by the assessment of global investors who ranked the country’s private equity appeal at 3.27, just behind China at 3.28 and not far behind the top-ranked U.S. at 3.78. Nevertheless, South Africans were altogether more downbeat in their assessment of the domestic economy. Overall confidence in their home country’s macro economy in the next year received a neutral to negative ranking of 2.68 from South African respondents, sharply lower than the global average of 3.4.

South African private equity fund managers appear relatively positive on world economic conditions with an average confidence assessment of 3.29, compared to a global average of 3.2. Confidence in government’s ability to implement enabling and supportive policy was at 2.38, lower than the global average of 2.71 but a considerable improvement on last year’s 1.91.

Consistent with the wave of successful fundraising by South African-based private equity fund managers, survey participants were slightly more upbeat on prospects of raising capital from international institutional investors, with this year’s confidence reading of 3.03 increasing from 2.91 in 2013. South African fund managers’ confidence in the prospect of raising capital from domestic institutional investors was unchanged at 3.06.

Preferred industries identified by South African private equity fund managers were varied, with the most attractive sectors including healthcare, infrastructure, telecommunications and consumer retail. “These sector preferences reflect the opportunities available in an emerging market such as South Africa, as well as in economies in the African region as a whole,” says Erika van der Merwe, CEO of the Southern African Private Equity and Venture Capital Association. “Health, communication and transport infrastructure will be a key theme in private equity deal making in coming years – along with those sectors that benefit from the emerging middle class.”

About SAVCA: The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry body and public policy advocate for private equity and venture capital in South Africa, representing about R160 billion in assets under management. SAVCA promotes South African private equity by engaging with regulators and legislators on a range of matters affecting the industry, providing relevant and insightful research on aspects of the industry, offering training on private equity and creating meaningful networking opportunities for industry players.

ISSUED BY:

Mari Blumenthal

H+K Strategies South Africa

Tel: +27 11 463 2198

Cell: +27 82 381 0635

Email: mari.blumenthal@hkstrategies.co.za

ON BEHALF OF:

Erika van der Merwe, CEO: SAVCA