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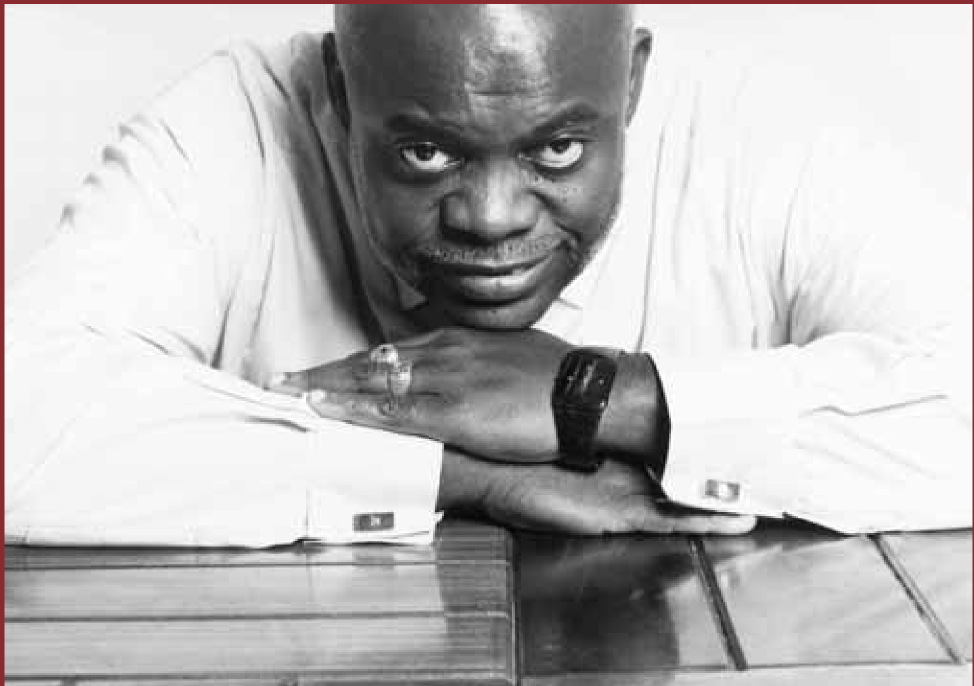

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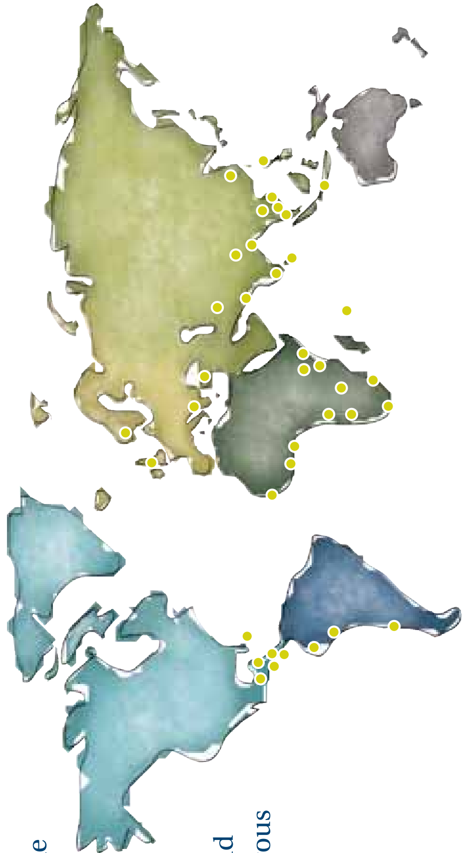

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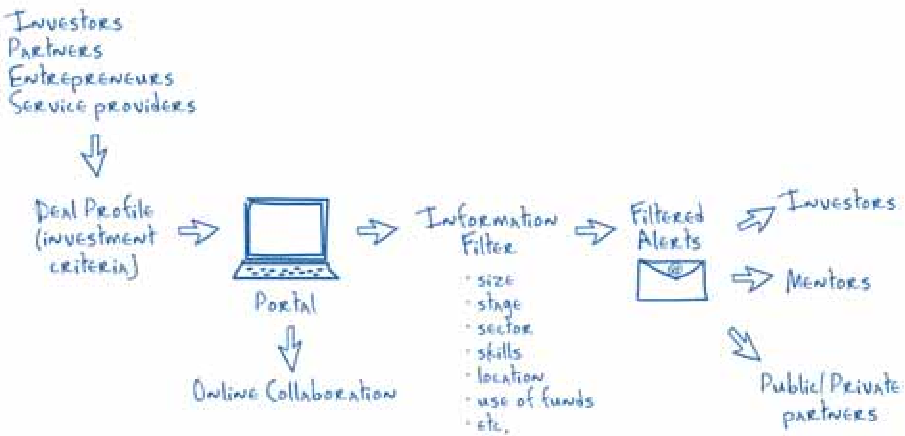

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AVCA 2006 YEARBOOK

Conducted by PricewaterhouseCoopers and Thomson Venture Economics
Sponsored by CDC

The **African Venture Capital Association** (AVCA) represents the private equity and venture capital industry in Africa. AVCA was established in 2002 and its head office is in Yaoundé, Cameroon. AVCA's membership is drawn from across Africa and internationally. AVCA's objectives are to represent the industry within Africa and internationally, stimulate the growth and expansion of the industry throughout Africa, stimulate professional relationships and co-operation, provide opportunities for professional development of industry practitioners, research, publish and circulate industry information and insights, provide policy makers with proposals to improve the corporate, fiscal and legal environment for the industry, maintain high ethical and professional standards and contribute to the management development of investors, investees and other stakeholders. AVCA's activities include an annual industry conference, a quarterly newsletter, research, training and advocacy programs. For more information visit the AVCA website **www.avcanet.com**.

Contents

Foreword

I am pleased to be introducing the AVCA 2006 Yearbook and Investment Activity Report, incorporating the results of the 2005 Survey. The survey process was managed by Thomson Venture Economics as last year. The survey was sent to 89 institutions and 43 responses were received. This response rate of 48% is a considerable improvement on last year's 33% rate. The survey was not sent to South African managers since they are surveyed through the SAVCA/KPMG survey of the South African private equity industry, but we are grateful to SAVCA/KPMG for allowing the results of that survey to be included in the data.

The private equity industry in Africa is still at an early stage of development. It has largely been backed by foreign investors and, even in South Africa, this continues to be the case. Recent developments in some local capital markets (eg Nigeria) will put local institutions under similar liquidity pressure as global institutions, but without the same range of investment opportunities. There is clearly an opportunity for private equity to market itself to local investors and to educate regulators about the asset class.

Effective marketing requires a more open approach from fund managers (or General Partners – "GPs"). One of the findings of EMPEA's March 2006 survey of investor interest in emerging markets private equity (conducted with Liberty Global Partners) was that investors (or Limited Partners – "LPs") wanted more case studies of private equity in emerging markets, more transparent track records, greater transparency into portfolio holdings, as well as access to fund of funds.

The AVCA Yearbook and Investment Activity Report provides an opportunity for the African private equity community to present itself to the outside world. Market statistics are the starting point for any investor looking to engage with a new region. By responding to the survey, AVCA members help to meet this need. An objective must be to disclose performance data since that is what is needed to convert an uninterested LP to being, initially, an interested observer and, later, to an active investor.

The size of the global private equity industry is now requiring a greater openness from the GP community. The rise of the mega deal (as well as the mega exit) has resulted in private equity becoming front page news. Greater transparency will help to address the suspicion that private equity is less attractive than public equity or strategic investors. UNCTAD's recently released 2006 World Investment Report draws attention to the rise of private equity flows in foreign direct investment, and recommends that more research is needed to assess the implications of this trend. The GP community should, in my view, address this concern by fully articulating the strengths and benefits of the private equity asset class.

As a fund of funds with a major focus on Africa, CDC continues to grow its portfolio of private equity funds investing in Africa. We are a firm believer in the value that can be added by an active, informed GP. On the whole, we do not believe there is a shortage of capital in Africa. But there is a clear need for it to be used more productively - and GPs have a key role here.

A skilled GP will make a significant impact on how capital is allocated, selecting an investee company which, in turn, has the management capacity and the governance quality to successfully implement its business plan. This may sound like a static process but it will not be. GPs can improve the effectiveness of company boards by adding experienced directors, by pushing for clear focus and for the right quality (and quantity) of information. They also know what challenges will arise in a growing company and will add value by ensuring that there is sufficient "bandwidth" within the management team. By expanding and exploiting their networks, GPs can help a portfolio company to move to the next level.

AVCA will shortly be commissioning the 2006 survey with a view to releasing results early in 2007. This is a very positive development. With your help, I hope that the forthcoming survey will evidence the further development of the private equity asset class in Africa.

Rod Evison Portfolio Director - Africa CDC

Executive Summary

The AVCA 2006 Yearbook and Investment Activity Report presents the results of the venture capital and private equity survey across Africa. The survey was conducted by AVCA, PricewaterhouseCoopers and Thomson Financial in 2006. Additional investment activity for South Africa was provided by the South African Venture Capital Association (SAVCA) and KPMG.

The analysis presented here is based on the reported activity from 822 venture capital and private equity fund managers from 23 countries - Algeria, Benin, Botswana, Cameroon, Comoros, Congo, Cote d'Ivoire, Egypt, Ghana, Kenya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Senegal, South Africa, Tanzania, Tunisia and Uganda.

The venture capital and private equity investment activity in Africa comprises three main features – funds raised (or source of funds), funds invested (or investments) and funds divested (or exits).

In 2005, US$ 557 million was raised, US$ 948 million was invested and US$ 241 million divestments were made.

The AVCA 2006 Yearbook and Investment Activity Report includes an overview of funds raised, investments and divestments across Africa and overviews of funds raised, investments and divestments for the four regions - East/Central Africa, North Africa, Southern Africa and West Africa. The report also presents details of investments by fund manager, size, country and sector.

AFRICA

Across Africa, funds raised in 2005 were US$557 million. This is a decrease of 42.7% from funds raised in 2004 which were reported at US$ 971.8 million.

In 2005 government and aid agencies were the largest source of capital. Over half the funds raised were for later stage. No buyouts, Mezzanine, Fund of funds or Turnaround funds were raised.

Investment activity hit US$ 948.3 million in 2005. South Africa recorded the largest number and amount of investments in 2005. Captive and independent investments far exceeded public investments. Later stage funds dominated in both 2004 and 2005. Buyout investments are generally the largest while early stage investments are more numerous and smaller in 2005. 96.5% of total investments classified as in-country in 2005. South Africa topped list of countries in terms of investments, Nigeria followed in 2005. Transportation overtakes consumer related companies to claim most of the value of investment in 2005 attracting 132 in-country investments.

A total of US$ 241.4 million reported in divestments in 2005, up 6.3% from 2004.

The contribution of venture capital and private equity to overall economic activity in African countries, as measured as a percentage of reported investments to reported GDP in 2005, ranged from 0.602% in Comoros to 0.002% in Cote d'Ivoire (for the countries which reported activity in 2005).

Private equity investments as a percentage of GDP decreased from 0.109% on average in 2004 to 0.075% in 2005, in the countries that reported private equity investment activity.

Comoros recorded the highest percentage in the whole continent at 0.602%, an increase from nothing reported in 2004. South Africa followed in second, reporting 0.322% down from 0.529% in 2004. Third highest was Mauritius, which reported an increase from 0.158% in 2004 to 0.202% in 2005.

Excluding the countries which did not report any activity in 2005, Cote d'Ivoire and Algeria reported the lowest ratio of investment to GDP at 0.002% and 0.003% respectively. Both countries reported nothing the previous year.

EAST AND CENTRAL AFRICA

The East and Central African activity covers 7 countries - Cameroon, Comoros, Congo, Kenya, Madagascar and Uganda.

Fund raising in the region decreased to US$ 7.6 million in 2005 from US$ 43.9 million in 2004. Government and aid agencies are the largest source of funds to the region. Foreign funding primarily originated from Europe followed by the United States. All funds raised were for early stage focused funds.

The number of investments in 2005 increased to 15 from 13 in 2004. The value of investments decreased from US$21.5 in 2004 to US$14 million in 2005.

Independent fund managers made 75% of the investments valued at US $10.6million. Generalist funds made 6 investments values at US$ 5.2 million. Half the investments were for expansion stage.

Foreign funds made half of the investments in 2005, compared to 80% in 2004. The United Kingdom and France were the only two foreign countries investing in the region in both 2004 and 2005.

Kenyan-based businesses received the most investment in the region in both 2004 and 2005. Business and Financial services received the most investments. Businessed with turnover of under US$20 million and less than 500 employees received the most investment in 2005.

The region saw 4 exits valued at US$ 1.7 million - 1 trade sale, 1 IPO, 1 sale to management and 1 sale to a private equity firm or financial institution.

The contribution of private equity and venture capital to the overall economic activity in East and Central African countries is measured as a percentage of venture capital and private equity investments in 2005 to GDP in 2005. Comoros recorded the highest percentage in 2005 at 0.602%, an increase from nothing reported the year before. Likewise, Madagascar followed with the second highest percentage of 0.093% up from nothing reported in the previous year.

NORTH AFRICA

North Africa activity covered 3 countries – Egypt, Morocco and Tunisia.

Funds raised amounted to US$ 166.5 million in 2005 a substantial decrease from US$ 426.3 million in 2004.

Majority of funds were raised from Development Finance Institutions. Balanced/diversified focused funds raised the most funds.

A total of 14 investments valued at US$ 42.2 million were reported. There was a significant increase in the volume of reported in-country investment in the region from US$ 13.4 million in 2004 to US$ 37.4 million in 2005. The average deal size in 2005 was US$ 3.7 million per investment compared to US$ 0.9 million per investment in 2004. Most investments were made by independent fund managers.

Egypt attracted the most investments in 2005. Transporatin sector attracted the most (38.2%) investment. Investments in 2005 were mainly from generalist private equity type of funds.

During 2005, 69.5% of the reported in-country investments were made in the expansion stage. Most investments were non-syndicated.

United States and European based investors increased their level of investment in the region significantly from US$ 2.5 million to US$ 23.6 million. Investors tend to prefer investee businesses with turnovers of US$ 20 million or less.

2 exits were reported in 2005 valued at US$ 2.9 million.

The contribution of private equity and venture capital to the overall economic activity in North African countries is measured as a percentage of private equity and venture capital investments in 2005 to GDP in 2005. Morocco recorded the highest percentage in 2005 at 0.028%, an increase from 0.012% in 2004. Egypt followed with the second highest percentage of 0.024% up from 0.003% the year before.

SOUTHERN AFRICA

In 2005, funds raised in Southern Africa decreased from US$ 493.3 million in 2004 to US$ 352.3 million in 2005.

62 percent of funds raised were from Europe. Majority of funds were raised for later stage investments.

773 investments were made valued at US$ 797.4 million in 2005 a decrease in value from 2004 levels where 633 investments were made valued at US$1.2 billion.

Most investments were made by captive fund managers and from later stage funds.

Most of the investment in the region (excluding South Africa) came from local investors. The largest number of deals were reported in the transportation sector – but the consumer related sector attracts the highest value of investment.

111 exits were reported in 2005 slightly up from 108 exits in 2004. Sales to management remain the most popular form of exit.

The contribution of private equity and venture capital to the overall economic activity in Southern African countries is measured as a percentage of private equity and venture capital investments in 2005 to GDP in 2005. South Africa recorded the highest percentage in the region, at 0.322%, a decrease from 0.529% in 2004. Mauritius followed second in 2005, with a percentage of 0.202%, an increase from 0.158% in the previous year.

■ WEST AFRICA

In 2005 US$ 30.6 million was raised in West Africa. US$ 26.6 million of this was raised in Nigeria.

Fund raising activity was only reported in Nigeria and Ghana. Funds raised by Nigeria increased from US$ 1.3 million in 2004 to US$ 26.6 million in 2005, while funds raised by Ghana decreased from US$ 7.0 million to US$ 4.0 million.

Majority of funds for the region in 2005 were raised in Nigeria from private individuals and banks.

Funds raised by Ghana amounting to US$ 4.0 million, were raised for generalist private equity funds. Most of the funds in Nigeria are raised for balanced/diversified stages - US$ 16.4 million.

The volume of in-country investment in the region was US$ 88.3 million.

The United States-based funds provided 43.0% of total investment in the region. Netherlands and France-based investors made investments into the region for the first time and these were valued at US$ 6.1 million and US$ 2.7 million respectively.

9 exits were reported in 2005 valued at . Exit routes were varied and included sales to management, sales to private equity firms and repayment of preference loans/shares.

The contribution of private equity and venture capital to the overall economic activity in West African countries is measured as a percentage of private equity and venture capital investments in 2005 to GDP in 2005 and Nigeria recorded the highest percentage in 2005 at 0.095%.

Conclusion

The investments reported and analysed in this report are conducted within a regulatory policy environment, by professional managers investing in promising entrepreneurs who create wealth, employment and contribute economically and socially to the continents development.

To this extent our understanding of the current investment activity, presented in this report is only a part of the whole picture. We look forward to developing and presenting similar overviews of the other components of the venture capital and private equity industry in Africa – the regulatory environment, the entrepreneurial talent, the practitioner base and the development impact of venture capital and private equity in Africa.

For more information on AVCA's activities, see the AVCA website **www.avcanet.com**

1 Introduction

I am delighted to present the AVCA 2006 Annual Yearbook and Investment Activity Report.

This is the second year that AVCA is publishing pan-African venture capital and private equity industry activity based on an industry survey of all active fund managers across the continent.

The 2006 AVCA yearbook and industry activity report is sponsored by CDC, the UK based Fund of Funds and conducted by PriceWaterhouseCoopers (PWC) and Thomsons Financial (TF) - formerly Thomson Venture Economics.

This year, like last year, we sought to include all private equity and venture capital fund managers operating in Africa, not just AVCA members. In all we identified 89 fund managers from AVCA, national VCA memberships - the Nigerian Venture Capital Association (VCAN) and Tunisian Venture Capital Association (TVCA) and other sources. The 2006 AVCA survey exercise did not extend to members of the South African Venture Capital Association (SAVCA) as SAVCA already conducts an annual industry survey of the private equity and venture capital industry in South Africa (co-published with KPMG) and as last year, with SAVCA and KPMG's permission we have included the results of the South African survey in our report.

43 of the 89 invited fund managers participated in the 2005 survey, a 48% response rate. We are particularly encouraged with the significantly increased response rate this year and hope to further increase the survey response rate in the next survey.

We had responses from fund managers in 23 countries - Algeria, Benin, Botswana, Cameroon, Comoros, Congo, Cote d'Ivoire, Egypt, Ghana, Kenya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Senegal, South Africa, Tanzania, Tunisia and Uganda.

I thank our sponsors CDC Capital Partners, UK for actively supporting AVCA for the second year both financially and morally.

I thank our partners PriceWaterhouseCoopers and Thomson Financials for their professionalism and rigour in devising, conducting and analysing the survey; the Nigerian Venture Capital Association and Tunisian Venture Capital Association for actively supporting the survey process and encouraging their members to participate in the surveys; KPMG South Africa and the South African Venture Capital Association for providing data from the KPMG/SAVCA industry survey.

I thank all the participants in the survey for contributing to this second edition of the AVCA Yearbook and Investment Activity Report - you are industry leaders.

A very special thank you to the AVCA team – Anna Marano, Manka Mancho and Bunmi Dairo without whom these reports would not have been possible. And finally a very special thank you to the AVCA Executive Committee and Board of Directors, who's support and guidance have ensured the quality of the publication and AVCA's work in general.

To AVCA members and other readers, I hope you will find the results and analysis insightful. We welcome your comments and suggestions for future surveys.

Barbara James Managing Director, AVCA

About AVCA

"The **African Venture Capital Association (AVCA)** represents the private equity and venture capital industry in Africa. AVCA was established in 2002 and its head office is in Yaoundé, Cameroon. AVCA's membership is drawn from across Africa and internationally. AVCA's objectives are to represent the industry within Africa and internationally, stimulate the growth and expansion of the industry throughout Africa, stimulate professional relationships and co-operation, provide opportunities for professional development of industry practitioners, research, publish and circulate industry information and insights, provide policy makers with proposals to improve the corporate, fiscal and legal environment for the industry, maintain high ethical and professional standards and contribute to the management development of investors, investees and other stakeholders. AVCA's activities include an annual industry conference, a quarterly newsletter, research, training and advocacy programs. For more information visit the AVCA website **www.avcanet.com**."

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CDC Profile

CDC is a UK government-owned fund of funds investor with assets of £1.6 billion targeting businesses in the poorer countries of the world. The company's mission is to generate wealth by providing capital for investment in sustainable and responsibly managed private sector businesses. CDC has committed capital to over 60 funds invested in Africa, Asia and Latin America to stimulate growth by investing successfully in the private sector.

CDC aims to make at least 70% of investments in the poorer countries in the world where Gross National Income (GNI) per head is less than US$1,750 and the remaining 30% in countries which are classified as poor where GNI [per head is less than US$9,075. At least 50% of investments are in sub-Saharan Africa and South Asia.

The scarcity of long term risk capital, particularly equity capital, is one of the factors which constrains the private sector in the developing world. CDC uses its capital to help remedy this scarcity, and aims to achieve:

- A direct economic impact by providing funding for successful companies
- An indirect impact by demonstrating the benefits of successful investment to other capital providers

CDC places funds with skilled and experienced private equity fund managers in emerging markets. Since 2004 CDC has committed over US$845m to African funds investing through twelve African fund managers. Fund managers are expected to achieve returns relevant to each market by deploying CDC's capital in profitable private sector businesses. In turn, these successful companies stimulate economic growth.

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PricewaterhouseCoopers capability in Africa

PricewaterhouseCoopers firms have established 57 permanent offices in 29 African countries; we have the largest footprint of all the professional services firms on the African continent. As well, local ownership of all our African firms assures commitment to the development of the people and economy. From these strategically located offices we provide a range of professional business advisory services to the public and private sectors.

Service provider of choice to venture capital and private equity firms around the world

The investors' challenge is to spot emerging trends early, support the growth of portfolio companies, and tap the best exit opportunities. At the same time, venture capitalists face partnership and fund structuring concerns, questions about the tax treatment of assets, and a host of compensation issues.

- We are one of the leading private equity advisers and have strong relationships with all the major private equity houses.
- We have the industry knowledge and the global capability to advise on all aspects of private equity transactions from deal; origination, through structuring to exit planning and execution.
- As part of the largest professional services organisations in the world, we can call on world class expertise from the whole range of services necessary to complete a deal, from taxation advice to regulatory compliance.

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1.2 Understanding venture capital and private equity in Africa

The investments reported and analysed here are conducted within a regulatory policy environment, by professional fund managers investing in promising entrepreneurs who create employment and contribute economically and socially to the continents development.

To this extent our understanding of the current investment activity is only a part of the whole picture of venture capital and private equity activity in Africa.

As the premier and only pan-African industry association representing the African venture capital and private equity industry, AVCA seeks to understand and present the other components of a vibrant industry in order to play it's part in stimulating the growth and further development of the asset class in Africa.

These components include:

- The **performance** of venture capital and private equity in Africa;
- The **development impact** of venture capital and private equity in Africa;
- The **regulatory environment** for private equity and venture capital in Africa;
- Promoting **entrepreneurship** in Africa;
- Special support for investing in **small and medium sized enterprises** (SME's);
- Expanding the number, value and type of **investment vehicles** for venture capital and private equity e.g. independent Fund of funds vehicles
- **Professional development** of fund managers (GPs);
- Professional development of **investors** (LP's).

The financial **performance** of African GP's is the single most compelling driver for increased investment in African venture capital and private equity. The industry aspires to be globally competitive and the lack of industry performance data to demonstrate this is a barrier to many professional African and international investors who may want to invest in the asset class. AVCA hopes to be instrumental in making available industry performance data with the support of our members, other fund managers and the investor community.

The single most compelling **development impact** of venture capital and private equity in Africa is its potential for job creation across the continent. Africa looks to examples in the United Kingdom and United States where venture capital backed companies support close to one in five private sector jobs in the UK (and one in ten jobs in the United States). We continue to aspire for private equity and venture capital backed businesses in Africa to create and employ **one in ten of the required jobs in Africa**.

AVCA plans to demonstrate the development impact of venture capital and private equity in Africa through a pilot study sponsored by the European Investment Banks (EIB) and the Development Bank of South Africa (DBSA) conducted by the London Business School Private Equity Institute (LBS PEI). From this study AVCA plans to finalize and publish an industry standard AVCA Development Impact Model and Development Impact Statistics which will form the benchmark of pro-actively maximizing the development impact of the asset class.

The development impact of venture capital and private equity is important for two reasons. Firstly as organizations and an industry working in Africa, we have a responsibility to pro-actively contribute to Africa's long term prosperity. This requires understanding the current impact of our organization's activities and the industry as a whole, setting targets to increase the impact of the industry and implementing programmes to meet these targets.

Secondly, the industry's efforts to improve the regulatory environment for private equity and venture capital in Africa will be strengthened by our ability to demonstrate the economic and social impact of the industry in each country, region and continent wide.

The growth of the industry requires an enabling **regulatory environment** for venture capital and private equity to flourish. The World Bank Doing Business Survey presents a useful high level analysis of the enabling business environment in African countries. AVCA's regulatory review program seeks to build on this and drill down to specific regulatory issues that directly affect venture capital and private equity fund raising, investing and divesting in Africa. AVCA is progressing plans for a workshop based study of the regulatory environment for private equity and venture capital in Africa, to be held in 18 countries. We aim to identify and advocate specific policy initiatives to improve the environment for venture capital and private equity fundraising, investing and divesting.

The regulatory practices of **G8 and European Union countries** can also have an impact on African venture capital and pe. In particular, AVCA calls for the implementation of tax incentives to G8 and EU tax payers who invest in African venture capital and pe. Similar tax incentives are available to UK tax payers who invest in specific UK venture capital and private equity, and we consider that these should be extended to investments into African venture capital and private equity by all G8 and EU government to encourage further investment into Africa.

We seek to understand the demand for private equity and venture capital, and are promoting an AVCA **entrepreneurship program**. The program aims to expand the Global Entrepreneurship Monitor (GEM) study to include more African countries, train entrepreneurs, implement a deals database and be proactive in seeking and nurturing new and existing African entrepreneurs suitable for venture capital or private equity backing.

We seek to further develop the skill base of our fund managers through **training courses, mentoring, coaching and conferences**. AVCA's annual conferences held every year since 2000 have been an important networking and information sharing event. AVCA briefings to individual firms or groups of stakeholders also offer opportunities for information sharing. In October 2005, investment executives participated in the first AVCA Venture Capital Foundation Training Course in Tunis, sponsored by Pro-Invest and delivered by the London Business School Private Equity Institute. In December 2006, 40 investment professionals will be trained in Lagos, Nigeria using **case studies** on African venture capital and private equity to provide real examples within the African context of venture capital and private equity activities.

AVCA makes a special case for **SME investing**. Evidence from the 2005 and 2006 AVCA survey illustrates the small number and decline of investments below $2 million. We acknowledge the importance of SME's to African economies and seek ways to improve their access to venture capital and private equity financing. AVCA is working with UNIDO to address the difficult issues around SME investing and exploring the idea of a AVCA/UNIDO Technical Assistance Fund to do so.

AVCA is keen to expand the number, value and types of investment vehicles for venture capital and private equity investing in Africa. In particular we encourage more new funds, more countries with funds, support existing funds raising new funds and in particular the expansion on investment vehicles to include an independent fund of funds and funds targeted at the African Diaspora.

To promote increased investment from domestic African investors, AVCA seeks to provide **investor training** courses in Africa to equip African institutional investors with the tools to understand and analyse the African venture capital/private equityindustry with a view to investing more in the asset class.

Supporting AVCA programs

All of these important aspirations require the financial and strategic support of industry leaders and other private and public sector agencies who recognise the important role and potential of venture capital and private equity in financing Africa's entrepreneurial talent, to create employment, wealth and prosperity in Africa.

We invite you to support these initiatives, join the Association, partner with the Association and sponsor its programs.

1.3 How to use this report

The AVCA 2005 Annual Yearbook and AVCA 2005 Investment Activity Report are an important first step for the industry in understanding the private equity and venture capital investment activity and trends across Africa.

In this first edition of the AVCA Yearbook, we provide an overview of the trends in venture capital and private equity fundraising, investing and divesting in 2003 and 2004 based on an industry survey conducted for AVCA by PricewaterhouseCoopers and Thomson Venture Economics. We analyse the results of the AVCA survey and highlight key trends. We present the results of the survey in section 3 and 4.

In Section 2, we present some perspectives on venture capital and private equity in Africa. The views expressed in this section are the personal views of the authors.

In Section 3, we aggregate the figures and highlight trends for the continent as a whole in 2003 and 2004. We illustrate the fundraising activity by investor type, global regions and fund stage focus; investments by country, sector, firm ownership, fund stage focus, investment stage, shareholding, syndication, turnover, number of employees; and divestments by type of divestments.

It is important to note that some tables and analysis in section 3, include the figures on venture capital activity in South Africa and some tables exclude South Africa. This is because the data on South Africa is supplied by SAVCA and KPMG from their survey of the industry in South Africa, and the data sets from the AVCA survey overlaps with but extends beyond the dataset from the SAVCA/KPMG survey. Tables that do not include the South African industry figures are clearly labelled [XSA] for "Excludes South Africa".

As well as the continent wide venture capital and private equity activity and trends, we present selected macroeconomic indicators in section 3.2, selected financial sector indicators in section 3.3 and "Doing Business" indicators in Section 3.4 to provide a backdrop for the industries investment activity.

In Section 4, we select countries where more than one fund manager participated in the survey, aggregate the figures and highlight trends in these countries. This year Cameroon, Nigeria, South Africa and Tunisia are featured.

As well as the venture capital and private equity activity and trends in the selected countries, we present selected macroeconomic indicators in sections 4.1.2, 4.2.2, 4.3.2 and 4.4.2; selected financial sector indicators in sections 4.1.3, 4.2.3, 4.3.3 and 4.4.3 and "Doing Business" indicators to provide a backdrop for the industries investment activity in each country. We use information and analysis from the Economist Intelligence Unit (EIU) country reports and the World Bank/IFC's "Doing Business Report to illustrate the broader context and environment in which venture capital and private equity activity in each country is conducted.

In Section 5, we present background information on the survey – the methodology, glossary, list of participants and information on the sources.

Nkosana Moyo, Managing Partner, Actis Africa

- $3.3 billion under management
- $566m of new funds raised for African investment in 2005/6
- A significant proportion of funds already invested after two years

Investment opportunities are plentiful in Africa, says Nkosana Moyo, managing partner of Actis, the US$3.3 billion spin-off from CDC Group. Just two years into its five-year investment period Moyo reports that a significant proportion of the US$566m of capital raised for Africa is already invested.

This is largely because of the improving macro-economic climate and the gradual political stabilisation of the continent, he argues. Africa's key economies are now growing at around 4%-5% a year.

"In the last five years or so one in six African countries has held elections," he says. "It shows that Africa is embracing democracy - for a whole host of different reasons – and that this is improving the investment environment. Leaders are waking up to the fact that access to capital is a competitive issue. They can no longer simply wait for it to come to them."

On the macro-economic side, Moyo believes that the September 11 terrorist attacks had a perversely beneficial effect for Africa, in that they forced the rest of the world to look for ways to diversify their energy supply lines so that they would be less dependent on the Middle East.

"Insecurity in any part of the world can quickly find its way to your own doorstep these days", says Moyo. "There is a ripple effect".

This has meant far more attention being paid to Africa, which has 9% of the world's proven oil and gas reserves, not to mention a rich abundance of mineral resources. Africa produces 78% of thw world's platinum, 21% of the world's gold, 17% of its copper and 27% of its diamonds.

"The US alone is planning to invest between $50 and $70 billion in oil and gas exploration over the next five years," says Moyo, "and has made known its desire to source 25% of its energy from Africa by 2015".

Add to this the surging demand for raw materials from the emerging economies of India and China and it is no surprise that Actis has been concentrating on investment opportunities in the energy and mining sectors.

For example, in 2005 it invested $18m in Banro, a gold mining exploration company based in the Democratic Republic of Congo, and $43m in Candax, an upstream oil and gas exploration business in Tunisia.

But could the rush to secure new energy supplies by the developed economies lead to exploitation of this resource-rich continent? Moyo thinks not.

"Africa is developing a much more acute awareness of how to prevent exploitation," he says. "There are better governmental and regulatory platforms in place now. It should be a win-win situation for all."

Ironically, if developed economies once invested in Africa out of a grudging sense of duty they are now investing out of urgent self-interest, believes Moyo.

The Actis investment philosophy is to concentrate on mid-market companies, looking for expansion capital, management buy-outs and privatisation opportunities. "You can't be everything to everybody", Moyo concludes philosophically. Actis is prepared to leave the start-up market to other private equity and venture capital comapnies.

As the African economy grows so do the investment opportunities. This also helps liquidity. "We invest and exit all the time", says Moyo. "It is a very dynamic market. We get offers all the time from strategic players, and if the price is right, we sell."

But there are dangers in such a growing market. As more investors pile in, competition increases and while this can make for greater dynamism it can also increase the costs of acquisition and thereby potentially reduce the return on investment.

"As more capital becomes available", explains Moyo, "you have to understand more precisely where the value will come from."

And this is where Actis has an advantage, he believes. With 26 of their 90 analysts and fund managers based in Africa, he believes their grass-roots experience gives them an edge over much of the competition.

"We have a lot of experience on the ground", he says. "But we are not complacent. As the investment environment changes things will become more difficult."

As well as investing in the oil/gas and mining sectors, Actis Africa has been busy in the wireless communications, electrical and financial services sectors, too. For example, in 2005 it invested $22m in Starcomms, a Nigerian private telecoms operator which has a 40% share of its domestic market. With the number of Nigerian phone lines expected to grow from 5m to between 20m-24m over the next five to seven years, the investment prospects look good.

Moyo's outlook for Actis Africa is firmly positive. "The world is embracing Africa and Africa is positioning itself to embrace the world", he concludes.

Okechukwu Enelamah, Chief Executive Officer, African Capital Alliance

- CAPE II fund has currently raised around US$85m
- CAPE achieving IRR of around 40%
- Typically, significant equity stakes of 25% or more

African Capital Alliance (www.aca-web.com), founded in 1997, manages a number of funds focused on Nigeria and other countries in West Africa.

From his Lagos office chief executive officer and co-founder Okechukwu (Okey) Enelamah surveys a promising investment landscape, thanks to slow, but dogged, movement towards democratic institutions and policies that promote competition and free, efficiently-functioning markets.

"Economic reform is going very well", says Enelamah. "But we are also going through political reform at the moment which is making things a little uncertain. We are hopeful though and it isn't affecting our ability to invest."

Elections are scheduled for 2007 and there are some concerns among commentators about the possible impact they might have on the economic reform agenda, although this is expected to continue.

ACA's first fund – Capital Alliance Private Equity (CAPE) I – was set up in 1998 with funds of US$35m to make equity and equity-related investments of between US$1m and US$5m in businesses active in Nigeria/West Africa. It is now in its divestment stage and Enelamah says the gross internal rate of return (IRR) is currently a healthy 40%, although achieving this hasn't been easy.

"It's difficult to exit everywhere in Africa," he says a little ruefully, "not just in Nigeria".

One of CAPE 1's most successful investments was in MTN Nigeria, the mobile phone company that paid US$285m in 2001 for one of four GSM licences in Nigeria. The company now has around 10m active subscribers and has a 47% market share.

Fundraising for the second CAPE fund has now closed and ACA has raised around US$85m, says Enelamah. It will be looking to make slightly larger investments than CAPE 1 of between US$3m and US$15m, focusing on the oil & gas, financial services, telecoms, media and healthcare sectors amongst others.

The Fund takes significant equity stakes of 25% or more often supplemented by a profit share arrangement or other "current income features" as a hedge against potentially illiquid markets.

"Fundraising was tough", says Enelamah, "but the opportunities are getting bigger. The economic outlook is good."

ACA also manages two other specialist funds focused on the SME sector. SME Partnership (SMEP) was set up in 2001 with aggregate commitments of around US$30m. It specifically targets businesses that qualify for funding under the Small and Medium Industries Equity Investment Scheme, a source of funding available from local banks. The target investment size was until recently up to US$1.6m (now $3.8m) to buy a stake of at least 25% and sometimes over 50%. In 2003 ACA set up a parallel fund along similar lines.

ACA looks for established market leading companies with strong management teams, sustainable growth stories and which offer practicable exit opportunities. They may be looking for expansion capital or help with management buy-outs, with the intention of adding value to already proven management teams.

Investment principals seek to support management teams directly with strategy development, market research, finance and accounting, management recruitment, as well as relationship building with key influential figures in the public and private sectors.

As governments gradually loosen their grip on state-owned industries and embrace privatisation, ACA believes it is well-placed to exploit investment opportunities in telecoms, energy and media sectors.

And as established companies look to re-focus and streamline their businesses they often divest themselves of non-core activities, providing further opportunities for value-seeking private equity investors.

With greater funding by governments – with or without foreign aid – of education, healthcare and infrastructure projects, there are chances to invest in the companies benefiting from this increase in spending.

Okey Enelamah, initially trained as a medical doctor before qualifying as a chartered accountant in Nigeria, enjoying spells at Arthur Andersen and Goldman Sachs. He gained private equity experience working for Capital Zephyr's South Africa Capital Growth Fund in New York and Johannesburg. He also has an MBA from Harvard Business School and is a Chartered Financial Analyst.

Wagane Diouf, Managing Partner, Africap Investment

- US$13.5m fund specialising in microfinance institutions
- ROI on some investments of 132%
- Investments in ten African countries

AfriCap (www.africapfund.com) is a microfinance investment fund set up in 2001 with funds of US$13.5m and a US$3m technical services facility. Established with the backing of Calmeadow and ACCION, AfriCap's purpose is to make reasonable returns while helping legitimise and strengthen the microfinance industry throughout Africa.

In that aspect its function is similar to Calmeadow's ProFund International , which focuses on the Caribbean and Latin American regions.

Most of AfriCap's investment capital has been invested in ten African countries, with one financial services company per country being chosen to avoid intra-country competition in the sector.

Wagane Diouf, Managing Partner of AfriCap Investment, says: "It is always diffcult in Africa to find opportunities. So we have not relied on passive dealflow but have gone out and created our own opportunities, beginning start-ups of our own or going into joint ventures with banks. We've taken a pro-active approach – you have to be creative in this market."

One of their most successful investments has been Equity Bank in Kenya. Three years ago AfriCap bought a 15% stake for US$1.6m when the company was valued at US$10m. Now it enjoys a market capitalisation of around US$165m on the Nairobi stock exchange and is the third largest bank in Kenya

"We sold half our shares to employees a year ago and made a 132% rate of return", says Diouf proudly.

He attributes the bank's success to its focus on true home-grown microfinance for individuals. "The people feel it is their own bank, they identify with it because it hasn't been imposed from outside", explains Diouf.

Understanding what makes people and small businesses tick at a grass-roots level is crucial for a fund like AfriCap, he argues. That means being there at the chalk-face so that you can

gain a full appreciation of the context people are working in.

"At this level you can't sit back and wait for entrepreneurs to come through the door. The traditional equity-based venture capital model is often not suitable for Africa because the right conditions don't exist", says Diouf.

AfriCap is currently establishing a new fund and hopes to raise around US$40m by December 2006 to create a holding company that can provide liquidity for other investors. AfriCap plans to list the fund on a stock exchange, with Johannesburg currently topping the list of favoured exchanges. Nairobi and Botswana are also being considered and even a possible European listing.

"Most of the capital is likely to be owned by our existing shareholders, the development finance institutions, such as FMO and EIB", says Diouf. "But we also want to bring in private investors with a very high social conscience. We're targeting the socially responsible investor in Europe and the US, although this is a few years down the road."

Microfinance institutions are providing seed capital to a wide variety of enterprises, such as rural tea and coffee producers, and urban businesses in the retail and service industries, explains Diouf. And when it comes to defaulting on loans "the poor are actually better payers than the rich", he says.

Looking forward, Diouf does have some concerns about the increasingly crowded state of the market.

"Development finance is becoming a permanent source of capital when it should be used simply to stimulate markets", he says. "Too much money is bad for private equity in a market with a limited number of investments. Private equity companies can lower their investment standards and overpay when in competition with other investors. This makes it much more difficult to make profits on the way out."

AfriCap's approach is to have a clear, sector-specific focus and develop considerable expertise in that area to give the company a competitive edge.

"We can provide expertise and help to investors – we really get our hands dirty", says Diouf. "Helping to make Equity Bank a success was very, very hard work, but that's the job."

This sense of focus runs deep throughout the fund.

"We only do Africa", says Diouf. "We think global funds tend not to do well in Africa. As the market is so hard funds tend to be deployed somewhere else. You need dedicated funds and the perseverance to make them work. You can't just look for the low-hanging fruit; you have to go out and look for the diamond in the rough."

Davinder Sikand, Managing Partner, Aureos East Africa

- Aureos Capital manages US$570m in 24 funds worldwide
- Raising an additional US$500m over the next two to three years
- Aureos East Africa Fund has US$40m of committed capital

Aureos Capital (www.aureos.com) started life as a joint venture between CDC Capital Partners and Norfund in 2001. It provides risk capital to small to mid-market companies in emerging markets around the world.

Davinder Sikand, Managing Partner for Aureos in East Africa, is responsible for three funds: Fedha, Acacia and Aureos East Africa Fund (AEAF). The US$13m Fedha Fund is nearly fully divested, with only one company left. The US$20m Acacia Fund has two-and-a-half years of its divestment period left. At its peak the fund had 17 investments; now it has eight.

"Some exits have been good, some bad, some mediocre", reports Sikand candidly. "Returns have varied. Two out of three of our start-ups failed, but one may end up being our most successful investment and is still in the portfolio."

AEAF, a regional fund, was established in 2003 as a successor to the Acacia Fund in Kenya and Fedha Fund in Tanzania. It currently has 8 investments, spread across various sectors of the regional economy, and employing approximately 3,000 people in East Africa.

Sikand hopes that AEAF will benefit from the experiences gained from the other two funds. It is regional, rather than country-specific, covering Kenya, Uganda and Tanzania and is 50% invested so far, with the four-year investment period due to end in July 2007.

Investment sizes typically range between US$0.5m and US$4m to buy minority equity stakes in established, well run businesses.

Shareholders include the usual roster of development finance institutions, such as CDC, Norfund, EIB, IFC, SECO and FMO, amongst others.

"It is important to get good investors who understand the process", says Sikand. "You can't be under any time pressure to invest otherwise you can make bad choices."

It is significant that Aureos does not usually get involved in large start-ups that have several development finance institutions involved because, Sikand argues, it can be difficult to take necessary decisions quickly or be as hands-on as they might like.

"We like to get actively involved in our businesses," says Sikand, "adding value and helping good management teams go to the next level."

Sikand admits that buying into established businesses does cost more but is far less risky, and when Acacia and Fedha were established it was important to demonstrate to investors that they could make decent returns without a high risk of losing all their money.

"Acacia was very much a learning process", says Sikand. "Early investments were relatively unstructured. The fund expects to make single digit returns."

Sikand believes Aureos is good at creating its own investment opportunities by actively looking for expansion deals, management buy-outs and cross-border acquisition opportunities.

For example, in 2003 AEAF invested US$4m in Shelys Pharmeceuticals of Tanzania to finance the cross-border purchase of a leading Kenyan pharmaceuticals company. The acquisition has helped transform Shelys into one of the largest pharmaceutical manufacturing businesses in East and Central Africa.

"Cross-border acquisition is definitely growing in popularity", says Sikand. "We look for opportunities across sectors and across the whole region. We are not sector-specific, although there are more opportunities in some industries, such as agriculture and financial services, than in others."

By taking minority stakes in what are often family-run businesses Aureos aims to add value through better governance and improved efficiency. Target businesses ideally have good domestic and regional growth prospects and the potential to use expansion capital to give them critical mass so that they attract the attention of strategic investors in the region.

Generally, Sikand describes the political climate as "reasonably stable and progressing. There is a good buzz and I feel confident about the region."

He concludes: "If you put in a lot of hard work the opportunities are there for you to create. Equity is expensive. Why would you want it? Our job is to convince people that we can help them double their businesses."

Navaid Burney, Managing Director, EMP Africa

- US$840m of funds under management in Africa
- EMP Africa Fund I achieving an ROI of 28%
- EMP Africa Fund II on way to achieving US$500m fundraising target

The EMP Africa team based in Washington, DC, Johannesburg, Tunis, Abidjan and Douala, is responsible for managing US$840m in four Africa-based funds, making EMP one of the largest private equity investors on the continent.

"We do consider it a benefit as a financial intermediary to manage larger funds", he says, speaking from his Johannesburg office. "Our scale attracts large institutional and private investors on the fund raising side and helps us to improve terms while negotiating investments. But there's no doubt that the size of our larger funds limits the type of investment we can do. We have to go for the bigger opportunities and so we are very selective about the 15 or so investments that we finally choose for each fund."

EMP Africa Fund I, a typical ten-year closed-end fund called the AIG Africa Infrastructure Fund, raised US$407m in 2001 and is currently in its five-year divestment period. The managers committed US$300m in 14 companies with operations in 25 countries throughout Africa. Using British Venture Capital Association (BVCA) methodology Burney says the fund's return on investment is around 28% - roughly double the sector average.

One of the fund's major successes was a US$50m investment in Celtel, the telecoms company founded by Mo Ibrahim and bought by Kuwaiti telecoms giant MTC for US$3.4 billion in late 2005. EMP Africa's investment grew more than fourfold in just over three years. "It showed in a very dramatic way that the private sector can make a difference in Africa" says Burney. "It demonstrated that when the big hand of government is taken off and liberalisation encouraged, services are created, infrastructure is built and jobs are generated. It was a huge demonstration of the power of the private sector and an investment milestone for Africa."

Another telecoms investment, this time US$45m in Orascom Telecom Algeria, also netted a fourfold return providing a 65% IRR to the Fund. "This investment was structured ideally from a private equity perspective. We came in early enough so that we could negotiate downside protection while exposing ourselves to upside if the investment performed as expected." Other successful investments have been in ports, agribusiness, logistics and oil and gas. Of course, not many private equity funds enjoy a 100% success and EMP Africa I was no exception, having suffered two write-offs on relatively small investments.

Winding up a venture capital fund is always a fretful and tricky business, particularly in Africa where markets can be prone to illiquidity. The EMP Africa team has navigated this particularly well and reports that of the 14 companies in EMP Africa Fund I, six have successfully realised a cash return of US$480m on an initial US$160m investment. Buyers have mostly been co-shareholders and trade buyers particularly from the Middle East. "The

petrodollars are definitely coming South", concludes Burney. "It shows that you don't necessarily need to float companies on the stock market to get liquidity. You can always sell good companies operating to world class standards. That said, I do think stock markets will play a bigger role in the future, particularly in South Africa, Nigeria, Kenya and North Africa."

EMP Africa Fund II has so far raised US$387m in equity and US$60m in debt, and has a target of US$500m. Major investors include the African Development Bank, European Investment Bank and the UK's CDC, but there is a far greater input from private investors this time round, indicating growing levels of private sector confidence in Africa. Burney notes, "We are pleased that private investors are beginning to see Africa as an investment destination and are being selective about putting their funds in the hands of tested management teams. This plays to our strength"

A major investment theme is the emergence of an African middle class. The consumer market, construction and financial services are therefore targets of EMP Africa Fund II. In particular, retail banking is showing signs of strong growth, so EMP has invested in Ecobank, the 15th largest banking group in sub-Saharan Africa with 13 subsidiaries in West and Central Africa, over 140 branches and cash offices, and assets of over US$2.2 billion. Additionally, the Fund has invested in Spencon, a large local engineering and construction company based in Kenya servicing much of East Africa.

Another investment theme derives from the high demand for natural resources from fast-developing India and China. EMP Africa has therefore invested in mineral resources in copper-rich Democratic Republic of Congo and has made a commitment to a Nigerian fertilizer company. The fertilizer company is expected to help spur Africa's own "Green Revolution" by providing reliable supplies to regional and international markets. EMP Africa is also looking for early-stage investment opportunities in the oil & gas sectors, particularly in North Africa and the Gulf of Guinea. "We like companies that already have some production in mineral-rich countries rather than pure exploration plays", says Burney.

But is there pressure from the investment community, as awareness of global warming grows, to avoid such environmentally controversial investments? Burney says that there are valid concerns that must be addressed within the governance structure of the investee companies. "Environmental considerations are important as is the economic growth that mining and energy provides for developing economies. During our six years as African fund managers, we have and continue to insist that our investee companies adhere to World Bank environmental and social guidelines".

The main drivers for improved economic performance across Africa have been enhanced governance in the public and private sectors which is helping to expand Africa's middle class, successful deregulation and worldwide demand for Africa's natural resources, Burney argues. "It is also a beautiful, culturally rich and relatively unspoiled continent in which tourism will compete well against other more traditional destinations" he adds.

EMP Africa (www.empafrica.com), is owned 1/3% by EMP Global (www.empglobal.com) and 2/3% by Emerging Capital Partners (ECP). ECP is owned by EMP Africa's management team. Burney observes that "private equity in Africa is becoming more and more like the industry in other parts of the world where the interests of the fund manager and the investors are aligned through meaningful ownership."

Jurie Willemse, Managing Director, GroFin Capital

- Around US$80m of funds under management
- Target small companies with investments of US$50,000 to US$1m
- Return on investment of up to 34% so far

Jurie Willemse, Managing Director, of GroFin Capital (www.grofin.com), the business development and fund management company based in Pretoria, South Africa, thinks 2006 has been "a very positive year. We've met all our investment targets".

GroFin was set up in 2004 with just US$7m but will close its fund-raising period with around US$80m. Investments tend to be small, from US$50,000 to US$1m. The company provides business support and risk capital to small and medium-sized companies who find it difficult to gain access to traditional sources of capital, concentrating mostly on South Africa, Kenya, Uganda and Tanzania.

Describing why he founded GroFin, Willemse says: "I saw an opportunity in the market to start a business focusing on the small sector. Start-ups face the same problems everywhere: access to finance, business services and a good, enabling environment. Our business model combines venture capital and lending in a hybrid way."

As exiting very small companies is often difficult GroFin avoids the equity route and provides loans instead coupled with an incentive fee or royalty to compensate for the risk of borrowers defaulting. As a result GroFin acts on behalf of several investing banks, providing business expertise as well as cash to fledgling businesses.

"The majority of our portfolio involves self-liquidating instruments", says Willemse.

As GroFin expands so does its geographical spread. His company has set up new offices in Kenya and Uganda. "Our South African portfolio is getting smaller and smaller as we expand into other countries", says Willemse.

This is despite the many practical problems facing investors and businesses in Africa. For example, in Uganda electricity supply is rationed to alternate days, leaving people powerless for half the week. This is a difficult environment in which to run any successful business.

And Willemse gives this rather sobering assessment of the problems business face.

"Bureaucracy and corruption are still major problems", he says. "Regulations stifle a lot of start-ups. Then there are the usual infrastructure problems – access to good roads, ports and supply lines. The world revolves around infrastructure these days – you need good information flow. But the gap between development in the third world and first world actually seems to be widening. Investment in ICT in Africa is well behind the rest of the world."

By way of example, Willemse says that in Tanzania a 128kbps internet connection – a speed that would be considered absurdly slow in most developed economies where broadband connections of 8Mbps are becoming the norm – costs around US$1,300 per month, a cripplingly high price to pay for many small businesses.

Willemse admits that finding decent investment opportunities in South Africa is tricky because businesses have lots of funding opportunities in this well-developed market. Life is easier in Uganda and Tanzania "because there are fewer competitors in our area", he says. "Uganda also has a high proportion of entrepreneurs."

After an initial focus on energy-related companies, GroFin no longer targets specific sectors but is happy to back companies in the retail, transport and financial services sectors. It manages several funds under the 'Aspire' brand in partnership with international finance institutions such as CDC and the Shell Foundation.

Although development is a key driver for the company, Willemse is keen to point out that the primary aim is still to make a return on investment. GroFin is certainly not a charity.

Although only two years old GroFin has successfully exited some investments, achieving a return on investment (ROI) of between 18% and 34%, says Willemse. For example, a US$350,000 investment in a South African wind turbine company achieved an ROI of 30% in September 2006.

Despite Willemse's frank assessment of some of the difficulties facing small businesses in Africa, he says: "We're very positive. If you're not optimistic you shouldn't be here! The SME sector is very under-developed and there is lots of local and international help available. There is a lot of action in the market and a lot of opportunity. We have more than doubled our fund size in East Africa and this should come online next year [2007]. We're also looking at establishing a fairly large fund for West Africa and hoping to raise around US$30m or more."

Showing the born optimism of the entrepreneur, Willemse sees the potential to expand into Ghana, Ivory Coast, Mozambique, Angola and perhaps North Africa in a few years. After all, he is no stranger to entrepreneurship, having set up several of his own businesses over the last 22 years in various sectors, such as retail, manufacturing, energy and property, primarily in South Africa.

3 Africa

3.1 Venture Capital and Private Equity in Africa

INTRODUCTION

The data and analysis of venture capital and private equity activity in this section covers the whole of Africa. It includes the reported activity of 852 investments in 2005 into the following 22 countries: Algeria, Benin, Botswana, Cameroon, Comoros, Congo, Cote d'Ivoire, Egypt, Ghana, Kenya, Madagascar, Mali, Mauritania, Mauritius, Morocco, Mozambique, Niger, Nigeria, Senegal, South Africa, Tanzania, Tunisia and Uganda.

Of these 852 investments – 822 were reported as in-country investments i.e. investments made in investee companies by fund managers located in the same country and international fund managers (excluding intra-Africa investments), while the remaining 30 investments were outbound investments i.e. fund managers made investments in investee companies located in some other country.

Some figures and analysis include data captured by the South African Venture Capital Association and KPMG in separate survey on private equity activity in the South Africa market/region. Where this data has not been included in the tables and analysis below, we indicate this with a XSA symbol.

SOURCES OF CAPITAL

Funds raised in 2005 declined by 42.7% to US$ 557.0 million compared to 2004

Funds raised in 2005 reportedly amounted to US$ 557.0 million, a decrease of 42.7% from funds raised in 2004 which were reported at US$ 971.8 million. The largest volume of funds raised was reported in South Africa in both years – a total of US$ 352.3 million or 63.2% of total Africa funds raised in 2005, and US$ 393.3 million or 40.5% of total Africa funds raised in 2004.

Egypt raised the second highest volume of funds - US$ 155.0 million in 2005 and US$ 350.0 million in 2004.

Third in place, in terms of funds raised in 2005, was Nigeria with US$ 26.6 million. In 2004, Nigeria reported fund raising of only US$ 1.3 million. [Table 1]

Increased proportion of foreign participation in fund raising

The proportion of funds raised from the fund manager's own country in 2005 accounted for 17.8% of total funds raised – almost half of the proportion of local funds in 2004 which amounted to 36.4% of funds raised.

Of the foreign sources of funds - funds raised from Europe contributed 40.5% in 2005 and 12.3% in 2004 of total funds raised. Funds raised from the United States and other African countries represented 0.5% and 2.1% respectively of total funds raised in Africa in 2005 - representing a slight fall in proportion of funding from these regions as, of the funds raised in 2004, the United States contributed 1.2% and other African countries contributed 5.7%.

Fund raising in Asia and the Middle East was only reported in 2004, and accounted for 3.9% and 0.6% of total funds for Africa respectively. Sources from other parts of the world collectively contributed US$ 217.5 million or 39.0% of funds in 2005, and US$ 388.4 million or 40.0% of funds in 2004. [Table 1.2]

Government and aid agencies were the largest source of capital in 2005

Government and aid agencies reportedly injected US$ 210.5 million or 37.8% of the funds raised in 2005, an improvement of their participation in 2004 where funds from these sources only accounted for US$ 45.6 million or 4.7% of the total funds raised.

Corporates were the second largest source of funds in 2005 contributing 8.9% of total Africa funds raised i.e. US$ 49.6 million. In 2004, corporates provided US$ 61.9 million or 6.4% of total funds. Banks followed closely in third place in 2005, contributing US$ 41.6 million (7.5%) and US$ 107.6 million (11.1%) in 2004.

Insurance companies and private individuals were major contributors in 2004, providing US$ 117.8 million and US$ 106.2 million respectively. In 2005, contributions decreased to US$ 25.9 million for insurance companies and US$ 6.2 million for private individuals. [Table 1.1]

Over half of funds raised are for later stage investments

Later stage focused funds raised US$ 352.1 million in 2005, representing 63.2% of total funds raised in Africa. In 2004, later stage focused funds raised US$ 390.1 million. Balanced/diversified focused funds were the second largest category of funds raised in 2005, amounting to US$ 171.4 million in 2005 and US$ 125.9 million in 2004.
Early stage focused funds raised US$ 17.0 million or 3.0% of the total in 2005, a massive decrease from the US$ 365.7 million allocated in 2004. Generalist private equity funds attracted US$ 15.5 million in 2005 down from US$ 76.3 million in 2004.
Notably no funds were raised specifically for buyouts, turnaround or mezzanine stages in both years. [Table 1.3]

INVESTMENT PATTERNS

Overall Africa investment volume decreased to US$ 948.3 million in 2005 - with many more, but smaller, deals

In-country investment activity in African venture capital and private equity, including South Africa, in 2005 was reported at US$ 948.3 million down from US$ 1.3 billion in 2004. A total of 822 investments were made in 2005 with an average deal size of US$ 1.2 million per investment compared to 691 investments reportedly made in 2004 with an average deal size of US$ 1.8 million per investment.

South African investment patterns changed substantially towards many more smaller deals – while in the rest of Africa the trend was towards larger deals

South Africa accounted for 81.6% of total volume of investments in 2005. For the rest of Africa, investment totalled US$ 174.6 million by value – a 50.4% increase from the investment activity in 2004 which amounted to US$ 116.1 million. The number of in-country investments made in Africa, excluding South Africa, decreased from 64 investments in 2004 to 61 investments in 2005. As a result the average size of investments in Africa (excluding South Africa) increased from US$ 1.8 million per investment in 2004 to US$ 2.9 million per investment in 2005.

Captive and independent investments far exceed public investments

Private sector funds continued to dominate the African venture capital and private equity industry, accounting for 95.3% of total amounts invested in-country at US$ 903.7 million in 2005 – a similar percentage to that reported in 2004.

Private sector funds comprise of captive funds and independent funds. Captive funds accounted for 57.8% of total amounts invested at US$ 548.0 million in 2005 down from US$ 692.3 million in 2004. The reported number of investments by captive funds increased from 505 in 2004 to 621 in 2005, decreasing the average deal size of captive fund managers by 35.7% from US$ 1.4 million per investment in 2004 to US$ 0.9 million per investment in 2005.

Reported volumes invested by independent funds decreased from US$ 532.3 million in 2004 to US$ 355.7 million (or 37.5% of total) in 2005 and in terms of number from 165 to 148. This brought down the average investment size by independent fund managers from US$ 3.2 million per investment in 2005 to US$ 2.4 million per investment in 2004 – a decrease of 25%.

Public sector funds accounted for 4.7% of investments in 2005, and their volume invested increased from US$ 27.6 million in 2004 to US$ 44.5 million in 2005. The average investment size was slightly lower than captive sector funds at US$ 0.8 million per investment in 2005. [Table 2.1]

Later stage funds dominate in both years

Funds by later stage investments continued to dominate, accounting for 74.9% of all in-country investments in 2005 and 88.1% in 2004. The volume invested amounted to US$ 710.0 million by value and US$ 1.1 billion by value respectively.

Generalist private equity funds invested the second-largest volume of funds in both years, amounting to US$ 144.5 million in 2005, an increase of 62.9% from US$ 88.7 million reported in 2004. Early stage funds accounted for US$ 64.3 million of 6.8% of investments in 2005, up from US$ 34.1 million in 2004.

Balanced/diversified funds, buyouts and fund of funds lagged behind in 2005, accounting for only US$ 29.5 million or 3.1% of total investments. [Table 2.2].

Buyout investments are generally the largest while early stage investments are more numerous and smaller

Funds directed towards buyouts continually attracted the most investment, in value terms, in both years. In 2005, buyout investments amounted to US$ 567.0 million or 59.8% of total investments, and in 2004, amounted to US$ 892.6 million or 71.3% of total investments.

Expansion investments were also significant and amounted to US$ 234.4 million (24.7% of total) in 2005 and US$ 195.0 (15.6% of total) in 2004. Early stage investments, however, accounted for the highest number of deals in 2005, almost doubling from 206 in 2004, to stand at 419 or 51.0% of total number of investments reported. [Table 3.1]

Only the top 10 investments, in terms of value, from South Africa with respect to shareholding and syndication have been captured in the data.

In 2005, 2 investments were reported to result in full ownership, 10 resulting in majority shareholdings i.e. 51 to 99% ownership, 1 investment in a joint venture, 11 in significant minority i.e. 20 to 49% ownership and 7 in minority i.e. 0 to 19% ownership. The rest were not reported. [Table 3.2]

59 of the 71 investments reported in 2005 were non-syndicated, and made up 91.2% of total investment volume. In 2004, 22 of 74 investments were syndicated but accounted for a smaller percentage i.e. 69.4% of total investment volume. [Table 3.3]

96.5% of total investments classified as in-country in 2005

The overwhelming majority (96.5% of total investments) of investments reported in 2005 were classified as in-country. The trend is consistent with 2004 for which 97.9% were also in-country i.e. investments made in investee companies by fund managers located in the same country and international fund managers (excluding intra-Africa investments).

In 2005, 30 outbound investments were made by local fund managers into other African countries and foreign countries (outside Africa) totalling US$ 92.6 million – an increase from 2004 where 15 investments made outside of the local fund managers' own country amounted to US$ 29.4 million by value[1]. [Table 4 and 5].

Foreign and local investments increased in 2005 XSA

Investors (i.e. funds) from outside Africa made investments amounting to US$ 146.9 million in 2005, an increase from US$ 104.1 million in 2004. Local investors from within the continent, excluding those from South Africa, increased their investment in Africa from US$ 41.4 million in 2004 to US$ 120.3 million in 2005[2]. [Table 6].

South Africa leads, Nigeria follows in 2005 investment volumes

South Africa recorded the highest volume of private equity investment in Africa in 2005 (80.7%).

Nigeria reported the highest level of investment activity outside South Africa amounting US$ 93.9 million. This represented 50.6% of total private equity investment outside South Africa, an increase from 40.0% of the total in 2004.

Egypt reported the second highest investment outside South Africa valued at US$ 21.5 million and representing 11.6% of total investment outside South Africa, an increase from 2.1% of the total in 2004. [Table 6]

Transportation overtakes consumer related companies to claim most value of investment in 2005

The transportation sector attracted 132 in-country investments which amounted to a value of US$ 151.5 million in 2005. The consumer related sector came second both in terms of number of deals and investment value, with 127 investments totalling US$ 134.5 million. Communications and IT also recorded significant investments at US$ 132.6 million and US$ 114.1 million respectively. 'Other' sectors (not individually listed) collectively reported US$ 159.0 million.

This marked a small change from the top three sectors in 2004 which were consumer related companies, transportation, and IT. [Table 7]

Majority of investors prefer Targets with turnovers of less than US$ 20 million

Only the top 10 investments, in terms of value, from South Africa have been analysed. Of the 14 investments for which data on the turnover (sales) of the investee firms has been reported in 2005, 2 investments went to investee firms with a turnover of over

[1] Investments made in investee companies based outside the fund manager's country (i.e. outbound investments) are noted in this section separately from the in-country investment activity
[2] The total investments in this section include investments made by fund managers in investee companies located outside the fund manager's country of operation (i.e. outbound investments)

US$ 501 million and 1 into a target firm with a turnover of between US$ 71 and 150 million. All other reported investments went to investee firms that reported turnovers of less than US$ 20 million. [Table 8.1]

Numbers of employees in target firms range considerably and investments have been recorded in every category. The majority of the reported target investee firms have between 20 and 99 employees. [Table 8.2]

DIVESTMENT

US$ 241.4 million in divestments in 2005, up 6.3% from 2004

A total of US$ 241.4 million in divestments was reported in 2005 from 126 investments. This represents a 6.3% increase, in value terms, from 2004 when survey participants reported 131 divestments, valued at US$ 227.0 million.

The top 3 exit routes in both years were: sale to management, sale to another private equity firm or financial institution and trade sale. [Table 9]

CONTRIBUTION OF VENTURE CAPITAL AND PRIVATE EQUITY TO THE OVERALL ECONOMIC ACTIVITY

The contribution of venture capital and private equity to overall economic activity in African countries, as measured as a percentage of reported investments to reported GDP in 2005, ranged from 0.602% in Comoros to 0.002% in Cote d'Ivoire (for the countries which reported activity in 2005).

Private equity investments as a percentage of GDP decreased from 0.109% on average in 2004 to 0.075% in 2005, in the countries that reported private equity investment activity.

Comoros recorded the highest percentage in the whole continent at 0.602%, an increase from nothing reported in 2004. South Africa followed in second, reporting 0.322% down from 0.529% in 2004. Third highest was Mauritius, which reported an increase from 0.158% in 2004 to 0.202% in 2005.

Excluding the countries which did not report any activity in 2005, Cote d'Ivoire and Algeria reported the lowest ratio of investment to GDP at 0.002% and 0.003% respectively. Both countries reported nothing the previous year. [Table 10]

Table 1.1 SOURCES OF FUNDS

Funds (in US$ million)	2004		2005	
1.1 Type of investor	**Amount**	**%**	**Amount**	**%**
Banks	107.6	11.1	41.6	7.5
Corporates	61.9	6.4	49.6	8.9
Development Finance Institutions	65.1	6.7	11.7	2.1
Government and aid agencies	45.6	4.7	210.5	37.8
Insurance companies	117.8	12.1	25.9	4.6
Pension and endowment funds	79.1	8.1	23.8	4.3
Private equity fund of funds	24.2	2.5	2.5	0.5
Private individuals	106.2	10.9	6.2	1.1
Other	364.3	37.5	185.3	33.3
Total funds raised	**971.8**	**100.0**	**557.0**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 1.2

Funds (in US$ million)	2004		2005	
Source of funds by geographical region				
Asia	37.5	3.9	0.0	0.0
Europe	119.4	12.3	225.7	40.5
Middle East	6.0	0.6	0.0	0.0
Own country	353.6	36.4	99.3	17.8
Rest of Africa	55.1	5.7	11.5	2.1
United States	11.8	1.2	3.0	0.5
Other	388.4	40.0	217.5	39.0
Total funds raised	**971.9**	**100.0**	**557.1**	**100.0**

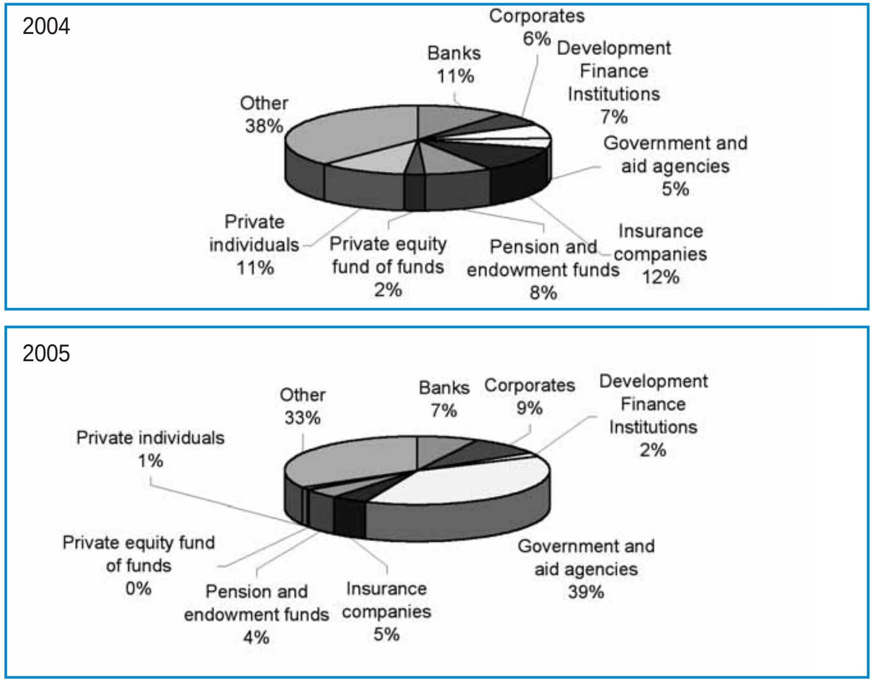
Source: Thomson Financial, SAVCA/KPMG

Table 1.3

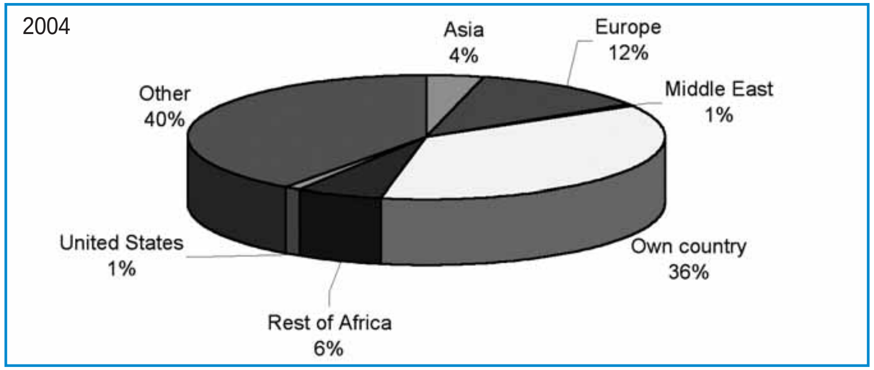
Funds (in US$ million)	2004		2005	
Funds raised by fund stage focus				
Balanced/Diversified	125.9	13.0	171.4	30.8
Buyouts	0.0	0.0	0.0	0.0
Early Stage	365.7	37.6	17.0	3.0
Expansion	12.5	1.3	1.0	0.2
Fund of funds	1.3	0.1	0.0	0.0
Generalist Private Equity	76.3	7.9	15.5	2.8
Later Stage	390.1	40.1	352.1	63.2
Mezzanine	0.0	0.0	0.0	0.0
Turnaround/Special Situation	0.0	0.0	0.0	0.0
Total funds raised	**971.8**	**100.0**	**557.0**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

TYPE OF INVESTOR *(Illustrates Table 1)*



SOURCE OF FUNDS BY GEOGRAPHICAL REGION (*Illustrates Table 2*)



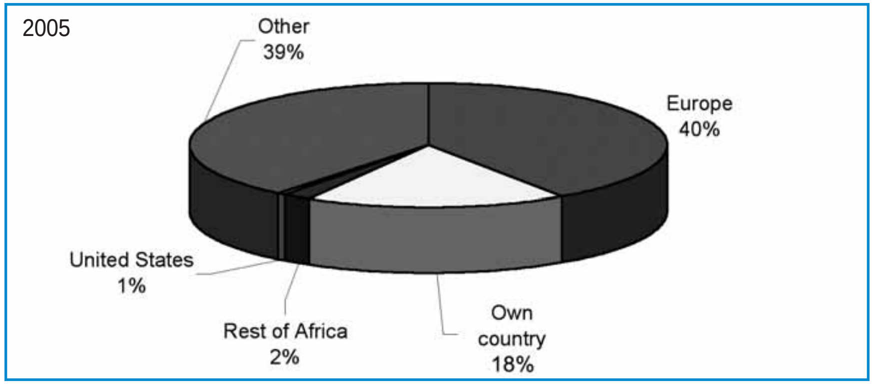


Table 2.1 PE/VC INVESTMENT ACTIVITY DURING THE YEAR

Funds (in US$ million)	2004				2005			
Firm Ownership	**Number**	**%**	**Value**	**%**	**Number**	**%**	**Value**	**%**
Captive	505.0	73.1	692.3	55.3	621.0	75.5	548.0	57.8
Independent	165.0	23.9	532.3	42.5	148.0	18.0	355.7	37.5
Public Sector	21.0	3.0	27.6	2.2	53.0	6.4	44.5	4.7
Total	**691.0**	**100.0**	**1252.1**	**100.0**	**822.0**	**100.0**	**948.3**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 2.2

Funds (in US$ million)	2004				2005			
Fund stage focusNumber	**%**	**Value**	**% Number**	**%**	**Value**	**%**		
Balanced/Diversified	8.0	1.2	25.0	2.0	17.0	2.1	21.6	2.3
Buyouts	0.0	0.0	0.0	0.0	3.0	0.4	3.8	0.4
Early Stage	44.0	6.4	34.1	2.7	56.0	6.8	64.3	6.8
Expansion	1.0	0.1	1.3	0.1	0.0	0.0	0.0	0.0
Fund of funds	0.0	0.0	0.0	0.0	3.0	0.4	4.1	0.4
Generalist Private Equity	43.0	6.2	88.7	7.1	36.0	4.4	144.5	15.2
Later Stage	595.0	86.1	1103.1	88.1	707.0	86.0	710.0	74.9
Mezzanine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turnaround/Special Situation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**691.0**	**100.0**	**1252.1**	**100.0**	**822.0**	**100.0**	**948.3**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

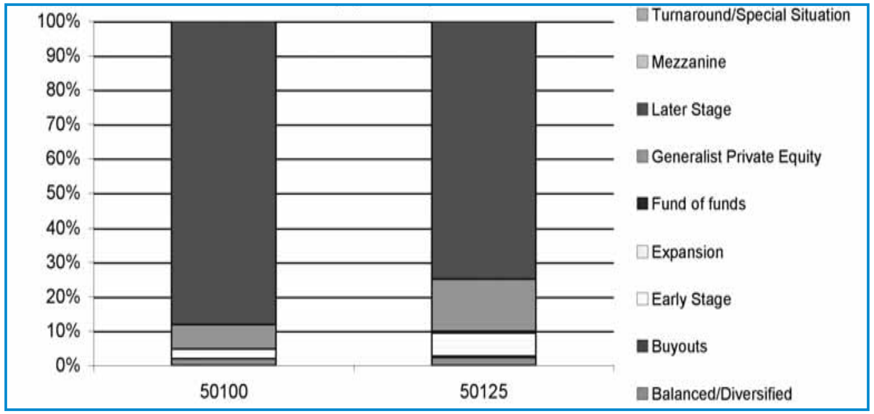


Table 3.1 TYPE OF DEALS

Funds (in US$ million)	2004				2005			
Investment stage focus	**Number**	**%**	**Value**	**%**	**Number**	**%**	**Value**	**%**
Early Stage	206.0	29.8	72.6	5.8	419.0	51.0	98.8	10.4
Seed	1.0	0.1	0.1	0.0	2.0	0.2	0.5	0.1
Start up	13.0	1.9	7.2	0.6	13.0	1.6	24.9	2.6
First Stage	4.0	0.6	1.3	0.1	0.0	0.0	0.0	0.0
Second Stage	3.0	0.4	2.5	0.2	0.0	0.0	0.0	0.0
Third Stage	4.0	0.6	28.2	2.3	0.0	0.0	0.0	0.0
Expansion	338.0	48.9	195.0	15.6	268.0	32.6	234.4	24.7
Bridge	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recapitalisation/Turnaround	0.0	0.0	0.0	0.0	1.0	0.1	1.3	0.1
Buyout	115.0	16.6	892.6	71.3	108.0	13.1	567.0	59.8
Private investment in public company	1.0	0.1	2.8	0.2	1.0	0.1	3.9	0.4
Acquisition	1.0	0.1	25.0	2.0	4.0	0.5	3.8	0.4
VC/PE Partnerships	5.0	0.7	24.7	2.0	6.0	0.7	13.2	1.4
Total	**691.0**	**100.0**	**1252.1**	**100.0**	**822.0**	**100.0**	**947.8**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 3.2

Funds (in US$ million)	2004				2005			
Shareholding/ownership of investment								
Full ownership (100%)	0.0	0.0	0.0	0.0	2.0	2.8	10.5	0.8
Majority (51-99%)	4.0	5.4	535.8	47.4	10.0	14.1	1071.9	80.5
Joint Venture (50%)	1.0	1.4	N/R	0.0	1.0	1.4	N/R	0.0
Significant minority (20-49%)	14.0	18.9	28.1	2.5	11.0	15.5	6.3	0.5
Minority (0-19%)	7.0	9.5	1.1	0.1	7.0	9.9	17.1	1.3
Not reported	48.0	64.9	564.2	50.0	40.0	56.3	225.7	17.0
Total	**74.0**	**100.0**	**1129.2**	**100.0**	**71.0**	**100.0**	**1331.5**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 3.3

Funds (in US$ million)	2004				2005			
Syndicated investment activity								
Non syndicated	52.0	70.3	352.0	31.2	59.0	83.1	1213.7	91.2
Syndicated	22.0	29.7	777.3	68.8	12.0	16.	117.7	8.8
Total	**74.0**	**100.0**	**1129.2**	**100.0**	**71.0**	**100.0**	**1331.5**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Includes South African (country) information relating to the top 10 deals only (total funds raised)

Table 4.1 INVESTMENT OUTSIDE COUNTRY

Investments (in US$ million)	2004				2005			
Firm Ownership	**Number**	**%**	**Value**	**%**	**Number**	**%**	**Value**	**%**
Captive	0.0	0.0	0.0	0.0	13.0	43.3	53.9	58.3
Independent	15.0	100.0	29.4	100.0	17.0	56.7	38.6	41.7
Public Sector	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**15.0**	**100.0**	**29.4**	**100.0**	**30.0**	**100.0**	**92.6**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 4.2

Investments (in US$ million)	2004				2005			
Fund stage focus								
Balanced/Diversified	10.0	66.7	25.7	87.3	1.0	3.3	0.1	0.1
Buyouts	0.0	0.0	0.0	0.0	3.0	10.0	3.9	4.2
Early Stage	0.0	0.0	0.0	0.0	18.0	60.0	81.6	88.1
Expansion	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund of funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Generalist Private Equity	5.0	33.3	3.8	12.7	8.0	26.7	7.1	7.6
Later Stage	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mezzanine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turnaround/Special Situation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**15.0**	**100.0**	**29.4**	**100.0**	**30.0**	**100.0**	**92.6**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 4.3

Investments (in US$ million)	2004				2005			
Investment stage focus								
Early Stage	0.0	0.0	0.0	0.0	1.0	3.3	1.1	1.2
Seed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Start up	1.0	6.7	0.3	0.9	0.0	0.0	0.0	0.0
First Stage	4.0	26.7	10.0	33.8	2.0	6.7	1.2	1.3
Second Stage	1.0	6.7	1.8	6.1	1.0	3.3	3.4	3.7
Third Stage	2.0	13.3	2.9	9.7	3.0	10.0	9.6	10.4
Expansion	5.0	33.3	12.8	43.5	17.0	56.7	62.0	66.9
Recapitalisation/Turnaround	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Buyout	1.0	6.7	1.8	5.9	1.0	3.3	0.7	0.8
Acquisition	0.0	0.0	0.0	0.0	3.0	10.0	5.9	6.4
Priv Inv in Pub Co.	0.0	0.0	0.0	0.0	2.0	6.7	8.7	9.3
VC/PE Partnerships	1.0	6.7	N/R	0.0	0.0	0.0	0.0	0.0
Total	**15.0**	**100.0**	**29.4**	**100.0**	**30.0**	**100.0**	**92.6**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 4.4

Investments (in US$ million)	2004				2005			
Shareholding/ownership of investment								
Full ownership (100%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Majority (51-99%)	1.0	6.7	1.8	5.9	2.0	6.7	1.9	2.0
Joint Venture (50%)	0.0	0.0	0.0	0.0	1.0	3.3	2.3	2.5
Significant minority (20-49%)	3.0	20.0	1.4	4.8	0.0	0.0	0.0	0.0
Minority (0-19%)	0.0	0.0	0.0	0.0	2.0	6.7	0.2	0.2
Not reported	11.0	73.3	26.3	89.3	25.0	83.3	88.2	95.3
Total	**15.0**	**100.0**	**29.4**	**100.0**	**30.0**	**100.0**	**92.6**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 4.5

Investments (in US$ million)	2004				2005			
Syndicated investment activity								
Non syndicated	15.0	100.0	29.4	100.0	29.0	96.7	92.4	99.9
Syndicated	0.0	0.0	0.0	0.0	1.0	3.3	0.1	0.1
Total	**15.0**	**100.0**	**29.4**	**100.0**	**30.0**	**100.0**	**92.6**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 5 GEOGRAPHICAL ACTIVITY BY FUND STAGE FOCUS

Investments (in US$ million)	2004				2005			
Investment outside local country by region	**Number**	**%**	**Value**	**%**	**Number**	**%**	**Value**	**%**
West Africa	2.0	13.3	1.2	4.1	2.0	6.7	0.2	0.2
North Africa	3.0	20.0	2.6	8.7	6.0	20.0	5.3	5.7
Southern Africa	0.0	0.0	0.0	0.0	1.0	3.3	0.6	0.7
East and Central Africa	1.0	6.7	N/R	0.0	3.0	10.0	5.0	5.4
ROW	9.0	60.0	25.7	87.3	18.0	60.0	81.6	88.1
Total	**15.0**	**100.0**	**29.4**	**100.0**	**30.0**	**100.0**	**92.6**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

N/R - not reported

0: investment value reported for the corresponding deal

Source: Thomson Financial Total includes one deal reported by IFC valued at US$ 15m not specific to any country*

N/R: not reported

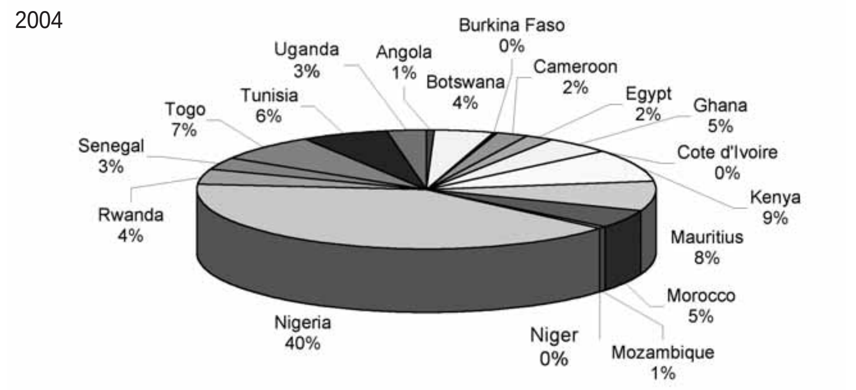
-: data not available

0: investment value reported for the corresponding deal

Table 6 INVESTMENT ACTIVITY BY INVESTOR AND COMPANY LOCATION

Funds (in US$ million)	Investor location				Company location			
	Value 2004	%	Value 2005	%	Value 2004	%	Value 2005	%
Algeria	0.0	0.0	0.0	0.0	0.0	0.0	2.6	0.2
Angola	0.0	0.0	0.0	0.0	0.7	0.1	0.0	0.0
Belgium	6.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Benin	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1
Botswana	0.0	0.0	4.8	0.5	5.0	0.4	9.8	0.9
Burkina Faso	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Cameroon	3.9	0.3	2.6	0.3	2.6	0.2	3.0	0.3
Comoros	0.0	0.0	0.0	0.0	0.0	0.0	2.3	0.2
Congo	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.2
Denmark	2.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Egypt	0.0	0.0	0.0	0.0	2.5	0.2	21.5	2.1
France	0.7	0.1	14.6	1.4	0.0	0.0	0.1	0.0
Ghana	0.8	0.1	0.3	0.0	5.6	0.4	3.9	0.4
India	0.0	0.0	0.0	0.0	5.0	0.4	70.3	6.7
Israel	0.0	0.0	0.0	0.0	0.0	0.0	5.2	0.5
Ivory Coast	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0
Kenya	1.6	0.1	0.0	0.0	10.6	0.8	3.7	0.4
Luxembourg	16.8	1.3	10.1	1.0	0.0	0.0	0.0	0.0
Madagascar	0.0	0.0	0.0	0.0	0.0	0.0	4.7	0.4
Mali	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mauritania	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0
Mauritius	26.3	2.1	88.3	8.5	9.6	0.7	13.0	1.2
Morocco	3.6	0.3	0.0	0.0	6.2	0.5	14.6	1.4
Mozambique	0.0	0.0	0.0	0.0	0.7	0.1	1.6	0.2
Namibia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	0.0	0.0	7.0	0.7	0.0	0.0	0.0	0.0
Niger	0.0	0.0	0.0	0.0	0.1	0.0	0.6	0.1
Nigeria	0.0	0.0	16.9	1.6	47.9	3.7	93.9	9.0
Norway	10.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Rwanda	0.0	0.0	0.0	0.0	5.0	0.4	0.0	0.0
Senegal	1.2	0.1	0.0	0.0	4.0	0.3	0.3	0.0
South Africa	1136.0	88.6	773.7	74.3	1136.0	88.6	773.7	74.3
Tanzania	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.3
Togo	0.3	0.0	0.3	0.0	8.5	0.7	0.0	0.0
Tunisia	3.8	0.3	7.0	0.7	7.3	0.6	3.6	0.3
Uganda	0.0	0.0	0.0	0.0	3.4	0.3	0.6	0.1
United Kingdom	37.0	2.9	39.4	3.8	0.0	0.0	0.0	0.0
United States	29.8	2.3	75.9	7.3	20.7	1.6	6.1	0.6
Total	1281.5	100.0	1040.8	100.0	1281.5	100.0	1040.8	100.0

INVESTMENT ACTIVITY BY COMPANY LOCATION



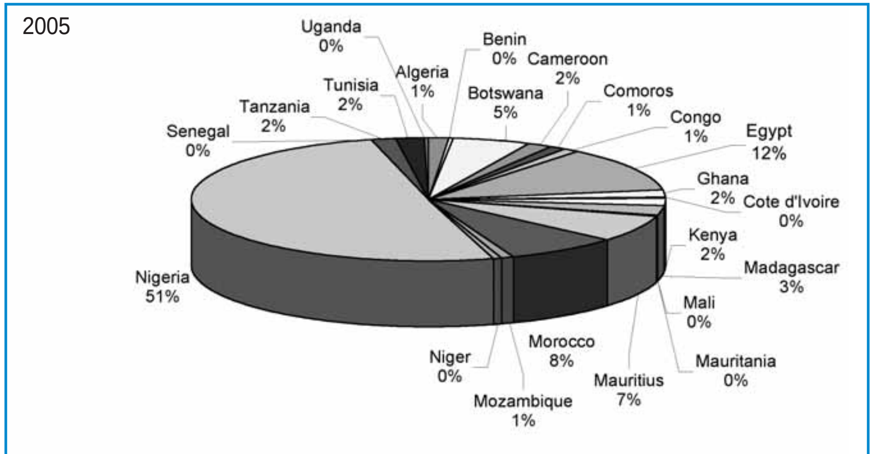


Table 7 **INVESTMENT ACTIVITY BY SECTOR**

Funds (in US$ million)	2004				2005			
Sector	**Number**	**%**	**Value**	**%**	**Number**	**%**	**Value**	**%**
Agriculture, Forestry and Fishing	0.00	0.0	0.00	0.0	5.00	0.6	1.30	0.1
Business and Financial Services	62.00	9.0	118.59	9.5	54.00	6.6	65.22	6.9
Communications	54.00	7.8	112.60	9.0	75.00	9.1	132.64	14.0
Construction	7.00	1.0	2.95	0.2	3.00	0.4	1.87	0.2
Consumer Related	117.00	16.9	194.41	15.5	127.00	15.5	134.52	14.2
Energy	62.00	9.0	103.03	8.2	50.00	6.1	59.44	6.3
Health	31.00	4.5	56.80	4.5	33.00	4.0	34.18	3.6
IT	82.00	11.8	148.96	11.9	113.00	13.7	114.13	12.0
Manufacturing	77.00	11.1	136.32	10.9	92.00	11.2	93.87	9.9
Semiconductor/Electronics	2.00	0.3	2.80	0.2	0.00	0.0	0.00	0.0
Transportation	108.00	15.6	193.79	15.5	132.00	16.1	151.51	16.0
Utilities	0.00	0.0	0.00	0.0	1.00	0.1	0.58	0.1
Other	90.00	13.0	181.80	14.5	137.00	16.7	159.01	16.8
Total	**692.00**	**100.0**	**1252.05**	**100.0**	**822.00**	**100.0**	**948.27**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 8.1 **INVESTMENT ACTIVITY BY TARGET FIRM** XSA

Funds (in US$ million)	2004				2005			
Turnover	**Number**	**%**	**Value**	**%**	**Number**	**%**	**Value**	**%**
under US$1 million	6.0	8.1	2.9	0.3	3.0	4.2	0.5	0.0
US$1 million-US$4.99 million	5.0	6.8	1.8	0.2	4.0	5.6	1.4	0.1
US$5 million-US$20 million	3.0	4.1	4.4	0.4	4.0	5.6	8.2	0.6
US$21 million-US$70 million	1.0	1.4	21.6	1.9	0.0	0.0	0.0	0.0
US$71 million-US$150 million	0.0	0.0	0.0	0.0	1.0	1.4	7.9	0.6
US$351 million-US$500 million	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
US$151 million-US$350 million	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
US$501 million+	1.0	1.4	189.0	16.7	2.0	2.8	154.3	11.6
Not reported	58.0	78.4	909.6	80.5	57.0	80.3	1159.2	87.1
Total	**74.0**	**100.0**	**1129.2**	**100.0**	**71.0**	**100.0**	**1331.5**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 8.2

Funds (in US$ million)	2004				2005			
Number of employees								
0-9	3.0	4.1	0.1	0.0	8.0	11.3	5.2	0.4
10-19	5.0	6.8	2.3	0.2	3.0	4.2	0.3	0.0
20-99	7.0	9.5	7.1	0.6	10.0	14.1	12.6	0.9
100-199	5.0	6.8	24.1	2.1	3.0	4.2	1.9	0.1
200-499	2.0	2.7	0.9	0.1	2.0	2.8	26.1	2.0
500-999	0.0	0.0	0.0	0.0	1.0	1.4	7.6	0.6
1000+	1.0	1.4	189.0	16.7	2.0	2.8	27.2	2.0
Not reported	51.0	68.9	905.7	80.2	42.0	59.2	1250.7	93.9
Total	**74.0**	**100.0**	**1129.2**	**100.0**	**71.0**	**100.0**	**1331.5**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Table 9 EXIT/DIVESTMENT ACTIVITY

Funds (in US$ million)	2004				2005			
	Number	%	Value	%	Number	%	Value	%
Trade sale	10.0	7.6	25.4	11.2	13.0	10.3	37.3	15.5
IPO	1.0	0.8	1.3	0.6	1.0	0.8	0.0	0.0
Sale of listed shares	4.0	3.1	81.7	36.0	4.0	3.2	65.2	27.0
Sale to Management	78.0	59.5	41.2	18.1	87.0	69.0	35.5	14.7
Sale to another private equity firm or financial institution	18.0	13.7	70.8	31.2	14.0	11.1	98.5	40.8
Repayment of preference loans/shares	5.0	3.8	0.5	0.2	3.0	2.4	0.2	0.1
Share buy back by investee company	0.0	0.0	0.0	0.0	1.0	0.8	0.4	0.1
Dividends and interest payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write offs	9.0	6.9	2.2	1.0	0.0	0.0	0.0	0.0
Other	6.0	4.6	3.9	1.7	3.0	2.4	4.4	1.8
Total	**131.0**	**100.0**	**227.0**	**100.0**	**126.0**	**100.0**	**241.4**	**100.0**

Source: Thomson Financial, SAVCA/KPMG

Tables include exit details for companies located within the country/region and exclude investments outside Africa.

Includes South African (country) information relating to the top 10 deals only (total funds raised)

EXITS BY NUMBER

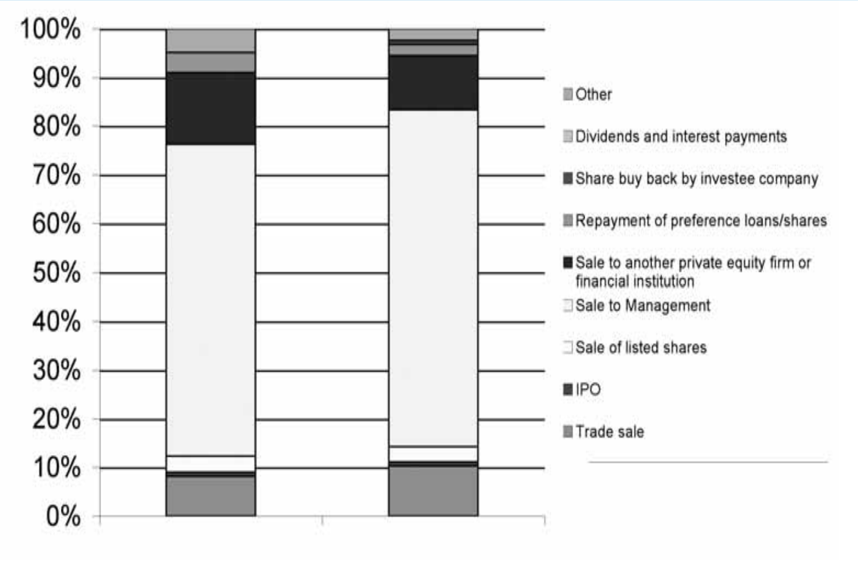


Table 10 ■ CONTRIBUTION OF VENTURE CAPITAL AND PRIVATE EQUITY TO THE OVERALL ECONOMIC ACTIVITY

Investments (in US$ million)	2004		2005	
Country	Total Investment	Investment as % of GDP*	Total Investment	Investment as % of GDP*
Comoros			2.3	0.602
South Africa	1136.0	0.529	773.1	0.322
Mauritius	9.6	0.158	13.0	0.202
Botswana	5.0	0.056	9.8	0.104
Nigeria	47.9	0.066	93.9	0.095
Madagascar			4.7	0.093
Ghana			3.9	0.036
Congo, Rep.			1.8	0.035
Morocco	6.2	0.012	14.6	0.028
Congo, Dem. Rep.			1.8	0.026
Tanzania			3.0	0.025
Mozambique	0.7	0.012	1.6	0.024
Egypt, Arab Rep.	2.5	0.003	21.5	0.024
Mauritania			0.4	0.021
Kenya	10.6	0.066	3.7	0.021
Cameroon	2.6	0.016	3.0	0.018
Niger	0.1	0.003	0.6	0.018
Tunisia	7.3	0.026	3.6	0.013
Benin			0.5	0.012
Uganda	3.4	0.050	0.6	0.007
Senegal	4.0	0.052	0.3	0.004
Algeria			2.6	0.003
Cote d'Ivoire			0.3	0.002
Mali				
Burkina Faso	0.3	0.006		
Togo	8.5	0.412		
Rwanda	5.0	0.273		
Angola	0.7	0.004		
Zambia				

Source: Thomson Financial, World Bank Development Report Selected Indicators 2005 & 2006

** Investment as % of GDP given to 3 decimal places as some figures are very small*