

Trends in the African private equity space

By [John Bellew](#)

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Private equity deals are growing in east and west Africa, with certain sectors seeing most action than others. Experienced African fund managers are in demand and it looks like it is going to be an exciting year for Private Equity in Africa. Here are some of the key trends we can expect to see in the in 2016.



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Watch East and West Africa

While the South African private equity market is relatively mature, east and west African markets are catching up fast. In particular, Kenya, Nigeria and Ghana are seeing an increase in private equity deals in their countries, but other countries in Africa are also benefiting from increased transaction flows.

The rise and rise of African fund managers

There are a host of new fund managers in Africa, many of whom have been exposed to African private equity and have the skill set and experience to execute transactions successfully and profitably. Many of these new managers are attracting support from development finance institutions, which have played a key role in supporting the growth of the industry.

The sectors in demand in 2016

There is a lot of capital being raised for infrastructure and real estate funds, with food funds also being a focus. Generalist funds are still targeting FMCG and financial services, as well as some retail.

Auctions

Auction processes are also becoming a more common feature of the African private equity landscape. Auctions tend to be viewed as somewhat less desirable than proprietary transactions, however, because the number of bidders can drive prices

up, and also result in wasted costs for unsuccessful bidders.

Capital is available

Increased availability of capital in the market is an opportunity for funds with existing portfolios to sell to other private equity houses. The large amount of capital available for larger transactions also offers an opportunity for mid-market funds to source attractive transactions that fall below the thresholds of larger players.

The effect of local laws

From a legislative perspective, differing local regulations have not been a barrier to private equity investment in African countries, with managers being creative in coming up with solutions and designing instruments to minimise transaction risk. Investors work with lawyers who have the specialist local knowledge to oversee the transaction in that specific jurisdiction, they don't let differing regulations stop them.

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