

# EXPLORING THE DYNAMICS OF The African Private Equity Sector in 2023 and Future Paths



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At first glance, the headline figures for 2023, published in the [2023 African Private Capital Activity Report](#), released in March 2024 by AVCA, paint a grim picture. However, a closer inspection reveals resilience and potential for future growth.

## AFRICA'S RESILIENCE

While deal volume (450 vs 627 in 2022) and value (\$5.9 billion vs \$7.6 billion) in Africa for 2023 experienced a decline compared to 2022, it is important to contextualize this. The African market's performance aligns with the global average for decreases in value and is actually less than the average decline in global deal volumes.

Moreover, the total of 627 deals in 2022 stands out as a statistical outlier, being significantly higher than the next two closest years, 2021 and 2023, by 197 and 177 deals respectively.

Despite the drop in deal volume from 2022, the number of deals in 2023 is still remarkable, being 170% greater than the 2012-2023 average. Furthermore, the number of deals in 2021, 2022, and 2023 collectively surpasses the figures from the preceding nine years.

Although annual deal values have experienced fluctuations, the 2023 value of \$5.9 billion notably exceeds the 2012-2023 average of \$4.7 billion, indicating resilience in the market despite the decrease in volume.

## FACTORS INFLUENCING THE MARKET

The private capital market in Africa faced substantial challenges in 2023, largely due to global and regional economic uncertainties, prompting fund managers to exercise caution in their investment strategies and scale back exit initiatives. This cautious approach led to a shift towards smaller ticket sizes, as fund managers avoided large investments, consequently contributing to a decline in both investment volume and value. Additionally, reduced exits resulted in limited liquidity, posing significant challenges for investors and impacting the overall fundraising environment.

## ABOUT US

Our dedication to Africa spans over two decades, during which we have proudly contributed to the growth and dynamism of this evolving market, growing with longstanding clients providing services to several generations of their funds, while showing the same enthusiasm and commitment to working with first-time fund manager entering the market. Presently, we administer over 40

## FIRST-TIME FUND MANAGERS

In 2023, first-time fund managers in Africa achieved remarkable success, securing a 35% share of final closed values totalling \$0.7 billion, a notable 2.1x increase compared to the previous year and the highest capital raised since 2019. They notably dominated the lower middle market (\$100 million – \$250 million) range, surpassing expectations by attracting 82% of total fundraising within that segment, traditionally dominated by experienced managers. This achievement is commendable given the complexities first-time managers face in an industry that highly values experience, highlighting their resilience and ability to navigate challenges effectively. [Read our interview How We Help Emerging Managers in Africa Getting their Inaugural Fund Off the Ground in this magazine's April 2024 edition.](#)

## THE FUTURE

The AVCA data clearly indicates a positive long-term trajectory for the market, especially evident in the capital raising success of new managers entering the market. The arrival of fresh talent, actively raising funds, not only signifies the market's dynamism but also underscores investors' sustained optimism regarding its potential.

Looking at the distribution of capital across countries or regions, South Africa appears poised to maintain its pivotal role and attract substantial investment within the Southern Africa region. In West Africa, the driving forces are likely to remain Nigeria and Egypt. Additionally, it is important to acknowledge that several countries are undergoing elections this year, potentially leading to a slowdown in investment activity until there's greater clarity on the economic landscape.

Looking ahead, we anticipate further innovation in the investment vehicles on offer. Alongside traditional blind pool funds, deal-by-deal solutions will continue to grow as they offer a cost-efficient way to capture investment opportunities and build track-record. We can also expect evergreen funds or tokenised funds to attract a new breed of investors looking for liquidity. On the GP side, business consolidations in East and West Africa may lead to the emergence of regional champions.

Finally, on the demand side we see sustained LP interest in renewable energy and venture capital, and innovative solutions that reduce the minimum investment into PE funds as the "retailisation" of the PE market gathers momentum.

Africa-focused private equity and venture capital funds, serving clients from 45 out of the 54 countries on the continent.

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