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In this month's issue we met with Paulo Martelli, VP and Chief Investment Officer at FinDev Canada. The Canadian Development Finance Institution provides financing, investment, and blended finance solutions, as well as technical assistance and knowledge, to promote sustainable and inclusive growth in emerging markets and developing economies aligned with the Sustainable Development Goals (SDGs) and Paris Agreement commitments. Learn more on pp.13-15.

In this month's issue we also spoke with Albert Alsina, Founder and Chief Executive officer at Mediterrania Capital Partners, about the firm's investment philosophy, how they are making an impact in Africa, challenges with Private Equity investing and future plans. More on pp.16-17.

In addition, Samar Abuwarda looks into the Sovereign Fund of Egypt's performance since 2020 and how it could take advantage of the current events occurring in the Egyptian economy on pp.18-19.

This month, AVCA shared the fifth edition of its Venture Capital in Africa report, providing an overview of the current events shaping Africa's start-up investment landscape and an in-depth analysis of entrepreneurial and venture activity seen on the continent (p.21).

Finally, Johanna Monthé, Partner, Epena Law, writes that over the past two years there have been fundraising timelines expanding dramatically and limited partner (LP) commitments shrinking across the board in Africa. Read on p.22.

For more up-to-date news, analysis and insights visit africaglobalfunds.com and don't forget to follow the magazine @AfricaGlobFunds on Twitter.

If you would like to get in touch with any comments or suggestions for future issues, please e-mail myself at a.lyudvig@africaglobalfunds.com

Best regards,

Anna Lyudvig
 Managing Editor

XSML Capital Raises \$98.7m at First Close of ARF IV



Barthout van Slingelandt,
Managing Partner
XSML Capital

XSML Capital, a provider of growth capital to SMEs in Central and Eastern Africa, has launched its fourth fund, African Rivers Fund IV (ARF IV), with a first close of \$98.7m.

“Despite the tough climate for fundraising last year and particularly in Africa, the first close of ARF IV exceeded the size of our previous fund,” said Barthout van Slingelandt, managing partner of XSML Capital.

“This is a clear sign of confidence of our investors in our investment approach and performance. They share our excitement about the opportunities to invest in talented entrepreneurs in some of Africa’s frontier markets.”

The new funding allows XSML to double its investments and impact over the coming years and follow investees into new markets like Zambia.

Existing investors in previous funds reinvested and increased their commitment with some doubling their exposure.

The investors include British International Investment, the UK’s development finance institution and impact investor, FMO, the Dutch entrepreneurial development Bank, the International Finance Corporation (IFC), the private sector arm of the World Bank Group,

Norfund, the Norwegian Investment Fund for developing countries and Swedfund, the Swedish Development Finance Institution.

In addition, SIFEM, managed by ResponsAbility Investments, an impact asset manager, has joined as a new investor.

ARF IV seamlessly follows on to ARF III, which is now fully invested.

The African Rivers Funds support promising small and medium-sized enterprises in Central and East Africa, which are in the missing middle segment not addressed by the banking sector and other financial institutions.

ARF IV will re-double its commitment to be a long-term partner to current and new clients, offering more than just finance.

Next to flexible growth capital, XSML clients benefit from a range of tailored business support to improve company processes that lead to better, more sustainable businesses.

XSML expects to build a portfolio of over 50 companies in the new fund.

ARF IV already has a strong pipeline, including potential new investments in Zambia, where XSML will open an office in the first half year of 2024. “Our local teams are the basis for our success. As a team we invest much time in scouting and getting to know businesses and their leaders. We strive to foster long-term relationships with our clients. This allows us to be flexible in our financing when needed and tailor our business support,” said Van Slingelandt.

FUNDRAISING

Camco Launches Technical Assistance Facility for Its REPP 2 Debt Fund

Climate and impact fund manager Camco has unveiled a new technical assistance facility (TAF) to accelerate the growth of Sub-Saharan African markets for renewable energy and energy access.

Camco is developing the \$250m REPP 2 fund to invest in the African grid of the future and the small and medium-sized enterprises (SMEs) building it.

The private debt fund is structured as a blended finance vehicle to leverage public, private and commercial funding to invest in small-scale and decentralised renewable energy projects in Sub-Saharan Africa, with a particular focus on supporting least developed countries.

The new accelerator will play a critical role in achieving REPP 2’s goal

of delivering significant climate, economic and gender impacts while ensuring sustainable returns for investors by addressing both the financial and non-financial barriers that are currently impairing project development and slowing down investments.

REPP 2’s dedicated TAF is part of a new market development focus by Camco that complements its investment activities to deliver broader transformational impacts.

The REPP 2 TAF is launched with support from the Norwegian Agency for Development Cooperation (Norad) - a cornerstone funder, who has committed \$5m to the facility’s \$10m target.

Halvor Heggemes, Senior Advisor at Norad, said: “REPP 2 is an important

Deals & Exits

part of Norad's efforts to attract more commercial investments to renewable energy development in Africa. One of the big gaps that we work to close is the number of companies and projects that are considered investable by private financiers, and this is precisely what the technical assistance facility will address. We are excited to work with Camco to ultimately increase energy generation and access on the ground in Africa."

The REPP 2 TAF has three pillars:

Pillar 1: SME growth and project development support: Early-stage project preparation funding to de-risk project development and capacity building activities to make the sector more inclusive and accelerate growth. This is expected to lead to more skilled and experienced local SMEs and project developers.

Pillar 2: Gender equity. Targeted support to earlier-stage female entrepreneurs who are not yet ready for REPP 2 financing and SMEs that offer products or services specifically designed to address the needs of female customers. This supports REPP 2's comprehensive strategy for

achieving 2X alignment.

Pillar 3: Enabling environment and knowledge mobilisation. Targeted advocacy initiatives, strengthened public-private dialogue and knowledge sharing to improve the enabling environment for renewable energy development and investment.

Over its lifetime, REPP 2 aims to develop 330MW of new capacity, resulting in over 12.7 million tCO₂e emission reductions.

This will provide clean energy access to more than 7.7 million people and enhance the resilience of about one million beneficiaries.

Ieva Indriunaite, Policy and Partnerships Manager, Camco, said: "The support the REPP 2 TAF will provide is critical to the scaling up of companies in this sector and thereby developing a vibrant renewable energy market in Sub-Saharan Africa.

"Norad understands everything we want to achieve through REPP 2 and the critical role of the TAF in supporting SMEs and the just development of the decentralised renewable energy sector in Africa. We are extremely thankful for its catalytic funding."

DEALS

Aruwa Co-Leads \$3m Investment in MDaaS Global



Adesuwa Okunbo Rhodes,
Founder & Managing Partner
Aruwa Capital

Aruwa Capital Management, an early-stage growth equity and gender lens fund investing in Nigeria and Ghana, has announced a \$1.5m investment in MDaaS Global, a modern, tech-enabled healthcare company enabling clinically underserved communities, access to quality and affordable

Platform.

Adesuwa Okunbo Rhodes, Founder & Managing Partner of Aruwa Capital, said: "We are thrilled to complete this investment in MDaaS, with 17 centres already in operation, the Company has proven its playbook in redefining healthcare accessibility in Africa."

Through this investment, the Company will extend the reach of quality and affordable healthcare to clinically underserved communities across

"MDaaS was founded based on the recognition of a severe shortage of quality and affordable diagnostic services across Nigeria and Africa, where only 1% of healthcare facilities had the capacity for diagnostics"

healthcare and diagnostic services across Africa.

The round was co-led by Aruwa Capital Management and Newtown Partners, an existing investor along with participation from Ventures

Nigeria and Africa, he said.

"This expansion will also create more employment opportunities in underserved communities, bolstering local economies and improving

livelihoods," he added.

In line with Aruwa's gender lens investing strategy, MDaaS is co-founded by a woman, 48% of the senior management are women, half of the total workforce are women and more than 60% of their annual patients are women. MDaaS caters to predominantly women of reproductive age in underserved communities and is committed to addressing crucial healthcare needs to those that would traditionally not have access. We are excited to partner with the Company in this next phase of growth to make quality healthcare accessible in clinically underserved communities."

Founded in 2016 by Oluwasoga Oni, Genevieve Oni, Joseph McCord and Opeyemi Ologun, MDaaS was founded based on the recognition of a severe shortage of quality and affordable diagnostic services across Nigeria and Africa, where only 1% of healthcare facilities had the capacity for diagnostics, leading to limited access to essential diagnostic services for millions of Nigerians and Africans.

The Company is building healthcare for Africa's next billion by building a modern, technology enabled healthcare network through their high-quality infrastructure that provides essential services in clinically underserved communities.

Powered by a technology platform that optimises internal operations and reduces friction for all stakeholders, Mdaas is leveraging on their clinical data and strategic partnerships to drive innovations that improve the lives of all Nigerians and Africans.

MDaaS has since inception built this critical and modern infrastructure across 8 states in Nigeria, operating 17 diagnostic centres in underserved communities, mostly outside the capital city Lagos.

The Company offers high-quality diagnostic services at affordable prices to low- and middle-income patients and has partnered with over 60 corporates and health management organisations, over 1,000 medical doctors and 100 pharmacies to distribute affordable healthcare to more than 200,000 patients, over half of whom are women.

In Nigeria, where an estimated \$1 billion is spent annually on medical tourism, with less than 50% of Nigerians having access to modern healthcare facilities, especially outside of big cities, high-quality care is unaffordable for most Nigerians, 70% of healthcare spending is out-of-pocket, and only c.3% of the population have health insurance coverage leading most Nigerians to seek low-quality care alternatives. This results in a large addressable market for the Company in Nigeria alone with total private health expenditure on diagnostics in Nigeria forecasted to grow to \$2.8 billion by 2024 according to Global Health Expenditure.

This investment would enable the Company to expand its infrastructure across more states in Nigeria, leveraging on the Company's proven business model and network built to date to distribute modern, quality, sustainable and affordable healthcare to Nigerians, delivering long-term value to key stakeholders such as patients, providers, employers and health management organisations.

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EXITS

TPG Exits Mavin Global to Universal Music Group



Michael Collins Ajereh (aka Don Jazzy),

Founder & CEO
Mavin Global

TPG has fully exited its stake in Mavin Global to Universal Music Group (UMG), the world leader in music-based entertainment, while Kupanda Capital will remain a minority investor and strategic adviser.

The deal remains subject to regulatory approval and is expected to close by the end of Q3 2024.

Nigeria-based Mavin is the driving force behind many of the continent's Afrobeats artists. Founded in 2012 by renowned artist, producer, music executive and entrepreneur, Michael Collins Ajereh (aka Don Jazzy), Mavin has played a pioneering role in breaking Afrobeats artists within Africa, and beyond.

the roster, and their executive leadership program, which seeks to develop the next generation of music industry talent in Africa.

The investment provides UMG an opportunity to increase its presence in Afrobeats and greater exposure to the fast-growing African market. Supported by young demographics and increasing connectivity, in 2022 Africa represented the fastest growing continent for recorded music consumption, with Sub-Saharan Africa growing at 34.7% year on year, according to the IFPI, the only region to grow more than 30% that year. An increasingly global phenomenon, the Afrobeats genre is the latest in regional sounds to attract a growing, international fanbase. In the first half of 2023 streams of Afrobeats in the US market increased by 34% year on year.

Michael Ajereh said: "I'm proud of the artists, careers and brand we've built that have made Mavin the force it is today. In this historic

"UMG is home to some of the world's foremost music entrepreneurs and artists, making them a perfect match for our aspirations. By collaborating with UMG, we are dedicated to cultivating a vibrant creative environment that propels African music to new heights on the global stage"

- Tega Oghenejobo, COO, Mavin Global

The Mavin team's full-service offering in Nigeria will be amplified through UMG's global network of labels and businesses by the investment. Currently distributed internationally [ex-Africa] through Virgin Music Group with Rema,

Mavin and its roster are already well integrated into UMG's unrivalled network, with multiple signings across U.S. labels, including Republic partnering for Ayra Starr, and Interscope for Lifesize Teddy.

As with other UMG businesses, Mavin will maintain autonomy over its strategy and future talent development. As part of the agreement, founder and CEO Don Jazzy and COO Tega Oghenejobo will continue leading the company - offering UMG the opportunity to partner with proven local executives and experienced A&R professionals.

The partnership will accelerate Mavin's strategic advancement and create more opportunities to break more talent globally, expand the reach of its existing roster and continue building its business into a super-serving, pan-African entertainment company. This mission is anchored in two initiatives: Mavin's Artist Academy, which trains new talent in music and performance skills and builds connections within

partnership with UMG, we will continue that mission in Africa and across the globe."

Tega Oghenejobo said: "With our proven history of collaborations within the UMG family, we have a strong belief that they are the ideal partner for the next phase of our growth, given the diversity and potential of our business. UMG is home to some of the world's foremost music entrepreneurs and artists, making them a perfect match for our aspirations. By collaborating with UMG, we are dedicated to cultivating a vibrant creative environment that propels African music to new heights on the global stage."

Sir Lucian Grainge, Chairman & CEO of Universal Music Group, said: "Our criteria for identifying partners is straightforward: great artists, great entrepreneurs, great people. With Don Jazzy, Tega, the Mavin Global team and their artist roster, we've found ideal partners with whom to grow together. Mavin's brilliant artists have been catalysts in the transformation of Afrobeats into a global phenomenon and we're thrilled to welcome them into the Universal Music Group family."

DEALS

Capria Ventures Leads \$2.95m Investment Round in BFREE



Susana García-Robles,
Managing Partner
Capria Ventures

Capria Ventures, a Global South specialist investing in applied Generative AI, has led a \$2.95 investment round in BFREE, Africa's ethical credit manager platform.

Susana García-Robles, Managing Partner at Capria Ventures, said: "The advent of Generative AI provides a pathway for more efficient scaling, enabling the company to expand across the continent at a reduced cost."

"BFREE is well-positioned to play a crucial role in improving accessibility and mitigating risk in financial services. We foresee the growing prominence of credit management and are confident that BFREE will spearhead the creation of a secondary market on the continent for distressed assets. BFREE has secured significant partnerships with top-tier banks and fintechs, affirming the effectiveness of its product and reinforcing our belief in its potential to transform credit collection in Africa."

Other investors in the round included Angaza Capital, GreenHouse Capital, Launch Africa, Modus Africa, Axian CVC, and angel investors.

The infusion of capital from this funding round will empower

unlock new opportunities across Africa."

Founded in 2020 by Julian Flosbach, Chukwudi Enyi, and Moses Nmor, BFREE is dedicated to reshaping the credit collection landscape across emerging markets in Africa.

Leveraging cutting-edge AI technology, BFREE aims to empower consumers to address debt responsibly while providing effective, customer-centric solutions for lenders.

While originally founded with a primary focus on credit collection automation software, BFREE has since evolved its approach. At present, the company harnesses extensive datasets on non-performing loan portfolios to expertly evaluate and structure portfolio acquisitions in collaboration with third-party investors.

These investors include alternative asset managers and hedge funds seeking to capitalize on emerging markets' credit portfolios as a new asset class.

BFREE has achieved significant growth since its founding in 2020, serving 4.5 million borrowers across Nigeria, Kenya, and Ghana.

The company has established strategic partnerships with major commercial banks, underscoring its role in client development within the region.

"BFREE is well-positioned to play a crucial role in improving accessibility and mitigating risk in financial services. We foresee the growing prominence of credit management and are confident that BFREE will spearhead the creation of a secondary market on the continent for distressed assets"

- Susana García-Robles, Managing Partner at Capria Ventures

BFREE to significantly enhance its suite of risk management solutions customized for banks and lenders.

Olivier Munyeshyaka of Angaza Capital, commented: "At Angaza Capital, we recognize the immense potential of African markets, and we're excited to partner with BFREE as they embark on their expansion across the continent."

"Having navigated the complexities of collections firsthand, we're impressed by BFREE's commitment to leveraging technology to address these challenges. Together, we're poised to drive impactful change and

Julian Flosbach, CEO of BFREE, said: "At BFREE, we are focused on addressing the challenges of risk management in African economies. Through the use of AI, we are developing solutions that help distressed borrowers get back on their feet while empowering lenders and contributing to financial market stability across the continent."

"With the support of our investors, we are poised to make significant strides in transforming risk management for lenders in Africa," he added.

DEALS

Verod Capital Growth Fund III Invests in i-Fitness

Verod, a prominent African investment management firm specialising in private equity and venture capital, has invested in i-Fitness, West Africa's largest and fastest-growing fitness chain.

The investment was structured via the Verod Capital Growth Fund III, marking the sixth addition to the fund's portfolio.

Daniel Adeoye, Partner at Verod, said: "Verod is highly enthusiastic about its collaboration with i-Fitness, which will contribute further to the growth and expansion of its value-for-money gym chain in West Africa. Recognising i-Fitness' capable management team, resilient business model and attractive value proposition, Verod is also drawn to the growing consumer emphasis on health and wellness, and the rising population in urbanised Africa. This investment aligns with Verod's commitment to supporting long-term trends with positive social impact and regional economic growth."

Founded in 2015 by Foluso Ogunwale, i-Fitness has been at the forefront of promoting the culture of fitness in Nigeria.

The company is known for its holistic approach to fitness and wellness, owning bespoke gym facilities and offering flexible cost-effective membership plans.

With 21 branches in Nigeria, i-Fitness has a subscriber base of over 26,000 members who benefit from cutting-edge facilities, the expertise of over 250 certified personal trainers and over 50 varied monthly fitness classes per branch.

The company provides multilocation access to its members and an all-inclusive wellness experience to suit and support the fitness lifestyle of its vast membership base.

As i-Fitness begins its journey with Verod, the company is committed to providing more fitness services across its fast-growing fitness community. The new capital infusion will empower i-Fitness to diversify

its service offerings and expand across West Africa.

Central to this strategy is the opening of new branches, revamping its present facilities and providing best-in-class fitness services that are member-focused. The investment further enhances Verod's value-centric approach, acting as a catalyst to propel businesses forward and stimulate growth.

With over 750 jobs created, i-Fitness will be creating more than 1,000 more jobs within the first 24 months with this partnership. The company is dedicated to human capacity building and the personal development of its employees. Furthermore, the establishment of the i-Fitness

Academy and its partnership with the National Academy of Sports Medicine (NASM) USA provides the best professional fitness training and certifications to fitness trainers and enthusiasts.

This enthusiasm towards innovative employment will be an integral part of the Verod and i-Fitness partnership to further enhance job quality. The promotion of women to leadership roles will be further solidified in the next phase of the partnership.

Verod, in collaboration with i-Fitness, aims to create opportunities for better and more flexible fitness services in Africa.

Foluso Ogunwale, Founder and CEO of i-Fitness said, "We are very pleased to have Verod partner with us. i-Fitness is committed to making fitness common, more convenient, and more importantly making it an integral part of the urban lifestyle. We have another great opportunity to touch many more lives by promoting the culture of health and fitness. Our partnership with Verod will help us in achieving this objective. We expect the synergy between both firms to strengthen our position in leading the fitness industry in West Africa and more importantly, equip us with all needed resources to deliver world-class services to our members."

DEALS

E3 Capital And 4DX Ventures Co-Invest in Hohm Energy

E3 Capital and 4DX Ventures have led an \$8m seed funding round in Hohm Energy, a South African Climate Fintech company that helps homeowners and businesses to go solar with accredited solar installers, product suppliers, and embedded solar finance.

The funding marks the largest seed round for a tech startup in South Africa and attracted participation from new investors, including Breega, E4E Africa, TO.org, Tekton Ventures, Sunu Capital, Musha Ventures, and Climate Capital Ventures.

Vladimir Dugin, Senior Partner at E3 Capital added "We are thrilled to announce our inaugural investment in Hohm Energy. With its tech-driven approach, Hohm is at the forefront of South Africa's green energy revolution. The team is uniquely positioned to create a "one-stop shop"

for all green solutions for residential customers and address existing challenges around energy supply."

Peter Orth, Managing Partner at 4DX, added: "We strongly believe in Hohm's mission to drive rooftop solar adoption across South Africa and beyond, and have seen similar businesses thrive in a number of markets globally. We believe Hohm is best positioned to bring this solution to South Africa where it is sorely needed given the state of the electric grid, and are thrilled to be backing Tim and his team at this stage of their journey."

Hohm Energy will now accelerate the adoption of rooftop solar in the region by investing in its new cutting-edge climate fintech strategy, additionally bolstering its tech, product innovation and solar installer

skills development to make rooftop solar more accessible, trusted and affordable for everyone.

Launched in 2021 by Tim Ohlsen and Emir Gluhbegovic, Hohm Energy has revolutionised the entire end-to-end solar journey, having built its own proprietary software platform and marketplace that helps connect everyone in the value chain.

The company leverages technology to tackle challenges in South Africa's \$51.4bn complex rooftop solar market, streamlining the design, scheduling and procurement process for installers and enhancing accessibility for buyers, mitigating delays, installation flaws, compliance risks and financing obstacles.

Amidst a growing energy crisis, South Africa finds itself in the grip of escalating power shortages, resorting to daily electricity rationing to prevent a nationwide grid collapse. Eskom, the state-run power generator, has acknowledged a staggering power shortfall of over 6,000 megawatts at times. In addressing these challenges, Hohm Energy provides an alternative and sustainable energy source to the 7.7M addressable households, helping to ease the strain on the national grid. To-date Hohm Energy has generated over 17,000 custom solar rooftop designs using its solar proposal engine worth \$190M, originating over \$90M in finance applications to its retail banking partners.

For solar installers, Hohm Energy provides them with the opportunity to gain trust and also effectively design, manage, finance and procure their solar projects. Hohm Energy customers can have their properties'

solar energy requirements determined digitally and effectively through the platform and they get access to credit financing and an order and fulfilment process that extends to after-sales services including repair and maintenance.

Hohm Energy has struck partnerships with the majority of South Africa's retail financial institutions, such as Investec, Nedbank, MFC, FNB, Wesbank and Capitec customers have access to the platform's finance and credit scoring process to secure structured financing from these institutions.

Additionally, Hohm now offers a solar subscription service to South African households, powered by Glint, making solar more accessible than ever before with an all new and digital solar purchasing experience.

Following the investment, the company will also be launching the Hohm School program, designed to train and empower local solar installers, through the Hohm Energy Standard for Solar Systems Installations (HESSI), across the country.

Tim Ohlsen, CEO of Hohm Energy, said: "The energy system in South Africa is broken. ClimateTech is key to solving the current challenges through the provision of a scalable and sustainable alternative. Our robust software platform and fintech marketplace, which enables us to offer value to all stakeholders, is pivotal in enhancing the efficiency of rooftop solar installations and ultimately mitigating the severity of load-shedding being experienced. We are honoured to be collaborating with renowned global investors who share our passion and vision and are helping us achieve our mission on a larger scale."

EXITS

CardinalStone Capital Advisers Exits I-Fitness Nigeria to Verod Capital

CardinalStone Capital Advisers Growth Fund (CCAGF), managed by a West Africa focused private equity firm CardinalStone Capital Advisers (CCA), has successfully sold its stake in i-Fitness Nigeria to Verod Capital Management.

Established in 2015 with the vision of making high quality fitness fun and affordable, i-Fitness is a health and wellness brand that operates a

i-Fitness West Africa's leading and fastest-growing fitness chain.

As the first institutional investor in i-Fitness, beyond its capital commitment, CCA played a significant role in advancing ESG standards, upgrading the systems, governance structures and institutional framework that prepared the business for the over 10x growth experienced over the past four years, culminating in CCA's exit to a

“As the first institutional investor in i-Fitness, beyond its capital commitment, CCA played a significant role in advancing ESG standards, upgrading the systems, governance structures and institutional framework that prepared the business for the over 10x growth experienced over the past four years”

chain of low-cost, big-box gyms across Nigeria.

CCA partnered with Foluso Ogunwale, the founder of i-Fitness, in 2019, at which point the business was serving under 3,000 subscribers, with approximately 50 employees across 5 locations; all along the Lekki axis of Lagos, Nigeria.

Today, the business serves over 26,000 active subscribers, and has over 500 employees across 21 locations in 4 cities in Nigeria — making

seasoned financial investor.

Such initiatives, validate CCA's strategy of hands-on approach to investing in and growing businesses.

Yomi Jemibewon, Partner at CCA, said: “This has been an extremely exciting and rewarding journey for us at CCA. From believing in and supporting Foluso's vision when others wouldn't; to weathering the storm of a 6-month Covid-19 shut-down only 3 months after investing;

Investors

and then exceeding our growth and impact objectives 12 months ahead of schedule.”

“We are pleased to be exiting to a trusted financial investor that is committed to carrying on the journey we started with Foluso. This story exemplifies the role we set out to play with the CCA Growth Fund, in developing SMEs in our markets into industry leaders with transformational impact at scale.”

i-Fitness was CCAGF's first investment and represents its first full exit - a milestone that proves CCA's ability to successfully source, scale and exit businesses in what has proven to be a tough market for private equity. CCA is excited to see i-Fitness's continued success in the West African wellness space.

Foluso Ogunwale, CEO of i-Fitness, said: “With CCA, we did not only build a business that is now leading the fitness industry in West Africa, we built a friendship, stayed laser- focused on achieving set objectives and worked together through good and hard times. Ten weeks into our partnership, we shut down operations for 6-months due to COVID-19. We lost a significant amount of money but still kept our growth mindset intact. Promoting fitness and having the opportunity to touch many thousands of lives gives us a true sense of fulfilment.”

Rand Merchant Bank Nigeria and CardinalStone Partners acted as joint financial advisors, and Udo Udoma & Belo-Osagie (UUBO) acted as legal counsel to the seller on the transaction.

INVESTORS

Solcon Capital Partners With IFC to Provide Growth Capital to Deep Tech Companies



Sarvesh Suri,

Regional Industry Director for Infrastructure and Natural Resources

IFC

IFC and Solcon Capital have partnered to identify and nurture investment opportunities in the Deep Tech sector within South Africa and India.

The goal of this strategic partnership is to propel the digital economy in these burgeoning markets.

Under the terms of this agreement, IFC and Solcon Capital will collaboratively work to pinpoint and provide growth capital to promising companies in the Deep Tech domain.

This initiative will focus on critical areas such as 5G, AI, IoT, Big Data, and Cybersecurity.

Solcon Capital has two decades of experience in building innovative companies in the Deep Tech space.

“This exciting partnership combines IFC's expertise in supporting private sector growth in emerging markets with Solcon Capital's deep tech investment, acumen and outstanding global investment track record,” said Sarvesh Suri, IFC's Regional Industry Director for Infrastructure and Natural Resources, Africa.

“This is an exceptional opportunity to leverage our combined strengths to make a lasting impact by fostering innovation and growth in the deep tech sectors in South Africa and India, in the context of IFC expanding its scope into InfraTech globally,” he said.

The Deep Tech space is experiencing an unprecedented growth trajectory.

The 5G Deep structure market alone, a crucial segment of this sector, was valued at about \$20.19bn in 2022 and is expected to skyrocket to \$348.76bn by 2030, marking a CAGR of 45.2%.

Similarly, the IoT market, with a valuation of approximately \$544.38bn

in 2022, is anticipated to expand to \$3,352.97bn by 2030, at a CAGR of 26.1%.

These sectors are thriving due to the rising demand for high-bandwidth and the integration of advanced technologies in diverse industries.

Technologies like 5G and IoT are not just transforming industries but are also significantly impacting everyday life and work.

From revolutionizing internet access to transforming industrial operations and enhancing healthcare, manufacturing, and retail sectors through AI and Big Data, these advancements are leading us towards more connected, efficient, and smarter societies.

“This is a move that promises to reshape the Deep Tech landscape in both India and South Africa. It's a partnership that represents the strategic alliance aimed at unlocking and nurturing significant investment opportunities within the deep tech sector and by combining IFC's extensive experience and Solcon's two-decade journey of spearheading deep tech innovations, these investments will catalyse the digital economies of both markets,” said Pramod Venkatesh, CEO of Solcon Capital.

This strategic alliance between IFC and Solcon Capital marks a new chapter in the Deep Tech sector's evolution, setting the stage for enhanced growth, innovation, and collaboration across India and South Africa.

Andile Ngcaba, Chairman of Solcon Capital, added: “Through our partnership with IFC, we aim to accelerate the development of Deep Tech companies in both regions and facilitate cross-collaboration, leveraging diverse talents and markets. We are committed to fostering a thriving technological ecosystem that drives innovation and growth.”



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Paulo Martelli, VP and Chief Investment Officer at FinDev Canada speaks with Africa Global Funds about their approach to investing in Africa, investment opportunities and challenges. Martelli has been with FinDev since 2018. He is responsible for setting the organization's investment strategy and managing a growing portfolio of debt and equity investments across sub-Saharan Africa and Latin America.



PLEASE TELL US ABOUT FINDEV CANADA. WHAT'S YOUR AUM AND HOW MUCH DO YOU ALLOCATE TO AFRICA?

PAULO MARTELLI: FinDev Canada is Canada's bilateral Development Finance Institution (DFI), established in 2018. Its mandate is to support economic growth in emerging markets and developing countries through the private sector, while being financially sustainable. We provide financing, investment, and blended finance solutions, as well as technical assistance and knowledge. We operate in Sub-Saharan Africa, Latin America & the Caribbean, and as part of Canada's Indo-Pacific Strategy are now expanding into that region. Our work is aligned with the Sustainable Development Goals (SDGs) and Paris Agreement commitments.

Forty percent of our US\$954m portfolio is in Africa. At least 67% of those commitments are 2X aligned, which means that those deals meet the 2X Criteria, an international standard for gender-lens investing, which support women as entrepreneurs, leaders, employees, suppliers, clients and users. Twenty-two percent of our transactions in Africa qualify as Climate Finance investments.

WHAT'S YOUR APPROACH TO INVESTING IN AFRICA AND HOW DOES IT DIFFER FROM OTHER EMERGING MARKETS?

PAULO MARTELLI: FinDev Canada's overall approach to investing in Africa does not differ from its approach in other markets, though, of course, we look to adapt to account for market and client considerations. Our general approach is to work closely with the clients, getting to know them and understanding their needs. As a client-centric organization developing this insight into their needs helps us identify the right solution. We use this word solution purposely. It's not about a product that we sell; it's about finding a solution that supports the client as they address the challenges and the opportunities in front of them. We consider this an important part of our value proposition, across all our target markets and sectors.

WHAT'S YOUR INVESTMENT STRATEGY?

PAULO MARTELLI: We allocate capital to both debt and equity opportunities that support the private sector. As a development finance

institution, we have three impact goals which help inform our activities. These goals are climate and nature action; market development; and gender equality.

In climate and nature action, for example, we focus on building low-carbon, climate-resilient and nature-positive economies, including through sustainable infrastructure. By market development, we support quality job creation, strengthening capital markets to enhance access to finance, products and services that raise living standards and add value to the economy. We also promote sustainable and inclusive growth by mainstreaming gender equality in investment activities to support women's economic empowerment and improve business performance.

WE HAVE THREE PRIORITY SECTORS:



SUSTAINABLE
INFRASTRUCTURE



AGRIBUSINESS
VALUE CHAIN



FINANCIAL
INDUSTRY

The Financial Industry, including banks, non-bank financial institutions, and investment funds with the intent of strengthening institutions and access to financial services in the markets we serve;

Agribusiness and Forestry, and their related value chains, with the intent of supporting food security, strengthening economic conditions, and addressing opportunities to support climate action.

Sustainable Infrastructure, with the intent of supporting the development of low-carbon, climate-resilient infrastructure in the power, transportation, water, and digital sub-sectors.

IN WHICH AFRICAN COUNTRIES / SECTORS DO YOU SEE INVESTMENT OPPORTUNITIES AND WHY?

PAULO MARTELLI: FinDev Canada invests in Sub-Saharan Africa and focuses on our three priority sectors: financial industry, agribusiness, forestry and their related value chains, and sustainable infrastructure. Closing the infrastructure gap in Africa matters greatly for the continent's economic development, for the quality of life of its people, and for the growth of its business sector and this is most likely to come in the form

of climate-friendly projects.

According to the African Development Bank, Africa requires up to US\$170bn per year by 2025 to develop its infrastructure, and the financing gap amounts to about US\$100bn annually. The need is critical.

The good news is that infrastructure investment in Africa has been increasing steadily over the past 15 years, and that international investors have both the appetite and the funds to spend much more across the continent. The challenge, however, is that Africa's track record in moving projects to financial close is poor: 80% of infrastructure projects fail at the feasibility and business-plan stage. There is need and availability of funding, together with a large pipeline of potential projects, but not enough money is being spent.

At the same time, the growth of the off-grid energy sector over the last decade has been one of the continent's social and economic success stories, by bringing power to low-income households and small businesses, often in remote areas, and this sector offers a different avenue to address this gap.

FinDev Canada supports and will continue to support the private sector in Africa, in particular small and medium-sized enterprises, through financial intermediaries. In a continent where women entrepreneurs face challenges in receiving loans from the formal banking system, the potential is high to help women owned or led enterprises in Africa. In least developed countries, 35% of the population live in extreme poverty, and 86% of employment in Africa is informal, which is associated with lack of social protection, rights at work and poor working conditions. For these reasons, banks, non-bank financial institutions and investment funds play an important role as partners in the region to advance economic development and equitable regional growth.

There are also numerous opportunities in agriculture, contributing to more sustainable and climate-resilient agricultural practices across the continent. We believe investments in the agriculture sector and its entire value chain are an important tool to reduce poverty by fostering job creation and reinforcing food security. FinDev Canada remains focused on uses its lending and investments to build a stronger agricultural sector, which will reduce poverty of smallholder farmers and improve their overall wellbeing through sustainable and climate-smart programs.

Finally, Africa offers great potential for mid-sized infrastructure development. This space - a "missing middle" is where FinDev Canada is focused, looking to support projects at the sub-national where access to capital can be more challenging.

WHAT ARE THE CHALLENGES FOR YOU AS AN INVESTOR IN AFRICA?

PAULO MARTELLI: FinDev Canada is based in Canada, but does not yet have presence in the market and so it is important for us to build strong relationships with a variety of financing partners, clients and various networks to get access to local knowledge and opportunities. Apart from this, we do not see our challenges different from many other investors in Africa, who are looking for good risk-adjusted returns while delivering sustainable development impact results with or through our clients.

WHAT'S YOUR TAKE ON INVESTING IN AFRICAN PRIVATE EQUITY FUNDS? / CAN YOU GIVE AN EXAMPLE OF YOUR RECENT INVESTMENT INTO AN AFRICAN FUND?

PAULO MARTELLI: Private Equity (PE) Funds play an important role in

aggregating capital from investors and allocating this according to well-developed strategies with the required on the ground expertise to support investee companies to achieve their growth plans. By pooling capital and deploying through Private Equity Funds, the DFIs and private sector investors can achieve a better level of diversification by sectors and regions. It catalyzes capital investments allowing investors not familiar with certain markets to benefit from the expertise, know-how and hands-on support from local management teams who have access to pipelines of investment opportunities and understand the ins and outs of specific markets.

There continues to be a need to support small and medium size businesses in their growth to becoming regional players, as regional expansion can benefit companies and the population. There are many companies which are or will eventually experience succession challenges, and Private Equity Funds are an important contributor to this planning by improving internal processes, implementing standard governance structures, and making small to mid-size companies more attractive to equity and debt investors.

PE Funds can support infrastructure development by sourcing viable opportunities, bring experience and rigor to project plan and manage the development process in line with international best practice and ensure adequate risk mitigation while pooling funds at sufficient scale to support these projects.

Sector expertise in sectors such as agriculture and forestry support the role out of innovations in these fields like climate-smart agriculture.

However, there is still a need to continue to grow the market and ensure there are realistic and valuable exit paths to the investee companies. Otherwise, we observe delays for exits for companies which in developed market would be subject to competitive bidding and this in turn has a negative impact on the net IRR.

With the uncertainties in certain markets, the fund managers must be agile and vigilant yet, be able to seize opportunities. It is important to ensure robust reporting and governance at the Funds level, which leads to transparency that facilitates due diligence and oversight.

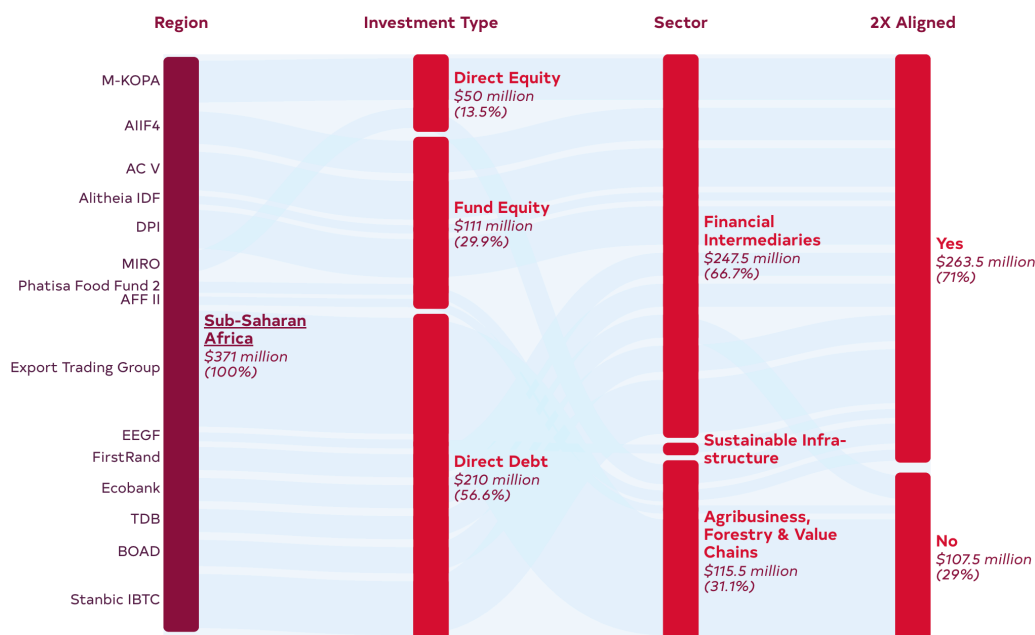
We look at a variety of funds, aligned with our sector focus or generalist funds aligned with our impact goals. We aim to have a mix of experienced managers with track record and will also consider first time teams addressing a strategy that is lacking in the market. Our recent commitments include a commitment to the Africa Infrastructure Investment Fund IV and Adenia V which align well with our investment strategy.

WHY IS GENDER-LENS INVESTING A STRATEGIC PRIORITY FOR FINDEV CANADA?

PAULO MARTELLI: Gender equality is one of FinDev Canada's three priorities. We mainstream gender equality to support women's economic empowerment, reduce inequalities, and drive business performance. When women are empowered economically and socially, they become catalysts for environmental stewardship, innovation, and adaptation.

Through our initiatives and partnerships, we strive to provide women with access to financial services, quality employment and opportunities for leadership and entrepreneurship. By doing so, we support economic growth and resilience in the communities we serve. As we know, women, especially in emerging markets and developing economies (EMDEs), are disproportionately affected by the adverse impacts of climate change. And women play a pivotal role in fostering sustainable and inclusive economic growth.

FINDEV CANADA'S PORTFOLIO IN SUB-SAHARAN AFRICA (USD,M)



Source: FinDev Canada; Data as of December 2023

Women are more likely to depend on natural resources for their livelihood, whereas men often have more diversified sources of revenue, enabling them to have higher levels of resilience, according to UN Women. The fact that women have less access to financing, limits their ability to cope with natural disasters and other environmental risks. Also, women of all ages are underrepresented in environmental decision-making spaces and climate change negotiations, which restricts their influence on natural resource management and their contribution to achieving a sustainable future for all.

As an example of how increased women's participation can have a positive impact, we know now that firms that had more women in management had a 5% decrease in CO2 emissions, according to 2022 report from the European Central Bank. In agriculture, if all women smallholder farmers had the same access to resources, farm yields worldwide would increase by 20 to 30% and 100 to 150 million people worldwide would no longer be hungry, according to a FAO (Food and Agriculture Organization) study.

WHAT'S ON THE AGENDA FOR FINDEV CANADA THIS YEAR? / DO YOU HAVE ANY DEALS IN THE PIPELINE?

PAULO MARTELLI: We continue to build out our Funds portfolio with a regional and sector balance within SSA as well as globally in our target markets. As we build out our portfolio, we, of course, strive for balance. For FinDev Canada, which means balance in the traditional sense - regional, sector, obligor all need to be balanced in line with appropriate risk management practices. However, as a DFI we are also mindful of building a portfolio that is also reflective of our development impact goals: climate and nature action, gender equality, and market development. Balancing all these elements takes time and requires a long-term perspective, which is what we employ. We are also mindful of portfolio run-off, so as we build our pipeline, we are, of course, considerate of not just what is being added, but also what is falling away such that we are identifying funds and other partners who can help us to build and maintain the levels of diversification we aspire towards.

IS THERE ANYTHING YOU WOULD LIKE TO ADD?

PAULO MARTELLI: Yes, I would like to say a few words about GAIA, a \$1.48bn climate-focused blended finance platform designed and developed by FinDev Canada in partnership with the Mitsubishi Financial Group (MUFG), one of the world's leading financial group, which is currently being finalized.

The fundamental objective of GAIA's platform is to deploy its public-private financing capacity into meaningful low-carbon, climate adaptation and mitigation assets, across a range of climate change vulnerable countries, at a scale and scope far beyond the conventional appetite of the private sector. GAIA meets the private sector where it is, recognizing and respecting the risk-return dynamic.

The platform is projected to reach nearly 20 million direct and indirect beneficiaries across 25 developing and emerging countries, in Asia, Africa, Latin America and the Caribbean. GAIA brings together commercial, concessional, and philanthropic capital to create something new.

And finally, GAIA was recognized as The Best Blended Finance NDC Initiative of the Year at the African NDC Investment Awards, last December, for its potential to greatly improve Africa's NDC (Nationally Determined Contribution) projects.

The awards recognize both public and private sector institutions that are working to innovate and break new ground to mobilize private capital and private sector participation at scale, to Africa's bankable NDC investment commitments and projects.

Developing countries face an annual USD 4 trillion SDG investment gap, according to the United Nations Conference on Trade and Development. While the case for international development is stronger than ever before, what is even more clear is that the path forward must include the private sector. With public budgets in both developed and developing countries coming under ever more strain given the multiplicity of crises at home and abroad, the private sector is critical to unlocking effective and sustainable paths toward development. So, we need to make the most of this sector and direct its efforts in developing countries.

INVESTING Beyond Returns



Albert Alsina, Founder and Chief Executive officer at Mediterrania Capital Partners, tells Africa Global Funds about the firm's investment philosophy, how they are making impact in Africa, challenges with Private Equity investing and future plans

Mediterrania Capital Partners, which currently manages the funds MC II and MC III and is in the process of fundraising MC IV, has been investing in SMEs and Mid-Cap companies in North and Sub-Saharan Africa since 2013. So far, the firm has made 17 investments and achieved nine exits including two successful IPOs in the Casablanca Stock Exchange.

With aggregated sales of the portfolio companies totalling €1.5 billion and 22,000 jobs supported, to YE 2023, the portfolio companies managed by MC III delivered 30% YOY EBITDA growth and 11% revenue growth, while net income was 78% up on 2022.

Founder and CEO Albert Alsina reflects on the past, present and future of Mediterrania Capital Partners after more than a decade dedicated to Africa.

WHAT INSPIRED YOU TO SET UP MEDITERRANIA CAPITAL PARTNERS TO INVEST BEYOND JUST RETURNS?

ALBERT ALSINA: We wanted to have a company with a strong sense of purpose which acted with a positive social, economic and environmental impact. For us, the purpose of our firm is the 'soul' of the company; we think of it as the driving force to achieving our mission. In our view, it is crucial – and obviously, important to our investors – that we are able to create positive ESG outcomes without having to sacrifice returns, and vice versa.

In our first fund, we focused on North Africa due to its strong ties with Europe. We then expanded the range of our subsequent funds to include Sub-Saharan Africa countries as a natural step forward. Through our investments, we now operate in 26 countries across the African continent, improving the lives of more than 100 million people.

Our journey, both as a team and as our investment strategy, has evolved a lot in the last decade. Nowadays we have a team of 30 private equity professionals working out of our six offices – Casablanca, Abidjan, Cairo, Valletta, Mauritius and Barcelona.

From a development point of view, we remain optimistic about the future of private equity in our region of operations. Africa is home to a wealth of untapped potential backed by a young and growing population, a rising middle class and enhanced economic and financial frameworks.

WHAT IS THE FIRM'S INVESTMENT PHILOSOPHY?

ALBERT ALSINA: Our investment philosophy is based on identifying and partnering with high-potential companies, assisting them with financial, strategic and operational support to help them achieve and exceed their business plans. Through our investments, we prioritise both sector and geographical diversification to minimise the continent's inherent risks and maximise the opportunities for business development.

Being able to identify the right assets in which to invest is crucial, but even more important is our ability to generate value from the very first day onwards. To achieve this, we engage intensively with each portfolio company during the early phase of the deal while also implementing creative initiatives for improving productivity and fostering organic and inorganic growth.

In the last 10 years we have invested in a wide range of sectors including healthcare, fast-moving consumer goods, education, financial services, construction and retail, building a strong and dynamic investment platform.

FOCUSING ON HEALTHCARE SPECIFICALLY, HOW ARE YOUR INVESTMENTS EVOLVING?

ALBERT ALSINA: In Africa, the healthcare sector in particular can benefit a lot from private capital so, when the opportunity came to invest in Akdital Group, we put all our team and financial efforts into making it happen. Founded in 2011, Akdital is the largest private hospital group in Morocco. Since we invested in 2020, 17 new hospitals have been built, adding 2,000 new beds by the end of 2023. Today, Akdital employs more than 1,500 doctors and admits over 200,000 patients a year.

In parallel, our investments in Cairo Scan and TechnoScan have helped professionalize and extend the offer of radiological and laboratory services in Egypt, Jordan and Saudi Arabia. Today our diagnostic imaging platform comprised by these two companies operates across over 50 branches and counts with a team of more than 300 doctors and nurses.

In total, Mediterrania healthcare portfolio comprises 73 specialty/multi-specialty healthcare facilities in North Africa, enhancing patient experiences and improving medical outcomes for millions of patients.

AKDITAL'S HOSPITALS



establishing foundations to support young entrepreneurs and forging partnerships with local financial institutions to assist low-income families. Besides, gender equality and climate action are fundamental components of our investment policy, representing areas where we can significantly contribute to achieving the Sustainable Development Goals (SDGs).

WHAT ARE THE CHALLENGES WITH PRIVATE EQUITY INVESTING IN AFRICA?

ALBERT ALSINA: Firstly it's important to keep in mind the diverse landscape of Africa, encompassing 54 distinct countries, each with its own unique circumstances. Within this context, private equity investments across the continent can sometimes be perceived as challenging by some investors, primarily due to three key factors: political instability, liquidity risk, and currency risk.

Addressing these challenges demands strong sector and industry knowledge, comprehensive growth strategies and prudent risk management policies. By enhancing liquidity mechanisms and mitigating currency risks through currency hedging strategies and sectoral and geographic diversification, private equity firms can unlock the economic potential of African businesses and pave the way for sustainable growth and prosperity.

WHAT'S NEXT FOR MEDITERRANIA CAPITAL PARTNERS?

ALBERT ALSINA: As we look to the future, we will continue our impactful investment strategies with the launch of MC IV. Building on the successes and lessons of our previous funds, MC IV is helping consolidate our firm's position as a leading investor in North and Sub-Saharan Africa with a hands-on approach that generates real and measurable ESG impact with superior investor returns.

With MC IV, we are slightly expanding our investment horizon,

HOW DO THE SDGs GUIDE YOU?

ALBERT ALSINA: When establishing our firm, we developed our own theory of change. We use the UN's Sustainable Development Goals (SDGs) as a framework to monitor our impact in Africa. Currently, 100% of our portfolio companies are dedicated to advancing SDG 8: Decent

“Currently, 100% of our portfolio companies are committed to SDG 8: Decent work & Economic development, while 90% focus on SDG 5: Gender equality, and 70% on SDG 3: Good health & wellbeing

Work and Economic Development. Additionally, 90% of our companies prioritize SDG 5: Gender Equality, and 70% focus on SDG 3: Good Health and Well-being.

Under the leadership of our Partner and Sustainability Director, Rajaa Berrkia, Mediterrania Capital is dedicated to sustainability initiatives aimed at fostering job creation with improved working conditions, ensuring gender diversity, and promoting women's economic empowerment. To date, our investments have generated over 7,000 new jobs and continue to implement community-centric initiatives, such as

targeting sectors with high growth potential such as technology and industrial products and services. In line with our commitment to responsible investing, MC IV will also prioritise ESG considerations, thereby contributing to sustainable development and a positive social impact across the African continent.

Overall, the launch of MC IV underlines our continued dedication to driving economic transformation and fostering entrepreneurship in Africa, while also offering investors an opportunity to participate in the region's dynamic growth story.

ABOUT MEDITERRANIA CAPITAL PARTNERS

With offices in Abidjan, Barcelona, Cairo, Casablanca, Valletta and Mauritius, Mediterrania Capital Partners takes a proactive, hands-on approach to implementing the growth strategy of its portfolio companies by driving

the value creation and ESG processes. Today, the group companies and portfolio companies of Mediterrania Capital Partners deliver over €1.5 billion in annual revenues and employ more than 22,000 people in Africa.

EGYPTIAN MARKET: Golden Investment Opportunities

Samar Abuwarda, a retired banking and investment professional, looks into the Sovereign Fund of Egypt's performance since 2020 and how it could take advantage of the current events occurring in the Egyptian economy

Post the COVID era, Egyptian economy faced some macroeconomic challenges, including foreign currency shortages, increased external debt and high inflation. The foreign currency shortages started as a result of the massive hot money outflows, which aggregated to around \$20bn. Also, during 2023, the external debt reached skyrocketing levels of around \$165bn, representing around 35-40% of the Egyptian GDP as illustrated in some international reports. Since Egyptian economy is classified as a net importer, inflation started increasing into double digit levels, reaching its peak last year of around 40%. All of these macroeconomic variables occurred under the umbrella of a pegged foreign exchange system. By the end of 2023, the official foreign exchange pricing of US Dollar vs. the local currency (Egyptian Pound-EGP) was EGP 30, meaning this is the fixed price of the dollar inside the Egyptian banks when conducting any foreign currency trading. As a result, this pegged foreign currency system nurtured and flourished the unofficial market or "black market" for trading foreign currencies. In other words, it nurtured the beginnings of a dollarization problem in the Egyptian economy. The unofficial market for trading foreign currencies was fueled by non-reasonable arbitrage and counter betting and not representing the true or fair pricing of the Egyptian Pound vs. the US Dollar. For example, by the end of 2023, the unofficial price of the US Dollar reached skyrocketing levels of around EGP 70. Adding more salt to the wound, many people were betting that the US Dollar will increase to the level of EGP 100. As a result, Egyptian economy suffered from the presence of two pricing systems for US Dollar with a wide gap between the official and non-official prices reaching around EGP 40.

All of these economic circumstances had negative impacts on the country's ability to attract foreign direct investments. This was evident in two market dynamics. Firstly, the decreasing of Egypt's sovereign credit ratings by Moody's, Fitch and Standard and Poor's, which occurred during 2023. This increased the probability of Egypt's defaulting on its international obligations. Secondly, it was almost impossible for any foreign investor to enter the Egyptian market not knowing which exchange rate to use: the official or the non-official. Meaning, it was

almost impossible to prepare an adequate business plan or financial model to accurately calculate the fair pricing of any private equity investment.

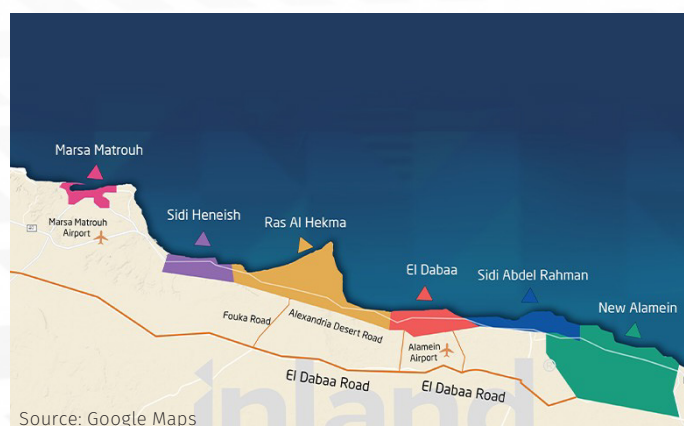
THE SOVEREIGN FUND OF EGYPT

To support Egypt's economic growth, the Sovereign Fund of Egypt (TSFE), a private investment fund, was established in 2018.

Under unfavorable economic dynamics in 2023, TSFE was able to conduct a lucrative private equity sale by following a smart investment strategy. The SWF neutralized the negative impact of the decreased sovereign credit rating by selling to a local Egyptian investor. According to Global SWF 2024 annual report, TSFE sold seven luxury hotels to Tallaat Mustafa Group (TMG) for an amount aggregating to \$800m. Nevertheless, TSFE holds a wide portfolio of assets that could be lucrative opportunities for foreign investors. So how could TSFE take advantage of the recent events occurring in the Egyptian economy?

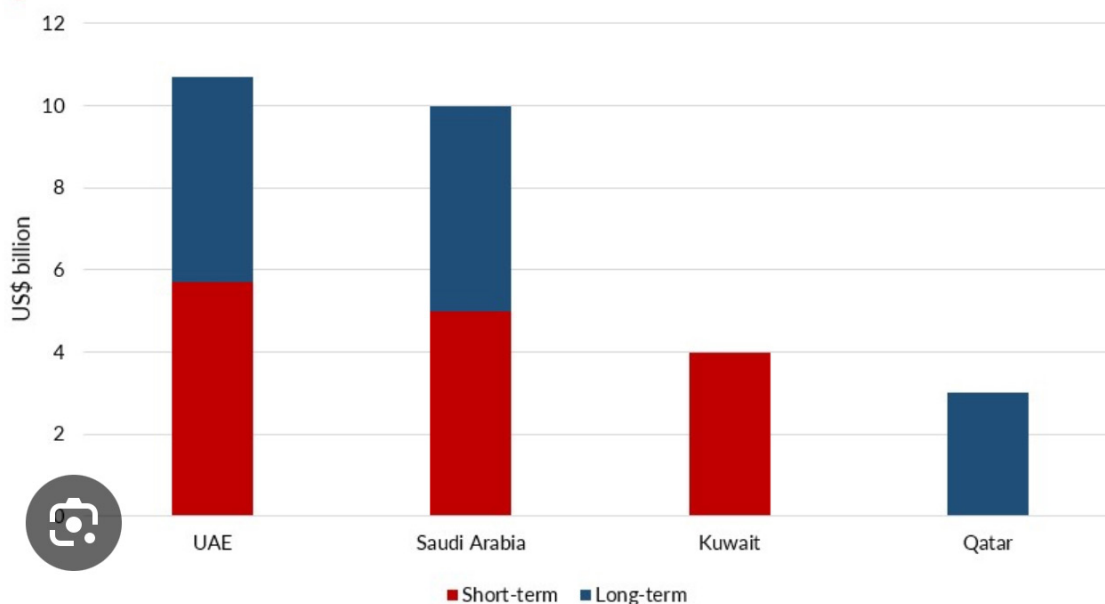
To answer this question, we have to understand how Egypt recently started rectifying some of the previously mentioned economic problems. The Egyptian government realized that applying free floating strategy to its foreign exchange system is the first step to attract foreign

FIGURE 1 RAS EL-HEKMA LOCATION





GULF STATE DEPOSITS IN CENTRAL BANK OF EGYPT



Source: Global SWF

investors. The dilemma was how to procure the foreign currency mainly US Dollar to successfully implement such strategy. The answer to this dilemma was announced recently. During February 2024, the Egyptian government announced the partnership with ADQ (Abu Dhabi SWF) to

\$3bn to \$8bn.

In addition, last week, the CBE raised interest rates by 600 bps or 6%, hence, increasing interest rates since the beginning of 2024 by 8% to curb inflation as announced by CBE governor during his press

“It was almost impossible for any foreign investor to enter the Egyptian market not knowing which exchange rate to use: the official or the non-official

develop the area of Ras El-Hekma, which is located in Egypt's north coast, precisely in the north west coast (Figure 1). This area is well known for its premium location. So when other touristic areas will be announced for partnership, this could be golden opportunities for foreign investors.

It's worth noting that ADQ is a top-notch SWF with credit rating of investment grade “A” category. The partnership transaction aggregated to \$35bn, where \$25bn represent fresh cash funding, while the remaining \$10bn represent debt equity swap mainly UAE deposits held with Central Bank of Egypt (CBE) (Figure 2). The transaction comprised of two payments: the first payment of \$15bn was already paid a couple of weeks ago, and the second payment of \$25bn will be paid after two months.

As a result, the Egyptian government, mainly the CBE, was able to inject the sufficient foreign currency necessary to close the gap between the official and non-official pricing of foreign currency and to conduct the required free floating and full devaluation of the Egyptian currency vs. the US Dollar.

Consequently, this resolved the main pending issue with the International Monetary Fund (IMF). On March 6, 2024, the IMF announced reaching and signing staff level agreement between Egyptian government and IMF pending obtaining the IMF BOD approval by end of March. The IMF program will increase the debt granted to Egypt from

conference. Subsequently, Moody's Credit Agency has raised its outlook for Egyptian economy to positive outlook.

That being said, TSFE could achieve lucrative returns especially from the CBE latest tightening policy by 6%, which increased the aggregate lending rate to corporations to around 30%, after adding the banks profit margin. Some corporations especially SME's might face financial turbulence as a result of the high inflation and limited credit lines in the Egyptian banks. A couple of years ago, TSFE announced its intentions to establish a sub-fund for distressed companies that may require financial engineering. This is a golden opportunity for TSFE to conduct financial restructuring for such firms and achieve a turnaround growth to sell later on to foreign investors especially foreign distressed or growth funds depending on each company financial status. Also, TSFE by following such strategy will nurture the mergers and acquisition market in Egypt by combining some of the restructured companies to create bigger companies with enhanced economies of scale. Consequently, this will enhance the industrial and agriculture contribution in the Egyptian economy.

In conclusion, I am optimistic about the future of the Egyptian economy. This is stemmed from Egyptian government and CBE announcement about their determination to continue rectifying economic problems and sustain the Egyptian economic reform program with the assistance of IMF.

PRIVATE EQUITY FUNDS & DEALS

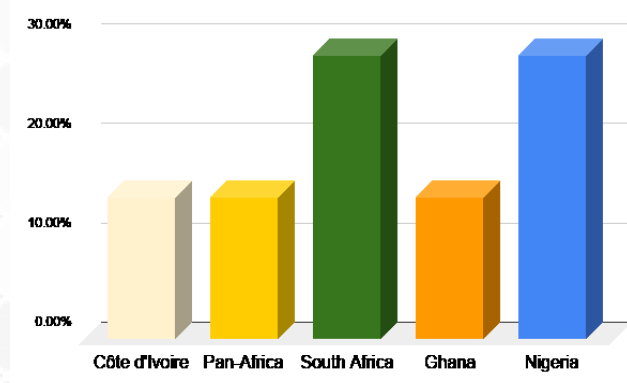
(as of 29th February 2024)

DEALS

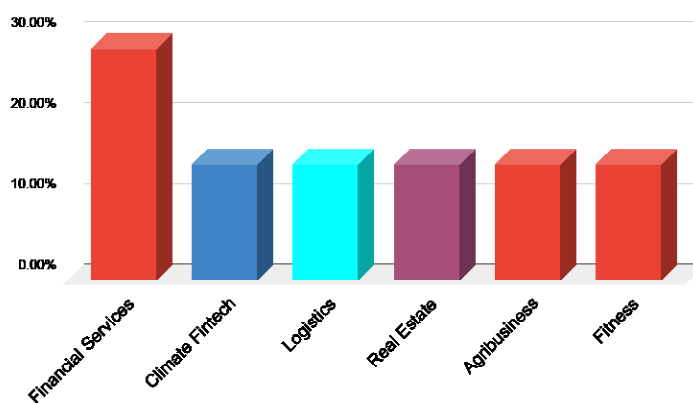
For more information on each transaction, visit Africa Global Funds's website

Company	Investment	Industry	Country	Deal Type	Deal Value
BluePeak Private Capital	Teyliom Finance	Financial Services	Côte d'Ivoire	Loan	\$20m
Capria Ventures // Angaza Capital // GreenHouse Capital // Launch Africa // Modus Africa // Axian CVC, and angel investors	BFREE	Financial Services	Pan-Africa	Venture Capital	\$2.95m
E3 Capital // 4DX Ventures	Hohm Energy	Climate Fintech	South Africa	Seed Capital	\$8m
Old Mutual Alternative Investments	Afropulse Group	Logistics	South Africa	Preference share facility	R125m
Nedbank CIB Property Finance	One Airport Square	Real Estate	Ghana	Equity and debt	Undisclosed
Sahel Capital	Acier	Agribusiness	Nigeria	Trade finance loan	\$1.5m
Verod Capital	i-Fitness	Fitness	Nigeria	Growth Equity	Undisclosed

DEALS BY COUNTRY



DEALS BY INDUSTRY



FUNDRAISING

Company	Fund	Geography	Style	Sectors	First Close	Final Close	Date Announced
Partech	Partech Africa II	Pan-Africa	Seed to Series C rounds	Education, mobility, finance, healthcare, delivery, energy	€245m	€280m	February 19, 2024

EXITS

Company	Divestment	Industry	Geography	Buyer (s)	Nature of exit
CardinalStone Capital Advisers	i-Fitness	Fitness	Nigeria	Verod Capital	Secondary Buyout

Source: AGF

AVCA REPORT: NUMBER OF AFRICAN VC DEALS DECREASE IN 2023



Abi Mustapha-Maduakor,
Chief Executive Officer
AVCA

For the first time in almost a decade of consistently strong growth, the number of venture capital deals in Africa decreased by 31% YoY, according to the African Private Capital Association

2023 Venture Capital in Africa Report.

The number of deals was only 545 last year from the record-setting 787 deals struck in 2022.

Added to the global downward trend of venture capital, investors faced currency volatility and continued high inflation in Africa, prompting investors to back prospects in portfolio companies with an established track record rather than new ventures.

According to AVCA, 2023 was a year of significant socio-political and economic upheaval, which led to a global funding winter that saw investors prioritise safer assets rather than VC investments,

The global VC ecosystem has seen a steady global decline since 2022, falling to \$285bn in deal value last year, compared to \$690bn in 2021.

The cumulative effect is a market size that represents 41% of capital invested in 2021, signifying a contraction of venture funding around the globe in 2023.

However, while the value of the capital that was channelled into the ecosystem changed amidst the uncertainty, the distribution of this capital remained largely consistent with historical findings. Investors may be writing smaller cheques, but they're doing so along the same lines as previous years.

PARADIGM SHIFTS AND EVOLVING TRENDS

Both deal volume and value decreased by close to a third – for deal volume, this was the first recorded decrease in a decade.

The capital free-for-all of 2021 dried up – investors were more cautious about capital allocation decisions. Equity was harder to come by, leading to a US\$2 billion deficit between 2022 and 2023.

Investors shied away from capital intensive deals, which led to the fall of late-stage deals from 16 to 9 deals between 2022 to 2023 and 15 to 10 for super-sized deals within that same time period.

Southern Africa was the only region to register positive (20%) YoY growth in 2023, signalling a return to the forefront of venture capital on

the continent after several years of modest deal activity.

In contrast, North Africa - the darling of Africa's venture capital ecosystem in 2022 - saw a 42% YoY decrease by volume and 52% decrease in value.

The rise in climate action amongst VC investors - 87 deals (equal to 16% of the year's aggregate deal count) were directed towards climate-related initiatives in 2023, up from 80 in 2022.

The number of unique investors participating in both venture capital and debt deals in Africa fell from 1,148 in 2022 to 781.

TRENDS THAT HELD FIRM

West Africa maintained the top spot for the third consecutive year, with Nigeria as the most active country both in the region and on the continent by deal volume.

Financials (23%), Information Technology (20%) and Consumer Discretionary (17%) were once again the three most active sectors for venture capital investment.

FinTech held its position as the leading vertical in the African tech ecosystem, and investors continued to coalesce around Clean and ClimateTech (second most active vertical).

Gender diverse and female funded startups still lag behind their male counterparts – they accrued 27% of deal volume but just 13% of deal value for the year.

Despite the reduced presence of (particularly global) investors, Fund Managers, Investment Firms and Corporate Venture Capital remained the three most prominent investor types.

Abi Mustapha-Maduakor, Chief Executive Officer, AVCA, said: "Despite a challenging macroeconomic environment, Africa remains an important region for venture capital investors, reflected by strong participation in deals across various sectors and geographies. As digital transformation decentralises systems, boosts efficiency, and helps provide new talent, Africa's Fintech and IT sectors have attracted the most investment."

"While climate action evolves as a critical focus driving capital towards the energy transition, food systems and beyond - investors crowd around opportunities in Clean and ClimateTech. As these trends persist, Africa's investment community maintains a profound commitment to the region's growth despite the uncertainty in the global economy."

INVESTMENT FUNDS IN AFRICA - Are We Entering A New Era?



By Johanna Monthé, Partner, Epena Law

The global crisis has not spared investment funds and fund managers in Africa. In spite of new legal frameworks that have been adopted lately in many African countries, such as Rwanda, the WAEMU or Central African countries, it is fair to say that such frameworks currently see little use.

The reasons for this are not only the limitations of some of these frameworks (for instance, a number of them do not include tax incentives, which are crucial for attracting investment managers), the lack of testing of such frameworks, but also, more generally, a bleak investment landscape.

It is fair to say, that over the past two years we have witnessed fundraising timelines expanding dramatically and limited partner (LP) commitments shrinking across the board in Africa. In fact, the few Africa fund closing announcements made lately are usually backed by fund powerhouses or repeat managers, leaving little room for new comers.

NEW SOLUTIONS

So, how are fund managers reacting to this state of play and what are the solutions that seem to emerge for the industry?

Beside the simple delaying of fundraises for those who can't favor co-investment strategies, the first trend that can be noticed is localisation. Because international pools of funds are currently more difficult to access, especially for first time managers, there seems to be a trend toward more local funds. In a context of financial turmoil, local funds present a number of advantages.

Firstly, they facilitate access to local pools of money (which are often been overlooked in times of prosperity, to favor bigger international pools of funds). While international investors are still very sought after, local pools of funds are becoming more attractive as there are actual untapped pools of liquidity, which require adjustments which managers are now ready to make, but also, the local players generally have a better understanding of the local opportunities and can be more comfortable with local risks which can in an international context be considered insurmountable. Lastly, but also very important, local investors present the interest of allowing local currency based strategies, which, in a context of high currency volatility of certain major countries like Nigeria or Ghana, can facilitate the creation of return on investment.

The second point to note, which is a natural consequence of the first one is the creation of more local vehicles, and holdings to attract

local funds. International structures, which come at a higher cost and are mostly relevant in the context of USD denominated funds are less relevant for local funds, which are also smaller in size anyway.

Lastly, the strategies of funds are now evolving. In a context where local money is raised, there is more latitude to raise funds for strategies that may not tick the boxes for international investors. For instance, mining funds, which historically have not been popular insofar as they conflict with investment restrictions of a number of Africa-focused international investors, are rendered possible in a context where local investors may take a more financial approach to their investments and be enticed by the returns offered by alternative strategies like those focusing on mining assets. On the other hand, venture capital funds, which had been very popular up until early 2022 have had to reinvent themselves in a context where many fund portfolio companies have struggled to keep afloat in the difficult global financial context, with some having simply closed down. This has led to two noticeable evolutions:

- Gone is the concentration on fintech. While fintech was an undisputed favourite for investment managers and fund investors, we now see, at least in our own practice, much more diversification, and more interest in tech-enabled businesses in the agriculture, real estate and energy fields, for instance.

- Funds' quest for liquidity. While this trend used to be mostly seen at series B round and significant Series A rounds, we now see early investors negotiating the terms of their exits of portfolio companies. The financial crisis has shown the risks related to highly valued tech companies in situations of financial downturns (called "paper value") and investors are now weary of such risks. They prefer to be given the option to exit their investments at pre-defined intervals, even if it comes at the cost of potentially higher returns.

CONCLUSION

The funds market presents the specificity that it adjusts quickly to fix inefficiencies and address market issues. While the African funds market has historically been highly dependent on international investors, which has obviously created tension when international providers were less inclined to invest in Africa-focused funds, we can now see a stronger trend toward localisation, and a number of new opportunities derive from this new trend.

As the market evolves, it will however, be important to ensure that despite the emergence of new strategies across the continent, the Environment Social Governance (ESG) criteria imposed by international investors remain part of the funds' investment thesis, even where not demanded by investors. That will indeed be necessary to ensure collective growth in Africa.



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