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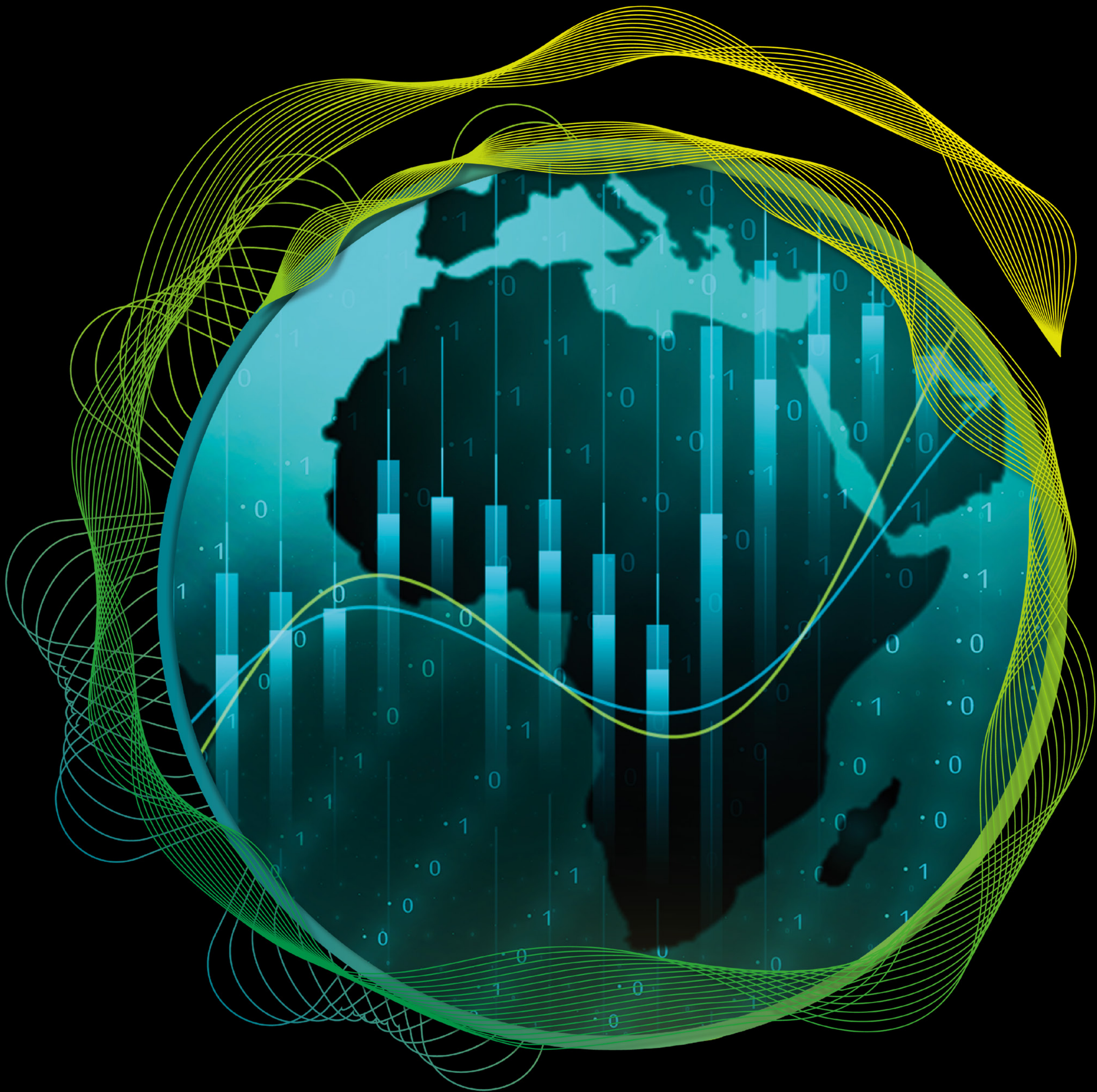

2024 Deloitte Africa Private Equity Confidence Survey

August 2024

MAKING AN IMPACT THAT MATTERS since 1845

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Foreword

We are pleased to present the 2024 Deloitte Africa Private Equity Confidence Survey (PECS), offering a comprehensive analysis of the investment climate across the continent. The report provides valuable insights into the perspectives of general partners (GPs) and limited partners (LPs), providing a forward-looking view of East, North, Southern, and West Africa.

While the past year's global and regional headwinds presented significant hurdles, the forecast for 2024 and beyond is more promising. This year's survey findings underscore the critical role of private equity (PE) in Africa's economic development. By providing essential capital and strategic expertise, PE has been a catalyst for growth, job creation, and innovation across numerous sectors. This year's survey findings highlight a promising outlook, with opportunities for the private equity (PE) industry to contribute meaningfully to Africa's development.

The report underscores a continued positive trajectory for PE activity, although deal sizes are expected to remain moderate. Despite economic uncertainties, PE's resilience and ability to identify opportunities have been instrumental in sustaining businesses and driving economic recovery. While navigating challenging conditions, investors anticipate increased exit activity, primarily through secondary sales and strategic acquisitions. The focus on Kenya, Nigeria, South Africa, and Tunisia as investment hotspots, coupled with a favourable fundraising environment in East and West Africa, presents compelling opportunities for investors. With Kenya recording USD600.3m PE investments with 95 deals, Nigeria recording USD493m alongside 82 deals, and Ghana recording USD291m and 18 deals in FY23 according to the 2023 DealMakers Africa Annual report, the potential for PE to drive growth in these markets is evident.

While navigating economic uncertainties, investors anticipate increased exit activity, primarily through secondary sales and strategic acquisitions. The focus on Kenya, Nigeria, South Africa, and Tunisia as investment hotspots, coupled with a favourable fundraising environment in East and West Africa, presents compelling opportunities for investors. While Europe and the United States remain dominant external capital providers, the Middle East is gaining prominence. PE's ability to bridge this capital gap has been essential in supporting Africa's economic aspirations.

Agriculture, Manufacturing, Financial Services, and Healthcare remain core sectors of interest, aligning with Africa's growing needs and offering potential for both financial returns and positive social impact.

PE's investment in these sectors has been crucial in developing infrastructure, improving access to essential services, and creating sustainable livelihoods.

To provide a comprehensive understanding of the evolving PE ecosystem, this report also delves into critical areas such as exit strategies, board governance, exit readiness, ESG integration in mergers and acquisitions, and legal considerations for sale and purchase agreements.

We extend our sincere gratitude to all PE professionals for their valuable contributions to this report. Their insights provide a crucial foundation for understanding the current landscape and future trajectory of the PE industry, informing investment strategies, and driving Africa's economic growth.

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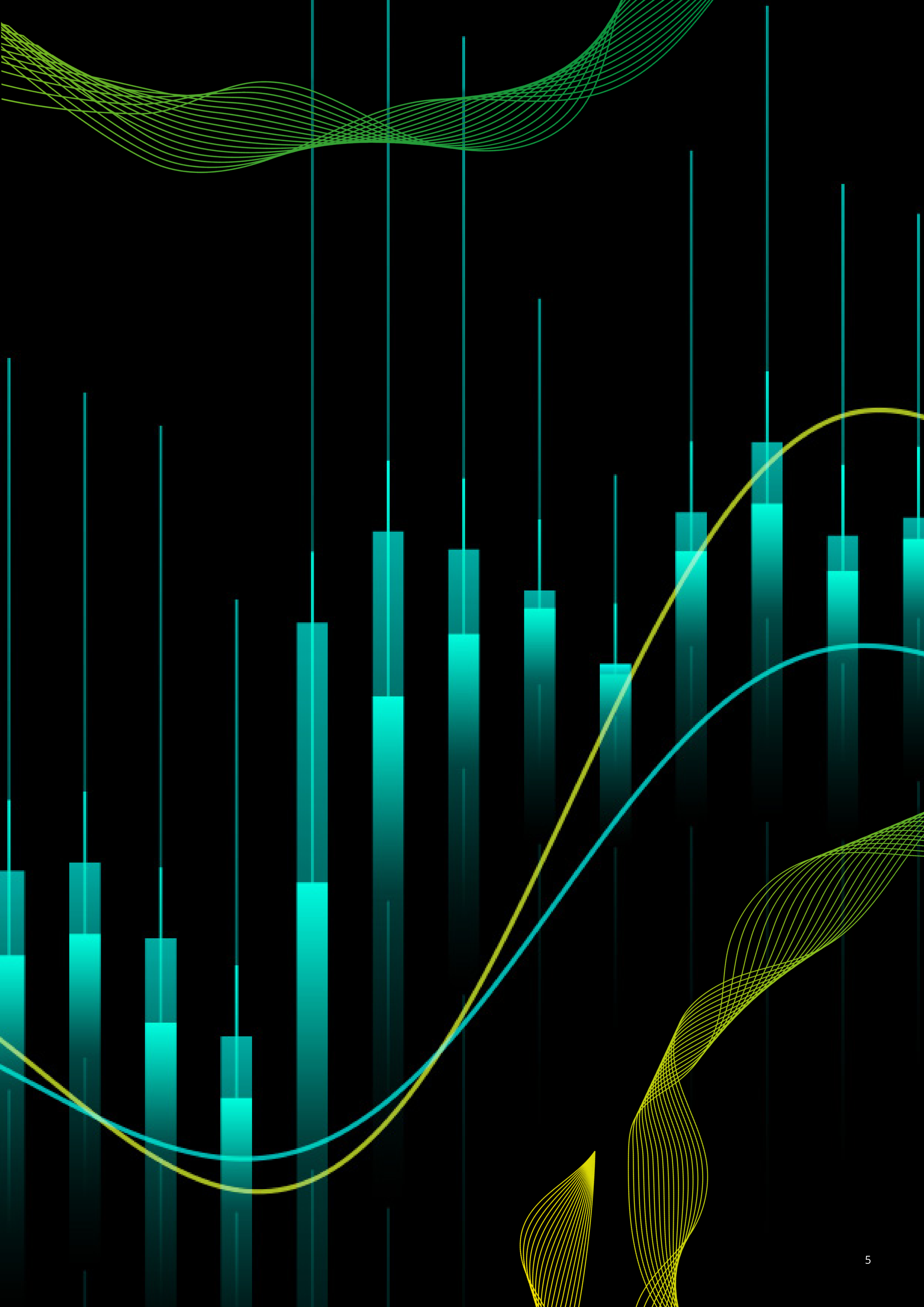


A word from EAVCA

The East Africa Private Equity and Venture Capital Association (EAVCA) is delighted to collaborate with Deloitte in presenting the findings of the 2024 Deloitte Africa Private Equity Confidence Survey (PECS). As a key enabler in the investment ecosystem, EAVCA aims to be the primary source of knowledge for investors considering East Africa as a capital destination.

Our collaboration with Deloitte aligns with EAVCA's mission to provide market intelligence on trends and opportunities influencing investments in the region.

The private capital landscape in East Africa is experiencing significant developments and trends. Despite global challenges that have led to a decline in funding for Africa's private equity (PE) sector, East Africa remains a focal point, demonstrating several positive indicators and evolving dynamics.

Kenya continues to be a major hub for PE in East Africa, attracting substantial investment volumes. Uganda is enhancing its regulatory framework to improve clarity and appeal for PE and venture capital. This regulatory development is part of the Capital Markets Authority (CMA) of Uganda's Strategic Development Plan aimed at boosting the share of non-bank financing in the economy. Ethiopia and Tanzania are also emerging as key destinations for PE investments, driven by economic reforms and rising investor confidence.

The PE industry and its operating context are rapidly evolving, necessitating adaptive investment strategies for promising East African businesses. Recently, investors have shown increased innovation in their engagement with businesses, product offerings, and potential returns.

The 2023-2024 period has seen shifts in the LP/GP relationship, with the power dynamic now favouring LPs. After years of growth at all costs, capital efficiency is resurging. Investors are increasingly scrutinising startups' performance, revenue generation and profitability potential. The region is also witnessing a move towards smaller investment sizes and alternative capital deployment structures, such as private debt funds and evergreen funds, which are becoming more common alongside traditional closed-ended PE funds.

Fundraising activity has fluctuated, with strong momentum in 2021 and early 2022, followed by a slowdown between 2023 and 2024 due to current economic conditions, particularly foreign exchange fluctuations and national debt levels in East African economies. The survey indicates that the fundraising environment is expected to improve over the next 12 months as economic activity, confidence and investment pick up.

One challenge in East Africa's PE landscape has been the relatively few successful exits. However, fund managers are adapting by employing innovative exit strategies and focusing on value creation to navigate macroeconomic complexities. Exit activity in the region is expected to increase as past PE investments come to maturity or fund lives come to an end.

Despite these challenges, East Africa's economic outlook remains promising. The region's resilience, coupled with strategic investments and reforms, positions it well for sustained growth and development in the coming years.

Christine Maina
Chief Executive Officer
East Africa Private Equity and Venture Capital Association (EAVCA)

A word from PEVCA

The Private Equity and Venture Capital Association Nigeria (PEVCA) is delighted to contribute to the 2024 Deloitte Africa Private Equity Confidence Survey (PECS). This collaboration with Deloitte Africa highlights our commitment to promoting Nigeria's private capital ecosystem by facilitating industry convergence and support initiatives. This report offers a thorough analysis of the current investment climate and identifies opportunities for growth and transformation within Nigeria's PE landscape and across the continent.

The PE sector in Africa, particularly in Nigeria, has demonstrated remarkable resilience and adaptability in the face of global and regional challenges. Nigeria's large market, coupled with ongoing economic reforms and market corrections, provides a favourable environment for PE investments. The country's diverse economy offers substantial opportunities. As the PE market matures, with increasing dealmaking and exit activities, Nigeria remains a key destination for investors seeking robust returns and impactful growth.

However, Nigeria has faced significant economic headwinds, including high inflation, insecurity, naira weakness, and dollar scarcity, but the country's economic outlook is improving. Pro-market reforms and expectations of inflation subsiding contribute to a more optimistic medium-term forecast. This sentiment is echoed by 63% of respondents in West Africa who anticipate an improved economic climate over the next 12 months in the region. According to the International Monetary Fund (IMF), Nigeria's real GDP growth is projected to rise from 2.9% in 2023 to 3.1% in 2024.

Nigeria continues to be a robust fundraising environment supported by expected capital inflows from traditional sources like Europe and the United States, as well as emerging sources such as the Middle East and Asia. This diversification of capital sources is vital for sustaining the growth and dynamism of Nigeria's PE sector. Investors remain confident in the Nigerian market's ability to deliver strong returns, underpinned by ongoing economic reforms and market corrections.

Nigeria, alongside Ghana, is identified as one of the top two countries in West Africa where funds plan to focus their investments over the next year. This shift highlights Nigeria's potential to attract significant dealmaking activities due to its large economy, mature market, and relatively higher levels of industrialisation, despite ongoing domestic macroeconomic challenges.

Fund managers seeking viable investment opportunities can look towards agriculture, financial services, healthcare and manufacturing as core sectors of interest in Nigeria. These sectors not only align with the country's growing needs but also offer the potential for both financial returns and positive social impact. This focus is consistent with broader trends observed across Africa, where similar sectors are identified as key investment areas.

One of the persistent challenges for PE firms in Nigeria has been the exit environment. Investors have faced difficulties in finding suitable exit opportunities, leading to longer holding periods or lower liquidity. However, the survey indicates an expected increase in exit activity, with secondary sales and strategic acquisitions anticipated to dominate exit routes. This trend reflects the growing maturity of the PE market in Africa and the increasing opportunities for value creation and realisation. Successful exits are crucial for demonstrating the market's viability and attracting further investments.

As part of the expert insights offered in the report the importance of strong board governance and ESG (Environmental, Social, and Governance) integration is underscored in navigating the evolving market dynamics. Effective governance practices are essential for corporate resilience and success in Nigeria, where economic uncertainties and regulatory challenges are prevalent. ESG considerations are increasingly recognised as key drivers of sustainable and responsible investments, aligning with the broader trend towards more socially conscious investment strategies.

As we reflect on the insights provided in this report, it is clear that collaboration and knowledge-sharing are crucial for the continued growth and success of the PE sector in Africa. PEVCA remains committed to fostering a supportive and dynamic environment for PE and venture capital investments in Nigeria. By working together, we can harness the opportunities presented and drive sustainable economic development across the continent. The findings of this report prescribe a cautiously optimistic outlook for Nigeria, emphasising recovery and strategic investments in key sectors, despite the challenges noted. PE plays an indispensable role in Nigeria's development, driving innovation, creating jobs, and contributing to economic growth.

Anna Evi-Parker
Executive Secretary
Private Equity and Venture Capital Association Nigeria (PEVCA)

A word from SAVCA

The PE asset class in Southern Africa continued on a positive trajectory in 2023. Notwithstanding a lot of uncertainty around the macroeconomic environment, both globally and in South Africa leading up to the 2024 elections, the overriding sentiment has been that South Africa's new Government of National Unity is well positioned for immense opportunities. Positive shifts are already visible through the reforms that have been underway and enhanced supply of electricity. These interventions are, in my view, the proverbial 20% that will bolster investor confidence, and consequently, drive growth and employment.

The positive outlook is mirrored by our PE member-base. The Southern African Venture Capital and Private Equity Association (SAVCA) represents over 200 members, with collective Funds Under Management (FUM) of R237bn (SAVCA PE Survey, 2024). 2023 saw fundraising reach unprecedented levels and completely bucking global trends. Given the prominence of the energy and manufacturing sectors within PE portfolios, driven by a number of factors including regulatory reforms and security of supply, and the bulky nature of these types of investments, it is not a surprise that fundraising has been driven mainly by large funds (i.e. with FUM >R5bn).

International development finance institutions (DFIs) remain a key source of capital for PE, although the recent Regulation 28 amendments have paved the way for increased pension fund allocations. Strategically, environmental, social and governance (ESG) factors remain a key consideration for Southern African fund managers, with responsibility set at the highest level (i.e. the Board).

Specifically, within the "S" of ESG, the Social element, PE in the region has paved the way for transformation in financial services, as evidenced in the continued growth in diversity and representation (race and gender) within both PE funds and portfolio companies.

The PECS 2024 results depict that while South Africa is dominant, fund managers expect to see significant opportunities in other Southern African markets. This is good news for scaling across the region and for diversification. Consistent with the sentiment alluded to above, 52% of the PECS 2024 respondents in Southern Africa stated that they expect PE activity to increase, with several firms expressing expectations of high or very high deal flows in the next 12 months.

58% of the respondents expect exits to increase over the next 12 months, while 39% expect exits to remain the same. This is reflective of the global landscape, where PE firms continue to endure a challenging exit environment. It was therefore encouraging to see a slight improvement in exit activity in 2023 among the SAVCA member-base, with trade sales and sales to other PE firms/financial institutions remaining the preferred modes. As observed in the PECS 2024 report, there is a recycling of deals between PE players, given the limited number of quality deals in the market. Furthermore, IPOs are not expected to be the dominant exit route in the next 12 months.

The PE asset class not only supports public policy imperatives of employment creation, competitiveness, and innovation, but further channels capital into the expansion of businesses. In the Southern African environment, where pension fund assets are more than US$160bn (Intellidex 2022 report commissioned by SAVCA and FSDAfrica), PE offers a potential solution in overcoming capital market constraints, through domestic assets with diversification benefits, developmental impact, and the ability to match the long-term liabilities of these investors. We are therefore very encouraged by the resilience that the asset class continues to demonstrate, and the visible growth trajectory.

Tshepiso Kobile
Chief Executive Officer
Southern African Venture Capital and Private Equity Association (SAVCA)

Key highlights

Economic climate

- Africa's economic climate is expected to improve across all regions.
- Africa's real GDP growth is forecast to accelerate from 3.7% in 2023 and 2024, to 4.1% in 2025 and 2026.[1] The continent is expected to continue to be the world's second fastest-growing region in 2024, after Asia.
- The top regional focus of funds is on Kenya in East Africa, Tunisia in North Africa, South Africa in Southern Africa, and Nigeria in West Africa.
- While the uptick in growth figures looks promising, multiple shocks such as climate change, geopolitical tensions, political instability, conflict in parts of the continent, and debt sustainability issues pose downside risks to the outlook.

Investment landscape

- PE activity is expected to increase or remain the same across all regions, yet deal sizes are expected to remain smaller and below US$50m.
- Investment lifecycles will likely continue to be longer to achieve expected returns amid the current economic climate.
- In light of an expected uptick in the growth outlook in the next 12 to 24 months, exit activity is expected to pick up across all regions, with secondary sales to PE and sales to strategic investors expected to dominate exit routes.

Fundraising environment

- The fundraising environment is expected to improve in East Africa and West Africa, while in the other regions respondents have split views.
- Respondents highlight Governments/DFIs (sub-Saharan Africa) or fund of funds (North Africa) as the most preferred third-party sources in the next 12 months.
- Europe and the United States continue to be the most important sources of capital for PE in Africa.

Sector focus

- Agriculture/Agribusiness and Financial Services remain the key investment sectors in most regions.
- Manufacturing, Healthcare, and Green Energy are also expected to receive increased investor focus in the next 12 months

Economic climate: global and regional outlooks

The global economic climate

In recent years, the global economy has remained resilient despite a multitude of headwinds due to supply chain disruptions, food and energy price shocks, high inflation, and a United States (US) banking crisis, to name a few.[2] Global economic activity has continued to expand, with real GDP growth at 3.5% in 2022 and 3.3% in 2023 y-o-y, and forecast to remain at 3.2% in 2024 and 3.3% in 2025 y-o-y.[3]

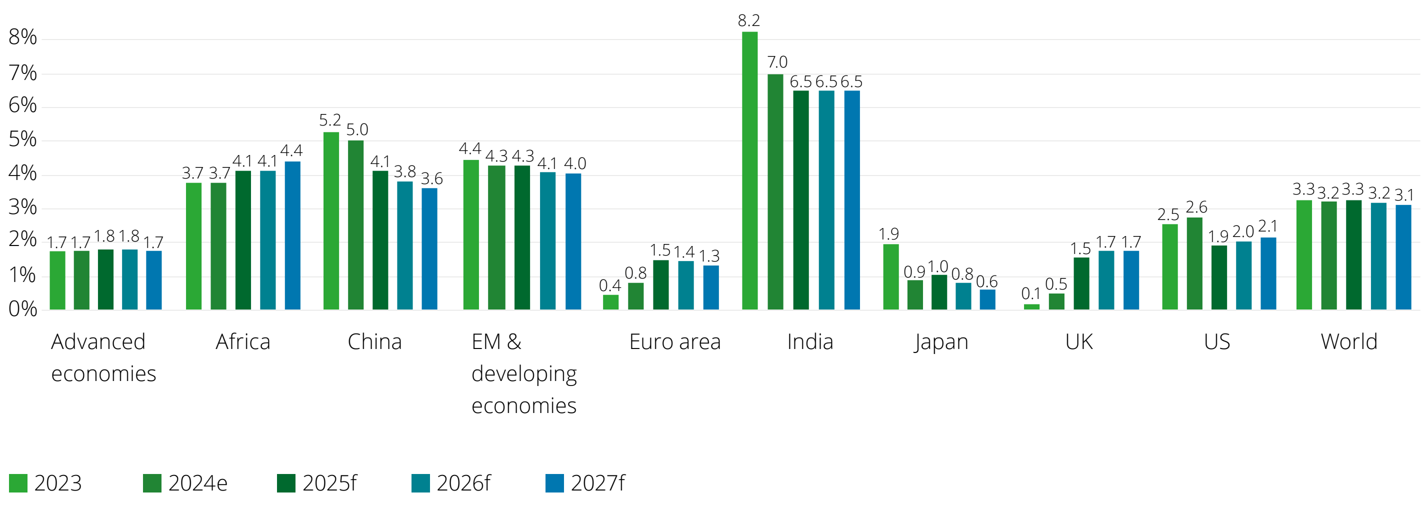
Still, the global economy is not out of the woods, and continues to face challenges this year and into 2025 as spillover effects of monetary policy tightening from 2022 and 2023 continue. Ongoing geopolitical tensions and shocks associated with the Russia-Ukraine war, US-China trade disputes, and the Israel-Palestine war, their effects on supply chains, output and prices, and the pending outcome of the US election in November 2024, among other risks, could see downward pressure on growth outcomes in the next 12 months.

The US economy continues to anchor the global economy, despite economic setbacks seen in the past year. Slowing inflation, increased consumer spending, and a tight labour market are set to improve the US growth rate from 2.5% to 2.6% in 2024,[4] outpacing growth in the Euro area, and the United Kingdom (UK). Economic conditions in Europe and China are subdued compared to their pre-COVID-19 levels.

China's growth is estimated to slow from 5.2% in 2023 to 5% in 2024,[5] reaching the lower boundary of its annual growth target of "around 5%" in 2024.[6] The housing sector, together with low domestic demand and a surplus supply of goods, will be a drag on the Chinese economy in 2024-27. In the long term, unfavourable demographics will weigh on growth. If executed successfully, China's attempt to restructure its investment-driven growth model towards a more private consumption-led one could boost growth in the longer term.

India is set to be one of the world's fastest-growing emerging market economies (EM) over the next few years, with growth rates averaging about 6.5% in the 2024-27 period. Among other factors, growth will be underpinned by the implementation of labour and logistics reforms and strong credit growth as market conditions improve, despite higher interest rates.

Figure 1. Real GDP growth (%), 2023-27f



Source: Deloitte Africa analysis based on International Monetary Fund, World Economic Outlook, April & July 2024

Africa is expected to continue to be the world's second fastest-growing region in 2024, after Asia.[7] Also, in 2023, 14 economies recorded GDP growth rates of above 5%.[8] However, these growth levels have been too low to kindle economic transformation and balance out rising population growth. Africa's real GDP growth is forecast to increase from 3.7% in 2023 to 4.1% in 2025 and 2026.[9]

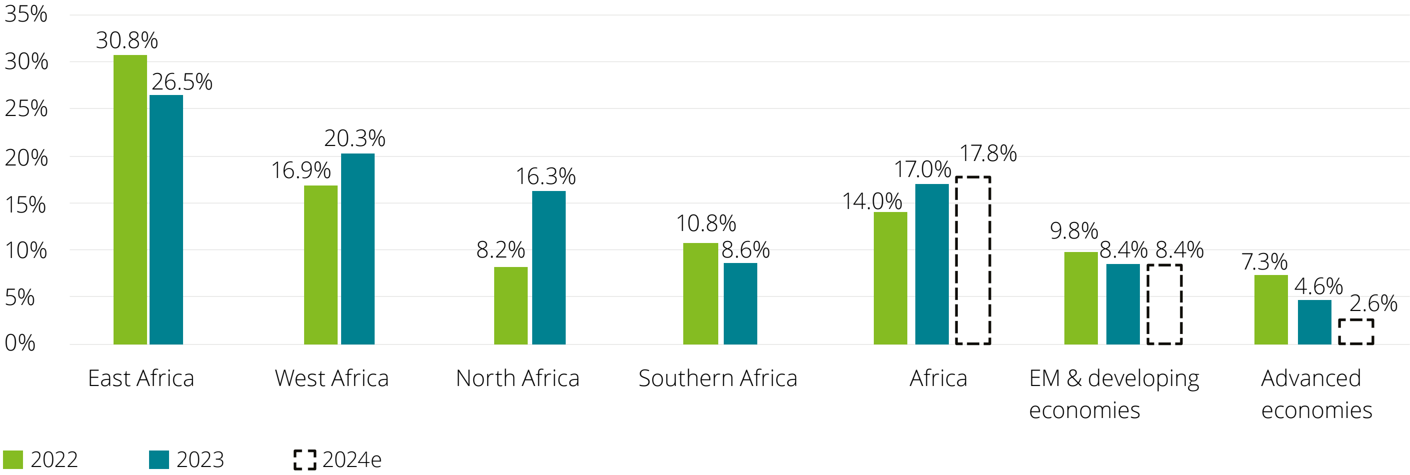
While these figures look promising, structural and other challenges persist. These include climate change affecting agriculture and energy production, political instability and conflict in parts of the continent, high food and energy prices driven by geopolitical tensions, as well as debt sustainability issues.

The African Development Bank (AfDB) estimated average consumer price inflation to have increased from 14% in 2022 to 17% in 2023, on account of increased local food prices, supply shortages induced by drought, and extended liquidity issues stemming from fiscal and monetary policy stimulus in the early 2020s. About 16 African countries had double-digit inflation in 2023, with the East African region recording the highest rates in the same year.

Sustained high food prices, widening imbalances between supply and demand in domestic and global food markets and high energy prices could see average inflation rise further from an estimated 17% in 2023 to 17.8% in 2024, before slowing to 12.3% in 2025, as per the AfDB.[10]

Limited structural transformation, the reliance on traditional sectors such as agriculture, public finance shortfalls, low domestic resource mobilisation and high borrowing costs could compel many countries to reduce much-needed government spending in growth-enhancing sectors such as infrastructure, resulting in further downside risks to growth.

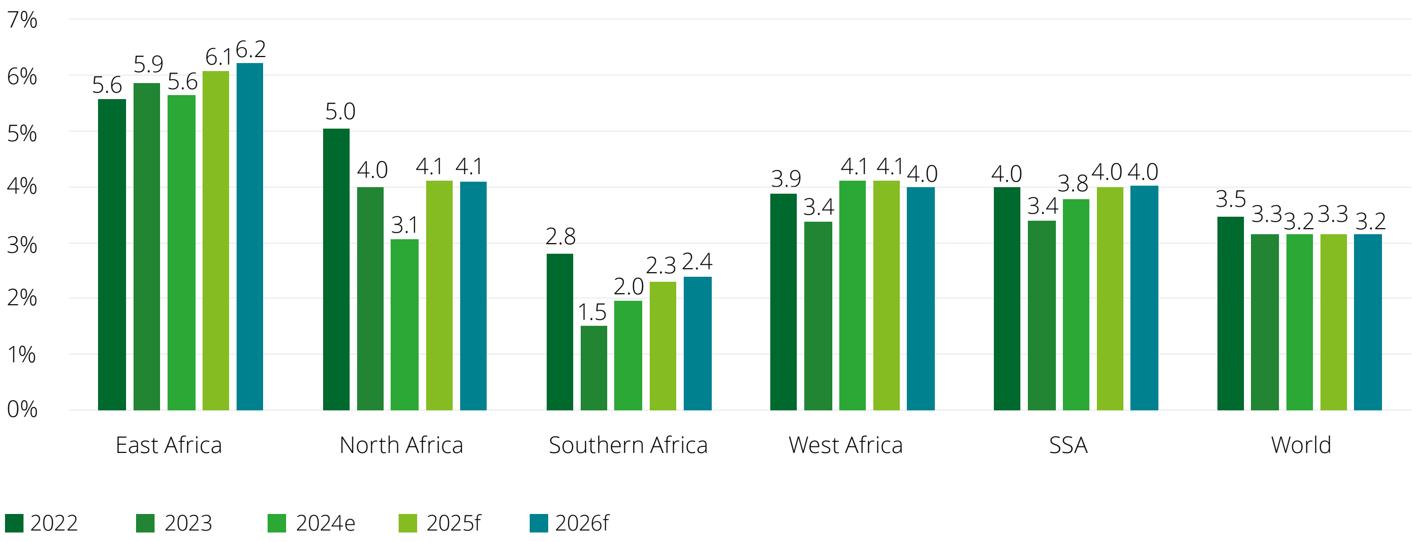
Figure 2. Average inflation (%), 2022-24e



Source: African Development Bank, African Economic Outlook, May 2024

Regional economic outlooks

Figure 3. Weighted regional real GDP growth (%), 2022-26f



Source: Deloitte Africa analysis based on International Monetary Fund, World Economic Outlook, April & July 2024

East Africa

East Africa is expected to be the fastest-growing region thanks to relatively low debt vulnerabilities, economic stimulus from various international organisations, renewed investor interest stemming from infrastructure reforms, mining sector investment, and privatisation developments in some East African countries.[11] Growth in East Africa is estimated to decelerate somewhat from 6.3% in 2023 to 5.8% in 2024, before improving to 6.4% and 6.6% in 2025 and 2026, respectively.[12] Despite challenges stemming from contractions in Sudan and South Sudan following the ongoing conflict, growth will be boosted by major markets such as Kenya, Ethiopia, Tanzania, and Uganda. The services sector is poised to see growth underpinned by vital industries such as tourism and hospitality, resilient transport and logistics, and robust financial and telecommunications industries.[13]

In **Kenya**, heavy floods and widespread youth-led anti-austerity protests in June/July of 2024 have caused disruption and damage. As a result, real GDP growth is likely to drop from 5.5% in 2023 to 5% in 2024. Growth is set to rebound to 5.3% in 2025 and 2026, supported by improved agricultural production and related exports, as well as services sector growth.[14]

Growth in **Ethiopia** is also estimated to drop from 7.2% in 2023 to 6.1% in 2024, as the spillover of civil conflict, high inflation, and low foreign reserves weigh on the economy.[15] However, a rebound in the services sector, the liberalisation of the banking sector, the temporary debt-repayment suspension effected by its bilateral lenders following the adoption of a competitive market-based exchange rate regime, and reform programmes expected to attract foreign direct investment (FDI) are expected to see growth rebound to 6.5% in 2025 and 7.1% in 2026.[16]

Real GDP growth in **Tanzania** is forecast to increase from 5% in 2023 to 5.4% in 2024 and then rise to 6.1% and 6.2% in 2025 and 2026, respectively, largely driven by the East African Crude Oil Pipeline (EACOP) investment, increased mining sector activity, mineral exports, and infrastructure investment.[17]

Uganda is estimated to grow in the mid term from 4.8% in 2023 to 5.7% in 2024, reaching 7.5% in 2026, underpinned by the development of oil sector projects such as the Kingfisher and Tilenga projects and increased fixed investments driven by EACOP and oil exports.[18]

Southern Africa

Real GDP growth in the region is estimated to improve from 1.5% in 2023 to 2% in 2024, boosted by a somewhat better outlook in South Africa. The region's growth is expected to improve further in 2025 and 2026, reaching 2.3% and 2.4%, respectively. Southern Africa saw dropping inflation rates in 2023, with consumer prices falling from 10.8% in 2022 to 8.6% in 2023. Slowing inflation was mainly driven by declines in Angola, Botswana, South Africa, and Zimbabwe, although inflation continues to be sticky in South Africa, where it remains above than the mid-point of the inflation targeting band (3-6%).[19]

In the medium term, growth outcomes in **South Africa** are expected to improve, from 0.7% in 2023 to 0.9% in 2024, 1.2% in 2025, and 1.4% in 2026, as electricity shortages start to ease and as the country's Government of National Unity (GNU) takes power post the May 2024 elections. Given the newly formed GNU, there is opportunity to implement critical structural reforms that will support economic growth in the medium term, with business and investor confidence already seeing some improvement. However, untested political territory in terms of coalition politics, together with domestic structural constraints and a challenging global backdrop still challenge economic growth.[20]

Zambia's real GDP growth is estimated to improve from a rate of 4.3% in 2023 to 4.7% in 2024, before increasing to 4.8% in 2025, boosted by a recovery in mining and higher global copper prices.[21] However, delays in addressing challenges such as heightened inflation, a contraction in the agricultural sector due to drought, and undercapitalisation of major copper mines could add downward pressure to growth expectations.

In **Mozambique**, growth is expected to decline from 6% to 4.9% in 2024 and 2025 respectively and drop further to 4% in 2026 as credit conditions remain tight and progress in enacting reforms to support economic diversification is limited. Mid-term and long-term growth prospects are more positive, as mining output and fixed investments are expected to increase, supported by liquefied natural gas (LNG) output from the Coral South floating terminal and the expected restart of construction activity at TotalEnergies' LNG project in 2024.[22]

West Africa

Economic growth in West Africa is estimated to improve from 3.4% in 2023 to 4.1% in 2024, reflecting stronger growth in the region's large economies, Ghana, Nigeria, and Senegal. Real GDP is forecast to remain around 4% in 2025 and 2026.[23]

In 2023, **Nigeria**'s naira depreciated by 95.6%, reflecting a market correction following reforms undertaken in the foreign exchange market in June that year.
As a result, foreign exchange reserves will remain under pressure. Foreign borrowing may be required to rebuild foreign reserves.[24]

The weak naira is expected to continue to drive up inflation and lead to elevated interest rates in the short term. Real GDP growth in Nigeria is expected to increase from 2.9% in 2023 to 3.1% in 2024, owing to increased net exports and lower fuel imports. Growth is then forecast to moderate to 3% in 2025, given several domestic challenges, such as power outages and rampant insecurity, to name a few.[25]

Ghana is expected to see a slight acceleration in GDP growth from 2.3% in 2023 to 2.8% in 2024 as election-related government spending accelerates ahead of its general elections scheduled for December 2024. Growth should increase to 4.4% in 2025, underpinned by higher export earnings from the recommissioning and expansion of the Bibiani gold mine, production at the Ahafo North gold mine, and a boost in foreign investments.

Real GDP growth in **Côte d'Ivoire** is forecast to pick up from an estimated 6.2% in 2023 to 6.5% in 2024, bolstered by strong private consumption and export growth, in turn supported by rising oil exports and increased production at the offshore Baleine oilfield. However, GDP growth is likely to drop to 6.3% in 2025 as weak cocoa production is expected to weigh on the economy.

Senegal is set to be one of West Africa's fastest-growing economies in 2024 and 2025 respectively, anchored by offshore oil and gas production from end-2024. Real GDP growth is estimated to accelerate from 4.1% in 2023 to 8.3% in 2024, reaching 10% in 2025, boosted by greater oil and gas production, increased exports, a more favourable business climate, and overall economic confidence following the elections in March.

North Africa

Economic growth in North Africa is estimated to decelerate from 3.8% in 2023 to 3% in 2024, before improving again in 2025 and 2026, reaching 4.4% in those years. Economic growth in the short term will be weighed down by high inflation and a tight monetary stance.

In 2023, North Africa experienced the highest regional inflation increase of 8.1 percentage points, reaching an average of 16.3%,[26] driven by rising prices in Egypt and geopolitical tensions. Disruptions in the Red Sea continue to present challenges for Egypt, with Suez Canal traffic in May 2024 down by 60% from pre-crisis levels.[27]

Egyptian authorities floated the local currency in March and received a bailout loan from the International Monetary Fund (IMF) to combat staggering foreign currency shortages and soaring inflation. Given the regime's relative credibility, external imbalances are expected to be subdued, while FDI and portfolio investment will be boosted. Although Egypt secured multilateral funding and international guarantees to clear foreign exchange shortages, high inflation and strict fiscal policy continue to constrain economic performance. As a result, real GDP growth is estimated to decline from 3.8% in 2023 to 3% in 2024. Growth levels are forecast to pick up in 2025 and 2026, to 4.4% and 4.7%, respectively.

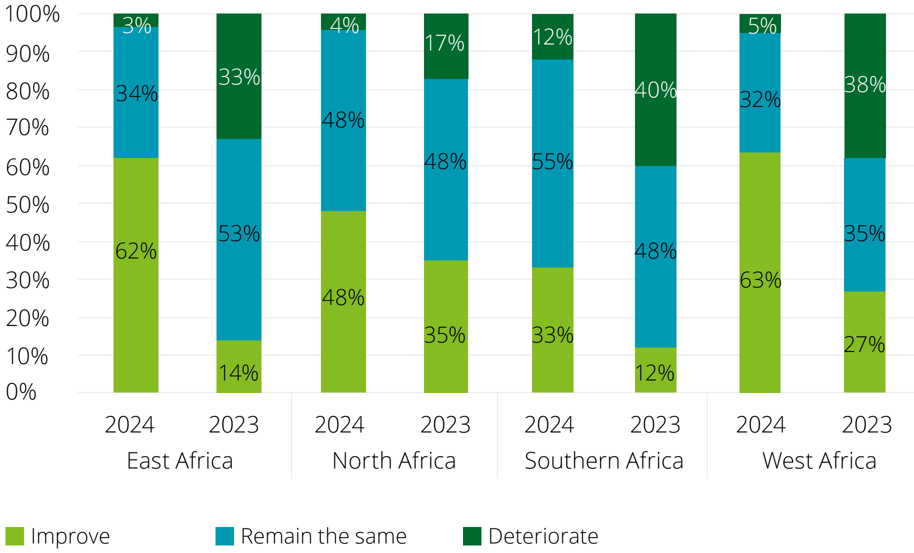
In **Morocco**, growth is estimated to increase from 3% in 2023 to 3.1% in 2024, as water shortages continue to dampen the country's agricultural sector in 2024. Increased investor interest in renewable energy is expected to boost growth in the mid-term, with growth forecast to increase slightly to 3.3% in 2025.

The **Tunisian** economy continues to face multiple challenges, including high unemployment, high inflation, foreign exchange shortages, and restricted access to external finance as the Tunisian dinar cannot be traded outside of the country. With harvests expected to return to normal following the drought in 2023, economic growth is set to improve from 0.4% in 2023 to 1.8% in 2024 and 2025.

Respondents' views: regional economic outlook and focus of funds

In the first half of 2024, Deloitte Africa surveyed general partners (GPs) and limited partners (LPs) to understand their views on the economic climate, the country focus of funds, the investment landscape, the fundraising environment, and the sector focus in East, North, Southern and West Africa over the next 12 months. A summary of the results of the Private Equity Confidence Survey (PECS) is discussed in the sections below.[28]

Figure 4. Expected change in the economic climate by region over the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding.

Economic climate expected to improve across all regions

In 2023, most respondents expected the economic climate to remain the same across all regions, as investors grappled with high inflation, interest rates, and exchange rate fluctuations. This year, survey respondents largely expect the economic climate across Africa's regions to improve. However, sentiments in Southern Africa differ and are more in favour of the economic climate remaining the same, a likelihood as the challenges the region faces are largely structural, taking time to address and unlock a notable improvement in the economic outlook.

Regional insights

In **East Africa**, 62% of respondents believe the economic climate will improve in the next 12 months, with 34% expecting it to remain the same. This contrasts with respondents' views from last year, when most respondents expected the economic climate to remain the same. As the regional frontrunner in terms of growth in Africa, East Africa promises growth on the back of renewed investor interest, economic stimulus from international organisations, and good services sector growth.

Furthermore, stabilisation of political environments, reduced foreign exchange volatility, and increased private sector consumption are expected as further tailwinds to growth.

In **North Africa**, respondents are split, with 48% expecting the economic climate to improve, and 48% expecting the economic climate to remain the same. While some of North Africa's large economies face a challenging outlook in the short term, half of respondents still expect an improvement in the next 12 months.

For example, in Egypt, high inflation and high interest rates have been persistent. Still, Egypt is expected to recover as investment spending is set to grow. And despite a contracting agricultural sector in Morocco, reconstruction investment efforts are expected to boost the economy. Tunisia still faces numerous economic challenges; however, interest rates have stabilised, and the IMF is projecting slight improvements in GDP growth and inflation for 2024.

In **Southern Africa**, 55% of respondents expect economic conditions to remain the same in the next 12 months, while 33% of respondents expect the economic climate to improve. Amid short-term political uncertainty following the 2024 elections in South Africa, the country continues to face challenges such as a slow-growth economy, a cost-of-living crisis, and structural constraints in the energy and logistics sectors.

With fewer power outages, potentially looser monetary policy towards the end of 2024, and greater certainty around the makeup of government and its policy stance as the country moves into coalition politics, the economic outlook could improve in the medium term. While Mozambique faces its own economic challenges related to tight credit conditions and slow progress in implementing structural reforms, LNG mining outputs are expected to boost the Mozambican economy in the medium term.

In **West Africa**, 63% of respondents expect the economic climate to improve, while 32% expect it to remain the same. Large economies such as Nigeria and Ghana, which have experienced economic headwinds, are expected to see a recovery in the next two years.

In Nigeria, challenges have included high inflation, insecurity, naira weakness, and dollar scarcity. However, Nigeria's recovery is expected to gain momentum as inflation subsides and pro-market reforms bear fruit. In Ghana, the debt crisis, high inflation, and cedi instability have impacted confidence, the investment environment, and performance.

Concluding the debt restructuring deal, together with greater investment and consumer spending, will help promote a meaningful recovery in Ghana.

By region, the focus of funds is on Kenya, Tunisia, South Africa, and Nigeria

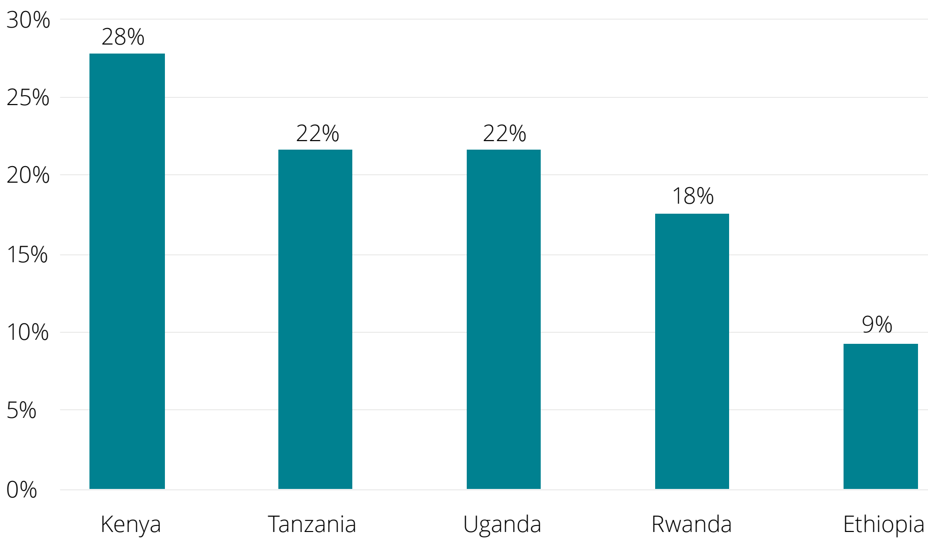
In **East Africa**, Kenya continues to be the most attractive economy to investors, with most respondents expecting to focus their funds on East Africa's largest economy over the next 12 months. Like last year, the next largest focus of funds is expected be on Uganda and Tanzania.

While Ethiopia has dropped from joint fourth place in the survey last year to fifth place, Rwanda remains the fourth largest focus for funds in the region.

Tanzania's attractiveness has increased from 18% in 2023 to 22% in 2024, buoyed by the introduction of the Tanzania Investment Regulations Act of 2023, which aims to create an investor-friendly environment.

Kenya boasts a stable macroeconomic environment, corralled currency depreciation, and innovative industries which are an attractive avenue for investors. Conversely, Ethiopia has been grappling with debt pressure following its Eurobond default in December 2023, foreign exchange shortages, and the spectre of currency devaluation. All these challenges have watered down investor confidence in Ethiopia.

Figure 5. Top five countries in East Africa that funds aim to focus on over the next 12 months

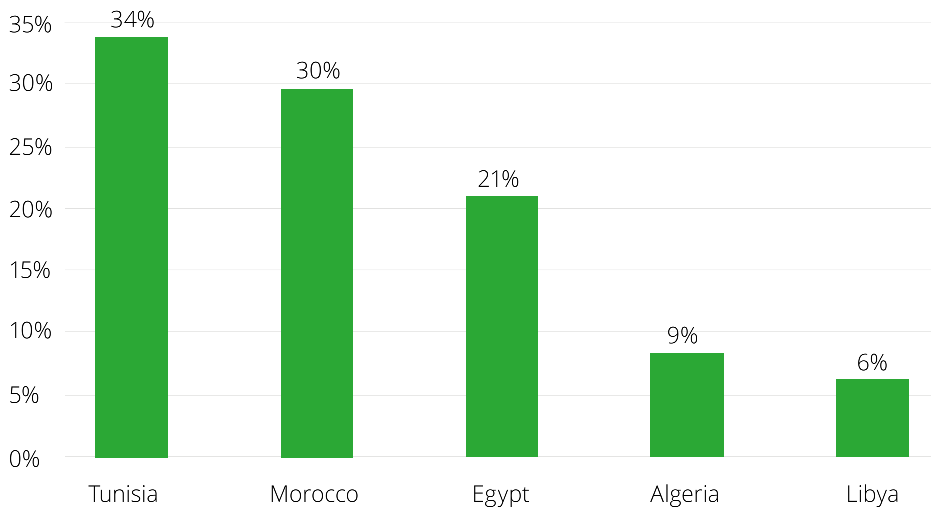


Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100%.

Similar to last year, respondents view Tunisia, Morocco and Egypt as the top three countries their funds look to focus on over the next 12 months in **North Africa**, with Tunisia expected to be the main focus, ahead of Morocco.

Figure 6. Top five countries in North Africa that funds aim to focus on over the next 12 months



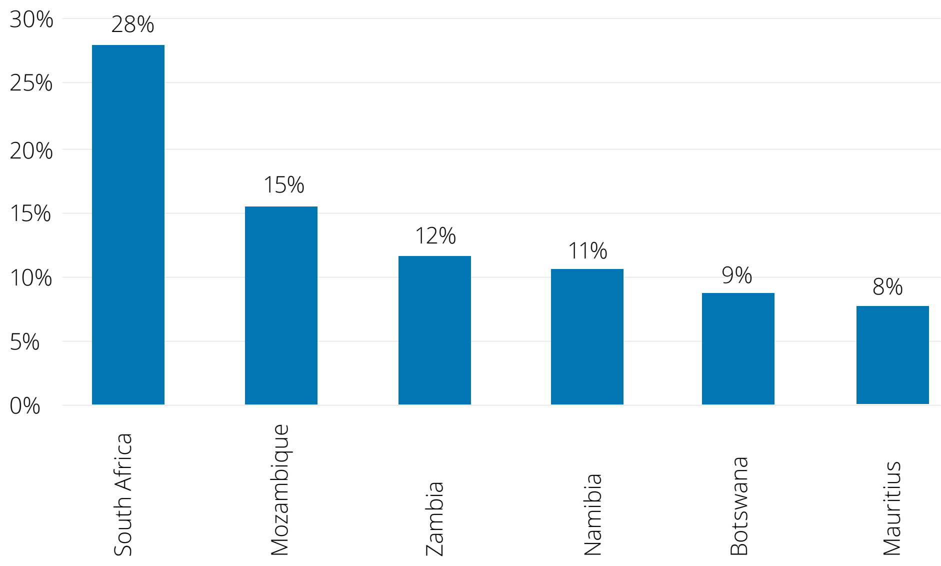
Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100%.

South Africa, Mozambique, and Zambia remain the top three countries in **Southern Africa** that respondents plan to focus on, with South Africa as the largest and most diversified economy topping the list, despite its challenges. Given the outcome of the South African elections with the coalition-based GNU signalling a business-friendly policy stance, renewed focus on identifying quality assets in the region can be expected.

Mozambique comes in as the second most important country funds look to focus on, after a new Private Investment Law was passed in 2023 to attract investments into the country.

Figure 7. Top six countries in Southern Africa that funds aim to focus on over the next 12 months



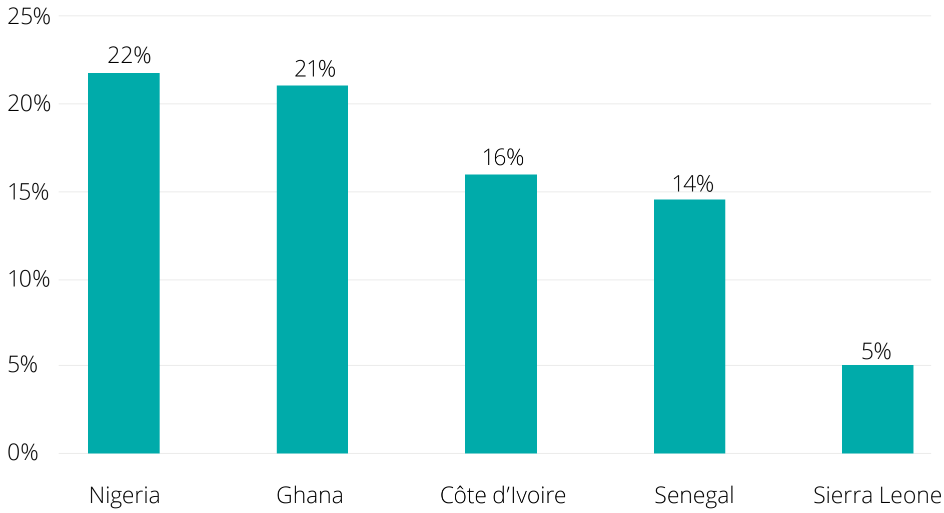
Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100%.

Respondents consider Nigeria and Ghana as the top two countries their funds aim to focus on in West Africa, with Côte d'Ivoire and Senegal in third and fourth place. This contrasts with last year where Côte d'Ivoire was seen as the top market, and Nigeria and Senegal shared second place.

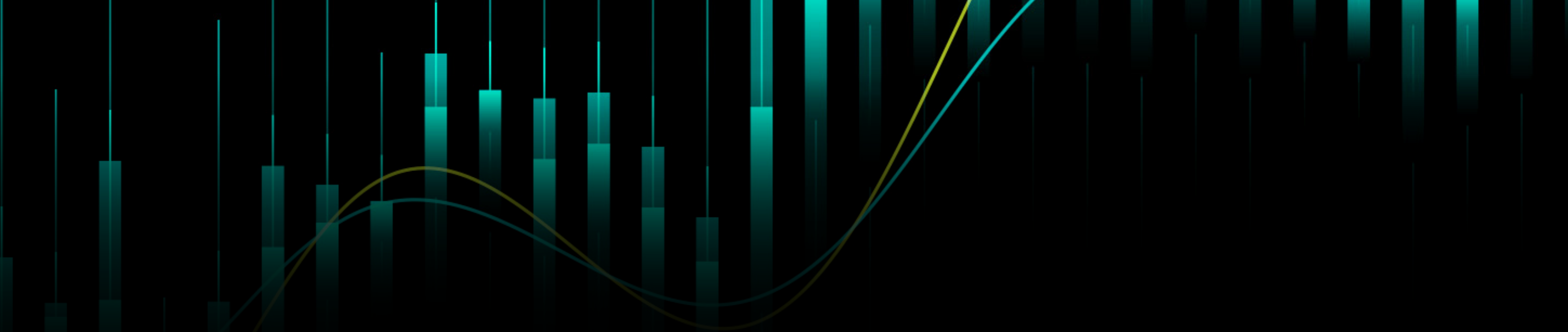
Four of the five top focus countries are West Africa's larger economies in GDP and population terms, mature, and stable, with relatively higher levels of industrialisation. While Nigeria and Ghana faced substantial economic headwinds, both countries are expected to recover in the medium term.

Figure 8. Top five countries in West Africa that funds aim to focus on over the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add to up 100%.



Expert insights: Market reforms to drive PE investment in East Africa

East Africa is poised for increased capital inflows on the back of several proposed government reforms, presenting a golden opportunity for PE investments. In this piece we briefly explore these opportunities, emphasising the privatisation and liberalisation efforts across East Africa, while highlighting some of the sectors ripe for investment.

Kenya's privatisation drive
The Kenyan government has recently approved and published a list of 26 public institutions earmarked for privatisation. Despite the onerous bureaucratic process, legal hurdles, and divergent public sentiment, this signals a strategic intent aimed at creating a more dynamic and private-led economy. The public institutions on offer are from a range of sectors including energy, manufacturing, financial services, and hospitality, presenting an opportunity for investment from diverse PE sources.

Successful privatisation and increased investor confidence will largely be predicated on how the government streamlines the privatisation process, which includes rationalising the regulatory framework, simplifying the transaction approval process, and increasing public awareness. Public entities poised for privatisation, particularly those in the manufacturing sector, offer sizable investment potential. The manufacturing sector in Kenya is a key resource for the current government to achieve economic diversification and job creation goals. PE firms can leverage their expertise to modernise operations, improve efficiency, and expand market reach, positioning these entities for robust growth and profitability.

Further bolstering the case for PE investment in Kenya are capital markets reforms such as the recent legislative development, the Capital Markets (Public offers, Listings and Disclosures) Regulations, 2023, issued to deepen capital markets, address emerging issues and market dynamics, and make IPOs a viable exit route.

Ethiopia's financial market liberalisation
In July 2024, Ethiopia adopted a competitive market-based exchange rate regime as part of its structural reforms. The move aims to enhance Ethiopia's foreign currency reserves through securing IMF support in relation to debt restructuring.

While there are concerns that the market-based exchange rate system will lead to the devaluation of the Ethiopian birr, this strategic adjustment is expected to weaken the forex black market, thereby facilitating smoother PE exits. This development promises greater clarity and stability for investors, ensuring easier repatriation of profits and boosting overall investment appeal. The government of Ethiopia has also moved to liberalise the financial industry to integrate the country into the global financial system. As the Ethiopian banking sector has had restrictions on foreign investors, the finalisation of banking liberalisation rules paves the way for foreign entities to own Ethiopian banks, a development that promises to revolutionise Ethiopia's financial landscape. The liberalisation efforts are expected to attract significant FDI into Ethiopia's banking sector. For PE firms, this represents a unique opportunity to enter a market that has seen limited PE activity owing to challenges in exits, largely due to the fixed exchange rate regime.

Favourable Ugandan and Tanzanian reforms
Oil production in Uganda is expected to kick off in 2025. Over the last decade, Uganda's financial services and agricultural sectors have been the main destination for PE and DFI investment. This move is anticipated to increase PE activity, especially in the sectors and businesses that will benefit indirectly from oil production.

Tanzania continues to attract foreign investment, following the recent introduction of investor and business-friendly government policies. The Tanzania Investment Regulations, 2023, aim to integrate key authorities issuing permits and approvals, offer a one-stop facilitation centre, and allow for businesses to apply for certificates of incentives so that investors can benefit from incentives such as the 75% import duty relief on capital goods. Under the leadership of President Samia Suluhu Hassan, the Business Licensing Regulations, 2023, have been introduced to simplify and standardise the licensing process for businesses. Consequently, Tanzania is one of Africa's top ten FDI recipients.

In closing, timely policy reforms and regulatory changes across East Africa have created an unparalleled opportunity for PE investment. Together, these strategic initiatives craft a landscape offering diverse opportunities for robust returns and sustainable economic development. For PE firms, this convergence of favourable conditions across East Africa is not merely an opportunity for profitable exits, but a significant moment to shape the future of the region's economic landscape.

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Expert insights: West Africa's economic headwinds: A challenge and opportunity for private equity

The impact of macroeconomic policies on West African economies
The concurrence of worsening global macroeconomic and geopolitical factors has intensified, creating a very volatile and uncertain environment worldwide. West Africa's major economies, Nigeria and Ghana, are not immune to these global headwinds, which have limited economic and business activities in the region.

In Nigeria, the government's decision to adopt a managed floating foreign exchange regime and unify the multiple exchange rates has exacerbated the existing external imbalances in the foreign exchange market. This has caused sharp currency depreciation and contributed to the sustained increase in inflation which stood at 33.4% in July 2024.[29] Additionally, the removal of the fuel subsidy in May 2023 and the consistent increases in the monetary policy rate since May 2022 have negatively impacted both the profitability and liquidity positions of companies.

Ghana's inflation rate fell from 42.5% in June 2023 to 20.9% in July 2024, despite facing a severe debt and inflation crisis.[30] The Ghanaian cedi has depreciated significantly, leading to increased import costs and a higher cost of living. The debt-GDP ratio has grown rapidly, necessitating sovereign debt restructuring and making it difficult for businesses to access financing.

These uncertainties have significantly impacted private investments and dealmaking in West Africa. Nonetheless, the fundamental principles which drive PE investment strategies, such as investing in high-quality assets, partnering with strong management teams, and accessing focused exit strategies, have not changed.

The PE perspective: A long-term focus
Economic downturns present both unique challenges and significant opportunities for PE firms. To navigate the current economic landscape and maximise shareholders' value, PE firms need to take a long-term view of the investment landscape and look out for investment targets that embed the following in their business model: continuous cost reduction strategies, working capital optimisation, and investment in technologies that increase internal efficiencies.

Building resilience through cost reduction, efficiency, and technology
In today's economic climate, companies need to have cost reduction strategies that project a clear path to profitability. Demonstrating the ability to reduce costs while maintaining product or service quality is essential for positioning companies as attractive investment opportunities.

Furthermore, non-core assets can often be a drain on resources and management attention. Companies should be laser-focused on their core competencies. By divesting non-core assets, companies can concentrate on their core business and reduce operational overheads, further improving profitability.

It is crucial for companies to have a working capital optimisation strategy that can significantly impact their profitability and enhance their liquidity position. To attract and sustain investment, companies should focus on a robust inventory management system, effective credit scoring, and building strong partnerships with suppliers for better pricing and payment terms.

These strategies are crucial for improving cash flow and overall financial performance. Companies that invest in technology are often better positioned to innovate and gain a competitive edge. Investors are attracted to companies, including PE firms, with the potential to expand their market reach and increase revenue.

The road ahead: Capitalising on opportunities
West Africa's economic challenges undoubtedly present a complex landscape for PE. However, within these complexities lie significant opportunities for growth and resilience. By adopting a strategic approach focused on cost reduction, working capital optimisation, and technological innovation, PE can play a vital role in shaping the region's economic recovery.

At Deloitte Africa, we are committed to supporting PE firms in unlocking their full potential. Our team of experts offers tailored solutions to help PE firms identify and capitalise on opportunities, mitigate risks, and achieve sustainable growth.

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Investment landscape

PE activity is expected to increase or remain the same across regions

Most African regions expect PE activity to increase over the next 12 months. This follows on from a decline in total private deal volumes in Africa in 2023, which saw a drop of 28% that year on the back of a more challenging economic environment.[31]

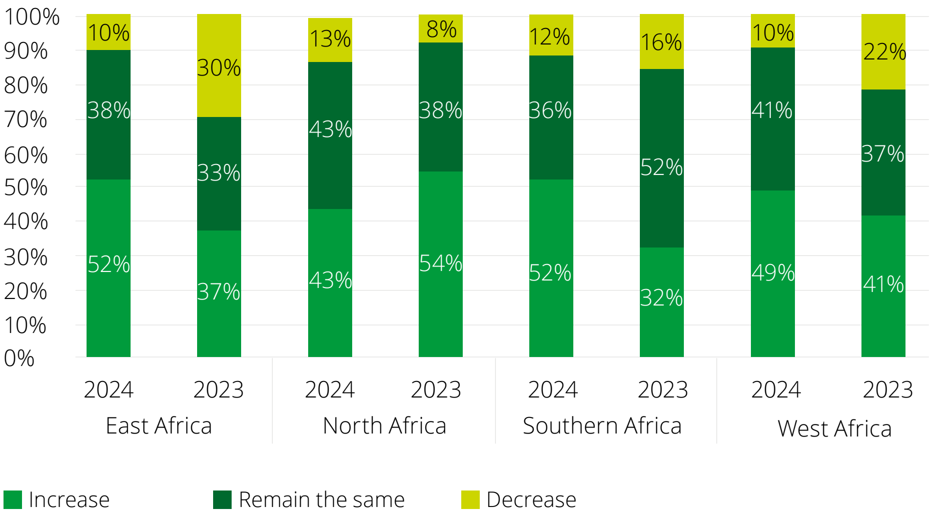
Regional insights

In **East Africa**, respondents were less divided on their sentiment towards PE activity than last year, with just over half expecting PE activity in the region to increase as investor interest and economic activity pick up. PE activity will likely benefit from the anticipated growth in East Africa's economies, underpinned by greater FDI inflows, as well as a generally more stable macroeconomic environment.

Respondents are split in **North Africa**, with 43% expecting PE activity to remain the same and 43% expecting an increase, despite the decreases in previous years. While regulators continued their efforts to boost and improve PE activity in North Africa, venture capital (VC) deal activity volume decreased from US$1.1bn in 2022 to US$532m in 2023, and VC deal numbers fell from 178 to 104, respectively.

The expected increase is likely to be driven by reconstruction investments in Egypt, including a "Mega Deal" between Egypt and a UAE company to build the new state-of-the-art city of Ras Al-Hekma.[32] Morocco's recent statutory regime to adopt bill 58.22, modifying and completing law 41.05, is expected to play a key role in boosting PE activity. The bill seeks to increase the attractiveness of the legal and regulatory framework of Moroccan private equity. Only 14% of the respondents in North Africa expect PE activity to decrease.

Figure 9. Expected PE activity by region over the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding

In **Southern Africa**, 52% of respondents expect PE activity to increase, while 36% of respondents expect PE activity to remain the same. PE firms continue to display resilience after navigating a tough macroeconomic environment, driving revenue and employment growth within portfolio companies in several sectors. PE firms remain optimistic about investment opportunities, with several firms expecting high or very high deal flows in the next 12 months.

Southern Africa has been among the most attractive investment destinations for private capital, owing to the region's multiple sectors and favourable investment climate. According to the African Private Capital Association (AVCA), Southern Africa reclaimed its position as a top private capital investment destination in 2023, attracting the highest volume and value of deals.[33]

As **West Africa**'s largest economies are expected to recover in the next two years, almost half of respondents expect PE activity in the region to increase over the next 12 months, while 41% expect it to remain the same.

The increase in PE activity in the region is expected to be driven by investment opportunities stemming from a projected decline in the inflation rate and stability in the currency value of key West African economies, including Nigeria and Ghana. Furthermore, the implementation of pro-market reforms by the governments of West Africa's largest economies (Nigeria, Ghana, Côte d'Ivoire, and Senegal) and an improvement in the overall spending power of consumers are projected to make the region a viable option for investors and drive PE activity over the next 12 months.

Deal sizes are expected to remain below US$50m

Most respondents expect average deal sizes to be up to US$25m over the next 12 months, across all regions. The share of deals above US$50m is expected to drop across all regions.

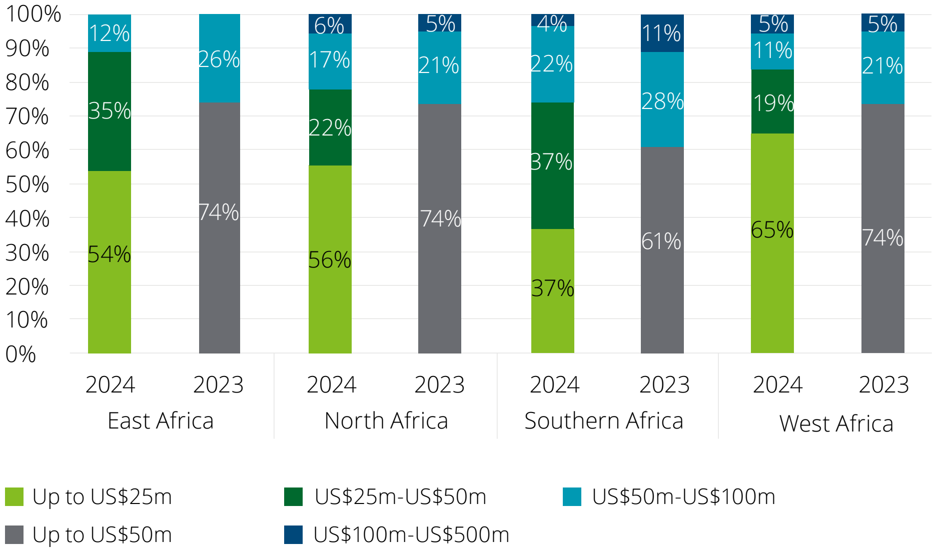
Regional insights

In **East Africa**, 54% of respondents expect deal sizes to be below US$25m, while a further 35% expect them to be between US$25m and US$50m. This is largely the case as the focus of most PE firms in the region remains on small and medium-sized enterprises (SMEs). Still, about 12% of respondents expect larger deals over the next 12 months of between US$50m and US$100m. The reduction in the percentage of respondents anticipating larger average deal sizes from last year is partly due to the increased cost of doing business in the region, following widespread local currency depreciation against the US dollar which has negatively impacted the bottom line of import-dependent businesses.

In **North Africa**, 56% of respondents expect average deal sizes to be up to US$25m, and 22% of respondents expect these to be between US$25m and US$50m, reflecting the region's economic fabric mainly composed of SMEs.

In **Southern Africa**, 37% of respondents expect average deal sizes to be up to US$25m, and another 37% expect these to be between US$25m to US$50m. The share of respondents expecting deal sizes above US$50m has declined from last year, with only 22% expecting deals of more than US$50m, compared to 39% last year. Rising interest rates and a weak economy have prompted parties to look much more closely at valuations, with lower premiums being paid.

Figure 10. The average deal size expected by region over the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding. Answer categories were amended from PECS 2023 to 2024.

Additionally, deal sizes have contracted as it has become increasingly difficult to land on a common value given the small margin of safety for these investments in the tough economic and trading environment.

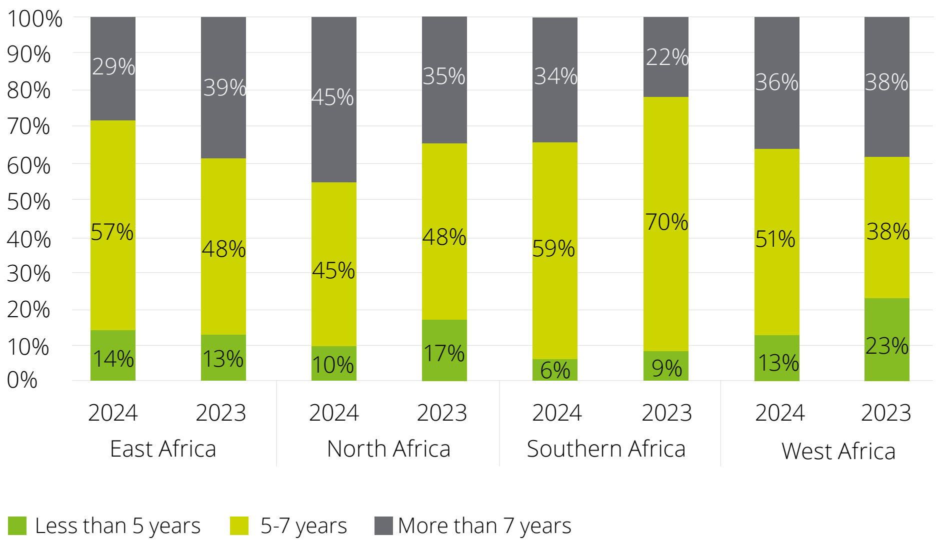
In **West Africa**, 65% of respondents expect average deal sizes in the region to be under US$25m, and 19% of respondents expect these to be between US$25m and US$50m. Deal values have been smaller, with average deal values, as per AVCA's private capital report, at about US$9m in 2022 and US$5.5m in 2023.[34] Larger deal sizes are, however. expected by some respondents, with only 16% expecting deals larger than US$50m in value.

The low expectation of larger deal sizes in West Africa is influenced by broader macroeconomic factors in the region, with its largest economies facing significant economic uncertainty due to rising inflation and persistent currency depreciation. These have resulted in companies supporting smaller deal sizes in US-dollar terms.

Longer investment lifecycles prevail to achieve required returns

Respondents expect an average lifecycle of five to seven years from initial investment to exit across all regions. Extended investment horizons reflect a prudent stance, driven by global and regional macroeconomic uncertainties which have necessitated longer investment periods to achieve scale and the required returns. As economic conditions improve, reduced holding terms may be expected as funds may achieve required returns in a shorter period.

Figure 11. Expected average lifecycle from initial investment to exit for investments made during the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding.

Regional insights

Respondents in **East Africa** expect the average holding period to be longer than five years, with most expecting a holding period between five and seven years, as in previous surveys. Almost one in three respondents expect holding terms to be more than seven years, with some investments likely to take longer to achieve the required returns.

In **North Africa**, respondents expect the average lifecycle of investment over the next 12 months to be at least five years (45%) or more than seven years (45%). In the past two years, North Africa survey respondents have been anticipating longer lifecycles as fund managers have become more cautious due to economic uncertainties experienced in the region.

In **Southern Africa**, 59% of respondents expect investment lifecycles of between five and seven years, while 34% expect more than seven years – similar results to those seen last year. Exits have been a challenge, particularly related to parties' dissatisfaction on the Internal Rate of Return (IRR), limited capital for mega deals, and regulatory challenges which hamper foreign investment. Merger and acquisition (M&A) deals have been delayed as parties struggle to agree on price or valuation.

Over the last 12 months, **West Africa** has been faced with a series of challenges, including growing insecurity, high rates of inflation, and widespread currency devaluation.

These challenges have reinforced investors' perception that it will take a minimum of five years to exit the market at a value that recoups initial investment and achieves desired returns.

Exits are expected to pick up across regions

Exits are generally expected to increase in the next 12 months. According to AVCA, Africa recorded 43 PE exits in 2023, a decline from 82 exits in 2022.[35] The current macroeconomic environment, tighter monetary policies and rising inflation have resulted in lower company valuations and thus fewer exit opportunities. As major economies across regions recover, exits are likely to pick up.

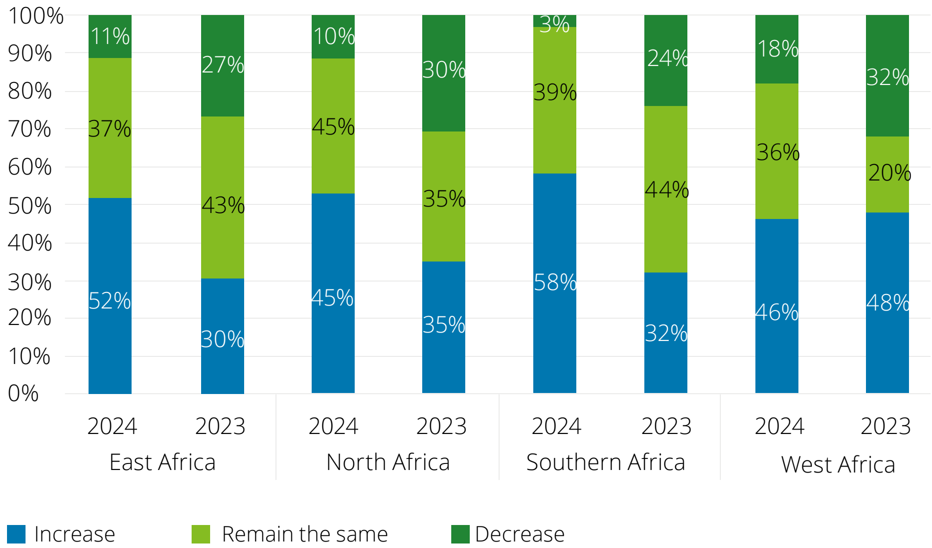
Regional insights

In **East Africa**, while currency depreciation and inflationary pressures have negatively impacted PE funds' returns and driven down portfolio performance, arguably postponing exits, 52% of respondents expect exits in East Africa to increase over the next 12 months. Still, 37% expect them to remain the same. The anticipated increase in exits is attributed to the steady post-pandemic economic recovery observed in the region.

North Africa had the biggest decline in exits in 2023 owing to a lack of exits in Egypt, which has traditionally been the market with the most exit activity in the region. However, respondents are expecting a recovery in exits: 45% expect exits to increase over the next 12 months, while 45% expect them to remain the same. Only 10% of respondents expect a decrease in exits.

In **Southern Africa**, 58% of respondents expect exits to increase over the next 12 months, while 39% expect exits to remain the same. These expectations are partly due to increased exits already seen in sectors such as Financial Services and Technology, Media, and Telecommunications (TMT).

Figure 12. Exits expected by region in the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding.

The increased number of vendor due diligence requests also indicates that there is a focus on exits and securing a return on investment. This has become a challenge, given valuation gaps and the cost of protracted exit processes. Another significant challenge is that the number of willing sellers is not matched by willing buyers in the current economic and PE landscape.

In **West Africa**, 46% of respondents expect exits to increase over the next 12 months, while 36% expect them to remain the same. The exit environment will continue to be affected by economic headwinds impacting key markets in the region.

Secondary sales to PE and sales to strategic investors dominate exit routes

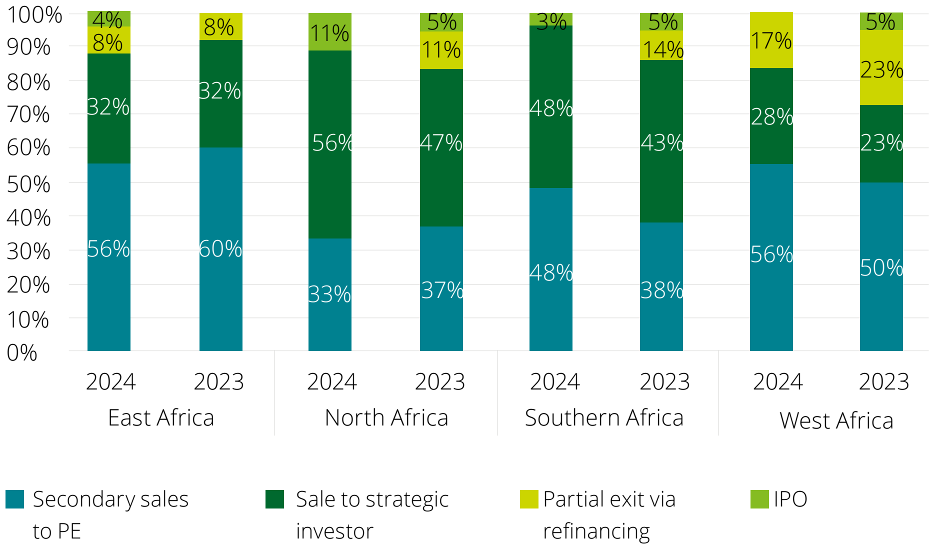
Most respondents expect secondary sales to PE to be the most dominant exit route in the next 12 months. North Africa is the only region that expects sales to strategic investors to be the leading exit route. According to AVCA, the share of sales to PE buyers grew to 33% in 2023 from 23% in 2022, while only one initial public offering (IPO) exit was reported in Africa in 2023.[36] Growing share of sales to PE buyers in Africa can be attributed to the tough macroeconomic conditions which have enabled liquid PE firms to acquire high performing assets that have hit their maturity wall more cheaply.

IPOs are not expected to be a notable exit route in the next 12 months. This is largely due to significant time and regulatory bottlenecks experienced when executing an IPO in the region. Additionally, local equity capital markets do not return investors' capital in the currency of initial investment, limiting exit options for most investments to secondary sale and sale to strategic investors.

Regional insights

In **East Africa**, secondary sales to PE are again expected to be the most favoured exit route (at 56%), as these deals typically close quickly with immediate liquidity post-sale. The second most favoured route (at 32%) remains sales to strategic investors as these sales tend to attract higher valuations. Liquidity concerns in East African exchanges and onerous listing processes have raised questions about the feasibility of IPOs as a viable exit route. Despite few IPO exits in the past, the Kenyan government is wooing PE firms to consider the bourse as an exit alternative in a bid to deepen its capital markets.

Figure 13. Most dominant exit routes per region over the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding.

In **North Africa**, like last year, about half of respondents anticipate sale to strategic investors as the most dominant exit route, with 33% of respondents expecting secondary sales to PE as the most dominant exit route.

In **Southern Africa**, respondents are split, with 48% seeing secondary sales to PE as the most dominant exit route, and another 48% expecting sale to strategic investors as the most dominant exit route. Given the current market dynamics and a continued focus on identifying quality assets, there is an observed preference for exits via a secondary sale. This is driven by the recycling of deals between PE players, given the limited number of deals in the market.

In **West Africa**, 56% of respondents anticipate secondary sales to PE to be the most dominant exit route, with 28% of respondents expecting sales to strategic investors the more likely exit route. Preference for these two exit routes is largely driven by the simplicity in deal structuring and the exit proceeds currency, which is usually not in local currency.

Expert insights: PE exits in Africa: Bridging the value gap

A rising tide lifts all boats, as the saying goes. Expected improvements in the macro-economic outlook across Africa should contribute towards an uptick in PE exit activity. To get to an exit, however, the buyer and seller need to agree on a price. Negotiations often break down at this crucial step of a deal.

Seller vs buyer in PE deals

The objective of the PE seller is generally quite straightforward: to maximise the price and realise the highest possible return on the funds deployed. The objective of the buyer differs, depending on the mandate: a financial buyer (e.g., a PE buyer) will look to pay a lower price than the seller's expectations, to maximise their own returns on their eventual exit. A strategic buyer, on the other hand, will seek to acquire assets which are aligned to underlying strategic objectives, which enhance the value of their existing assets. This can be expressed as a single question per buyer profile:

- Financial buyer: Will I be able to sell this asset at a higher price than I paid for it and with an exit price that is sufficiently high to realise a return greater than my targeted return?
- Strategic buyer: Will I be able to create value from this acquisition?

A financial buyer is primarily concerned with pricing, whereas a strategic buyer is primarily concerned with creating value. Note that price and value are not always the same. Price is often frothy and driven by market sentiment. Value is driven by the cash flows that the asset can generate, the expected growth in those cash flows, and the risk associated with those future cash flows. The factors that drive value generally persist over time and are less volatile, in the absence of significant shocks to the economy or specific industry. Value also depends on who the buyer is.

For example, a strategic buyer may be able to realise synergies from an acquisition, where the value of the acquired asset in combination with the existing assets of the buyer is greater than the sum of the values of the acquired and existing assets in isolation.

Unveiling true value in acquisitions

The challenge in arriving at a deal price acceptable to both parties is therefore to satisfy the pricing requirements or value objectives of the buyer – financial or strategic – and appropriately compensate the seller. This is where robust valuation methodologies come into play. While market multiples, for example, a multiple of revenue or earnings before interest, taxes, depreciation, and amortisation (EBITDA), are a useful sense check, they simply reflect what others have paid for similar assets (in either public markets or private transactions). They may not accurately capture the nuances of the specific asset, or the impact of combining the asset with a buyer's existing portfolio.

A more comprehensive approach, such as a discounted cash flow (DCF) analysis, explicitly caters for a deeper dive into the specific asset, along with its value drivers. By projecting future cash flows, incorporating risk factors, and accounting for growth potential, a discounted cash flow analysis can provide a more accurate and nuanced assessment of the company's worth. It is also a useful tool for negotiation and bridging any perceived valuation gaps between the buyer and the seller, as it allows both parties to understand the key assumptions and sensitivities that underpin the outcome.

Of course, performing a DCF analysis has downsides – the additional complexity added by modelling multiple inputs and assumptions can combine to produce an outcome disconnected from reality.

This is where a market multiple sense check becomes critical – triangulating outcomes and grounding them in the reality of history. By considering a range of methodologies and perspectives, buyers and sellers can deepen negotiations and engage in a meaningful dialogue about value.

Choosing the right valuation methodology

By focusing on fundamental value drivers, understanding each other's objectives, and utilising the right depth of valuation analysis, buyers and sellers can navigate the complexities inherent in today's market and increase the odds of a successful deal.

At Deloitte Africa, the Valuations & Modelling team empowers PE clients to make confident investment decisions by providing them with in-depth analysis and valuation expertise.

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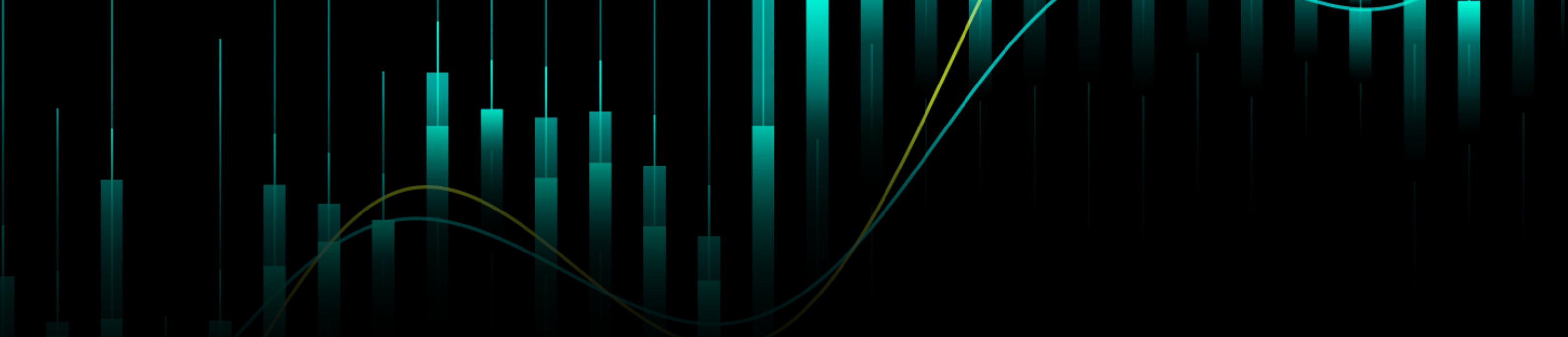


Expert insights: Price mechanisms as a way to create or protect value in a private M&A transaction

With high inflation and increasing borrowing costs over the last 12 months, the focus on value in M&A transactions continues. Dealmakers are therefore looking at price mechanisms as a way to create or protect value in a private M&A transaction.

There are two primary price mechanisms used, completion accounts and the so-called locked-box. In **completion accounts mechanisms**, the price is adjusted by reference to a special purpose set of accounts, usually a balance sheet, prepared and agreed by the parties in the period following completion. This approach allows the parties to adjust the price with reference to the assets and liabilities actually delivered at closing. However, it is time-consuming and requires more buyer, seller, and target input.

The mid-2000s saw the rise of PE and the negative experiences of some key industry players with post-closing adjustment disputes involving completion accounts. The search to provide value certainty in the UK resulted in the creation of the **fixed price 'locked-box' mechanism**, which has since become the price mechanism of choice for both strategic and financial sellers in many European deal markets where conditions allow. The locked box has also emerged in other markets, including the African deal market; although it has not taken hold in the US, the occasional US locked-box does occur.

The locked-box price mechanism owes its popularity to the advantages that this mechanism affords, especially for sellers: price certainty, easier bid comparability, less time required to prepare a balance sheet after the event, and a lower chance of a post-closing payment or prolonged accounting-based dispute. This was the case throughout the Covid-19 pandemic and has continued in 2023/2024.

However, Deloitte's Sale and Purchase Agreements (SPA) specialists note that a **significant percentage (60-70%) of private M&A transactions** in Europe, Africa, and the US **still rely on a post-completion adjustment to calculate the final price payable for a business**.[37]

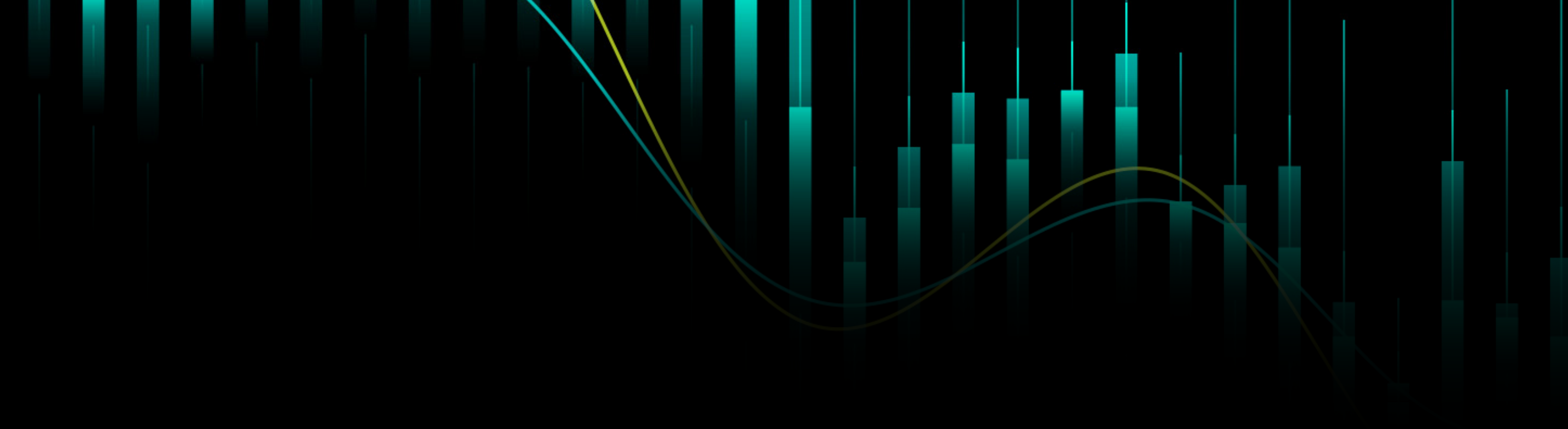
Given the reduction in price certainty coupled with the additional time and cost associated with completion accounts, one might be forgiven for asking why the **locked-box** is still only used in approximately **30-40% of private M&A transactions**. The main reasons are as follows:

- A locked-box is not feasible in some situations, for example, in certain carve-out situations, particularly large or complex reorganisations or asset deals. Since the COVID-19 pandemic, there has been an increasing number of carve-outs as companies seek to sell non-priority businesses. In those circumstances, completion accounts are typically favoured over locked box.
- A locked-box requires a reliable historical balance sheet (as a substitute for a completion balance sheet) on which the fixed locked-box price can be based. There may not be any historical balance sheet covering the transaction perimeter being sold.
- A pre-completion reorganisation takes place after the locked-box date such that the historical financial information at that date ceases to be representative of what is being acquired.
- The quality of historical financial information cannot be relied upon.

In these cases, **buyers prefer to use completion accounts** as this mechanism gives them the opportunity to test the balance sheet at completion and ensures the risks and rewards of the business only pass at or near legal completion (and not at an earlier date when the seller is still running the business). This can be particularly important in circumstances where there is increased uncertainty, where the identification of leakage might be difficult, where there are uncertainties around forecast trading in the locked-box period, or where the period between the locked-box date and expected closing is significant.

The first half of 2024 has shown an uptick in M&A activity including a number of complex deals. Thus, completion accounts are expected to continue to play a significant role in the transaction life cycle in the continent and globally. They will also likely remain the dominant mechanism in the US market.

Completion accounts mechanisms play a significant part in determining the final price payable for businesses. The use of locked boxes has increased over the past 10 to 15 years in Africa and certain markets; however, completion accounts remain commonplace globally in M&A transactions, and are, therefore, a feature of private M&A transactions that dealmakers and advisers need to understand.



While the process of finalising the equity price payable in completion accounts is longer, and there can be greater uncertainty compared to the locked box, clarity in the SPA and careful planning and implementation of the completion accounts process should minimise the risk of a protracted dispute or debate. Getting this right can mean the difference between a quick, equitable outcome and a protracted dispute that costs parties time, money, and goodwill.

Our Deloitte SPA Advisory team consists of specialist accountants who provide both pre-signing and post-signing support on the financial aspects of the purchase price mechanics, which seek to optimise value for our clients, while reducing the risk of dispute, and are well placed to assist parties who consider adopting complex pricing mechanics as part of their deal.

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Fundraising environment

Fundraising is expected to improve in East and West Africa

Respondents in East and West Africa largely expect an improvement in the fundraising environment. In North and Southern Africa, views are generally split between an improvement, more of the same, and a deterioration. Generally, higher-for-longer interest rates, high inflation, and geopolitical uncertainty have impacted the funding environment, with final closed funds dropping by 9% year-on-year in 2023.[38]

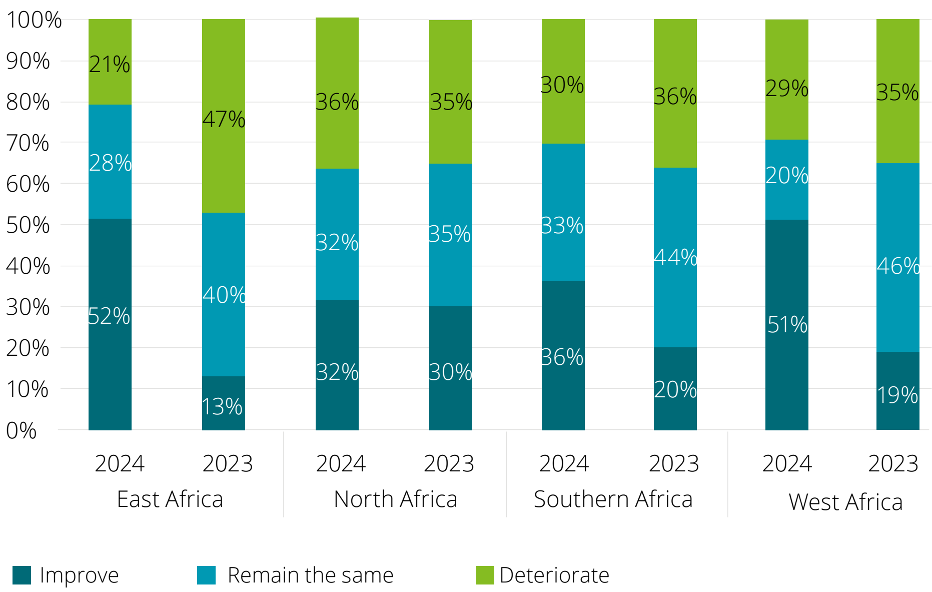
Regional insights

In contrast to last year, in **East Africa** 52% of respondents expect the fundraising environment to improve over the next 12 months as economic activity, confidence, and investment pick up. The view of an improved fundraising environment could be based on increasing FDI flows into East Africa, including from traditional markets and growing FDI flows from Asia.

In **North Africa**, fundraising expectations have not shifted much from 2023. Respondents are split between an improvement, deterioration, and the status quo in the fundraising environment.

Respondents in **Southern Africa** too are split in their views on the fundraising environment. Current interest rate cycles (both locally and globally) have created uncertainty regarding the cost of capital in the short to medium term.

Figure 14. Expected changes in the regional fundraising environment over the next 12 months



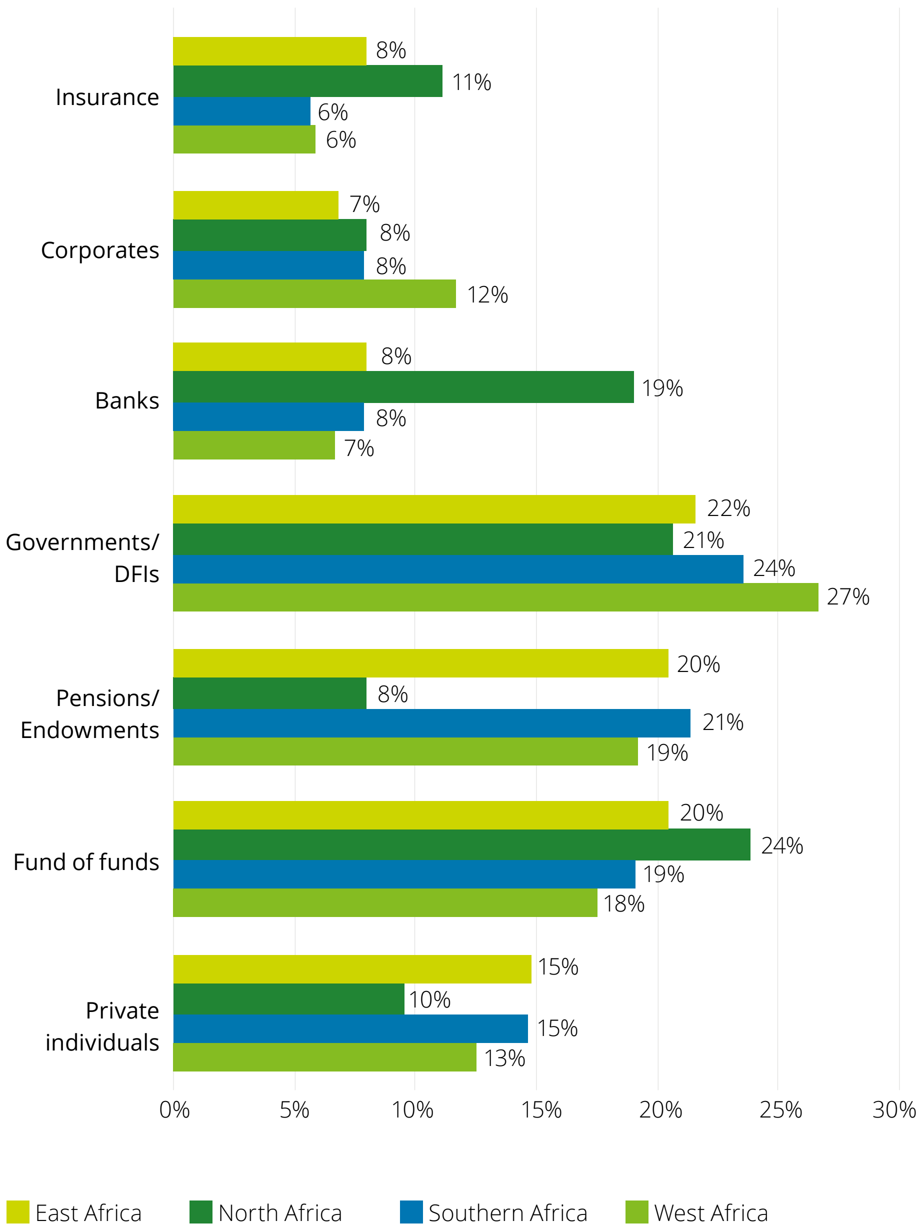
Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding.

In line with the recovery of major economies in the region, half of the respondents in **West Africa** also expect the fundraising environment to improve. This is driven by the projected GDP growth across the region's largest economies over the next 12 months.

There are ongoing efforts by the governments of these economies to curtail rising inflation and declining currency value. These activities are expected to have a positive impact on the economic prospects of the region, creating a viable fundraising environment for PE players.

Figure 15. Preferred third-party sources of funding to be used by region in the next 12 months



Source: Deloitte Africa analysis based on PECS 2021 results

Note: Regional totals may not add up to 100% due to rounding.

Governments/DFIs or fund of funds are expected as main funding sources

Respondents in sub-Saharan Africa (SSA) highlight governments or development finance institutions (DFIs) as the most preferred third-party sources of funding to be used in the next 12 months, while those in North Africa expect fund of funds (FOF) to play this role.

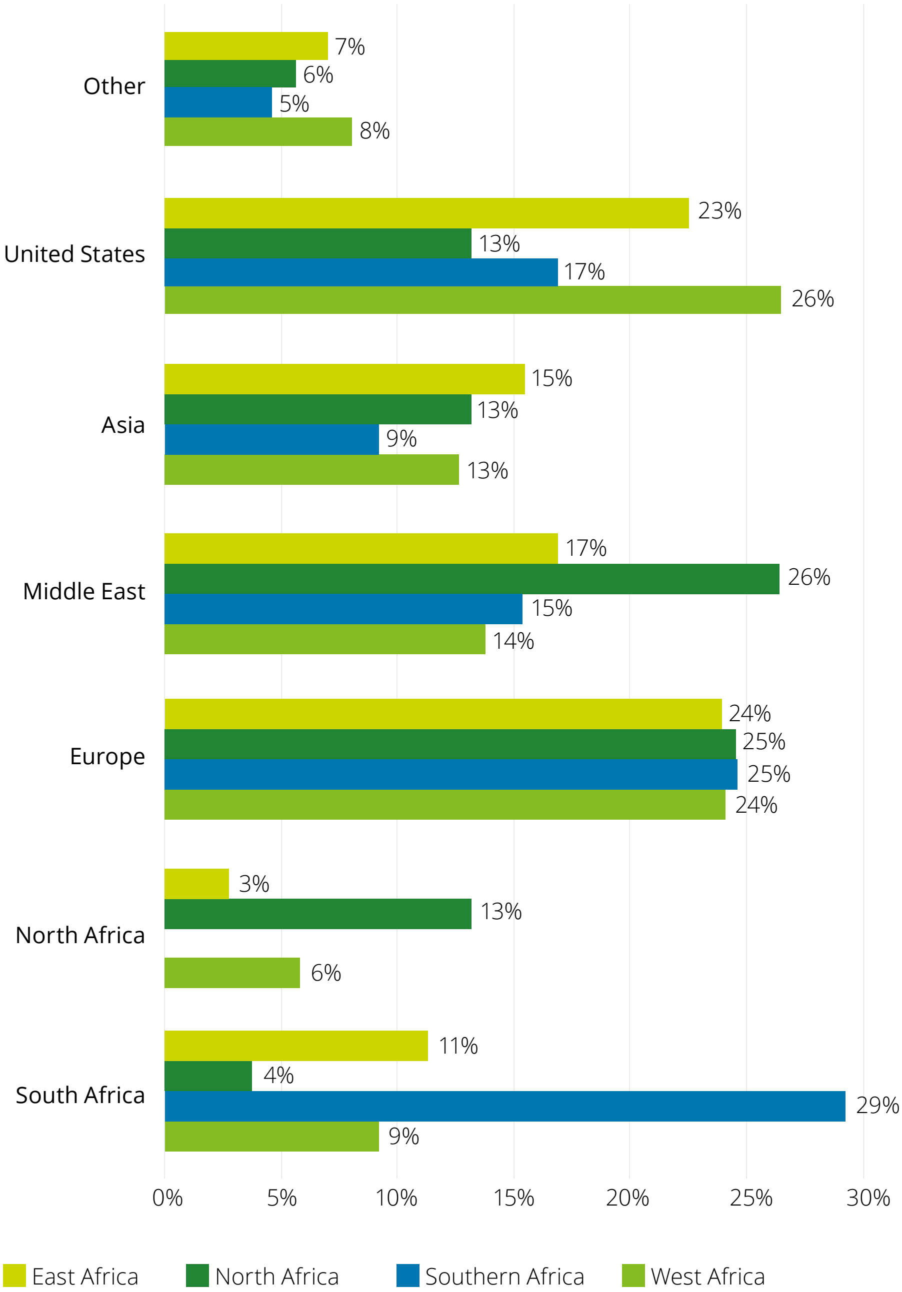
Regional insights

Respondents in East Africa expect to use governments and DFIs as the preferred third-party source of funding over the next 12 months, given longer exit time horizons. Other top preferred third-party funding sources include FOF, pensions/ endowments, and private individuals. This year, banks appeared in third position thanks to their substantial reserves, which can assist with meeting the growing demand for fundraising. Respondents in **North Africa** see the preferred third-party source of funding in the next 12 months as being FOF, followed by governments/DFIs, and banks.

The most preferred third-party sources of funding in **Southern African** is governments/DFIs, followed by pensions/ endowments, FOF, and private individuals. According to the Southern African Venture Capital and Private Equity Association (SAVCA), in 2022 governments and DFIs were the largest source of funding in South Africa, followed by pensions/endowments.[39] The latter could become a more important source of funding, given Regulation 28 amendments to the Pension Funds Act, encouraging more retirement funds in assets classes including PE.

In **West Africa**, governments/DFIs' funding is expected to remain the top source of third-party funding, as there continue to be development-focused opportunities that meet DFI investment goals in the region. While pensions/endowments, FOF, and private individuals remain the next most important third-party funding sources, all are seen to contribute a smaller share. Interestingly, corporates are expected to play a more important role (12%) in third-party funding. This could be driven by increased acquisition efforts of major corporates across key markets.

Figure 16. Geographical sources for raising capital for investment activities by region within the next 12 months



Source: Deloitte Africa analysis based on PECS 2024 results

Note: Regional totals may not add up to 100% due to rounding.

External capital raising continues to focus on Europe, the US, and, increasingly, the Middle East

Previous survey editions show that PE funding has predominantly been raised from outside of Africa, particularly from Europe and the US.

Regional insights

In **East Africa**, respondents expect that Europe and the US will be the most important geographical sources for capital raising over the next 12 months. The Middle East and Asia also look to be important sources. Africa (including South Africa, North Africa, and other parts of Africa) looks to be an important source of fund raising in East Africa as per comments from respondents. China has become Africa's, and by extension East Africa's, largest trading partner and creditor in recent years under programmes such as the Belt and Road Initiative.

The Middle East and Europe are expected to be the top sources of capital for **North Africa**. The Middle East is important as investors, largely sovereign wealth funds, look to diversify their portfolios in a region with geographic proximity and shared cultural ties. However, both Europe and North Africa itself remain among the top three sources of capital for the region.

South Africa is expected to be the biggest source for raising capital for the **Southern African** region, followed by Europe, the US, and the Middle East. The Middle East could become an increasing source of funding for Southern Africa as investors look to diversify their portfolios beyond traditional markets.

As major economies in **West Africa** remain beneficiaries of development-focused cross-border funds, advanced economies such as the US and Europe are expected to remain vital sources for raising capital over the next 12 months. Funding sources are expected to be more diversified too, with a greater share of funds coming from the Middle East, Asia, and South Africa. Interestingly, other funding sources have also increased, with several respondents indicating that both West Africa and the rest of Africa are becoming important sources of funding for the region.

Expert insights: Use of equity capital markets to drive a successful PE exit

Private equity firms are operating in an increasingly dynamic environment, characterised by longer hold periods and valuation gaps between buyers and sellers. Therefore, there is an increased requirement for PE firms to consider alternative exit routes. Effective use of equity capital markets provides such an option. However, timing is key, and effective planning and knowledge of equity capital markets are critical for the success of an exit on an exchange.

Impact of macroeconomic and geopolitical landscape

The macroeconomic and geopolitical landscape can significantly impact the success of PE exits. However, as markets adapt to the "new normal" following the Covid-19 pandemic, improving macroeconomic fundamentals provide a favourable backdrop for exits. The resilience of the markets (as reflected by a relatively low volatility index (VIX) throughout 2023 and continued into 2024) also creates a more stable investment environment, with PE markets providing an attractive exit route for PE firms. This stability allows PE firms to plan exit strategies with greater confidence.

Public market activity

Globally, exchanges are striving to create more attractive listing environments for companies, with a strong drive to encourage PE exits through the listed capital markets. This supports the expectation of increased listing activity and a projected uptick in listings for the short to medium term. Given these expectations, it is imperative that PE firms considering a listing as a viable exit route ensure that robust planning and preparation take place to ensure an effective listing process. Preparation should include the early performance of IPO readiness reviews and gap assessments so that all required listing improvement areas are identified early on, with resource plans and reasonable timetables implemented for the IPO preparation process and journey.

Challenges and considerations

PE firms need to carefully consider the best listing jurisdiction for the portfolio business to ensure that there will be a meaningful listing with strong prospects for the business as a listed entity. It is also important to ensure that the business is the right size and has a meaningful value proposition (i.e., strong cash flow generation) to ensure that the right investors are attracted and that it will have sufficient trading liquidity. To optimise exit values, PE firms may consider adopting dual or multi-track processes, which allow for multiple exit options alongside a traditional IPO. Furthermore, PE firms must carefully evaluate various listing options and assess the benefits and drawbacks of different exchanges to ensure optimal exit outcomes. This includes considering factors such as market liquidity, available investor base, regulatory environment, and overall reputation of the exchange.

Collaborative efforts

Successful PE exits and effective listings require collaboration between various stakeholders. PE firms can leverage the expertise of financial advisors, legal experts, and investment banks to navigate the complexities of the exit process. Collaboration with reputable firms ensures adherence to regulatory requirements, effective marketing and communication strategies, and robust due diligence processes. By working closely with the right professionals, PE firms can optimise their exit strategies and maximise value for their investments.

At Deloitte, we are proud of our One Africa Equity Capital Markets team that partners with clients to ensure that they are well-prepared and able to navigate the IPO journey.

In conclusion, PE exits are required in an evolving landscape impacted by various geopolitical and macroeconomic factors. By effectively utilising the public capital markets, PE firms can drive successful exits. Effective planning and comprehensive preparation will allow portfolio companies to navigate exit challenges and ensure efficient and impactful exits through the public capital markets. Collaboration with experienced professionals who possess in-depth knowledge of the market ensures adherence to local and international regulations, the development of compelling equity stories, and effective communication strategies for attracting investors. With the right advisors and partners, PE firms can navigate the challenges, capitalise on the opportunities, and achieve impactful exits through public capital markets.

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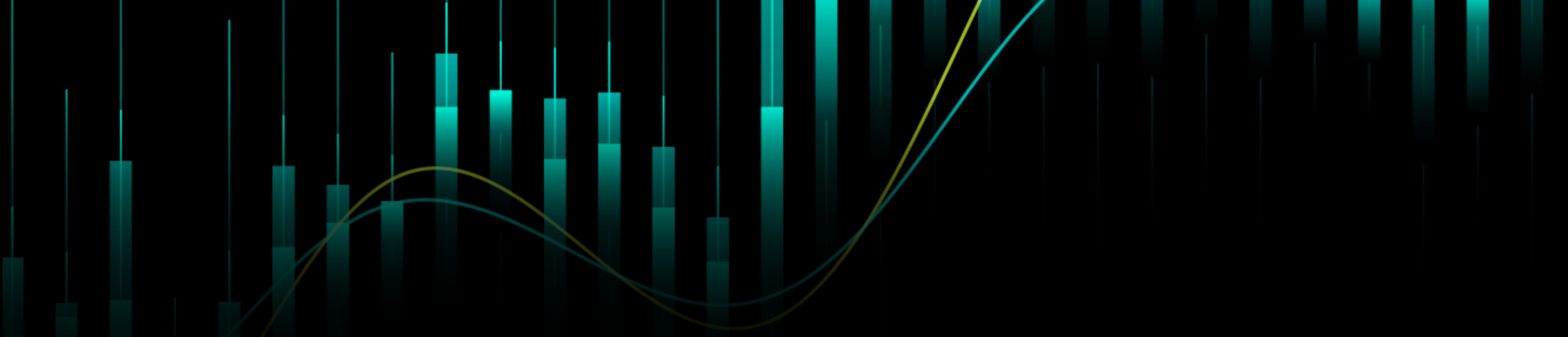

Expert insights: Enhancing exit readiness to maximise PE returns

Insights from the PECS 2024 reveal a landscape rich with opportunities and challenges. PE firms strategically address these complexities, focusing on innovative exit readiness strategies and sectoral investments to drive growth and profitability. This section explores more around separation considerations and enhancing value in merging portfolio companies, leveraging third-party capabilities for carve-out assets to streamline operations and harness synergies.

1. Exit readiness strategies
The PECS 2024 results provide insights into PE strategies, particularly in preparing companies for sale and sectoral focus. There is an anticipated increase in exit activity across regions, with secondary sales to PE and strategic investors expected to dominate as the preferred exit routes. Sectors such as Agriculture/Agribusiness, Manufacturing, Financial Services, and Healthcare and Pharmaceuticals are identified as top priorities for PE investment across Africa, aligning with economic strengths and demographic trends.

2. Managing exits – operational considerations
Being a prepared seller is key and ensuring the portfolio companies have the supporting data to make them attractive. It's also worth considering whether to carve out just one business unit. Often investors might not be as closely involved in the market so preparing an operating factbook and commercial due diligence can help support the sale process.

3. Merging of portfolio companies
The survey indicates that forming partnerships with existing portfolio companies or other PE firms can leverage synergies and accelerate growth. By merging complementary businesses, PE firms can consolidate resources, streamline operations, and enhance market position. This proactive approach strengthens the competitive advantage of the combined entity, maximising value creation and investment returns.

4. Leveraging third-party capabilities
PE firms can improve management of assets prior to exit by using specialised third-party services, especially in areas like finance management. This helps streamline financial operations and ensures smooth transitions after acquiring assets. By partnering with external providers who specialise in finance, operate models tailored for joint ventures (JVs) and PE acquisitions can boost operational flexibility and efficiency. This approach allows PE firms to focus on their core strengths while benefitting from expert support in critical operational areas, aligning with their goals of maximising effectiveness and returns.

This year's survey results highlight opportunities for PE firms when considering exit readiness. With increased activity in secondary sales to investors merging portfolio companies to enhance their value before potential sales is an opportunity not to be missed. Despite the challenges posed by asset sales and operational complexities, PE firms are encouraged to leverage third-party capabilities to optimise operational efficiency.

At Deloitte Africa, the M&A Value Creation advisory team helps PE clients create value throughout the transaction lifecycle by addressing operational, commercial, technological, technical accounting and finance operations optimisation aspects to ensure a smooth transition and to maximise value creation for PE investors.

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Sector focus

Agri, Manufacturing, Financial Services, and Health top the sector focus across Africa

Agriculture/Agribusiness and Financial Services remain highly significant investment sectors in most regions. Manufacturing, Healthcare, and Green Energy are expected to receive increased investor focus in the next 12 months.

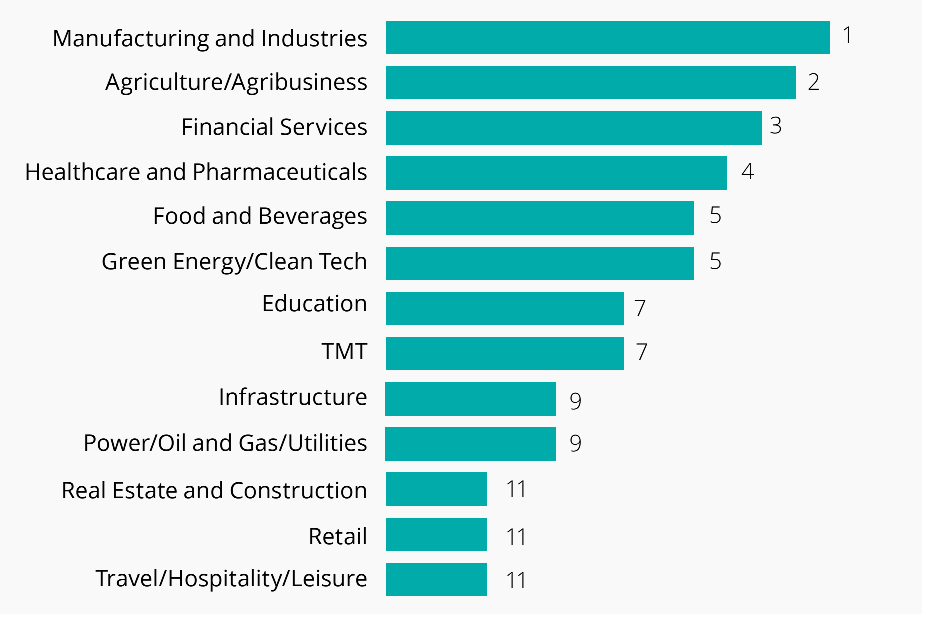
In **East Africa**, as in 2023, Agriculture/Agribusiness and Financial Services are again in the top three sectors of interest over the next 12 months. In this year's responses, the Manufacturing and Industries sector is expected to show the most interest, up from fourth place last year. Healthcare and Pharmaceuticals is in fourth place.

Prioritisation of sectors is in line with Sustainable Development Goals (SDGs) and government goals of creating more broad-based and diversified economies. Food security, financial inclusion, and onshoring manufacturing are particular sectors of focus for East African economies.

In the PECS 2023 results, Healthcare and Pharmaceuticals, Agriculture/Agribusiness and Food and Beverages topped the key focus sectors of interest in **North Africa**. In 2024, respondents have again indicated that Agriculture/Agribusiness and Healthcare and Pharmaceuticals will be the key focus sectors, followed by Manufacturing and Industries, and Green Energy/Clean Tech.

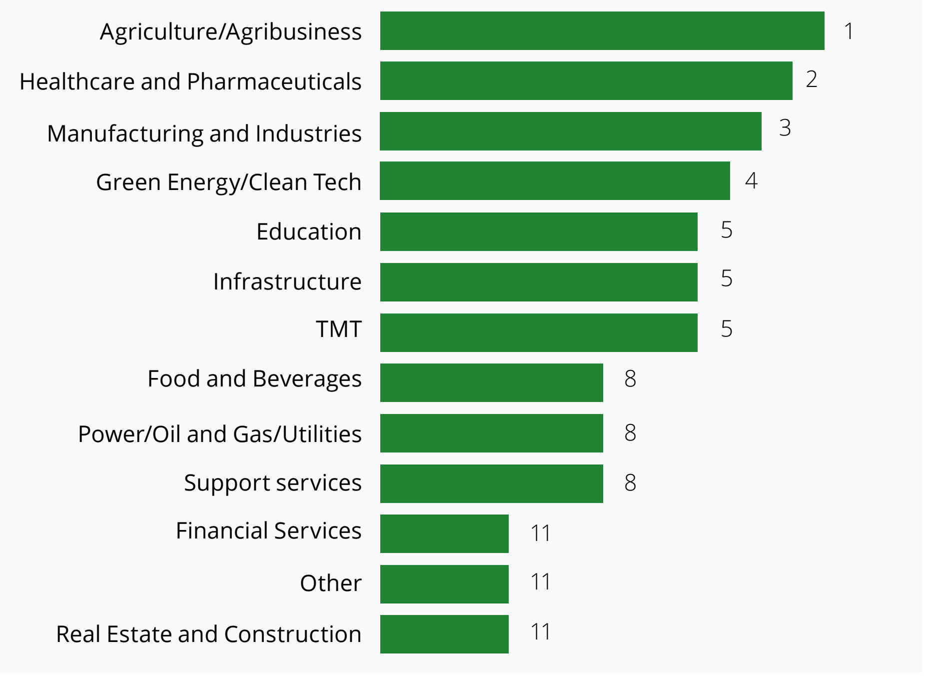
Manufacturing and Industries, TMT as well as Power/Oil and Gas/Utilities are likely higher on the list compared to 2023 given their resilience against the decline in private capital investment activity in Africa during 2023.

Figure 17. Sectors of interest in East Africa (ranked)



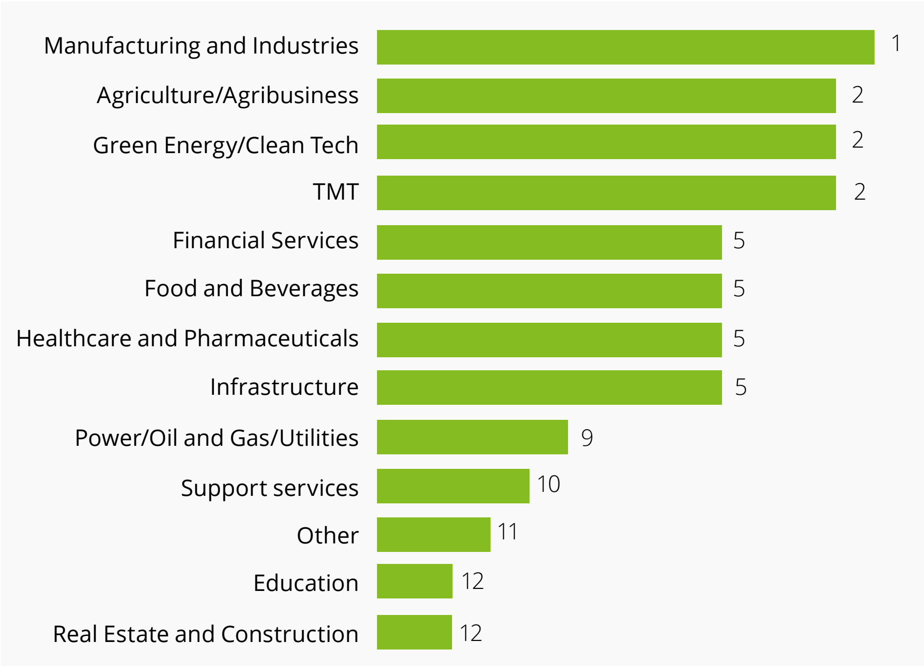
Source: Deloitte Africa analysis based on PECS 2024 results

Figure 18. Sectors of interest in North Africa (ranked)



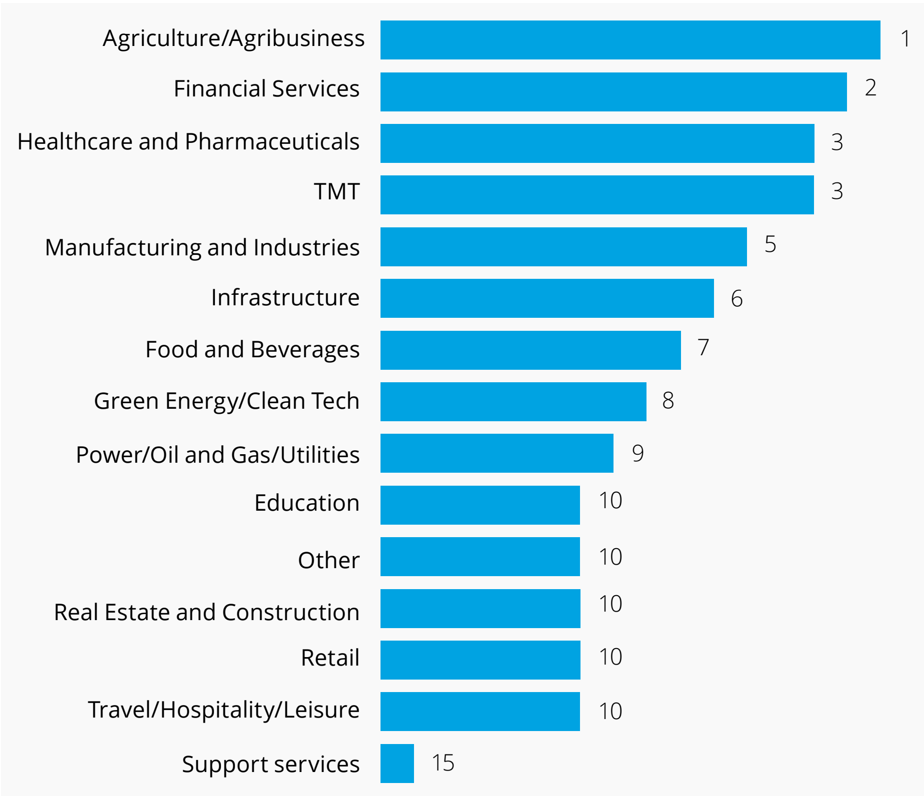
Source: Deloitte Africa analysis based on PECS 2024 results

Figure 19. Sectors of interest in Southern Africa (ranked)



Source: Deloitte Africa analysis based on PECS 2024 results

Figure 20. Sectors of interest in West Africa (ranked)



Source: Deloitte Africa analysis based on PECS 2024 results

Financial Services, Green Energy/Clean Tech, and Food and Beverages topped the sectors of interest in **Southern Africa** in the 2023 PECS. In this year's survey, Manufacturing and Industries is the top sector, followed by Green Energy/Clean Tech, TMT, and Agriculture/Agribusiness.

The anticipated focus on the Green Energy/Clean Tech sector relates to addressing South Africa's energy crisis, reducing the country's carbon footprint, and transitioning to a cleaner and more diversified energy mix in Southern Africa.

In the PECS 2023, Financial Services, Agriculture/Agribusiness, and Food and Beverages topped the sectors of interest for PE investments in **West Africa**. Similarly, this year's respondents have indicated that Agriculture/Agribusiness and Financial Services top the sectors of interest, followed by Healthcare and Pharmaceuticals, and TMT.

The focus on these sectors links to the region's growing population, recovering disposable income, and increased consumer needs.

Expert insights: The growing role of ESG in M&A deals and valuation

Environmental, social and governance (ESG) factors have gradually gained more influential roles in businesses, rising from a focus point to a major influential consideration across the M&A lifecycle. In order to capture the growth of ESG, Deloitte recently launched its *2024 ESG in M&A Trends Survey* involving 500 global M&A leaders. The survey included various industries with a special focus on the impacts on PE.[40]

This year's results clearly show the growing role of ESG, as more than half of the respondents confirmed that they measure the impact of a potential acquisition or divestiture on their organisation's ESG profile with clearly defined standard metrics. The sectors with the most notable increases are TMT, Financial Services, and Consumer Industries.

The confidence in accurately evaluating a potential acquisition target's ESG profile has also greatly risen. The percentage of M&A leaders who have "high" or "very high" confidence in accurately evaluating a potential acquisition target's ESG profile has risen to nine leaders out of ten in 2024. Various new advanced tools, frameworks and methodologies are available to assist the increasing appetite for ESG measuring and reporting, which eases the data reporting for targets and data collection for investors.

ESG profiles are also increasingly being factored into decision making as 80% of PE leaders reported not proceeding with a potential acquisition because of concerns about the target's ESG performance. Preparing an excellent ESG profile and ESG reporting can therefore be key to future exits as the percentage of PE firms which require all portfolio companies to report on ESG metrics is 30% in North America and 67% in Europe and the Middle East.

The valuation process is a significant step in the M&A life cycle. The survey shows that 83% of M&A leaders are willing to pay at least a 3% premium for an asset with a high ESG profile or one that improves their ESG profile. Global studies carried out by Deloitte have found that companies with high ESG scores are correlated to higher EV/EBITDA multiples[41] and may have improved access to capital markets, funding resources, and preferable borrowing terms.[42]

However, estimating the premiums and integrating ESG considerations into business valuations can be very complex. The process of achieving a globally accepted set of standards that incorporate ESG considerations into the valuation of a business is still in its infancy.

In 2021, the International Valuation Standards Council (IVSC) released a perspective paper entitled "ESG and Business Valuation"[43] to initiate and foster debate, as well as address challenges related to the incorporation of ESG factors into valuation analysis.[44] In this paper, the IVSC explains how ESG considerations should be incorporated into the current valuation methods and procedures.

To consider the ESG considerations under the **market approach**, practitioners should first identify and assess the relevant ESG criteria for comparable companies. Second, they should assess the performance of the subject company for such criteria, and, third, calibrate the market inputs (e.g., EBITDA multiple) to the subject entity, to take into account the relevant performance compared to similar companies.

As for the **income approach**, ESG considerations can be incorporated into the screening process for the Beta.

A poor ESG profile in comparison to its peers in the same industry can also lead to an adjustment of a higher discount rate. Finally, ESG criteria have been correlated with strong long-term survival: there is a positive impact on the long-term growth rate used in the valuation.

In conclusion, ESG is expected to become more important in the years to come as laws, standards, and frameworks for ESG reporting are rapidly catching up globally.

While ESG initiatives in Africa are still limited to ESG stock indexes and frameworks for ESG reporting, firms on the continent should prepare to comply with the global standards of ESG reporting and performance. Firms can therefore facilitate and attract M&A deals, take advantage of the future valuation considerations, enjoy a strategic edge on competitors, grow a better reputation, and be prepared for the potential future local ESG requirements and laws.

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Expert insights: The unsung hero of corporate resilience: Why strong board governance is essential

Economic headwinds, geopolitical challenges, and unexpected market shifts can result in a PE exit trajectory and timeline being knocked off course. To ensure enhanced stability and robust decision-making through turbulent times, strengthening the board with experienced professionals skilled in managing uncertainty and volatility can mitigate any potential slide into financial under-performance and distress (which naturally impacts valuation and the likelihood of a stable, managed exit).

Why strong boards matter
A well-functioning board acts as a strategic compass, providing independent oversight, fostering sound decision-making, and ensuring strong risk management practices. These are precisely the elements that equip companies to weather unforeseen storms and navigate periods of uncertainty.

Our *Deloitte Restructuring Survey 2024* report highlights that in addition to weak board governance, cash flow management and inadequate financial controls are internal risks likely to cause distress.[28] A proactive board, actively engaged in financial oversight, can identify and address these concerns before they escalate. Early detection of financial vulnerabilities allows for timely corrective action, potentially preventing a downward spiral into financial distress.

While managing financial underperformance and distress is oftentimes addressed internally, the ability to approach these issues commercially vests in independent challenge.[45]

Too often, a board waits too long before bringing in professional expertise to assist and craft a credible turnaround plan – credible not only to the board, but also to important stakeholders, including lenders and shareholders.

The benefits of strong board governance extend beyond financial stability, fostering a culture of transparency and accountability and attracting and retaining top talent. Potential investors, too, place a premium on good governance, recognising the link between robust oversight and sustainable long-term growth.

Building a strong board
While not necessarily surprising, it is still quite a stark message: weak board governance can trigger financial distress. So how do you build a board that has governance and oversight and acknowledges when additional expertise is required (knowing what you don't know)?

An investment in board development programmes can cultivate a governance structure that empowers directors to fulfil their critical roles: consider developing governance processes, fiduciary duties, monitoring of bespoke financial metrics, taking swift and decisive action when forecasts start to move in the wrong direction, strengthening the board with experienced turnaround directors, and fostering proactive and open communication.

Strong board governance is not merely a corporate nicety, but a cornerstone of corporate resilience. In a world brimming with uncertainty, fostering a strong board of directors is an essential first step toward navigating the challenges and seizing the opportunities that lie ahead.

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Acronyms

AfDB	African Development Bank
AVCA	The African Private Capital Association
DCF	Discounted cash flow
DFI	Development Finance Institution
EACOP	East African Crude Oil Pipeline
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EM	Emerging market economies
FDI	Foreign direct investment
FOF	Fund of funds
GDP	Gross domestic product
GP	General partner
GNU	Government of National Unity
IMF	International Monetary Fund
IPO	Initial Public Offering
IRR	Internal Rate of Return
IVSC	International Valuation Standards Council
JV	Joint venture
LNG	Liquefied natural gas
LP	Limited partner
M&A	Mergers and acquisitions
PE	Private equity
PECS	Private Equity Confidence Survey
SAVCA	Southern African Venture Capital and Private Equity Association
SDG	Sustainable Development Goals
SME	Small and medium-sized enterprise
SPA	Sale and purchase agreement
SSA	Sub-Saharan Africa
TMT	Technology, Media, and Telecommunications
UK	United Kingdom
US	United States
VC	Venture Capital
VIX	Volatility index
y-o-y	year-on-year

Methodology

The 2024 Deloitte Africa Private Equity Confidence Survey focuses on four African regions, namely East Africa, North Africa, Southern Africa, and West Africa. The country categorisation of these regions follows that of the African Development Bank (AfDB):

- **East Africa:** Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, Tanzania, Uganda.
- **North Africa:** Algeria, Egypt, Libya, Morocco, South Sudan, Sudan, Tunisia..
- **Southern Africa:** Angola, Botswana, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia, Zimbabwe.
- **West Africa:** Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

Unless otherwise noted, the report is based on responses collected from GPs and LPs across the four regions that participated in the survey between March and May 2024.

Across the regions, a total of 126 usable responses were received, up 21% from last year's number of usable responses. Respondents included mostly GPs (83%) and LPs (17%), with several of them able to provide views on multiple regions. The questions posed to respondents were adapted from those asked in previous editions of the Deloitte Africa PECS. Due to rounding, not all values will add up to 100% in the figures based on survey responses.

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Endnotes

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[12] IMF, April 2024. WEO database.

[13] Deloitte Insights, February 2024. East Africa Economic Outlook.

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[15] Ibid.

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