

Expert Q&A With Sandile Hlophe, Ernst & Young

Privcap: What investment framework is required for successful private equity investing in Africa?

Hlophe: The ability to understand the social governance issues related to a particular sector and the drivers of growth and drivers of value in the particular sector become important. And these you learn, and improve. You understand your sector as you do more portfolio company investments in that particular sector and as you evolve. So we found that PE firms that focus on particular between three and five specific sectors are quite successful.

And then number two, having a good understanding in terms of which parts of the African continent are you going to invest in. There's always a perception that Africa is just one big country. It's actually 54 different countries. And with probably about five different regional and economic zones. So having good sector focus, good understanding of which countries and which regions, and as to what the returns expected for that sector would be gives you a better understanding of the investment horizon.

Privcap: What is the importance of local knowledge when investing across Africa?

Hlophe: Africa's become quite a big investment destination so that a lot of companies are finding that they are aware that there are a lot of suitors out there. So it's become quite competitive. So unless you have a local partner to assist you in focusing and engaging almost exclusive discussions with particular targets, it could be quite difficult in actually doing an investment. You might find the premium is much more significant.

Number two, Africa growth is driven by a lot about family-owned, small to medium size businesses that are not traditionally listed, that have grown exponentially, that have the ability and power to grow across various countries and regions. Those aren't publicly listed. There's very little information available in public around them. And that is where we're finding that a lot of PE firms are leveraging our footprint and network.