

Private Equity: African Healthcare

Private equity fundraising for healthcare opportunities in Africa has reached an all-time high in 2015, but deal flow has not experienced the same momentum. Here, we examine the landscape for private equity investments in African healthcare.

Healthcare has been a prominent industry sector in the private equity universe, accounting for 11% of the total number of private equity-backed buyout deals in 2014 and 15% of venture capital deals. Encompassing several sub-industries including pharmaceuticals, medical devices, hospitals, biotechnology and more, the healthcare industry has grown in line with the social and technological advancements of the 21st century. The world's constant demand for healthcare services means that the sector accounts for a significant proportion of global deal activity year-on-year.

The state of Africa's healthcare has captured news headlines around the world. With the continent being home to over a billion people, and individual countries growing rapidly, there needs to be a strong economic response to the increased pressures the population will place on the already strained healthcare systems. The private equity opportunity to be found in the market is substantial and will likely play an important role in the development of the healthcare sector across a number of African nations.

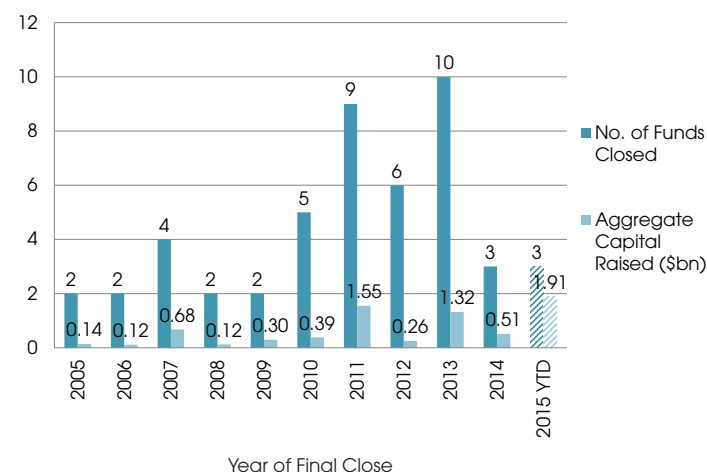
Investor Appetite

Preqin's Investor Intelligence database tracks 21 LPs based in Africa with an interest in private equity investments in the healthcare sector. Collectively, these investors have \$452bn in assets under management and an average target allocation to private equity of 6.2% of AUM.

Record Fundraising Levels

The latest statistics on fundraising for Africa-focused private equity funds that target opportunities in the healthcare sector are shown in Fig. 1. A peak in the number of funds closed was seen in 2013, with 10 such vehicles reaching a final close raising an aggregate

Fig. 1: Annual African Healthcare-Focused Private Equity Fundraising, 2005 - 2015 YTD (As at 26 June 2015)



Source: Preqin Funds in Market

\$1.32bn. Despite only three funds closing this year so far, 2015 YTD has seen a total of \$1.91bn secured, which is a record amount of capital for African healthcare-focused funds. These funds are listed in Fig. 2, with Helios Investors III ranking as the top fund by final close size. The \$1.1bn growth vehicle is actually the largest Africa-focused fund closed on record that seeks opportunities in the healthcare sector.

The fund manager, Mauritius-based Helion Venture Partners, is one of the 10 largest Africa-based GPs to include healthcare in its

Fig. 2: Africa-Focused Private Equity Funds Targeting Healthcare Closed in 2015 YTD (As at 23 June 2015)

Fund	Firm	Type	Fund Size (mn)	Close Date	Vintage
Helios Investors III	Helios Investment Partners	Growth	1,100 USD	Jan-15	2014
Capital North Africa Venture Fund II	Capital Invest	Expansion / Late Stage	75 EUR	Apr-15	2013
African Development Partners II	Development Partners International	Growth	725 USD	Mar-15	2013

Source: Preqin Funds in Market

Fig. 3: 10 Largest Africa-Based Private Equity Fund Managers with an Investment Focus on Healthcare

Firm	Headquarters	Primary Investment Strategy	Total Funds Raised in Last 10 Years (\$mn)
Ethos Private Equity	South Africa	Buyout	1,525
Africinvest	Tunisia	Venture Capital	908
Helion Venture Partners	Mauritius	Venture Capital	905
EFG-Hermes Private Equity	Egypt	Venture Capital	776
Brait Private Equity	South Africa	Buyout	680
Metier	South Africa	Growth	630
African Capital Alliance	Nigeria	Growth	497
Makalani	South Africa	Mezzanine	443
Avigo Capital Partners	Mauritius	Growth	365
Beltone Private Equity	Egypt	Buyout	329

Source: Preqin Fund Manager Profiles

investment focus. Fig. 3 lists the top 10, by total funds raised in the last 10 years. South African firm Ethos Private Equity leads the way, with over \$1.5bn secured and approximately \$600mn in dry powder available to invest.

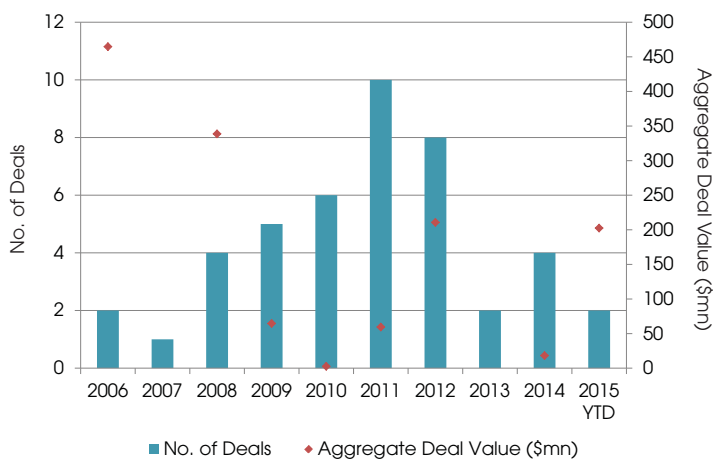
Buyout and Venture Capital Deal Activity

Fig. 4 illustrates the deal flow over the years for private equity-backed buyout investments into Africa-based healthcare companies. With a peak in aggregate deal value of \$465mn in 2006 and the highest number of deals (10) in 2011, African private equity activity has failed to come close to these highs since. So far in 2015, there have been just two buyout deals involving African healthcare companies with an aggregate deal value of \$202.5mn.

In February 2015, Ascent Capital invested \$2.5mn of growth equity into Medpharm Holdings Africa through its Ascent Rift Valley Fund. Based in Ethiopia, Medpharm Holdings Africa operates as a medical diagnostics services provider and will use the funds for national and regional expansion and to increase the number of tests and services offered to clients including cancer screening.

In March 2015, The Abraaj Group acquired the North Africa Hospital Holdings Group, a healthcare investment platform to enhance the quality and accessibility of healthcare in Egypt and Tunisia. The \$200mn deal was in partnership with a number of leading development financial institutions – the European Bank for Reconstruction and Development (EBRD), DEG and Proparco.

Fig. 4: Number and Aggregate Value* of African Healthcare Buyout Deals, 2006 - 2015 YTD (As at 23 June 2015)



Source: Preqin Buyout Deals Analyst

*No data for 2007 or 2013 deal values

**No data for 2008, 2009, 2012 deal values

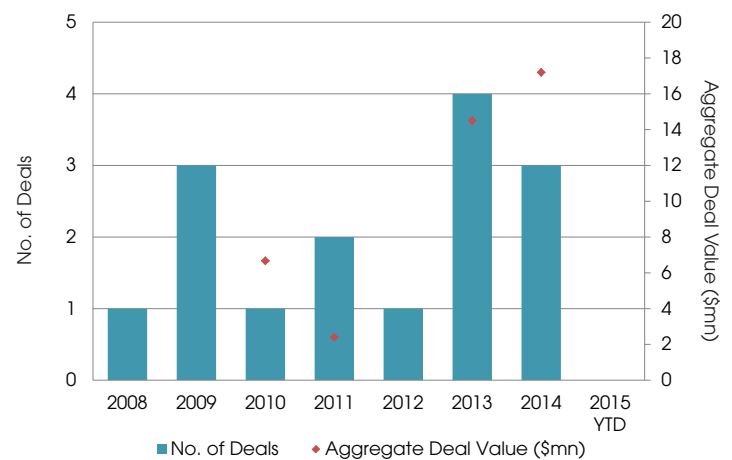
***Excludes add-ons, grants, mergers, secondary stock purchases and venture debt

The venture capital side has also seen some activity in the healthcare space in Africa, but no such financings in 2015 YTD. Fig. 5 shows the number and aggregate value of venture capital investments in African healthcare companies, with 2014 reaching a record high of \$17.2mn through three deals. The largest of these was a \$16.6mn financing round from Vital Capital Investments into Luanda Medical Centre (LMC). The primary healthcare services operator is designed specifically to provide high quality healthcare and diagnostic services for the population of Luanda, Angola's capital. Intended to provide international quality healthcare at affordable local prices, the LMC is expected to have significant positive social impact on the population of Luanda.

Outlook

Overall, the outlook for the African healthcare niche of the private equity market is promising, particularly if the fundraising momentum seen in 2015 so far continues. Preqin's data shows that there are currently 25 Africa-focused private equity funds in market targeting opportunities in the healthcare industry. These vehicles are seeking an aggregate \$4.2bn, with the largest fund, ECP Africa Fund IV, targeting \$750mn. The majority of this pool of 25 funds will be focused on growth equity investments, but other funds cover a diverse range of strategies, including venture capital, buyout and mezzanine. This somewhat reflects the array of investment opportunities to be found in African healthcare companies, and with \$800mn collected via interim closes so far for these vehicles, we have some indication as to the significant levels of investor appetite for the market.

Fig. 5: Number and Aggregate Value of African Healthcare Venture Capital Deals***, 2008 - 2015 YTD (As at 23 June 2015)**



Source: Preqin Venture Deals Analyst

Private Equity Online: A Vital Tool

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