



IS THERE ANY VALUE IN INVESTOR-BUSINESSES MATCHMAKING EVENTS?

DFS AFRICA'S CO-FOUNDER AND DEAL ROOM CONVENER EXAMINES WHAT DEAL ROOM EVENTS CONTRIBUTE TO FAST-TRACKING PRIVATE INVESTMENT INTO AFRICA

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 **DFS Africa**

Africa has produced some of the world's fastest growing economies in the last decade and will have a population of about 1.7 billion people with a combined business and consumer spending of \$6.7 trillion by 2030¹. While economic growth and increased population is not a panacea for all its problems, the potential for economic growth is clear to investors. Investments by Africa-focused Private Equity firms have grown steadily over the last decade with an estimated 150 active fund managers exposed to the continent employing diverse strategies across sectors, geography and ticket sizes with increased commitment to the continent.



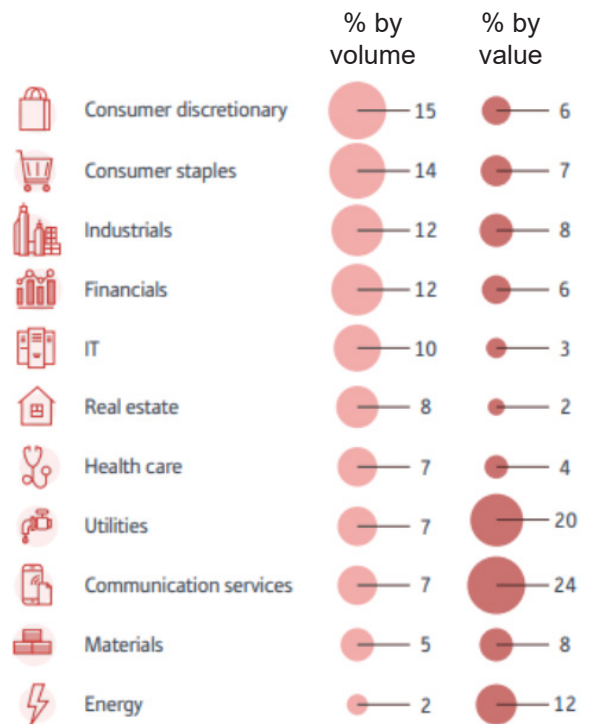
\$19.2bn
in African PE fundraising took place between 2014 and H1 2020

\$139m
was the median size of final closed funds in Africa in 2014-2019

As evidenced in the infographic below, a lot of fundraising has taken place in the past decade with African focused funds raising a total of \$19.2 billion between 2014 and H1 2020 with the median size of closed funds at about \$139m. While these numbers are encouraging, median fund sizes are lower than investor expectations and roughly half of the median size that Asia-Pacific funds have raised in a similar period. Analysts at Bain & Company estimated that Asia Pacific focused funds closed 8% ahead of their target between 2014 and 2020². We attribute the relatively lower fund sizes in Africa focused funds mostly due to poor pipelines and thin niche industries making defined mandates difficult and making Limited Partners increasingly non-committal.

To investors' credit, many have adopted various approaches and interventions to increase deal pipeline and transaction closes ranging from working with local advisors, facilitating technical partnerships to supporting capacity building services for African businesses. However, African businesses often lack information about these opportunities and the availability of capital. This culminates in the failure of businesses to secure external finance needed to grow or scale their businesses and time consuming for investors to source deals that match their mandate.

Breakdown of African PE Deals by Sector, 2014-19



Source: AVCA 2019 Annual African PE Data Tracker & 2020 H1 African PE Data Tracker

¹ [Spotlighting opportunities for business in Africa and strategies to succeed in the world's next big growth market \(brookings.edu\)](https://www.brookings.edu/research/spotlighting-opportunities-for-business-in-africa-and-strategies-to-succeed-in-the-worlds-next-big-growth-market/)

² [Asia-Pacific Private Equity Report 2020 | Bain & Company](https://www.bain.com/insights/asia-pacific-private-equity-report-2020/)

A business event such as the Deal Room that provides networking and investor-business matchmaking, can often increase the quality and quantity of investors' deal pipeline. The Deal Room also fast tracks the deal making process as both investors and businesses can meet partners to work with in the space of a day or two thereby significantly increasing their chance of closing a deal. At a Deal Room event, networking goes beyond just exchanging cards and even beyond 'escalator pitches'. This is because everyone shortlisted for the deal room event is attending specific meetings with businesses and people they want to meet having read through their business proposal and for the businesses knowing which investors they will be meeting before they leave their homes or offices. A well organised and executed Deal Room event provides many benefits amongst which are:

For investors:

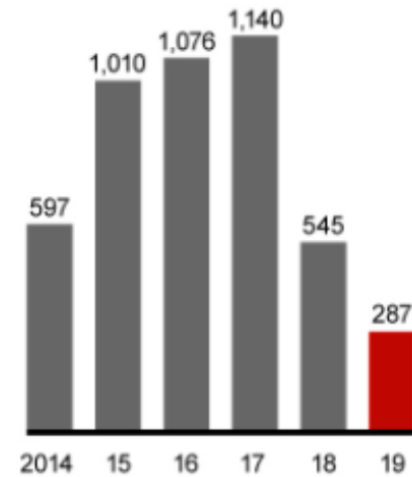
- Cut through the clutter to find businesses/ projects that match investment objectives
- Have opportunity for face to face meeting (and potential site visits) early on in the due diligence process prior to committing resources to full deal due diligence
- Faster deal completion and improved ROI as a result of our pre-Deal Room investment sourcing work
- Investing in Emerging economies allows investors to foment meaningful change, providing not only reliable economic returns, but personal ones as well

For businesses:

- Showcase their businesses and projects to the right people. Business owners and Entrepreneurs will be meeting key decision makers who are already looking for opportunities in the industry or sector and have particular interest in each company they are meeting
- Benefit from a suite of competitive financial advisory services that facilitates a seamless due diligence process to achieve funding
- Validate their business strategy and connect with top institutional investors, business executives, and entrepreneurs at the event
- Access to highly specialized and relevant financing sources suitable for stage of business

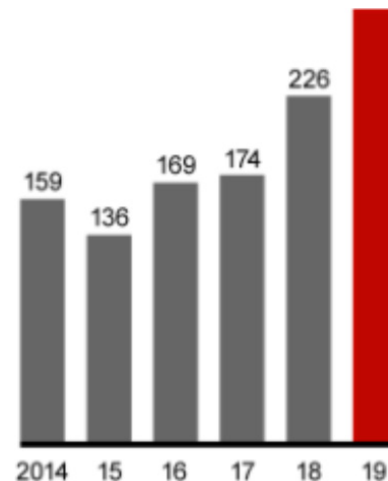
A happy few funds closed ...

Number of Asia-Pacific-focused funds closed



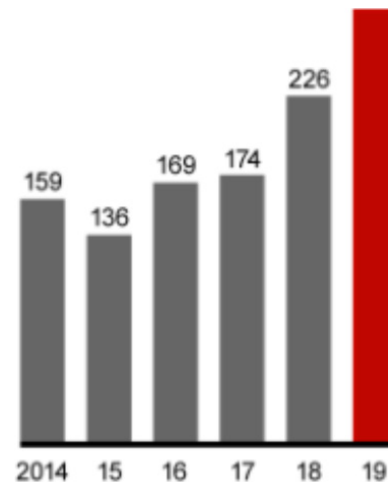
... with record size ...

Average size of closed Asia-Pacific-focused funds (\$ million)



... well above target ...

Final size vs. target size for closed Asia-Pacific-focused funds



Note: Excludes real estate and infrastructure

Source: Prequin - Asia-Pacific Private Equity Report 2020

For businesses looking to raise funding or for investors looking for verified investment opportunities, DFS Africa has been running the Africa Deal Room events since 2017. At DFS Africa we help investors and businesses cut through the clutter in finding relevant and strategic partners to work with. Through our proprietary Deal Room and Transaction Advisory services, we have originated and advised on transactions across many sectors, specifically Healthcare/Pharma, Energy, Agriculture, and FMCG. The DFS Africa Deal Room facilitates connection to a global pool of financing organizations that include; Impact Investors, Private Equity Funds, Investment companies and Development Finance Institutions (DFIs).

We have modelled our Deal Room to match vetted, relevant and development-focused high growth African companies to the right partnerships that can help them to scale; thereby providing the right financing, technological and capacity development support.

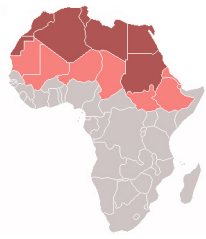
In the past four years, our Deal Room and Advisory business have facilitated:

- USD2.3 billion worth of transactions presented to investors at the Development Finance Summit held in partnership with CNBC Africa held in Lagos, Nigeria 2017
- USD200m worth of transactions presented to investors at the Deal Room event held in partnership with the Sankalp Forum held in Nairobi, Kenya in 2018
- USD250m worth of transactions were presented to investors at the Africa Pharma Conference held in Johannesburg in June 2019 (in partnership with AUDA-NEPAD)
- USD 125m worth of transactions presented to investors at the CPhI Middle East and Africa Abu Dhabi.
- Strategic partnerships with more than 50 investors with a mandate to invest in various sectors of the African economy
- Advisory services to scale pharmaceutical manufacturing for 2 African manufacturers.



Since 2017 we have had 125 companies across the continent participating in our Deal Room events with a total of about US\$3billion being sought by participating companies.

Geographic representation of deal room transactions (July 2017 - June 2021).



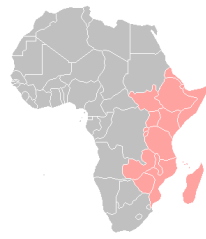
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Northern Africa



18

Southern Africa



26

Eastern Africa



78

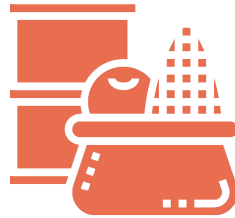
Western Africa

DFS Africa Deal Room Sectoral Focus

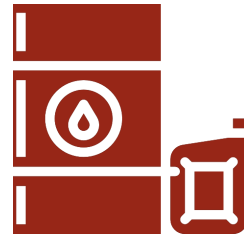
Despite the pandemic, we are seeing investor appetite increase across the following sectors we have been working in as an advisory business



Agribusiness and Value Chain



Commodities Trading and Distribution



Energy and Oil & Gas



Fast Moving Consumer Goods (FMCG)



Infrastructure



Healthcare and Pharmaceuticals

The next DFS Deal Room events will hold in both Mozambique and South Africa in November 2021. Dates and registration details will be confirmed in the next few weeks.

We have mandates from several investors with different criteria; however most transactions that are shortlisted for Deal Room are benchmarked against the following criteria:

- Post-revenue. Minimum run rate EBITDA of at least \$500,000
- Have a minimum operating history of at least 3 years. If a new project, then it must be from promoters who have a track record of successfully executing similar projects
- Local and committed management team with skin in the game
- Have a robust business model with potential for scale
- The average ticket size being sought was about \$5m.

While DFS Africa runs regular Deal Room events, our transaction advisory team also receives funding or advisory requests all year round. Should you be interested in raising funding to scale or grow your business in Africa, please email dfs@developmentfinancesummit.com.

Olukayode Afolabi is Co-founder and COO at DFS Africa, an Africa focused advisory firm dedicated to transforming lives in Africa through solutions that make Africa's economies better, strengthen local businesses and increase the effectiveness of public authorities. He has been instrumental in setting up the Deal Room for DFS Africa growing it's investor base to more than 50 with a combined mandate of \$3 billion. Prior to co-founding DFS Africa, Kayode worked with leading Investment Banks and FTSE 100 multinationals such as UBS, HSBC and Columbia-Threadneedle leading large scale programs. Kayode has a Bachelor's degree in industrial chemistry from the University of Ilorin Nigeria and has attended several executive level courses at Harvard University and SAID Business School (University of Oxford) covering subjects such as Project Financing, Investments & Portfolio Analysis and Entrepreneurship. Kayode's professional mission is to make a significant and sustainable contribution to socio-economic development in Africa.

