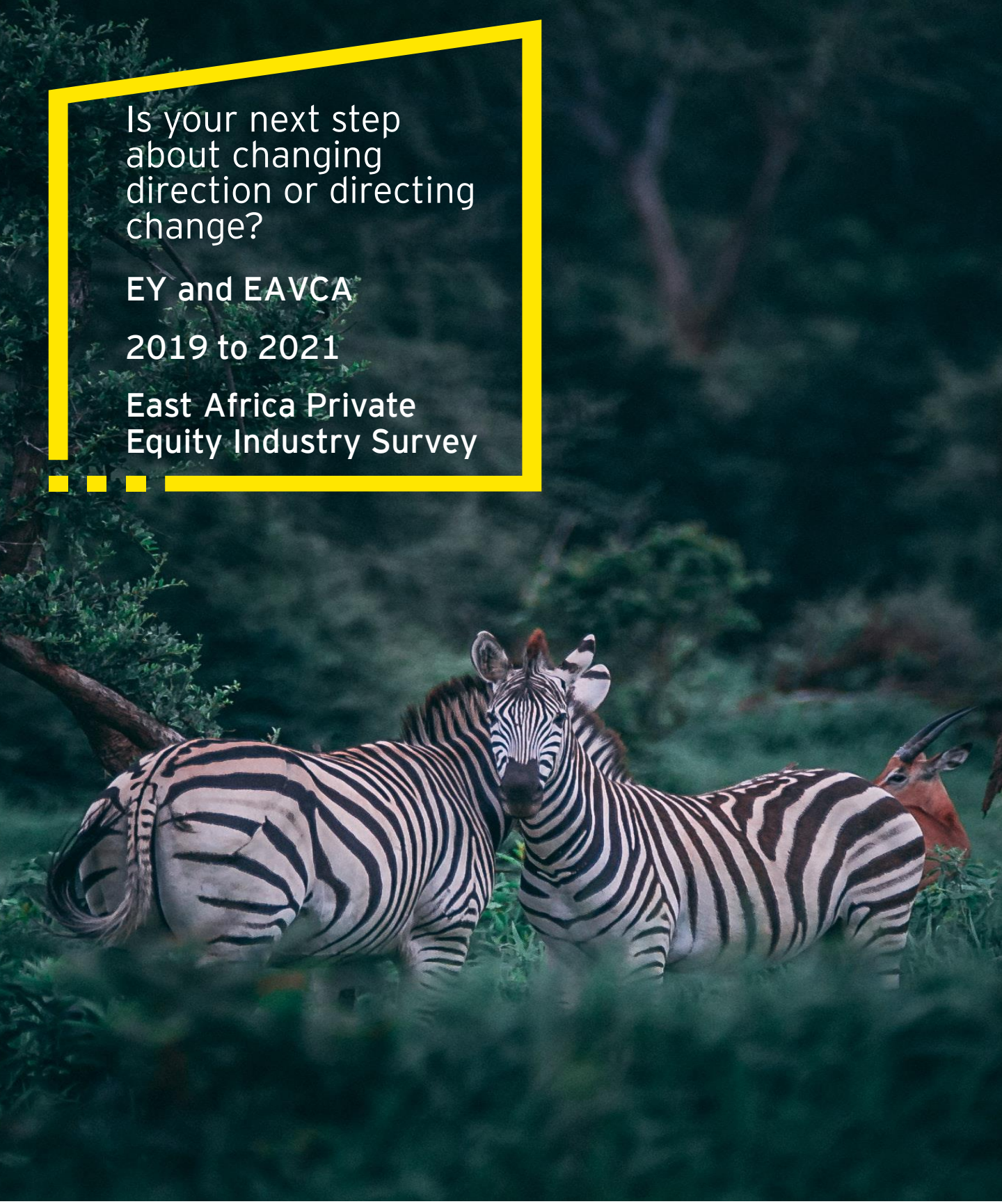
Is your next step about changing direction or directing change?

EY and EAVCA

2019 to 2021

East Africa Private Equity Industry Survey



EAVCA
East Africa Venture Capital Association

The better the question.
The better the answer.
The better the world works.

EY
Building a better working world

Jersey Finance

Delivering Insight ▪ Driving Innovation

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Jersey for Supporting African Capital Raising

Jersey can play an increasingly vital role in sourcing overseas capital securely and efficiently, helping to support economic growth and job creation in Africa.

The Island has been at the forefront of fund services for more than 60 years. It provides a straightforward tax-neutral environment, strong regulatory and legal frameworks, and vast experience in the alternative asset classes, including private equity, venture capital and infrastructure funds.

This, combined with a forward-thinking approach and the ability to offer certainty, stability and substance, gives Jersey the international pedigree that appeals to investors across Africa.

Offering a safe and familiar environment for European investors across institutional, high-net worth and pension funds, as well as meeting the market access requirements under the AIFMD, makes Jersey a highly attractive option for investors in Europe, offering a clear solution for private equity deal structuring in Africa.

Benefits for funds and managers include:

- A regulatory framework which has evolved specifically for alternative asset classes
- A tax-neutral environment to avoid the double or triple taxation of funds and their investors
- Fund service providers ranging in size and specialisation
- Regulations which are proportionate to the level of investor sophistication

£436.3bn
total net asset value
of regulated funds under administration

as at 30 June 2021

89% **of fund assets in alternatives**

- Private equity
- Venture capital
- Real estate
- Infrastructure
- Hedge

as at 30 June 2021

456
Jersey Private Funds
established since their launch in 2017

as at 30 June 2021

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Foreword by EAVCA

The resilience of private capital in generating opportunities for East African companies has been demonstrated in the past two years. During this time, fund managers have had to contend with a dynamic environment from within their own fund ecosystem to supporting their portfolio companies as they navigated their own transformation.

The period 2018 - 2019 marked the onset of the changing tides for the private capital industry in East Africa. Driven by the need to find innovative ways for capital deployment while delivering target returns to their investors, fund managers turned to co- investment collaborations and formation of strategic partnerships as avenues to unlock new value to investee companies.

While navigating the Covid-19 global pandemic, private capital investors focused on portfolio optimization and staff welfare as the two leading strategies to navigate the changing investment environment. With investors adapting to the new business reality, most of the polled investors for this survey noted that their imminent action was in portfolio value preservation. As the world re-emerges from the global pandemic, we can expect fund managers to continue proactively engaging with their portfolio companies, helping them adapt to new market demands and adjust to the disrupted business operations.

For funds, one notable change was in the area of fundraising, where traditional engagement was hampered by limitations on travel, affecting due diligence processes as well as contracting. Consequently, the PE industry in East Africa managed to raise $457 million in the year 2020, about half of the amounts raised in 2019. in the first half of 2021, the industry has already surpassed the fundraising sums from 2020, with a record $485 million raised by our survey respondents, and indicating the bounce back of private capital activity beyond 2020.

Post pandemic, the influence of technology in transforming traditional industries and providing and alternative way of life remains a key driver for investment in tech enabled companies. As a result, we observe and increase in deal activity for tech backed companies and conversely the rise of venture capital as a fund strategy for East Africa. We anticipate this trend to remain a main stay in the short to medium term as young companies leverage technology for their own growth.

In all, adapting to change appears to be a mainstay for the private capital landscape in East Africa. From the emergence of micro sector funding, dominance of tech as a value driver, to the growing call for climate conscious investing, fund managers are eager to navigate the changing environment and tap into the opportunities it presents, to transform business while delivering the expected returns.

Eva Warigia
Chief Executive Officer

eva@eavca.org

Foreword (EY)

Private Equity (PE) and Venture Capital (VC) firms, portfolio companies and investment funds face complex challenges. They are under pressure to deploy capital amid unprecedented economic and geopolitical uncertainty, increased competition, and rising stakeholder expectations.

The economic aftershocks of the COVID-19 pandemic touched virtually every organization across the world. In the short term, most firms adapted successfully to a remote working environment. The long-term impact on the PE & VC industry as well as its portfolio companies, of course, is still unfolding. In this new environment, the PE & VC industry has an opportunity to act as agents of change and take advantage of the opportunities the pandemic has presented and influence the future of work in their portfolio companies, digital transformation to changes in consumer behaviour and focus on long-term value. The stakes are now existential: the pandemic accelerated the trajectory of organizations, and firms must seize this opportunity to transform and leap ahead or risk being left behind.

Our survey covers the industry's strategic priorities, investment & divestment activity and fund raising. It highlights that increased liquidity risks brought about by COVID-19 are viewed as the greatest challenge facing the industry. It also notes that PE and VC firms are working more closely with portfolio companies: assessing supply chains, revenue impacts, liquidity needs and value creation. With increasing amounts of capital flowing into PE and VC, fund managers realize the stakes have never been higher for making the right choices. Fund managers must continue to evaluate new product offerings, from expanding sustainable investment options to dabbling in cryptocurrency.

Going forward, PE & VC firms increasingly must be able to identify and deliver operational improvements to achieve targeted returns. Closing the gap between intention and execution in moving to the future enterprise will require pursuing three interconnected value drivers: putting humans at the centre, adopting technology at speed and driving innovation at scale. Embracing these value drivers while building agility into organizational culture will allow companies to outperform as we move into a post-pandemic recovery. Nimbler companies, ones that deal with ambiguity better and embrace risk-taking, will be able to pivot and respond quickly to emerging opportunities.

As EY, we are available to support you on situations we know best: complex carve-outs, functional transformations, value creation, exit readiness, independent business reviews, restructuring and turnarounds. Whatever the situation, we connect learnings from our Strategy and Transactions professionals to deliver the value case. We use embedded data and analytics at each stage of the process to accelerate our analysis, to help you set in motion the right strategy, improve operating performance, enable growth, and optimize the exit. Our integrated teams focus to keep management on side without compromising speed or sacrificing the size of the prize.

Frank Mwiti
EY-Parthenon and Eastern Africa Markets Leader

frank.mwiti@ke.ey.com

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Survey methodology and sources of information

The 2021 Private Equity Industry Survey is presented by EAVCA and EY. The survey was based on responses received in June 2021 and July 2021, from over 20 Private Equity firms, Development Financial Institutions, Social Impact Investment Funds and Infrastructure Funds operating in Eastern Africa.

The survey was extended and participants invited to take part in December 2021 and January 2022 so as to capture activity in H2 2021. The response rate in this survey window was low, and we have only included the results where appropriate in this survey report.

In addition to survey data, the research used complementary publicly available information on the private equity sector and deal activity in East Africa.

The survey covers analysis of the industry's strategic priorities, investment & divestment activity and fund raising.

EAVCA reviews the report prior to public release. While care has been taken in the compilation of the survey results, EAVCA and EY do not guarantee the reliability of its sources nor of the results presented. Any liability is disclaimed, including incidental or consequential damage arising from errors or omissions in this report.

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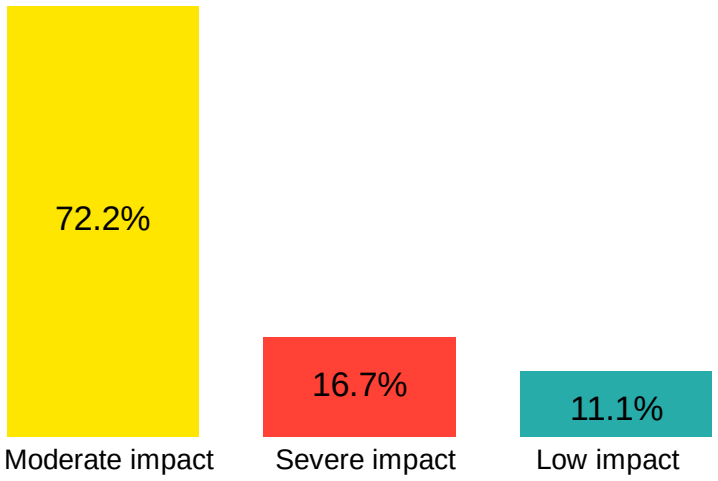
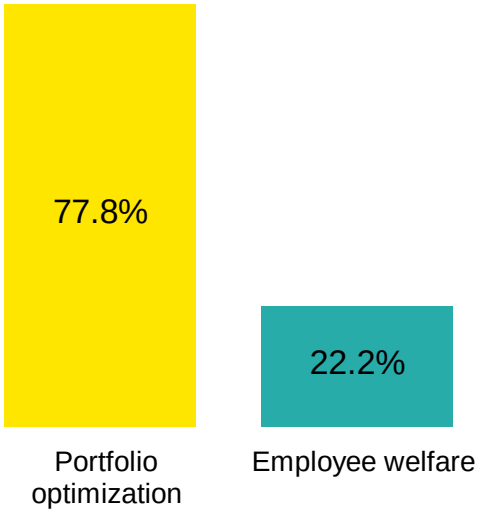
Highlights of survey results

While the pandemic moderately affected the fund performance, short-term portfolio write-downs and liquidity risks present the opportunity for funds to support sectors in rebuild, while valuations remain favourable in East Africa.
PE firms are largely prioritising managing downside risk in portfolio companies, and many have expressed that their strategy remains largely unchanged. 2020 saw PE and VC firms work more closely with portfolio companies: assessing supply chains, revenue impacts, liquidity needs and value creation.

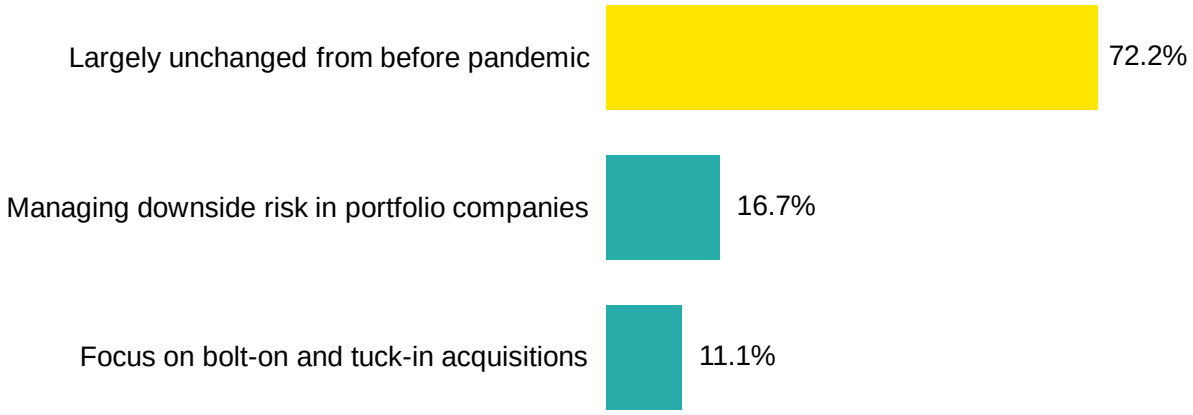
Impact of COVID-19 on fund performance



Priority strategy in response to COVID-19

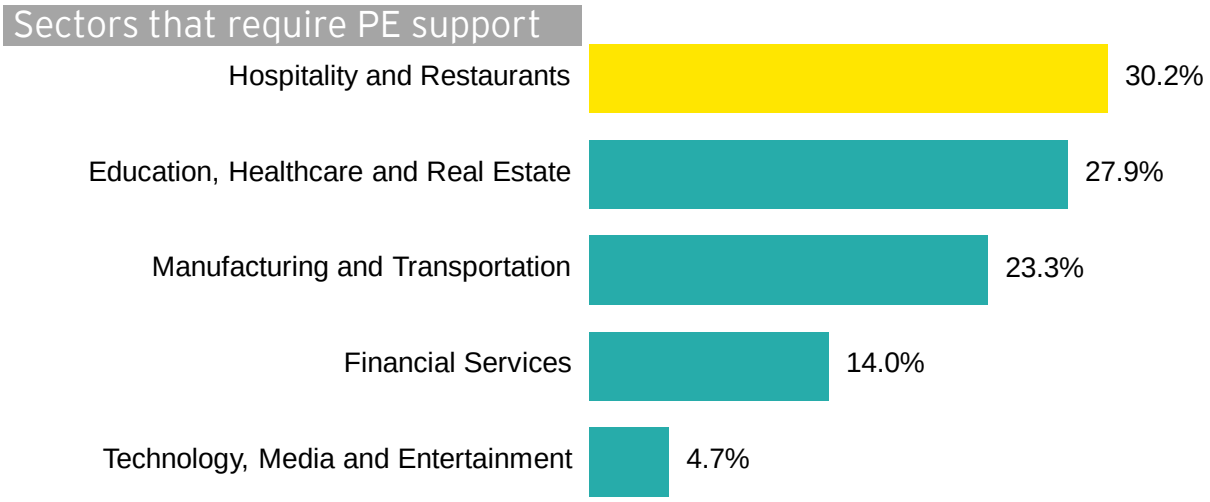


Next 12 months' strategy



Highlights of survey results

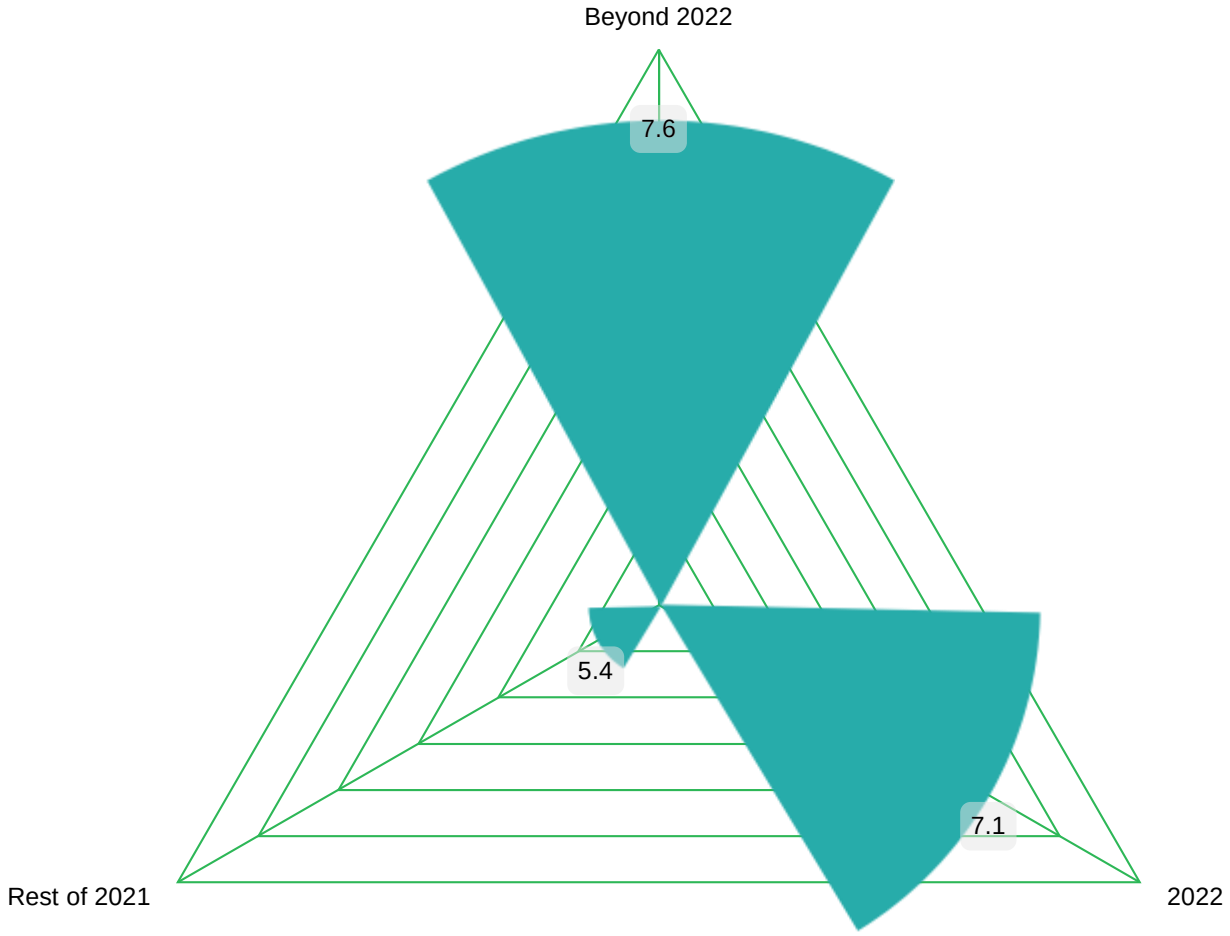
The pandemic had a significant hit on the hospitality sector. This led to a decreased ability for business to operate, unfavourable supply chain effects, financing risk and low resilience to revenue sensitivity. Consequently, firms are cognisant of the need to support the sector.



Highlights of survey results

- PE firms expect deal flow performance to bounce back in 2022 after two years of slow churn as markets stabilise.
- Stabilisation and slight improvement thereafter expected for beyond 2022.
- Robust deal momentum expected with growth in consumption levels, greater availability for deals financing and growth in vaccination rates.

Deal flow expectation



1 - Very low levels

Key:

5 - Normal or average levels

10 - Very high levels

Highlights of survey results

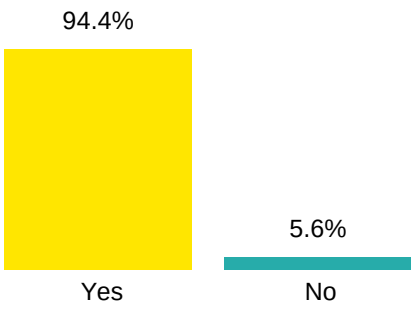
100%

of respondents consider ESG in their investment screening process.

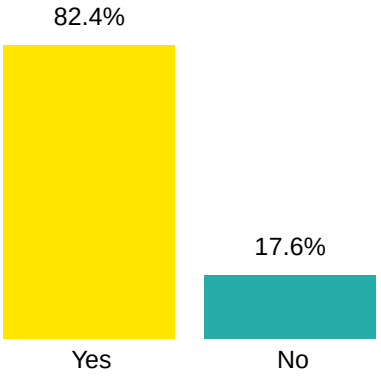
Purpose and transparency are increasingly critical, driven by a number of factors such as:

- Demand from LPs;
- Origination;
- Regulatory developments; and
- The talent agenda.

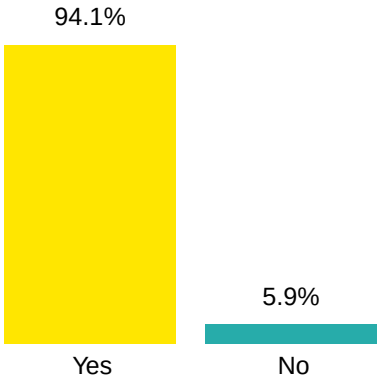
Is ESG a priority in the investment process?



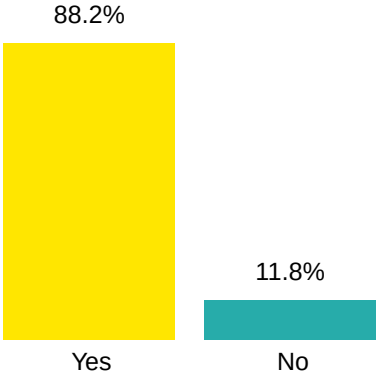
Do you have a dedicated team focused on ESG?



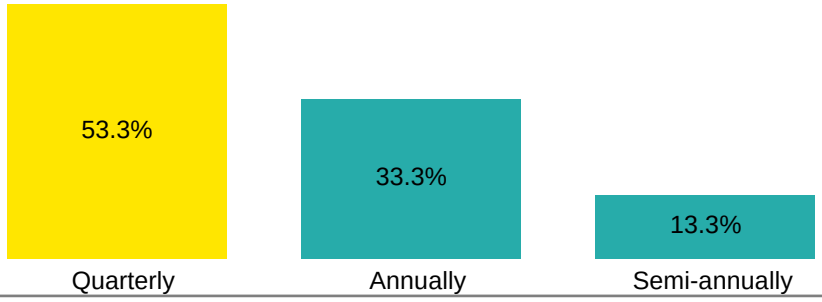
Do you have an ESG policy for your portfolio companies?



Do you prepare reports on ESG matters?



How frequently do you prepare reports on ESG matters?



Highlights of survey results

During the pandemic period, the following levers were used by PE firms to increase their operational value add to drive returns:

- Sales growth, including sales force optimization and changes to pricing and product mix;
- IT-driven value enhancers;
- Cost rationalization, both direct and indirect;
- Sector expertise and selection

The role of the operating partner is expanding markedly. Purpose and transparency, talent, and digital transformation are all becoming increasingly important. Globally, tech investments remain PE's biggest sector play.

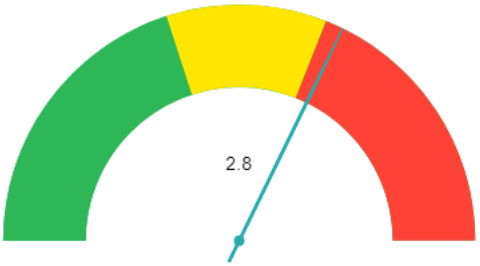
Strategic priorities

Highlights of survey results

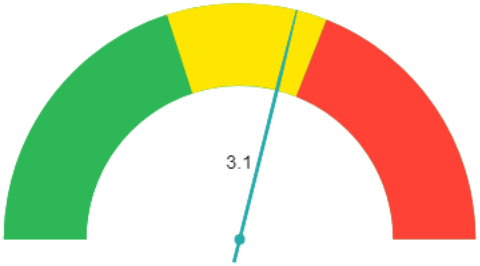
Increased liquidity risks brought about by COVID-19 was seen as the greatest challenge facing the PE industry.

One of the outcomes of the pandemic is that despite unprecedented levels of dislocation, valuations in East Africa remained high for most deals. Could rising inflation finally temper PE valuations?

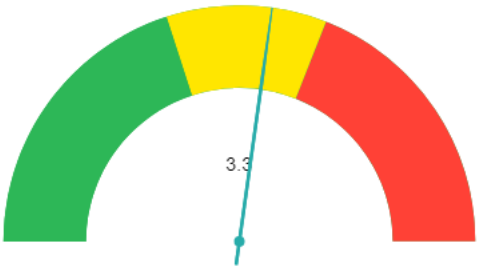
Protecting portfolio companies from increased liquidity risks during the COVID-19 crisis



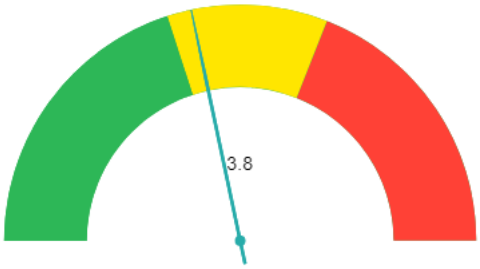
Exiting investments at high enough target multiples to exceed hurdle rate



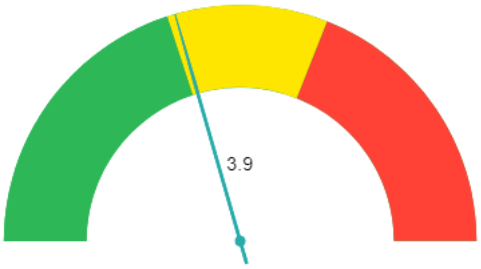
Fundraising



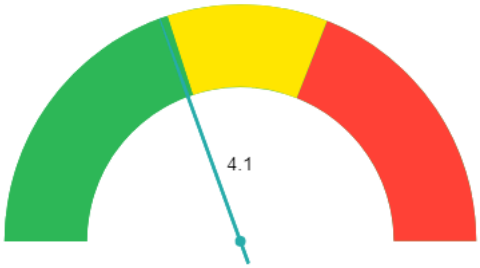
High multiples



Ability to put capital to work



Volatility in valuations deterring buyers and sellers from transacting



Key:

1 - Greatest challenge

3 - Moderate challenge

6 - Least challenge

When we set up Novastar seven years ago

the concept of venture capital in East Africa was a slightly crazy idea. Impact investing was one thing but it took a long time to convince investors that it was possible to deliver impact AND financial returns at an early stage. Today, that argument has been made and the market is undoubtedly maturing.

Two prevailing trends point to this growing maturity. First, we see specialisation amongst both investors and startups; early on there was an attitude of "we don't know if it's going to work, let's be open to anything and give it a go", today firms are singular in their focus. A great example on the investor side is Mobility 54, a corporate VC backed by Toyota Tsusho Group, which invests solely in mobility solutions for Africa. In turn, Africa-based entrepreneurs have zeroed in on sophisticated solutions to endemic problems. In the past few months alone we have spent time with ten electric vehicle companies, two companies using AI applied technologies, and a score of marketplaces working to disintermediate broken supply chains. Meanwhile, as we know, fintech is thriving. This level of entrepreneurial activity, and the growing sector expertise that sits behind it, is good news for the East African venture ecosystem and ambitious businesses across Kenya, Uganda and Ethiopia.

The second indicator of market maturity is an increasing separation between impact and venture funds. In the past, if you invested early stage you were probably an impact investor whereas now there are increasing numbers of investors, both individual and institutional, who believe you can invest early to make money. Similarly, there are investors trying to have impact by doing more than just investing in SMEs. The industry no longer lazily bundles 'early stage' as impact and venture.

African venture capital is emerging as a distinct asset class. Venture is a very different animal to private equity; our work is not about the deep analysis of a single company in a sector and its financials but rather a judgement of individuals and teams. Almost by definition anything that we get excited about has huge amount of potential and almost no track record. That demands a different way of thinking and a particular sort of investment team.

And there is something distinctive about venture in Africa compared to more developed markets. This is a set of countries where there is massive untapped opportunity in every sector, and challenge in every part of the value chain. The entrepreneurs we work with seek to boldly transform the continent in a fundamental way – to change the way pharma works or disrupt the fertiliser industry, to come up with a new model for agri procurement or introduce innovative sanitation models in overcrowded informal settlements. Through our investments, we show it is possible to be equally committed to the financials and the impact. In our geographies, commercial success and impact at scale are mutually reinforcing because the companies we back are fixing huge problems, not making incremental gains in established industries. This impact finds voice in the stories of customer – whether that's a family in Kibera getting on to the internet for the first time, a newly married couple buying a sofa for their new home, or a schoolboy being able to access a safe, clean toilet on his way to school.

A couple of examples help demonstrate the opportunity we see every day. One is NewGlobe Education, which started in Kenya expanded into Uganda, and today operates in five countries with over 2,000 schools and more than 780,000 current active pupils. Novastar was one of the first investors in NewGlobe and we've since been joined by the Chan-Zuckerberg Initiative and US VC firm NEA, amongst others. A second example is Komaza, whose unique microforestry approach pays farmers to grow tiny plots of trees for wood. Komaza does three things: it generates commercial return, brings enormous social benefit to farmers and their families, and sets up a unique environmental impact story. Both Bridge and Komaza share tech enabled operating models and work directly with low income communities on extraordinarily thin margins. These are themes which unite the Novastar portfolio and capture our thesis that you can secure tremendous social impact as well as strong financial returns.

We are not fundraising at the moment, but during the past 12 months we have definitely seen a spike in inbound interest from places like the West Coast, Hong Kong, Singapore and Europe as firms seek co-investment opportunities. This confirms East and West Africa is slowly being recognised at a global level. In turn, the DFIs are increasingly setting up their own internal venture arms, for example CDC. Their comfort with the 'risk' of venture in Africa now feels secure.

In 2014, Novastar set out to catalyse a new asset class in East Africa. We bear the scars and have the learnt the lessons from the 22 investments we have made since then. Our strong networks have brought in co-investors behind us, both third parties and our own LPs. We remain utterly true to our mission: to back amazing businesses which serve the common good, make money and as a direct consequence transform entire sectors. But we cannot do it alone.

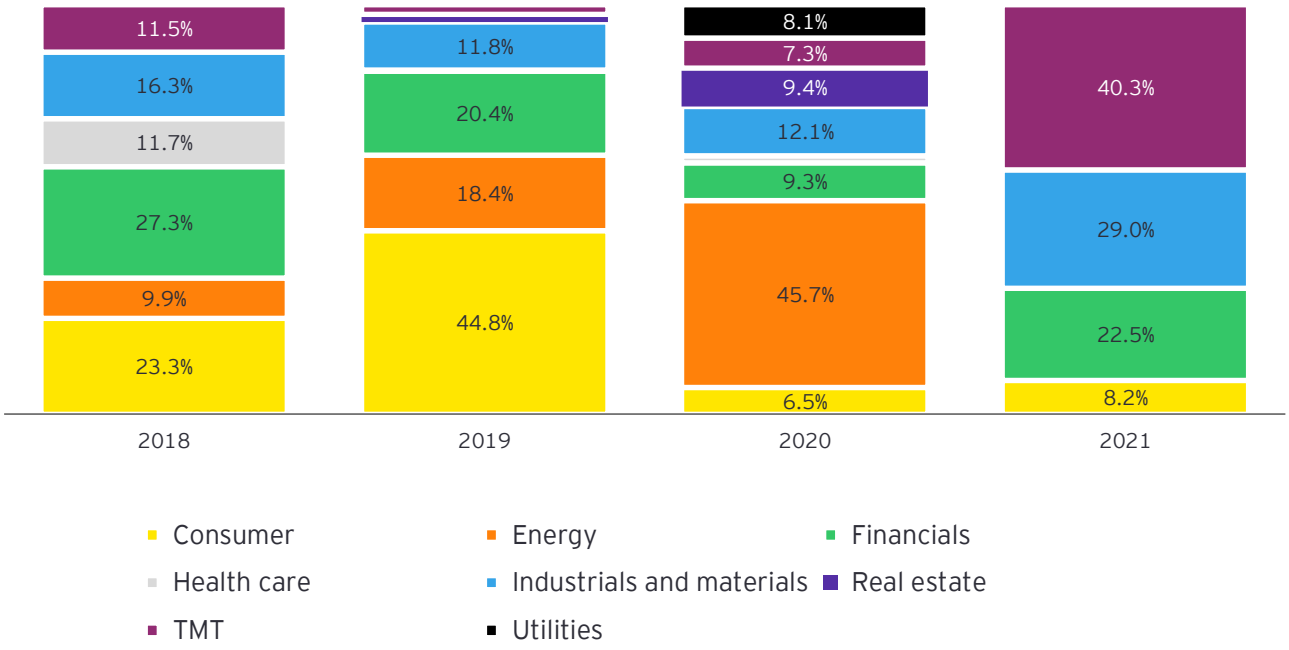
More and more companies are providing early stage funding, be they angels or venture funds, but securing Series A & B funding in East Africa remains very tough. Finding an investor willing to write the $8m-$15m cheques needed to support rapidly growing but still unprofitable businesses is hard work. The second challenge is debt, startups in East Africa have to raise a lot more capital than they should because they are financing growth - capex or inventory, using equity. In addition, all of our companies have to try and fix entire value chains as they scale; this makes them more capital intensive as they have to iterate more and build much more expertise in their teams. That is why the Series A and B rounds are so crucial. We welcome new entrants to this market. The handful of exits that have taken place so far are a cause of unique celebration; over the next three years, there will be more, enough, we think, that they will become cause for routine celebration."

Niraj Varia

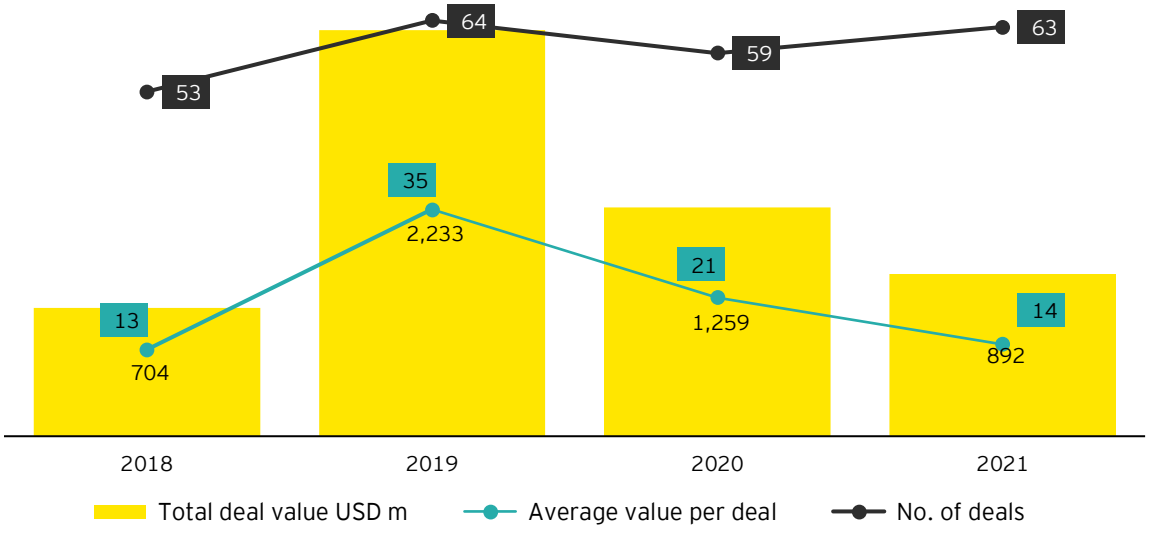
NOVASTAR
VENTURES

M&A deal activity in East Africa

East Africa proportion of deal value by sector 2018-2021



East Africa deal value and volume by year

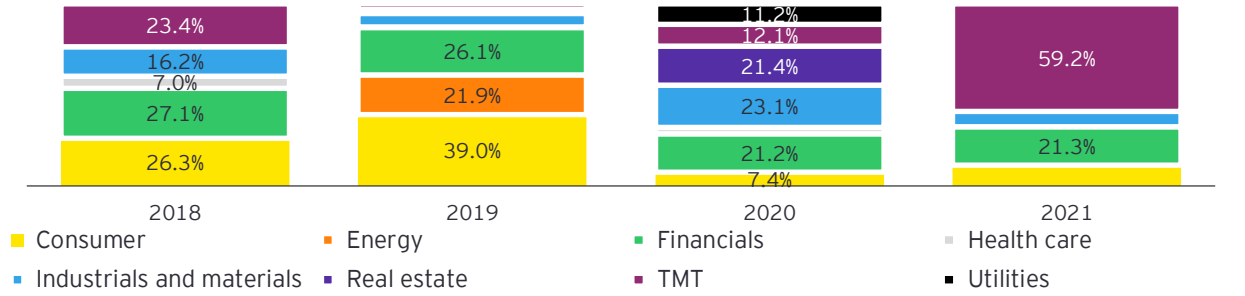


Source: Mergermarket, S&P capital IQ, EY Research

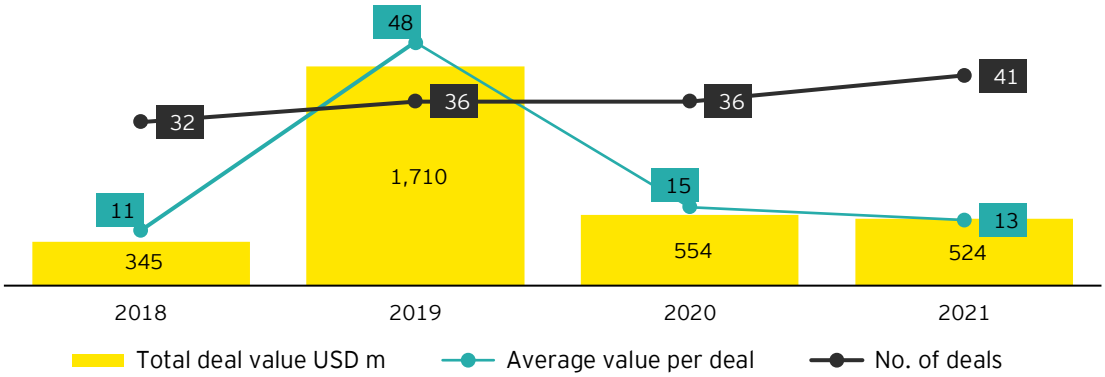
Note: Only reported and disclosed transactions are reflected in this analysis

M&A deal activity in Kenya

Kenya: proportion of deal value by sector 2018-2021



Kenya deal value and volume by year



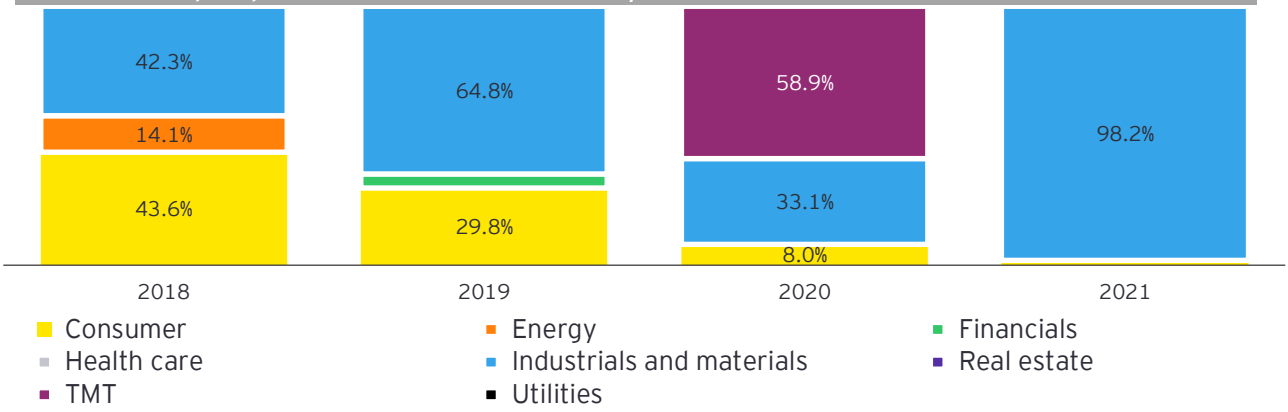
Source: Mergermarket, S&P capital IQ, EY Research

Recent deals sample

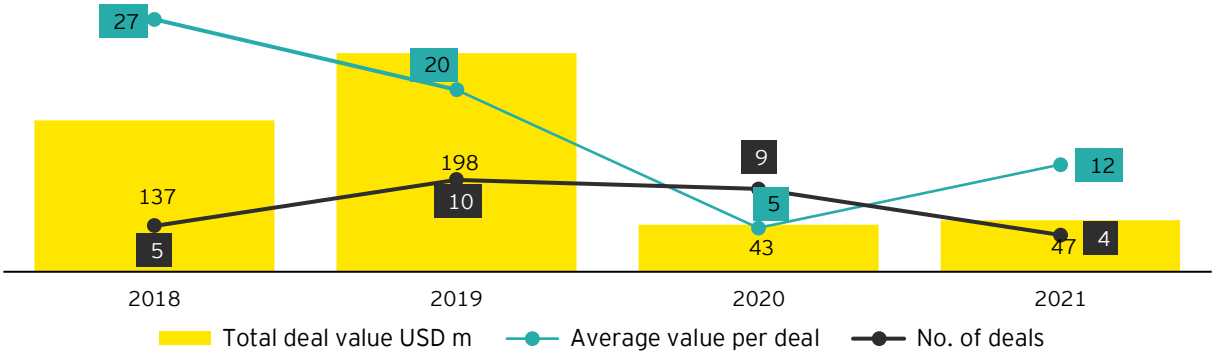
Target company	Acquirer name	Deal Type	Deal value	Sector	Period
Signion Aviation Ltd	National Aviation Services WLL	M&A	39.81	Industrials	2021
The Direct Pay Online Group	Network International LLC	M&A	288	TMT	2021
Jubilee General Insurance (K) Limited	Allianz SE	M&A	100	Financials	2021
City Lodge Hotels in Kenya and Tanzania	Actis Africa Real Estate	PE/VC	10.0	Hospitality	2021
Cooperative Bank of Kenya Limited	Eco-Business Fund	PE/VC	9.2	Financials	2021
Quality Meat Packers Ltd	Tana Africa Capital	PE/VC	Unknown	FMCG	2021
Ed Partners Africa	Acumen	PE/VC	Unknown	Education	2021
Africa Biosystems Ltd	Adenia Partners	PE/VC	Unknown	Healthcare	2021
ICEA Lion Insurance Holdings Ltd	Leapfrog Strategic African Investments	PE/VC	Unknown	Financial services	2021
Five Subsidiaries of Jubilee Holdings Limited	Allianz Africa S.A	M&A	99.6	Financial services	2020
Hillcrest International Schools	GEMS Education	M&A	25.6	Education	2019
Millward Brown East Africa/Millward Brown Nigeria/Millward Brown West Africa/RMGIL	WPP plc (LSE:WPP)	M&A	58.6	TMT	2019

M&A deal activity in Tanzania

Tanzania: proportion of deal value by sector 2018-2021



Tanzania deal value and volume by year



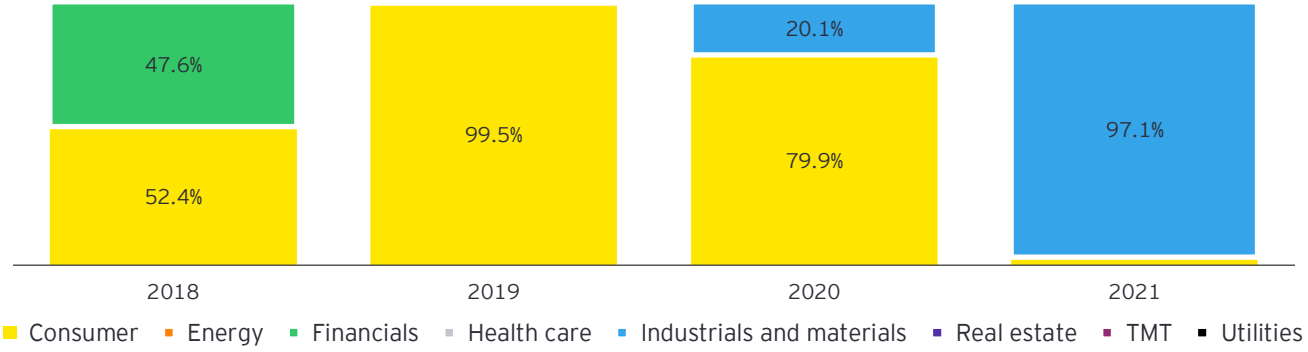
Source: Mergermarket, S&P capital IQ, EY Research

Recent deals sample

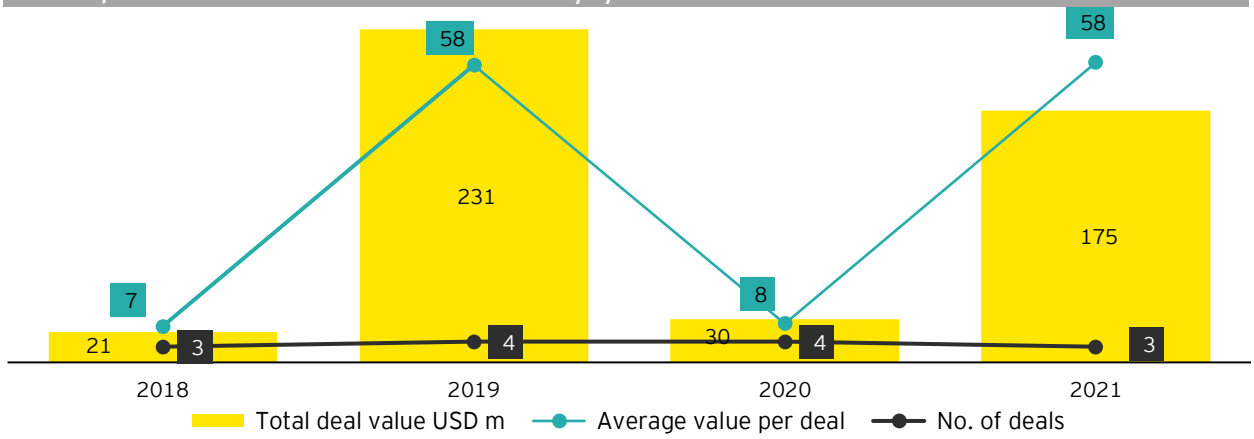
Target company	Acquirer name	Deal Type	Deal value	Sector	Period
ZOLA Electric	Vulcan Capital; DBL Partners LLC; Helios Investment Partners LLP; Total Carbon Neutrality Ventures; Electron Capital Partners, LLC	PE/VC	45.0	Industrials	2021
Tower Portfolio of Airtel Tanzania plc	SBA Communications Corporation (NasdaqGS:SBAC); Paradigm Infrastructure Limited	M&A	175.0	TMT	2021
Maweni Limestone Limited	Huaxin Cement Co., Ltd. (SHSE:600801)	M&A	5.2	Industrials	2020
East Africa Fruits Co.	Goodwell Investments BV	PE/VC	3.2	FMCG	2020
KopaGas Ltd	Circle Gas Limited	M&A	25.0	Energy	2020
Hotel in Tanzania	RIU Hotels & Resorts	M&A	56.0	Hospitality	2019
Ngualla Rare Earth Project	Peak Resources Limited (ASX:PEK)	M&A	8.8	Mining	2019
Montara Continental Limited	Woodbois Limited (AIM:WBI)	M&A	5.0	FMCG	2019
Assets and Liabilities of UBL Bank (Tanzania) Limited	Exim Bank (Tanzania) Limited	M&A	3.9	Financial services	2019

M&A deal activity in Ethiopia

Ethiopia proportion of deal value by sector 2018-2021



Ethiopia deal value and volume by year



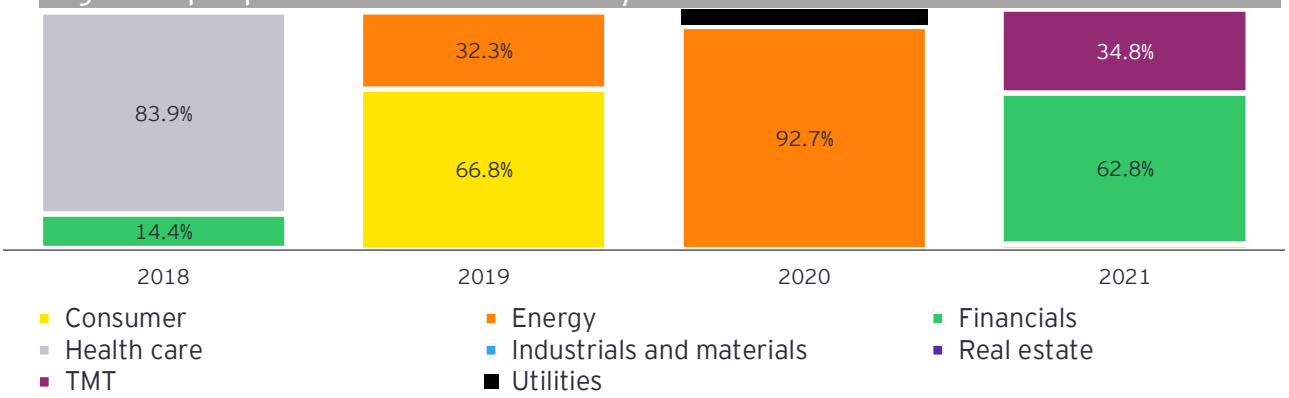
Source: Mergermarket, S&P capital IQ, EY Research

Recent deals sample

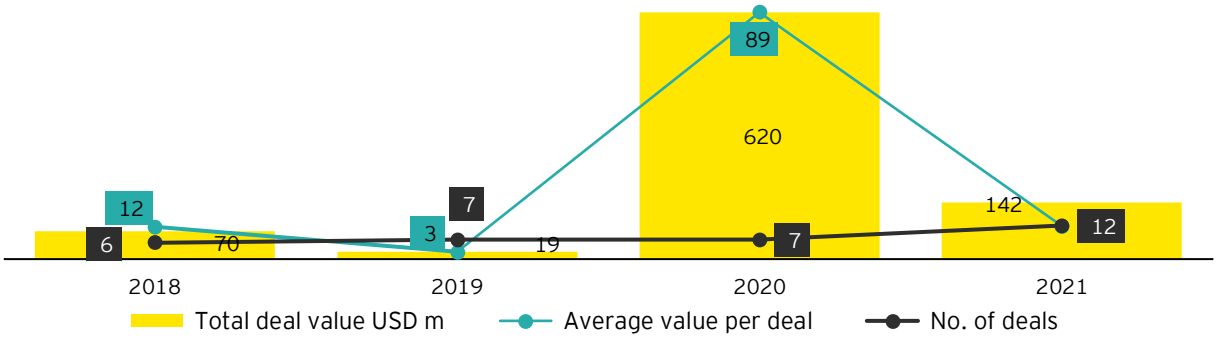
Target company	Acquirer name	Deal Type	Deal value	Sector	Period
National Cement Share Company	West China Cement Limited	M&A	170.0	Industrials	2021
EthioChicken	OP FinnFund Global Impact Fund	PE/VC	5.0	FMCG	2021
JP Textile Holding Company Ltd	Cepheus Growth Capital Partners	PE/VC	Unknown	FMCG	2021
Pioneer Diagnostics Center	Zoscales Partners	PE/VC	Unknown	Healthcare	2021
Harvest Project	Zijin Mining Group Company Limited (SEHK:2899)	M&A	0.9	Mining	2021
MACCFA Freight Logistics PLC	Ceva Logistics AG	M/A	5.9	Others	2020
Harvest Mining PLC	Sino Union Energy (H.K.) Ltd	M&A	0.5	Mining	2020
Turaco	PROPARCO SA	PE/VC	22.0	FMCG	2020
Harvest Mining PLC/Tigray Resources Incorporated Plc	Tibet Huayu Mining Co., Ltd. (SHSE:601020)	M&A	1.2	Mining	2019
National Alcohol and Liquor Factory	Lominat Beverages Plc	M&A	130.0	FMCG	2018

M&A deal activity in Uganda

Uganda proportion of deal value by sector 2018-2021



Uganda deal value and volume by year



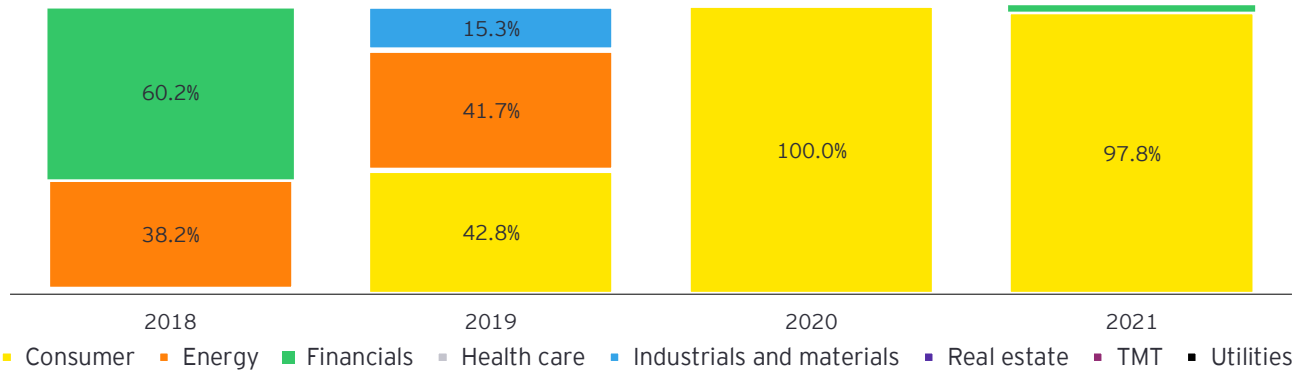
Source: Mergermarket, S&P capital IQ, EY Research

Recent deals sample

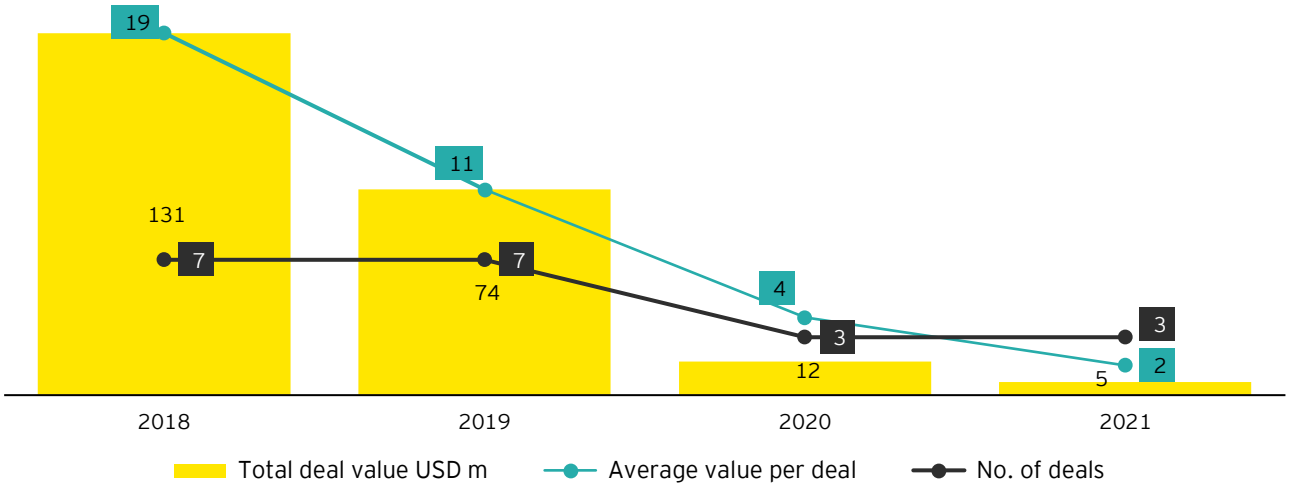
Target company	Acquirer name	Deal Type	Deal value	Sector	Period
Raxio Group B.V.	Meridiam SAS	M&A	48.0	TMT	2021
Orient Bank Limited	I&M Holdings PLC	M&A	33.6	Financial	2021
Tugende	Partech Partners SAS	PE/VC	9.9	Financials	2021
Numida Technologies Uganda Limited	The Segal Family Foundation Inc; MFS Africa Limited	PE/VC	2.3	Financials	2021
Sekajja Agro Farms Limited	Pearl Capital Partners	PE/VC	1.9	Consumer	2021
AMFRI Farms	Yield Uganda Investment Fund	PE/VC	1.5	Agri-business	2021
Pura Organic Agro Tech Ltd	Yield Uganda Investment Fund	PE/VC	2.5	Agri-business	2021
Tullow's Blocks 1, 1A, 2 and 3A in Uganda and East African Crude Oil Pipeline System	Total E&P Uganda B.V.	M&A	575.0	Energy	2020
Bujagali Energy Limited	Jubilee Holdings Limited (NASE:JUB)	M&A	40.0	Energy	2020
Orient Bank Limited	I&M Holdings PLC (NASE:IMH)	M&A	33.6	Financial services	2020
Clarke Farm Ltd	Pearl Capital Partners	PE/VC	1.5	Agri-business	2020
Emerging Power (Uganda) Limited (10 MW solar power plant)	Total Eren SA; Access Power MEA	M&A	6.0	Energy	2019

M&A deal activity in Rwanda

Rwanda proportion of deal value by sector 2018-2021



Rwanda deal value and volume by year



Source: Mergermarket, S&P capital IQ, EY Research

Recent deals sample

Target company	Acquirer name	Deal Type	Deal value	Sector	Period
Ampersand Rwanda Ltd	The Ecosystem Integrity Fund	PE/VC	3.5	Automotive	2021
Kasha Global, Inc.	Finnish Fund for Industrial Cooperation Ltd	PE/VC	1.0	Consumer	2021
Viebeg Technologies	Beyond Capital Ventures	PE/VC	Unknown	Healthcare	2021
Mata Tea Co. Ltd/Gisakura Tea Co. Ltd	Grand Lacs Trading SA	M&A	10.0	FMCG	2020
Eastinco Ltd.	Equatorial Mining and Exploration Plc (OFEX:EM.P)	M&A	13.3	Mining	2019
Gisovu Tea Company Limited	Rwanda Tea Investment Limited	M&A	13.2	FMCG	2019
Pfunda Tea Company S.A.R.L.	Rwanda Tea Investment Limited	M&A	7.9	FMCG	2019
SORAS GROUP Ltd.	Sanlam Emerging Markets (Pty) Limited	M&A	7.9	Financial services	2018
Grands Lacs Holding Limited (70% Stake)	BB Energy	M&A	50.0	Energy	2018

ACUMEN CHANGING THE WAY THE WORLD TACKLES POVERTY

"Twenty years ago,

Acumen pioneered the radical notion that the tools of business could be used to disrupt the systems that perpetuate poverty. Today, we continue to change the way the world tackles poverty by investing in emerging leaders and early-stage social enterprises that center the needs of low-income communities and deliver life-changing products and services.

Since 2003, we've invested more than $35 million in social enterprises across East Africa, impacting more than 27 million people. We've built a community, spearheaded by our 170 East Africa Fellows, nurtured breakthrough innovations like clean cookstoves, helped create new markets like off-grid solar energy, and sponsored a returnable impact fund to scale agricultural enterprises. As East Africa faces the climate and COVID-19 crises, our mission is more important than ever.

Acumen East Africa seeks to help the region emerge from the pandemic and build a more sustainable and prosperous future for all its people. We're building agriculture, education, and off-grid energy ecosystems, focusing not on the success of one individual company, but on developing and supporting the entire sector and the communities they serve. In doing so, Acumen helps ensure that low-income people have access to livelihoods, education, and services that can help them determine their futures.

- **Agriculture:** As the climate crisis intensifies and smallholder farmers face increased droughts, floods, and storms that threaten their crops and their livelihoods, adapting to the changing environment is crucial to the region's economy and food security. Acumen East Africa invests in social enterprises that focus on the needs of smallholder farmers — from access to financing to high-quality inputs — and help build their climate resilience, their ability to anticipate, weather, and bounce back from climate events.
- **Education:** Low-income families struggle to access high-quality, affordable education, limiting economic opportunity and perpetuating the cycle of poverty. These challenges were exacerbated by COVID-19 as schools and children lacked both the infrastructure and resources to engage in remote learning. Acumen East Africa invests in solutions that increase access to education and bolster the workforce, strengthening the entire sector and providing improved services to low-income families.
- **Off-Grid Energy:** Sub-Saharan Africa accounts for two-thirds of the world's population without energy access. Off-grid energy solutions provide an opportunity for this population to transition to clean energy and move away from environmentally-harmful and dangerous cooking fuels that kill nearly half a million people yearly. These solutions help to mitigate climate change and provide reliable and safe energy access to families throughout the region. Acumen is the world's largest off-grid solar investor with a portfolio focused on serving low-income customers. We're doubling down on our commitment to universal access and advancing productive use technologies, such as solar water pumps and cold storage, that go beyond lighting and provide increased opportunity for economic growth.

At Acumen, we make the market work for us rather than allowing it to control us. Whether investing in agriculture, education, or off-grid energy, we leverage the right type of capital to deliver impact for low-income communities and scale the most promising solutions to poverty.

Investing in early-stage social enterprises serving poor communities requires patience. Acumen invests "patient capital," — risk-tolerant, philanthropically-backed capital — in early-stage enterprises. This long-term financing approach offers entrepreneurs the trust and space needed to innovate, pivot, and adapt their business model to achieve their vision. Our approach goes beyond just financing. We also accompany our investees and offer operational support and expertise to help enterprises navigate the challenges of becoming a viable business. Although the impact investment sector has blossomed, there are still few investors willing to take on the necessary risk of supporting early-stage social enterprises and building an ecosystem that serves low-income communities.

Acumen's unique approach proved critical to our ability to respond to the COVID-19 pandemic. When COVID-19 hit, we knew we needed to act quickly to provide resources that would enable our investees to continue to serve their communities. We created the Acumen Emergency Facility (AEF) to provide a mix of grants and loans to at-risk companies. In East Africa, AEF supported 35 companies to help them withstand the impacts of the pandemic, including by purchasing and supplying textbooks to students, strengthening working capital, and providing smallholder farmers continued market access.

We also mobilized to support the off-grid energy sector and protect progress toward universal energy access. The $68 million Energy Access Relief Fund (EARF), convened by Acumen and managed by SIMA, provides low-interest loans and liquidity to at-risk companies. With a final target of $80 million, EARF aims to support 90 energy access companies, helping to keep the lights on for 22 million people. The fund blends different capital — philanthropic and commercial — with differing expectations of return to provide critical, emergency support that allows companies to continue to provide services and employ staff.

Innovative financing instruments have emerged as a key tool to scale impact. Like EARF, the $58 Acumen Resilient Agriculture Fund (ARAF) — managed by Acumen Capital Partners, a wholly-owned subsidiary of Acumen — leverages blended capital to deliver impact for low-income communities. ARAF is the first equity fund to focus on building climate resilience for smallholder farmers and helping them strengthen their livelihoods, and is a substantial investment in resilient agriculture ecosystems. ARAF's unique first-loss layer offsets risk and enables investors with lower risk tolerance to participate, facilitating a higher close and a greater impact. The Acumen Emergency Fund, EARF, and ARAF blend different types of capital to maximize impact, providing a powerful blueprint for how investors of all different sizes and missions can prioritize low-income communities and respond to crises.

To build a more just and equitable world, we must increase access to basic services like education and energy and strengthen livelihoods for those on the frontlines of the climate crisis. Acumen East Africa was designed to address these systemic issues and nurture thriving ecosystems that center the needs of low-income communities, enabling everyone to lead a life of dignity."

Shiru Mwangi
East Africa Director, Acumen

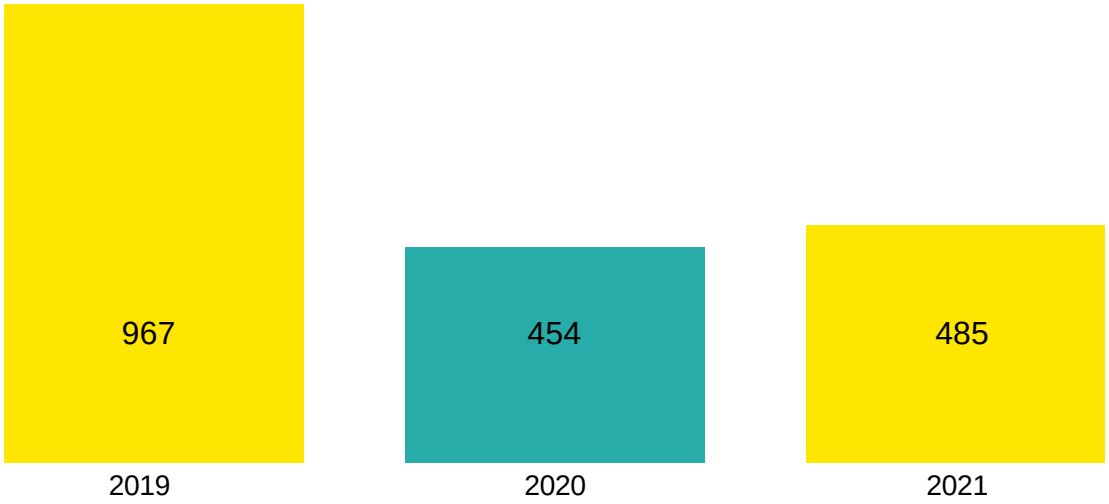
ACUMEN
CHANGING THE WAY THE WORLD TACKLES POVERTY

Respondent profile

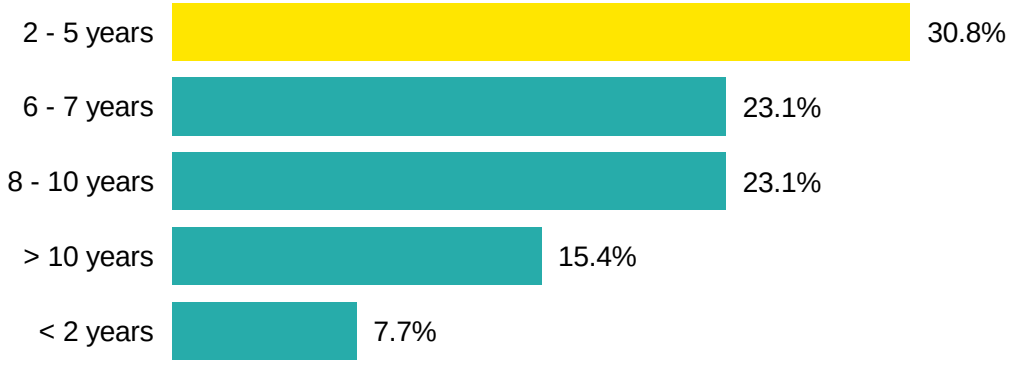
Fundraising by participating respondents declined in 2020 in part due to challenges encountered during the COVID-19 pandemic period by 53.1%. The decline in fundraising compares to a 19.1% decline in global PE fundraising. On the other hand, funds' focus in 2020 shifted to providing support to portfolio companies to navigate the pandemic.

Since 2020, global PE fundraising has rebounded significantly in 2021 with PE seeing its first "trillion-dollar year". The value of deals was up 81% in the Europe, Middle East, and Africa (EMEA) region and rose 58% in the Asia-Pacific region.

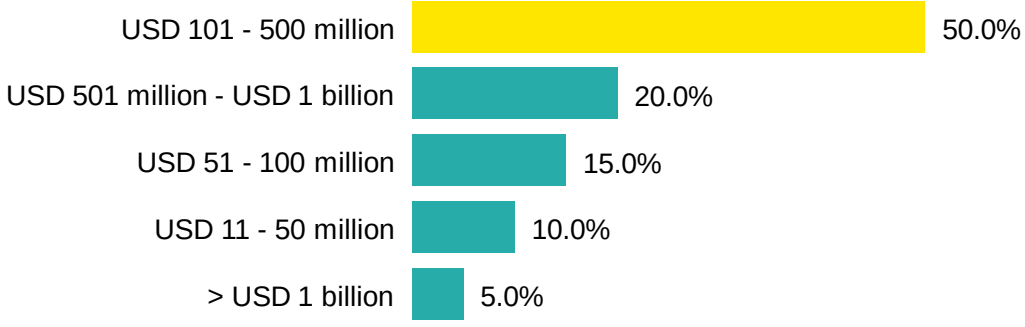
Funds raised (USD m) by respondents in Ein 2019, 2020 and 2021



Average age of fund(s)



Funds under Management (FUM) for Africa / East Africa



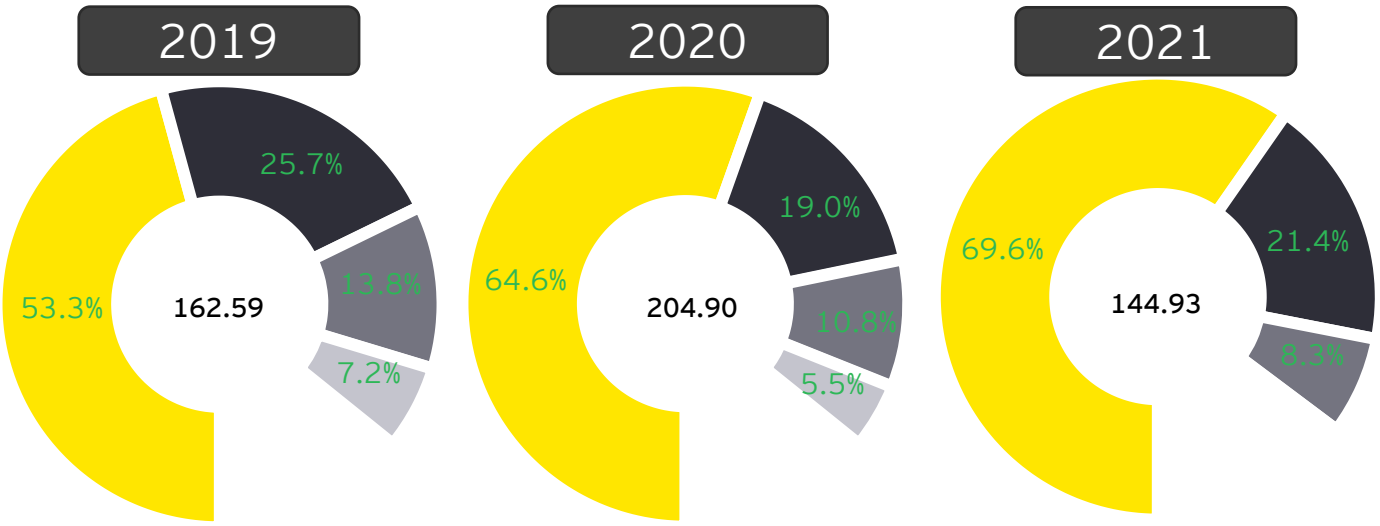
Respondent profile

Survey participants' largest investment by value is in Kenya, accounting for an average of 62.5% between 2019 and 2021.

None of the respondents made investments in Rwanda during the period.

Ethiopia investments have a higher ticket size than Uganda.

Investment value (USD m) and volume in 2019, 2020 and 2021



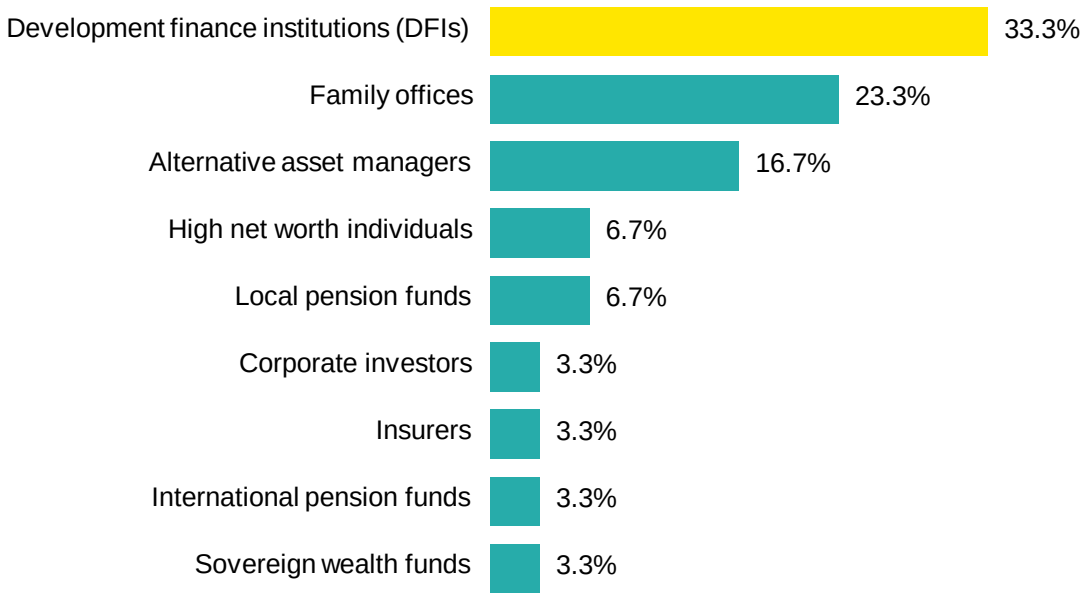
Investment volume	2019	2020	2021
Kenya	15	15	9
Ethiopia	3	2	1
Uganda	9	10	8
Tanzania	5	1	0

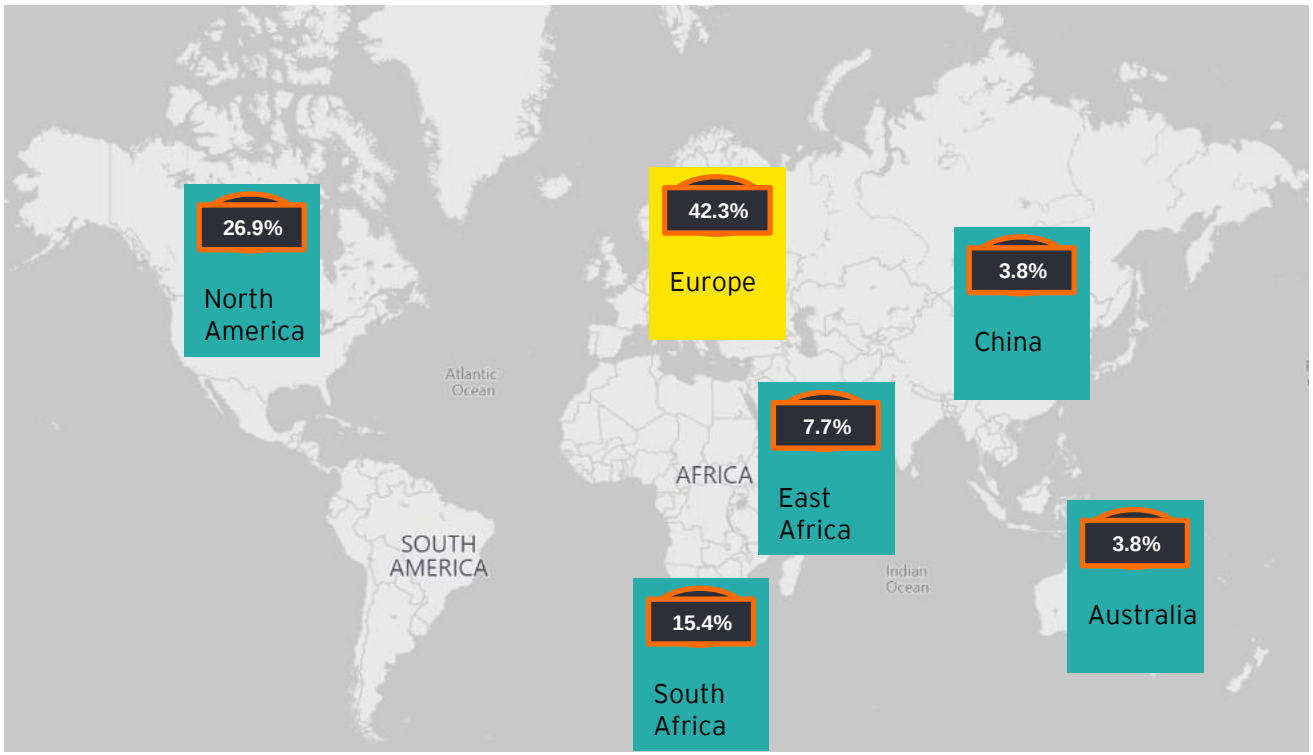
Respondent profile

While family offices, alternative asset managers and High Net Worth individuals are active investors in the asset class, Development Finance Institutions constitute the largest source of industry funds contributing more than a third of funds raised.

Of funds raised for PE investors, 42.3% were from European and UK investors. East African LPs including pension funds, alternative investment managers and family offices only contribute 7.7% of funds raised.

Lead sources of funds raised in 2019, 2020 and 2021





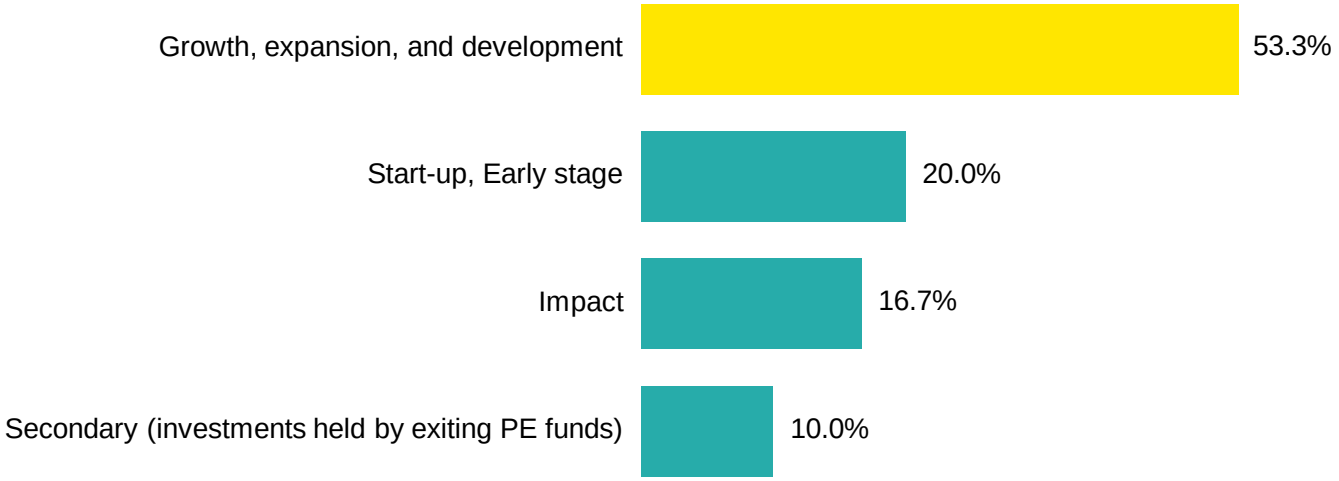
Respondent profile

53.3% of funds raise capital for growth, expansion and development while 20.0% of funds raise capital for early stage investments.

Impact investing seeks to generate a market rate financial return while simultaneously creating a measurable social impact.

Over the last 2-3 years, impact investing has gone from a small subsector within private capital to something much more mainstream.

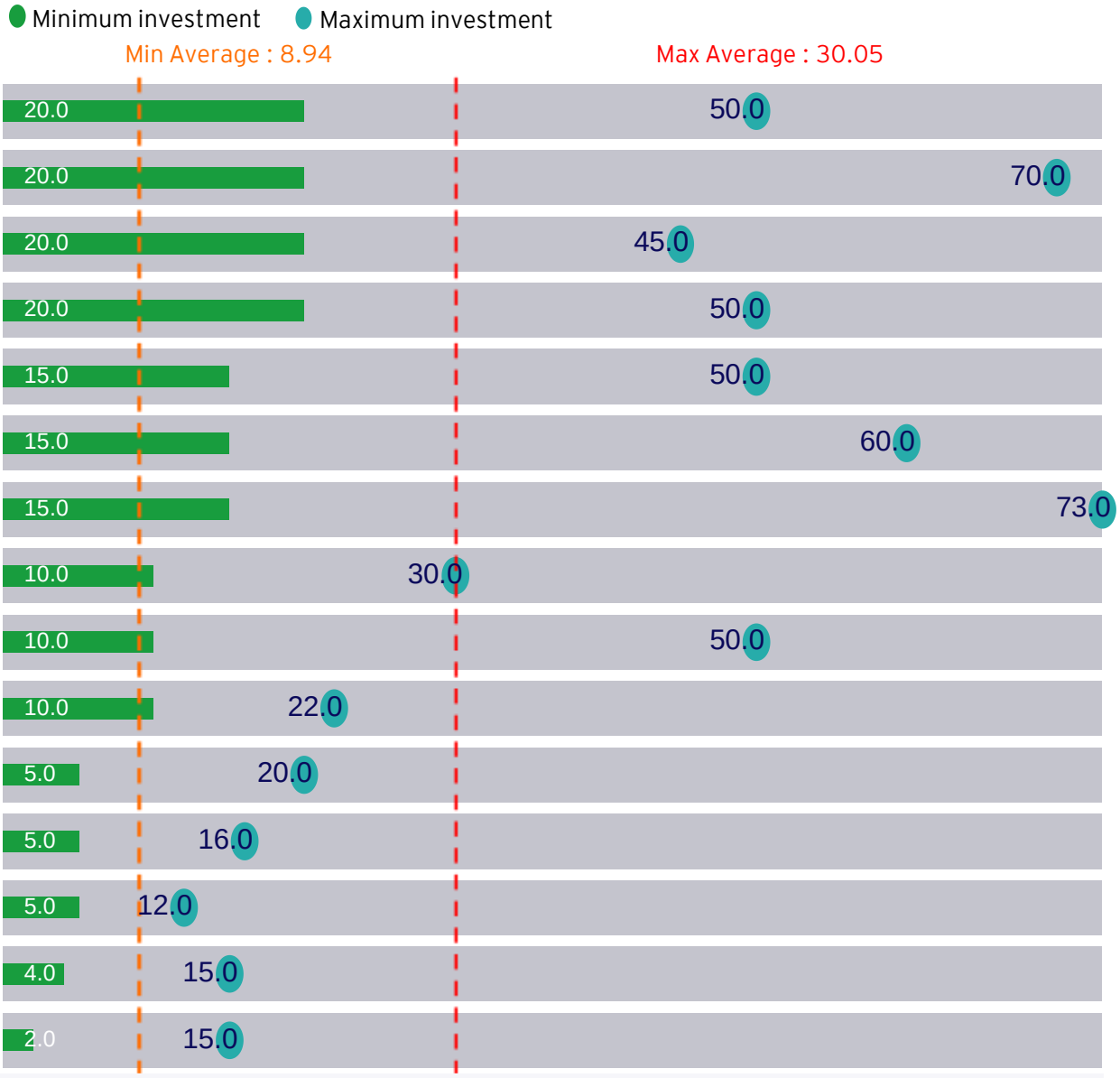
Stage of investments



Preferred investment instrument

Respondent profile

Investment Range



The graphic above presents the investment size for the respondents. Each row represents a single PE house.

The investment ticket size for the respondents varied according to the following:

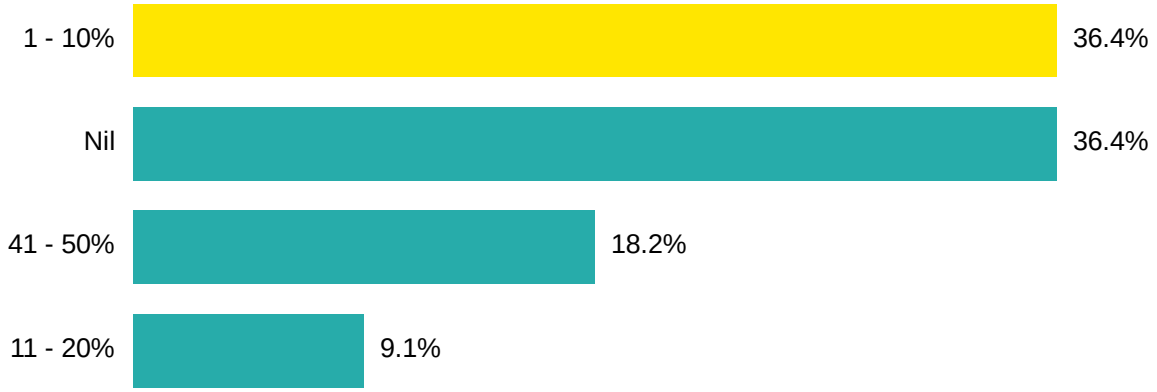
	Minimum investment size (USDm)	Maximum Investment size (USDm)
Lowest	0.2	2.0
Highest	20.0	73.0
Average	8.94	30.3

While the chart above shows the top 15 respondents by investment size, the average minimum and maximum investment sizes consider all the participating respondents.

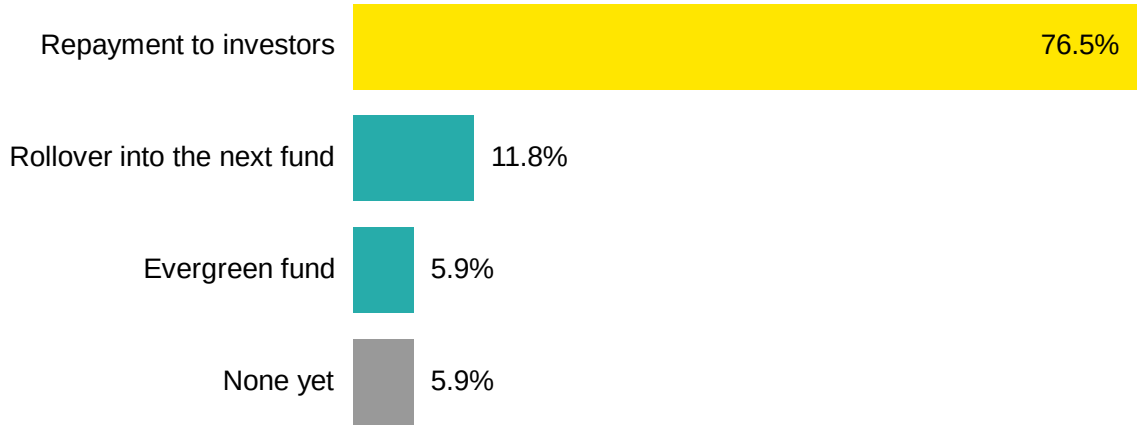
Respondent profile

Emphasis will need to be placed on increasing exit volumes going forward. The sharp increase in global PE exits from 2018 to an all-time half-year high in 2021 (per www.ey.com/PEpulse) might be a leading indicator for greater exit activity from Eastern Africa .

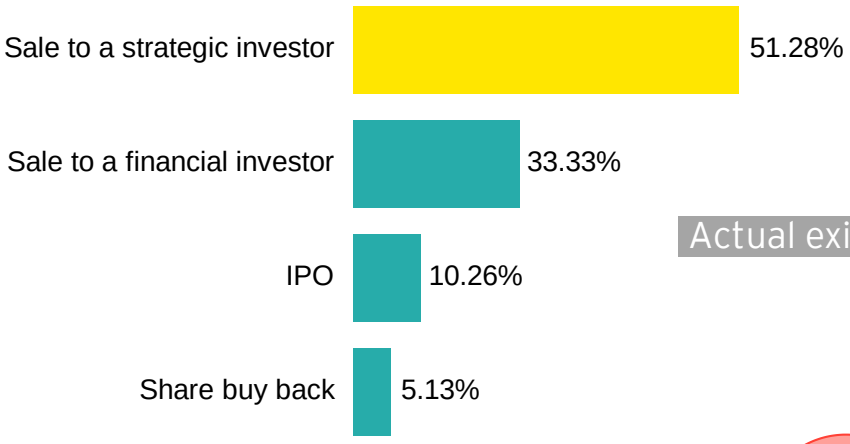
Funds returned to investors since the launch of the Fund



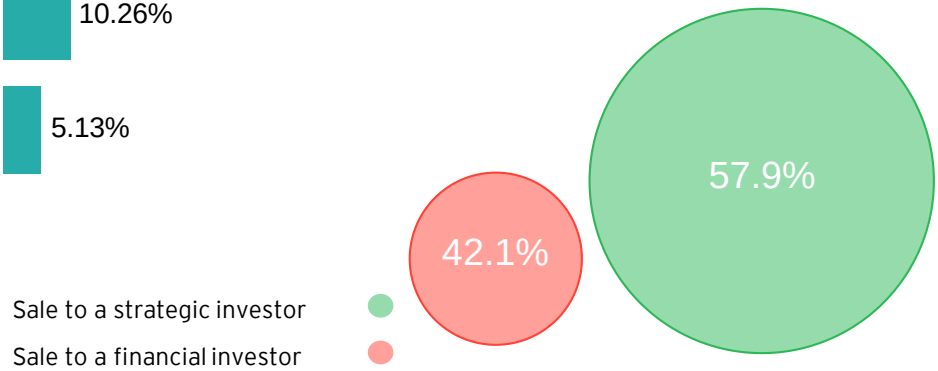
Method to return funds to investors



Preferred exit mode



Actual exit mode



List of participants

Name of Fund 1	Name of Fund 2
Acumen Fund	
Adenia	Adenia
African Agricultural Capital Limited	Yield Uganda Investment Fund
African Agriculture Fund	Phatisa Food Fund 2
AfricInvest Fund III	AfricInvest Fund IV
Agri-Vie Fund II (managed by EXEO Capital)	Agri-Vie Fund (managed by EXEO Capital)
AHL Venture Partners - AHL Impact Fund	
AIIF3	
Amethis	
Ascent Rift Valley Fund I	Ascent Rift Valley Fund II
Ascent Rift Valley Fund Ltd	Ascent Rift Valley Fund II LP
Central Africa SME Fund	African Rivers Fund
Centum Value Fund I	
Cepheus Growth Capital Fund	
DOB Equity	
FSD Africa Investments	
IFU	
LeapFrog Emerging Consumer Fund III	
LeapFrog Investments Healthcare Fund	
Novastar Ventures East Africa Fund I	Novastar Ventures Africa Fund II
Phatisa Food Fund 2	Pan African Housing Fund
The Kibo Fund I	The Kibo Fund II

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Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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About EAVCA

EAVCA is the apex trade network for private capital providers in East Africa.

At the core of what we do is promote East Africa as a private capital destination while ensuring a favorable environment for trade for the private capital sector.

Our advantage is in providing localized support in information access, policy guidance and networks to business, all which are critical to their East Africa strategy.

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