SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL
AND PRIVATE EQUITY ASSOCIATION

SAVCA 2020
Venture Capital Industry Survey

Covering the 2019 Calendar Year

Research Partner | Venture Solutions

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4DI / CAPITAL

FROM GARAGE TO GLOBAL

CONTENTS

This report was produced from a research survey conducted by Venture Solutions and funded by SAVCA. Venture Solutions conducted independent research and the report was produced in partnership with SAVCA.

Disclaimer

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FROM THE DESK OF THE CEO

In this, the seventh SAVCA Venture Capital Industry Survey, we provide an analysis of the Venture Capital (VC) industry in South Africa during the 2019 calendar year. We begin by focusing on all active deals in the portfolio of VC fund managers that participated in the survey. This provides us with a view of the VC landscape and the characteristics of those that form part of the current ecosystem and how it has changed over time.

We then shift our focus to the investment activity and delve deeper into the sectors and geographies that received VC investment in South Africa.

The effects of COVID-19 will not reflect in this year's report, given our analysis is based on the VC industry activities for 2019. However, there is no doubt that the current health and subsequent economic crisis will reflect in next year's results.

One of the growing trends globally, which was also observed during the analysis of this year's report, is the concept of investing into secondary assets and "Venture Leasing", as opposed to a direct equity investment in the form of capital. In both instances, investors are able to hedge investment risk by relying on the underlying value of the asset, and even if the actual business seizes to operate, the original capital invested into such assets can be recovered. For this reason, survey respondents were asked to reclassify their investment portfolio to ensure the SAVCA VC Survey captures traditional early stage investments. However, concepts such as investing into secondary assets and Venture Leasing may be included in future studies.

In 2019, a total of 162 new deals were reported with an overall investment value of R1.23 billion. This continued an upward trend in investment activity that started after 2015, at the same time when changes were made to Section 12J. Independent VC fund managers continue to comprise the largest share of active portfolios (38.1%), with Captive Government Funds and increasingly Captive Corporate funds playing a more significant role to fuel the growth of early stage investments in South Africa.

From a geographic perspective, the majority of investments are still mainly in the Gauteng and Western Cape region. Interestingly, Johannesburg was listed as the head office location for most VC Fund Managers, marginally higher than Cape Town. The number of exits reported in 2019 increased considerably in comparison to 2018. A total of 38 exits were reported in 2019, in comparison to only 9 exits reported in 2018. This bodes well for the development of the industry.

SAVCA would like to thank its members and other stakeholders that participated in the survey, as well as our research partner, Venture Solutions, who made it possible for us to produce this report. We hope you find the analyses insightful.

Tanya van Lill
CEO: SAVCA

SAVCA

The Southern African Venture Capital and Private Equity Association (SAVCA) is the industry association and public policy advocate for private equity and venture capital in Southern Africa. SAVCA members represent about R185 billion in assets under management through 170 members that form part of the private equity and venture capital ecosystem. SAVCA promotes the Southern Africa venture capital and private equity asset classes on a range of matters affecting the industry. SAVCA also provides relevant and insightful research and thought leadership, offers relevant training and creates meaningful networking opportunities for industry players.

Website: www.savca.co.za | ***Twitter:*** @SAVCAssociation

Venture Solutions

Venture Solutions is an innovation management and commercialisation consultancy active in Sub-Saharan Africa. The focus is developing high-tech start-ups. Know-how and methodologies target commercialisation of new technologies, leveraging intellectual assets for business profits, and structuring start-up businesses for sustainable growth.

HIGHLIGHTS

Highlights

The annual SAVCA Venture Capital (VC) Survey analyses deal activity of venture capital and similar early stage investments into mainly South African businesses. It is based on data sourced from various types of fund managers, including SAVCA members, active in the VC asset class. The data is reported on in calendar years and covers the full spectrum of investor types, ranging from individuals, angel investors and independent fund managers, to corporations and government. The 2020 SAVCA VC survey reports on all deals up to the 31st of December 2019.

Deal Activity

Growth by value

14.8%

2019 saw an **increase** on 2018 reported deals of **R158 million**, amounting to **R1.23 billion**.

Growth by number of deals

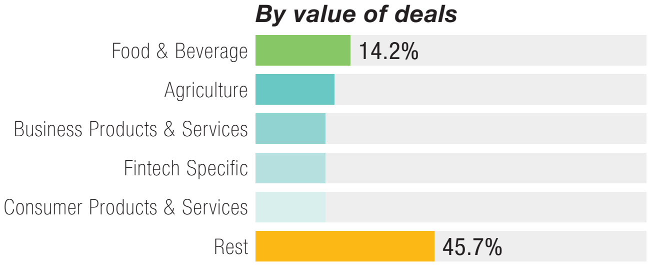
20.9%

162 deals were reported for 2019 in comparison to 134 in 2018.

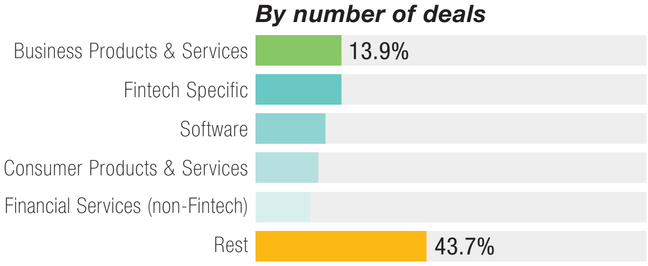
1 in 5 deals into financial services

Fintech and non-Fintech type financial services businesses respectively received the 2nd and 5th most investments in 2019, by number of deals.

By value of deals



By number of deals



Exit Activity

Total exited

R830.47m - 4.1 x money

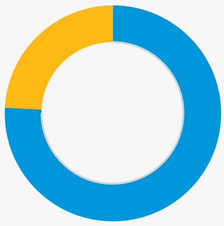
Fund managers reported **record exit activity in 2019.**

By number of deals

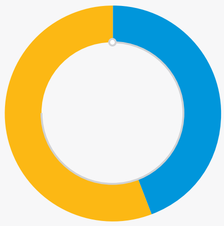
GROWTH 310%

38 exits were recorded in 2019, 50% of which were reported as profitable.

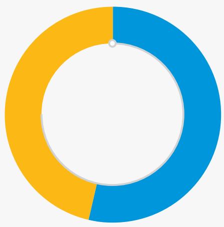
76.1% of all active deals on record categorised as **New Deals.**



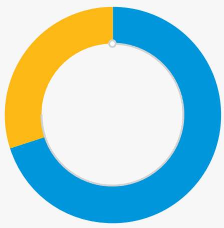
Independent fund managers (44.3%) governs the largest number of active deals.



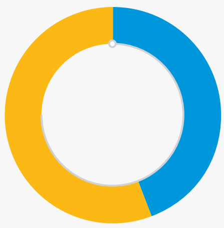
53.8% of active deals into **seed or start-up stage** businesses.



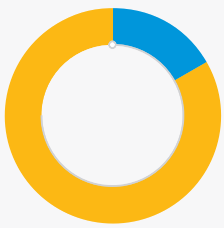
Deals involving **Fintech** businesses **grew by 70%** between 2018 and 2019.



44.3% of fund managers are based in Johannesburg, **six times** the number in Pretoria or **Stellenbosch**.



One in six VC-backed businesses managed to secure **2nd round funding**.

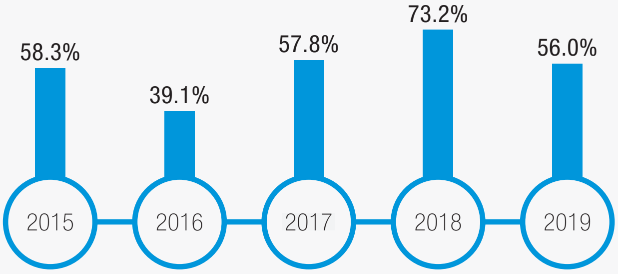


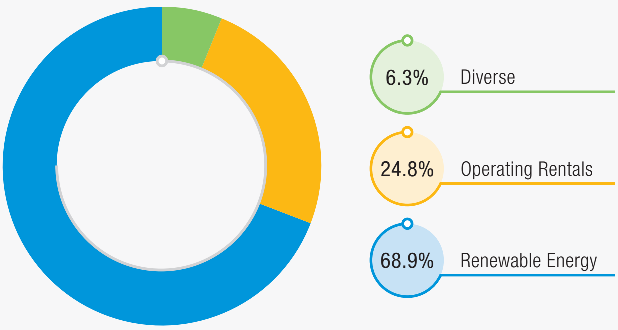
Highlights

Number of VC fund managers with active deals **increased by 123%** in the last five years.

Minority interest holders

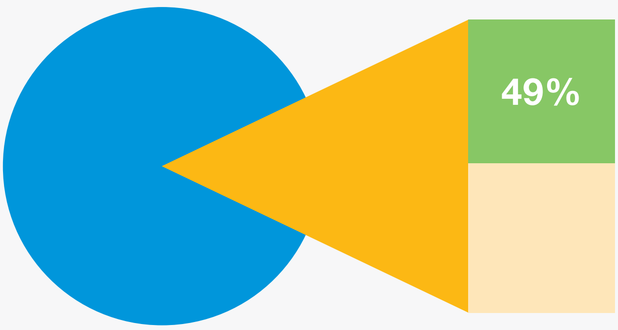
56% of deals in 2019 had **VC equity of 25%** or less. This continues the trend in previous surveys, with VC fund managers preferring to hold minority stakes in their investments.





R658 million funding invested by VCs in addition to VC equity deals, in the form of venture leases; capital raised and invested into new legal entities that operate a form of asset lease or rental business.

1 in 7 VC backed businesses secured additional funding from other VC type investors, amounting to **R1.98bn**

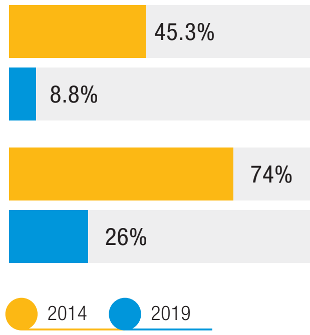


Almost half **(49%)** of such additional VC funding was **raised from South African investors**.

Fund raising sources of SA Venture Capital

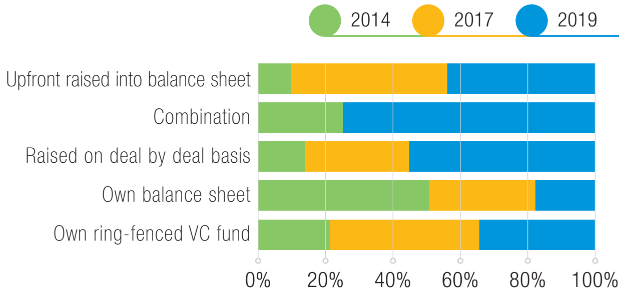
Investing off own balance sheet now complimented with a range of other funding sources.

Deals using VC money raised from the public sector.



Diverse VC fund raising options utilised

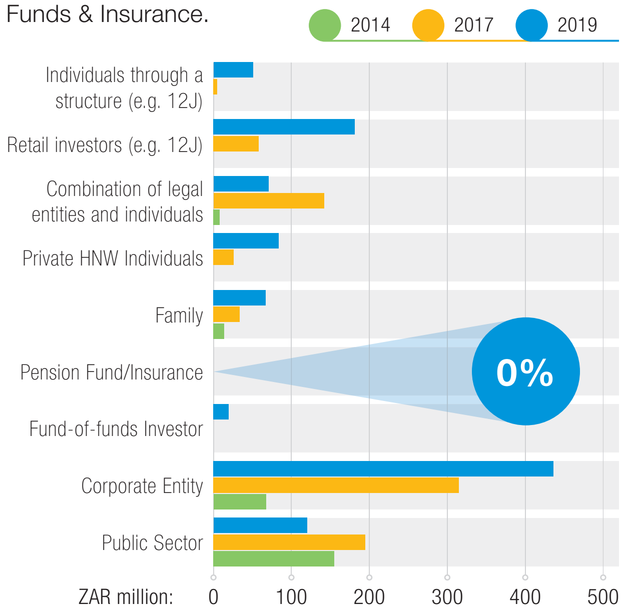
Investing off own balance sheet was the preferred investment structure in each of the survey periods. Fund raising sources utilised have expanded with other options featuring more prominently in recent years.



Corporate entities the main source of VC

Corporate entities – either through own investment activity or through VCs raising money from Corporate SA – accounted for **42.4% of every VC Rand invested in 2019**.

SA fund managers **raised no VC money** from local Pension Funds & Insurance.



VENTURE CAPITAL

Venture Capital

- Venture Capital (VC) is financing that investors provide to businesses, in the start-up and early growth phases, that they believe have long term, high growth potential. These are deals predominantly funded by equity. For start-ups without access to capital markets, venture capital is an essential source of funding. Risk is typically high for investors.

- The need for VC stems from the specific requirements of such businesses, and from the value add role that experienced VC fund managers can play in structuring, supporting and nurturing those businesses.

- VC is not limited to investments in high-technology type businesses, but also extend to other sectors where above-average growth and associated returns may be found. In such instances, high-growth returns are underpinned by other factors such as access to large untapped markets, or by differentiators such as exclusive operating licences or comparable enablers that give the investments substantial advantages over their peers. High-tech businesses nevertheless remain a primary source of high-growth returns for VC investors. New investment vehicles and regulatory incentives such as Section 12J in South Africa, as well as emerging market opportunities across the continent continue to broaden the type of VC investors active in the asset class, as well as the business focus and sectors where investments are made.

- The following categories of venture capital were used in this SAVCA VC Industry Survey:

  - **Seed capital:** Funding provided before the investee company has started mass production/distribution with the aim to complete research, product definition or product design, also including market tests and creating prototypes. This funding would not be used to start mass production/distribution.

  - **Start-up capital:** Funding provided to companies, once the product or service is fully developed, to start mass production/distribution and to cover initial marketing expenses. Companies may be in the process of being set up or may have been in business for a shorter time, but have not sold their product commercially yet. The destination of the capital would be mostly to cover capital expenditures and initial working capital.

  - **Later-stage financing:** Financing provided for an operating company, which may or may not be profitable. Late stage venture tends to be financing into companies already backed by VCs.

  - **Growth capital:** A type of private equity investment (often a minority investment) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets to accelerate the growth of the business.

  - **Buyout capital:** Financing provided to acquire a company, typically purchasing majority or controlling stakes.

  - **Rescue/Turnaround:** Financing made available to an existing business, which has experienced financial distress, with a view to re-establishing prosperity.

  - **Replacement capital:** Minority stake purchased from another private equity investment organisation or from another shareholder or shareholders.

- This SAVCA VC Industry Survey used the following VC investor classifications, which include:

  - **Angel Investors:** High net-worth individuals who inject funding for start-ups in exchange for ownership equity or convertible debt.

  - **Captive Funds:** Funds in which one shareholder contributes most of the funding, typically where a corporate or parent organisation allocates funds to the Captive Fund from its own internal resources. Captive Funds may be subsidiaries of, or divisions within, financial institutions or industrial companies.

  - **Captive Government:** Funds primarily sourced from a government department or public body.

  - **Captive Corporate:** Funds primarily sourced from a corporate entity such as a listed company.

  - **Captive Other:** Funds sourced from other sources such as family offices.

  - **Independent Funds:** Funds managed by fund managers in which third party investors are the main source of capital and no one investor holds a majority stake.

FUNDS UNDER MANAGEMENT

Funds under Management

This report analyses results from the 2020 SAVCA Venture Capital Industry Survey data in two parts. The first section "*Funds under Management*" reports on all active deals in the portfolio of active VC investors that responded to the survey. It includes transactions irrespective of the date in which the VC investor first invested in the transaction, as long as the fund manager is still invested.

The second section "*Investment Activity*" reports on investor activity within the 2019 calendar year. This includes both new deals and exits concluded within the year.

- Independent fund managers oversee the greatest value of deals, amounting to R2.34 billion (38.1% of all active deals). Government is a close second, holding 30.1% of all deals by value.
- Independent fund managers however manage twice the number of active deals compared to government (337 versus 142).
- Government issued funds are more likely to issue multiple rounds into the same transaction. 48.6% of active deals by Captive Government portfolios were involved in a second or later round of investment into an already existing transaction, compared to only 20.1% of active deals invested by Independent fund managers.
- Captive Corporate fund managers finance substantially larger investment rounds than its peers, with the average corporate round amounting to R26.1 million (the average round for all active deals stands at R8.43 million).
- Angel investors surveyed comprise 24.9% of all active deals by number with an average investment round of R2.04 million.

Funds under Management

Figure 1a Contribution by fund manager type; by deal value, all deals still invested

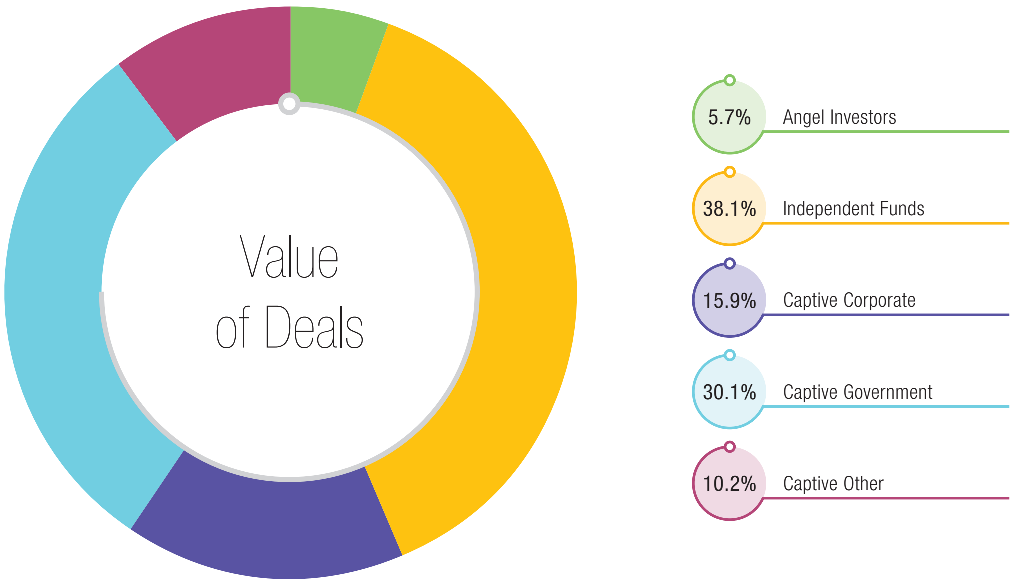
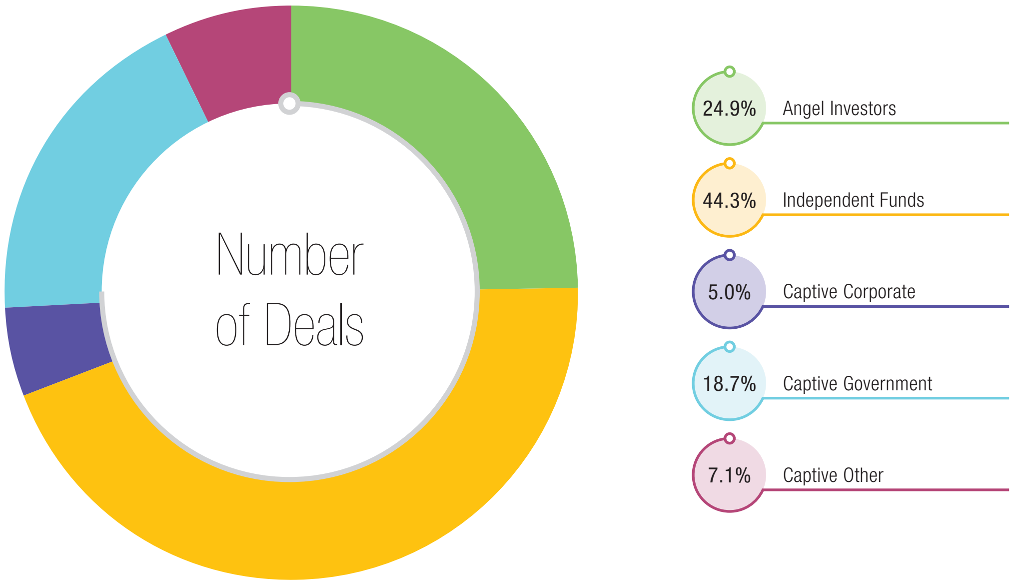


Figure 1b Contribution by fund manager type; by number of deals, all deals still invested



Seed capital in previous SAVCA VC surveys mostly entailed grant funding available from the public sector and amounted to less than 1% of the total value of active deals. This has changed substantially with more capital - the biggest part of which is private - made available to deals comprising pre-revenue, pre-profit ventures. Seed capital now totals 3.7% by value of all active deals.

The majority of active deals on record involved seed or start-up capital, an indicator of the early-stage orientation of VC investors. Such deals collectively make up 53.8% of the number of active deals (40.2% by value).

Figure 2a Contribution by stage of deal; by value of deals, all deals still invested

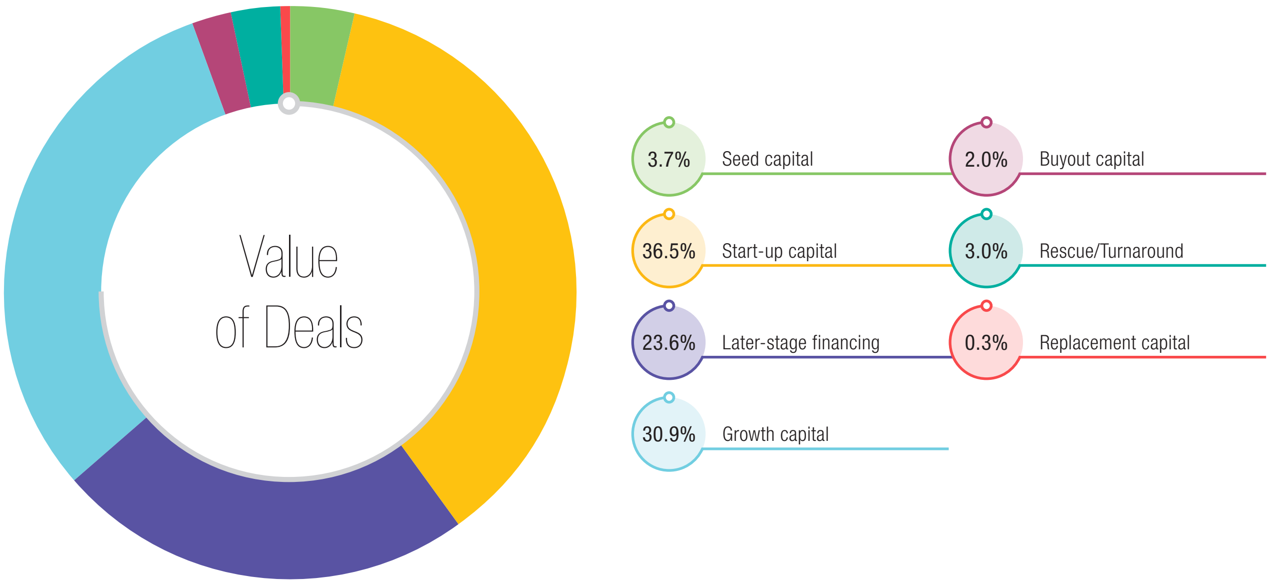
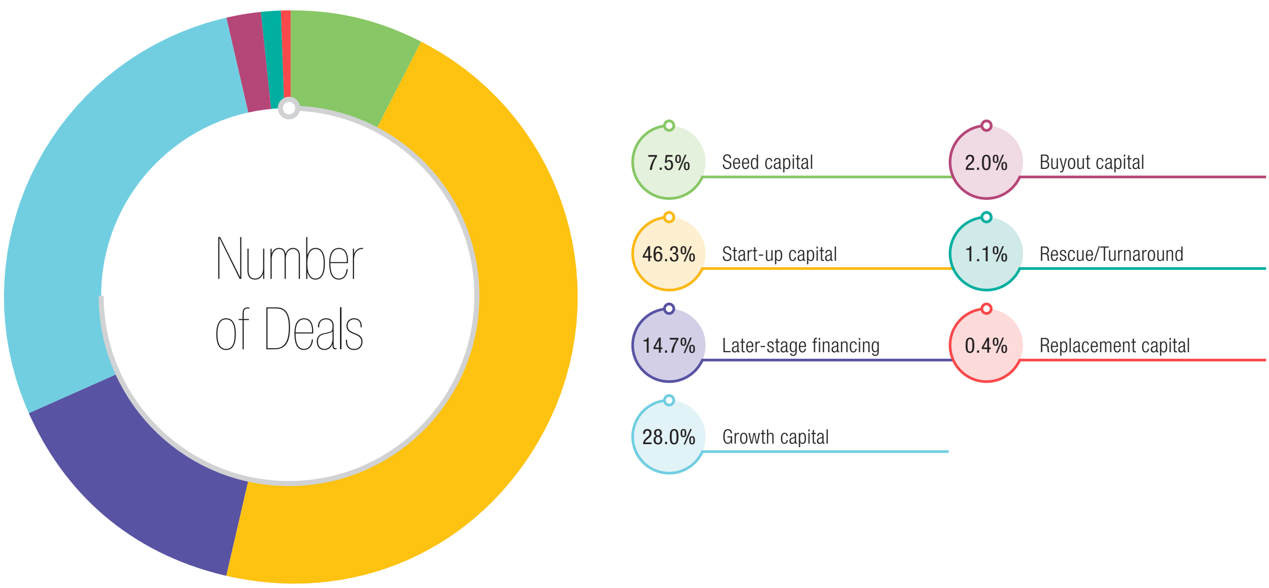


Figure 2b Contribution by stage of deal; by number of deals, all deals still invested

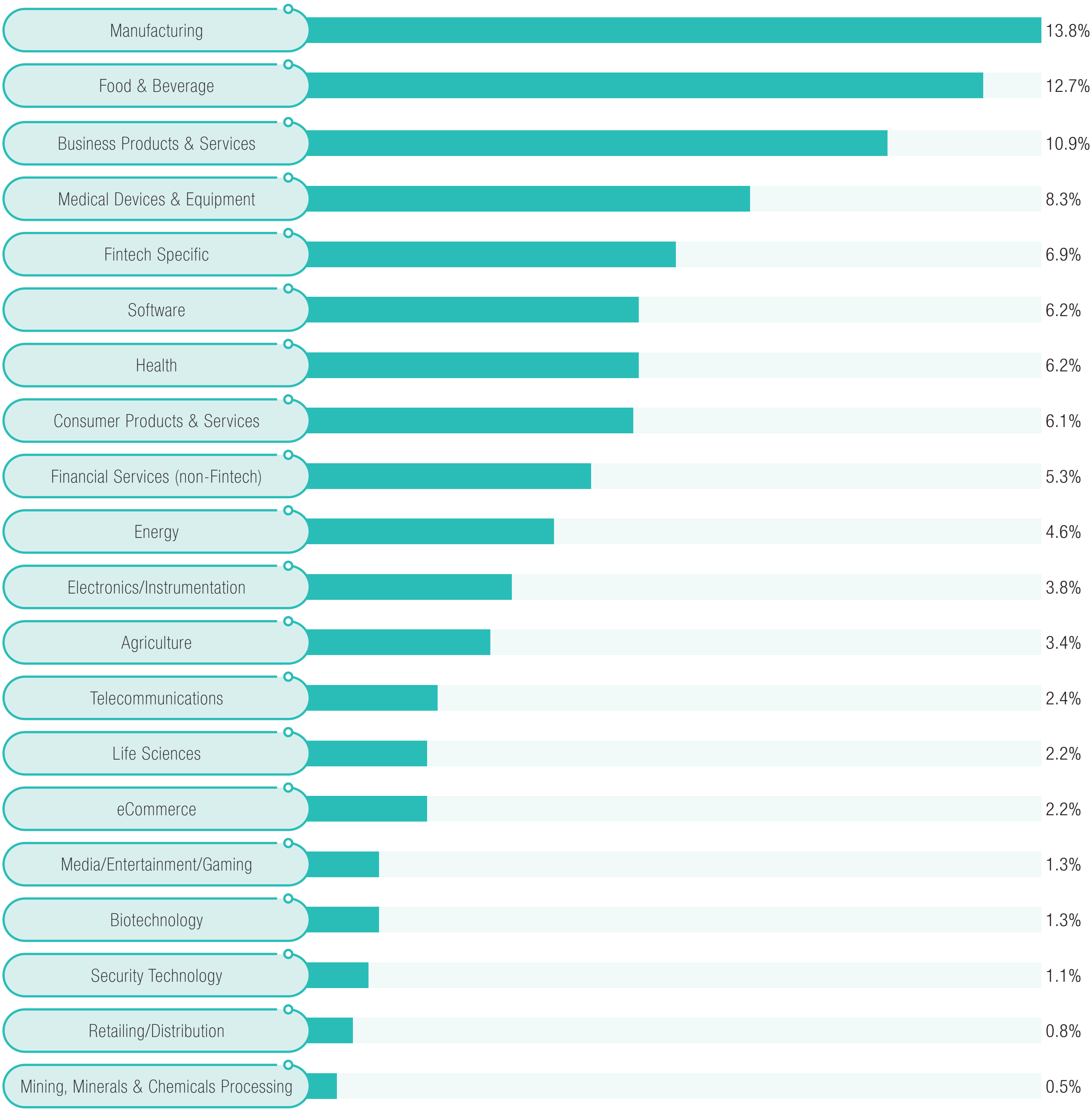


Funds under Management

The Manufacturing sector, observed through deals reported in this survey, ranges from businesses that setup production capacity for a vast range of products; from electrical machinery to automotive parts and components. Manufacturing accounted for the largest share of active deals (13.8% by value).

Some sectors entail business activity that demands larger capital setup costs, such as investment in research and development capacity (typical of life science businesses), or for example establishing production facilities that need to meet minimum international quality and safety standards (critical for food and beverage type businesses). Other sectors again have very low start-up costs typically associated with online services using plug-and-play technology, or consumer services that are paid for through Software as a Service. This will reflect in the average deal size.

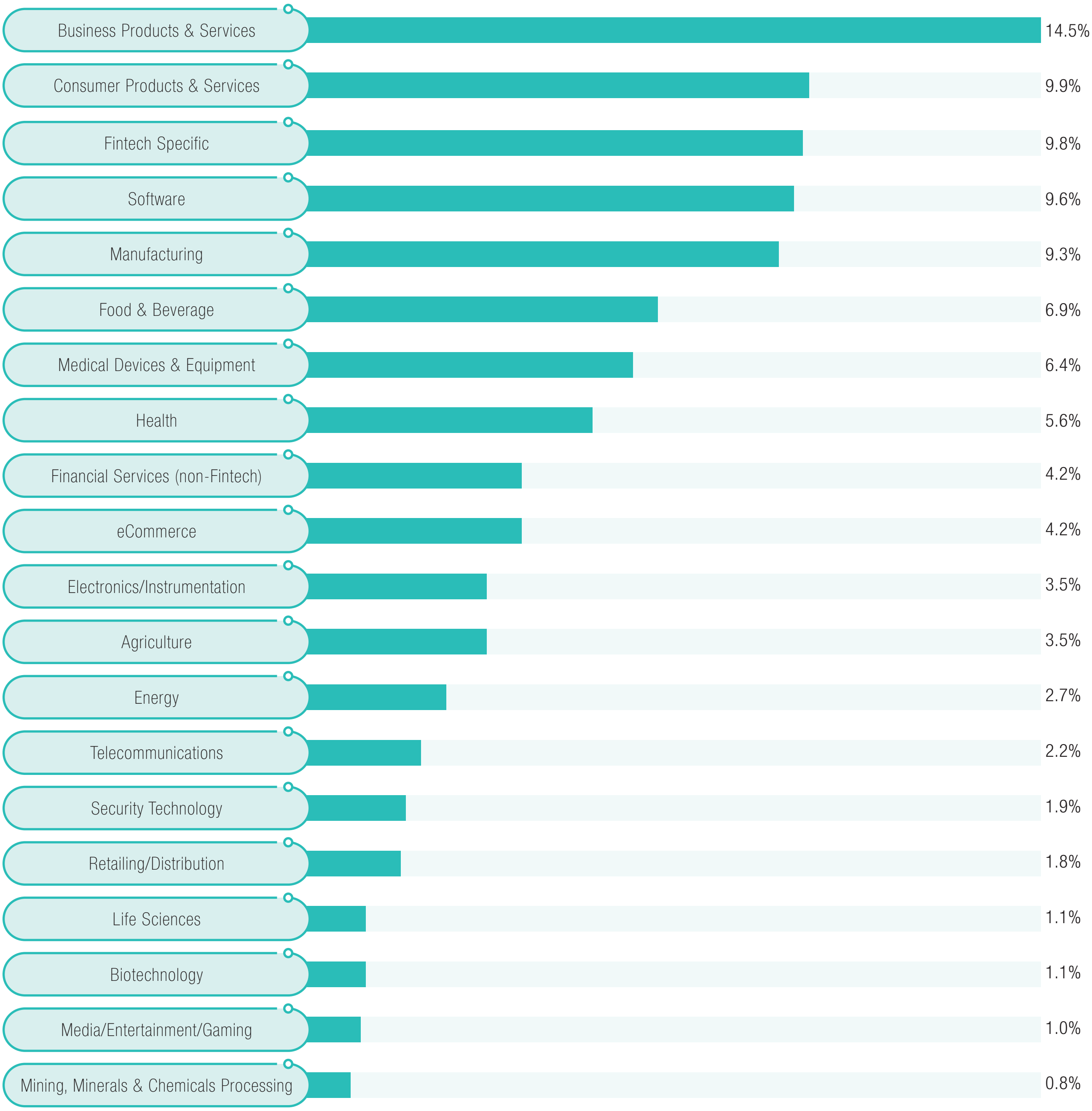
Figure 3a Sector; by value, all deals invested



Fintech was only introduced as a separate VC sector in the SAVCA VC survey in the last five years. Financial Services comprise a wide spectrum of business activity and in many years make up the largest contributor to South African GDP.[1] This trend is reflected in the VC sector where Fintech Specific and Financial Services in general, showed the fastest share in sector uptake amongst investors. At the end of 2019, Fintech featured in the top three sectors by number of active deals.

Media/Entertainment/Gaming has seen a significant decrease in active deals, however, this is due to notable exit activity in this sector recorded in 2019.

Figure 3b Sector; by number of deals, all deals invested



[1] *https://www.brandsouthafrica.com/investments-immigration/business/investing/economic-sectors-agricultural*

Funds under Management

Respondents were asked to indicate where the head office for each investment in their portfolios was located. Based on this, Western Cape businesses received the greatest share of VC investment, both by value (50.0%) and by number of active deals (53.1%). Together, Gauteng and the Western Cape attracted 9 in 10 deals if considered by value.

Figure 4a Business location; by value of deals, all deals invested

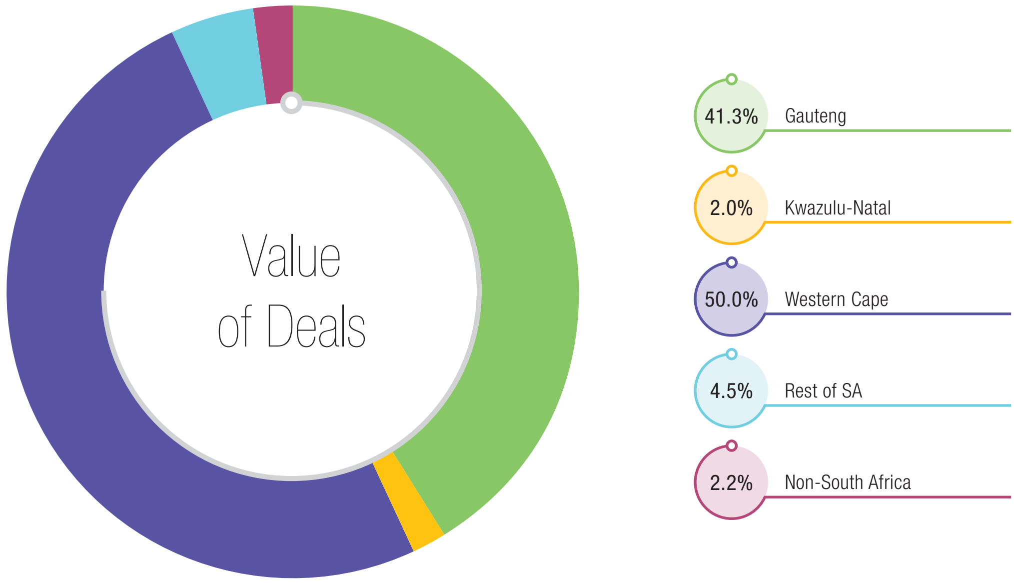
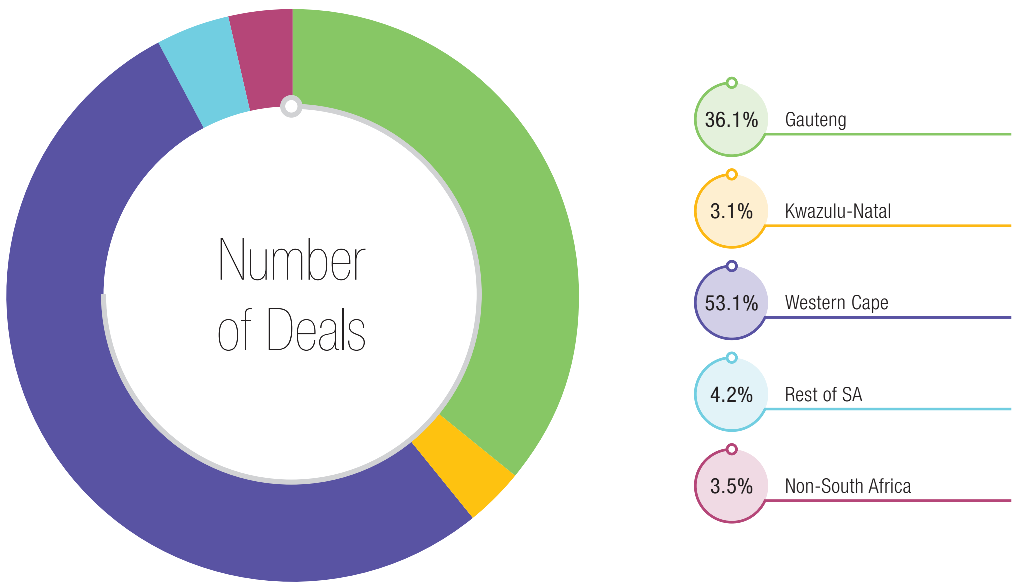


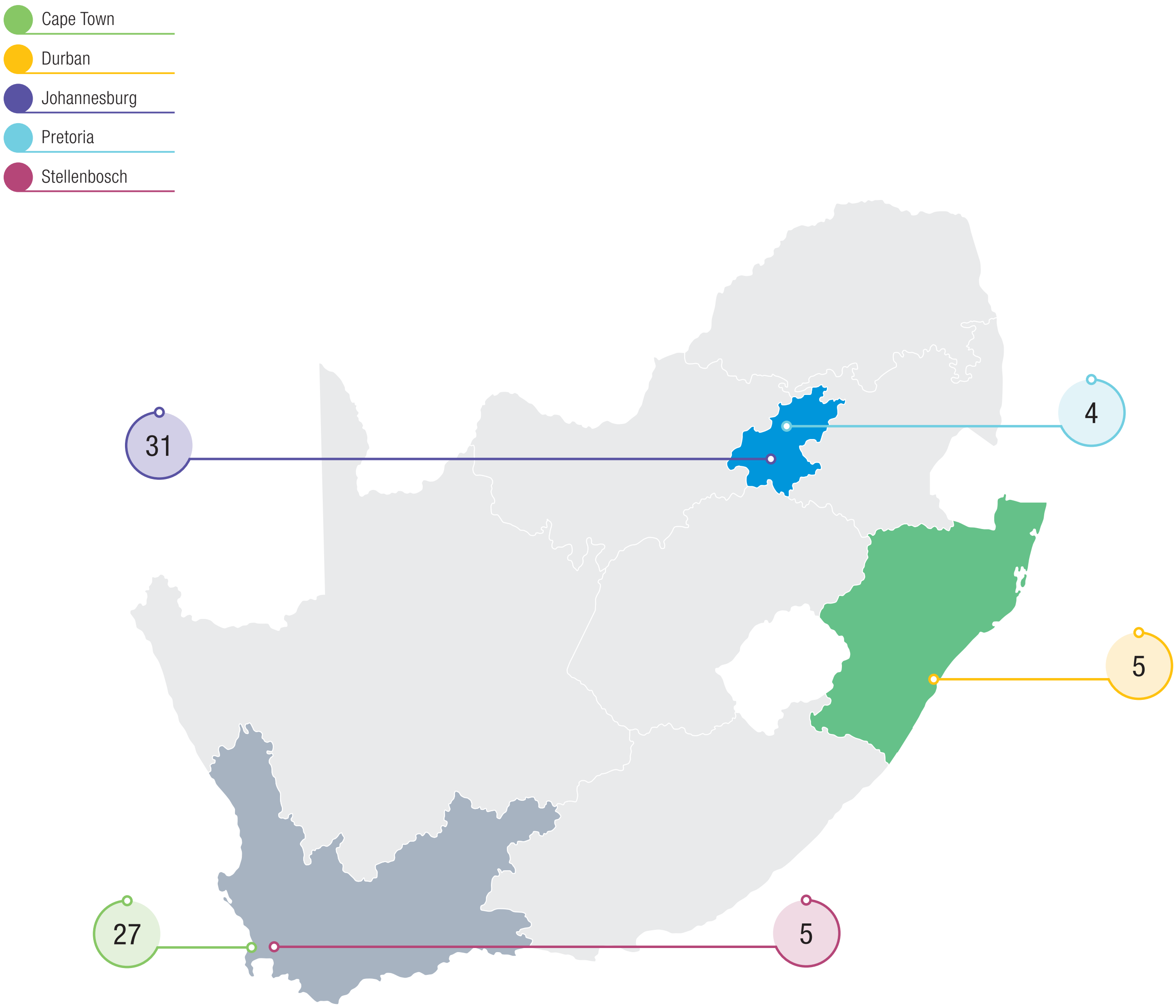
Figure 4b Business location; by number of deals, all deals invested



Only Kwazulu-Natal featured amongst the remaining seven provinces, with just over two percent of all deals still invested by value emanating from this province. Even within provinces, certain business clusters featured more prominently than others with VC being mainly concentrated in Cape Town and Johannesburg.

The same holds true for the geographic clustering of VC fund managers. Cape Town based VC fund managers outnumbered their Stellenbosch colleagues by a factor of 7:1. Johannesburg was listed as the head office location for the most VC fund managers, slightly higher than those based in Cape Town.

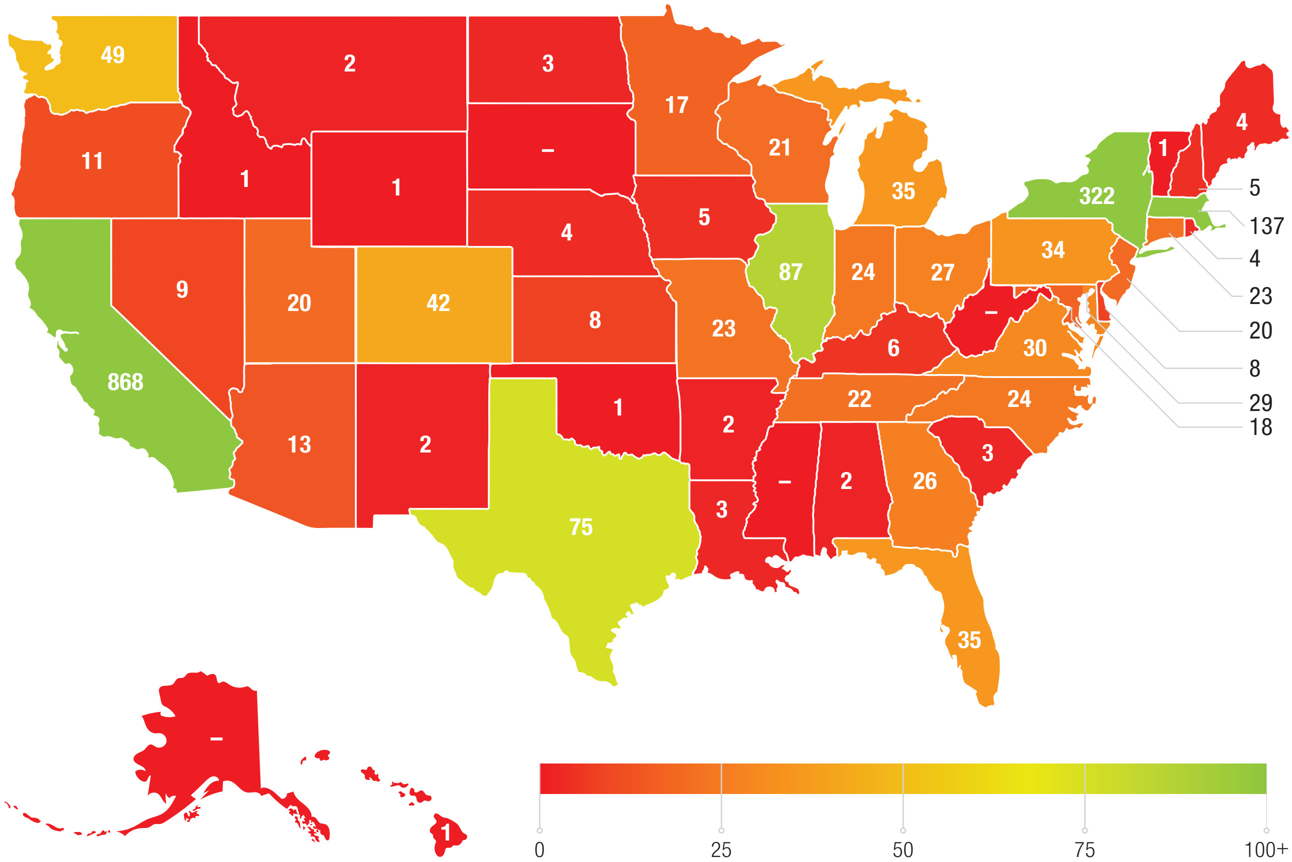
Figure 4c Fund manager location



Funds under Management

Such clustering of both VC fund manager and deal activity is not unique to South Africa as can be seen from the count of VC fund managers with active deals surveyed in 2019 by the United State's National Venture Capital Association.

Figure 4d Active Investor count in 2018 deals by HQ state



Source: NVCA 2019 Yearbook, Data provided by PitchBook.
Note: This map breaks out of the 2 133 active VC investors by their HQ state. Note that active VC investors headquartered outside of the U.S. are not included in this map.

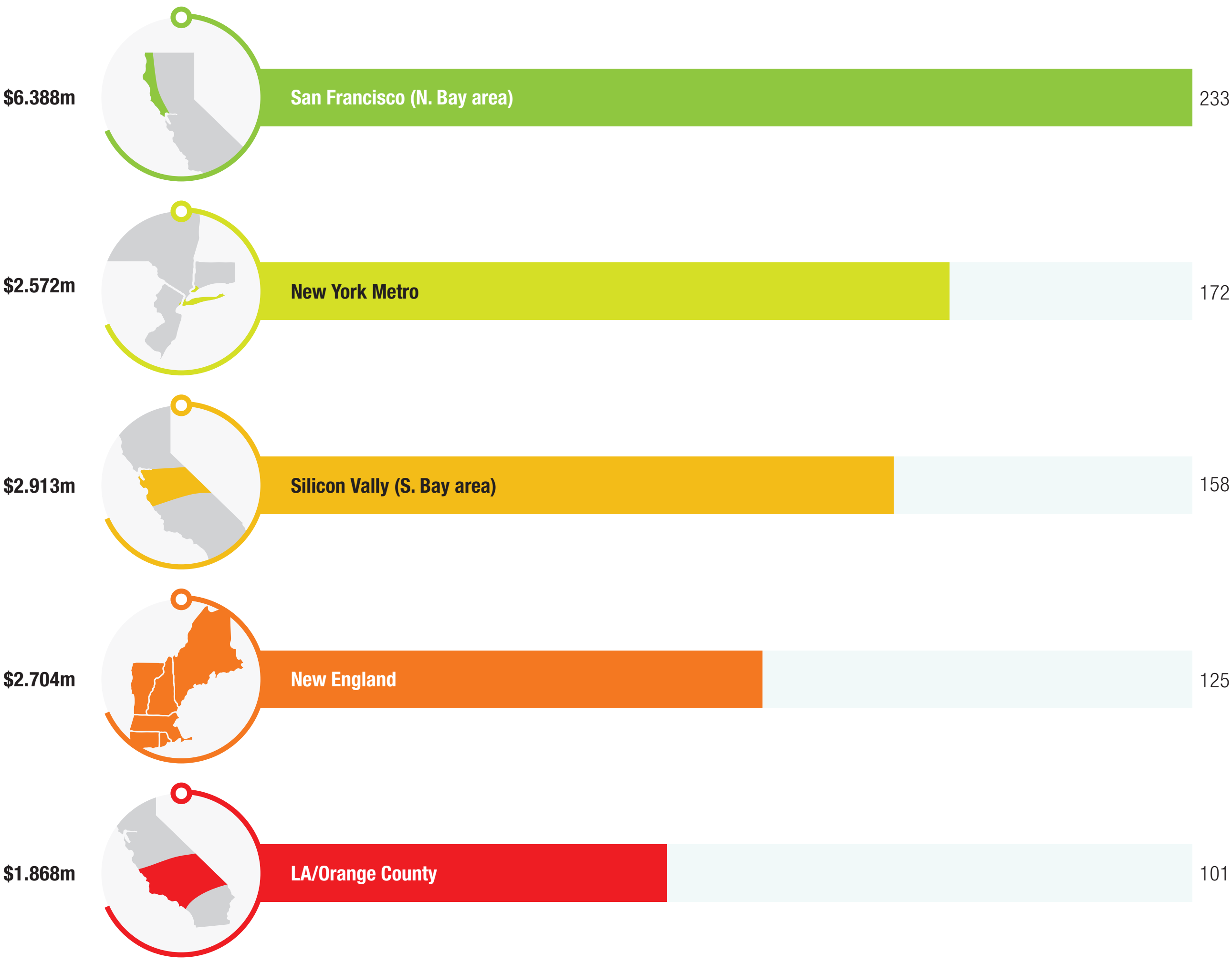
From the above graph based on the Head Quarter location of VC fund managers, five U.S. states (California (868), New York (322), Massachusetts (137), Illinois (87) and Texas (75)) accounted for the lion's share of all VC activity in 2018, completely overshadowing the other 45 states. Likewise is the median size of a U.S. VC fund four times bigger in the top five states, compared to those head quartered in the rest of the country.[2]

New York State, home to the financial capital of the US (New York City) is the state with the 2nd most VC activity, followed by Massachusetts (hosting MIT, Harvard and the corresponding tech industry clustered around such renowned academic and research institutions).

[2] *PwC | CB Insights MoneyTreeTM Report Q1 2018*

However, the dominant VC industry, according to the data, is based in California, which accounted for 41% of all deal activity if taken by VC fund manager head office location. Metro based localisation in South Africa (e.g. Johannesburg accounting for most VC activity within the Gauteng Province) as discussed in previous sections, is similarly evident even within California; almost half of all deals in the first quarter of 2018 were into deals based in San Francisco, with the balance made up by Silicon Valley and Los Angeles.

Figure 4e U.S. top five regions of Q1 2018 by deals



PwC | CB Insights Money Tree™ Report Q1 2018.

3

INVESTMENT ACTIVITY

Investment Activity

2019 VC investment had the highest activity recorded to date, both by value and by number of deals. This was the second consecutive year that the total value of VC deals exceeded R1 billion. 2019 deals amounted to R1.23 billion, an increase of 14.8% on 2018 deals reported (20.9% by number). This continued an upward trend in investment activity that started after 2015.

Figure 5a Investments per year, by value (ZAR million)

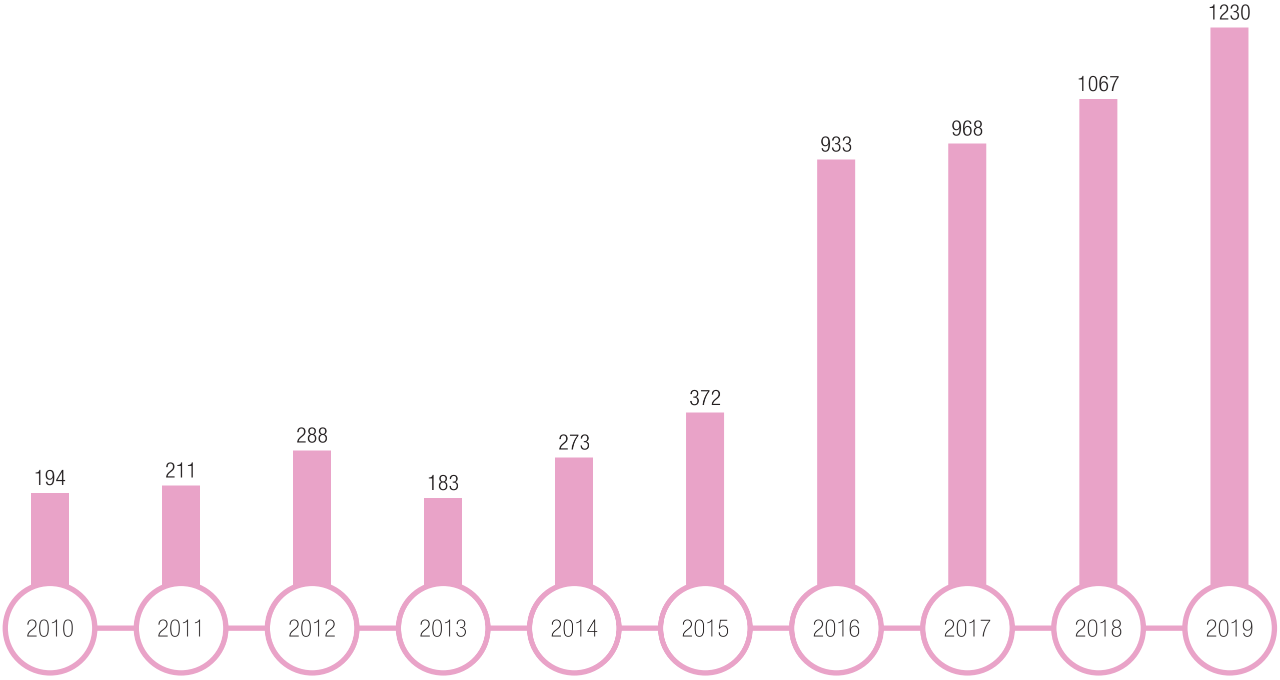
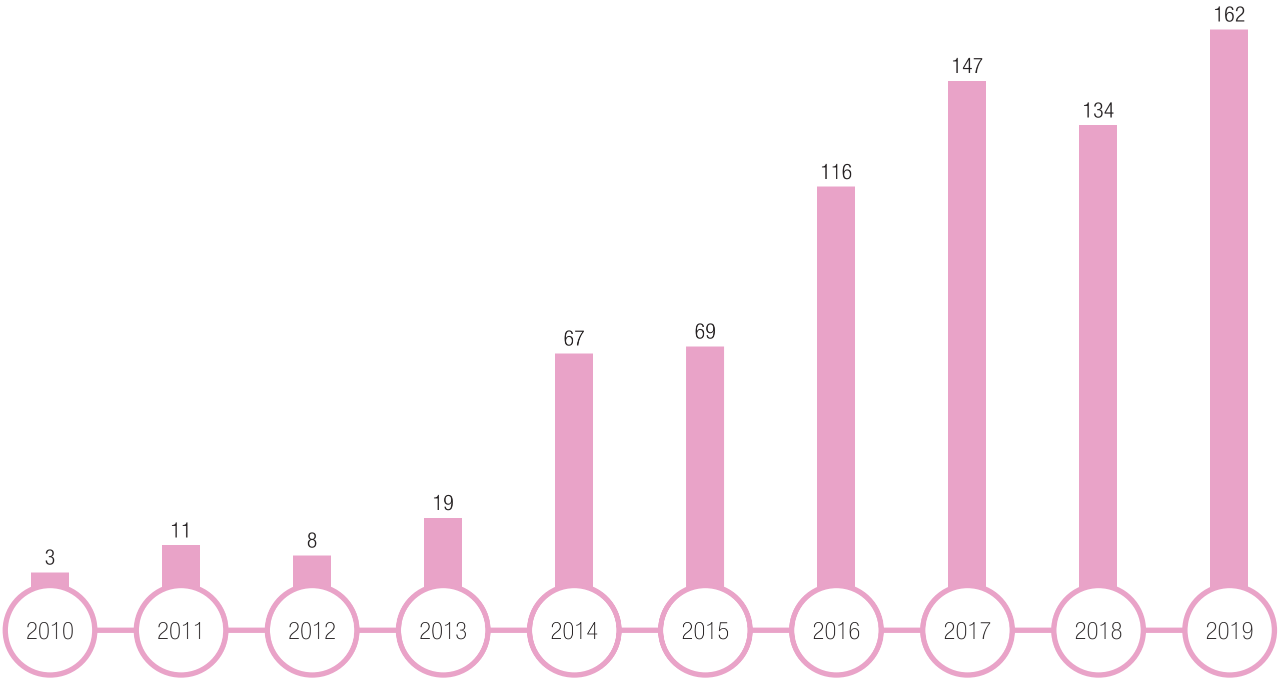


Figure 5b Investments per year, by number of deals



Investment Activity

SAVCA is steadfast in its commitment to ensure that data is accurate, representative of the VC asset class, and that data analysis between survey periods remains feasible by having comparable data samples for each survey period. For this current survey, SAVCA introduced additional data attributes to more accurately differentiate between deals that involve secondary assets (e.g. investments into buildings and land) as well as deals defined as "Venture Leasing".

Venture Leasing is a significant trend amongst VC investors globally and represents an innovative and important way to bring more capital to entrepreneurs.

Investors in both instances (secondary assets and venture leases) were able to hedge investment risk by relying on the underlying value of the asset in question, where a substantial portion of the original capital invested into such assets can be recovered, even if the actual business seized to operate.

The investment amounts are significant and it should be noted that such capital was available to entrepreneurs in addition to the equity injections reported on in this survey. The total amount of VC asset leases recorded between 2016 and 2019 in itself amounted to R658 million.

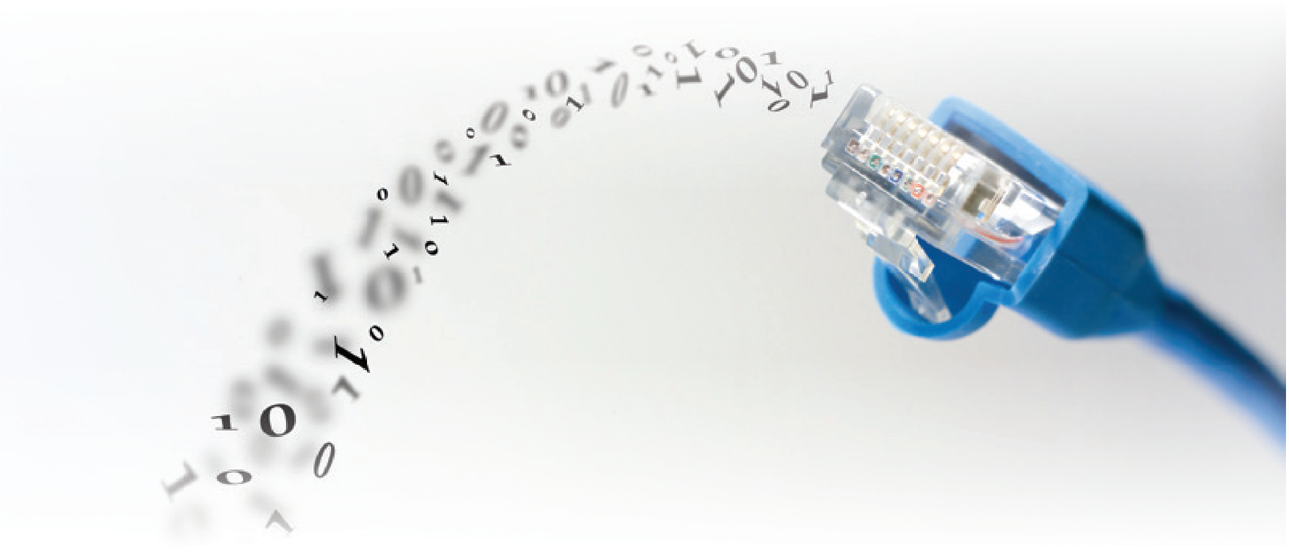
As this presents a completely different risk profile in comparison to other start-up transactions, deals involving secondary assets as well as venture leases have been excluded from the 2020 SAVCA VC survey dataset.[3]

Deals in the Food & Beverage sector, by value, received most of the investment in 2019 (14.2%), followed by Agriculture (10.9%). Agriculture typically does not feature amongst the top sectors of VC investments, however, recent investment activity by a number of VC fund managers into an AgriTech business, raised the profile of the sector.

Sector based preferences fluctuate in some years, with Energy in 2019 making up a smaller share of VC focus due to the reclassification of deals involving asset leases, with Energy being the main sector preference of Venture Leasing.

However, deal flow into businesses focused on software-driven products and services, reflected an investment preference highlighted in previous surveys. 2019 was no different, with Business Products & services, Consumer Products & Services, Financial Services and Fintech sectors reporting 13.9%, 9.9%, 8.6% and 13.2% of investment activity by number of deals. The focus on software-driven products and services is even more pronounced if including the number of deals classified as "Software" (10.6% in 2019), being deals involving software but not specific to any of the aforementioned software application areas.

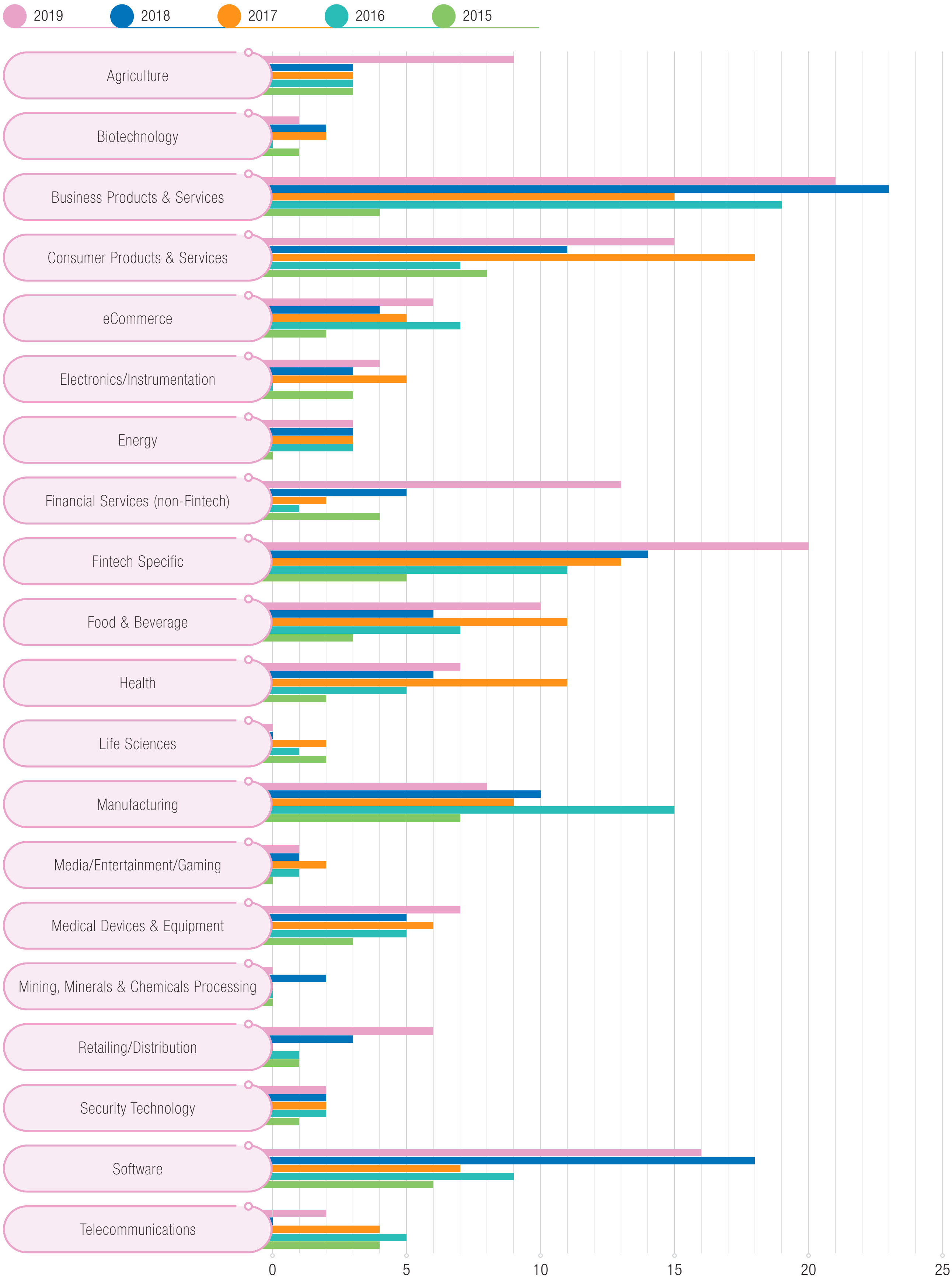
Collectively, these five sectors accounted for 56.3% of all deals in the year (57.7% in 2018 and 45.0% in 2015, when Fintech first featured as an investment niche).



[3] A consequence of this is that annual investment figures (both by value and number) for the past five years have been adjusted from those in the 2019 SAVCA VC report, as respondents were asked to reclassify their investment portfolios using the additional data attributes mentioned above.

Figure 6

Sector allocation based on number of deals concluded



Investment Activity

The investment landscape remains dominated by activity in two provinces, namely Gauteng and the Western Cape. Funding into Western Cape based businesses grew by 21.8% in 2019 compared to 2018.

However, the largest growth based on location, albeit off a very low base, has been to deals located in other parts of South Africa (53.3%), evenly spread between deals in five other provinces, resulting in the North West Province being the only province that didn't receive any VC investment in 2019. This may be a once-off occurrence in 2019 and it may be too early to determine if this is a growing trend.

Figure 7a Location of investee company head office by value of deals concluded (ZAR million)

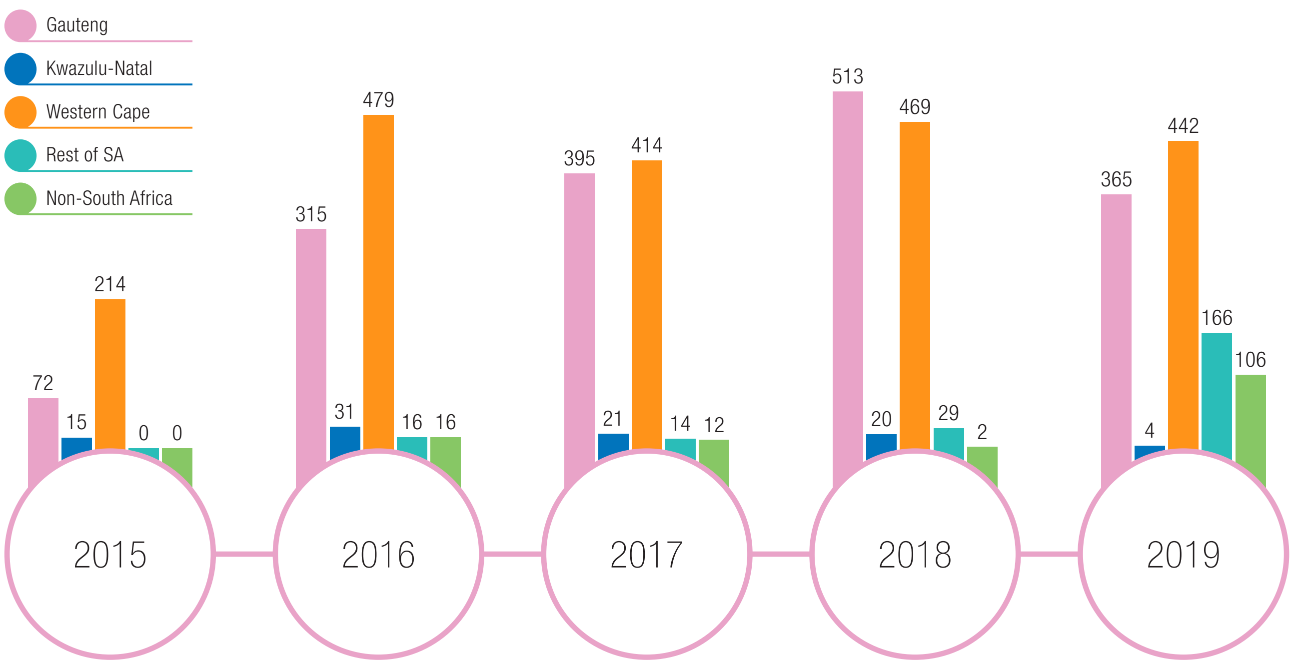
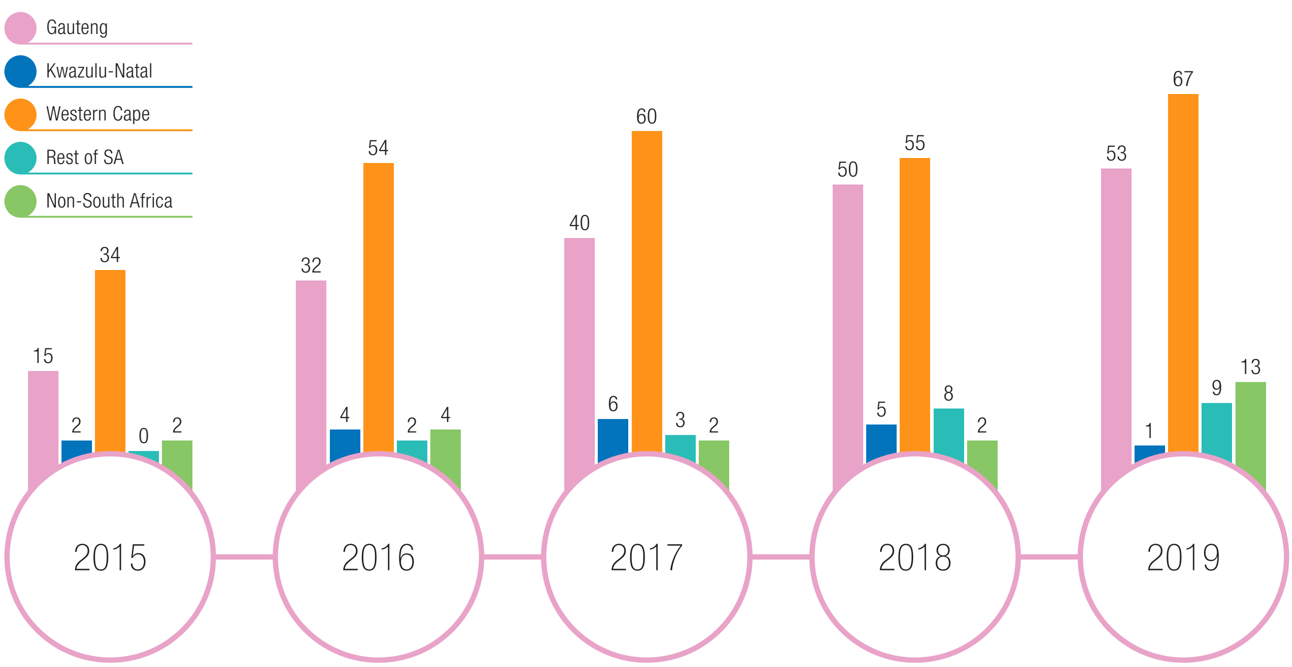
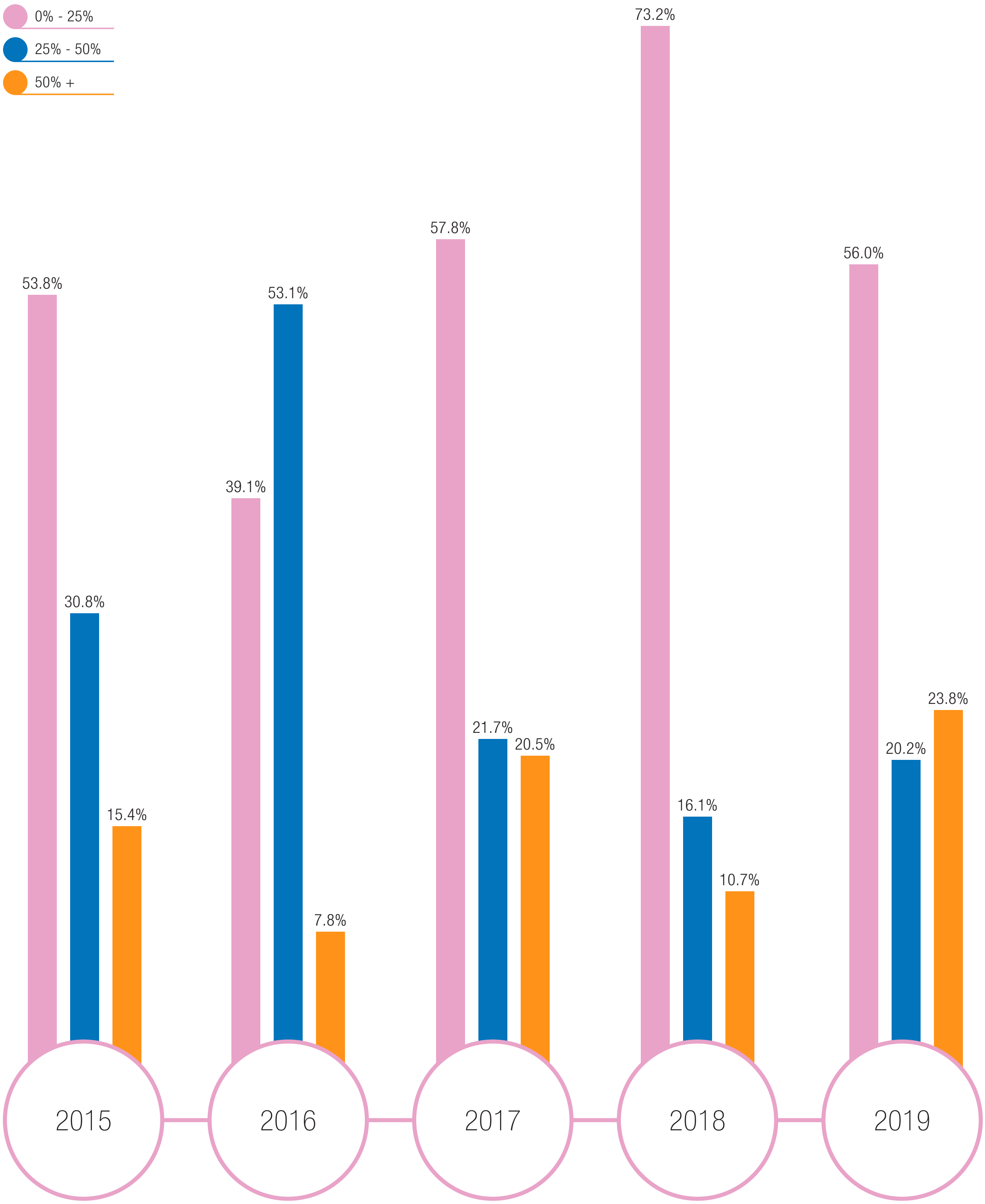


Figure 7b Location of investee company head office by number of deals concluded



The majority of fund managers prefer to retain minority stakes by taking less than 25% equity in new transactions in each of the last five years, except for 2016. 73.2% of fund managers surveyed took less than 25% equity in 2019 deals. Some deals involve additional rounds by the same investor leading to an increase in the eventual equity stake held by such investors.

Figure 8 Equity preferences per year



COVID-19 Insights

The Impact of COVID-19 on Kingson Capital

Ross Jenvey, General Partner

__About:__ Kingson's Fund Two is a USD 100 million fund investing in emerging start-ups that have both the reach and scale to solve real-world problems.

1. What impact has COVID-19 and the lockdown measures had on your portfolio?
Despite technology-enabled companies benefiting from traditional companies who are constantly looking to migrate into the digital era by seeking solutions that tech start-ups provide, the collection of cash through this time has proved challenging. Whether that's collecting a debtor's book, raising new investments or signing contracts with these large corporates, everything is happening at a slower than expected pace. As a result, this puts pressure on the cash flows of most start-ups.

2. How did the fund and/or your portfolio companies overcome some of these challenges? Any interesting/innovative approaches you are proud of?
One of our companies is in a sector that particularly benefited from the lockdown, and they used the opportunity to press home their advantage by engaging with, and signing up several new large companies who were looking for their solution. Due to the challenges during this time, we have seen founders' trim costs, and often forfeit their own salaries in order to get through this period, but entrepreneurs generally find a way where others can't see one.

3. Going forward, is there anything you will do differently as a result of the lessons learnt?
Ensuring that your portfolio companies have enough cash to last at least 12 months is imperative, but preferably you want that to be 18 months. Start-ups need to diversify their funding base as well as their revenue and client base so that they are less affected by large extraneous shocks. For a fund manager, having a diverse exposure to different industries helped to ride the COVID-19 storm better.

The Impact of COVID-19 on Knife Capital

Andrea Bohmert, Co-Managing Partner

__About:__ Knife Capital invests in innovation-driven businesses and accelerates their international expansion by leveraging knowledge, networks and funding.

1. What impact has COVID-19 and the lockdown measures had on your portfolio?
There has been a significant impact on our broader Knife Capital portfolio, but interestingly - not necessarily all negative. The resilience of a long-term investment strategy was tested and a diversified portfolio is a good thing in times like these. Because lockdown changed the way the world does business in many ways it accelerated digital transformation, but we have been investing behind digitally disruptive businesses for years. Some of our portfolio companies like educational content marketplace Snapplify really benefited while others like Quicket was under strain as a ticketing platform for events.

2. How did the fund and/or your portfolio companies overcome some of these challenges? Any interesting/innovative approaches you are proud of?
Early on in the pandemic we urged our businesses to stay safe and reassured them of our backing because their business models are solid. We assisted with COVID-19 Action Plans for each company and made relief funding available on favourable terms. We are proud of all of them, but notably of Snapplify providing free access to e-textbooks for remote learners and Quicket's new successful online products in high-load hosted streaming and fundraisers. We also participated in a $6M funding round that closed during lockdown for our AI for Manufacturing company DataProphet, to expand internationally.

3. Going forward is there anything you will do differently as a result of the lessons learnt?
We had some really solid 2020 strategies for each of our portfolio companies that could largely not be executed because of the COVID-19 impact. We will do more scenario planning going forward as those unlikely scenarios suddenly don't look so unlikely any longer. Relationships remain key and the importance of 'dry powder' in a fund to ensure follow-on investment was reiterated.

The Impact of COVID-19 on Kalon Venture Partners

kalon venture partners

Clive Butkow, CEO

About: *Kalon Venture Partners invests in and builds a portfolio of high growth technology companies, with innovative business models, geared to existing and emerging institutions and their customers.*

1. What impact has Covid-19 and the lockdown measures had on your portfolio?
In order to better understand the workings of our portfolio and the impact that COVID-19 has had, we work with a system which categorises them into green, yellow and red. Green indicates that the company is counter-COVID, indicating a healthy growth rate, faster than pre-COVID which is marked as yellow, where business activity has remained the same. Red is when there has been a significant negative impact on the business. Based on this system and the analysis we have drawn from it, the summary of the effect of COVID-19 on our portfolio's has been more positive than negative during this time.

2. How did the fund and/or your portfolio companies overcome some of these challenges? Any interesting/innovative approaches you are proud of?
We had two major concerns which were actioned. Firstly, to ensure that our investee companies had sufficient capital to see themselves through the effects and impact of the virus, and secondly that they have a minimum of 24 months runway. In addition to this, we have also had to pivot a business to ride the COVID-19 wave.

3. Going forward, is there anything you will do differently as a result of the lessons learnt?
We would like to ensure that there is sufficient capital to see our investee companies through the headwinds, as well as mentioned previously, a minimum of 24 months runway. We will also start the cost-cutting/pruning process earlier.

The Impact of COVID-19 on HAVAÍC

HAVAÍC

Ian Lessem, Managing Partner

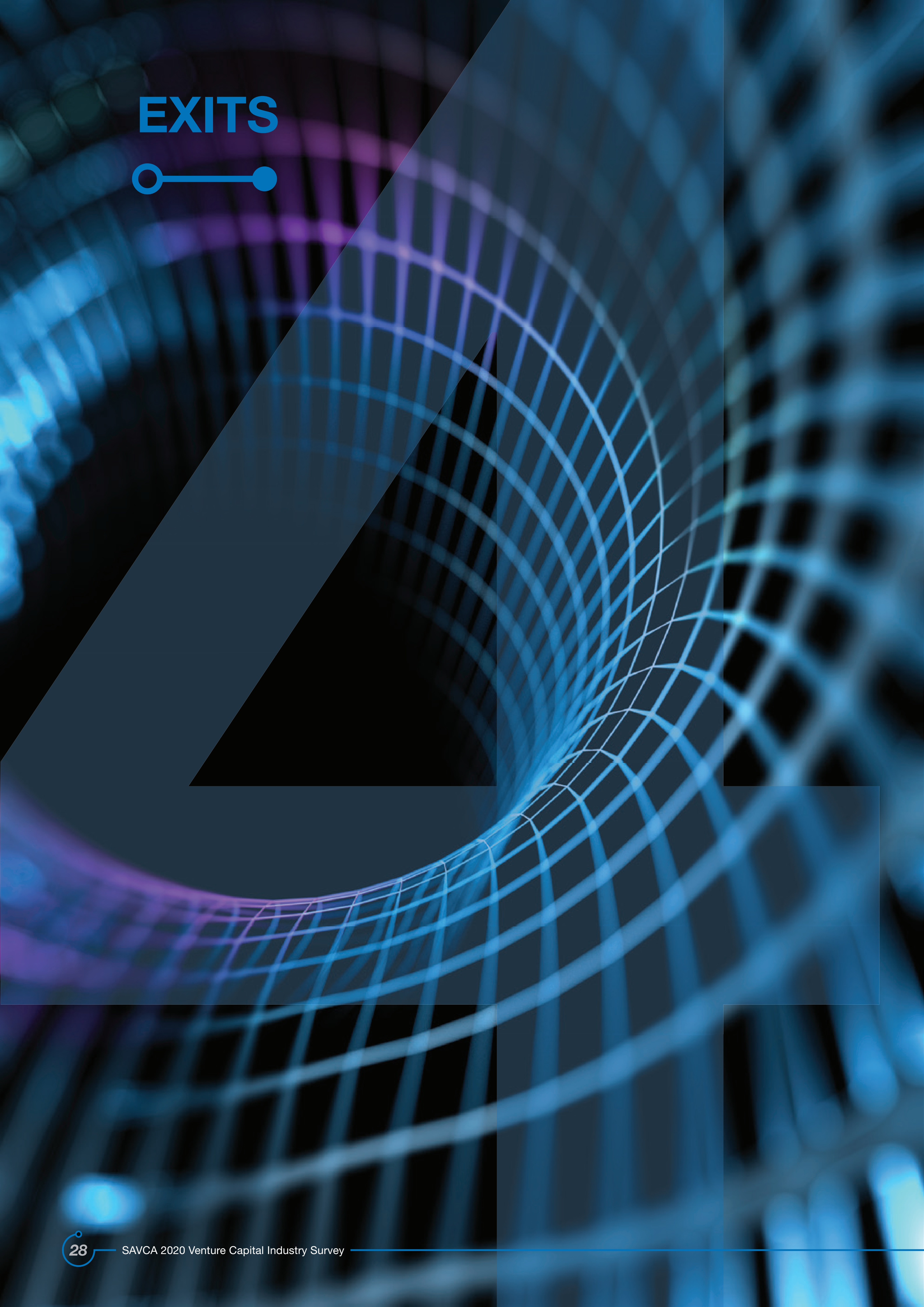
About: *HAVAÍC invests in early-stage, high-growth technology businesses, offering access to local investments with global prospects.*

1. What impact has COVID-19 and the lockdown measures had on your portfolio?
The largest risk, in our opinion is that related to non-payment by customers. Given our investments are young businesses, they are balance sheet light, thus retaining and ensuring customers perform is key. That being said, we remain buoyed by how well our portfolio has performed thus far, remain cautiously optimistic in the short-term, but in the medium to long-term now more than ever believe investing in technology driven real world businesses with the ability to scale frictionless into international markets is the smart decision.

2. How did the fund and/or your portfolio companies overcome some of these challenges? Any interesting/innovative approaches you are proud of?
At HAVAIC, our main concern during this time relates to non-payment. With this in mind our focus has been two-fold. Firstly, at a customer level, tightening up payment terms and where possible diversifying the customer base, and secondly, raising capital for our portfolio companies, be it our own or from third parties to ensure they have the balance sheet to weather the storm if a cold front moves in, and here we have been fairly successful with more than half our portfolio either closing or about to close funding rounds on favourable terms.

3. Going forward, is there anything you will do differently as a result of the lessons learnt?
When considering making an investment, what this has highlighted is the importance of really comparing these to other investments that are on offer and making sure on a comparable basis it is so "superior". Analysing investments through the cycle and applying the premise that what was once a great business, post the COVID-19 pandemic, may no longer be so. Further to this, the pandemic has really highlighted the need to invest in local solutions, be it manufacturing, technology or others, both from a security of supply point of view, like medicine needed to treat COVID-19 patients. There is an economic necessity to invest in the local economy, to ensure that our local economy survives the crisis.

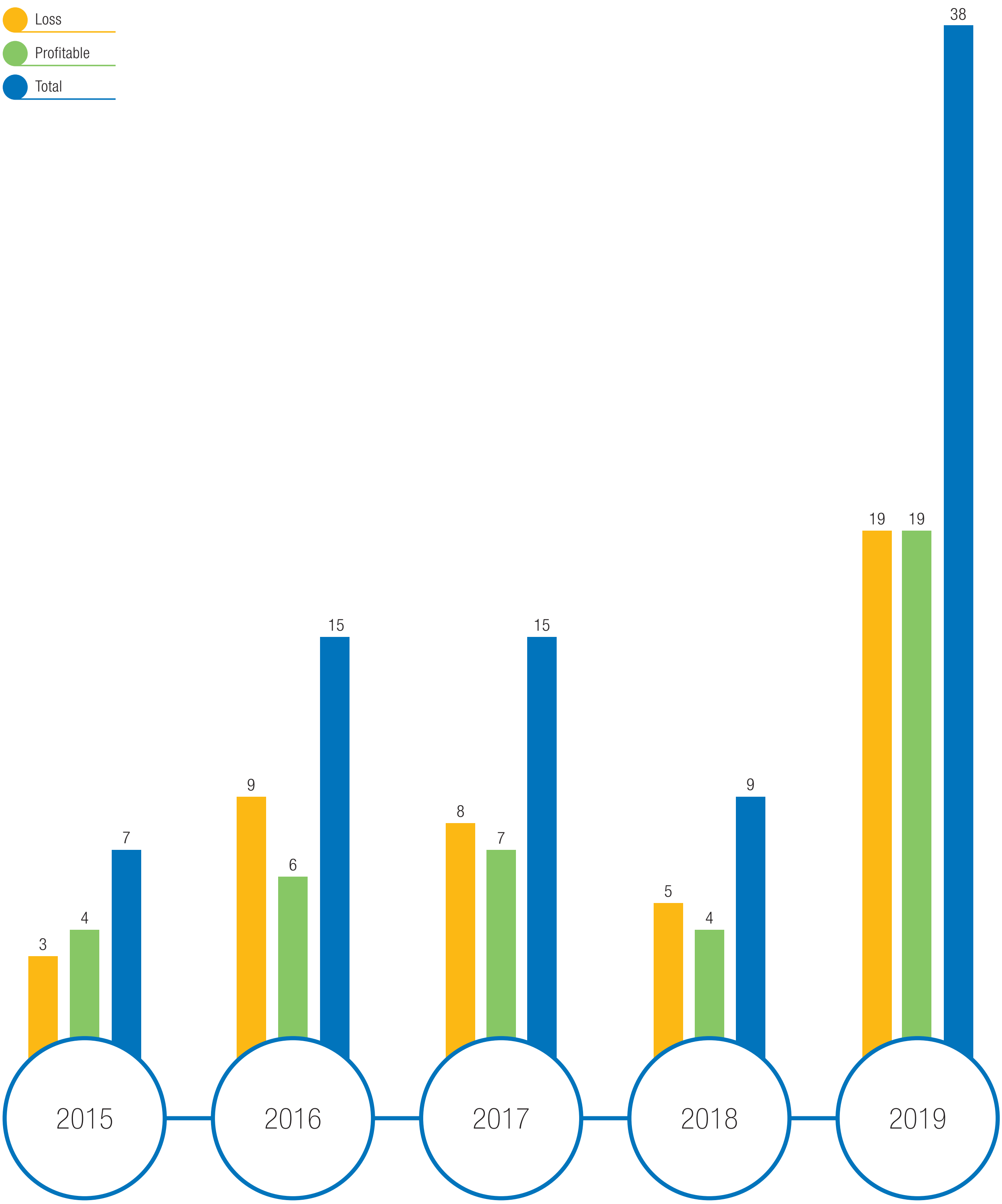
EXITS



Exits

A total of 38 exits were reported for 2019, more than double the previous record for annual exit activity. 19 exits were reported as profitable, with a total amount of R830.5 million returned to investors. Trade sales remains the most prevalent exit route, followed by exiting to other investors. A number of investors consolidated portfolios in 2019, resulting in the large number of write-offs recorded for the year.

Figure 9 Number of exits reported per year



5 PARTICIPANTS

Participants

The list of firms that participated in the SAVCA VC survey are listed below. Only firms that have given consent have been listed.

4Di Capital*

Action Hero Ventures

AngelHub Ventures

ASOCapital*

Bright Light Solar VCC

Business Partners Limited*

Cactus Advisors

Capricorn Capital Partners

Clifftop Colony Capital Partners

Crossfin Ventures

Edge Growth Ventures*

Far Ventures

FiTech Ventures

Fundamental VCC

GAIA Venture Capital Limited*

Getihu (Pty) Ltd

Grindstone Accelerator

Grovest: Decentra Energy Capital Limited, Grovest Venture Capital Company, Mdluli Safari Lodge Limited, The Pepperclub Hotel Investments, Rencell Limited, Sunstone Capital Limited, WDB Growth Fund*

HAVAIC*

HL Hall and Sons Investments

Hlayisani Capital*

Horizen Ventures Africa

IDF Capital*

Industrial Development Corporation of South Africa Limited (New Industries SBU)*

Invenfin*

Kalon Venture Partners*

Kigeni Ventures

Kingson Capital Partners*

KNF Ventures*

Knife Capital*

Linkmakers Capital Pty Ltd

Lireas Holdings (Pty) Ltd

Lucid Ventures

Mianzo Asset Management

Naspers Foundry

Nedbank CIB*

Nesa Investment Holdings*

Newtown Partners*

nReach One

Optomise Fund III

Pallidus VCC Solutions

Platform Investment Partners (Pty) Ltd

Quona Capital

Rand Merchant Bank

Sanari Capital*

Savant Capital*

Savant Venture Fund*

Silvertree Holdings

Startupbootcamp AfriTech

Stocks and Strauss

Stream Capital

Team Africa Ventures

The Technology Venture Capital Programme managed by the IDC on behalf of the dtic

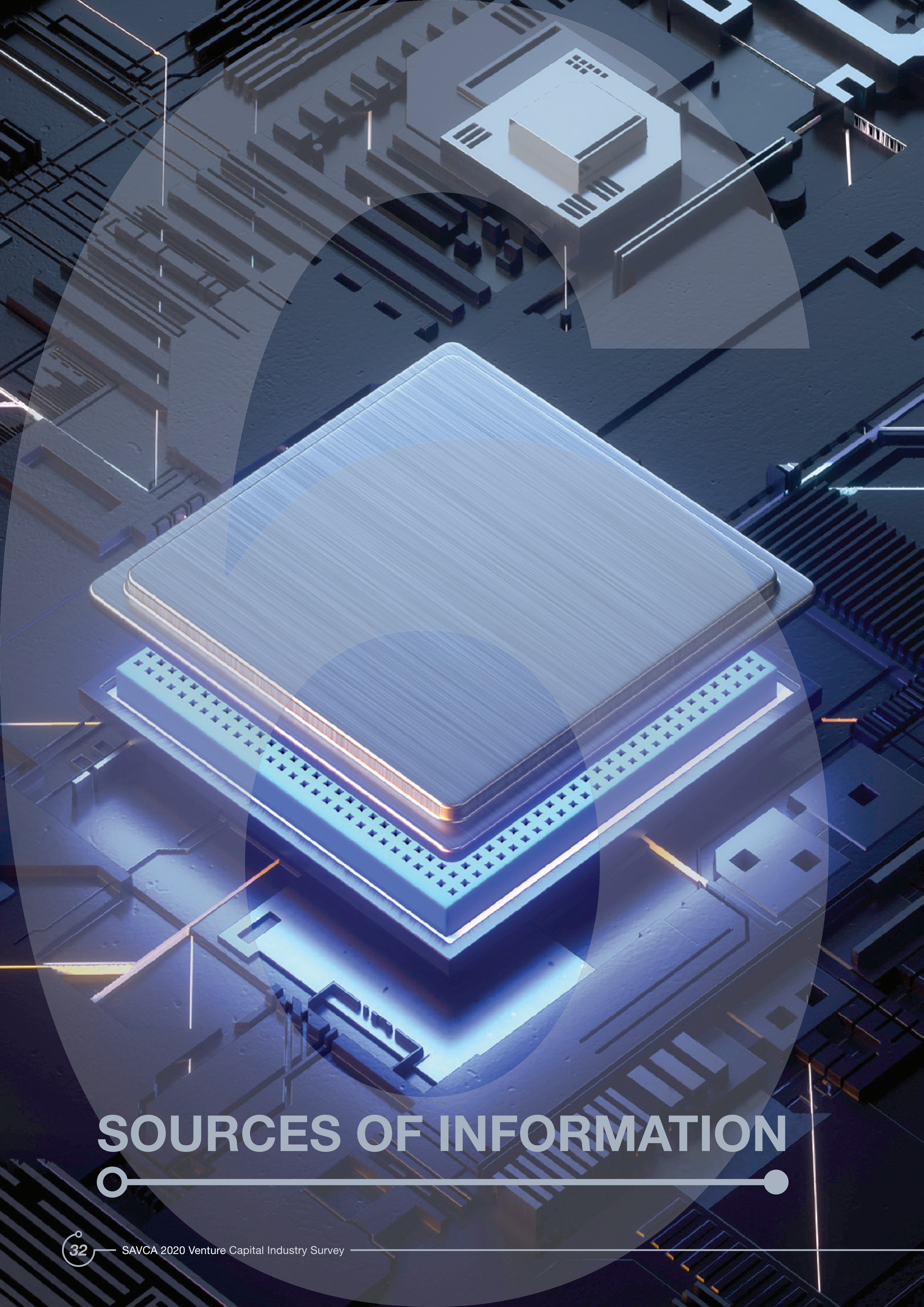
The University Technology Fund

Visions2Ventures (Pty) Ltd

Westbrooke Alternative Asset Management*

White Hall Venture Capital Company

*SAVCA Full Members



6

SOURCES OF INFORMATION

Sources of Information

Objectives and methodology

- This *SAVCA VC Industry Survey* process entailed gathering and processing data through questionnaires and interviews with VC fund managers and other investors conducting VC type investments.

- The approach to this survey was similar to the bottom-up methodology used in previous SAVCA VC Industry Surveys using verifiable data and information about completed VC deals.

Information excluded from survey data:

- The VC asset class globally is comprised of VC type deals made by both individuals and firms. Much of the actual deal flow is not publicly known, as there are limited regulatory and similar formal processes to require disclosure of investment activity by VC investors/fund managers. This is even more so given that individual investors operating in their personal capacity drive a large proportion of the VC asset class. Many investors, especially private individuals prefer to operate anonymously. There is also a substantial number of unreported deals facilitated by independent fund managers, where the details of these deals are not disclosed due to strict confidentiality limitations enacted on such fund managers by their respective investors. Data obtained through surveys of any VC asset class does not therefore reflect the full extent of VC investment activity within a region.

- Known investors active in the Southern African VC industry, in addition to those listed on the SAVCA Members' Directory, include Angel Investors, corporate investors, enterprise development agencies, and government backed institutions such as those within the ambit of the DSBD and the TIA.

- Deals that entail no equity risk are excluded from this survey.

- Deals that entail equity securitisation have been excluded, such as those that focus primarily on real estate acquisition, property investments and buying up land for development and agricultural purposes.

Graphs and calculation of totals

Not all respondents supply complete responses for each attribute in the survey, with some for example omitting details on sector classification, location and stage of the deal. For this reason, totals in some graphs may vary from the actual total of transactions in the full dataset as graphs are generated using only those records with complete details to report on the attribute in question.

GLOSSARY

Glossary

dtic	Department of Trade, Industry and Competition.
DSBD	Department of Small Business Development.
Fintech	Computer programs and other technology used to support or enable banking and financial services.
Fund-of-funder investor	An investment fund that typically manage a portfolio comprising other types of funds such as VCs, rather than investing directly in VC type transactions. This may include both public as well as private funders.
HNW	High net worth individuals.
SAVCA	Southern African Venture Capital and Private Equity Association.
Section 12J	Section 12J of the South African Income Tax Act.
TIA	Technology Innovation Agency.
VC	Venture Capital.
Venture Leasing	Venture Leasing entails VC money invested into special purpose vehicles (SPV) in which the VC has an equity stake, but where the SPV operates some form of asset rental business. This is increasingly popular in the deployment of renewable energy solutions such as installation of solar panels on shopping mall roofs, or in leasing expensive capital equipment that would otherwise be unattainable to a typical start-up.
SAVCA VC Survey	SAVCA 2020 Venture Capital Industry Survey.
U.S.	United States of America

SAVCA
SOUTHERN AFRICAN VENTURE CAPITAL
AND PRIVATE EQUITY ASSOCIATION

Save the Date

SAVCA
PRIVATE EQUITY CONFERENCE
2021

Date

3 & 4 March 2021

Venue

Sun City and Virtual

Further details to be announced.

For more information contact: events@savca.co.za