



Uncovering hidden investment opportunities in Africa

Recent research on the African private-equity market reveals a mismatch between supply and demand for financing that could point to investment opportunities.

**Alastair Green,
Conor Kehoe, and
Farid Sedjelmaci**

Private equity is set to grow rapidly across Africa. Continent-wide demand for capital should increase by 8 percent a year between now and 2018. Annual growth could reach 20 percent in resource-rich Angola and nine other countries, and \$50 billion in total investment is possible over the next decade.¹

But there will be wide variations by country and industry, and the supply of capital doesn't seem to match the growing demand. Large international investors often prefer proven investment managers, sizable investments, and diversification across Africa. Those preferences may lead them to overlook some attractive—and growing—country and sector gems.

The exhibit shows the mismatch between supply and demand by investment type. On the right are segments with rapidly growing opportunities but relatively little money chasing them. These

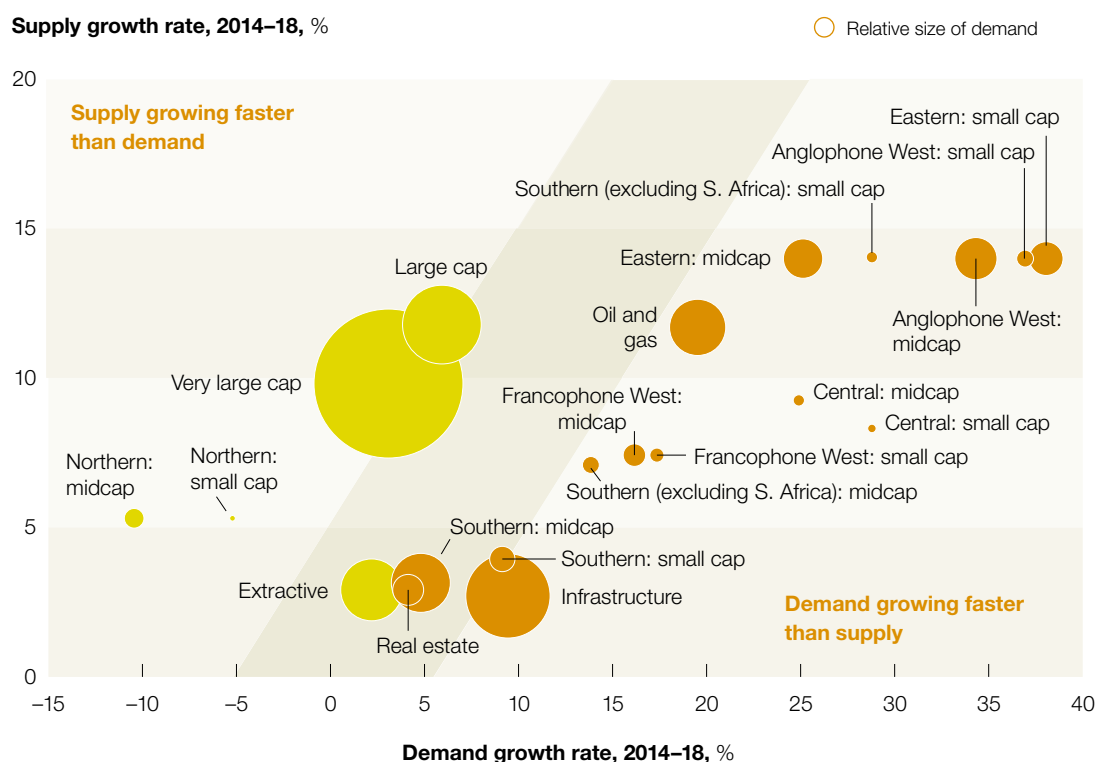
include infrastructure funds (which some investors view as too risky and politically fraught) and small- and midcap funds in East, West, and Southern Africa (excluding South Africa, which will remain a magnet for funding). On the other end are funds that will probably raise more money but face greater competition to complete attractive deals, often involving larger target companies. Multinationals seeking viable acquisition targets might look outside the active markets to midsize African companies. ○

¹ Estimate based on interviews with 70 leaders in the African private-equity market and an analysis of proprietary data.

Exhibit

Tracking projected supply and demand in African private equity reveals rapidly growing but underfinanced opportunities.

Distribution of African private equity, based on projected demand and supply growth rates



Source: Preqin; Standard & Poor's Capital IQ; Zawya; McKinsey analysis

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Alastair Green (Alastair_Green@McKinsey.com) is an associate principal in McKinsey's Washington, DC, office; **Conor Kehoe** (Conor_Kehoe@McKinsey.com) is a director in the London office; and **Farid Sedjelmaci** (Farid_Sedjelmaci@McKinsey.com) is a principal in the Geneva office. Copyright © 2014 McKinsey & Company. All rights reserved.