'Telecom, Tech And Fintech Will Continue To Strengthen'

Webber Wentzel corporate partner, Ziyanda Ntshona, has expertise in all aspects pertaining to M&A, reorganizations, private equity and general corporate transactions in sub-Saharan Africa. Her take on new industries and the barriers to entry for women in the sector.

Do you think the PE sector is still more white male-dominated? What challenges do women face in being transactors?

The PE sector remains white male-dominated, particularly in South Africa. There are green shoots of change (new entrants in the form of women-owned and black PE houses), as networks steadily open with more businesses becoming black-owned. There are female leaders who are pioneers in the PE sector (such as Sonja de Bruyn, Cora Fernandez and Runa Alam), and the pool of female leaders is growing. Other than the typical challenges women face in the corporate workspace (such as balancing home and work and the consequential sacrifices that come with it), women in the PE sector face additional challenges. For example, women transactors have to gain the trust of sceptical executives from portfolio companies, whereas white male transactors start from a position of trust. Finally, regardless of technical ability, the investment world is exclusive and hard to break into if you are a black female – networks remain a key barrier to entry. Within PE firms, the 'promoters' of talent remain largely white and are inaccessible to black females.

Your views on impact investing…

As a result of Covid, and the increased social and political awareness it has brought, impact investment will become an essential component of every investment strategy, particularly in Africa. There is likely to be a convergence of impact and traditional investing to some extent, as sectors such as healthcare become natural choices for investment. The rise of family offices (according to EY, in 2018, there were over 10,000 single-family offices globally, from 1,000 just 10 years previously) as investors will promote impact investing – family offices use their funds for legacy and wealth creation, so they are patient investors. Family offices are active investors in PE and greatly influenced by millennials… Millennials (descendants) in family offices will also use their influence to change investment patterns towards impact investing. DFIs are a critical source of funding, and as they increase their funding, they will demand an increasing share of their spend is used for impact investing, to provide the social and financial returns they seek. There are, however, sceptics towards impact investing, and to counter these, the industry needs to ensure it has data to support the social and financial returns they claim to receive.

What are the new investment sectors?

This is definitely the time for new opportunities. Many share the hope that this pandemic will be a wake-up call for Africa and its leaders, inducing an acceleration in investment in critical areas. These sectors are not new, but have suffered from underinvestment in the past. Examples include healthcare (where investment in sub-Saharan Africa has been on average 5% of GDP, roughly half the global average), pharmaceuticals and manufacturing. This pandemic has exposed weaknesses in Africa's supply chain and inability to supply its own demand. In order to strengthen intra-African trade, energy and infrastructure must be developed. Again, these are not new sectors, and efforts already underway must now be accelerated. Telecom, technology and fintech will continue to strengthen as sectors… Any sector that responds to the needs and challenges facing the continent will thrive – primarily because the pandemic seems to have generated political will.

Is the market growing in terms of competition?

It is and this is positive as it supports the exit environment. Sometimes, opportunities do not match the requirements of some General Partners, and that leads to reduced competition. For example, the market is still a growth equity market, and investors will need to exercise patient capital and assess opportunities in a different light. Valuations remain reasonable, other than for fintech, which are being sought out at this stage.

What have been traditional exits: trade sales versus listings?

Listings are limited in Africa, and there has been a reduction in IPOs in recent years. Listings are more prevalent in South Africa, but has seen a decline in recent years… Most often, exits on the continent occur by way of secondaries, trade sales, and to other PE funds.

– Interviewed by Renuka Methil