

Vantage Capital announces final close of 4th mezzanine fund

Vantage Capital, Africa's largest mezzanine fund manager, has announced the successful final close on its fourth mezzanine fund. A total of US \$377m of commitments has been secured from a mix of European and US-based commercial investors, as well as a host of development finance institutions (DFIs) that include IFC, BII, SIFEM, DEG, Norfund, Swedfund, Finnfund and EIB.



In 2020, Vantage's funding to CIM Santé has enabled the Moroccan hospital group to rapidly expand its number of beds | image supplied

As with its predecessor funds, Vantage will continue to provide mid-sized African businesses with flexible capital to drive business expansion and support job creation. In particular, mezzanine debt is well-suited to robust sectors with strong growth dynamics, including telecoms, healthcare, education, real estate, export manufacturing, outsourced services and selective infrastructure such as private power generation.

Fund IV has made two investments to date, providing early-stage construction funding to Seaton Estates in South Africa for a residential development on the KwaZulu Natal coast, and backing a prominent Egyptian private equity firm, Compass Capital, to acquire a portfolio of A grade office buildings in Cairo as they build a diversified portfolio of income-generating real estate assets.

Warren van der Merwe, managing partner, noted, "Vantage is proud of the continued support received from our investors. We were the first independent mezzanine fund in South Africa when we raised Fund I in 2006. Mezzanine was not well known in South Africa at that time, let alone in the rest of Africa. Since then, we have taken our mezzanine product across Africa, targeting 14 markets and having invested in 11 to date.

“Our fundraising success, in such a challenging environment, is a validation of the mezzanine asset class in Africa and of our role as a pioneer in this space over the past 17 years. As with previous funds, a substantial portion of the funds have been raised from private sector investors such as insurers, pension funds and endowments who find our contractual yields and equity upside exposure attractive when compared to private equity alternatives. We have also received valuable support from DFI investors, who appreciate the impact that mezzanine can have in growing mid-sized African enterprises.”



The different types of funding available for small businesses

20 May 2022



Since 2006, Vantage Capital's Mezzanine division has made 33 investments across four funds in 11 African countries, making it the largest and most experienced independent mezzanine funder on the continent.

Its inaugural mezzanine fund was raised in 2006, with US \$150m invested into five South African companies. In 2012, its second mezzanine fund of \$240m was raised, investing in a portfolio of 13 companies across Africa. This was followed by its third mezzanine fund of \$287m raised in 2015, with a further 13 investments spread across the continent.

Vantage's success in now raising \$377m for its fourth mezzanine fund is a validation of the growing demand for flexible funding solutions amongst mid-sized African corporates, as well as a recognition by investors that Vantage is a leader in this niche.

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