



PRIVATE EQUITY IN AFRICA IS A SERIOUS ALTERNATIVE INVESTMENT PROVIDING SOUND LONG-TERM RETURNS

Aziz Mebarek, Founding Partner, Africinvest

CAPMARKETSAFRICA: Firstly, let's talk about you. Please tell our readers more about your background and what motivated your choice of career path?

AZIZ MEBAREK: I am an engineer by background and used to manage industrial companies in North Africa for part of an Italian conglomerate. As such I was involved in several acquisitions, growth strategies and a turnaround plan. The need for institutional investors to bring funding and value addition to private companies was obvious.

As I was thinking about making an entrepreneurial move after my management experience while in my early thirties, I joined efforts with my friends and partners Ziad Oueslati, Karim Trad and Ahmed Abdelkefi. Each one of us brought different expertise and experience, from financial services to technical auditing. Together we would start the first PE management company in our region.

The market need, the entrepreneurial spirit, and the friendship story were the pillars of this next step in all of our career paths.

CAPMARKETSAFRICA: Given your longevity in the Africa private equity industry, what developments have you witnessed over the years and what are your expectations for the future?

AZIZ MEBAREK: It has been a long journey. I think we are among those who contributed to the start of the PE industry on the African continent. Africinvest was a cofounder of the Africa Venture Capital Association (ACVA) and Emerging Markets Private Equity Association (EMPEA). From a local player we became a Pan-African player targeting different segments of the PE industry and now engaging in venture capital through a Pan-African innovation fund open to the main global hubs in the world (Silicon Valley, the French Tech, Berlin, London, Shanghai..) through a relevant partnership with a global VC player. We also started our activity in France targeting French mid-size companies willing to develop their activities in Africa.

In the future, we want to consolidate our platform and think about other business segments relevant to our continent, for example in the Infra space.

CAPMARKETSAFRICA: There has been a lot of talk about how African story had been over-sold and why investor needs to have a long time view rather than expect a short-term return. What is your take on this? And how would you sell the investment potential story of Africa?

AZIZ MEBAREK: The African continent has a sound future, thanks to its vibrant educated youth and improvements in governance in most of the countries. Of course, it is never easy, and there are still different challenges to be overcome. For those who have a deep knowledge of the different countries composing the continent, and have a consistent and disciplined strategy, Africa has real potential.

Now, of course, PE in Africa is by definition a long-term investment, and I don't think it should compete with short term opportunities which might occur elsewhere. Each investment strategy has its own merits and investors choose a strategy based on their own assessment. I don't think that a pension fund would be able to deploy all its available means in short term products.

PE in Africa is a serious alternative, providing sound long-term returns, with some risks that should be assessed carefully and mitigated mainly through the choice of good fund managers. Many professional PE teams are now available on the continent which is certainly good news for Africa

CAPMARKETSAFRICA: As African capital markets are still relatively underdeveloped and illiquid, what can you tell us about capital markets and exit opportunities in Africa for private equity firms? What do you see as being the most frequent exit route?

AZIZ MEBAREK: We are modest when it comes to talking about exits. It is never easy. But nevertheless, different exit routes are available and offer concrete liquidity to PE players. IPOs are of course one route, but we see more and more strategic sales, and secondaries, as well as MBO swaps into liquid assets in Europe or in the US. Africinvest has a solid track record when it comes to exits with almost 90 exits achieved so far in different countries through these different options. Our pace of exits is approximately one every two months. Our peers are

showing similar statistics, which is also a good signal to those who are assessing the opportunity to engage in the PE space.

CAPMARKETSAFRICA: *Small- and medium-sized enterprises in Africa are struggling to raise capital. Please, could you explore the factors behind this “missing middle” and potential ways to fill it?*

AZIZ MEBAREK: You are right, there is still insufficient capital. But being around for the last 25 years I can tell you that the situation has improved a lot and should continue to improve. Many companies are still in need of professional advice to make them mature and relevant to PE money. We also need to further reinforce the offer, engaging more institutional investors from the African continent (pension funds, insurance companies, family offices, etc) into the different segments of the PE space. Some countries need also to improve their legal and fiscal frameworks to make them more friendly to PE players.

CAPMARKETSAFRICA: *In view of the changing dynamics of growth on the African continent, do you envisage a shift in the AFRICINVEST’s strategy and focus in the next five years? If yes, in what ways?*

AZIZ MEBAREK: As mentioned above we would like to consolidate and increase the size of funds under management in the growth and LBO space for mid and large size companies, while reinforcing our platform, our processes through heavy investments in back and mid-office and IT, and making our team stable through a real partnership and a serious succession plan on which the founders have been seriously working during the past few years. In order to achieve our growth plan, we need to attract more private investors and institutional investors from Africa first but also from other continents including Europe, America, and Asia. We started a debt vehicle a few years ago which we would like to grow further as we also believe that cashflow based long term debt and mezzanine financing is lacking in the continent. We also would like to grow our funds dedicated to the financial sector, our innovation fund and our presence in Europe, and explore opportunities to engage in part of the infrastructure space.

All these initiatives are led by dedicated teams in disciplined ways, with the relevant Chinese walls and appropriate governance to mitigate all kinds of conflict of interest in a satisfactory way, and being compliant with the highest standards.

CAPMARKETSAFRICA: *On a general note, despite*

improved political governance and macroeconomic conditions, Africa’s share of global private investment for infrastructure projects remain very low. What do you think are the key challenges for investors looking to invest in Africa?

AZIZ MEBAREK: The key challenge which we are facing in the continent is still the image which we have not succeeded to turnaround in a relevant way through really good success stories. We also need to continue working on improving access to education and its quality and the governance at all levels which are the key pillars for the future of the continent.

Africa has made steady steps in improving its infrastructure, but there is still a lot to do in access to energy, water, waste treatments, roads, airlines, and maritime connections.

CAPMARKETSAFRICA: *In order to sustain recent rapid economic growth and usher in rapid industrialization, what do you think should be the priorities for policymakers in developing African countries?*

AZIZ MEBAREK: Our policymakers should further strengthen the governance in our countries and open our economies while working on social programs to support low-income populations.

Access and quality of education and health are also key and should be a combined effort between public and private sector initiatives.

Important infrastructure programs on PPP bases should also be considered.

CAPMARKETSAFRICA: *On a personal note, what do you do in your spare time, when not busy managing the AFRICINVEST?*

AZIZ MEBAREK: I am engaged in several think tanks and associations which have social and economic objectives including supporting basic education.

I try also to give time to my family and friends. I am also passionate about sports. Combining all that is interesting to do is a daily challenge.

CAPMARKETSAFRICA: *To bring the interview to an end, how would you like to be remembered?*

AZIZ MEBAREK: As someone looking for the good who has played his role along with many others...

CAPMARKETSAFRICA: *Thank you very much for granting this interview!*