



Private Equity Activity in Morocco: Growth and Performance Report Year 2013

March 2014

Summary

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International and National Economic Context

Fund Management Companies

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Investments

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Private Equity Performance

Private Equity Economic and Social Impact

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Executive Summary

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Scope :

This study includes :

- All funds management companies, **members of AMIC with a local representative office in Morocco** and a portion of funds to invest dedicated to Morocco
- Funds investing **mainly in SMEs and unlisted companies**
- Limited Life Funds

It covers all sectors, **except funds dedicated to real estate, infrastructure, and tourism.**

Methodology:

The study used the following approach:

- Data collection was done via a survey of **19** management companies **on a self reporting basis**
- The amounts of **funds raised** only includes the part **dedicated to Morocco and the part dedicated to Private Equity**
- **The amounts invested** represent amounts disbursed
- **Detailed investment analysis does not include “Large Caps”** (transactions over 200 Mln MAD as this new segment does not currently include a sufficient number of transactions. Analysis of slides 21 to 25 were conducted on “small and mid caps” only
- IRRs represent **gross IRRs** upon exit as reported by the funds
- The scope of IRR calculations does not include **partial exits** or IRRs from investments of **less than 1 year**
- **CAGR and IRR were weighted** by amounts invested

Funds Management Companies	Funds	Funds management companies	Funds
The Abraaj Group	<ul style="list-style-type: none"> •Kantara LP •Aureos Africa Fund •Africa Health Fund 	CFG Capital	<ul style="list-style-type: none"> •CFG Développement •Idraj
Almamed	<ul style="list-style-type: none"> •Massinissa •Massinissa Luxembourg 	Firogest	<ul style="list-style-type: none"> •Firo
Atlamed	<ul style="list-style-type: none"> •AM Invest Morocco 	Holdagro	<ul style="list-style-type: none"> •Targa
Attijari Invest	<ul style="list-style-type: none"> •Agram Invest •Igrane •Moroccan Infrastructure Fund 	Maroc Invest	<ul style="list-style-type: none"> •MPEF I •MPEF II •Africinvest I •MPEF III
JV Attijari Invest/Atlamed	<ul style="list-style-type: none"> •3P Fund 	Private Equity Initiatives	<ul style="list-style-type: none"> •PME Croissance
Azur Partners	<ul style="list-style-type: none"> •Nebetou Fund 	MITC	<ul style="list-style-type: none"> •Maroc Numeric Fund
BMCI Développement	<ul style="list-style-type: none"> •BMCI Développement 	Mediterrania Capital	<ul style="list-style-type: none"> •Mediterrania I •Mediterrania II
Brookstone Partners	<ul style="list-style-type: none"> •Emerald Fund •MJT Park 	Upline Investments	<ul style="list-style-type: none"> •Upline Technologies •Upline Investment Fund •Fonds Moussahama I et II •OCP Innovation Fund for Agriculture
CDG Capital Private Equity	<ul style="list-style-type: none"> •Accès Capital Atlantique •Sindibad •Cap Mezzanine 	Valoris	
Capital Invest	<ul style="list-style-type: none"> •Capital Morocco •Capital North Africa Venture Fund (CNAV) •Capital North Africa Venture Fund II (CNAV II) 		

19 Funds Management Companies – 37 funds

— : funds created in 2013

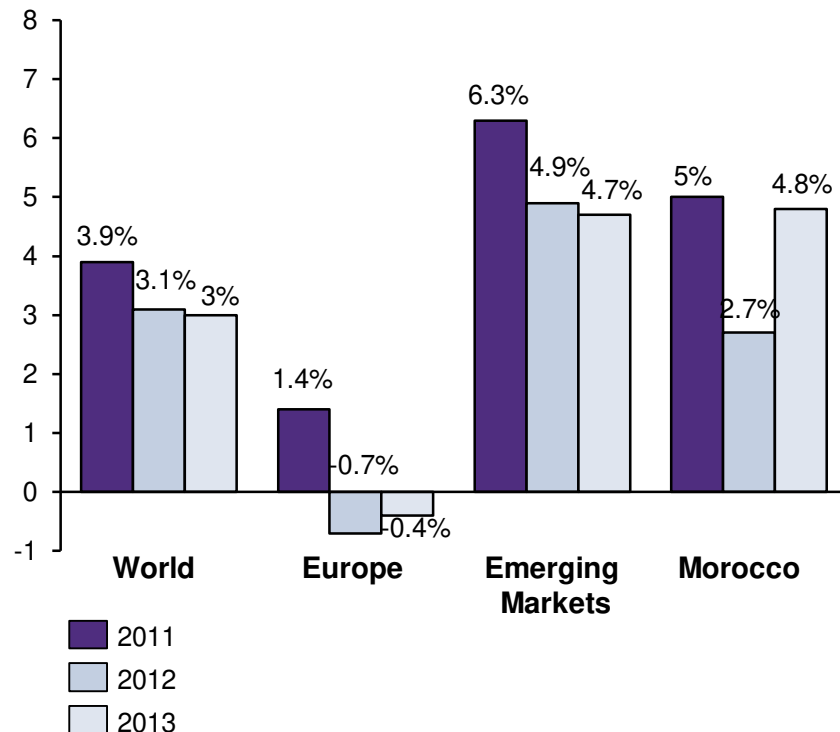
— : funds in divestment phase or divested

Dayam, Aureos and Viveris are no longer part of the perimeter, but their historical data were retained

In 2013, global economic activity strengthened, confirming the beginning of an exit from the crisis due to the recovery of developed economies, especially for the U.S.

Evolution of real GDP growth between 2011 and 2013

[%, 2011-2013]



Comments

However, the recovery is unevenly distributed:

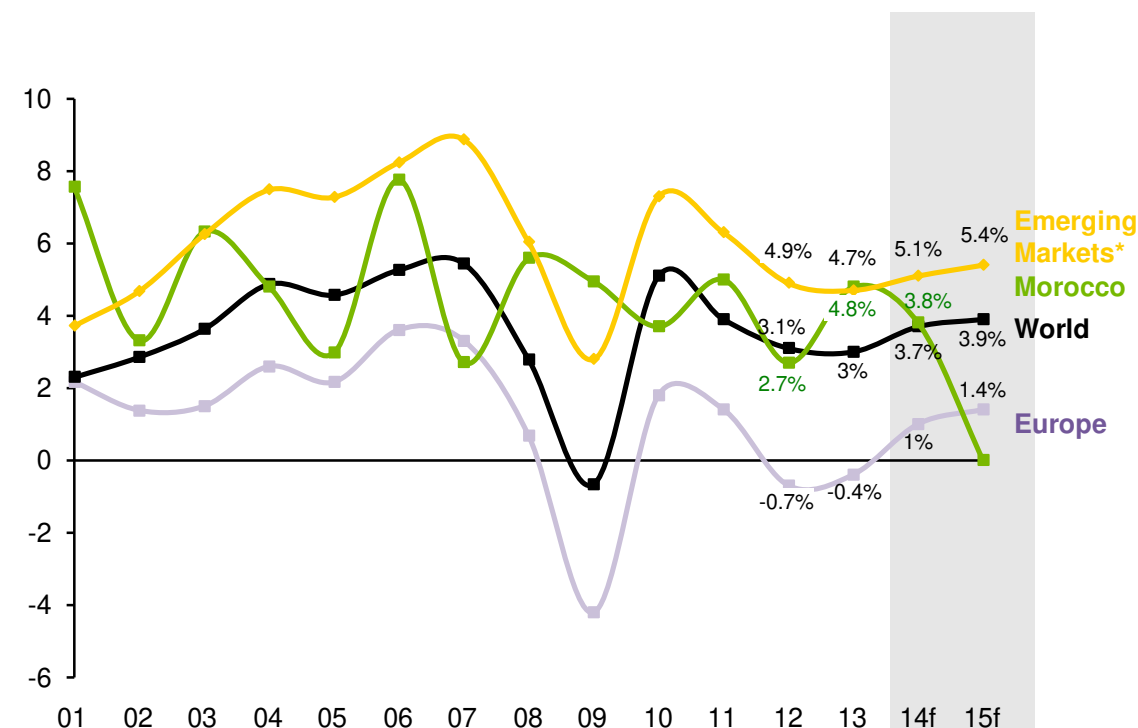
- The **Eurozone** was the only area **in the world to shrink** (-0.4% in 2013) as recession persists in Italy, Portugal, Spain and Greece
- The **return to growth was clear in the United States** with 1.9% and in Japan and the United Kingdom with growth rates above 1.5%
- **The locomotive of the world economic growth remains China** certainly with more moderate growth reaching 7.7% in 2013

Source : International Monetary Fund

Global growth is expected to accelerate from 3 % in 2013 to 3.7 % in 2014, then to 3.9 % in 2015

Historical trends and forecast

[%, 2001-2015 forecast]



*and developing

Source : International Monetary Fund

Comments

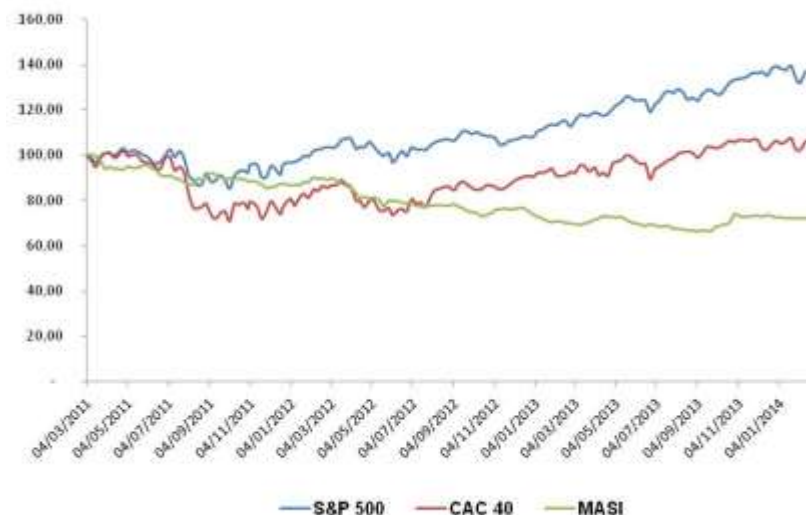
- The **Eurozone should come out of the recession** and begin recovery in 2014 with a forecast growth of 1.4% in 2015
- Growth is expected to reach 3% in the United States in 2015
- Emerging-markets economy should benefit from the rebound in the developed countries

But **risks remain**, particularly :

- Low inflation in developed countries
- Risk of capital outflows from emerging countries
- Risks associated with a possible output boosting programs like the monetary easing by the Federal Reserve of the United States (Fed)

Performance of main stock markets indexes

	2011	2012	2013
MSCI World	-7.4	13.2	24.1
MSCI Emerging Markets	-20	15,1	-5
Dow Jones Industrial Average	5.6	7.3	26.5
S&P 500	0	13.4	29.6
NIKKEI 225	-17.3	22.9	2.9
CAC 40	-17.9	15.2	18
DAX	-14.7	29.1	25.5
MASI	-12.8	-15	-1



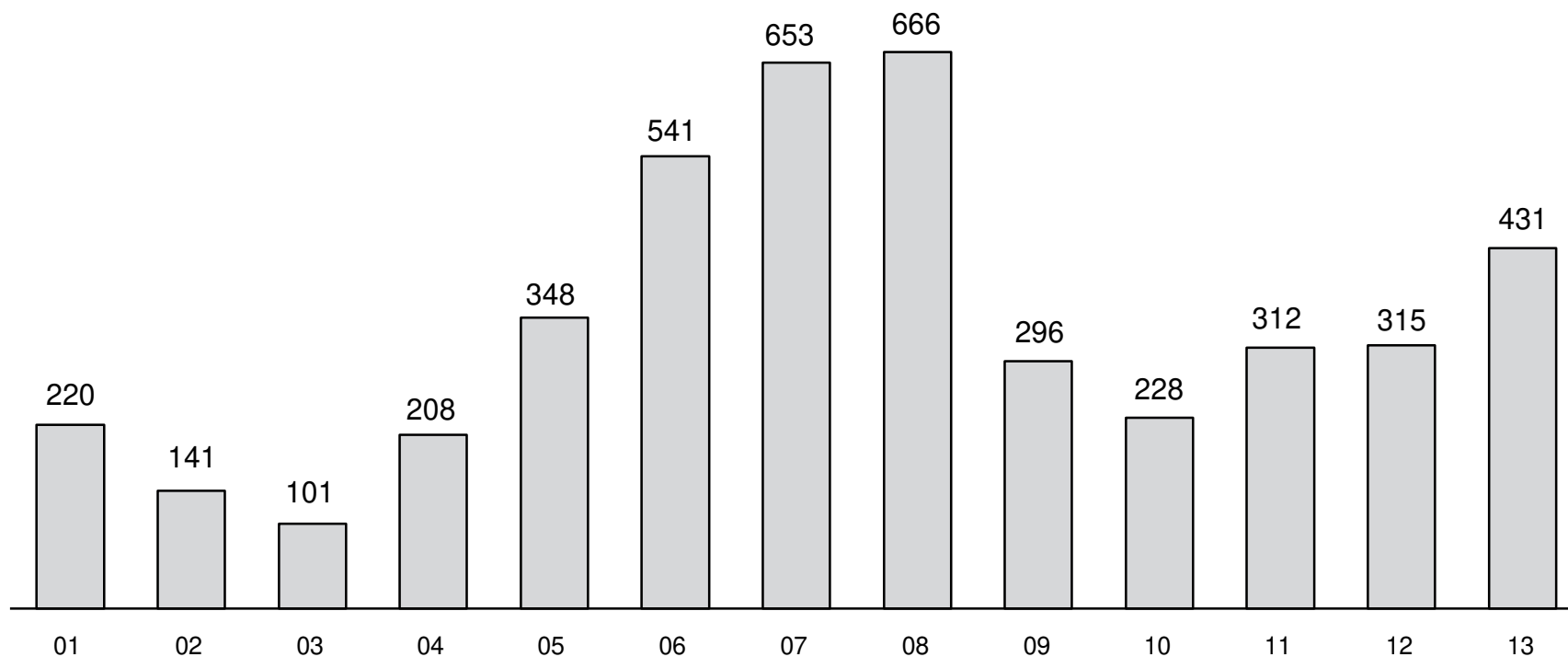
- The **valuation of financial markets in 2013 was significantly positive** and perspectives for 2014 are good.
- In the United States, the Dow Jones climbed 26%. In France, the CAC gained 18% in 2013, its best performance since 2009.
- For the Casablanca Stock Exchange, after two difficult years showing declines of -12.8% and -15%, **the year was marked by a moderating of its downward trend**. The year ended on a positive note with the introduction of Jorf Lasfar Energy Company and a positive 4th quarter.

Source : Casablanca Stock Exchange, MSCI

Evolution of global fundraising between 2001 and 2013

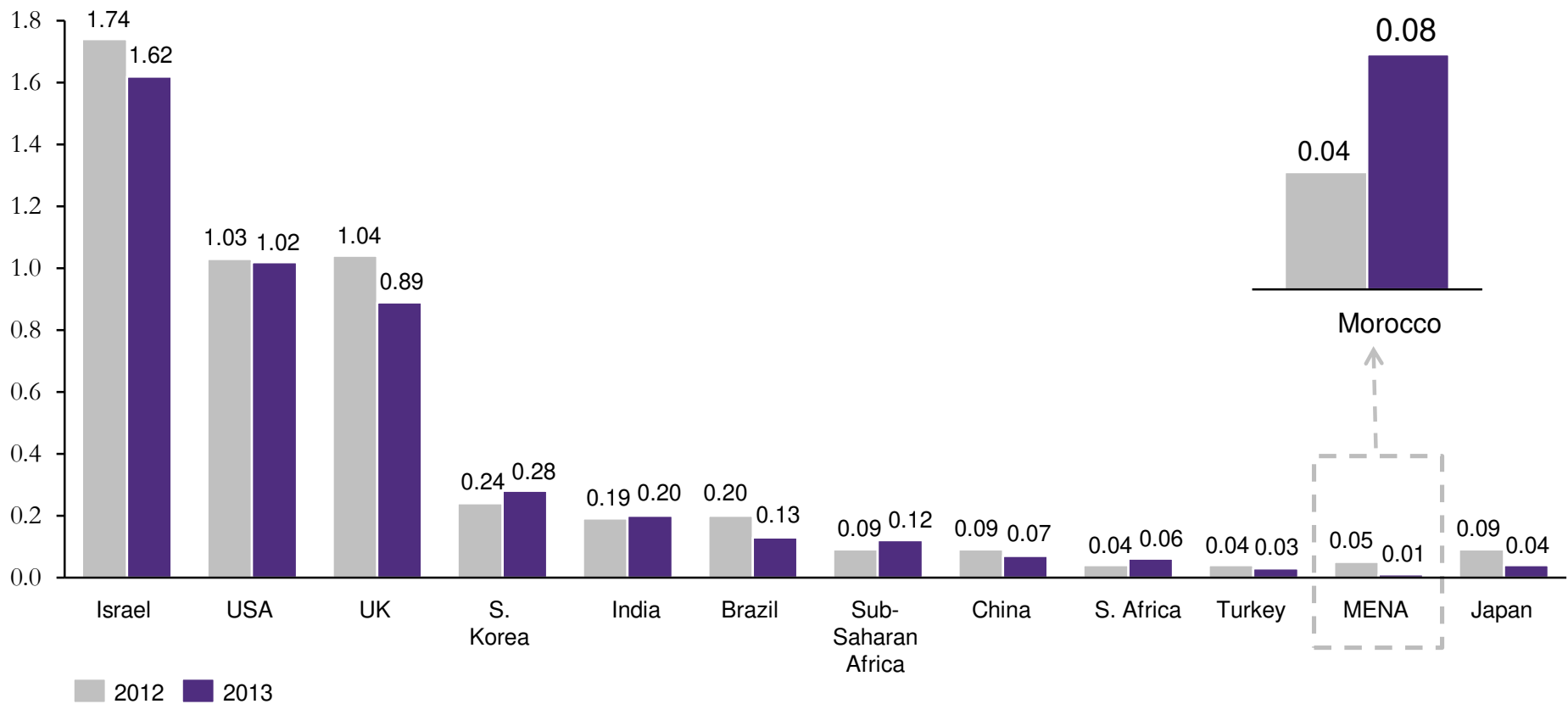
2013, a record year for fundraising

[Bln USD, 2001-2013]



Source: Preqin

Private Equity penetration rate : Private Equity/GDP (%)



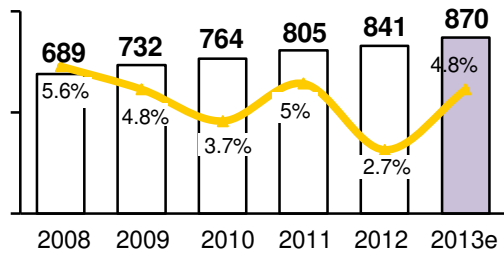
Morocco, with a penetration rate of 0.08%, outperformed in 2013 all MENA region countries

Source: EMPEA

Dashboard of Moroccan economy

GDP & real GDP growth

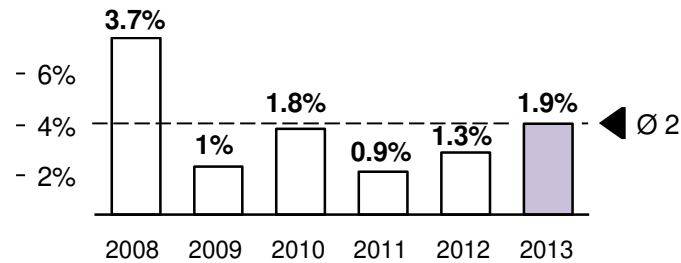
[Bln MAD, %, 2008-2013 estimated]



□ GDP —▲— GDP growth

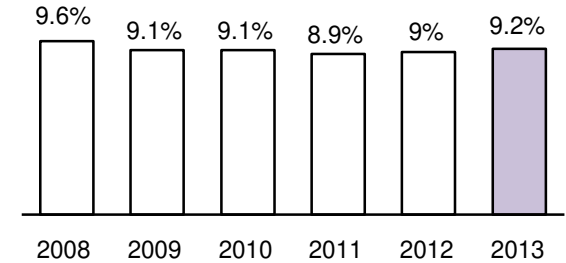
Inflation

[%, 2008-2013]



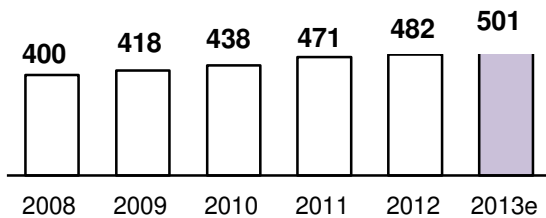
Unemployment rate

[%, 2008-2013]



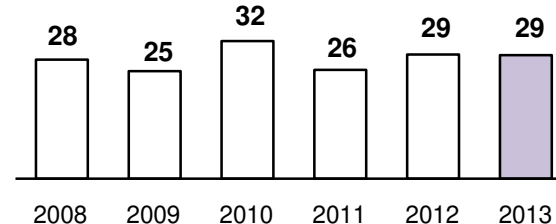
Household consumption

[Millions MAD, 2008-2013e]



FDI

[Bln MAD, 2008-2013]



Morocco's economic performance improved significantly in 2013 mainly due to primary and tertiary sectors' growth.

Source: High Commission for Planning, MEF

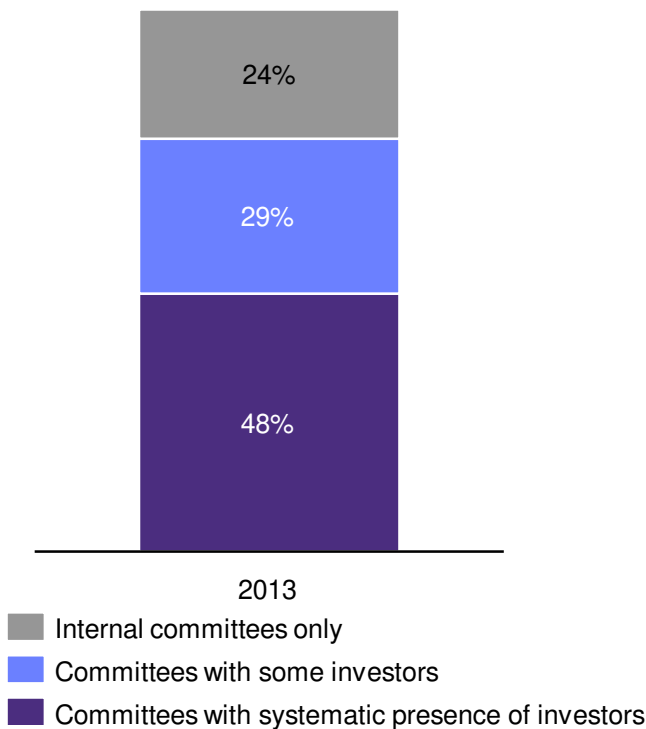
Number of fund management companies: 19

Discretionary management: 52 %

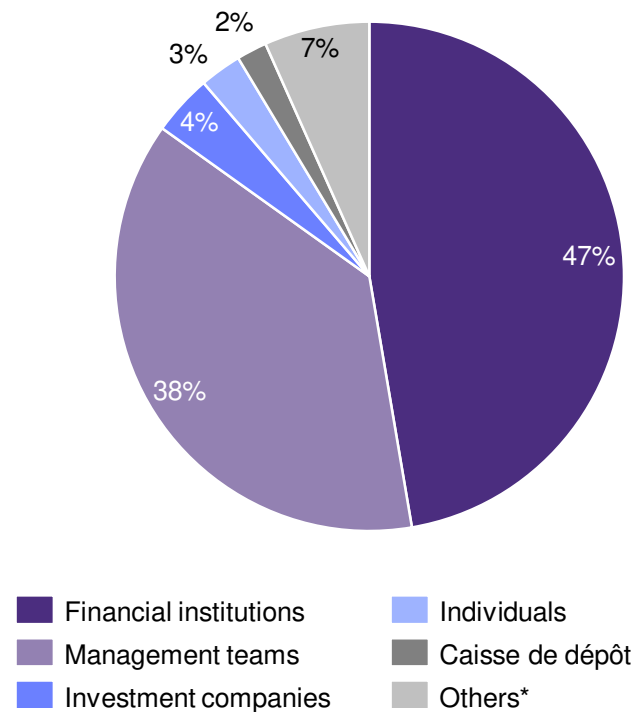
Average staffing:

- Total staff: 6.1
- Staff working on investing activities: 4.3
- Support staff: 1.8

Investment committees (in number)



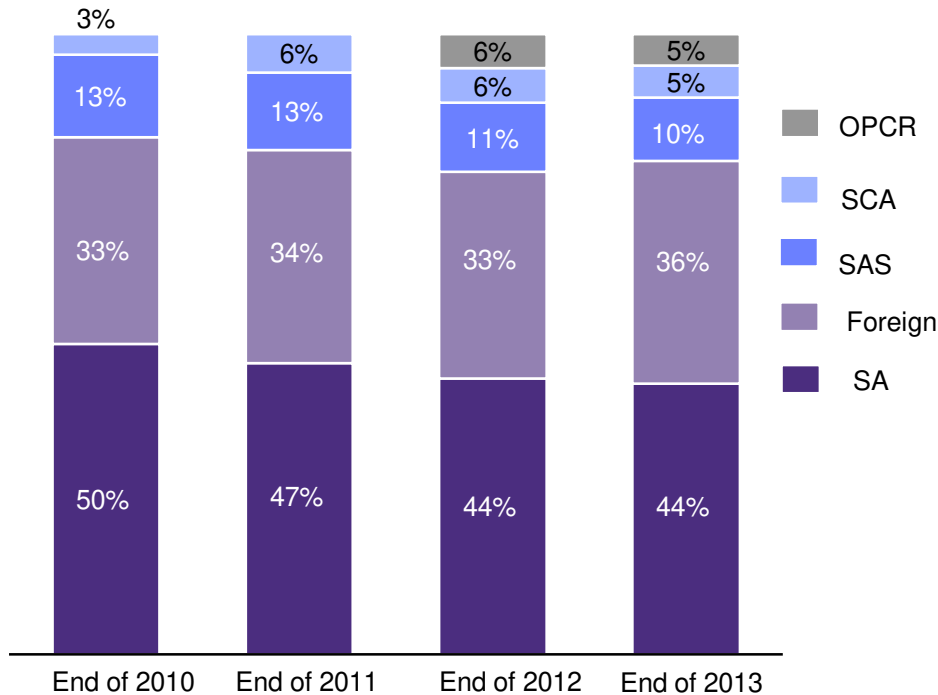
Distribution of the capital of fund management companies



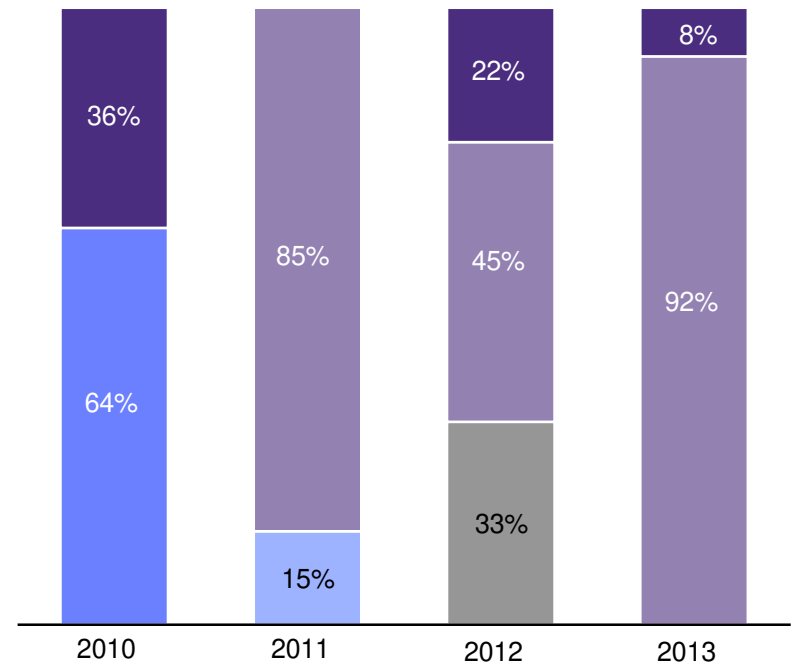
* Funds of funds, private holdings, government agencies

Legal form

Distribution of funds by legal form (in number)



Evolution of funds raised by legal form (in value)



Funds corporate forms:

OPCR: Special venture capital funds vehicle created by Law 41-05

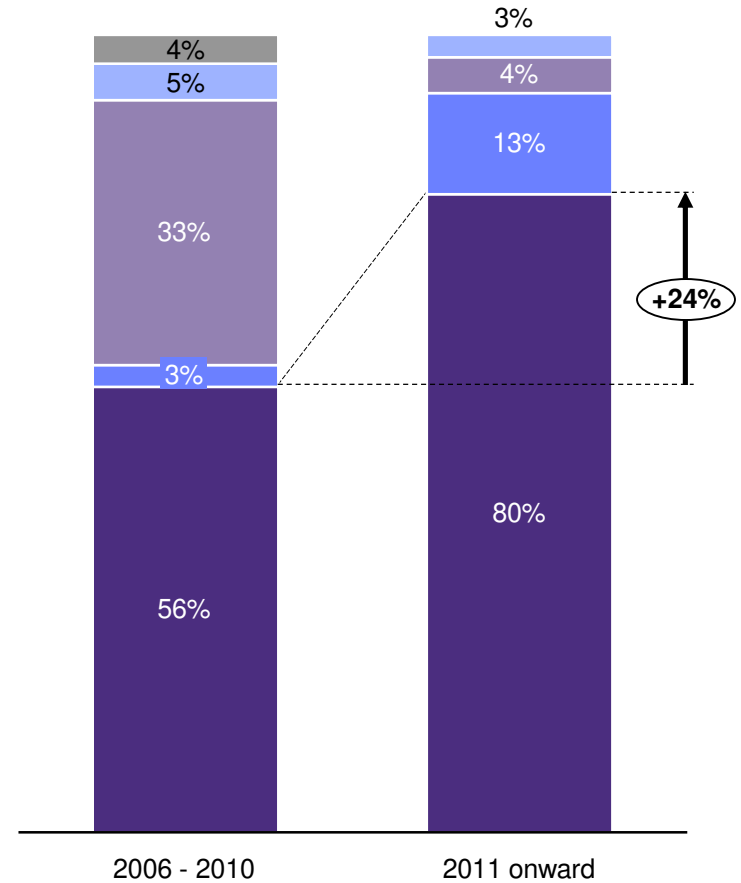
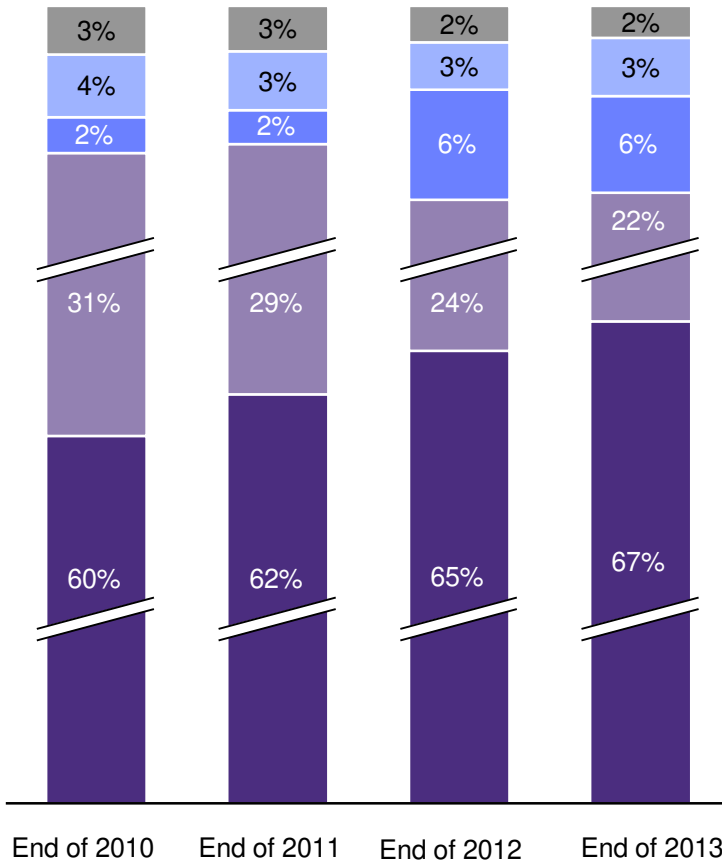
SCA : Société en Commandite par Actions, a partnership limited by shares

SAS: Société par Actions Simplifiée, equivalent to Limited Liability Company (LLC)

SA: Société Anonyme, equivalent to a standard Corporation in common law

Nature of funds

In value

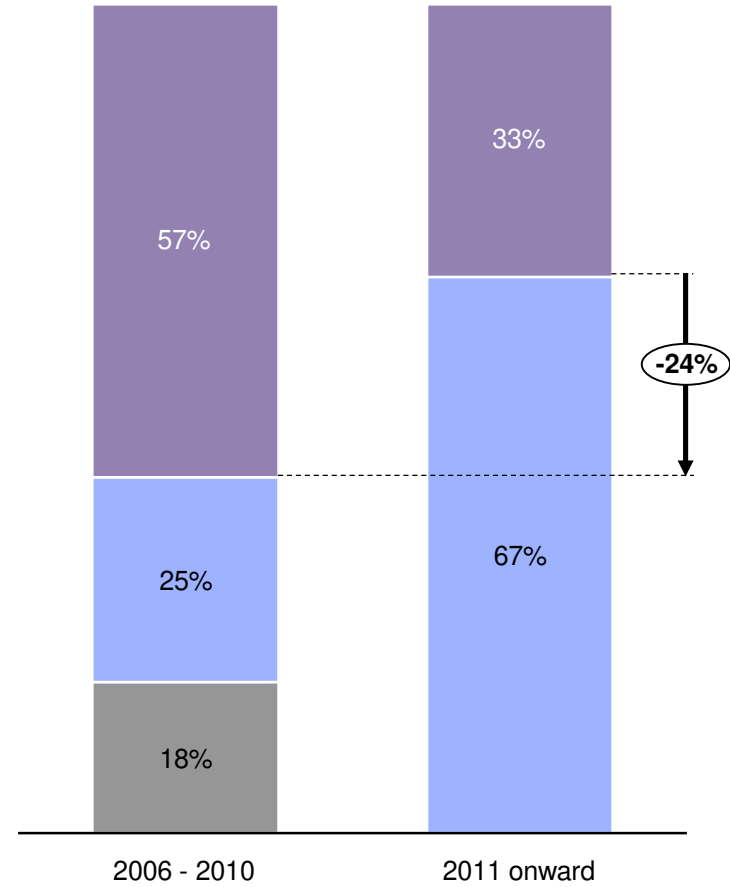
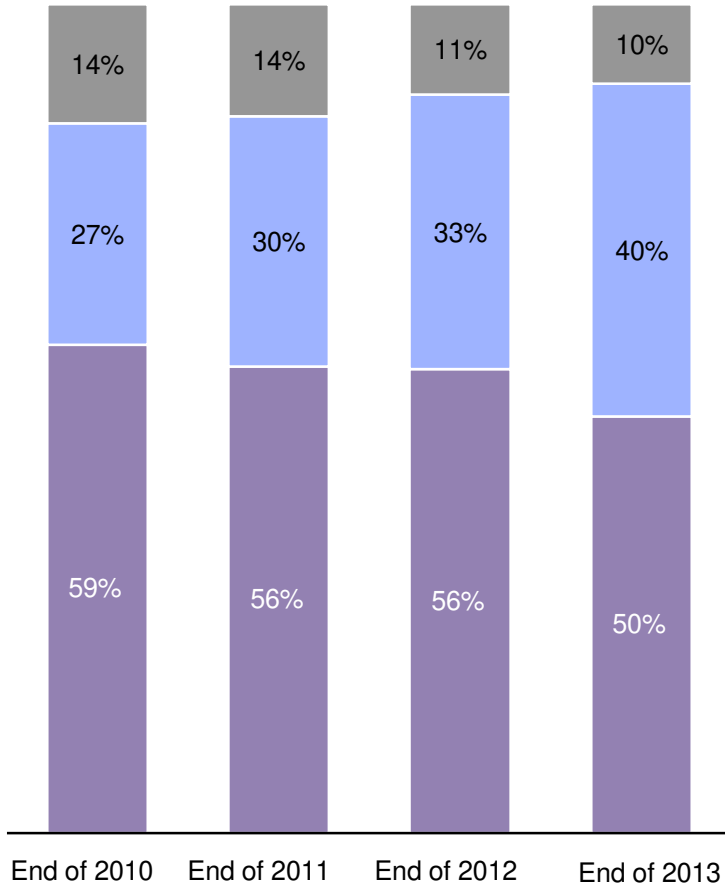


Others captives
 Investment companies
 State captives
 Captives financial institutions
 Independants

The share of independant funds has increased sharply with the 3rd generation of funds

Funds country of domiciliation

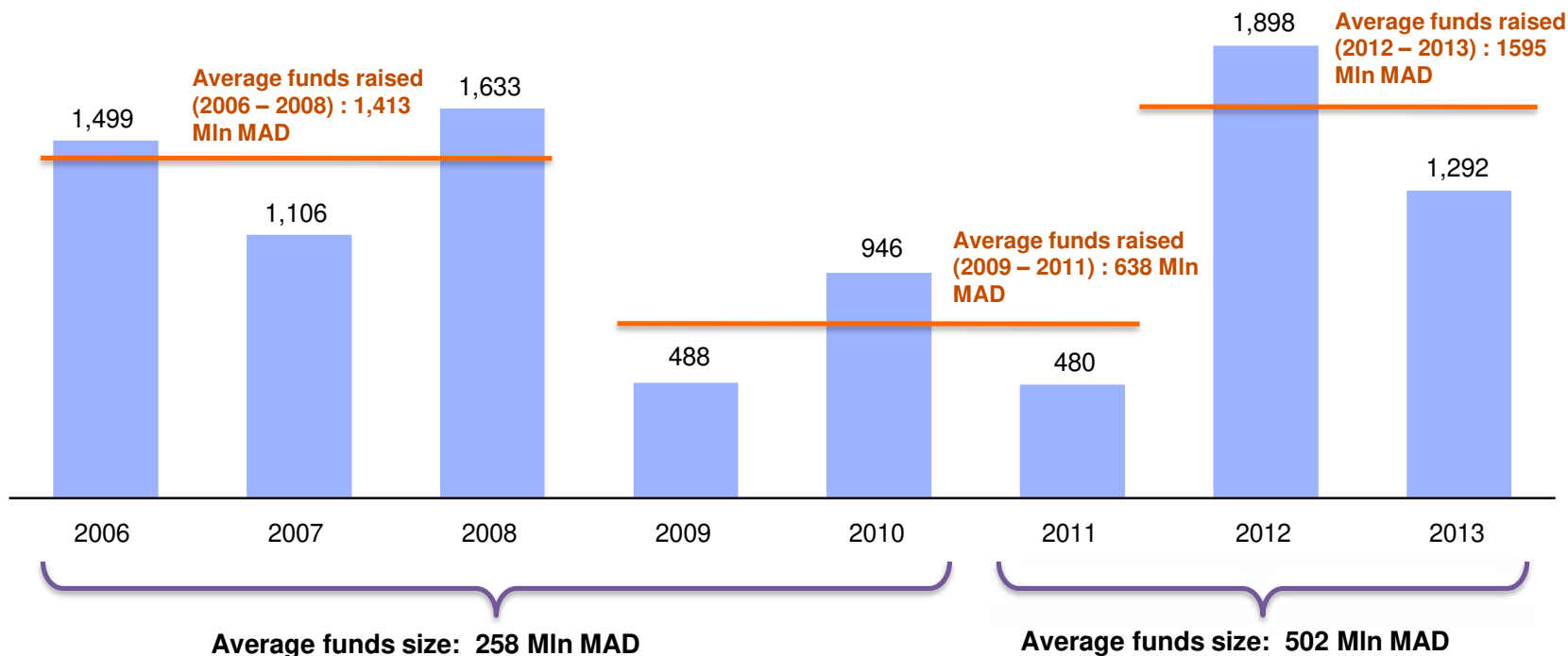
In value



■ Europe (excl.offshore zones*) ■ Offshore zones* ■ Morocco

* Jersey, Mauritius, Malta, Luxembourg

Capital raised per year (Mln MAD)

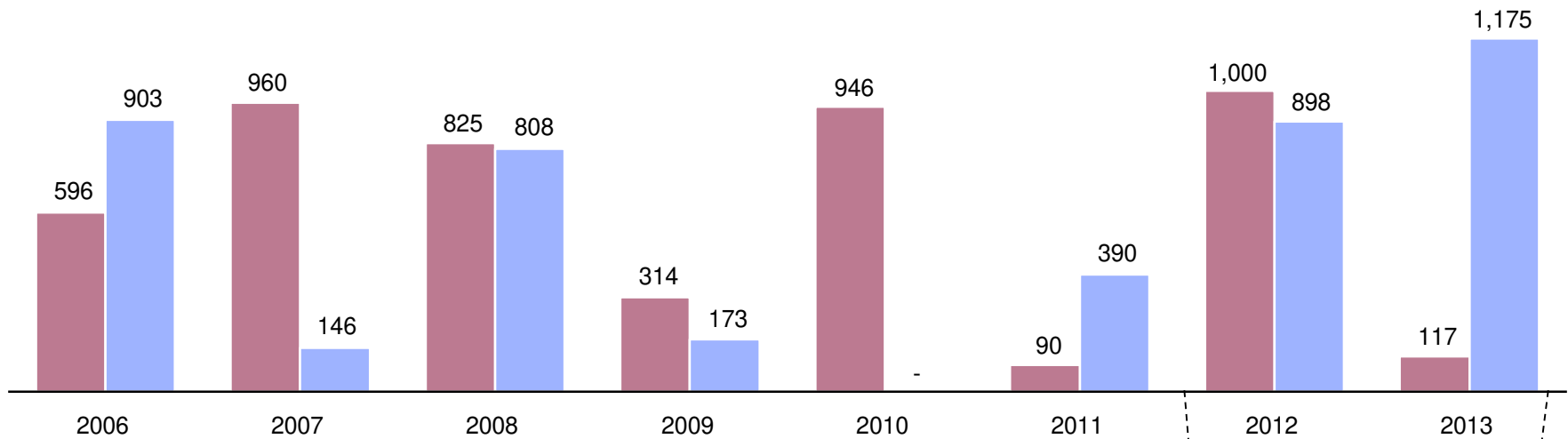


The average size of the 3rd generation funds has doubled with the emergence of transregional funds such as MPEF 3, CNAV 2 and Mediterrania 2.

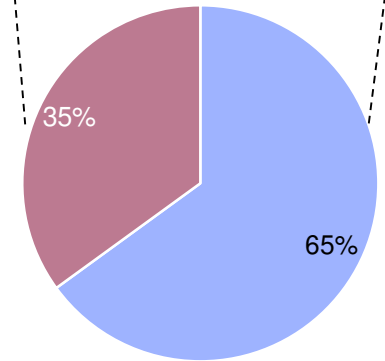
Total amount of funds raised since inception : 10.68 billion MAD

Amount still available for investment : about 4 billion MAD which 3.2 billion raised in 2012 and 2013

Capital raised by funds type (Mln MAD)

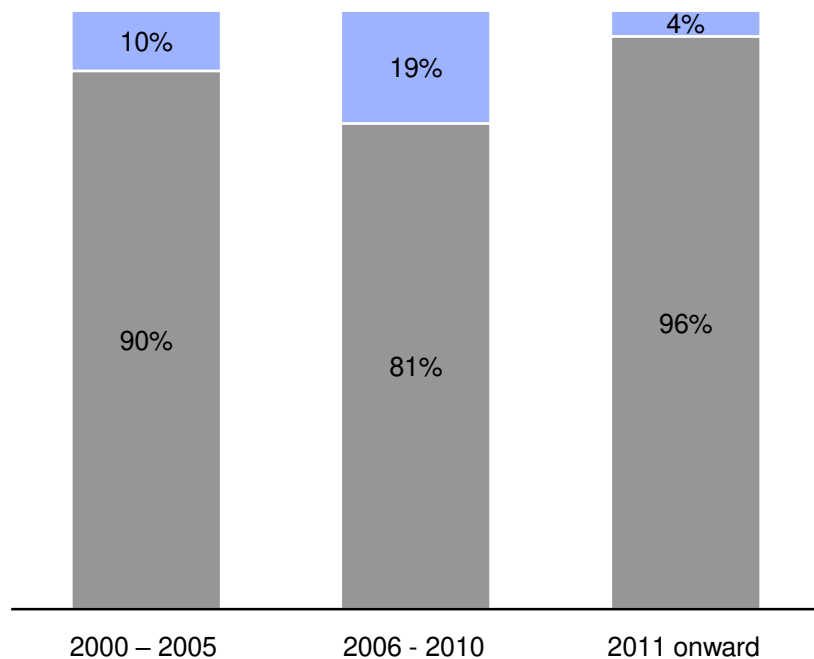


■ Moroccan funds
■ Transregional funds



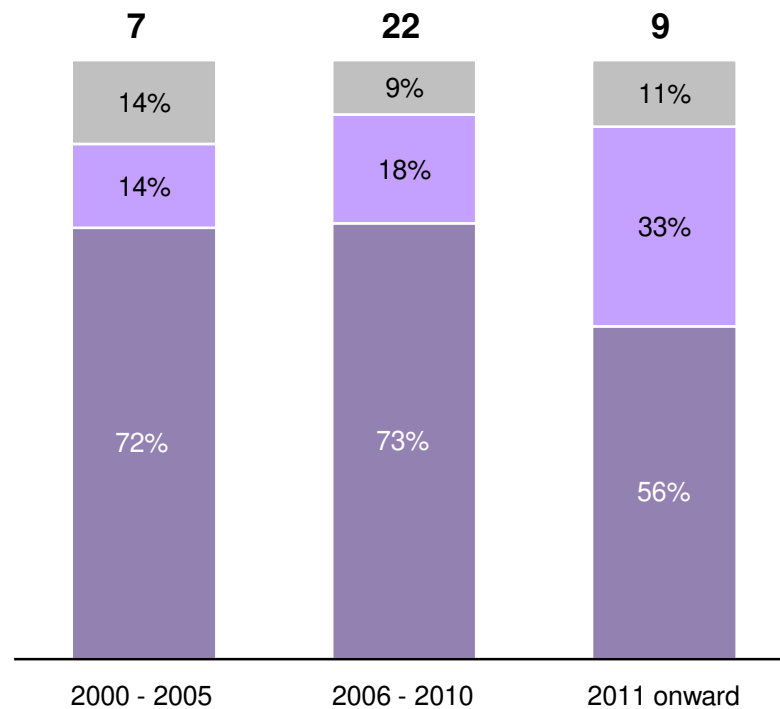
65% of funds raised over the period 2012-2013 were transregional

Fund types : general or sectorial
(in value)



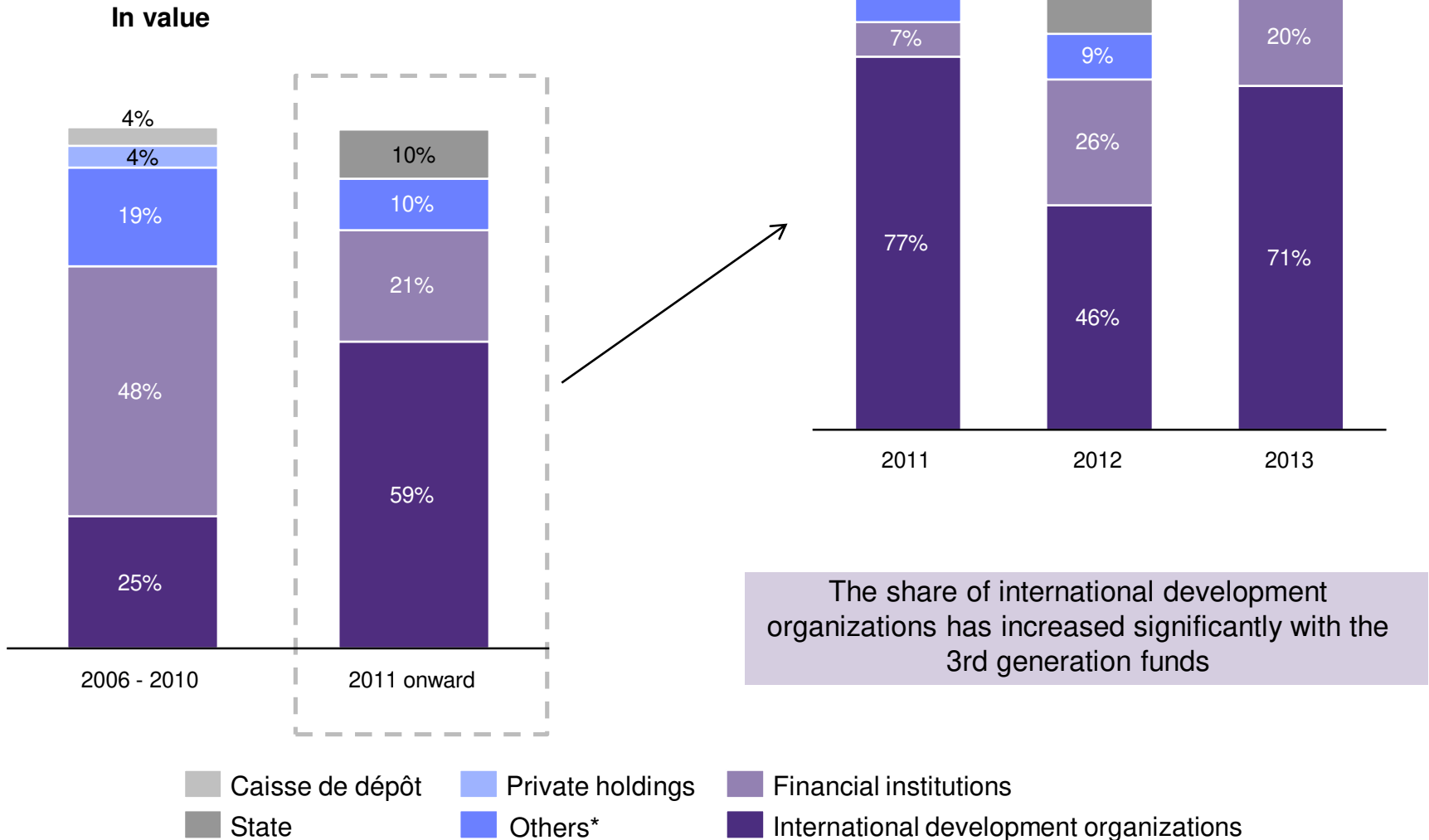
■ Sectorial
■ General

Priority investment areas (in number)



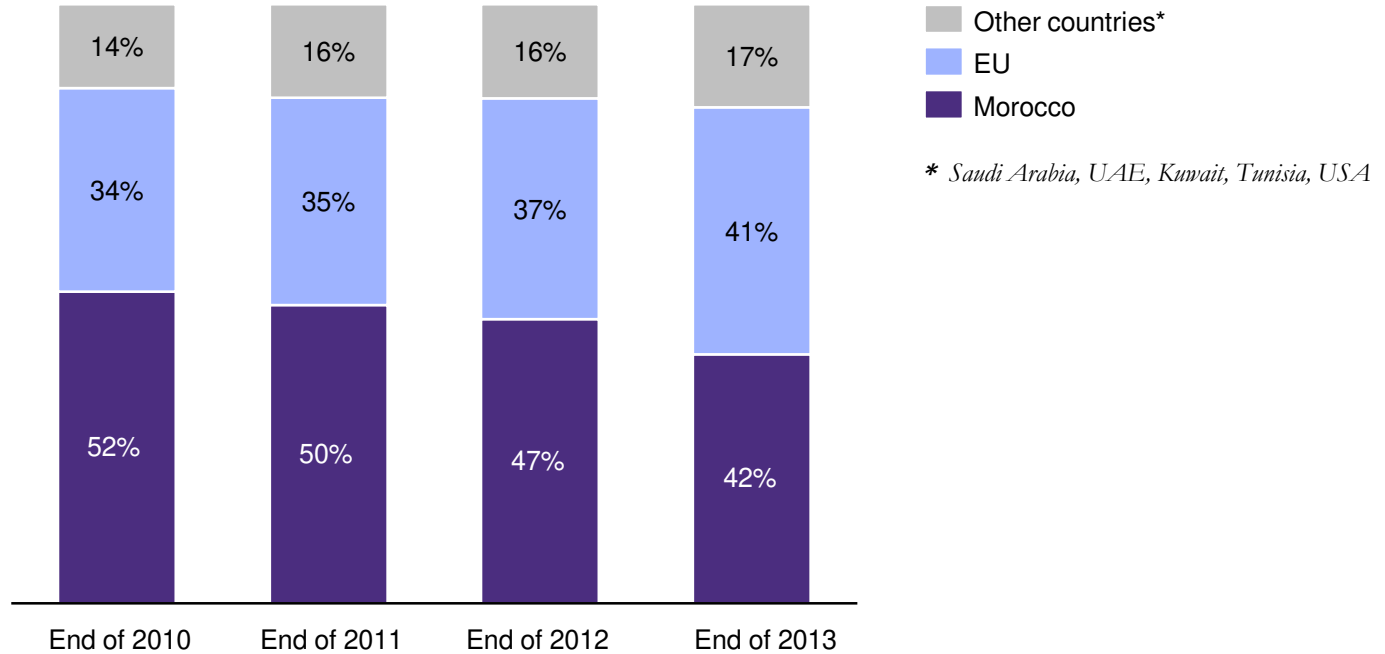
■ Africa
■ Morocco
■ Maghreb

Capital raised by investor type

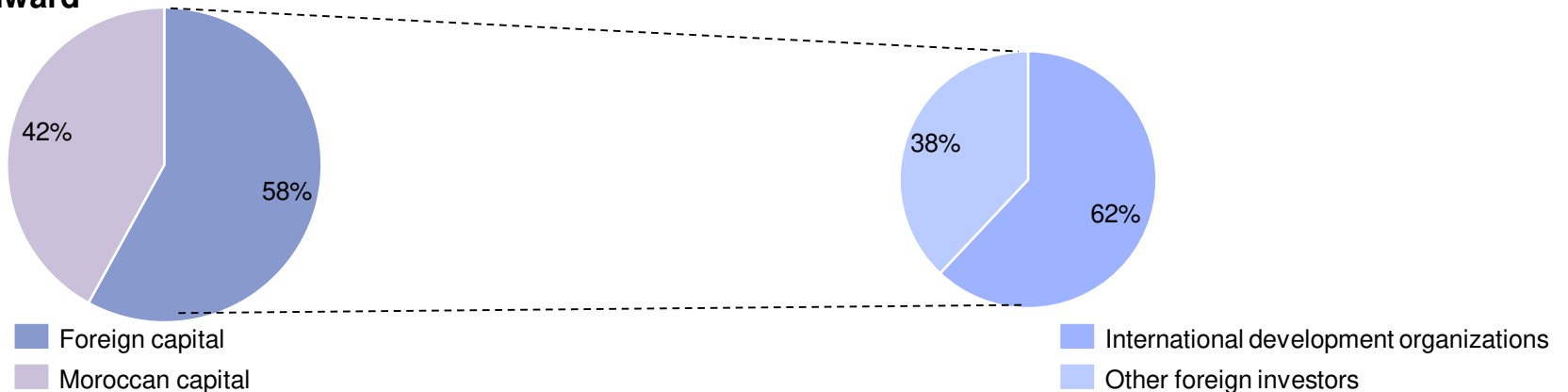


*Others: local government agencies, individuals, Moroccan offices, pension funds, funds of funds, investment companies

Capital raised by investor nationality



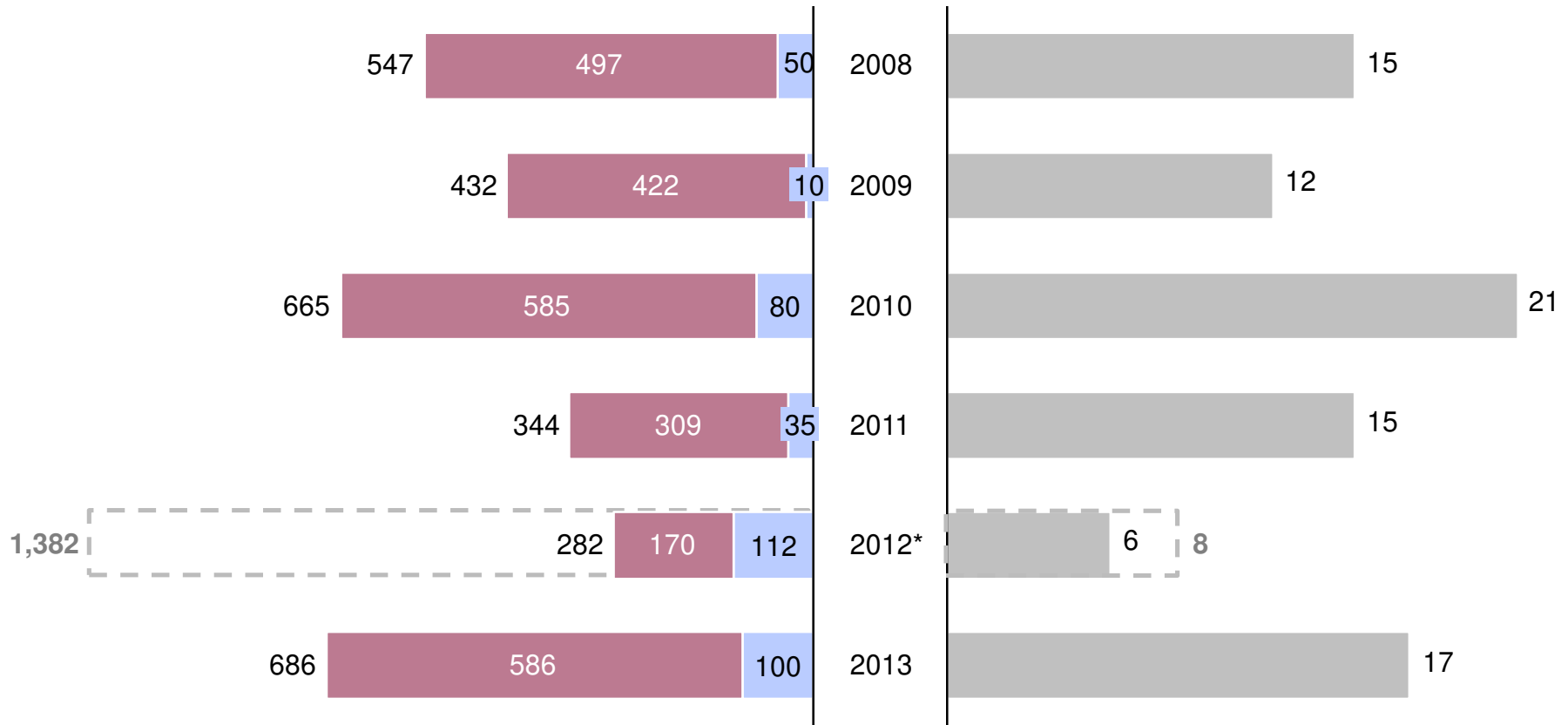
2013 onward



Evolution of invested and reinvested funds

Amounts invested and reinvested (in Mln MAD)

Number of new investments

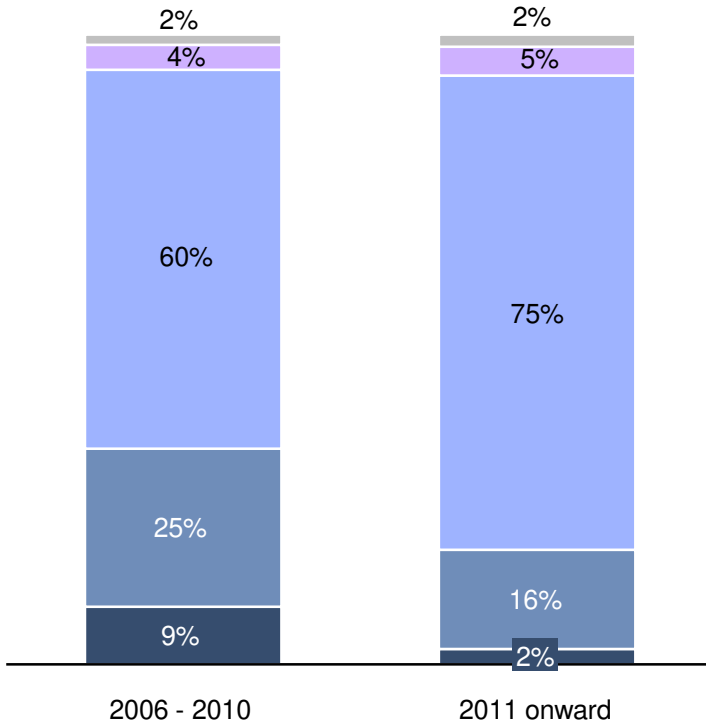


145 companies invested in total and 101 within portfolio

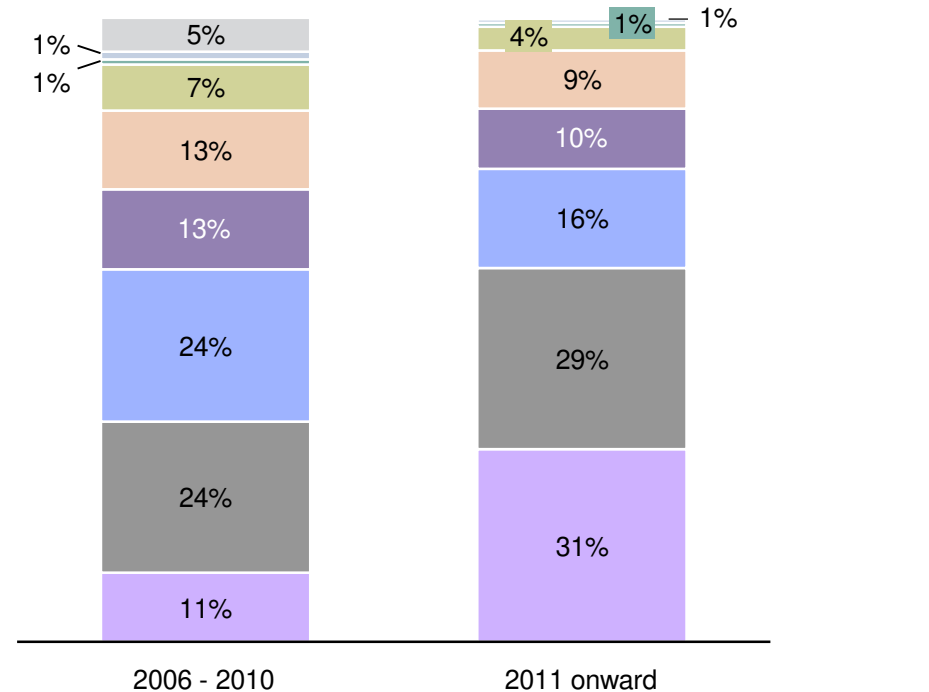
**Year 2013 = 686 Mln MAD
End of 2013 = 4.2 Bln MAD**

■ Amounts reinvested
 ■ Amounts invested
 ■ Number of companies
 Including large caps

Invested companies by development stages
Per funds generation – in value



Sectors of investment companies

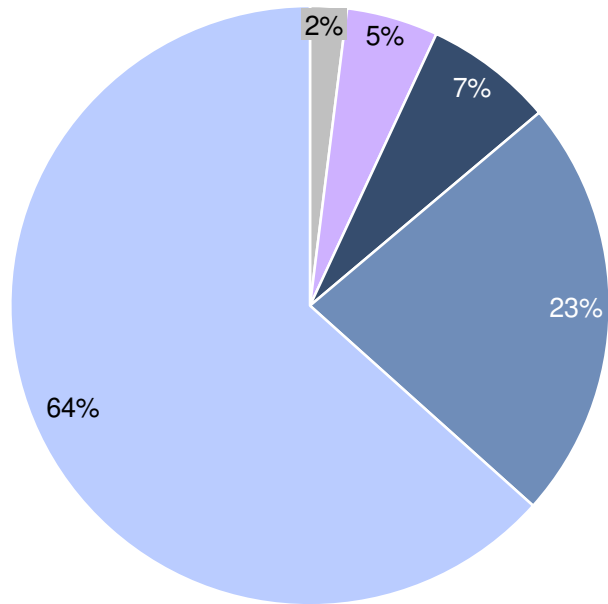


- Seed
- Buy out
- Venture
- Turnaround
- Growth

- ICT
- Chemical industry
- Auto industry
- Agribusiness
- Primary
- Trade and distribution
- Construction sector
- Services and transport
- Other industries

3/4 of investments are made in companies in development.
The industrial sector represents 45% of investments made since 2011. The services sector and transport are coming in second place.

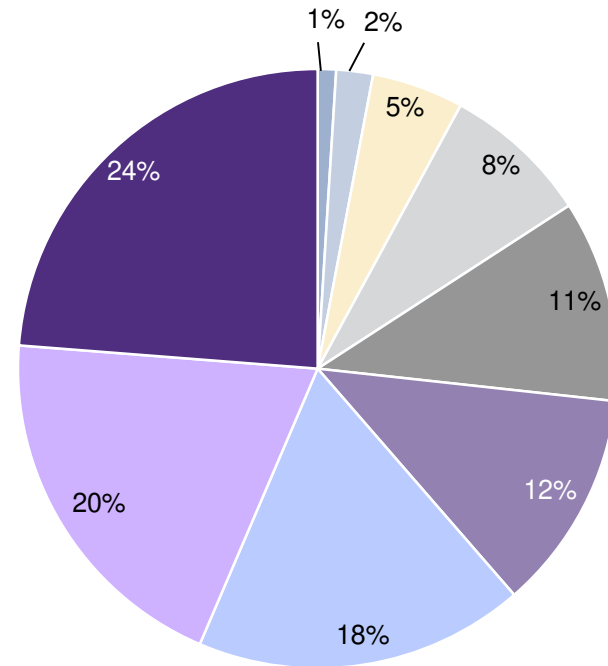
Development stage of companies invested
End of 2013



- Seed
- Buy out
- Venture
- Growth
- Turnaround

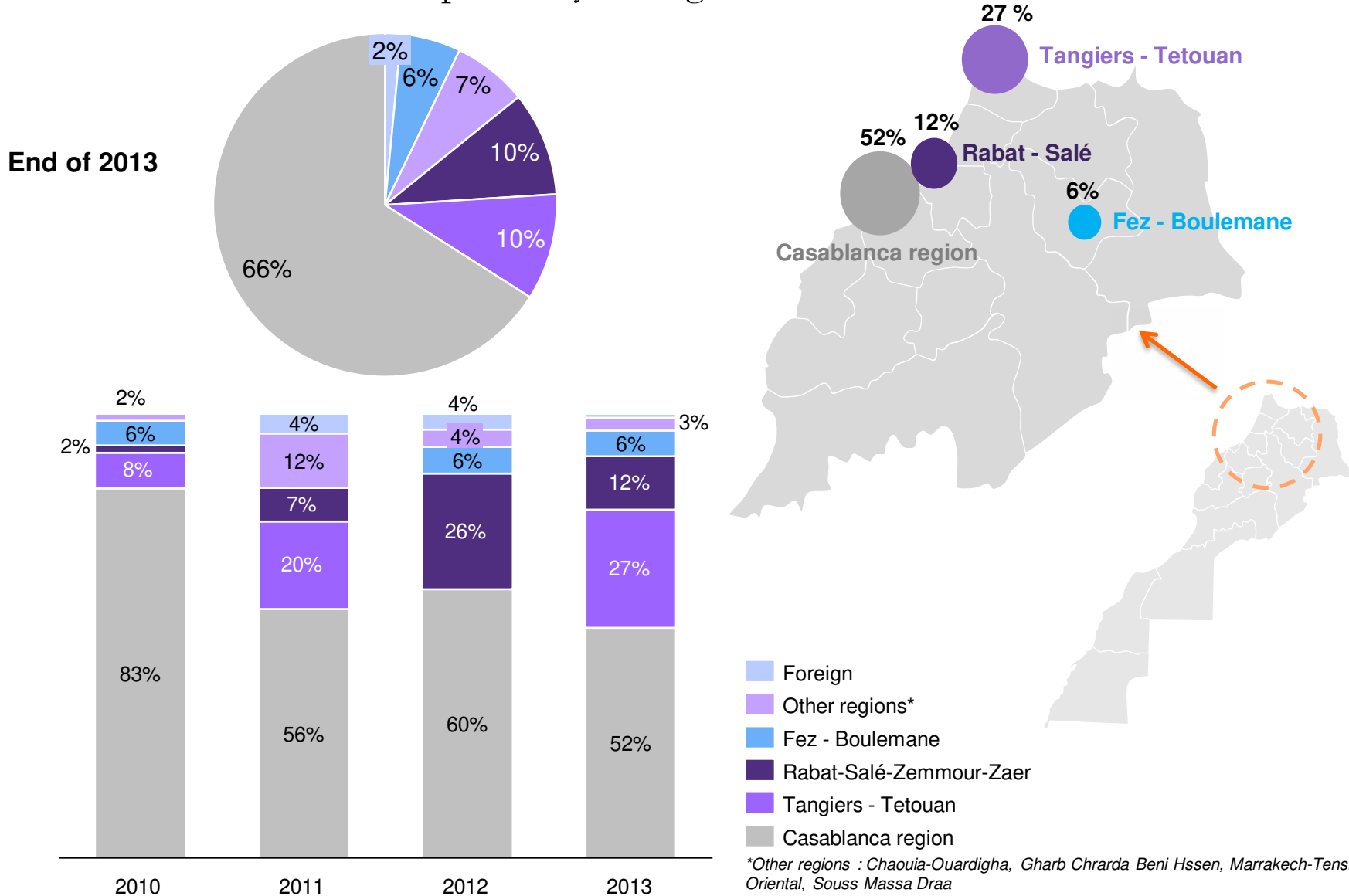
Sectors of invested companies
End of 2013

In value

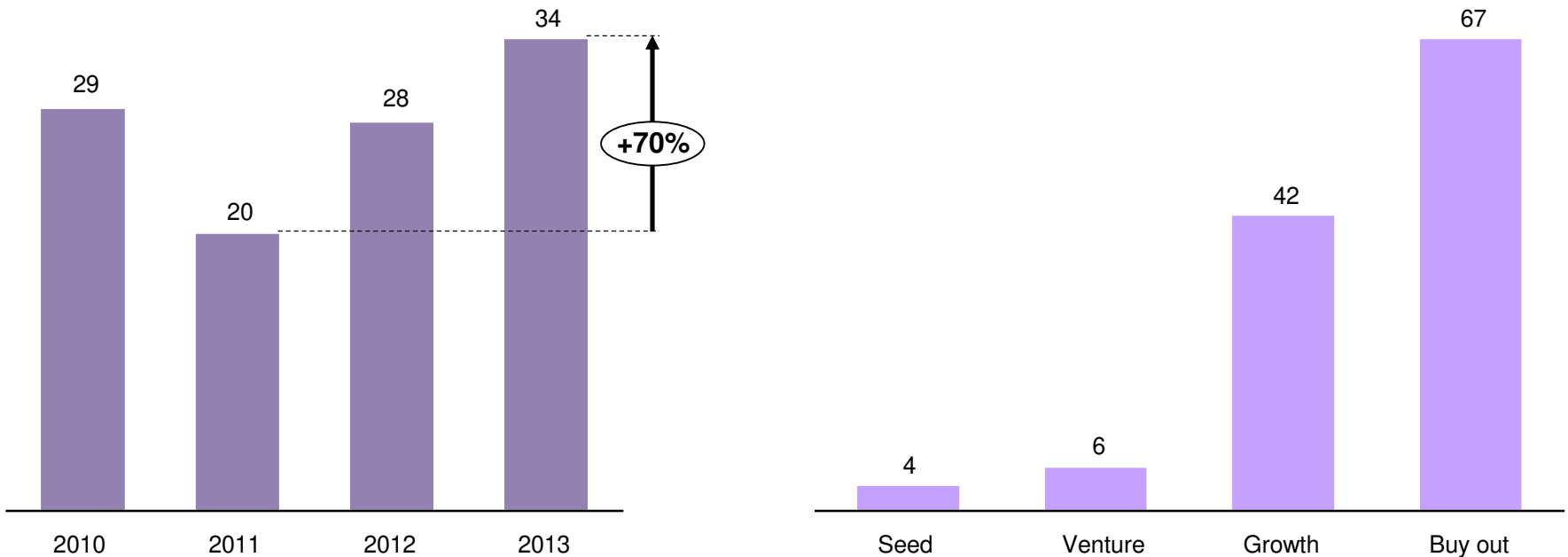


- Primary
- Auto industry
- Chemical industry
- ICT
- Agribusiness
- Trade and distribution
- Construction sector
- Other industries
- Services and transport

Location of invested companies by fund generation

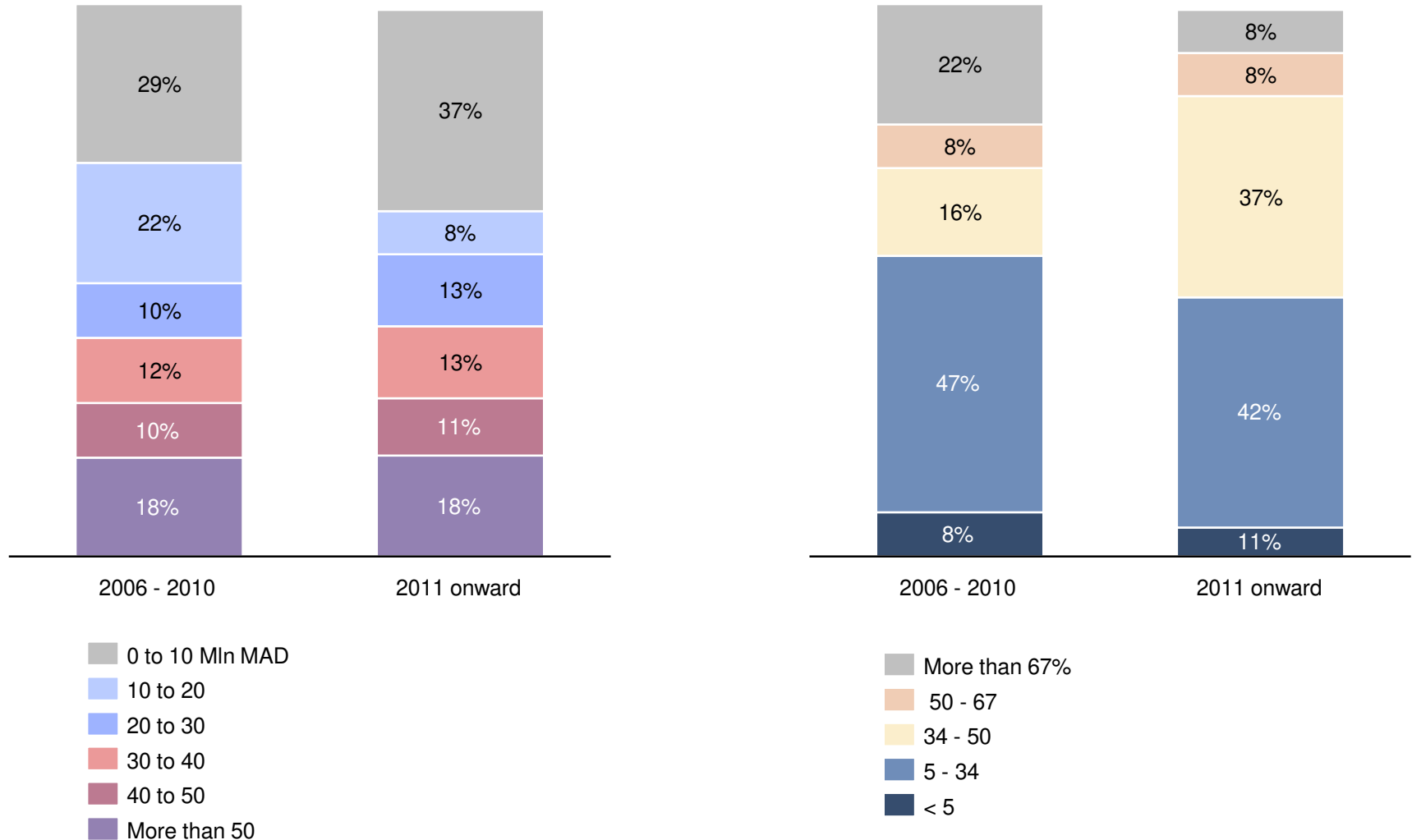


Average ticket size of new investments (Mln MAD per year and per stage)

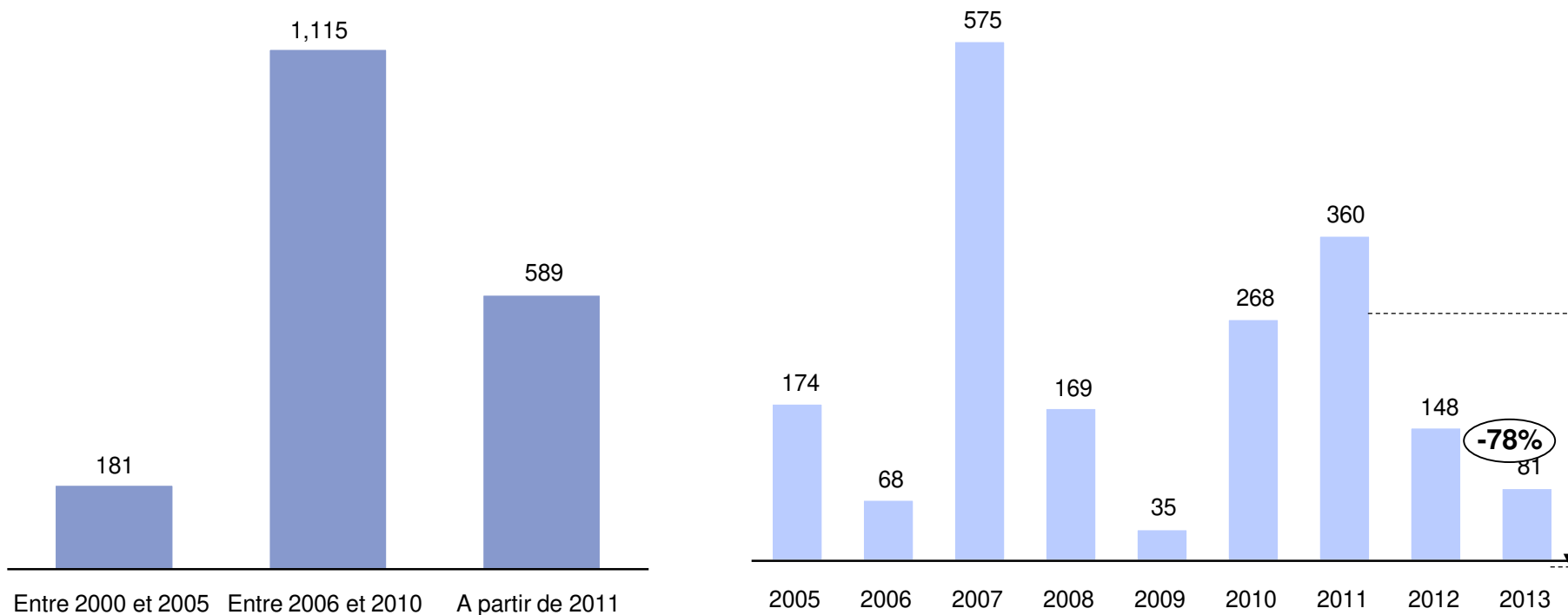


The **average ticket size invested** between 2010 and 2013 is **28 Mln MAD** and has sharply increased with the 3rd generation funds

Companies funded by transaction size and by percent of capital acquired

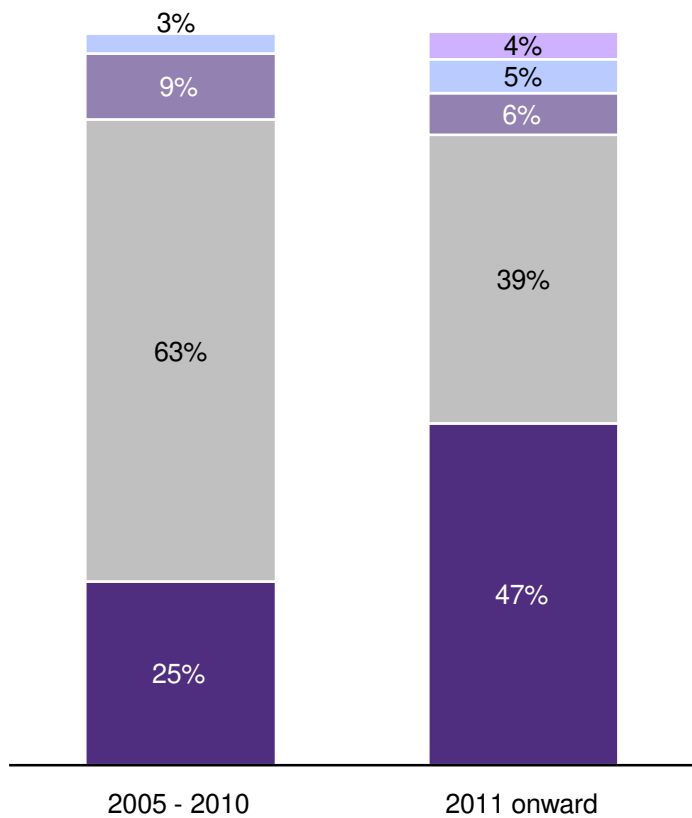


Evolution of exits in value (Mln MAD)

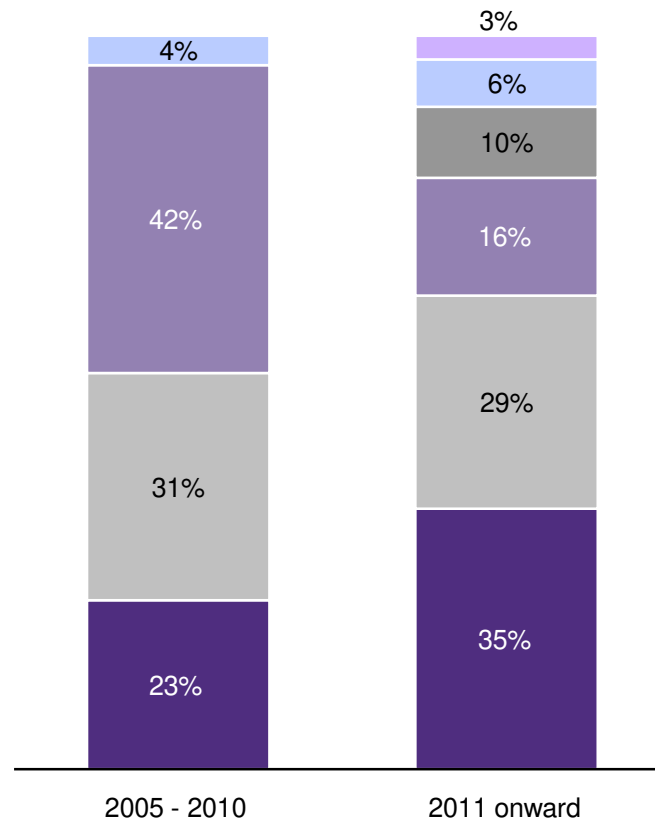


In 2013, there were 8 exits. Exits were down 45% compared to 2012.
 The **total amount divested** was **1.9 Bln MAD**

In value



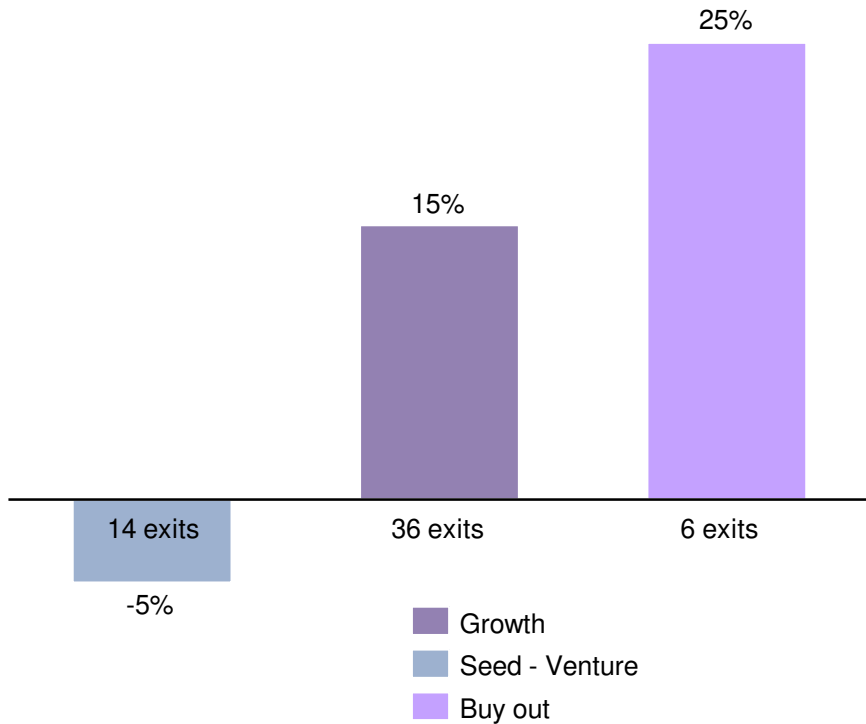
In number



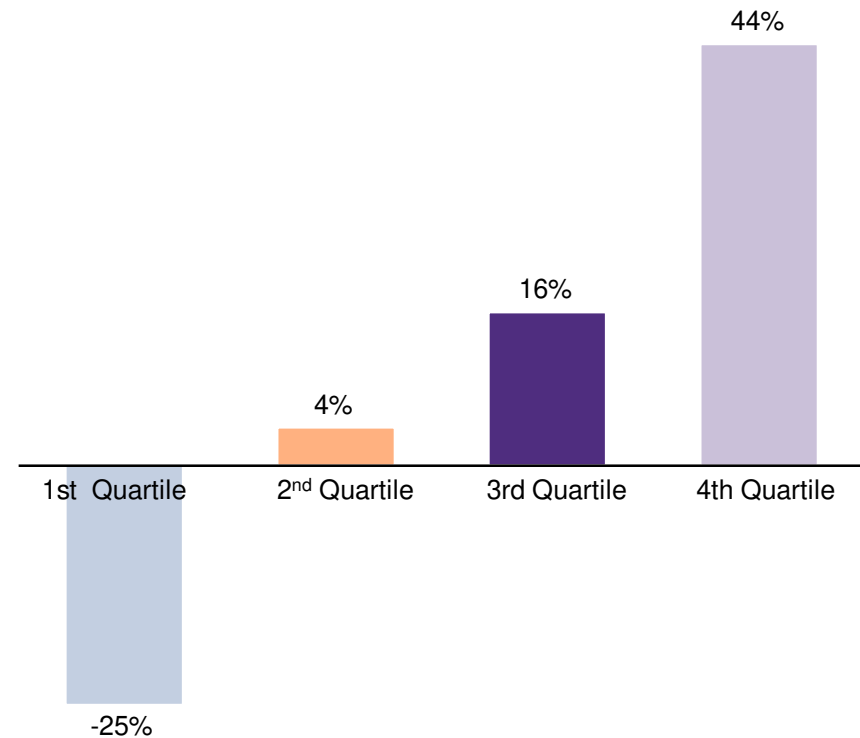
- Loss resulting
- Repayments
- Private Equity buyers

- Management
- IPO or sale of shares
- Industrials (Trade sales)

Weighted average IRR by investment stage



Global weighted average Internal Rate of Return (IRR)

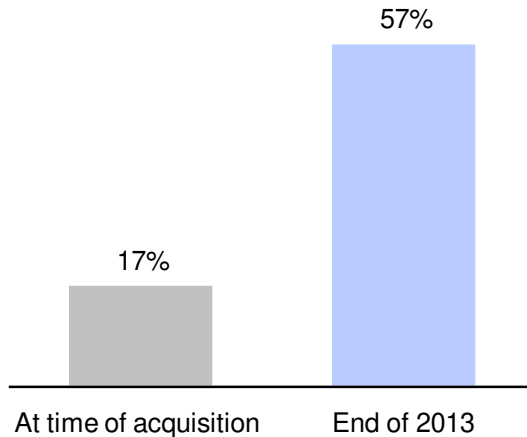


Weighted average IRR by the end of 2013 = 15% (1 point lower vs the end of 2012)

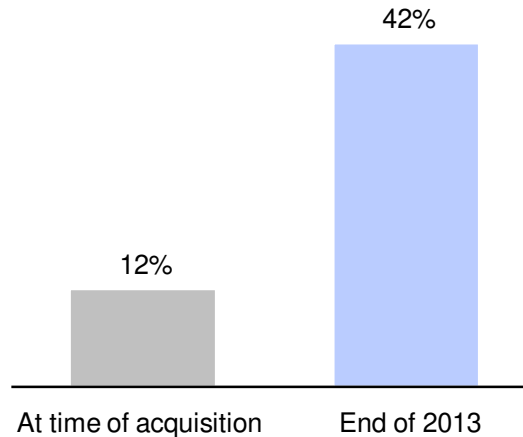
**Average multiple (unweighted) = 1.8
(Seed - Venture = 1 / Growth = 2.2 / Buy out = 1.7)**

Average investment time = 5.8 years

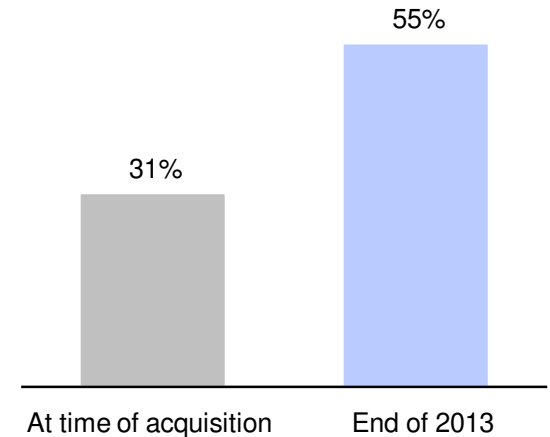
Annual training plan



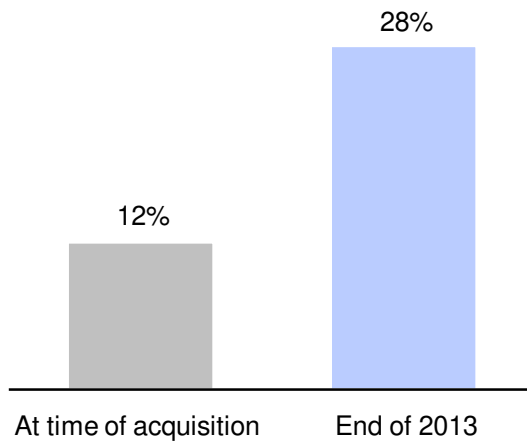
Strategic workforce planning



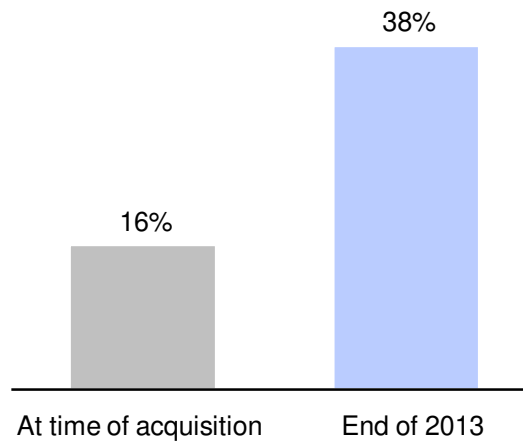
Code of ethics



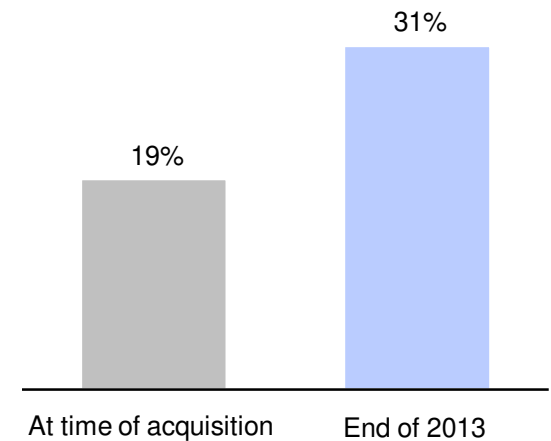
Actions engaging the company in social activities



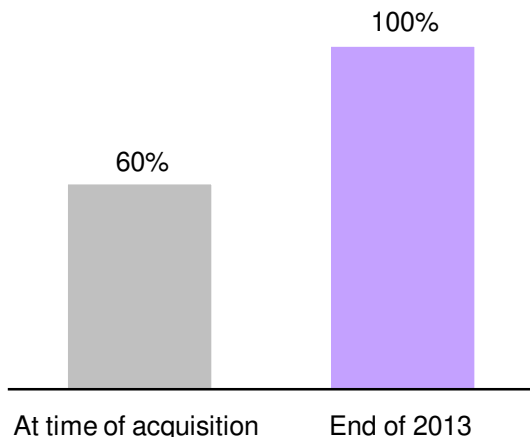
Actions for environmental protection



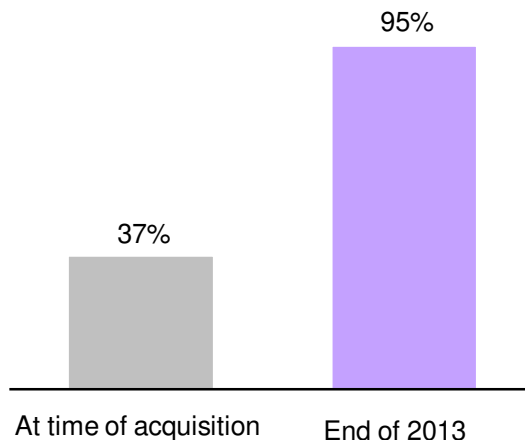
Quality management system ISO 9001



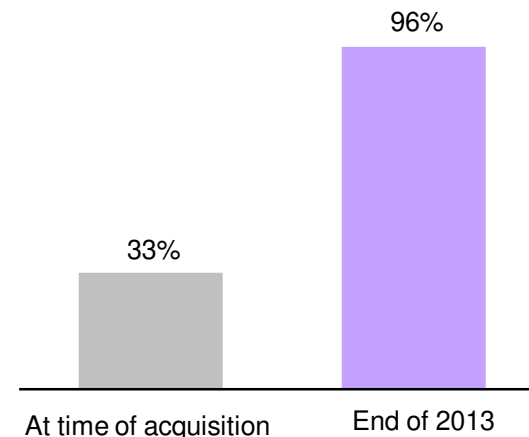
Company audit



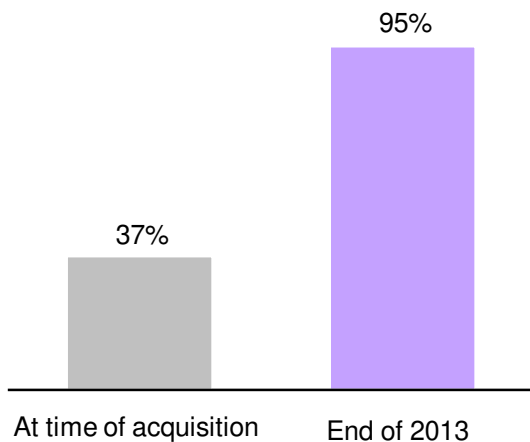
Oversight and steering committees



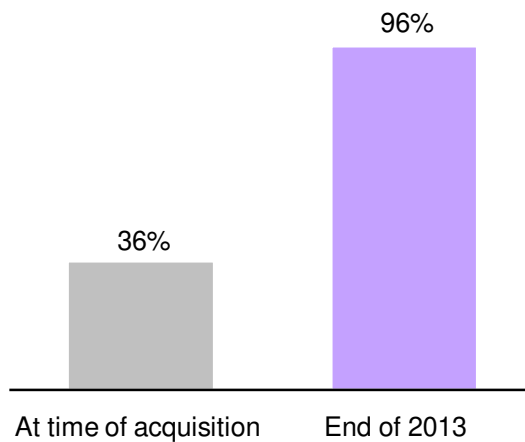
Reporting tools



Performance indicators and scoreboards



Budgeting and budget monitoring policies

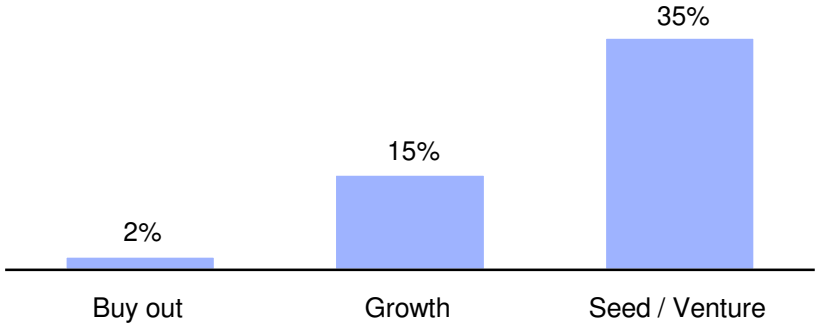


Turnover and employment growth of invested companies

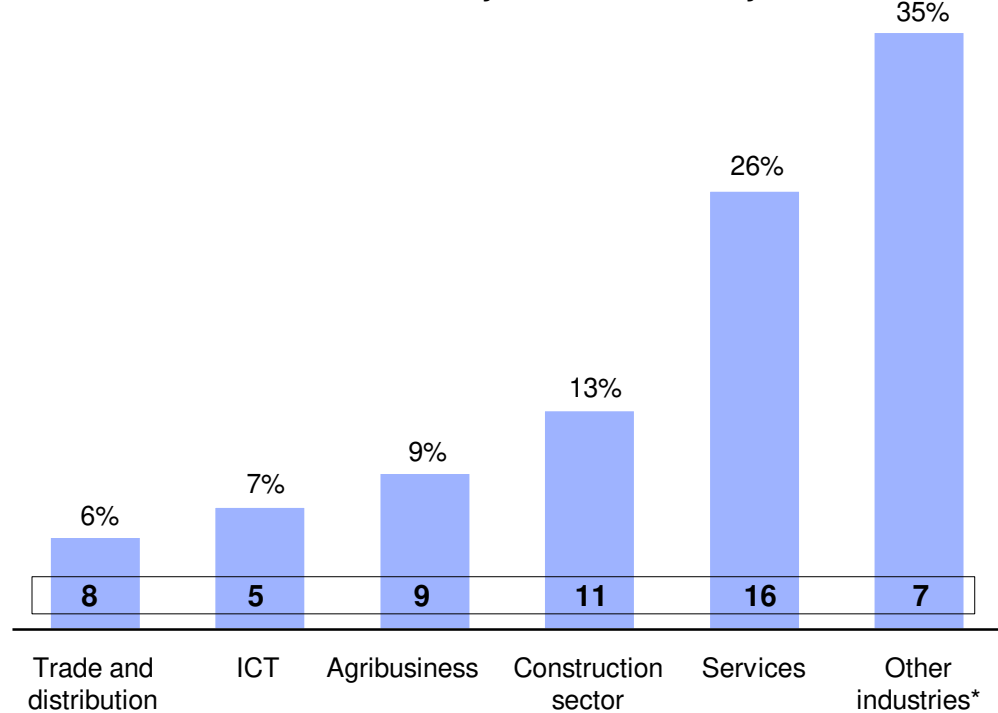
Turnover CAGR (compound annual growth rate) of invested companies by the end of 2013 = 13.8 %
 CAGR by end of 2012 = 16.41 %
 CAGR by end of 2011 = 18.76 %

Employment CAGR by the end of 2013 = 7.7 %
 CAGR by end of 2012 = 9 %
 CAGR by end of 2011 = 11 %

Turnover CAGR by the end of 2013 by development stage



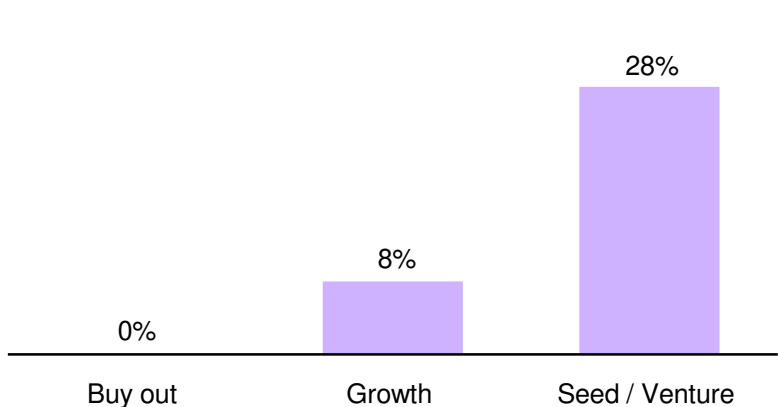
Turnover CAGR by the end of 2013 by sector



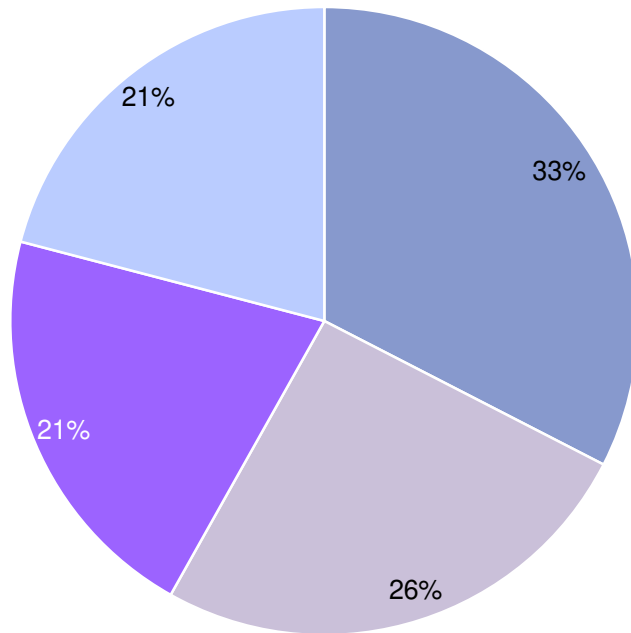
□ Number of companies involved by sector

*Cosmetics, biotechnology, packaging, metallurgy

Employment CAGR by the end of 2013 by development stage

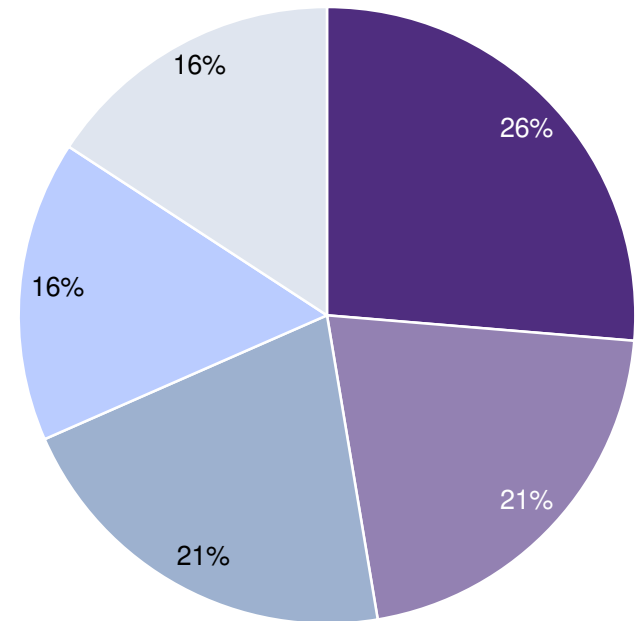


Main challenges for 2014



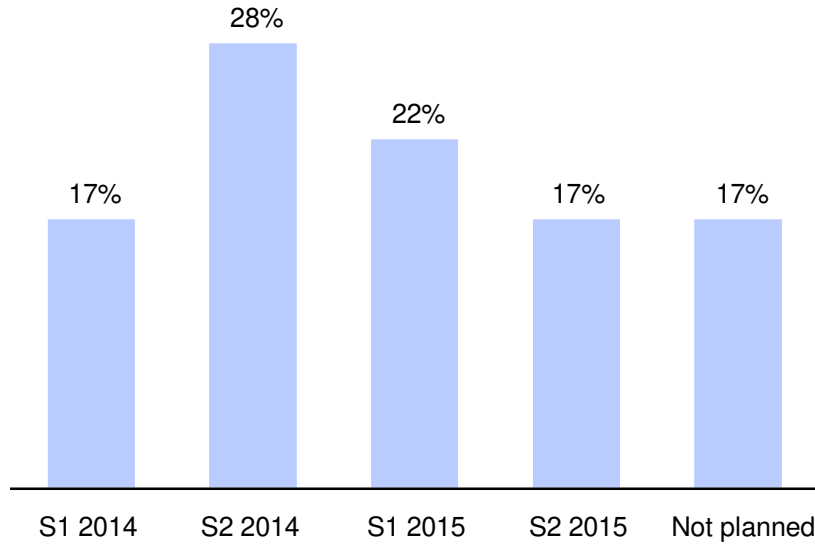
- Investing in new companies
- Fundraising
- Managing underperforming companies
- Identifying exits

Priority investment areas (for transregional funds)

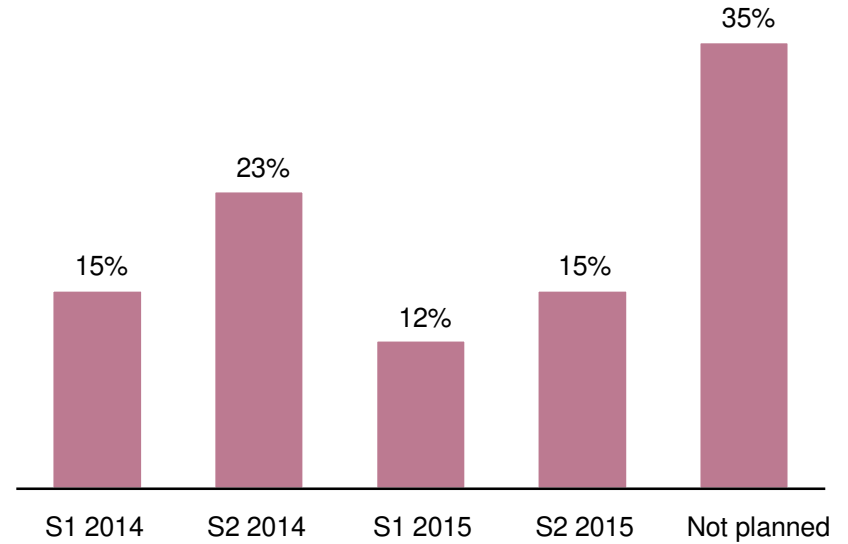


- Morocco
- Tunisia
- Sub Saharan Africa
- Algeria
- Egypt

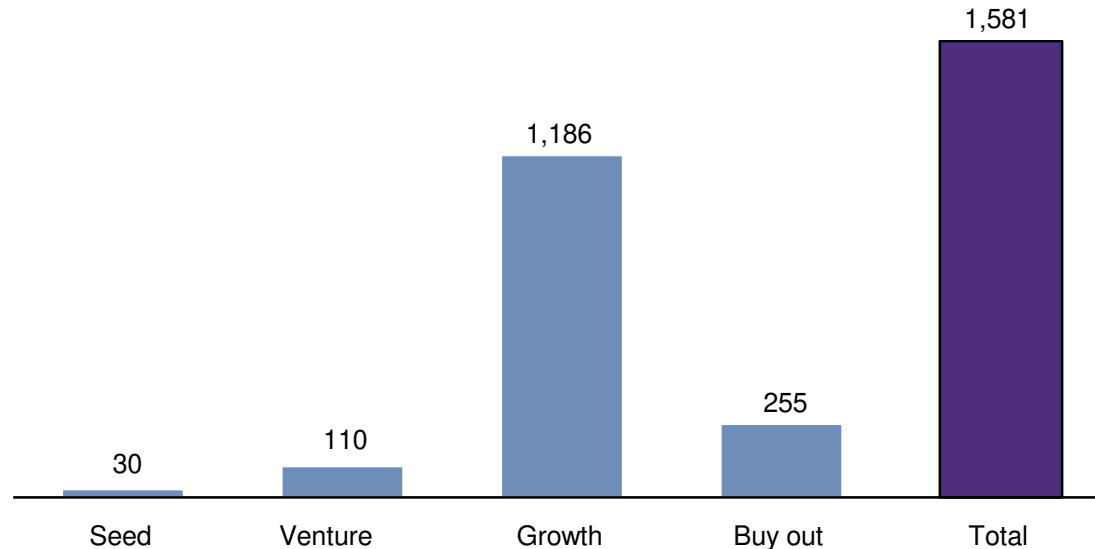
Planned fund raising for new funds



Planned exits for the majority of portfolio companies

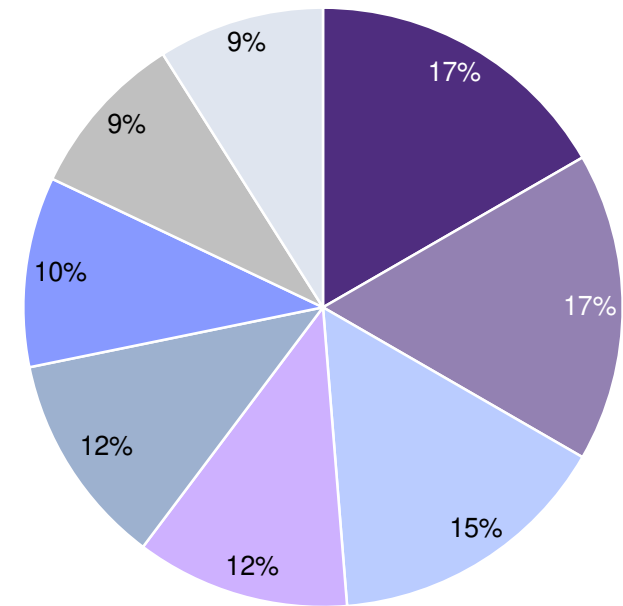
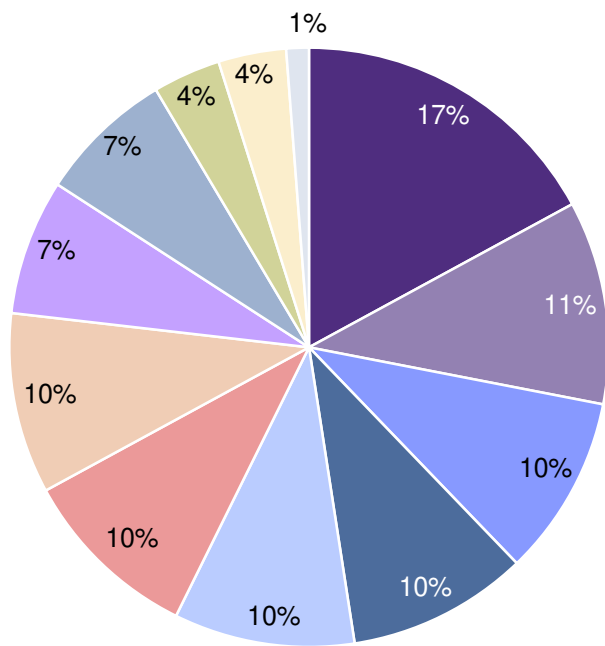


Investments forecasts for 2014 by development stage in Mln MAD (declarative)



Investment sectors over next 5 years

Investment regions over next 5 years



- | | | |
|------------------|----------------|-------------------------|
| Agribusiness | Services | Transport and logistics |
| Distribution | Construction | Telecom |
| New technologies | Health | Automobile |
| Energy | Consumer goods | Real-estate tourism |

- | | | | |
|-------|-----------|--------|----------|
| Casa | Marrakech | Fez | Oujda |
| Rabat | Tangiers | Agadir | Laayoune |

Funds raised

3.2 Bln MAD raised since 2012 which 1.29 Bln in 2013

65% funds raised since 2012 are from transregional funds

4 Bln MAD still available for investment

Investments

4.2 Bln MAD invested in 145 companies by the end of 2013

686 Mln MAD invested in 2013 in 17 companies

Average investment ticket 34 Mln MAD

Exits

Accumulated amounts disinvested = 1.9 Bln MAD

86% of exits since 2011 through sale to industrial buyer (trade sale) or sale of shares (IPO)

Economic and social impact

Over 95% of companies have implemented a complete system for governance

**Employment CAGR= 7.7%
Turnover CAGR= 13.8%**

Performance

Weighted average IRR= 15%

Average investment time = 5.8 years

Average multiple = 1.8

Administrator	Invested company	Sector	Invested amount	% of capital	Date of investment
FIPAR Holding	Safilait	Agribusiness	200 M MAD	37%	Oct 2011
IFC	Saham Finances	Insurance	125 M\$	18.75%	March 2012
IFC	BCP	Bank	204 M\$ or 1.7 Bln MAD	5%	Sept 2012
IFC	HEM	Education	7 M\$	NC	Apr 2013
IFC	Zalagh Holding	Aviculture	24 M\$	NC	Nov 2013
WENDEL	Saham Finances	Insurance	100 M € or 1.1 Bln MAD	13.33%	Nov 2013
IFC	Alliances	Real estate	25 M\$ et 25 M\$ convertible loan stock	3%	Dec 2013
EBRD	Citruma	Agribusiness	3.6 M€ in mezzanine financing	NA	Jan 2014

BIn MAD	Billion of Moroccan Dirhams
CAGR	Compound Annual Growth Rate
EBRD	European Bank for Restructuration and Development
IFC	International Finance Corporation
IPO	Initial Public Offering
IRR	Internal Rate of Return
MASI	Moroccan All Shares Index
MEF	Ministry of Economy and Finance
MIn MAD	Million of Moroccan Dirhams
TIC	Information and Communications Technology (=ITC)

Seed Capital:

Seed Capital investors bring, along with equity, a professional network and personal experience in early stage entrepreneurial projects that are still in development.

Venture Capital (early stage):

Equity or quasi equity in young enterprises and start-ups.

Growth Capital (late stage venture capital):

Investment in equity and quasi-equity in order to finance the development of a business or the acquisition of new stocks. The business partner is a company established in its markets, profitable and having significant growth prospects. Frequently called Growth Venture Capital.

Buy out Capital (transmission capital):

Transmission capital investments in management or owner succession aimed buyouts in mature firms.

Raised Capital:

Confirmed investment commitments in venture or private equity funds.

Invested Capital:

Capital invested in enterprises by venture or private equity fund companies.

Private Equity Fund:

An investment vehicle that raises capital from a diverse group of investors with a view to investing in unlisted private firms and realizing capital gains shared among investors.

Funds of Funds:

A fund raising funds from multiple sources for investment in a diverse number of private equity funds.

Discretionary Management:

Classic private equity structure where individual investment decision are in the hands of the management team.

Exit Mode: Management

Share by-back from PE investor by management of enterprise.

Exit Amount:

Exit valued at proceeds of sale of investment in the enterprise.

Multiple:

Investment Multiple = Proceeds of sale / Invested amount.

Quartile:

Division of the quartiles are the values that share a set of values into four equal parts. Thus, in the distribution of IRR for example, the first quartile is the IRR below which lie 25% of IRRs.

Quasi Equity:

Financing vehicles that combine both debt and equity characteristic.

Small and Mid Caps:

The definition of small and mid caps varies depending on the maturity of the markets. In Morocco, AMIC considers that the investments “Small and Mid Caps” correspond to transactions less than 200 Mln MAD

IRR (Internal Rate of Return):

Rate measuring the average annualized return of an investment consisting of negative flows (cash outflows) and positive flows (cash inflows). It is used to measure and monitor performance of private equity transactions.

MOROCCAN PRIVATE EQUITY ASSOCIATION (AMIC)

Founded in 2000, AMIC is an independent professional association whose mission is to **unite, represent and promote the private equity profession to local and international investors, entrepreneurs and governmental bodies.**

AMIC's main mission is to **strengthen the private equity industry's competitiveness in Morocco and abroad** through:

- **Effective and clear communication on the private equity industry**
- **Executing reliable reports and surveys on the state of private equity in Morocco**
- **Active participation in discussions on any draft law regulating the sector**
- **Establishing a good governance and ethics code for the private equity industry and promoting compliance with such code**
- **Providing support services to members on regulatory issues related to the profession**
- **Development of a quality training program**

FIDAROC GRANT THORNTON

The firm belongs to the **Grant Thornton International network:**

- A global leader in consulting and auditing
- Grant Thornton International includes more than 27,000 employees in nearly 120 countries
- Grant Thornton France is the official partner for the activity report of the French private equity players.

Fidaroc Grant Thornton operates in the following areas:

- **Auditing-Statutory Auditor**
- Company valuation and acquisition and divestment audits (**due diligence**)
- Advisory work on **corporate performance, organization and information systems**
- Executing **sectoral reports and benchmarking**
- Supporting **certification projects** (customs classification and corporate social responsibility)
- **Training in management and financial management**
- **Business Risk Services** (risk management, risk mapping)
- Support companies in adopting **IFRS standards.**