

**ANNUAL ACTIVITY REPORT 2017**  
**PRIVATE EQUITY**  
**IN MOROCCO**

10<sup>th</sup> edition

April 17, 2018

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# Summary

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### Scope

This study includes:

- All fund management companies which are **members of AMIC with a local representative office in Morocco** and have a portion of funds to invest dedicated to Morocco
- Funds investing **mainly in SMEs and unlisted companies**
- **Limited Life Funds**
- **Infrastructure Funds** both with greenfield and brownfield investment
- All investment sectors **except funds dedicated to real estate and tourism**
- Data collection was done via a survey of **24 management** on a **self reporting basis** (including infrastructure funds)

### Methodology

#### CAPITAL RAISED

- The **amounts of funds raised** only includes the **part dedicated to Morocco** and the **part dedicated to Private Equity**
- **Amounts raised by infrastructure funds are analyzed and presented separately**
- For transregional funds where the portion dedicated to Morocco has not been communicated, only actual amounts invested are reported
- The review of statements of certain funds resulted in **technical corrections to the amounts raised** by year (hence differences from amounts presented in previous years)

#### INVESTMENTS

- The **amounts invested** represent **amounts disbursed**
- **Detailed investment analysis does not include “Large Caps”** (transaction over 200 mln MAD) as this new segment does not currently include a sufficient number of transactions

#### EXITS AND PERFORMANCE

- Amounts **exited** are **amounts of sales of investments**
- 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**
- **IRR were weighted by amounts invested**
- Losses caused by **exceptional events have not been taken into account** in the average calculation of IRR

#### ECONOMIC AND SOCIAL IMPACT

- **The CAGR for turnover and employment were weighted by amounts invested**

# 1. SCOPE & METHODOLOGY

Fund management companies	Funds
<b>AFRICINVEST</b>	MPEF I
	MPEF II
	MPEF III
	AfricInvest I
	AfricInvest III
	<b>MPEF IV</b>
<b>ALMAMED</b>	Massinissa Maroc
	Massinissa Luxembourg
<b>ATLAMED</b>	AM Invest Morocco
<b>ATTIJARI INVEST</b>	Agram Invest
	Igrane
	Moroccan Infrastructure Fund
<b>AZUR PARTNERS</b>	Nebétou Fund
<b>BMCI DEVELOPPEMENT</b>	BMCI Développement
<b>BROOKSTONE PARTNERS</b>	Emerald Fund
	MJT Park
<b>CDG CAPITAL INFRASTRUCTURES</b>	Inframed
	Inframaroc
<b>CDG CAPITAL PRIVATE EQUITY</b>	Accès Capital Atlantique
	Sindibad
	Capmezzanine
	Capmezzanine II

- Funds in divestment phase or divested
- New funds in 2017

Fund management companies	Funds
<b>CAPITAL INVEST</b>	Capital Morocco
	Capital North Africa Venture Fund
	Capital North Africa Venture Fund II
<b>CFG CAPITAL</b>	CFG Développement
	Idraj
<b>ENTREPRISES PARTNERS</b>	3P Fund
<b>FIROGEST</b>	Firo
<b>GLOBAL NEXUS</b>	Global Nexus Fund
	Temporis Global Nexus
<b>HOLDAGRO</b>	Targa
<b>INFRA INVEST</b>	Argan Infrastructure Fund
<b>MEDITERRANIA CAPITAL PARTNERS</b>	Mediterrania Capital I
	Mediterrania Capital II
	<b>Mediterrania Capital III</b>
<b>MITC CAPITAL</b>	Maroc Numeric Fund
<b>OCP SA</b>	OCP Innovation Fund For Agriculture
<b>PRIVATE EQUITY INITIATIVES</b>	PME Croissance
<b>UPLINE INVESTMENTS</b>	Upline Technologies
	Upline Investments Fund
	Fonds Moussahama I
	Fonds Moussahama II

**NB:** Historical data of funds managed by The Abraaj Group, Aureos, Dayam and Viveris have been retained

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### Scope

**Integration of fund management companies INVESTIMA and PGS Invest**  
Both are active as investment companies but should shortly constitute *classic* Private Equity funds.

### Fund raising

**2 new funds : MPEF IV (AFRICINVEST) and Mediterrania Capital (MEDITERRANIA CAPITAL PARTNERS)** for a global amount of **1,318 mln MAD** dedicated to Morocco

### Investments

**6** for a global amount of **343 mln MAD**

### Reinvestments

**9** for a global amount of **47 mln MAD**

### Exits

**8** for a global amount of **968 mln MAD**

Data collected and analyzed from :

**24 fund management companies**

**189 invested companies**



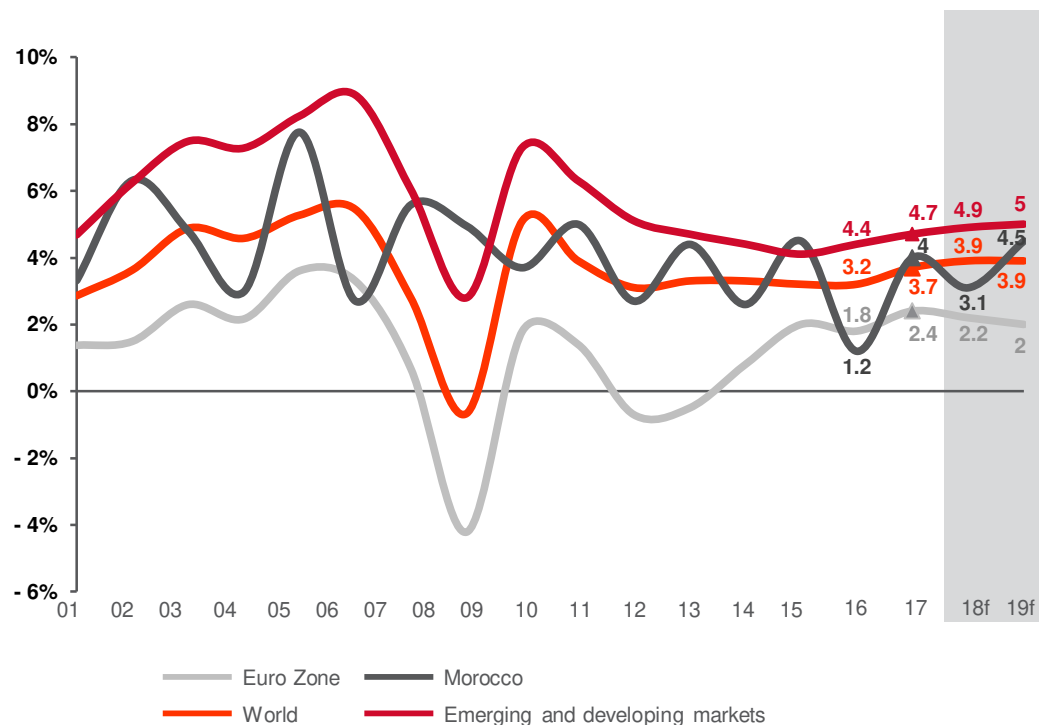
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## GDP historical trends and forecast

[%, 2002-2019 forecasted]



Sources: International Monetary Fund – Update of main projections January 2018  
The World Bank  
HCP

## Comments

**Global growth** strengthened with a growth rate of **3.7%** in **2017** and is expected to accelerate in the **next two years to reach 3.9%**, an increase of **0.2 points**.

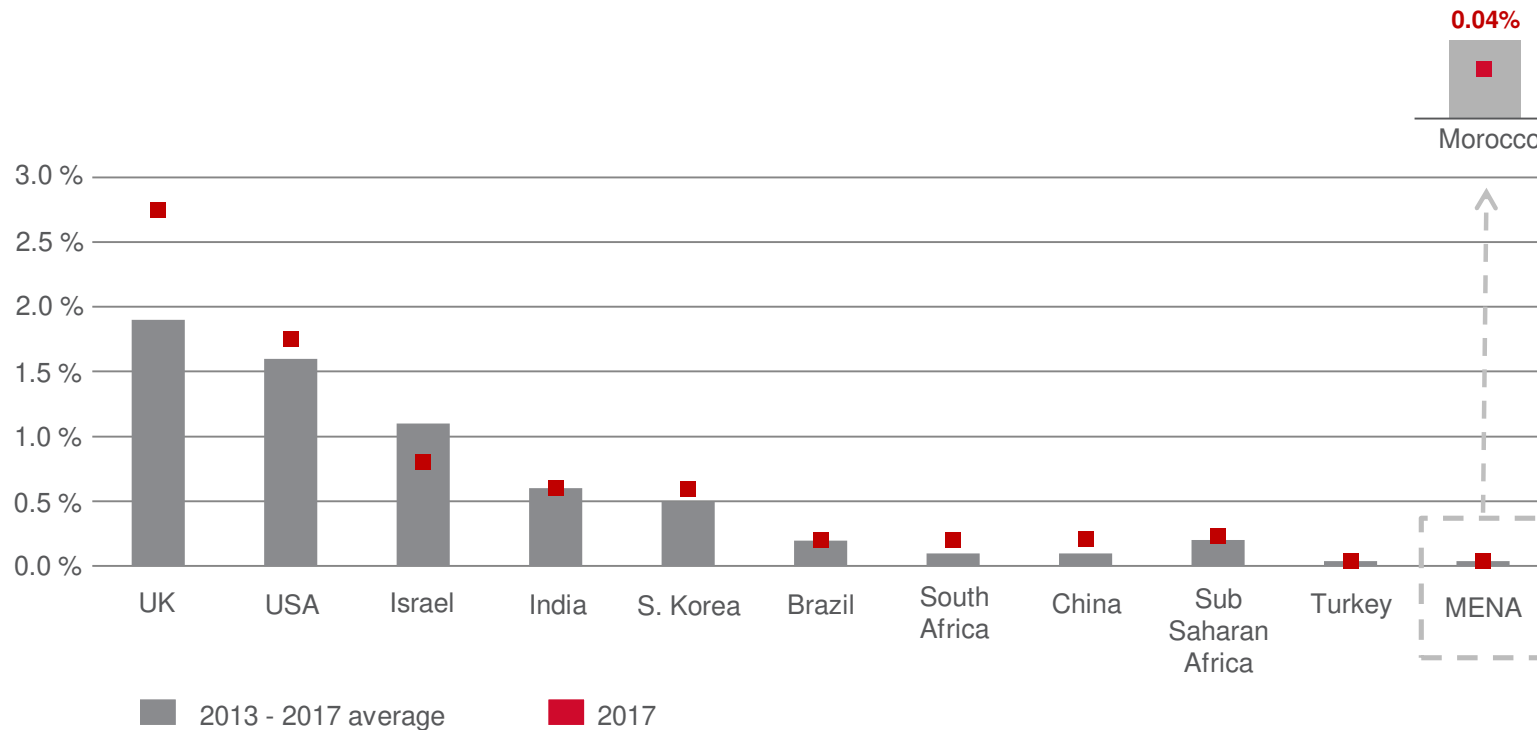
This growth is mainly due to upward revisions in **Europe (2.4%)** and **Asia (6.5%)**. Global growth forecasts for **2018** and **2019** have been revised due to stronger growth dynamics and side effects from recent changes in US tax policy.

In **Europe**, production increased by **5.2%** in **2017** thanks to a favorable external environment and flexible financing conditions.

In **Morocco**, GDP growth reached **4%** in **2017** versus **1.2%** in **2016**, benefiting from a favorable agricultural season and a recovery of industrial exports.

According to the latest forecast, **global growth is expected to accelerate to 3.9% in 2018 and 2019**

## Private Equity penetration rate – capital invested/GDP (%)

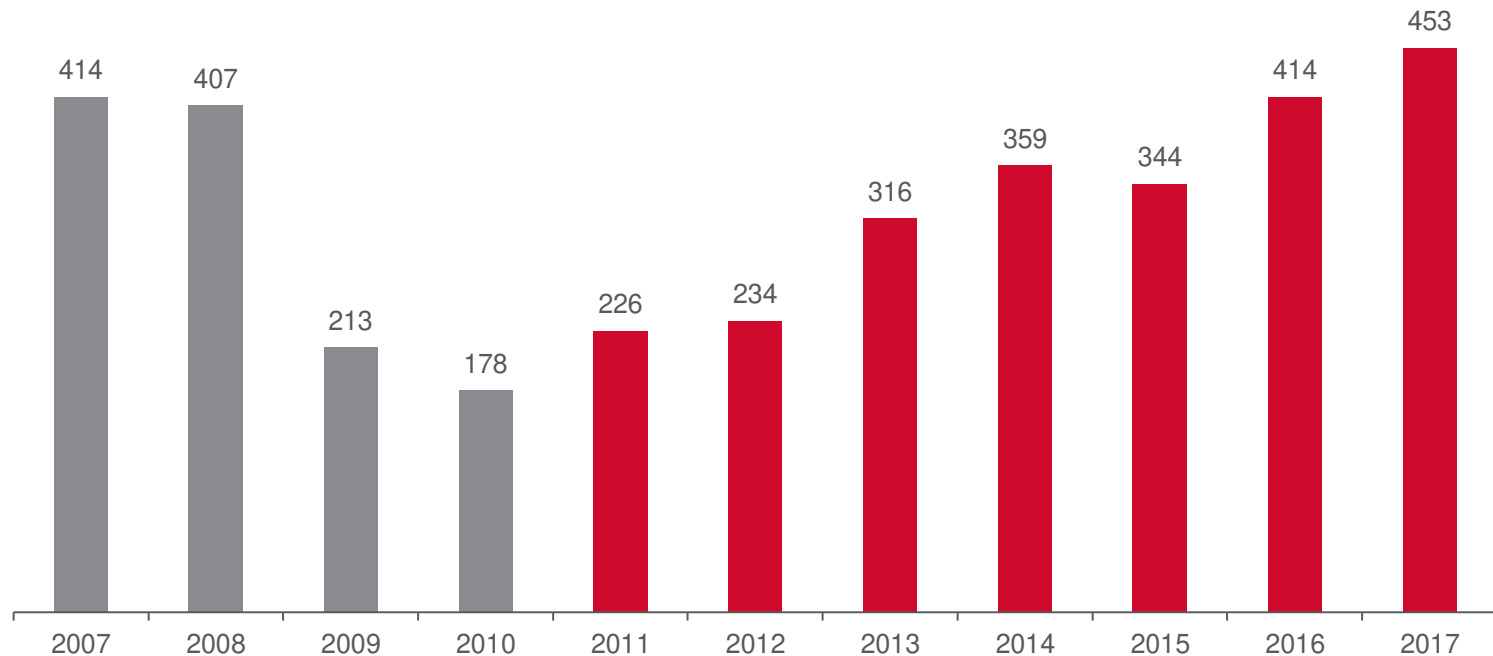


Source: EMPEA, Industry Statistics Year-end 2017

Morocco recorded a Private Equity penetration rate of 0.04% in 2017

## Evolution of global amounts raised between 2007 and 2017

[Bln USD, 2007-2017]

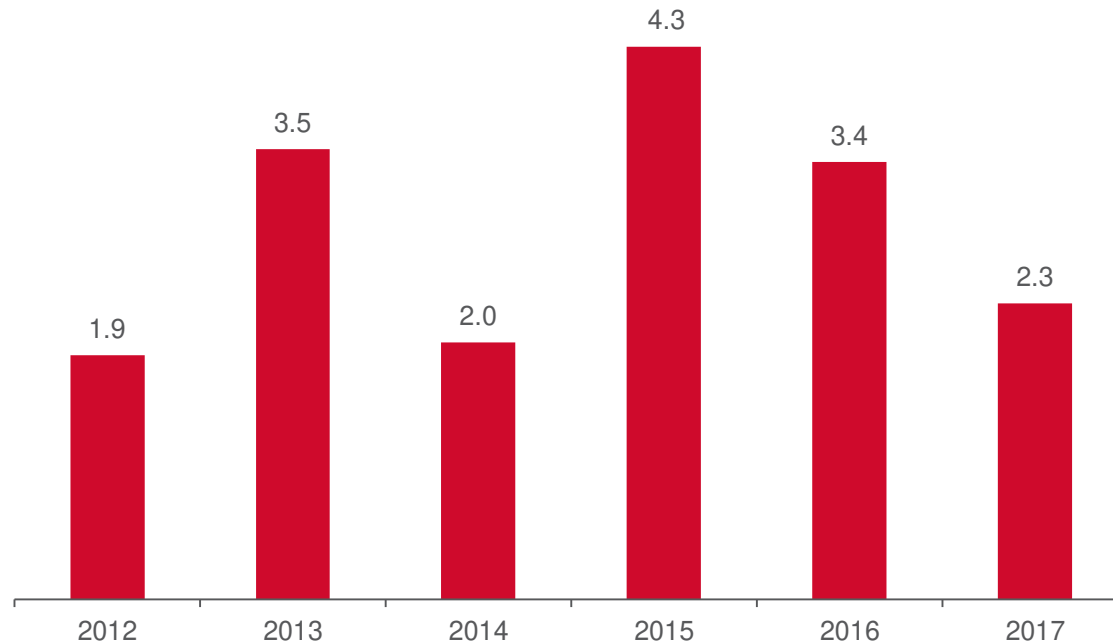


Source: Preqin

**Funds raised have doubled between 2011 and 2017 increasing from 226 to 453 bln USD**

## Evolution of amounts raised in Africa between 2012 and 2017

[Bln USD, 2012-2017]



Source: AVCA

2012-2017 in  :

Number of reported PE deals:

953

Total value of reported PE deals:

24.4 bln USD

Total value of PE fundraising:

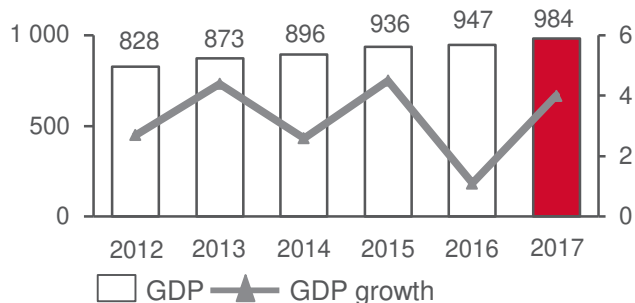
17.3 bln USD

The African market remains attractive for DFIs despite a slight drop in funds raised in 2017

### 3. INTERNATIONAL AND NATIONAL ECONOMIC CONTEXT

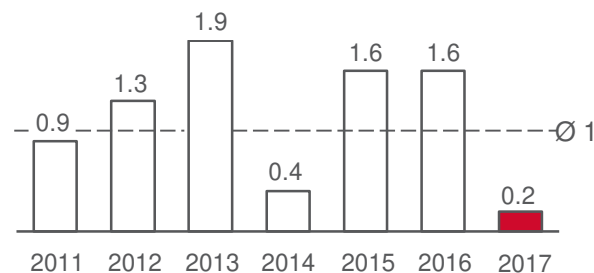
#### GDP & real GDP growth

[Bln MAD, %, 2012-2017]



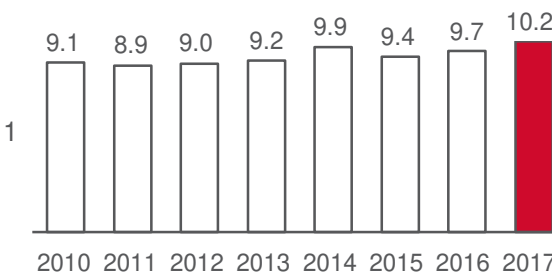
#### Inflation

[% , 2011-2017]



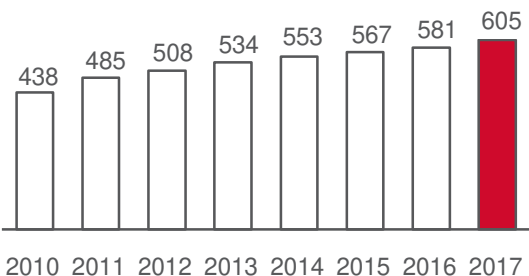
#### Unemployment rate

[% , 2010-2017]



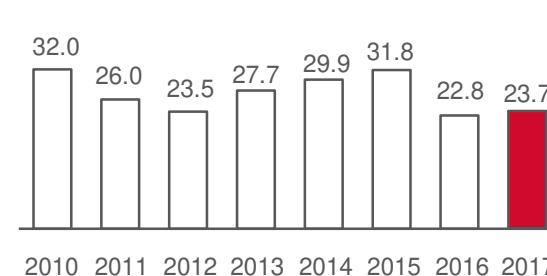
#### Household consumption

[Mln MAD, 2010-2017]



#### Foreign Direct Investment

[Bln MAD, 2010-2017]



#### International ratings

Standard & Poor's

Fitch

BBB-/Stable

BBB-/Stable

Sources: HCP, MEF, Foreign Exchange Office

Morocco registered a **growth rate of 4%** in 2017 in a context of a **low level of inflation (0.2%)**, a **stable level of household consumption** and a **recovery of FDI**

# Summary

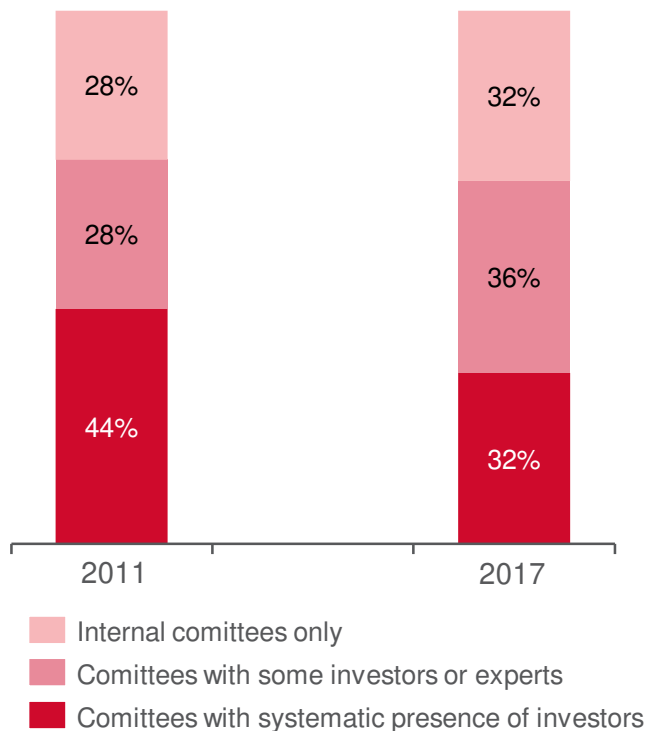
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INCLUDING INFRA FUNDS

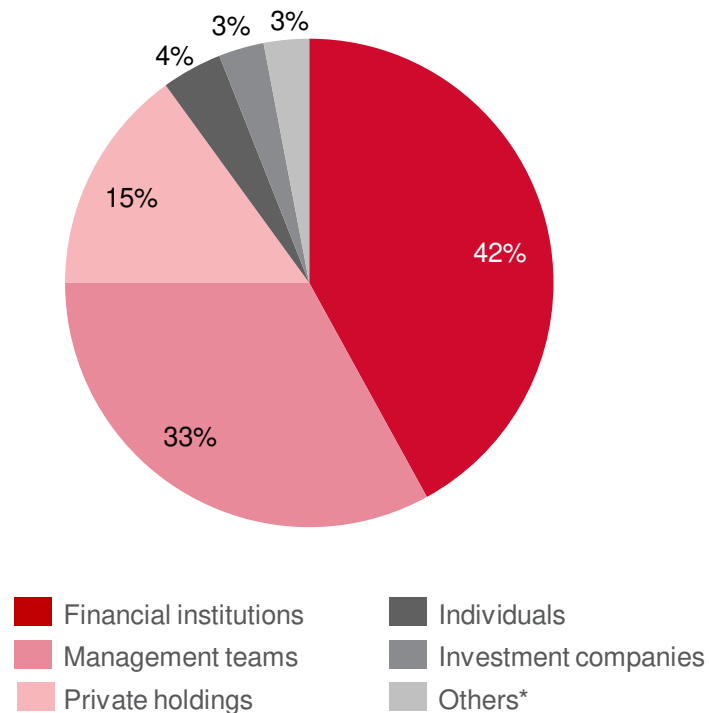
In number

Investment committees



As % of value

Distribution of fund management companies capital



\* Caisses de dépôts, Funds of funds, Local government agencies

**Number of fund management companies:** 24 including 3 dedicated to infrastructure

**Discretionary management:** 68%

**Average staffing** (including Infra): 5.7 including 3.9 working on investing activities and 1.8 in support



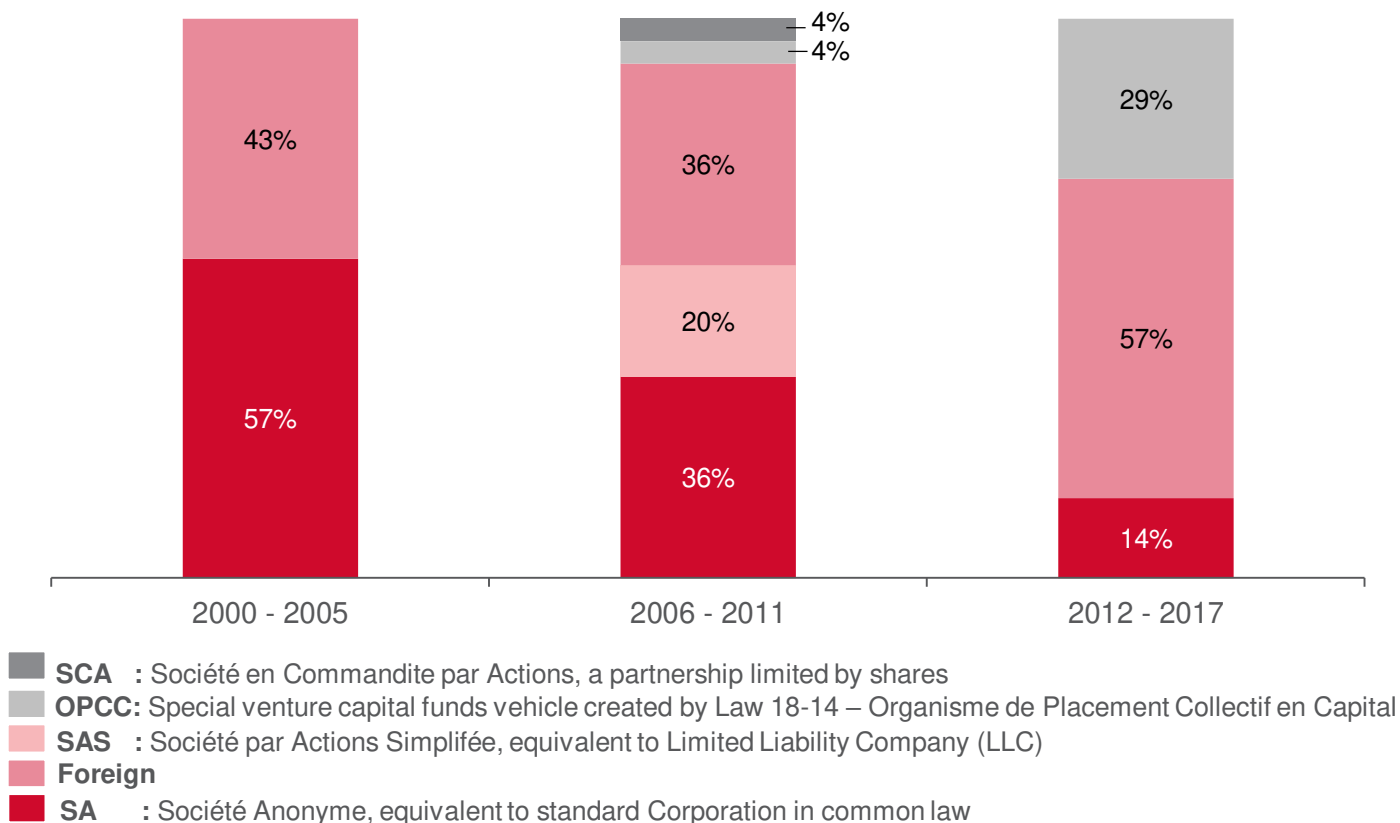
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## Distribution of funds by legal form

In number

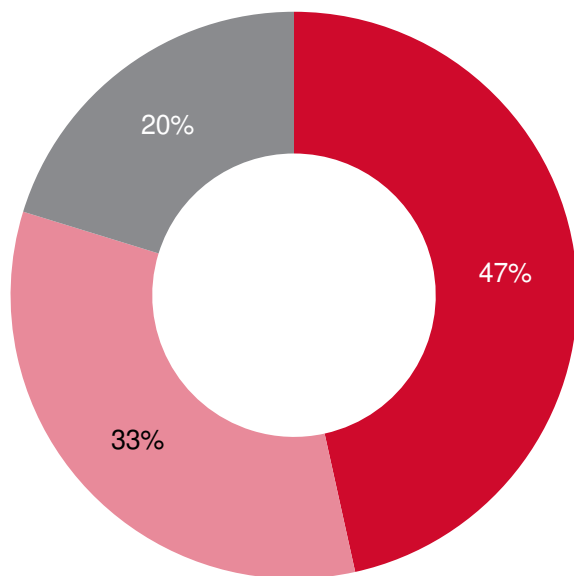


Since 2000, the form "SA" declined significantly while the forms "Foreign" and "OPCC" (86% of the funds of the 3<sup>rd</sup> generation) are steadily increasing. The forms SA and SAS disused from 2012 on.

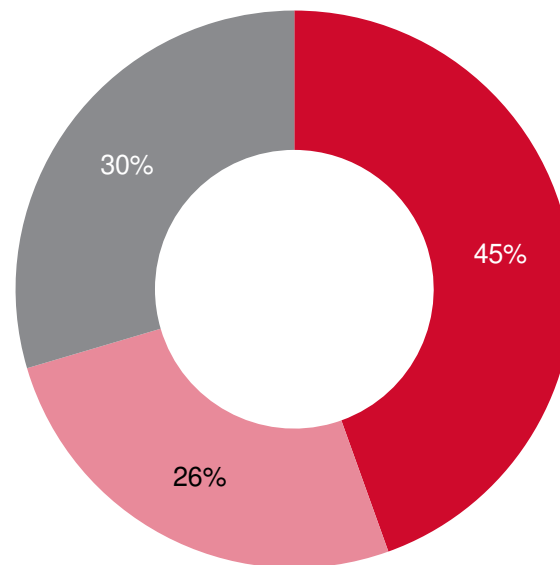
## Funds country of domicile

As % of value

End of 2010



End of 2017



Rest of World\*
  Europe
  Morocco

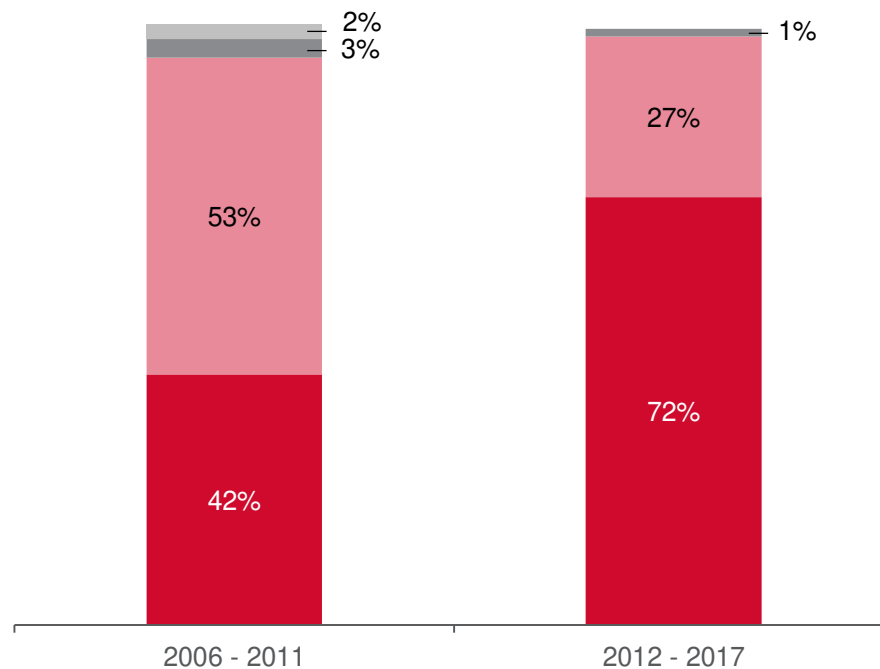
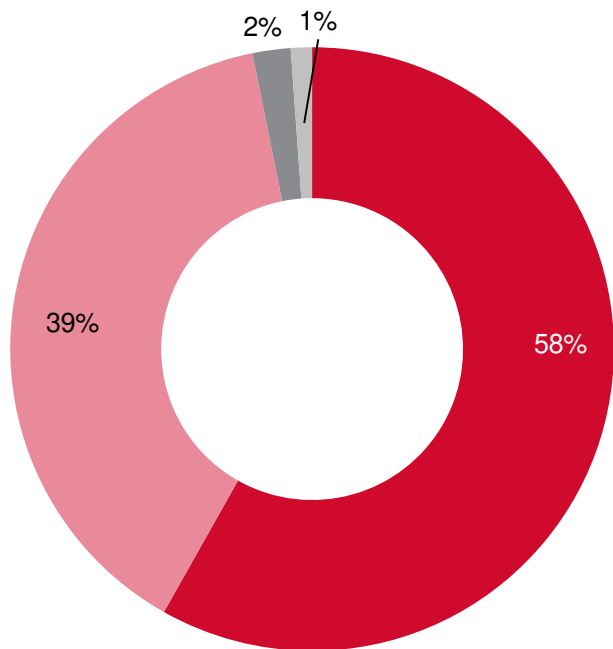
\*United States, Mauritius

The share of funds located in Morocco decreased in favor of funds located offshore which represent nearly 55% of the funds created by the end of 2017 and respond better to international development needs of funds managed in Morocco

## Nature of funds

As % of value

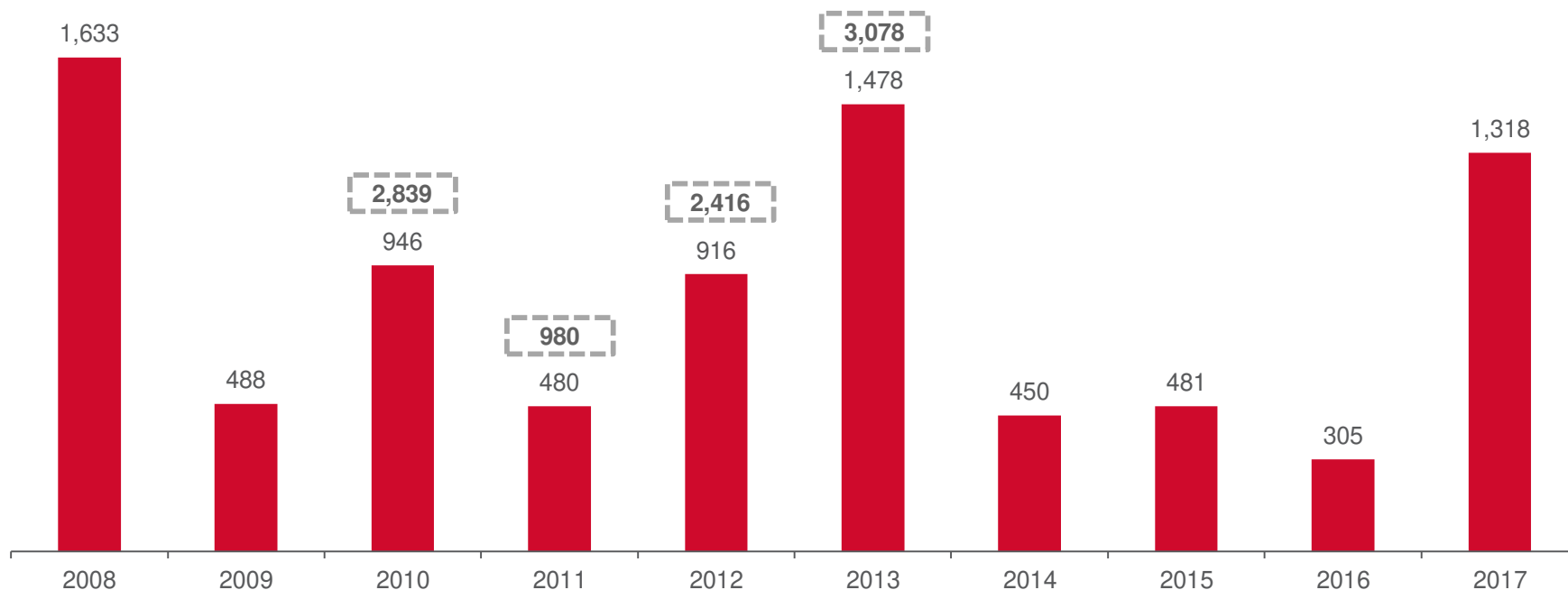
End of 2017



Investment companies
  State captives
  Captives financial institutions
  Independents

**Strong growth in independent funds** between the 2<sup>nd</sup> and 3<sup>rd</sup> generation of funds, representing **72% of funds created since 2012**

## Capital raised per year (Mln MAD)

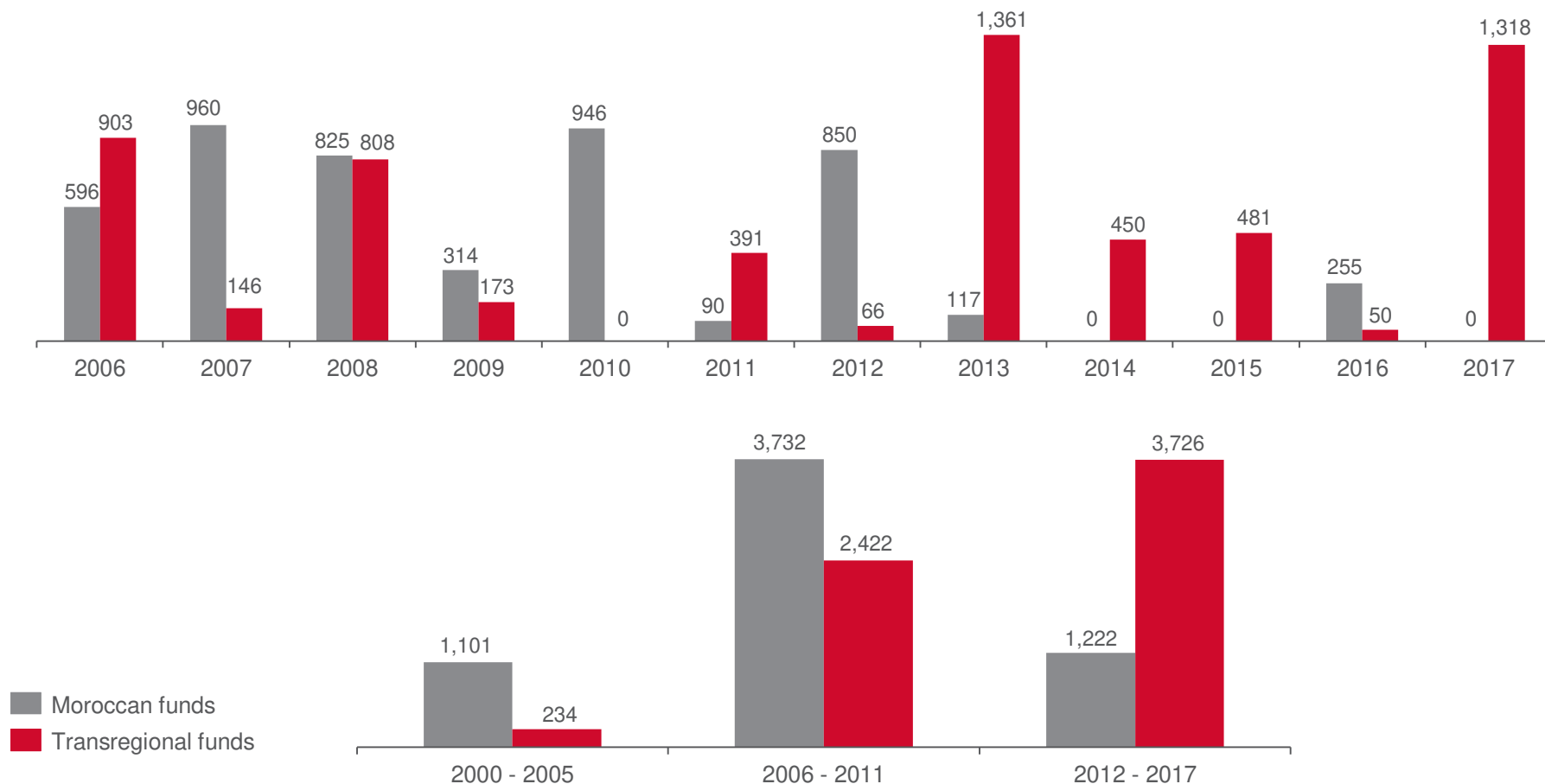


**XX** Capital raised (including Infrastructure funds)

Total amounts raised to end 2017 reached 18 bln MAD, of which 12.44 bln MAD in Private Equity funds and 5.5 bln MAD in infrastructure funds.

EXCLUDING INFRA FUNDS

### Capital raised by fund type (Mln MAD)

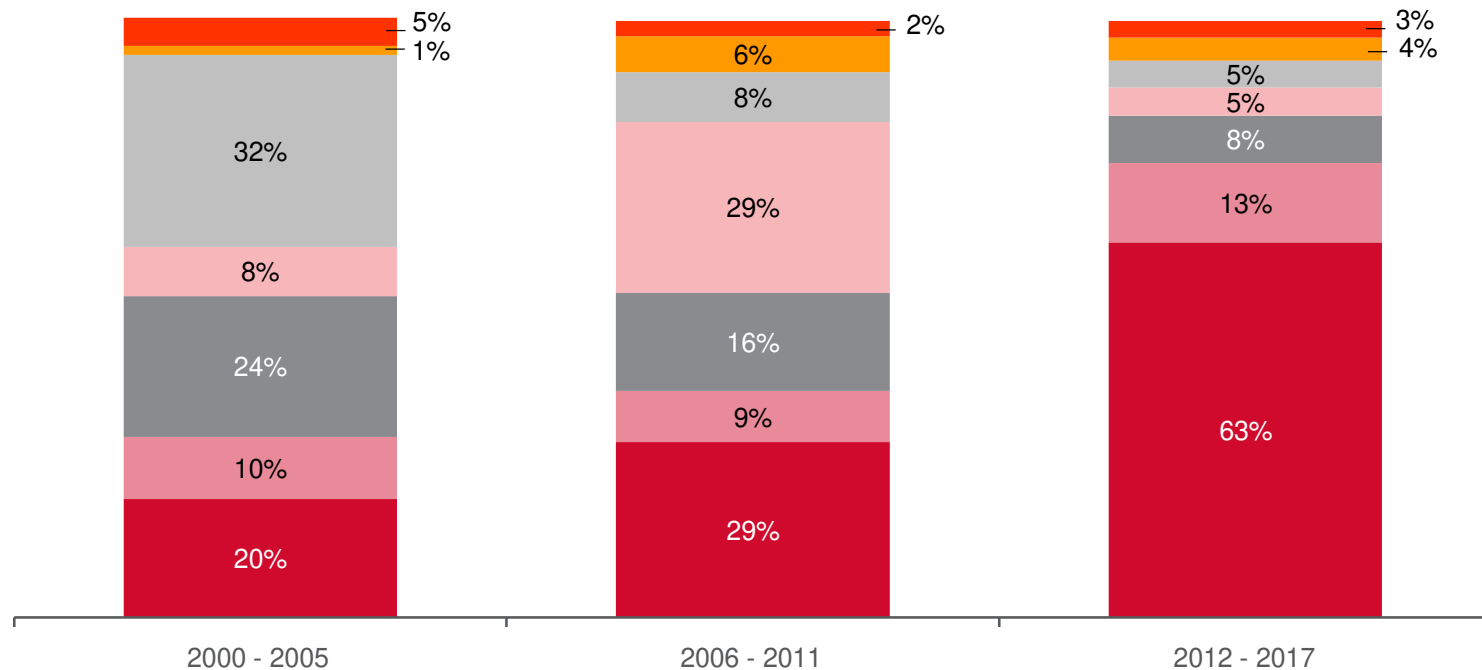


**Transregional funds captured 75% of the funds raised for Morocco over the period 2012-2017**

EXCLUDING INFRA FUNDS

## Capital raised by investor type

As % of value



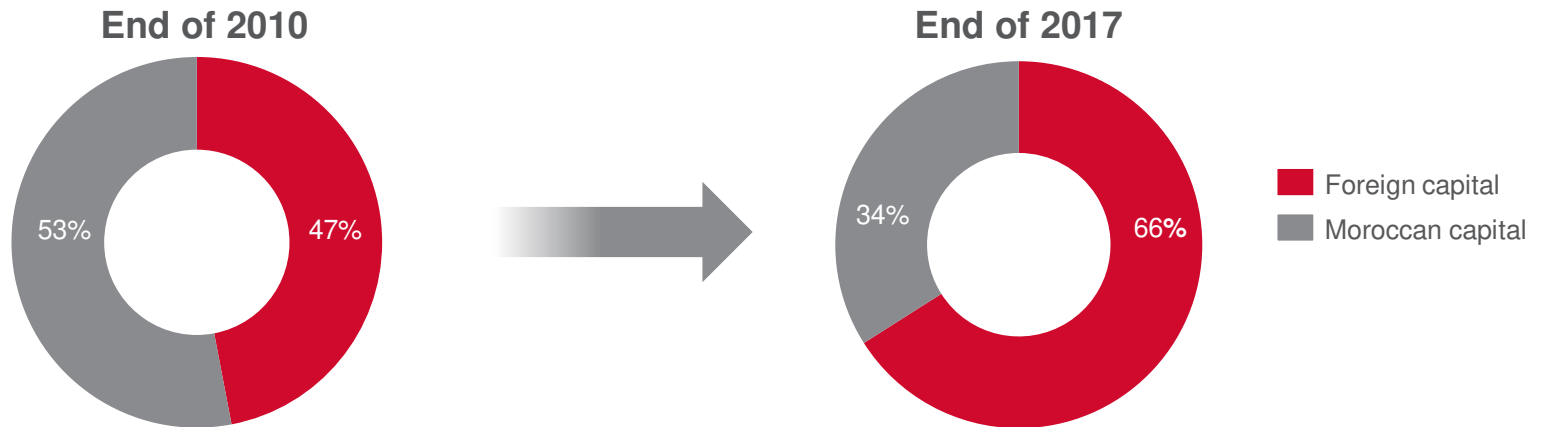
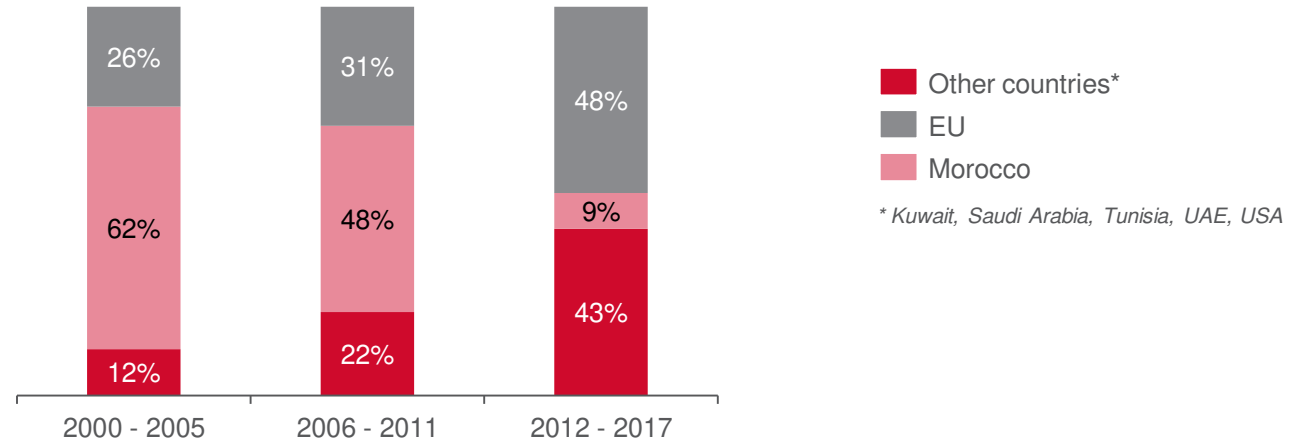
- International development organizations
- State and public organizations
- Banks and asset management companies
- Insurance companies
- Pension funds
- Investment vehicles\*\*
- Others\*

\* Individuals, private companies  
 \*\* Funds of funds, holdings, investment companies

The share of international development organizations (IFC, EBRD, EIB and others) in fund capital has increased significantly with the 3<sup>rd</sup> generation funds

## Capital raised by investor nationality

EXCLUDING INFRA FUNDS



Significant increase in international investors in the 3<sup>rd</sup> generation funds, with DFIs representing 63% of the foreign capital raised by these funds.



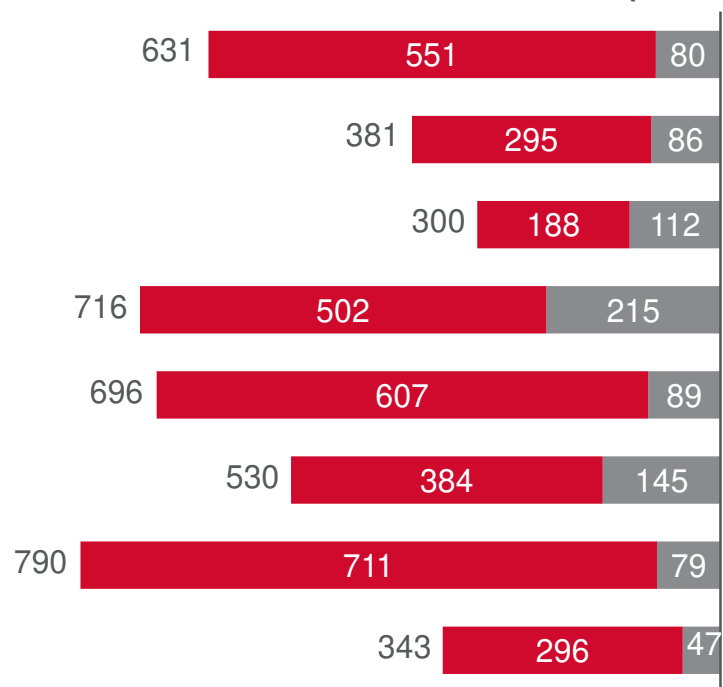
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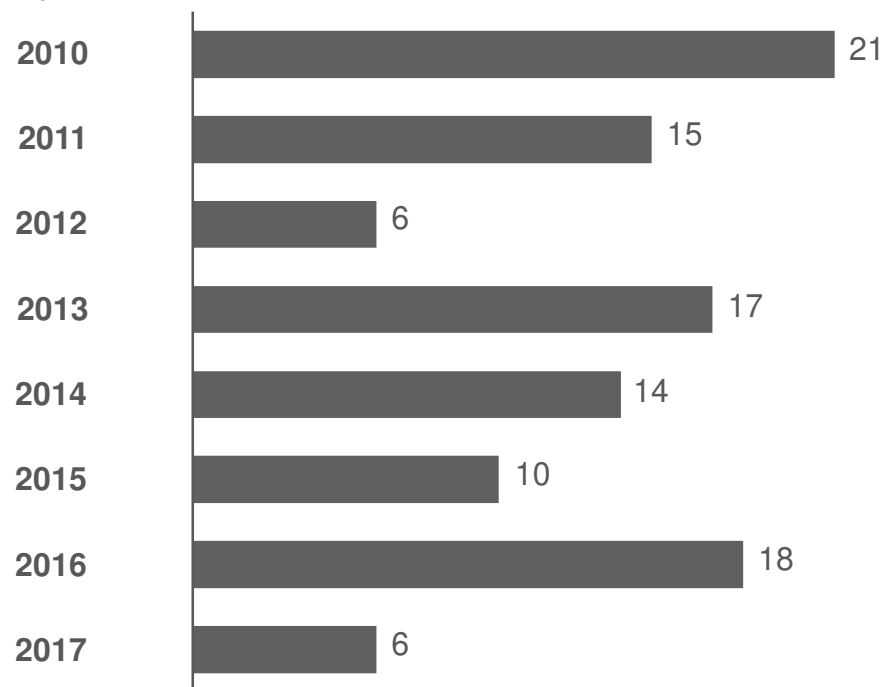
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## Evolution of invested and reinvested funds

Amounts invested and reinvested (in mln MAD)



Number of new investments



Amounts reinvested
  Amounts invested
  Number of companies

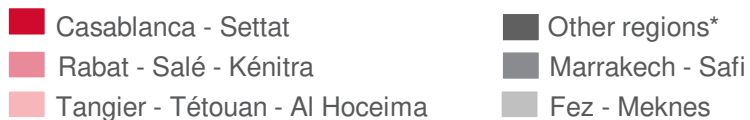
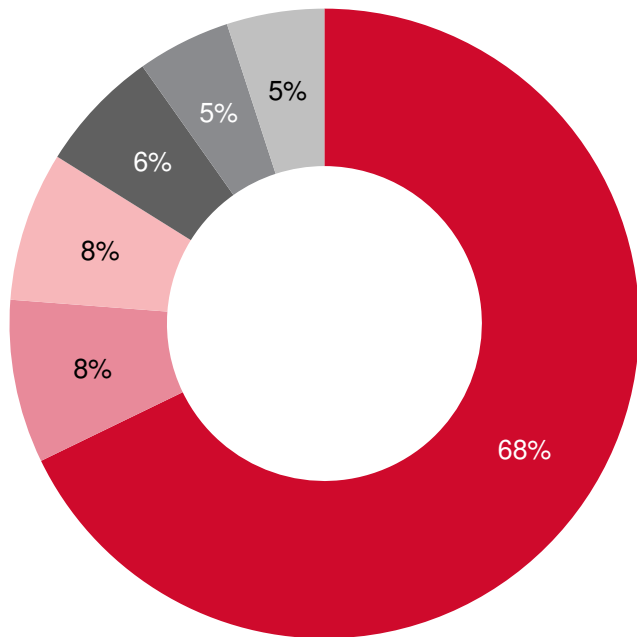
The level of investment **decreased in 2017 with 343 mln MAD invested, including 6 new investments**

**189 companies invested** since inception for a **total of 6.6 bln MAD**

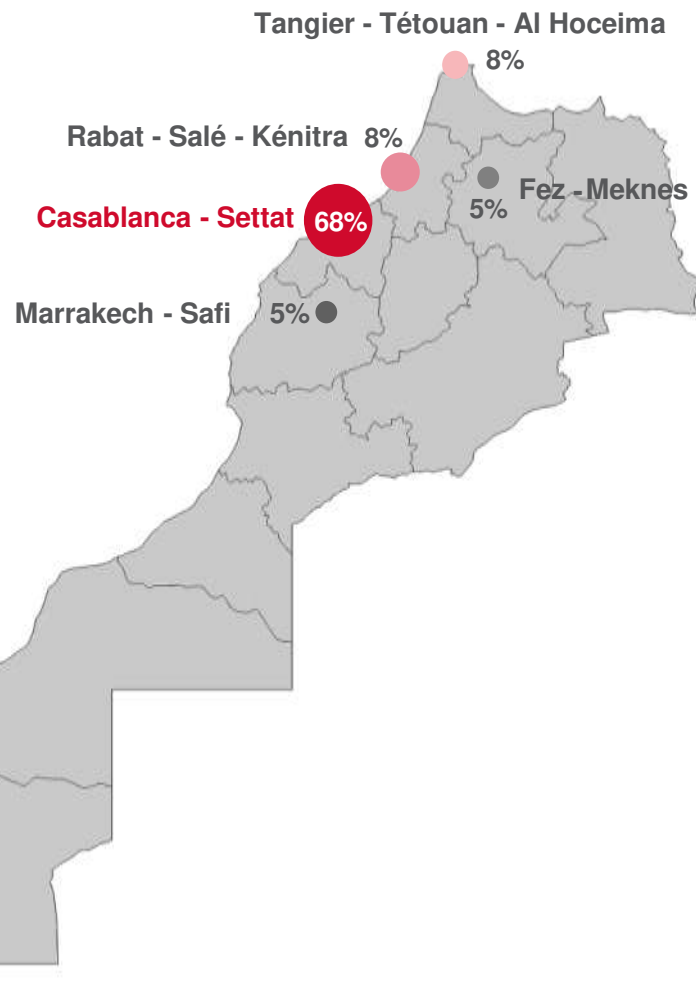
## Location of invested companies

As % of value

End of 2017

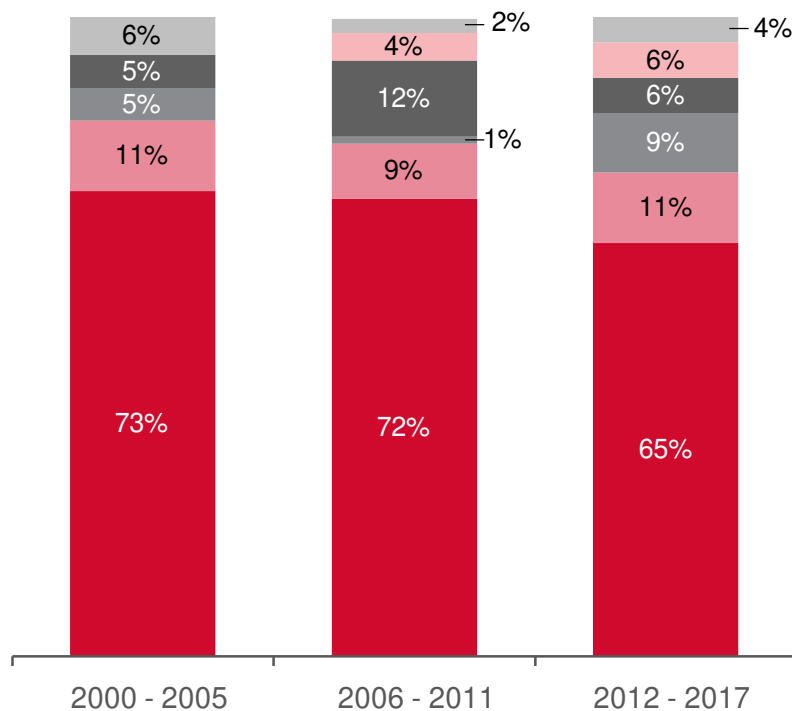


\*Béni Mellal - Khénifra, Dakhla - Oued Eddahab, Darâa - Tafilalet, Guelmim - Oued Noun, Laâyoune - Sakia El Hamra, The Oriental, Souss - Massa

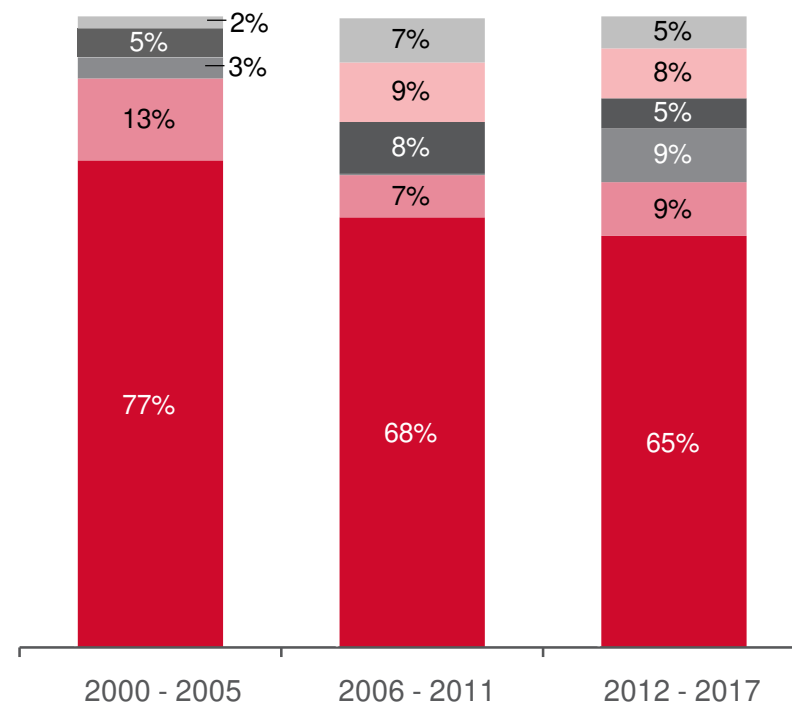


## Location of invested companies

In number



As % of value

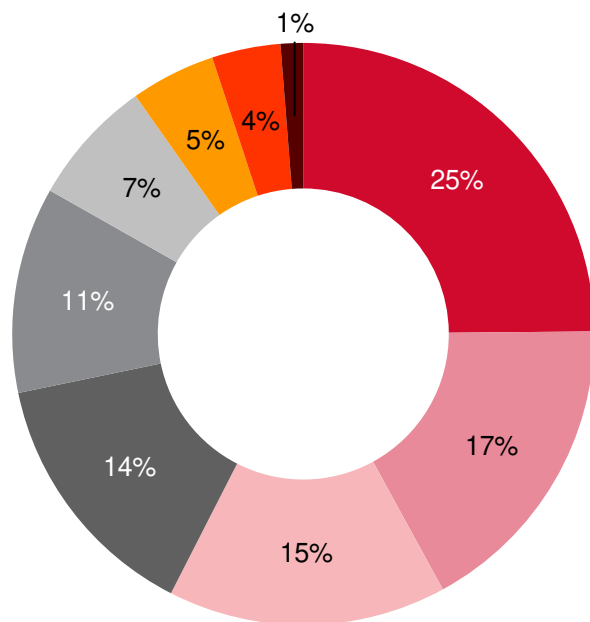


- Casablanca - Settat
- Rabat - Salé - Kénitra
- Tangier - Tétouan - Al Hoceima
- Other regions\*
- Marrakech - Safi
- Fez - Meknes

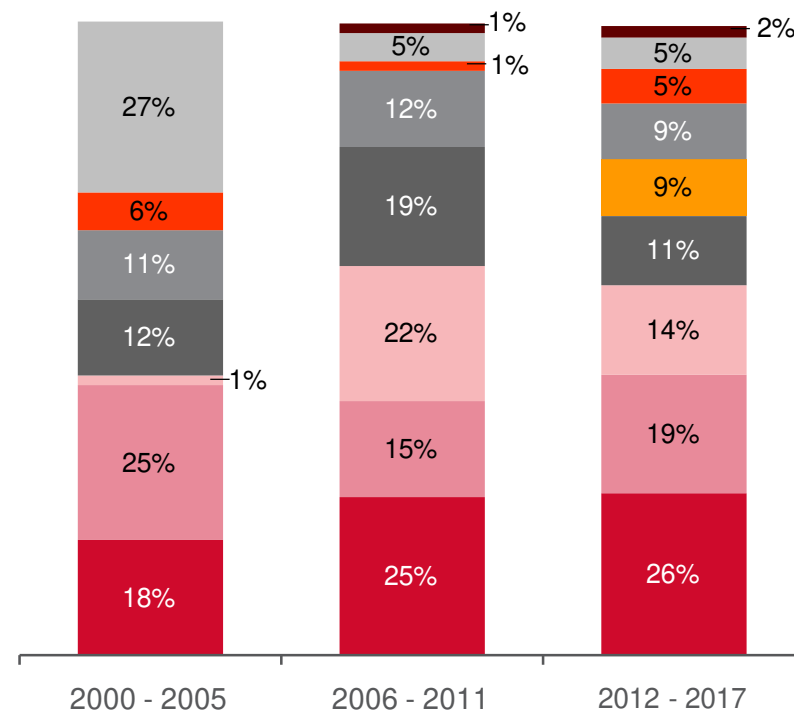
\*Béni Mellal - Khénifra, Dakhla - Oued Eddahab, Darâa - Tafilalet, Guelmim - Oued Noun, Laâyoune - Sakia El Hamra, The Oriental, Souss - Massa

## Sectors of invested companies

End of 2017



By fund generation

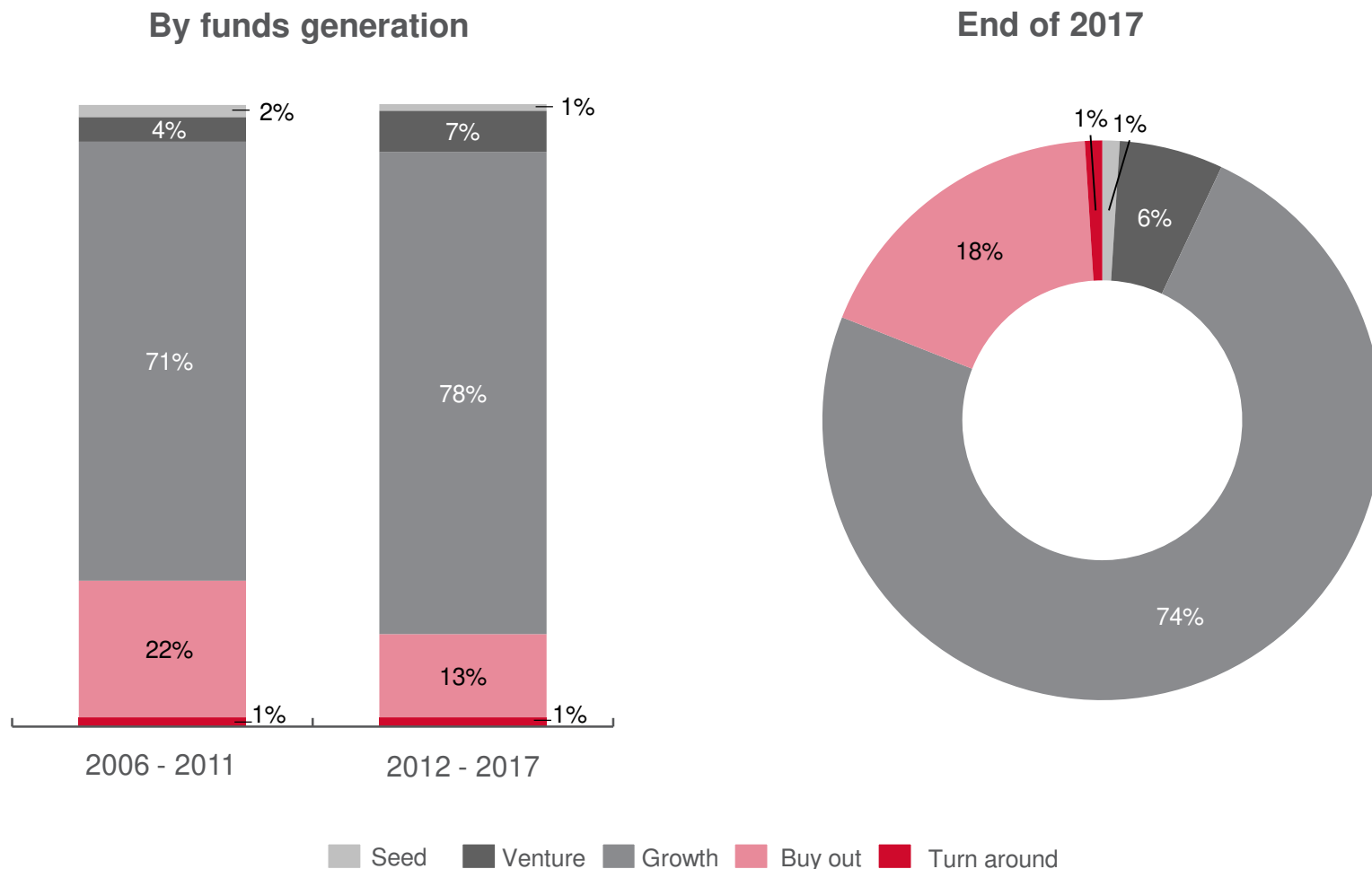


- Primary
- Auto industry
- Health
- ICT
- Agribusiness
- Trade and distribution
- Construction sector
- Other sectors\*
- Services and transport

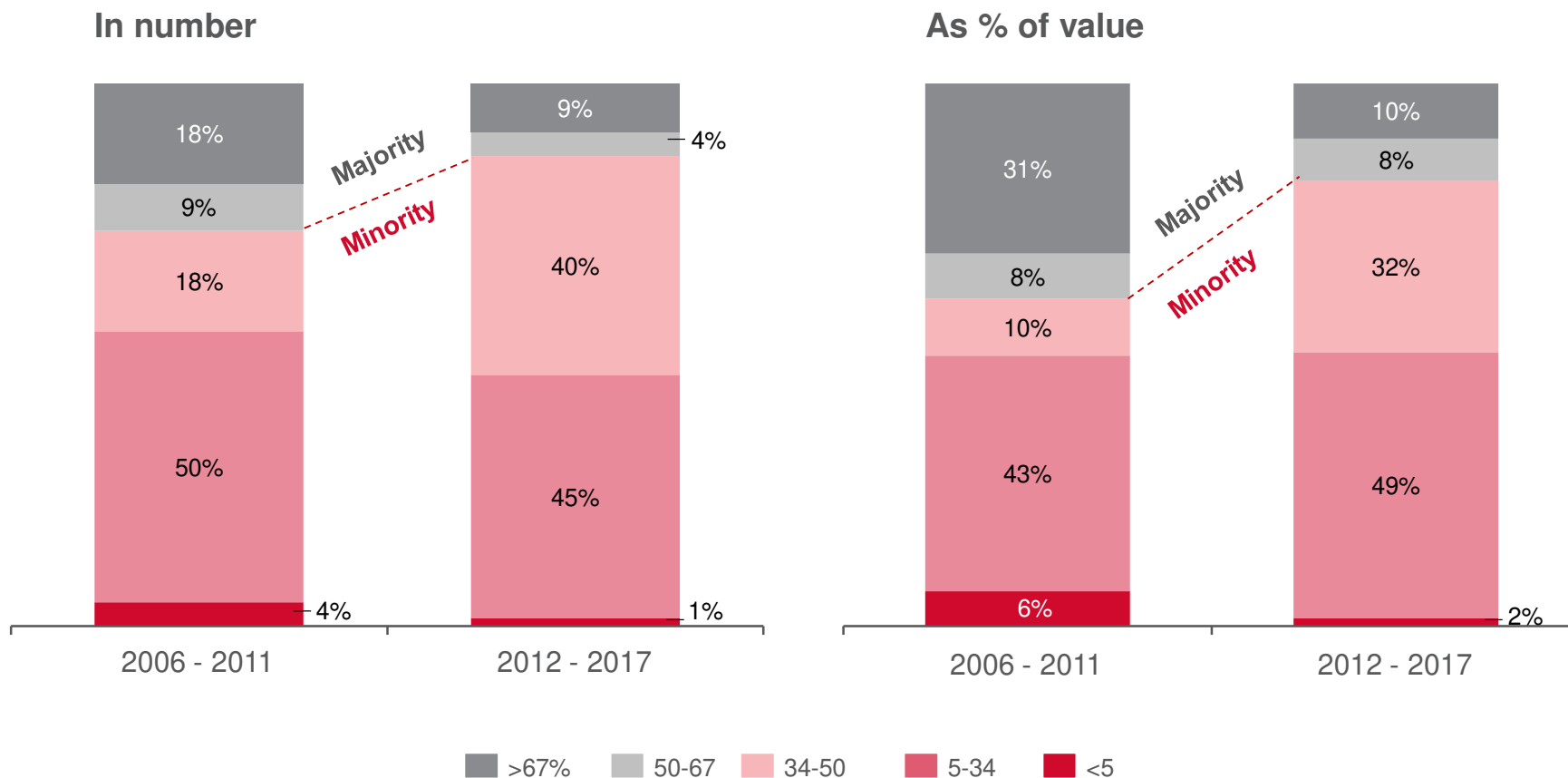
\*Aerospace, Packaging, Chemical industry and others

## Invested companies by development stage

As % of value



## Companies funded by percent of capital acquired

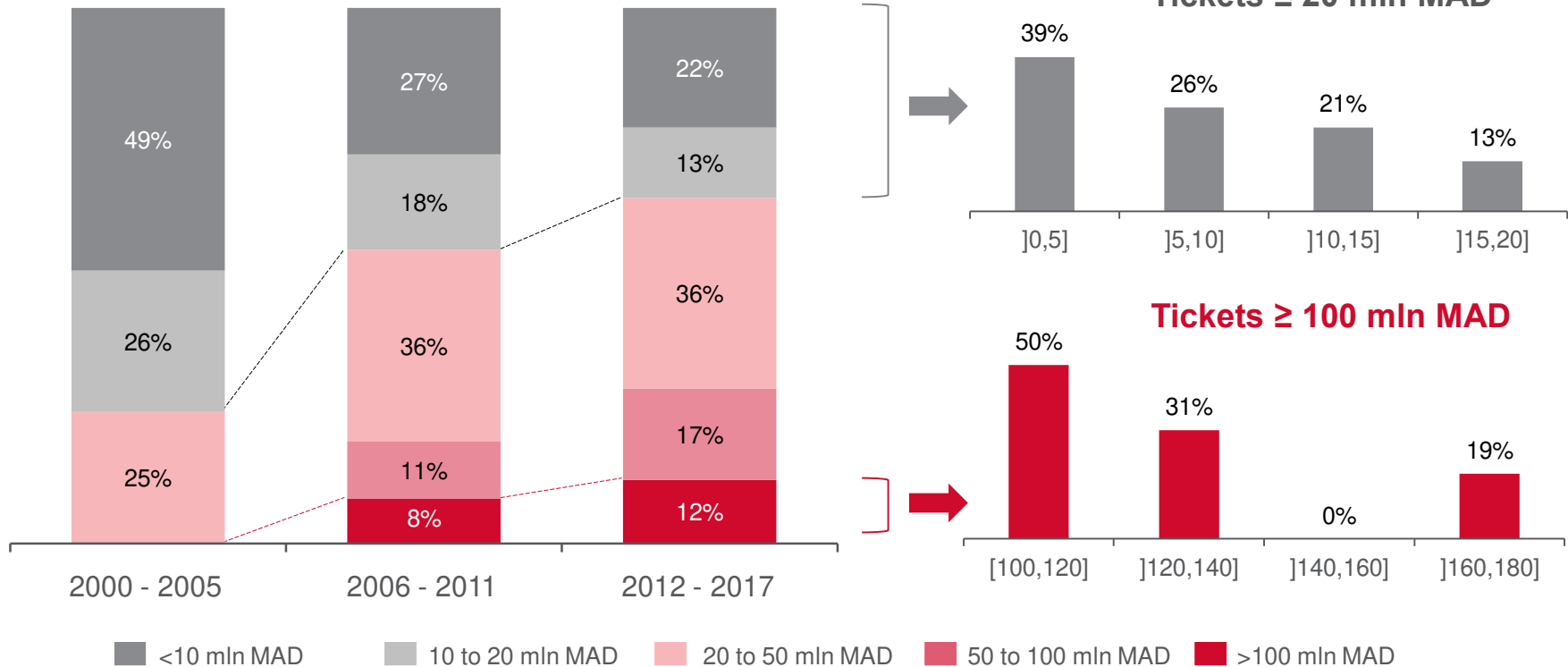


The share of majority transactions declined significantly: almost 87% of transactions in number and 83% in value are minority positions from 2012 on (in number)

## Location of invested companies

In number

Per fund generation

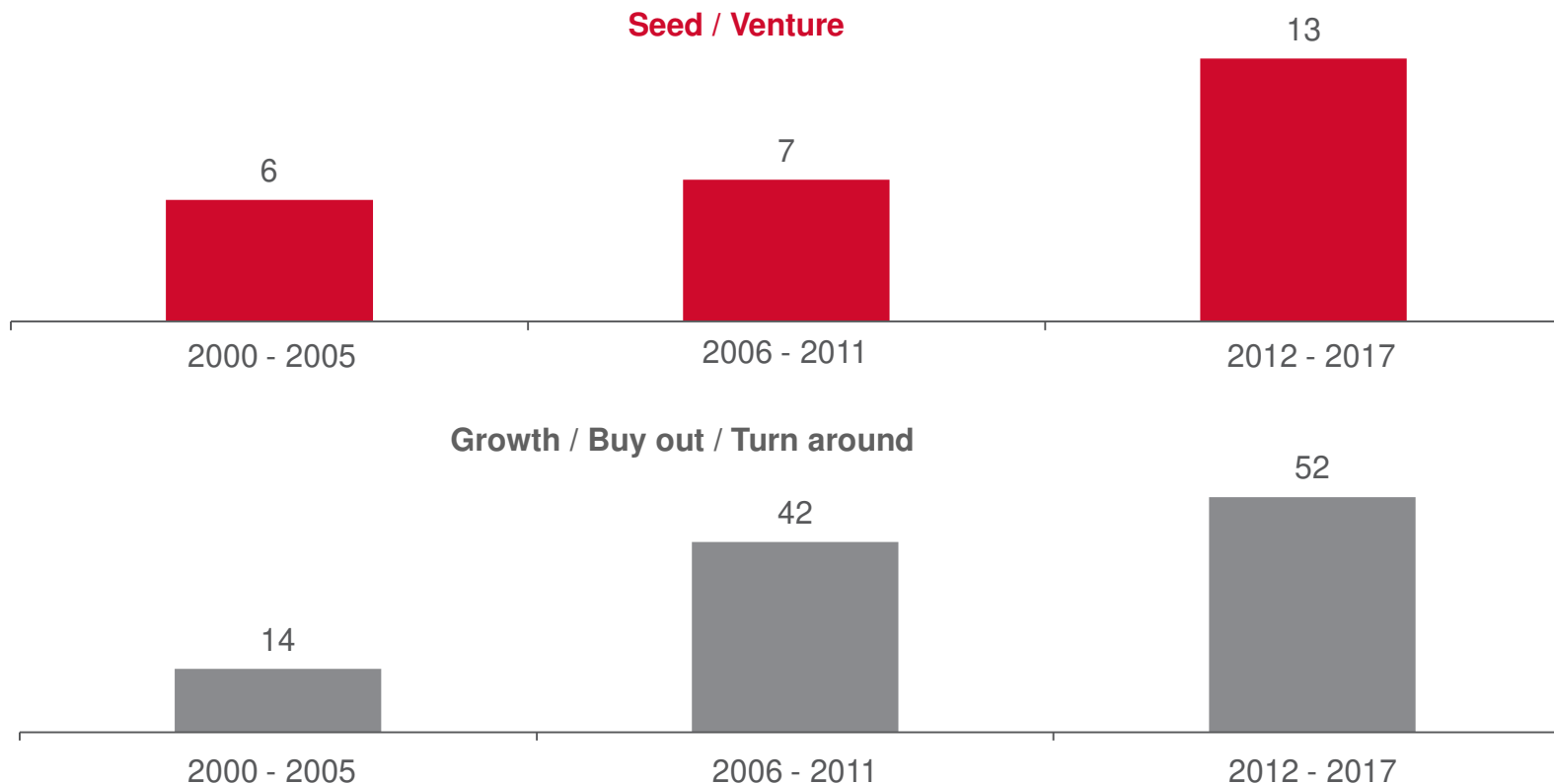


**The number of transactions of more than 50 mln MAD increased between the 2<sup>nd</sup> and 3<sup>rd</sup> generation (from 19% to 29%)**



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

➔ Average ticket (2017) = 49 mln MAD



The average investment ticket doubled between the 1<sup>st</sup> and 3<sup>rd</sup> generation of funds rising from 6 to 13 mln MAD for Seed/Venture and had more than tripled from 14 to 52 mln MAD for Growth / Buy out / Turn around

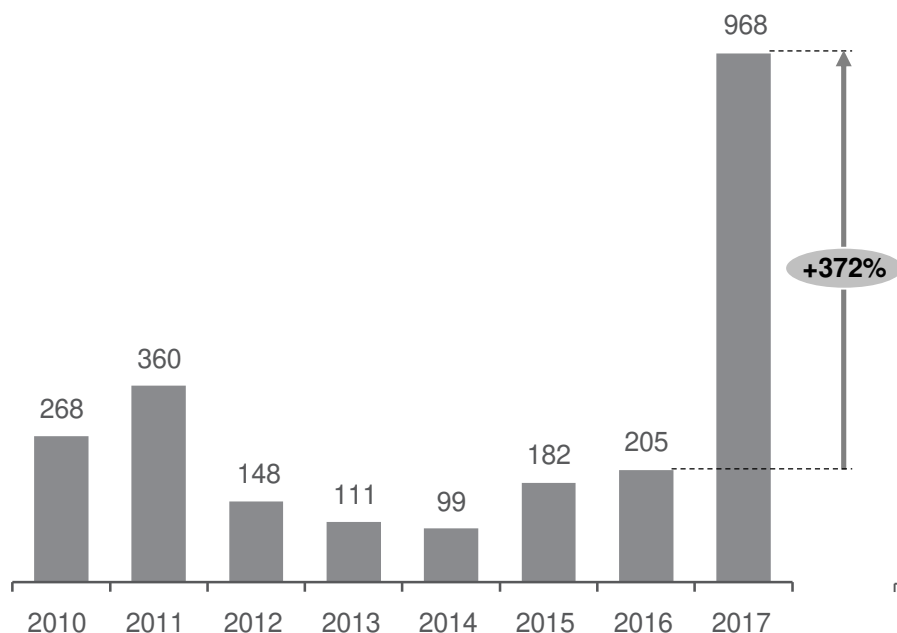
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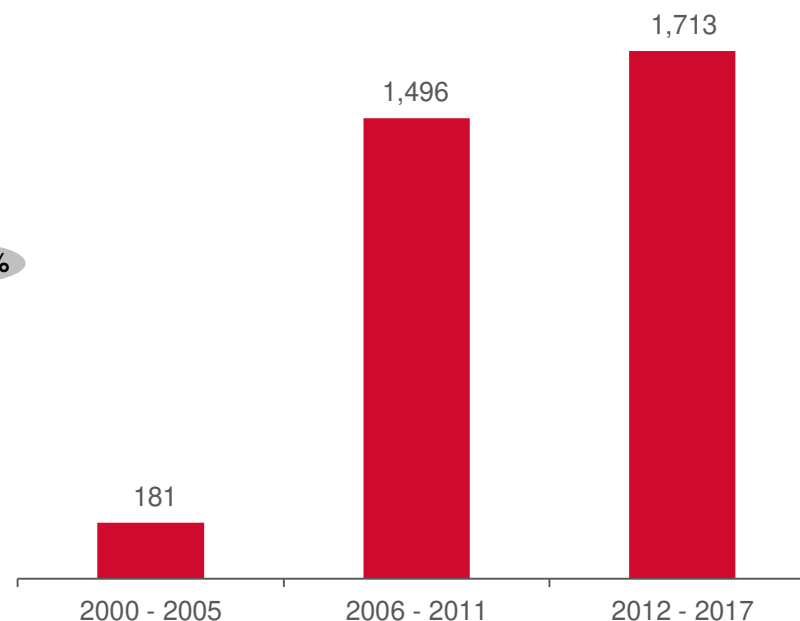
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## Evolution of exits as % of value (Mln MAD)

### By year



### By fund generation

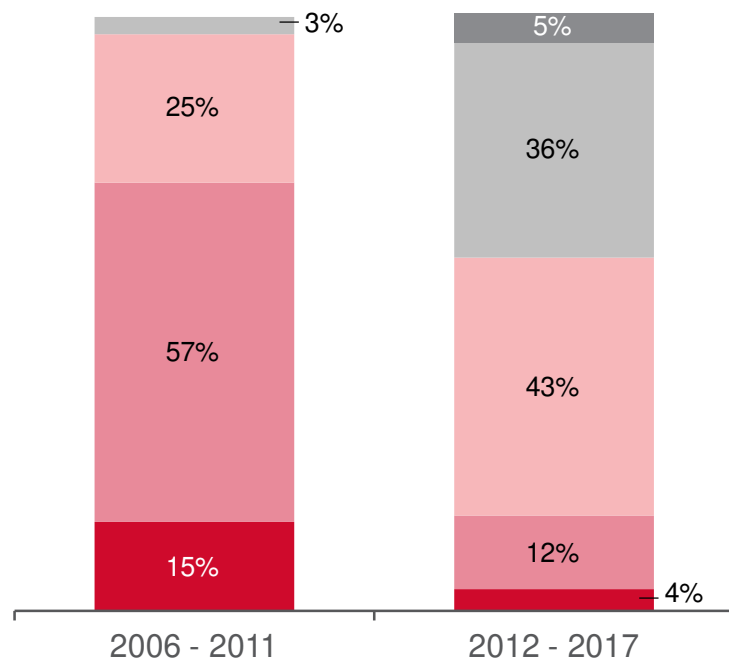


**2017 is a record year for exits with a total of 968 mln MAD**

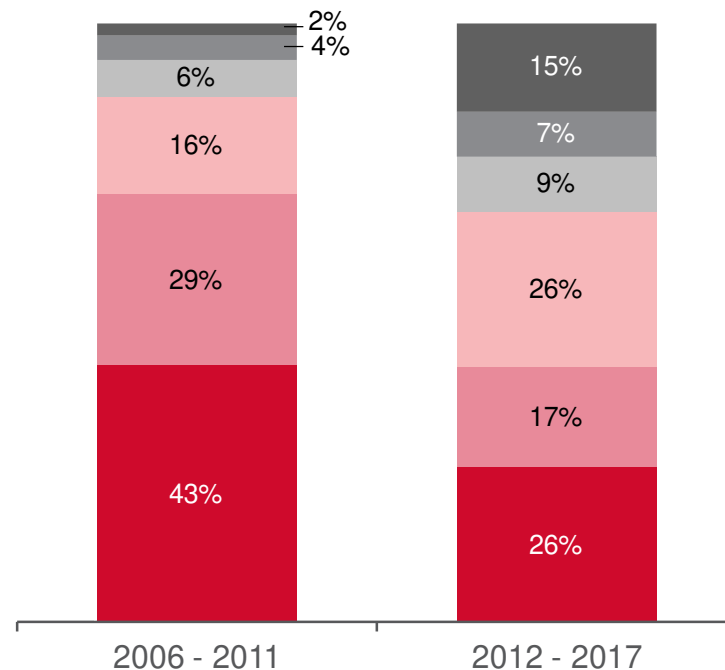
Since inception, the **total amount exited** reached 3.4 bln MAD, representing **51% of the overall amount invested** by the Private Equity industry

## Types of exits by fund generation

As % of value



In number

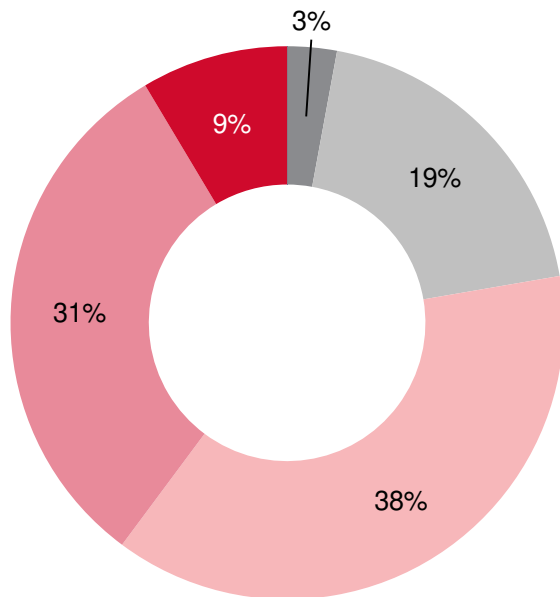


- Loss realized
- Secondary market
- IPO
- Payback
- Industrial / Strategic
- Management / Historical Shareholder

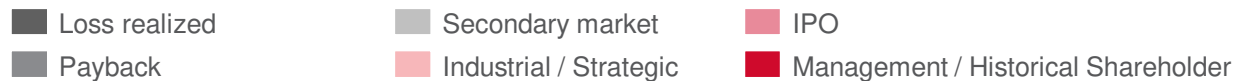
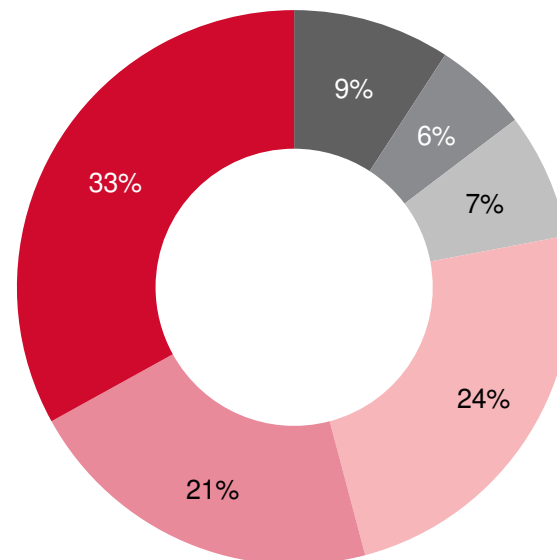
**Increase in the number of industrial and secondary market exits between the 2<sup>nd</sup> and the 3<sup>rd</sup> funds generation**

## Types of exits to end 2017

As % of value



In number



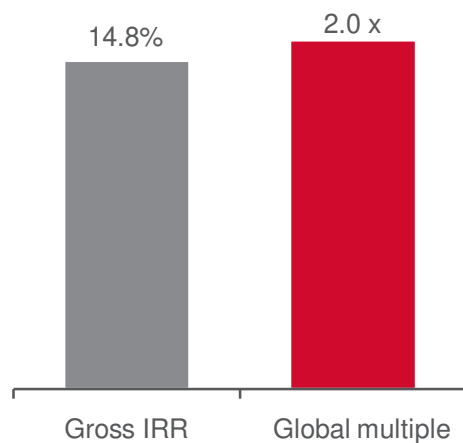
At the end of 2017, funds achieved 110 exits in three main types :  
 IPO – Industrial/Strategic – Management/Historical Shareholder

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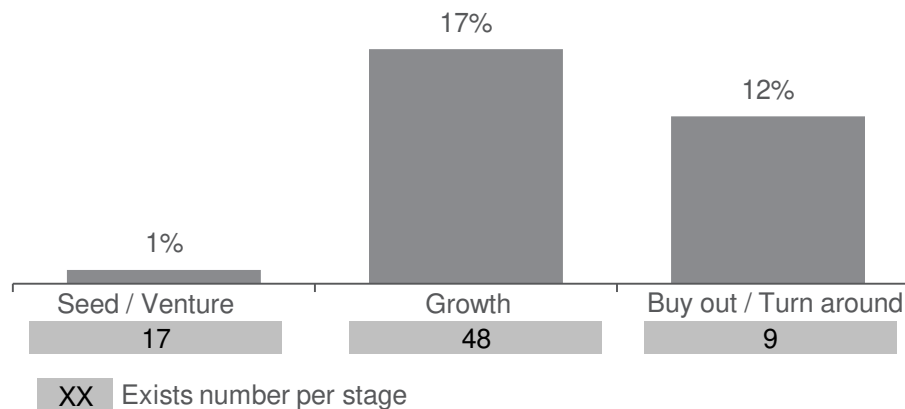
**Gross Internal Rate of Return (IRR)\* & Multiple**  
2000-2017



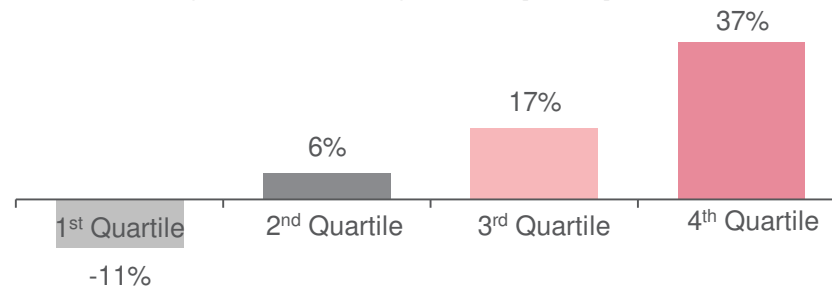
\* Average Gross IRR on exits (Cf. Methodology)

**On the basis of 74 exits**

**Gross IRR per stage**



**Unweighted average IRR per quartile**



**Weighted average IRR at end of 2017: 14.8%**

**Average multiple (unweighted): 2.0**  
(Seed - Venture: 1.2 / Growth: 2.4 / Buy out: 1.6)

**Average duration of investment: 6.1 years**

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## Turnover growth and employment growth of invested companies (by end 2017)

**Turnover CAGR (compound annual growth rate) of invested companies by the end of 2017\* = 14.9 %**

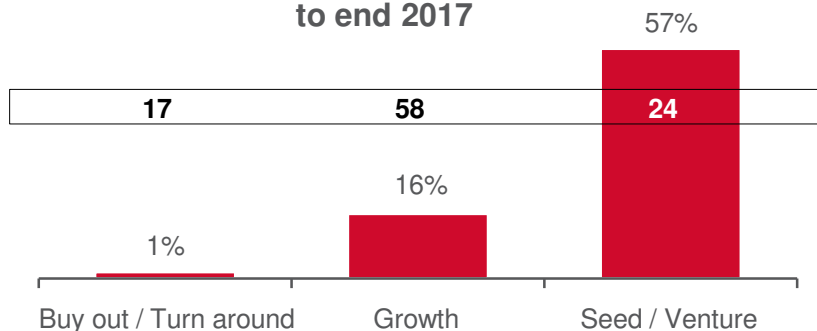
CAGR by end of 2016 = 12.3 %  
CAGR by end of 2015 = 17.6 %

**Employment CAGR by the end of 2017\* = 16.7 %**

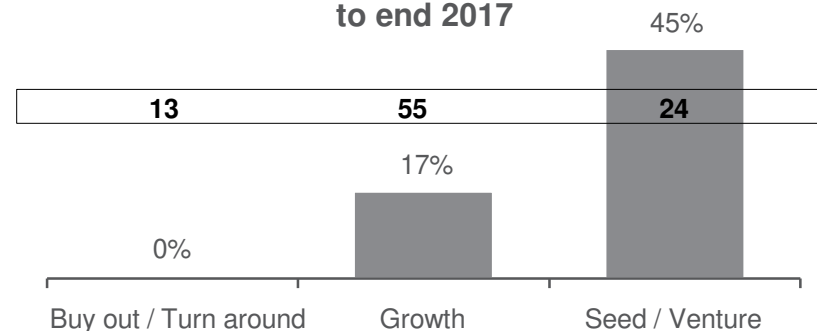
CAGR by end of 2016 = 10.5 %  
CAGR by end of 2015 = 4.9 %

\* Based on data from around 100 companies invested by the funds

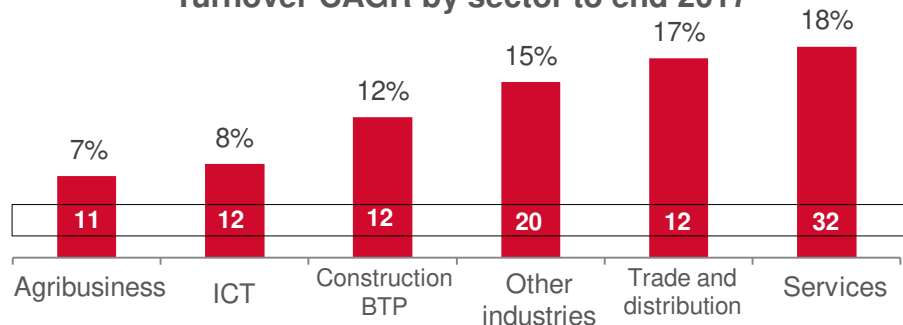
**Turnover CAGR by development stage to end 2017**



**Employment CAGR by development stage to end 2017**

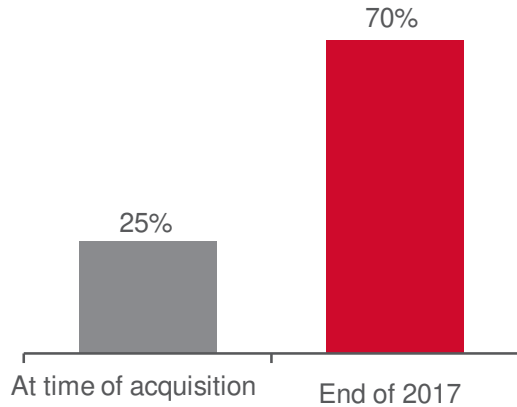


**Turnover CAGR by sector to end 2017**

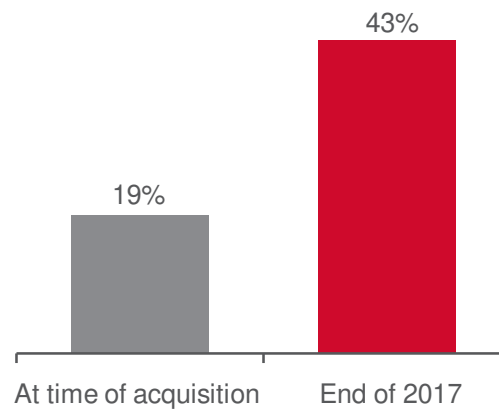


**X** Number of companies by sector and per stage

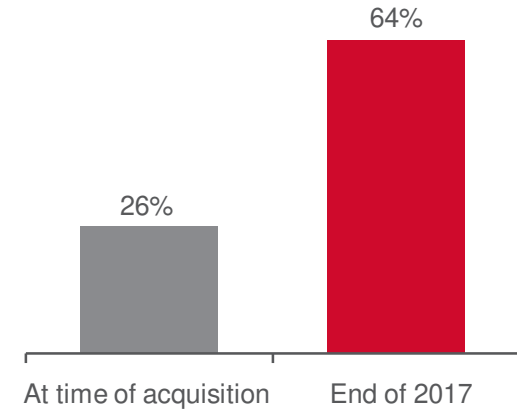
**Annual training plan**



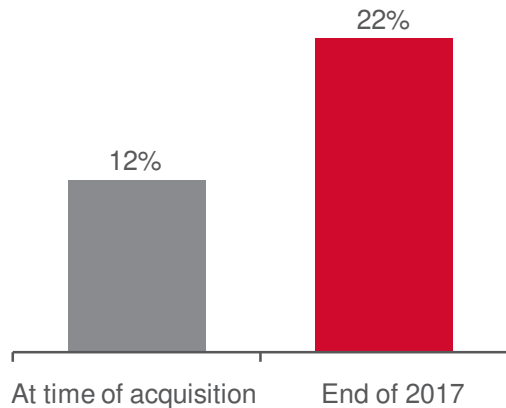
**Strategic workforce planning**



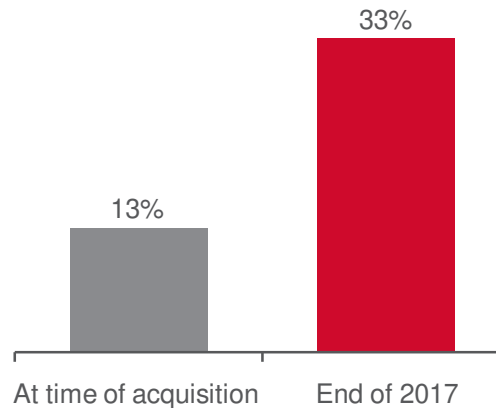
**Code of ethics**

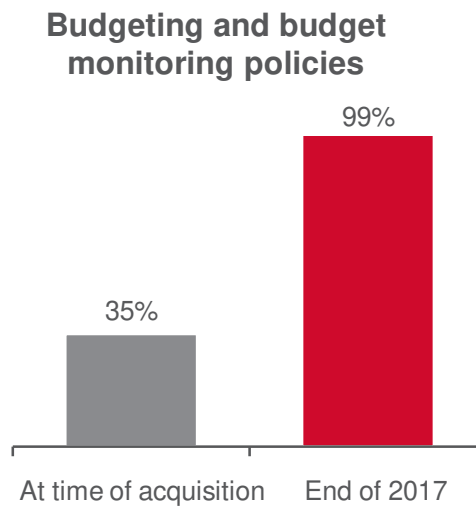
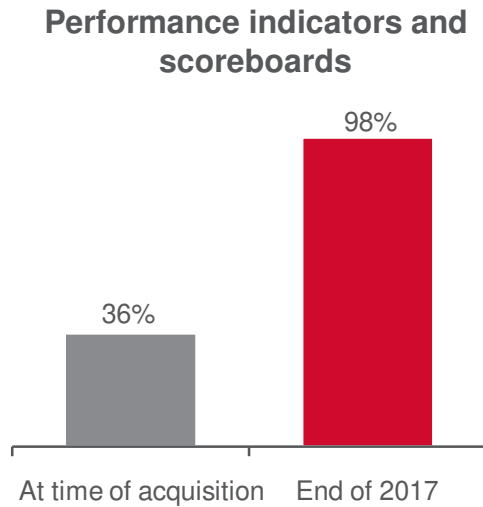
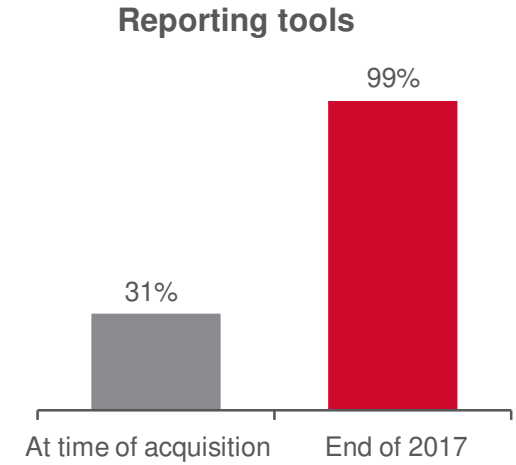
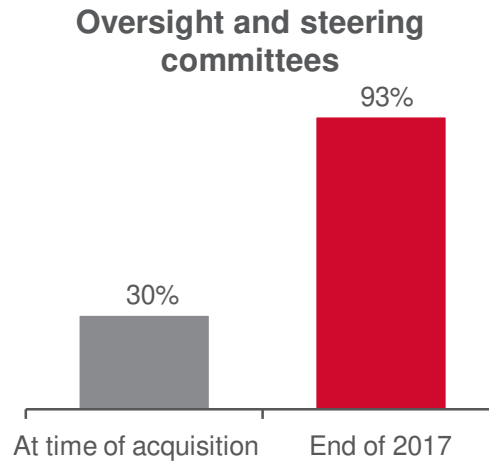
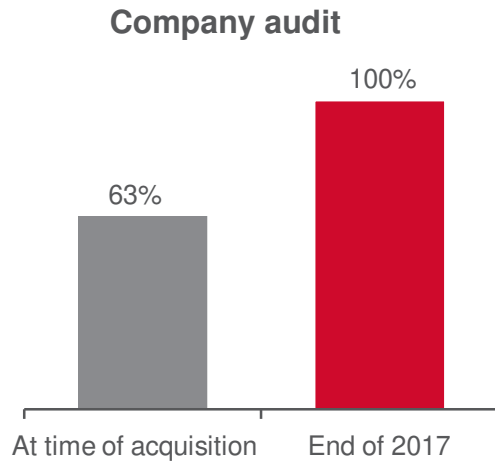


**Actions engaging the company in social activities**



**Actions for environmental protection**



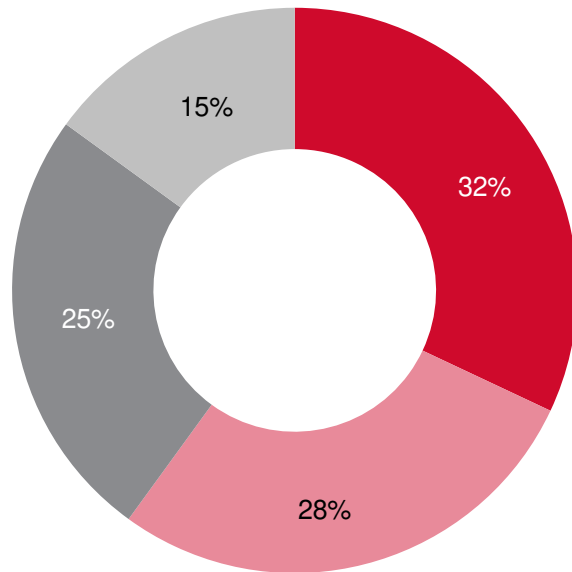


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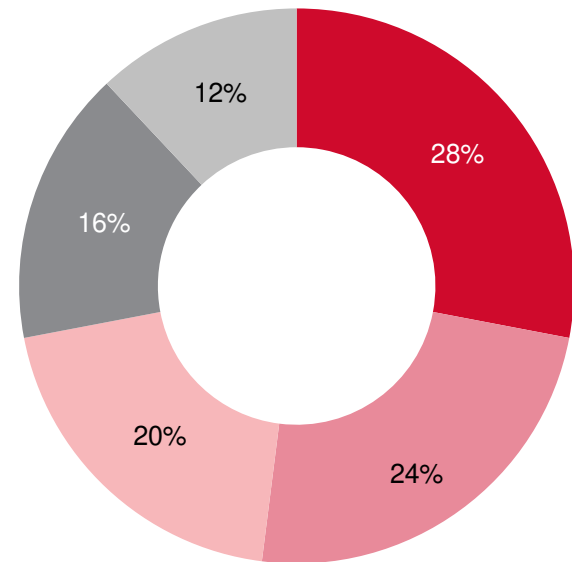
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Main challenges for 2018



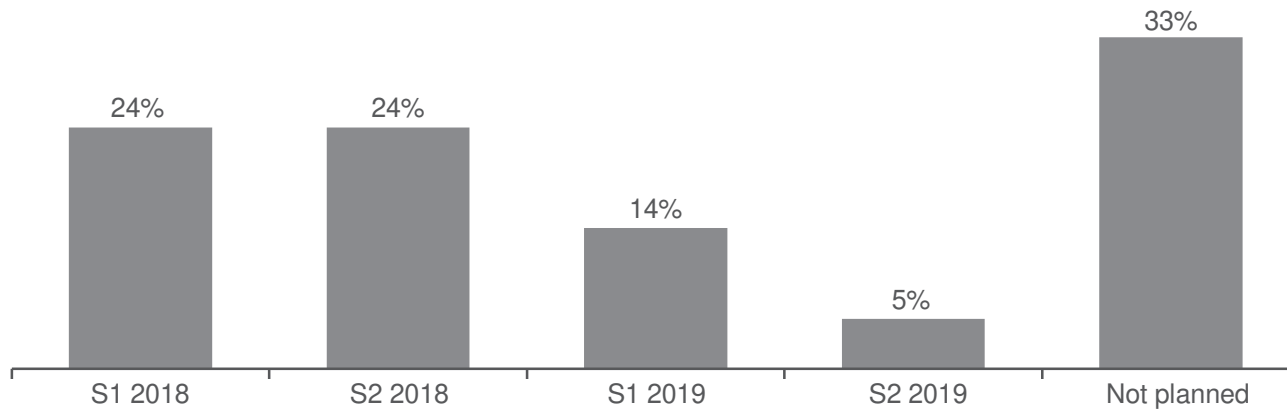
- Investing in new companies
- Fundraising
- Identifying exits
- Managing underperforming companies

Priority investment areas (for transregional funds)

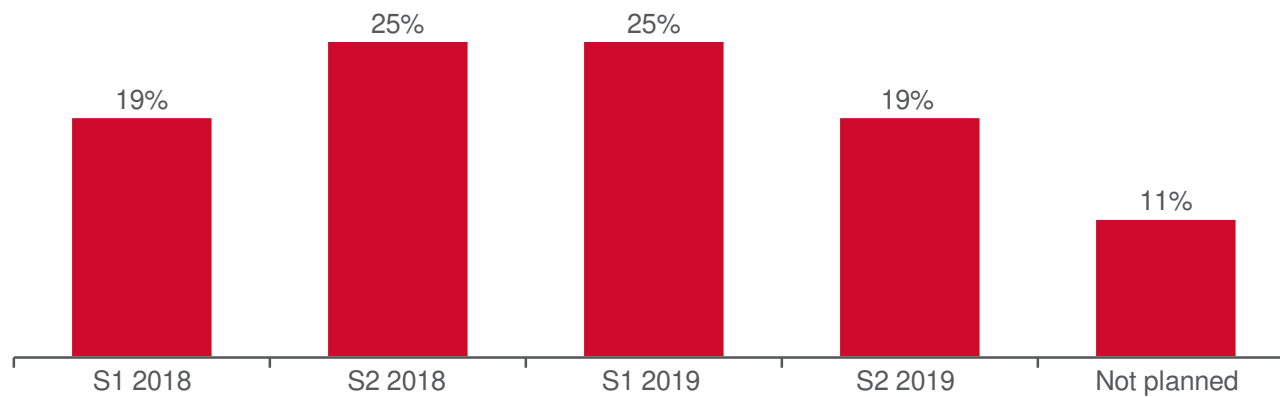


- Morocco
- Sub Saharan Africa
- Tunisia
- Egypt
- Algeria

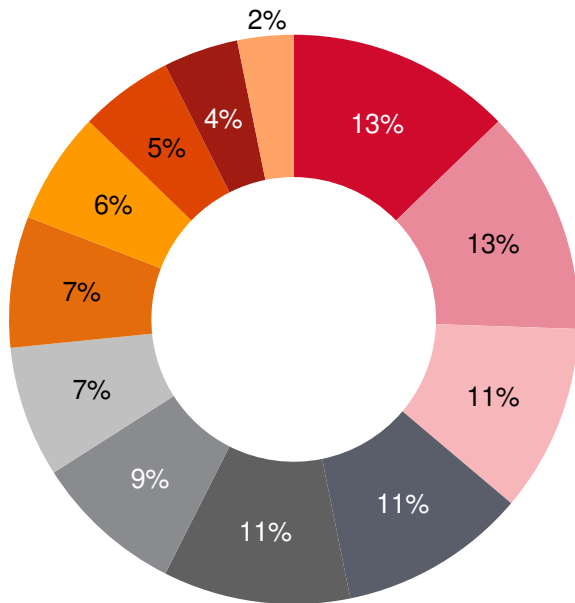
**Planned fundraising for new funds**



**Planned exits for the majority of portfolio companies**

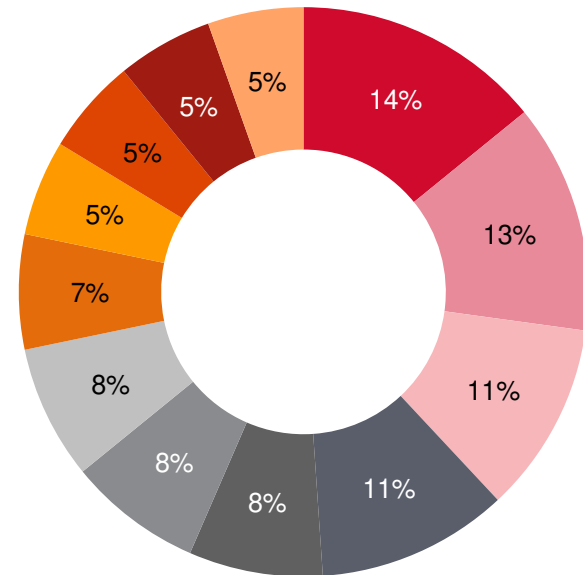


Investment sectors over the next 5 years



- New technologies
- Agribusiness
- Health
- Distribution
- Services
- Education
- Energy
- Consumer goods
- Transport and Logistics
- Construction
- Automobile
- Telecom

Investment regions over the next 5 years



- Casablanca-Settat
- Rabat-Salé-Kénitra
- Marrakech-Safi
- Tangier-Tétouan-Al Hoceïma
- Béni Mellal-Khénifra
- Fez-Meknes
- Souss-Massa
- The Oriental
- Dakhla-Oued Ed-Dahab
- Drâa-Tafilalet
- Guelmim-Oued Noun
- Laâyoune-Sakia El Hamra

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<b>Funds raised</b>	18 bln MAD raised by private equity and infrastructure funds	75% funds raised since 2012 are by transregional funds	About 2.5 bln MAD still available for investment excluding infrastructure	
<b>Investments</b>	6.6 bln MAD invested in 189 companies to end 2017	343 mln MAD invested in 2017	Average investment ticket Seed / Venture = 13 mln MAD (2012-2017)	Average investment ticket Growth / Buy out / Turn around = 52 mln MAD (2012-2017)
<b>Exits</b>	Amounts exited in 2017 = 968 mln MAD	Accumulated amounts exited to end 2017 = 3.4 bln MAD	80% of exits since 2012 are through trade sales or secondary market	
<b>Economic and social impact</b>	98% of companies have implemented a complete system of governance	Employment CAGR = 16.7% Turnover CAGR = 14.9%	Nearly 5300 jobs created in 92 companies	
<b>Performance</b>	Weighted average gross IRR = 14.8%	Average investment time = 6.1 years	Average multiple = 2.0	

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Investment company	Operation	Sector
AMETHIS	Recapitalization of the Groupe Premium → Investment of about <b>220 mln MAD</b>	Holding
INVESTEC ASSET MANAGEMENT	Buy out of all SJL Maghreb shares → Investment of about <b>40 mln €</b>	Logistics
TANA	KITEA group capital increase → Investment of about <b>20 mln USD</b>	Distribution
SANA EDUCATION	Financing of the educational campus EIC ALMAZ → Investment of about <b>120 mln MAD</b>	Education
EUROMENA	RETAIL HOLDING group capital increase → Investment of <b>22 mln USD</b>	Franchise
ACTIS	Equity investment in the capital of EMSI → Investment of <b>275 mln USD</b> in the pan-African Honoris United Universities network	Education

<b>BIn MAD</b>	Billions of Moroccan dirhams
<b>CAGR</b>	Compound Annual Growth Rate
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EIB</b>	European Investment Bank
<b>EMPEA</b>	Emerging Markets Private Equity Association
<b>GDP</b>	Gross Domestic Product
<b>HCP</b>	High Commission for Planning of the Kingdom of Morocco
<b>ICT</b>	Information and Communications Technology
<b>IFC</b>	International Finance Corporation
<b>IPO</b>	Initial Public Offering
<b>IRR</b>	Internal Rate of Return
<b>MEF</b>	Ministry of Economy and Finance
<b>MIn MAD</b>	Millions of Moroccan dirhams
<b>OPCC</b>	Organisme de Placement Collectif en Capital: Collective Investment in Capital Scheme

**Buy out Capital (transmission capital):**

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

**Discretionary Management:**

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

**Exit Amount:**

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

**Exit Mode: Management**

Management buyout / shares buy-back from PE investor by management of the enterprise.

**Exit Mode: Payback**

Corporate repayment of initial amount of an investment. May correspond to repayment of shareholder loans.

**Funds of Funds:**

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

**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.

**IRR (Internal Rate of Return):**

Measurement of the average annualized rate of 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.

**Invested Capital:**

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

**Multiple:**

Investment Multiple = multiple of realized gains from sale of investment share over original investment.

**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.

**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.

**Raised Capital:**

Confirmed investment commitments in venture or private equity funds.

**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.

**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.

**Transregional Funds:**

Funds targeting several investment geographies at the country level (in contrast to ‘regional’ funds within Morocco focused on regional investment within Morocco alone).

**Venture Capital (early stage):**

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

Founded in 2000, **AMIC** (the Moroccan Private Equity Association) 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 via:

- **Effective and clear communication** about 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 this code
- **Providing support services to members on** regulatory issues related to the profession
- Development of a **quality training program** touching on all industry fundamental skills.

Web Site: [www.amic.org.ma](http://www.amic.org.ma)

**Fidaroc Grant Thornton** is a leading audit and consultancy firm in Morocco, and member of the Grant Thornton International, a global leader in consulting and auditing (38 500 employees, 130 countries).

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