African Private Equity and
Venture Capital Association

AXONIA PARTNERS

MEMBER PROFILE

Alexandre Alfonsi
Founding Partner

Axonia Partners is a Paris-based financial boutique with worldwide activities and a unique vertical on Africa. It has global experience in advising private equity firms and entrepreneurs through its two business lines:

- Corporate Finance: fundraising, and mergers and acquisitions
- Private Equity Advisory: fundraising, secondary transactions

We speak with *Alexandre Alfonsi, Founding Partner* at *Axonia Partners* about the firm's history, its successes, the impact of COVID-19 on Africa's fundraising space and why they are committed to Africa.

NAME OF PROFESSIONAL SERVICES FIRM
Axonia Partners

FIRM TYPE
Advisory Firm

PROFESSIONALS FOCUSED ON AFRICA
5

Q: Could you tell us about the history of the firm and your own background?

Axonia Partners, a corporate finance and private equity advisory firm, was founded in 2007 by myself and two other partners – Nicolas, a long-time acquaintance of mine from my days in investment banking, then working at LongAcre Partners, and Alain, whom I met during my time studying advanced maths and physics before entering engineering school, then number 2 of the French State technology financing agency.

As for myself, after completing an MSc in Engineering and Economics at École Centrale, I began working for Mazars, at first in France and later on in the US. Following this experience, I went to Stanford University where I completed my MBA, then worked at Morgan Stanley in London to polish my knowledge of finance.

My first experience working in Africa was 20 years ago. At the time, I was helping to implement a top-notch engineering platform in Morocco for the technology company I had co-founded. After selling this company, I returned to the world of finance and started working in the private equity fund placement space, focusing on niche opportunities in fundraising. Soon, I realised that little financing was available for African projects and considering the continent's vast investment propositions, I saw a potential to represent these opportunities and bring them to European investors.

When Axonia Partners was created, we made our mark advising on ground-breaking African fundraising mandates such as Africinvest's MPEF II, in 2007, and Vantage Capital's second Mezzanine fund, in 2008. Since then, we have worked on over 15 African mandates.

Today, we have successfully built Axonia Partners to be the number one adviser in Africa, in terms of number of funds raised internationally. We have also become quite active on corporate finance mandates in Africa, advising on cross-border fundraisings and M&A deals.

Q: Could you give us an overview of the fundraising landscape in Africa and how it has evolved over the last few years? How would you describe the fundraising environment in 2019?

Over the last 15 years, we have observed an increase in fund managers' specialization -that is, by industry sector, geography, company stage, or type of financing instrument.

Yet we view the African landscape as still relatively scarce in terms of fund manager diversity and innovation when compared to other markets. Fundraising numbers continue to be driven by larger franchises' ability to attract investor commitments and by the DFIs' impetus to provide stable foundations for Africa's private equity ecosystem.

We are now seeing an increasing number of family offices, corporations, sovereign or pension funds looking at Africa more strategically. Rather than deploying capital purely on a risk-return adjusted basis, or for diversification purposes, these investors are wilfully looking at the fundamental shifts taking place on the continent and preparing themselves for a more active role in African markets as it continues to grow and mature.

While those often-silent partners are paving the way for an increased specialization amongst managers, the fundraising environment remains challenging relative to other investment markets elsewhere in the world, with longer time spent on the road and discussions with prospective investors – who require an increased amount of education, on-site due diligence, compliance checks and legal negotiations

Q: What is the impact of COVID-19 on the fundraising environment? What can we expect beyond longer fundraising periods, challenges for first-time managers, and a pull back from commercial investors?

COVID-19 has had a dramatic impact on the fundraising environment, as it places significant and additional hurdles in entering long-term relationships based on trust, even between already-consenting parties. Travel restrictions are making investors re-evaluate, adjust, or defer indefinitely their prospective due diligence meetings with firms unbeknownst to them. In the meantime, fund managers remain alert in re-evaluating the impact of COVID-19 on their businesses and portfolio valuations.

Times of uncertainty are always challenging for investors, especially for those whose job entails making 10+ year commitments. Despite their enduring commitment to the asset class, many are, at-best, only looking at re-ups with managers they already know - some indicating that they will postpone their due diligence of new managers to 2021.

While there are still a few exceptions to the rule, especially with strategic or counter-cyclical family office investors, it is reasonable to expect several months of drought in the fundraising environment, with good news essentially coming from the inertia of decisions made prior to the COVID-19 outbreak.

Q: Could you talk us through Axonia's approach to advising clients around fundraising? What sets you apart from other advisors?

What immediately comes to mind is that we are genuinely passionate in our approach, both about the clients we represent and about Africa.

Across our mandates and geographies, we spend a substantial amount of time getting to know our clients and understanding what makes them special and accretive in their business dealings with the companies they invest in or work with. As we become strong believers of their ability to transform companies for the better, we often realise that prospective investors require additional education to fully understand the opportunities in partnering with our clients - which we are able to provide thanks to our corporate finance mindset.

Our dual culture as corporate financial advisors and private equity fundraising specialists is particularly essential when it comes to representing Africa. Depth and reach are both required to engage sophisticated commercial investors, who review opportunities worldwide and will only consider Africa if the narrative is coherent, honest, thorough, and has features that can be compared to what they are seeing in other geographies.

Combining a fund placement expertise, mindset and reach, with the corporate finance approach and articulation of a coherent rationale, is particularly critical in niche fundraising situations, such as those that I have been advising on for almost 20 years.

Q: Are you able to shed some light on EXEO Capital's fundraising for its second food and agriculture fund?

Though our partnership with EXEO Capital on the fundraising of their second AgriVie fund is public, the underlying details of this collaboration are obviously private and confidential.

We were all pleased that their Fund II ended up growing 50% larger than their first fund with the contribution of new commercial investors, a positive testament to the rising confidence of investors in EXEO's investment strategy and managerial track record.

Beyond the relative specialization of AgriVie II in a vertical that has substantial inherent merits in Africa (i.e. EXEO's traditional focus area of food and agri-business), investors have shown interest in this approach based on its multi-sectoral investments (e.g. dairy, vegetable oils, convenience foods and agri-input sectors) and cross-border investment opportunities (Kenya; Uganda; Rwanda; Tanzania; Ethiopia; Mozambique; Zambia; and South Africa).

One observation when it comes to Africa remains that international commercial investors are likely to consider one form of specialization (i.e. by vertical, country, or instrument type), but rarely more than one despite all its possible merits. Another is that their momentum is also dependent on the de-risking that comes from a solid first close and initial fund investments.

Q: What are the main factors that explain the scarcity of commercial capital in the African private equity ecosystem? What can be done

to attract more commercial capital once the worst impacts of the COVID-19 crisis have passed??

Most commercial investors will readily list the traditional concerns that prevent them from looking at Africa: political uncertainties, local currency fluctuations, pandemics, etc. which ironically should often be more worrying when considering the large and developed economies, where these investors are based.

Yet, the primary challenge of the PE industry has been to find a proper investment model in Africa.

Though there is an apparent ease of doing business in languages and environments that mimic traditional PE markets, it must not mask the steep learning curve required by all investment participants for Africa's PE ecosystem to thrive. Crafting a proper PE transaction remains comparatively slow on the continent, from securing the acceptance of a suggested deal by company owners, to grooming the target company to meet basic ESG prerequisites, to agreeing with managers and shareholders on the best value creation path, to completing all customary and specific audits and, in some cases, gaining political agreements. Likewise, exit processes can be notoriously slow given similar considerations by the acquirers, even more so if a corporation's reputation is at risk, or when the logistics and travels required by all parties to the transaction are factored in.

Once the COVID-19 crisis has passed, further education will be the key to explain how, through a patient and structured approach, attractive investment opportunities can be addressed and in due time produce substantial financial and societal value to all stakeholders.

Q:How would you characterise the secondaries market in Africa?

By construction, secondaries markets thrive on the accumulation of primary commitments from a diverse range of investors across various funds and vintages. Given the relative lack of accumulated primary capital in African PE funds, the secondaries market obviously remains in its early stages.

Potential buyers are willing to take the time to investigate the value inherent to the acquisition of a secondary position to the extent that it is justified by an attractive perceived risk-adjusted return. Potential sellers need to be sufficiently educated and ready to dispose their positions at an acceptable market rate (and discount to NAV), and very few in Africa have had the experience of such transactions to date.

Even strategic investors need to view the secondaries' market as a means to rebalance their portfolio and re-focus on the more strategic relationships, thanks to the liquidity generated by the partial sale of their positions.

Q:How have you benefited from the AVCA membership?

Having supported the African PE market for so long, we have always found meaningful inspiration, substance, and professional connections through our AVCA membership.

It is important for our industry to have a professional association to conduct research on industry trends and statistics, advocate the continent's merits and educate international investors on the addressable opportunities in Africa.

More than ever, it will be important to articulate how a continent that has weathered so many adverse conditions in the past will be ideally positioned for the future, thanks to its youth and vibrant dynamism.

And how Africa, with its land, natural resources, and labour force, will only need to attract more professionally managed capital to thrive in a sustainable and beneficial future for our societies.

Want to learn more about Axonia Partners? Click here to explore AVCA's 2020 Member Directory.

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