AVCA's Spotlight on North Africa Private Equity provides a summary of recent private equity ("PE") activity in the region.

Key findings:

- PE activity in North Africa has been relatively resilient despite recent political and economic events that have occurred in the region. Between 2007 - 2014, there were 156 reported PE deals in North Africa totalling US$5.3bn.
- Overall, North Africa accounted for 15% of the deal volume and value in Africa over the period 2007 - 2014.
- Morocco, Egypt and Tunisia attracted almost 90% of all deals in the region by volume and value, with Morocco taking the single greatest share of deal volume in North Africa in 2007 - 2014.
- There were 61 PE exits in North Africa from 2007 - 2014, with sales to African and multinational trade buyers constituting the most significant exit route for PE firms.

Further information is available to AVCA members.
Case studies of North Africa private equity exits

Company: Integrated Diagnostics Holdings plc
Country: Egypt, Jordan and North Sudan
PE Investor: The Abraaj Group
Sector: Health Care
Entry Date: May 2008
Exit Date: May 2015
Exit Route: PE & IPO
Returns: Not disclosed

Key learnings from doing business in North Africa
- Although there is a degree of uncertainty around investment and tax regulations in Egypt, the government is supportive of foreign investment
- The healthcare industry in Egypt is exhibiting strong fundamentals and growth despite the political and macroeconomic environment
- Regional expansion across North Africa is crucial to achieving scale and optimising exit routes and returns
- IPO preparedness is essential when listing on the London Stock Exchange

Company: Maghreb Accessoires
Country: Morocco
PE Investor: AfricInvest
Sector: Consumer Discretionary
Entry Date: November 2001 (initial entry date)
Exit Date: January 2015
Exit Route: PE
Returns: 4.3x invested capital

Key learnings from doing business in North Africa
- Regulatory environment in Morocco is favourable and supportive of both minority and majority shareholdings
- Family businesses seeking to professionalise their management structure and improve transparency is helping to drive PE deal flow
- There is increasing diversification of exit routes, as evidenced by sale to another PE firm
- Expansion to different cities in Morocco is key to growth of portfolio companies in the country

Company: Société d’Articles Hygiéniques
Country: Tunisia, Algeria, Libya
PE Investor: Emerging Capital Partners
Sector: Consumer Staples
Entry Date: March 2008
Exit Date: January 2014
Exit Route: IPO
Returns: Cash multiple of 2.4x (Tunisian Dinar basis)

Key learnings from doing business in North Africa
- Regional expansion across North Africa is a strong driver for investment
- Despite a difficult and challenging economic climate, the consumer sector in the region is growing and profitable
- A strong partnership with company management is crucial in implementing strategic change in the region
- Oversubscribed IPO highlights a healthy demand from institutional and private investors for access to stock markets in North Africa and in other parts of Africa

Methodology
Private equity (PE) is defined as both private equity and venture capital. Transactions cover all deals made by private equity firms across all sectors, including infrastructure. It excludesPIPE transactions where the PE firm was unlikely to have any influence on company strategy. Transaction dates are taken to be the date on which the deal is announced, unless otherwise specified. Deal size includes equity, mezzanine, senior debt and co-investments (where available). Sectors for transactions are based on Global Industry Classification Standard classifications. Vintage year of fundraising is based on year of final close, where available. If a fund has achieved a final close but the year of final close is not known, year of first close is used instead.
Qualifying funds include funds that have a sole focus on Africa or have an allocation to Africa alongside a broader emerging markets investment mandate. It excludes funds with a global investment remit that invest in Africa.

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