# AVCA Member Profile:
# Mediterrania Capital Partners

**Mediterrania Capital Partners provides growth capital to small and mid-sized companies based in North Africa's Maghreb region and has aspirations to expand into Sub-Saharan Africa. The firm founded in 2013 when the current team, who had been investing in Africa since 2008, spun off from Riva y Garcia, a Spanish financial boutique.**

**Mediterrania Capital Partners is running two funds: Fons Mediterrania Capital FCR, which closed in 2008 with committed capital of €62.5mn when the team was still at Riva y Garcia; and Mediterrania Capital II (MC II), which closed in June 2015 with €120mn of committed capital.**

AVCA talks with Albert Alsina, Founder, Chief Executive Officer and Managing Partner about his experience in Africa and the potential of the Maghreb region.

**Q: You have an interesting network of offices, not only in the Maghreb region but also in southern Europe. How do you use this network to maximise your effectiveness?**

A: We have offices in Barcelona, Casablanca, Tunis, Algiers and Valletta. This network allows us to be close to the portfolio companies, working hand in hand with them and monitoring their performance constantly.

In addition, this spread of offices puts us in an optimal position to take advantage of the integration taking place in the European Union and Africa. The EU and the Maghreb region are becoming more interconnected, with a significant increase in the flow of people, capital and goods across borders. There's also greater integration within the Maghreb, which creates synergies across the region. The latest and most notable integration trend, however, is between the countries in the north of Africa and those south of the Sahara.

**Q: You specialize in growth capital investing, please elaborate on your experience exploiting opportunities in this space.**

A: Returns in the Maghreb, and in Africa in general, have the potential to be higher than in many other regions because of strong growth trajectory, a lack of competition, relatively stable markets and a robust pipeline of good companies in fundamentally solid sectors. Moreover, the region shows extremely promising demographic trends.

Fifty percent of the population is below the age of twenty-five and the number of middle-class consumers

## General Partner Profile

**Name of General Partner**
Mediterrania Capital Partners

**Funds**
Fons Mediterrania Capital FCR
Mediterrania Capital II

**Regional Focus**
North Africa (primary)
Sub-Saharan Africa - excluding South Africa (secondary)

is increasing dramatically. Both these characteristics will boost consumption.

**Q: What are the most attractive sectors for you?**

A: A variety of sectors which we've invested in are already generating great outcomes. These include healthcare, education, fast-moving consumer goods, transport and logistics, financial services and agribusiness.

**Q: What are your views on investment opportunities in light of the turmoil in North Africa and possible investor concerns?**

A: The market is in its prime moment to invest in. In fact, there is a big gap between the real risk and the perceived risk. At Mediterrania Capital Partners, we are convinced about the fundamentals of the region: the positive demographic evolution and the increasing needs of the middle class. That's what makes this region a very interesting market to invest in right now.

**Q: When it comes to expansion capital, you are very involved in advising your portfolio companies. What kind of plans do you tend to have for the companies you invest in to increase their earnings?**

A: We have implemented a unique value creation model that has helped us achieve high returns from our portfolio companies. Through this model, we've become experts in company business plan implementation, with a hands-on approach that is delivering exceptional results for our portfolio companies.

We apply this model rigorously to grow the companies and this growth might come through acquisitions, increasing share in existing markets, geographical expansion, cost optimisation, operational efficiency and so on.

**Q: You place great emphasis on improving Environmental, Social and Governance (ESG) standards in portfolio companies. What are the ESG challenges in the region, and how do you meet them?**

A: The biggest challenge is in the environmental aspect, as many companies don't see it as crucial for their businesses. To tackle that, we've appointed an in-house ESG Officer, responsible for due diligence and corrective plans.

**Q: What kind of exits do you aim for and how do you prepare your investments for exit?**

A: We look at a variety of exit options. Larger private equity firms are increasingly looking at secondary transactions to expedite expansion plans. Furthermore, many European companies are interested in strategic purchases, because they've started considering Africa as their next growth market. Maghreb countries are playing a strategic role as the gateway to the continent, with private equity portfolio companies extremely well-positioned to open this door. We've closed many transactions over the last few years that fall into this category, and believe the Maghreb's IPO markets are set to strengthen.

## Success Story

**Company:** Cepro, Algeria

**Sector:** Consumer Goods, Healthcare

**Entry Date:** January 2009

**Factory Size (2009):** 10,000 sq meters

**Annual Sales (2009):** 120 million diapers

**Annual Revenue (2009):** €10 million

**Factory Size (2014):** 30,000 sq meters

**Annual Sales (2014):** 550 million diapers

**Annual Revenue (2014):** €50 million

**Growth Rate Achieved:** Compound annual growth rate of over 50% between 2009 and 2014 in EBITDA

**How Mediterrania Capital Partners Helped the Business:**

- Improved manufacturing, sales and marketing and innovation in logistics and distribution
- Implementation of six-sigma quality controls and productivity processes through lean manufacturing
- New ERP SAP system integration
- Establishment of strong governance processes and improved safety conditions
- Doubling in factory size to expand production capacity
- Definition and implementation of a strategic plan to capture the growth potential in the region

Cepro, Mediterrania Capital Partners

**Q: What is your focus over the next 12 months?**

A: We want to complete the exits of portfolio companies in the first fund, Fons Mediterrania Capital FCR, and to keep investing through Mediterrania Capital II, while continuing to make use of our biggest asset: our know-how in value creation.

## Contact AVCA

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