AVCA Member Profile:
Kibo Capital Partners

Kibo Capital Partners (Kibo Capital) is a private equity company based in Kenya and Mauritius that invests in SMEs and mid-market companies in Eastern and Southern Africa and Indian Ocean islands.

Kibo Capital manages the Kibo Funds, two generalist funds with specific focus on services, light manufacturing and consumer goods. One of three anchor investors in Kibo Fund I is the Ciel Group, a leading diversified industrials investment company with operations in Africa and Asia. Kibo Fund I is fully invested and has realised one exit, recording an IRR of 85%. A second exit is currently being transacted.

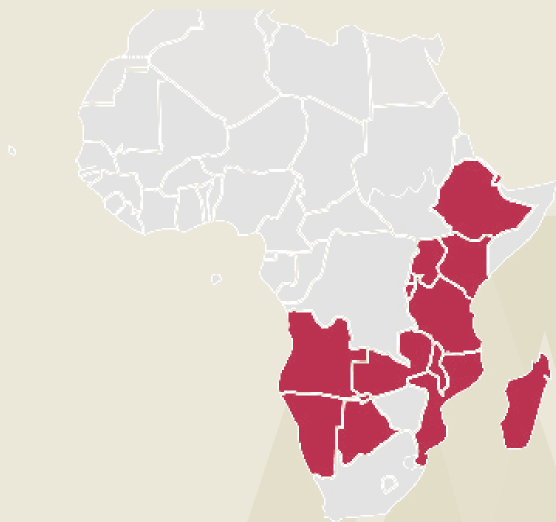
Christoph Evard, Partner at Kibo Capital, who joined prior to the launch of Kibo Fund II, talks to AVCA about what lies ahead.

General Partner Profile

Name of General Partner
Kibo Capital Partners

Fund
Kibo Fund II

Regional Focus
Eastern and Southern Africa, Indian Ocean islands



Q: What was the genesis of Kibo Capital?

A: It all got started in 2007 when the decision was made to raise Kibo Fund I. Ciel, the Mauritius-based industrials company, wanted to do more in Africa but it also wanted to syndicate its investments. In May 2008, Kibo Fund I was launched with capital commitments of €29mn. This came from Ciel, DEG, FMO, French and Mauritian commercial investors, the IBN network and a few high net worth individuals. Today, we are in the midst of raising Kibo Fund II, with an aim of raising up to three times the size of Fund I.

Q: It is unusual to have an industrials partner. How does that work?

A: Ciel is a very successful industrials company. It has great networks and a number of joint ventures, which we are able to leverage for specialist support and to provide technical partnerships to our portfolio companies.

With Kibo Fund I fully invested, Ciel has now committed capital to Kibo Fund II. However, we look to raise the majority of the fund from other investors.

Q: Can you tell us a bit more about Kibo Fund II?

A: Kibo Fund II held a first close at US$50mn in June 2014. While the bulk of commitments came from development finance institutions (DFIs) including the International Finance Corporation, the African Development Bank and DEG, a strong 30% came from commercial investors such as pension funds and family offices.

We are looking to raise an additional US$30 - $50mn and our target is US$80mn. We will be hiring more people and we are considering opening an office in Southern Africa. At the moment, Kibo Capital Partners has 7 investment professionals, which will increase to between 8 and 10 when Kibo Fund II reaches final a close.

Q: How has the market changed since the Kibo Funds launched?

A: The economics is changing in many industries. While historically many companies were able to grow with the burgeoning economy by doing 'more of the same', the level of competition has increased and markets are maturing rapidly.

Today, it's not enough to keep on doing the same thing. Companies need to think about how to move beyond their traditional markets, and how to increase sophistication in everything from sourcing and production to sales, distribution and marketing.

Adapting to these industry changes will be key for companies to expand, maintain or improve their market positioning. Some companies find this hard to do and there is a shortage of talent on the ground to manage and operate companies.

Most of the businesses we are in will not be able to spend US$300,000 – $400,000 a year on an expatriate to plug a talent gap and we don't want them to. We want to promote local talent. The way we try to compliment local management is by bringing in technical partners to support and strengthen them.

When valuations drift too far from what we believe to be fair value, our way of getting around it is being able to provide technical support in addition to finances. We secure deals most often because of what we do in collaboration with our technical partners and what we are able to offer to portfolio companies as a result.

On the fundraising side, the maket is also maturing. 10 years ago it was enough to be an on-the-ground expert in order to raise capital. As the private equity (PE) market matures, PE funds now have to find their unique selling proposition and niche in order to attract significant amounts of capital. Although this will be good for the African PE market in the long run, there will be some funds that will not able to raise desired or sufficient amounts of capital.

Q: In your view, what are crucial factors to success when investing in Africa?

A: The first is having the right management team in place. Industries are changing at an ever faster pace while external conditions remain volatile in many countries. A good manager should be able to assess, adapt and manage these varying external conditions.

Secondly, the ability to align the interests of different stakeholders is imperative. The most successful investments are those that are fully aligned.

Finally, understanding each African market is key. Individual countries have different rules of law and come with their own opportunities and challenges. Also, as

Success Story

Company: International Medical Group Limited (IMG), Uganda

Sector: Healthcare Services

Entry Date: January 2012

Number of Patients (2011): 150,000

Number of Patients (2014): 220,000

Profitability: Turnover doubled, EBITDA margin improved by 14% in 3 years

How Kibo Helped the Business:

- **Access to international expertise**
  Kibo co-invested with a second party and brought in the Fortis Group, the second largest healthcare group in India, who provided advisory services to International Medical Group (IMG). IMG benefited from the implementation of best practices by an international leading healthcare group and its network.
- **Product innovation and expansion**
  The investment enabled IMG to improve its facilities with state-of-the-art equipments, improve its regional footprint and visibility and increase its range of products and services.
- **Implementation of important health initiatives**

  The investment also facilitated the take-off of the Male Circumcision programme undertaken in partnership with the Centers for Disease Control (USA), the Ministry of Health and the Infectious Diseases Institute (Uganda). More than 30,000 procedures were undertaken in the last 2 years at the IMG's facilities.

International Medical Group, Kibo Capital

Africa matures, individual countries find themselves on different growth trajectories which have a big impact on individual industries. As a regional fund, we look to continually build our networks in each of the markets we operate in and AVCA is a key platform in helping us to navigate these countries and expand our networks.

Contact AVCA

The Banking Hall, Cropthorne Court,
26 Maida Vale, London W9 1RS

+44 (0)20 3632 0408
www.avca-africa.org
avca@avca-afrca.org

@AVCA_Africa
#AVCAAfrica

African Private Equity and Venture Capital Association