AVCA Member Profile:
Musa Group

Musa Group is an Africa-focused private equity (PE) investor and corporate finance adviser co-founded by William Jimerson, a trail blazer in the African private equity industry.

Launched in 1995, Musa Capital principally focuses on small and medium-sized enterprises with the concentration of its investments in affordable housing, the food value chain, fast moving consumer goods, retail financial services and logistics. The firm is currently launching country funds in Botswana, Namibia and Tanzania in partnership with African pension funds.

AVCA talks to William Jimerson, Chief Executive Officer, and Richard Akwei, Head of Fund Management, about Musa Capital's investment legacy and their perspective on the investment climate in Africa.

Q: William, what was your background prior to co-founding Musa Group, and what prompted you to start a business in South Africa at such a pivotal time in the country's history?

A: I co-founded Musa Capital with my partners, Antoine Johnson, and Meredith Marshall in 1995. Whilst completing my undergraduate degree in engineering at Massachusetts Institute of Technology, I interned at Microsoft, NYNEX Corporation, and Digital. I also worked on Wall Street prior to launching Musa Capital.

My partners and I felt deeply that we could make a positive contribution to Africa which was at an extraordinary time in its development.

Q: Richard, please tell us a bit about your professional background.

A: I started my career with J.P. Morgan, spending 16 years in investment banking positions in Latin America and Africa. I transitioned to principal investing in 2004 when I joined The Rohatyn Group, an emerging market fund manager based in New York. I have known the founders since 1995 and joined the Group in 2012 shortly after moving to South Africa.

Q: Tell us about the evolution of Musa Group. What makes you different from your peers? Do you consider yourself an impact investor?

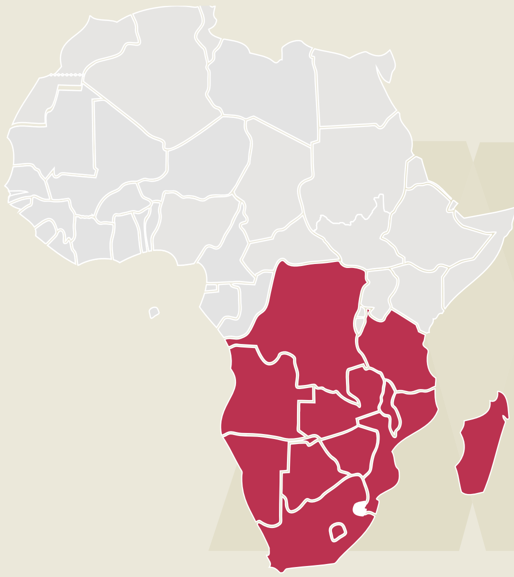
A: Musa Capital started with Fund I which had US$30mn and was focused on financial services and telecommunications investments across Sub-Saharan Africa. As the fundraising market was difficult following the exit of Fund I, we decided to make direct investments with the carried interest and also developed a broader advisory platform.

General Partner Profile

Name of General Partner
Musa Group

Funds
Musa Kubu Fund (closed)
Namibia Mid-Cap Fund (first close)
Mid-Market Botswana Fund (fundraising)
Mid-Market Tanzania Fund (fundraising)
Mid-Market Africa Fund (fundraising)

Regional Focus
Southern African Development Community



We launched Fund II in 2008 with US$80mn and continued making investments leveraging the consumer theme. Moreover, we realised that these types of companies required a more direct investment model to sustain their rapid growth.

In 2015, a large African institutional shareholder acquired a 30% stake in the newly constituted Musa Group, with Musa Capital holding 70%. Musa Group now consists of a fund management group, operating companies in the food, housing and retail financial services sectors, and an investment banking group.

Our structure has evolved to enable us meet our core objective of "doing well and doing good" in Africa, while being cognisant of the investment opportunities that are present, the needs of the underlying businesses and the broader fundraising market.

Management believes that the firm is well-positioned to take advantage of Africa's attractive investment themes regardless of the structure of the opportunity.

Q: Musa is currently raising capital to invest in Botswana, Namibia and Tanzania. Why develop a country strategy now?

A: We decided to focus on these countries because they have similar development challenges to South Africa, so we felt we could successfully apply the expertise we had gained from investing in South Africa. Furthermore, it was important to focus on countries where pension fund managers had shown commitment to investing in PE, and these three countries fit that criteria.

Each country fund will target mid-cap businesses, with typical investment sizes of between US$3mn and US$8mn (in local currency). A co-investment facility, domiciled in Mauritius, will provide global investors with exposure to each of the country funds.

Q: Given your experience investing in the mid-market in Sub-Saharan Africa, what are your key value creation levers? What is your philosophy when it comes to social impact?

A: Many mid-sized businesses cannot afford a well-trained risk manager or finance director. However, they still need strategic direction, not just in the board room, but also in the c-suite. Sometimes, you just have to "roll up your sleeves" and meet the CEO every other day, on issues such as the product range, cost efficiencies and containment, or leakages. The challenge is to instil a good governance model without stifling entrepreneurial spirit.

Our ethos is to "do good and do well" which means feeding, housing and educating people, and giving them access to decent healthcare and financial services. In 2010, through Fund II, we invested in Matlapeng Housing, which builds and manages good-quality rental stock for low to middle income housing in South Africa. If the needs of people are met, we will always do well financially.

Q: Has Africa's recent economic slowdown meant for a more challenging environment?

A: Our presence in South Africa for over 21 years has given us insight into a number of cycles within the market and we have always found success. With depressed asset prices, investors are able to deploy capital at more attractive prices. With depressed asset prices, investors are able to deploy capital

Success Story

Company: African Frontier Holdings

Sector: Agribusiness/FMCG

Entry Date: June 2008

Annual Revenue: ZAR1bn (2015)

How Musa Group Helped the Business:

- Strategic restructuring of the business into an integrated food value-chain enterprise
- Provision of expansion capital through the fund investment and raising 3rd party funding that enabled it to grow 27% per annum
- Backward integration into farm production to develop emerging black farmers in economically depressed parts of KwaZulu Natal and Eastern Capo
- Inclusion of rural farming communities and informal traders into commercial FMCG supply chains
- Establishment of public-private partnerships with Department of Trade & Industry and the Jobs Fund which enabled skills and capacity development as well as integration of produce into government feeding schemes


African Frontier Holdings, Musa Group

at more attractive levels. We actively seek out opportunities within the education, food, healthcare and residential real estate sectors, where there is a clear need due to a lack of high-quality supply.

Q: Given your longevity in the African PE industry, what developments have you witnessed over the years and what are your expectations for the future?

A: The African PE market has significantly evolved from the early 90s. The industry was originally dominated by New York or London-based fund managers, which over time established regional offices. Those players still exist and have become household names like Actis, Emerging Capital Partners and Helios; however, they have been joined by a growing number of indigenous African fund managers. Similarly, while the initial commitments were largely DFI-based, the investor pool has widened to include commercial investors such as fund of funds, global and regional pension funds, family offices and global impact investors. Like most nascent markets, first-mover advantage is rewarded, and much of the value creation in those initial transactions came from finding and building "hidden gems." In the current market, improving operational performance and governance are as, or more important, as finding "hidden gems." We believe that the current trends will continue, and that African pension funds will play a significantly more visible role in the future.

Q: Taking the long-term view, is this a good time to invest in Africa?

A: There has never been a better time in the past 21 years. This is partly because African pension funds are now more enthusiastic about investing locally. The only problem posed, is that there is a lack of product for them to invest in. Now it is up to us and other investment managers to prove that their enthusiasm is well-placed.

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