



**Hassane Muhieddine**  
CEO Financial Services  
Cluster

Axian is a diversified group with a presence in 5 high growth business sectors: real estate, energy, financial services and innovation.

With over 3,700 employees across Africa and the Indian Ocean, Axian has established itself as a partner in the economic transformation of emerging markets. They are dedicated to creating lasting positive impact in the daily lives of citizens of these markets through their activities.

**AVCA speaks with Hassane Muhieddine, CEO Financial Services Cluster about Axian Group's rationale for diversifying into private equity, its experiences and expectations for the future**

## **Q: Could you tell us about Axian Group's history?**

The Hiridjee family arrived in Madagascar some 150 years ago to start a family business around import/export. They progressively diversified into 5 key sectors namely; Real Estate, Energy, Telecommunications, Financial Services and more recently, Disruptive Innovation. In a bid to articulate a unified vision while providing a sense of togetherness to a growing staff pool, these 5 operations were reorganized as Clusters under the Axian Group banner in 2015.

Today with over 3700 employees in Africa and the Indian Ocean, Axian is a highly-engaged partner in the economic transformation of the countries it operates in. We strive to ensure that our actions have a positive and sustainable impact on the daily lives of as many people as possible. Our belief is that financial, energy and digital inclusion are all essential for development and so we create innovative, reliable and affordable solutions to these everyday challenges.

Starting off many years ago in Madagascar, today we are active both directly and indirectly in 34 African Countries.

## **Q: Axian Group has diversified into private equity over the last 2yrs. What was the rationale for this new direction?**

Private equity is a natural route to diversify from our core business operations in terms of sector and geography in Africa.

### **NAME OF PROFESSIONAL SERVICES FIRM**

Axian Venture Investments Ltd, AVIL

### **FIRM TYPE**

Family Office

### **PROFESSIONALS FOCUSED ON AFRICA**

More than 10

A secondary purpose is to leverage on fund manager relationships and open-up opportunities for strategic co-investments or buyout at fund exit where synergies with our core operations are available. Also, we see private equity as a conduit to address some of the issues around inclusion and social responsibility at the local level. To underscore this, Axian invested in Mirakap, the first impact fund in Madagascar.

Finally, our participation materializes our pan-African ambition of being a significant contributor to growth in Africa. Access to stakeholders and deal pipeline has allowed us create networks, consolidate partnership, participate in exclusive deals and stay abreast on the latest business current. In the last 2 years, Avian via its private equity arm, AVIL, has become one of the most visible corporate investors in the African PE space. We have closed 6 private equity relationships and currently working on more than 3 active due diligence.

## **Q: Has your approach changed over the last**

## two years?

Yes. Our initial approach was more hands-off following our manager selection decision. This has shifted towards a more pro-active approach in which we engage both the fund managers and other stakeholders. We have been entrepreneurs for many generations at Axian, with both sector and regional expertise which we are eager to share with the fund managers and the underlying businesses they engage in. We are active on Advisory Boards to bring our perspective on both risk and return as our focus is ever so slightly different from institutional limited partners that manage public funds. On another level, we have also multiplied avenues of exchange at the regional level via panels and forums to engage other limited partners, DFIs and regulators to brainstorm best practice that would see better regulatory and structural changes in the African private equity space.

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### **Q: What has been your experience as a Family office in African private investment space?**

The experience has been very enriching for us. There is the tremendous welcome and genuine interest we've seen from Fund Managers who have welcomed our local partner perspective on their Advisory Boards and the diversity we bring to their Limited Partner line-up. The DFIs who have been eager to see more local partners on the financing side have multiplied platforms of exchange and best practice on due diligence that have been priceless to us. We take this opportunity to thank them both.

On the other side of the spectrum, there still is some uphill when it comes to access to accurate timely information and the absence of a harmonized reporting system which I am sure most other stakeholders in this space are familiar with.

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### **Q: Could you elaborate a little on what you look for when selecting a pan-African fund manager?**

Our approach is very comprehensive since it is an inherently long-term relationship. We look at the team, its cohesion, how each member's background and experience ties in with the realities of the African business context. Our focus on past performance is only relevant when we have grounds to believe the fund manager will not deviate from the investment process that generated those returns. We look for the market inefficiencies that allowed the manager to outperform, assess if they will persist, and why. We look at the content of the portfolios and check for consistency with their investment philosophy. This entails a look at operational due diligence,

evaluation of the integrity of the firm, the choice of fund structure and terms. No parameter is analyzed in isolation.

Outside the above "rational" process, we do give some consideration for the "feeling" effect. If the feeling that comes across from a fund manager has the right vibes, then there is a deal to be made.

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### **Q: In 2018, Axian Group participated in the close of Madagascar's Miarakap fund, the country's first MSME impact fund. What are the characteristics of Madagascar's private equity ecosystem?**

The private equity ecosystem in Madagascar is nascent. This is even more visible when it comes to specifics like impact funds. There are no more than 4 players in the space and they are almost exclusively dedicated funds. The funding tickets are understandably low as the focus is on the informal economy on the one hand and inclusion on the other. As you can imagine, access to financing via Main Street banking is extremely difficult with a cumbersome documentation process in tow. Axian supported Miarakap, the first and most active impact fund geared towards financing and supporting SMEs and start-ups in Madagascar.

In the recent past, we have seen what appears to be an uptick in pan-African fund interest in Madagascar. We are also seeing Malagasy companies on the radar of private equity fund pipelines with some proceeding to advanced stages of buyout talks. A few funds have opened offices here. This is all good news for the local economy and for us.

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### **Q: Axian has also used co-investments to directly grow its presence in several African markets. What sectors and geographies do you see as the most attractive on the continent?**

Our pan-African ambition is well-articulated in our co-investment strategy. First, we have core business expertise in Real Estate, Energy, Telecommunications, Financial Services and Disruptive Innovation which makes them our starting point when we look at strategic co-investments at the pan-African level. When we assess these opportunities, we want to make sure we can transpose and deploy our expertise outside our current regional focus. This has allowed us to realize strategic co-investments in our core sectors.

On another scale, we see co-investment as an opportunity to partner in sectors where we do not have core operations. This gives rise to learning opportunities for us as well as the added

advantages accruing to diversification. We are for instance working on the due diligence on potential co-investment in Education, Healthcare and FMCG. In this respect we don't target any specific sector or region but rather adopt an opportunistic approach to co-investment. The defining factor for us is the quality of the offering and how closely it aligns to our objective of economic growth and inclusion.

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**Q: Could you shed some light on Axian Group's efforts to stimulate and support innovation and entrepreneurship in Madagascar and across the continent**

The Malagasy entrepreneurship ecosystem, like many across African, is stifled by structural deficiencies. Because innovation and entrepreneurship form part of Axian's corporate DNA, we have multiplied our efforts in this space. KRED, Africa's first fully digitalized microfinance solution was developed by Axian in partnership with the BNI MADAGASCAR bank to address issues on financial inclusion. KRED is a branchless bank whose mobile agent use an instant credit app to provide credit to SME. The funds are disbursed and refunded via a mobile money platform. MVola Avance, a sister product was launched to provide instant nano-credit based on intelligent scoring to the unbanked masses via mobile phones. Perhaps Axian's most visible platform to engage young entrepreneurs is NextA, the first incubator in Madagascar. NextA brings together: mentors, work space, financial and technical assistance as well as a dense network of over 100 local and international partners to support entrepreneurs / Start-ups with innovative ideas.

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**Q: Where do you see Axian Group in five years time?**

Our vision for the next 5 years is to grow into one of the leading pan-African players in each of the sectors we operate in. We strive to become the benchmark for environmental and socially responsible investing in Africa. Our core belief is that sustainable growth rests on activities that have a real, positive and measurable impact on people's day-to-day lives. As such, we operate in sectors that unlock value and are essential to economic and social growth.

We see our private equity operations gaining traction as we diversify into more funds ranging from generalists to sector focused funds investing across the continent. In line with our belief that the young innovative minds are the engine to economic growth and inclusion, we plan on being a player in the VC space to support young entrepreneurs bringing innovative solutions to everyday problems.

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**Q: How Axian plans to use its AVCA Membership?**

We only recently joined the AVCA network and are happy to integrate its extensive network among private equity stakeholders on the continent. We have so far, already benefited from not only research and reports but also the Institutional Investor Masterclass. We believe that the private equity space is nascent and so a lot still needs to be done. We intend to participate in this capacity building effort by bringing our experience both as entrepreneurs and LPs.

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Want to learn more about Axian Group? [Click here](#) to explore AVCA's 2019 Member Directory.

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