



**Private Equity Activity in Morocco:
Growth and Performance Report
Year 2015**

March 2016



التجاري وفا بنك
Attijariwafa bank
PRIVATE EQUITY



Maroc Numeric Fund



GLOBAL NEXUS
l'innovation pour la durabilité



صندوق الضمان المركزي
CAISSE CENTRALE DE GARANTIE

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Scope

This study includes :

- All fund management companies which are **members of AMIC with a local representative office in Morocco** and have a portion of funds to invest dedicated to Morocco
- Funds investing **mainly in SMEs and unlisted companies**
- **Limited Life Funds**
- **Infrastructure Funds** both with greenfield and brownfield investment
- All investment sectors **except funds dedicated to real estate and tourism**
- Data collection was done via a survey of **22 management companies / 46 funds** on a **self reporting basis (including infrastructure funds)**

Methodology

CAPITAL RAISED

- The **amounts of funds raised** only includes the **part dedicated to Morocco** and the **part dedicated to Private Equity**
- **Amounts raised by infrastructure funds are analyzed and presented separately**
- For transregional funds where the portion dedicated to Morocco has not been communicated, only actual amounts invested are reported
- The review of statements of certain funds resulted in **technical corrections to the amounts raised** by year (hence differences from amounts presented in previous years)

INVESTMENTS

- The **amounts invested** represent **amounts disbursed**
- **Detailed investment analysis does not include “Large Caps”** (transaction over 200 mln MAD) as this new segment does not currently include a sufficient number of transactions

EXITS AND PERFORMANCE

- Amounts **exited** are **amounts of sales of investments**
- IRRs represent **gross IRRs upon exit** as reported by the funds
- The scope of IRR calculations does not include **partial** exits or IRRs from investments of **less than 1 year**
- **IRR were weighted by amounts invested**
- Losses caused by **exceptional events have not been taken into account** in the average calculation of IRR

ECONOMIC AND SOCIAL IMPACT

- **The CAGR for turnover and employment** were **weighted by amounts invested**

1. SCOPE & METHODOLOGY

Fund management companies	Funds	Fund management companies	Funds
THE ABRAAJ GROUP	Kantara LP	CFG CAPITAL	CFG Développement
	Aureos Africa Fund		Idraj
	Africa Health Fund	ENTREPRISE PARTNERS	3P Fund
	Anaf II	FIROGEST	Firo
ALMAMED	Massinissa	HOLDAGRO	Targa
	Massinissa Luxembourg	INFRA INVEST	Argan Infrastructure Fund
ATLAMED	AM Invest Morocco	MROC INVEST	MPEF I
ATTIJARI INVEST	Agram Invest		MPEF II
	Igrane		MPEF III
	Moroccan Infrastructure Fund		Africinvest I
AZUR PARTNERS	Nebetou Fund		Africinvest III
BMCI DEVELOPPEMENT	BMCI Développement		MITC CAPITAL
BROOKSTONE PARTNERS	Emerald Fund	MEDITERRANIA CAPITAL PARTNERS	Mediterrania Capital I
	MJT Park		Mediterrania Capital II
CDG CAPITAL INFRASTRUCTURES	Inframed	PRIVATE EQUITY INITIATIVES	PME Croissance
	Inframarc	UPLINE INVESTMENTS	Upline Technologies
CDG CAPITAL PRIVATE EQUITY	Accès Capital Atlantique		Upline Investment Fund
	Sindibad		Fonds Moussahama I et II
	Cap Mezzanine		OIFFA
	Cap Mezzanine II		
CAPITAL INVEST	Capital Morocco	VALORIS CAPITAL	
	Capital North Africa Venture Fund		
	Capital North Africa Venture Fund II		

New funds in 2015
 Funds in divestment phase or divested

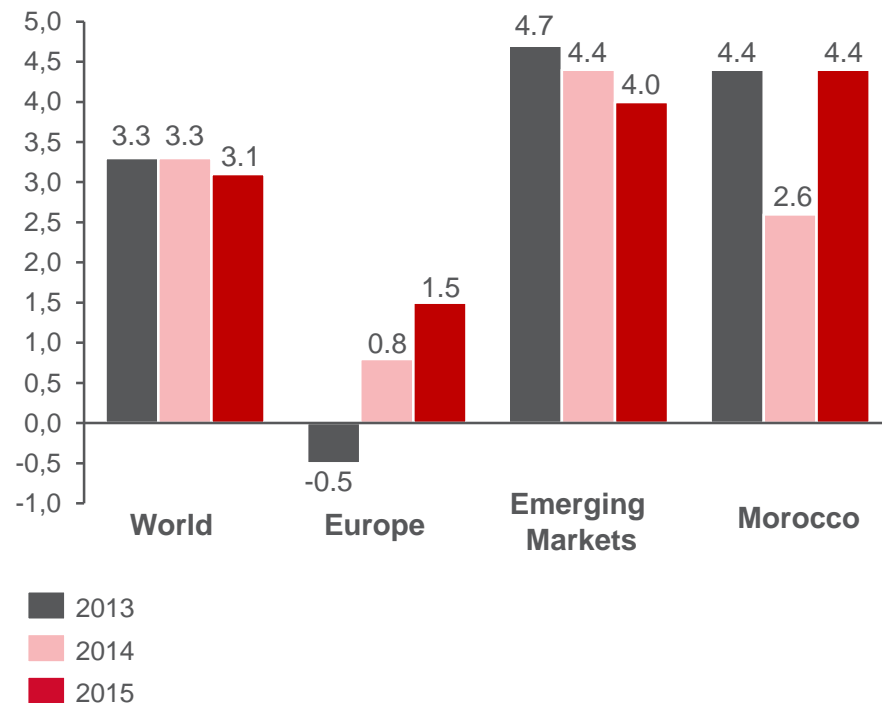
Note : Historical data of funds managed by Aureos, Sherpa and Viveris have been retained.

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Evolution of real GDP growth between 2013 and 2015

[%, 2013-2015]



Source : International Monetary Fund – Global Outlook January 2016

Comments

In 2015, the global economy continued to be pressured by weak growth with a growth rate of 3.1%

Growth in emerging and developing countries declined, while a **modest recovery continued in Europe** with a growth rate of 1.5% in 2015

In Morocco, economic growth in 2015 benefited from a satisfactory harvest and reached a rate of 4.4%. However, **forecasts for 2016 are less optimistic**

Three major factors continue to influence the global outlook:

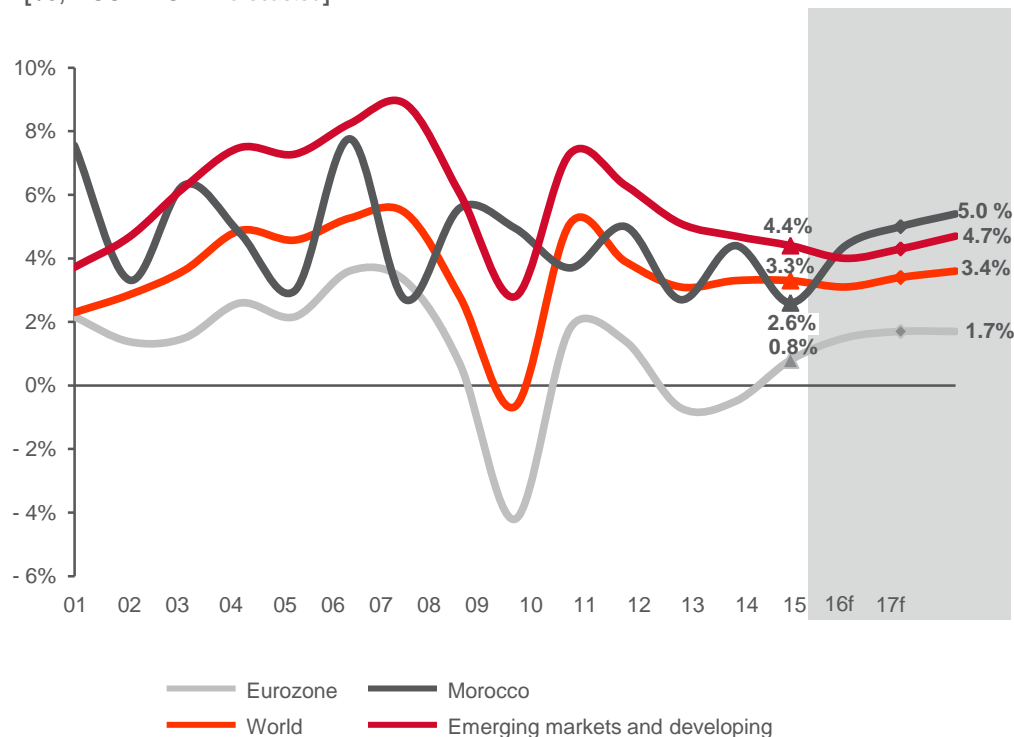
- gradual slowdown of economic activity in China,
- declining oil and commodities prices and,
- gradual tightening of monetary policy in the US

Weak global economic growth persists

Two major challenges are present: increasing production and sustaining demand

Historical trends and forecast

[%, 2001-2017 forecasted]



Source : International Monetary Fund – Update of main projections January 2016

Comments

Global growth should reach 3.4% in 2016 and 3.6% in 2017

In emerging and developing markets, growth should slightly increase from 4% in 2015 to 4.3% in 2016

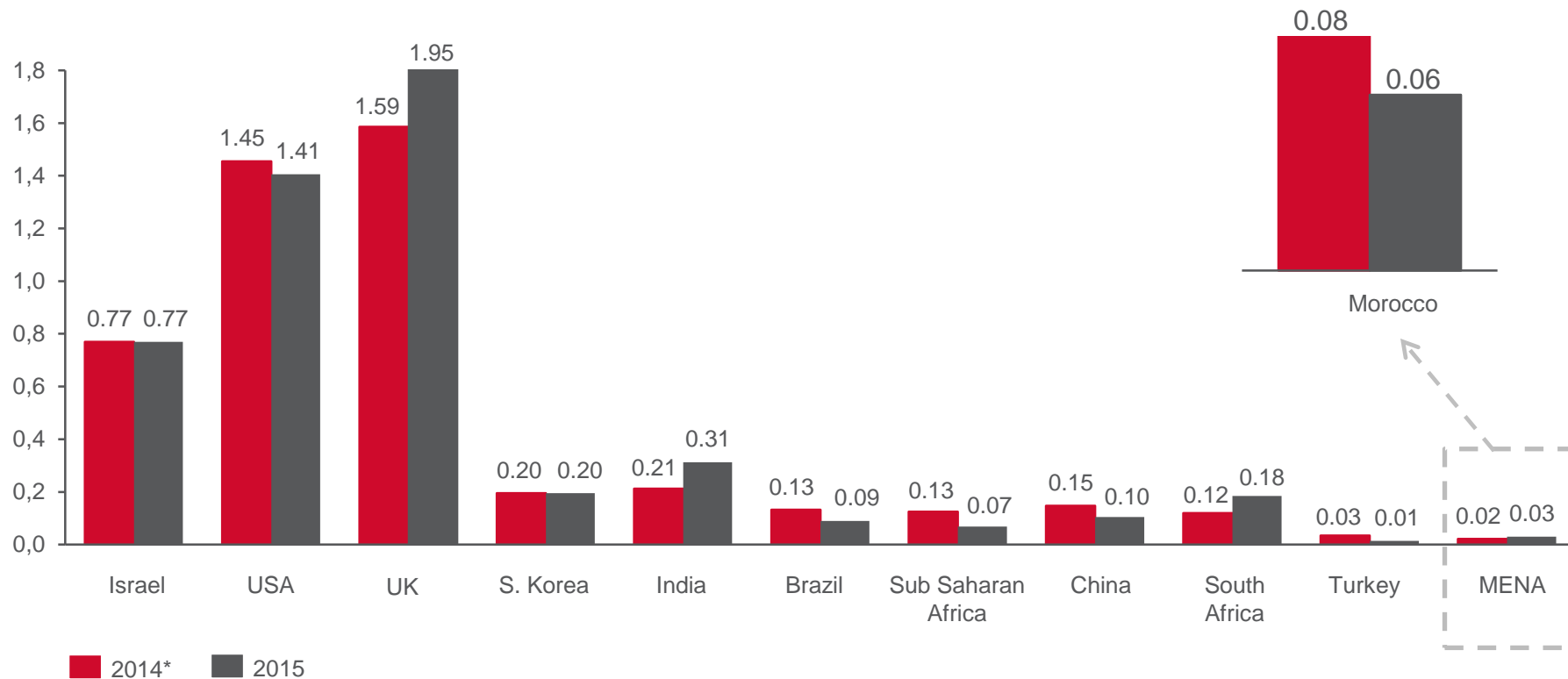
In **Europe**, growth is expected to **remain more or less stable** in 2016 and 2017, at around 1.7%

Declining oil prices could further **stimulate demand** in oil-importing countries

For 2016, the IMF has predicted that GDP growth would reach 4.7% in Morocco. Due to low rainfall, the HCP lowered this estimate and anticipates a GDP growth rate of **1.3%**

Global growth should reach 3.4% in 2016 and 3.6% in 2017

Private Equity penetration rate – capital invested/GDP (%)



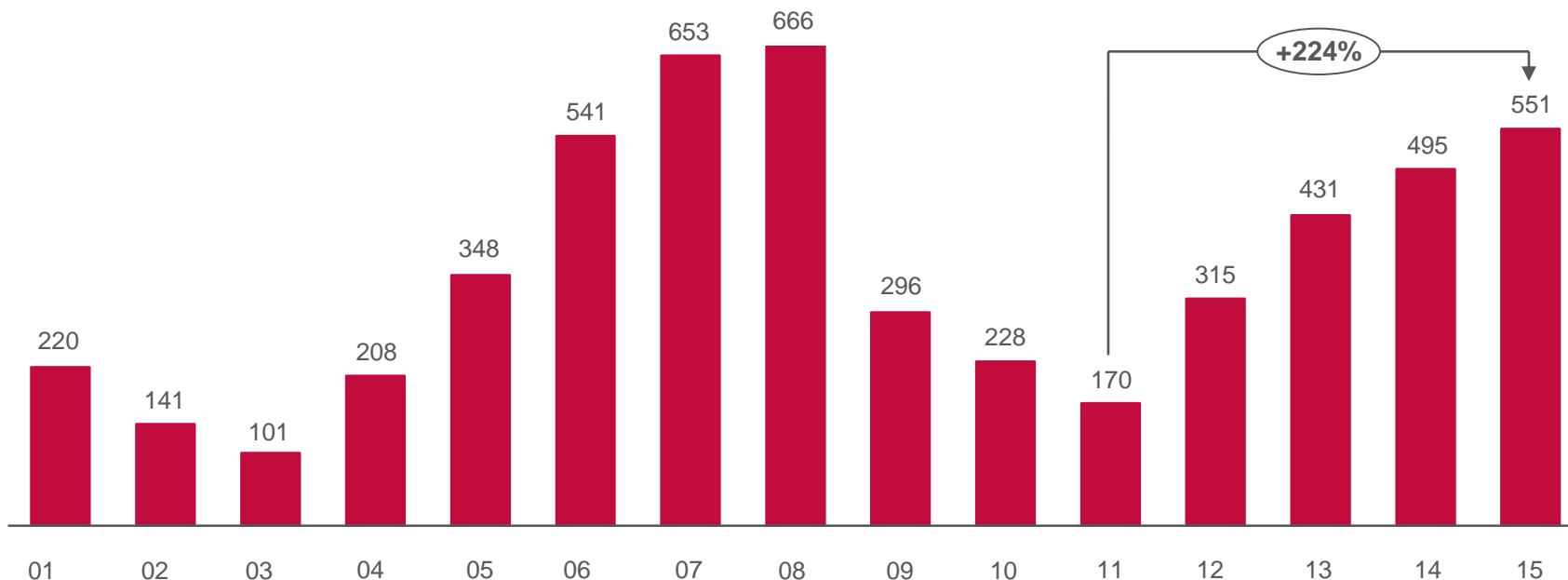
Source: EMPEA, Industry Statistics Year-end 2015

*2014 data were updated in December 2015 by EMPEA

Morocco has, with a Private Equity penetration rate of **0.06%** of GDP in 2015, continued to outperform all MENA region countries since 2013

Evolution of global amounts raised between 2001 and 2015

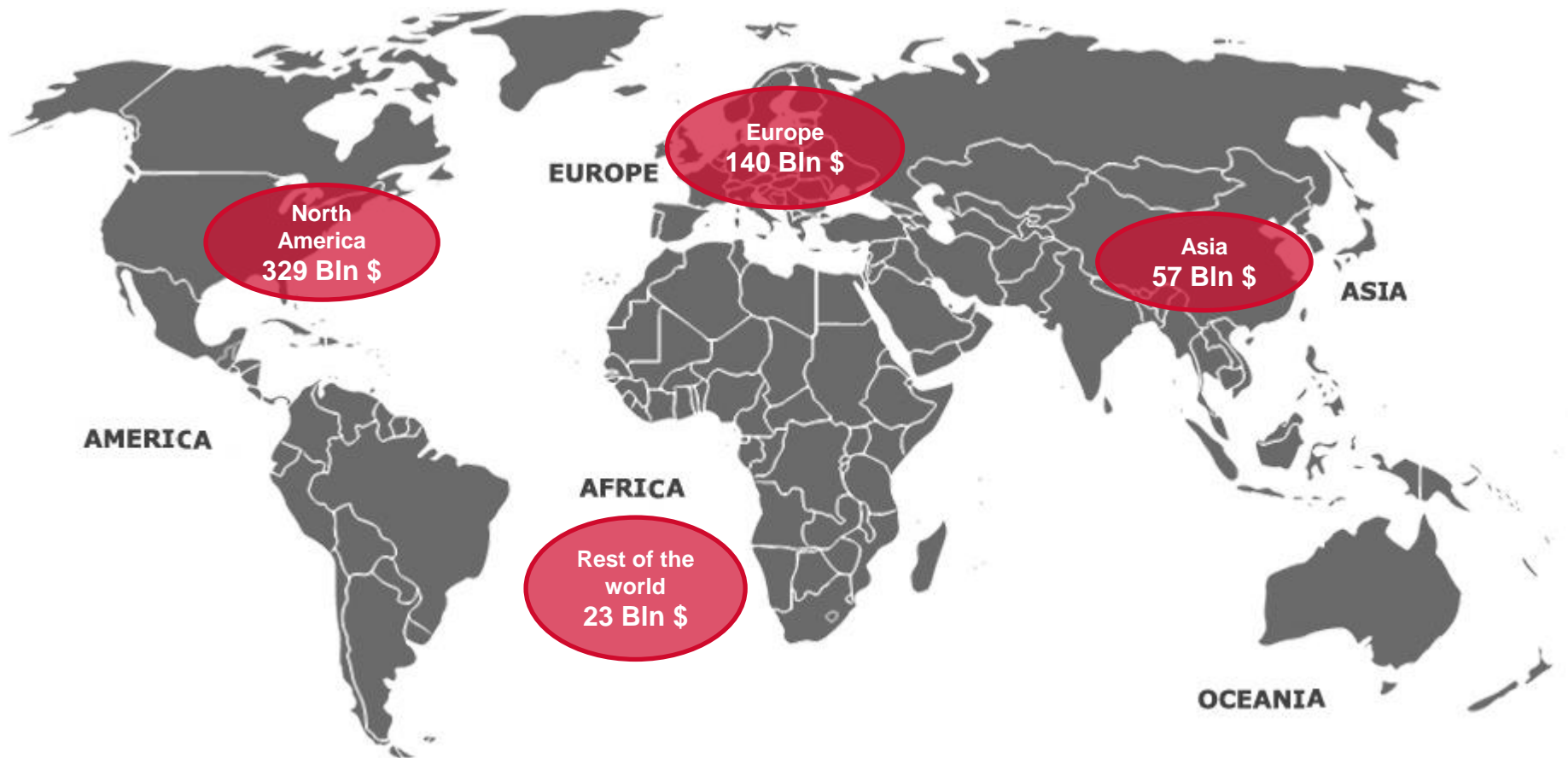
[Bln USD, 2001-2015]



Source: Preqin

Global fundraising has increased steadily over the last 5 years, increasing 11% between 2014 and 2015

Distribution of amounts raised worldwide in 2015

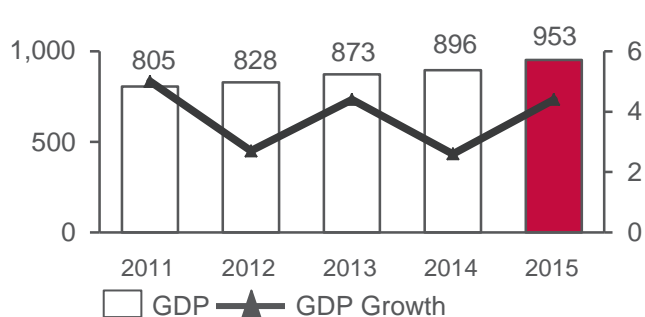


Source: Preqin

2. INTERNATIONAL AND NATIONAL ECONOMIC CONTEXT

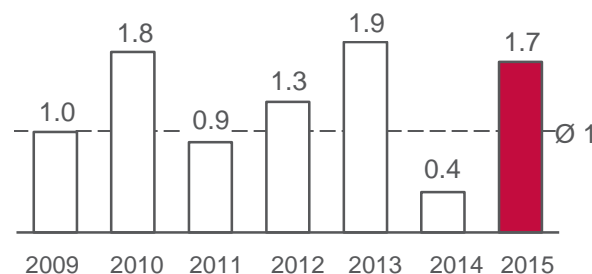
GDP & real GDP growth

[Bln MAD, %, 2011-2015]



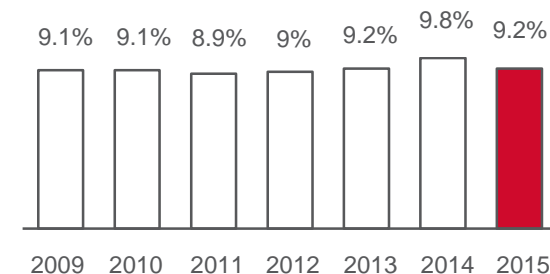
Inflation

[% , 2009-2015]



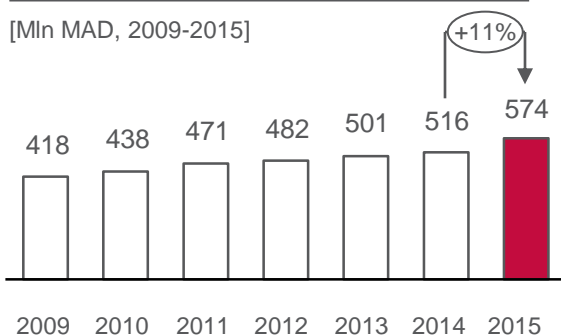
Unemployment rate

[% , 2009-2015]



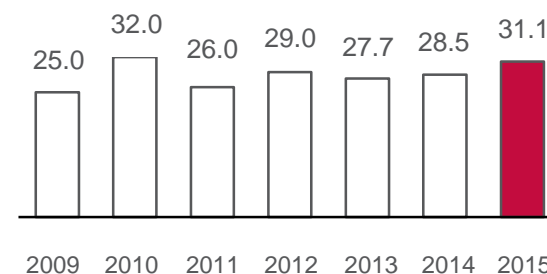
Household consumption

[Mln MAD, 2009-2015]



Foreign Direct Investment

[Bln MAD, 2009-2015]



International ratings

Standard & Poor's

Fitch

BBB-/Stable

BBB-/Stable

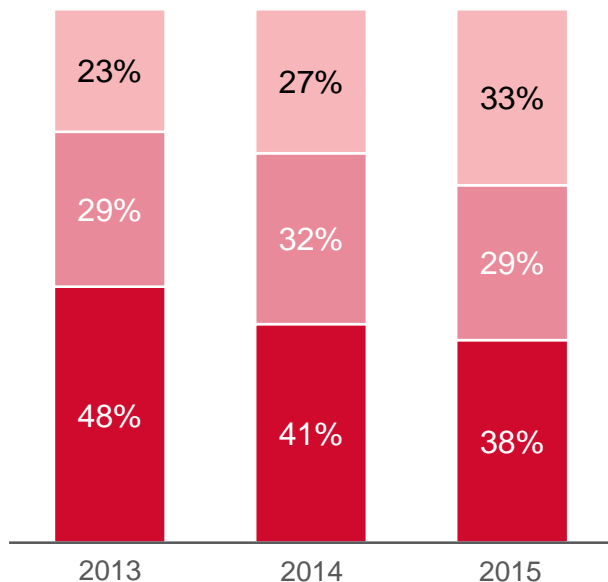
Sources: High Commission for Planning , MEF, Foreign Exchange Office

In 2015, Morocco recorded a growth rate of 4.4%. However, this rate is expected to significantly decrease in 2016 due to low rainfall and dependence of the Moroccan economy on external factors such as growth in the Eurozone and the possible rise in oil prices.

Summary

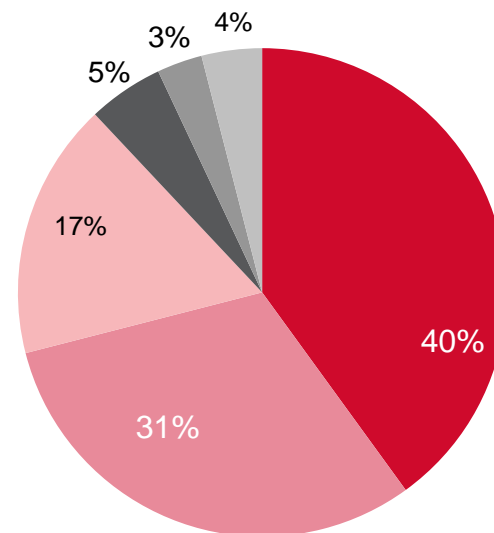
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Investment committees (in number)



- Internal committees only
- Committees with some investors or experts
- Committees with systematic presence of investors

Distribution of the capital of fund management companies



- Financial institutions
- Management teams
- Private holdings
- Individuals
- Investment companies
- Others*

*Funds of funds, Caisses de dépôts, government agencies

Number of fund management companies : 22 including 4 dedicated to infrastructure

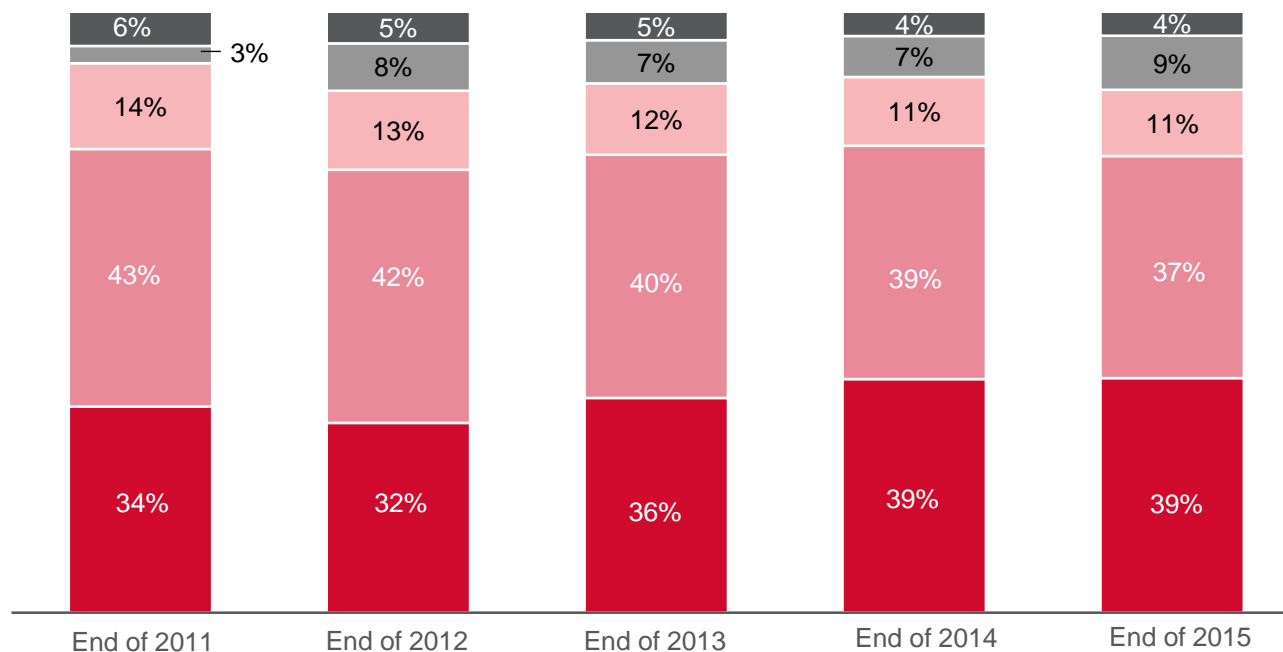
Discretionary management : 62%

Average staffing (including Infra) : **6** including 4.2 working on investing activities and 1.8 in support

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Distribution of funds by legal form (in number)



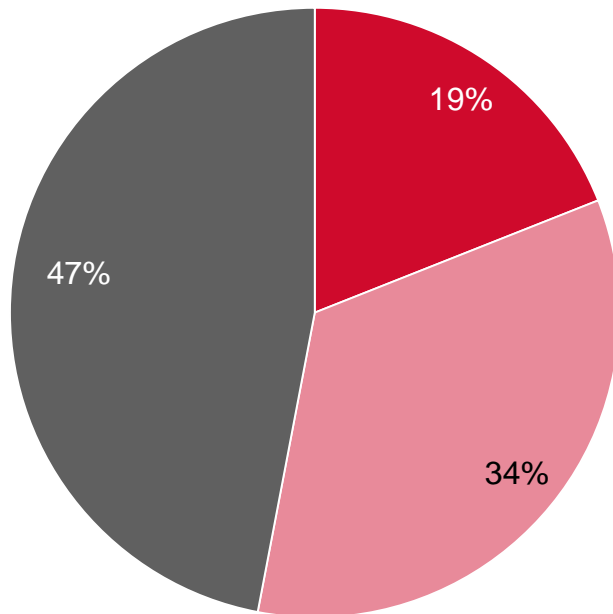
- **SCA**: Société en Commandite par Actions, a partnership limited by shares
- **OPCC**: Special venture capital funds vehicle created by Law 18-14 – Organisme de Placement Collectif en Capital
- **SAS** : Société par Actions Simplifiée, equivalent to Limited Liability Company (LLC)
- **SA** : Société Anonyme, equivalent to standard Corporation in common law
- **Foreign**

At the end of 2015, the vast majority of funds continue to use either foreign or the SA legal forms

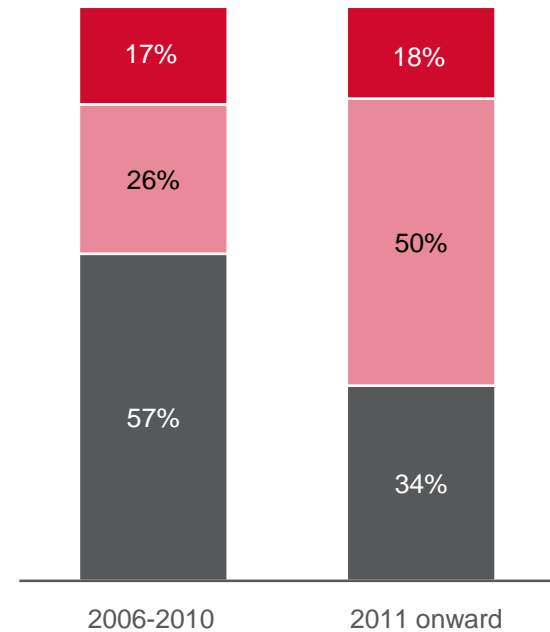
With the enactment of Law n°18-14 relative to **Collective Investment in Capital Schemes (OPCC)**, this legal form should **substantially increase in the future**

Funds country of domicile (as % of value)

End of 2015



Per fund generation

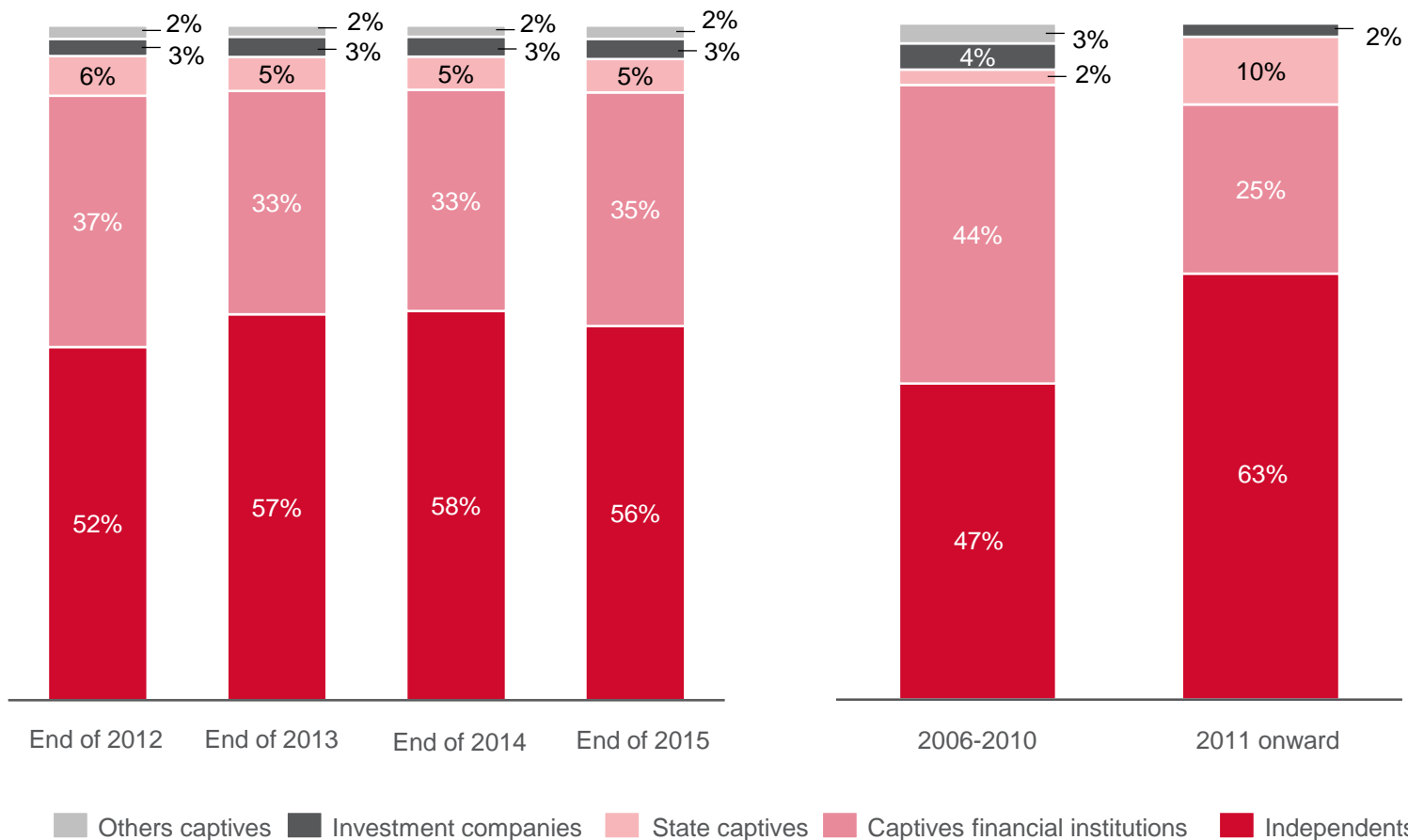


Rest of World Europe Morocco

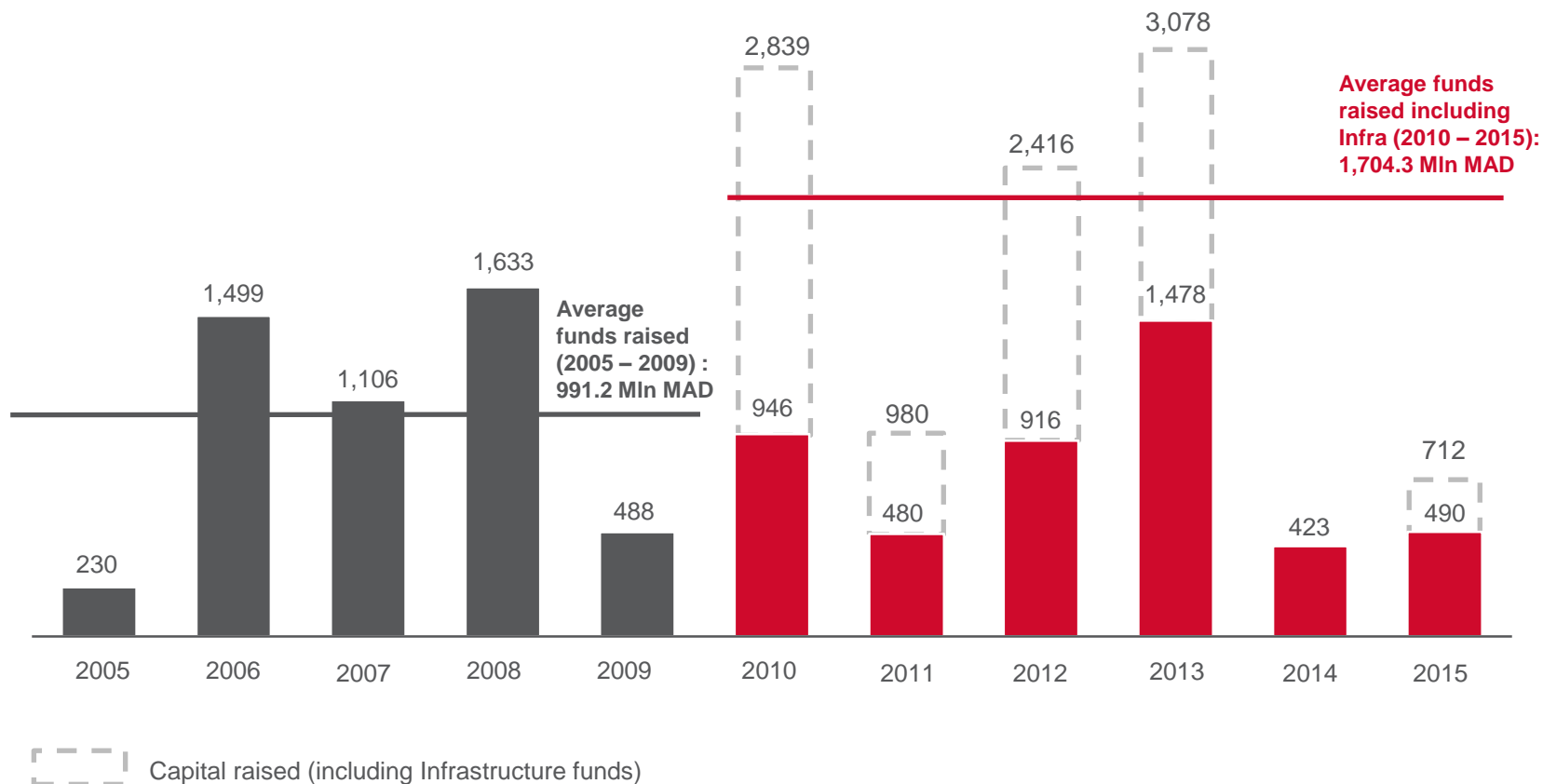
2/3 of the 3rd generation funds (starting in 2011) are located offshore

Nature of funds (Private Equity and Infrastructure)

As % of value

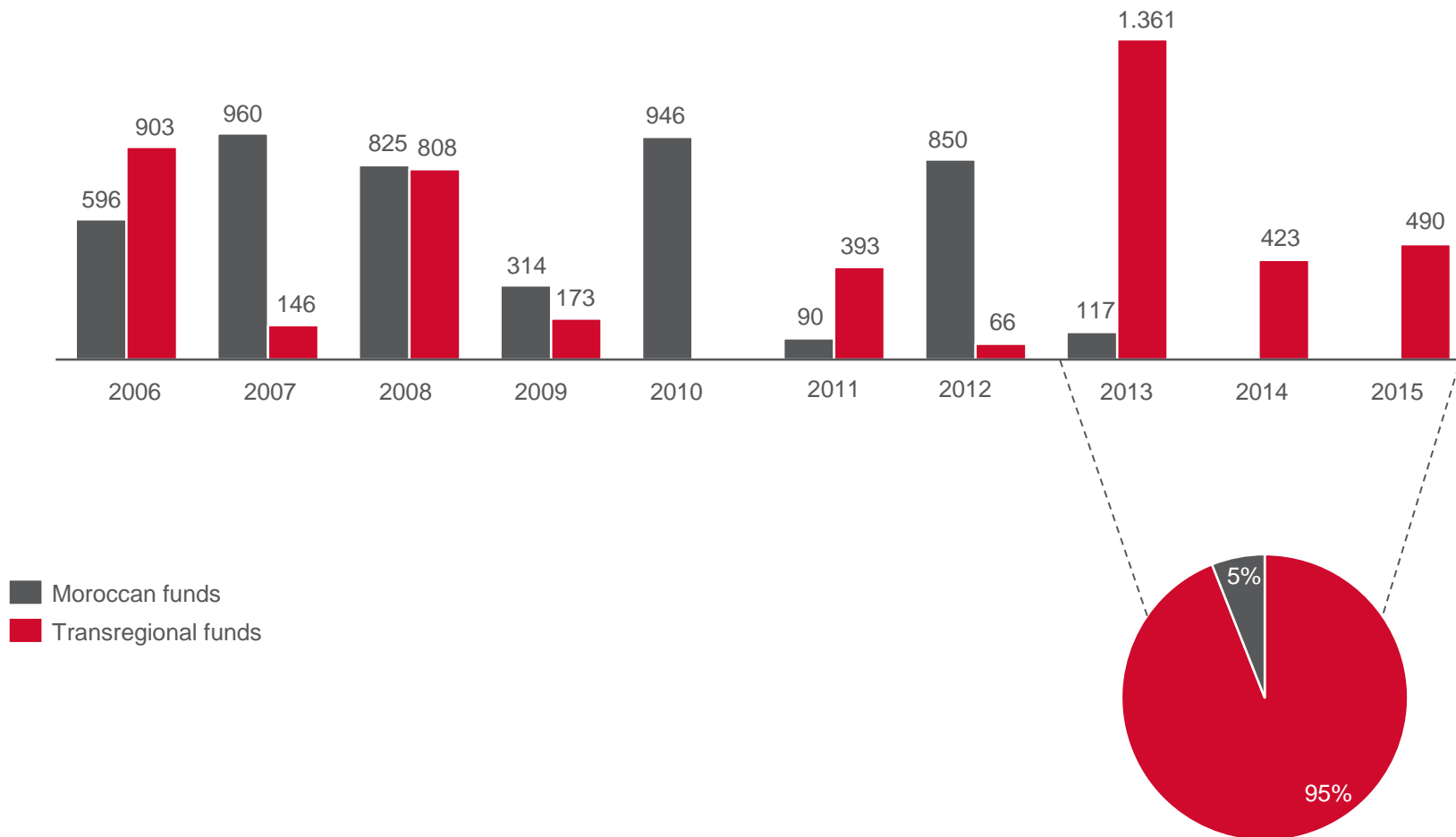


Capital raised per year (Mln MAD)



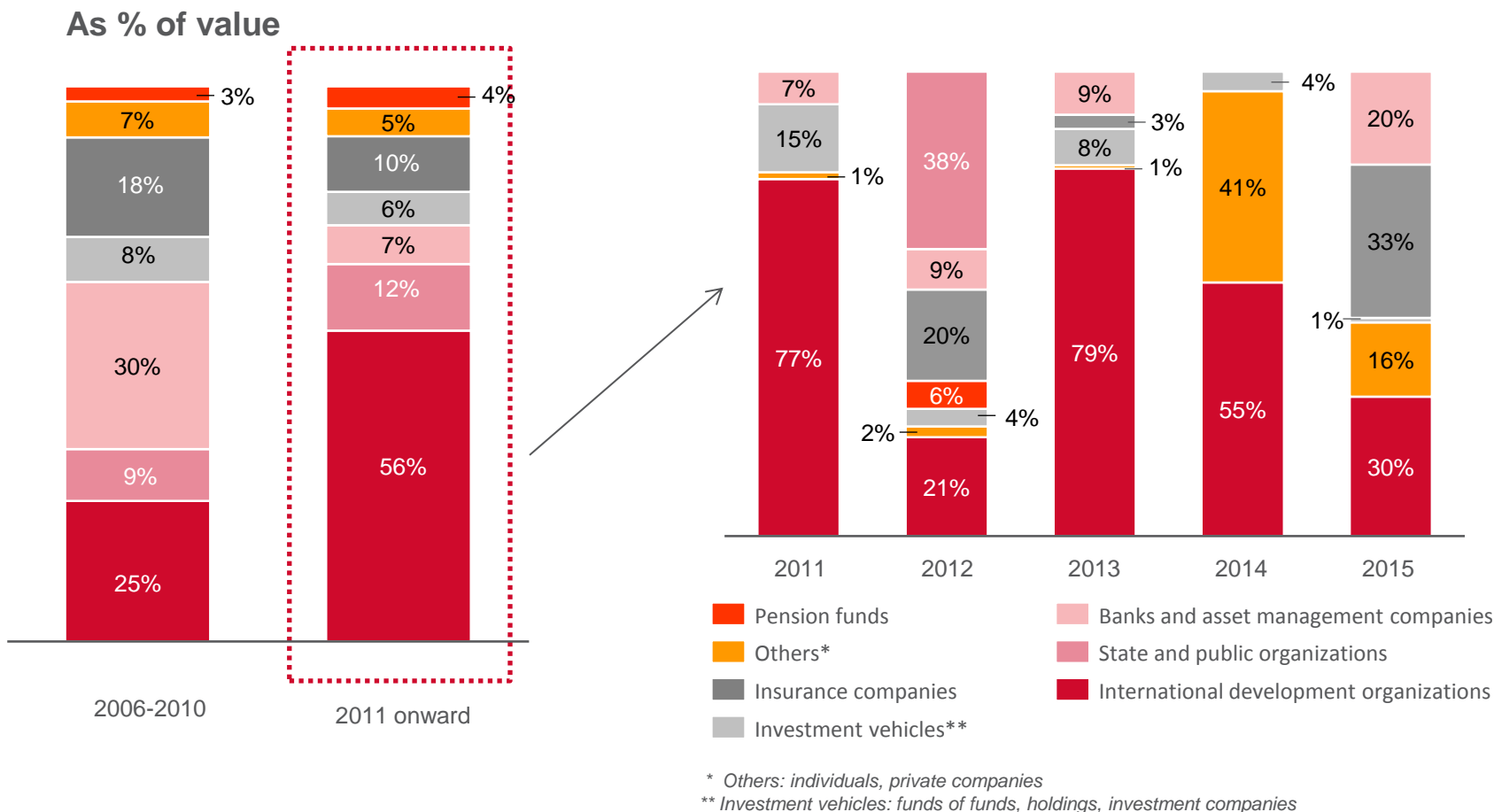
Total amounts raised since inception to end 2015 for Private Equity: **10.72 billion MAD**
 Amounts raised in Morocco by infrastructure funds: **5.49 billion MAD**
 Total amount raised by all funds: **16.43 billion MAD**

Capital raised by fund type (Mln MAD)



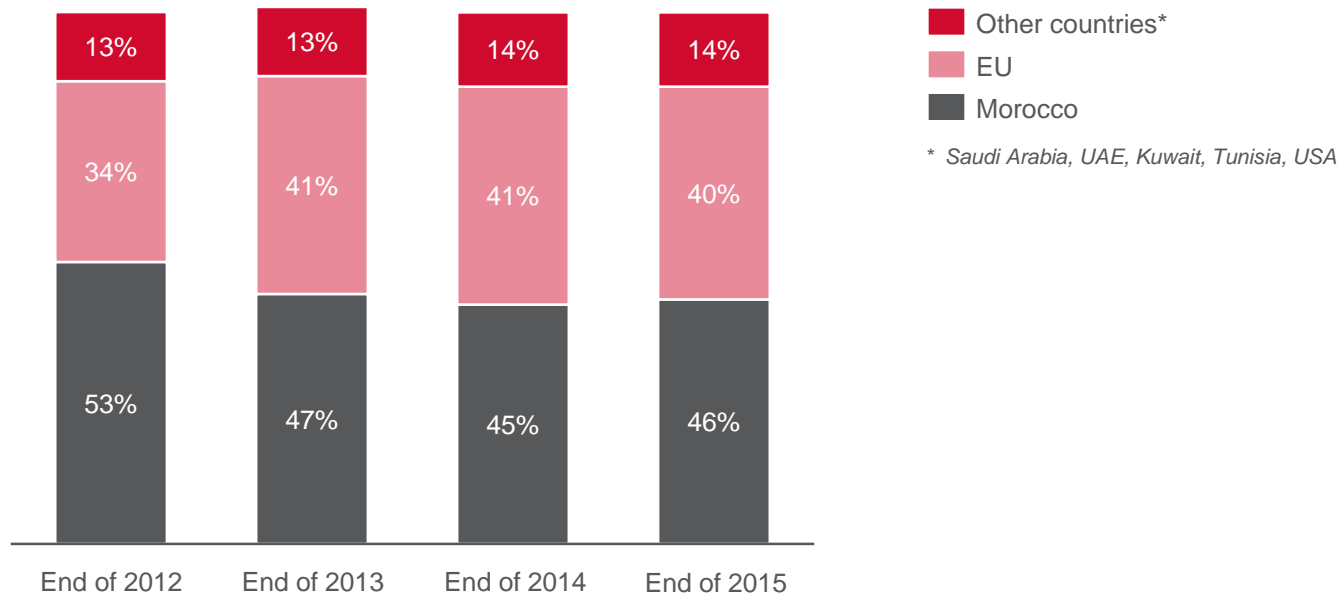
95% of funds raised for Morocco over the period 2013 – 2015 were transregional

Capital raised by investor type (excluding infrastructure funds)

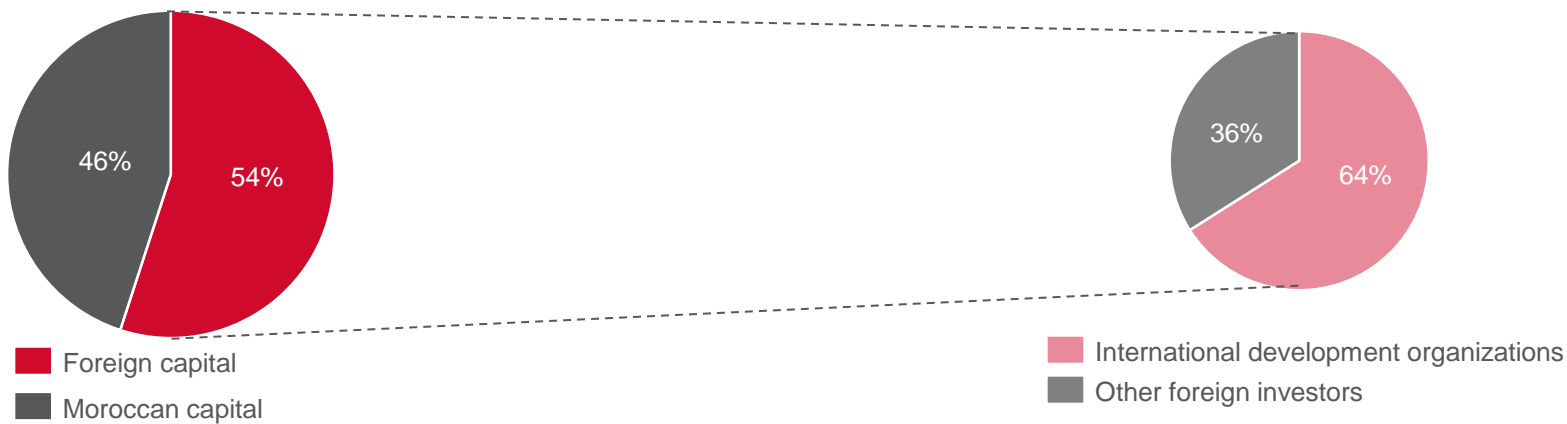


The share of international development organizations (IFC, EBRD, EIB and others) has increased significantly with the 3rd generation funds

Capital raised by investor nationality



End of 2015

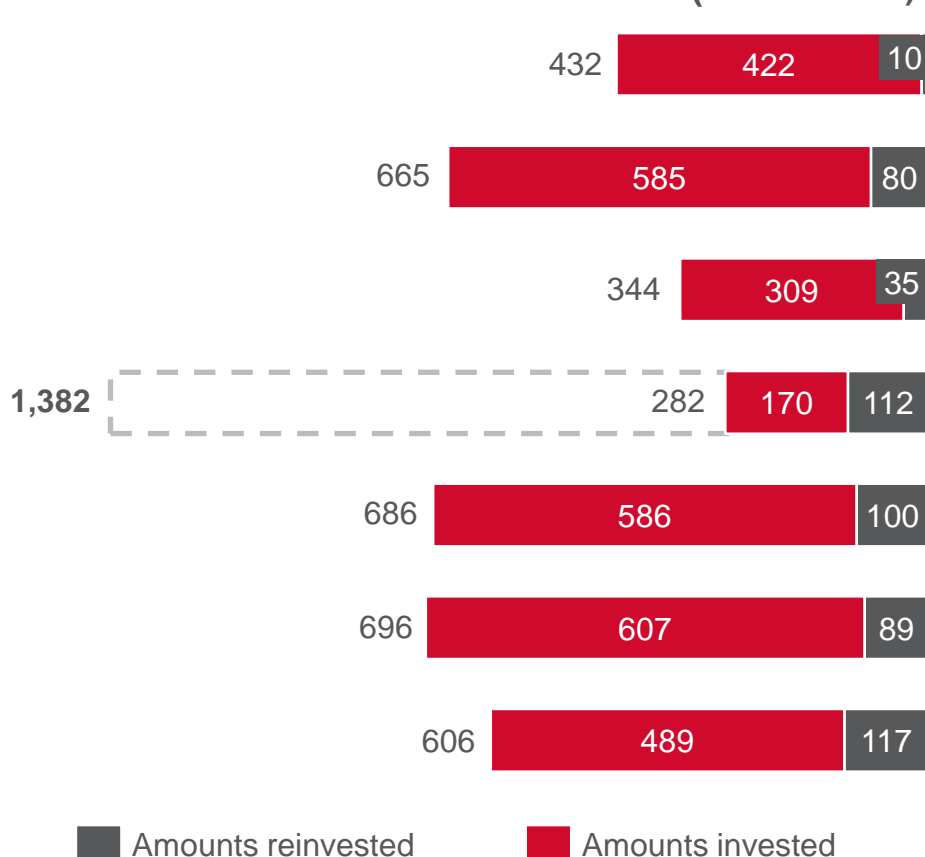


Summary

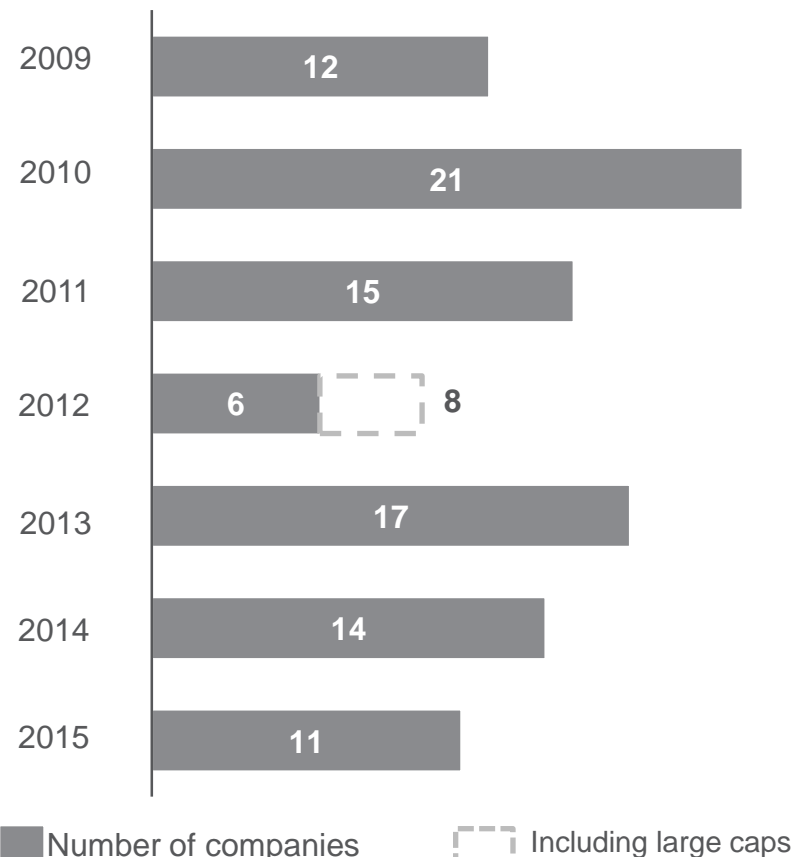
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Evolution of invested and reinvested funds

Amounts invested and reinvested (in MIn MAD)



Number of new investments

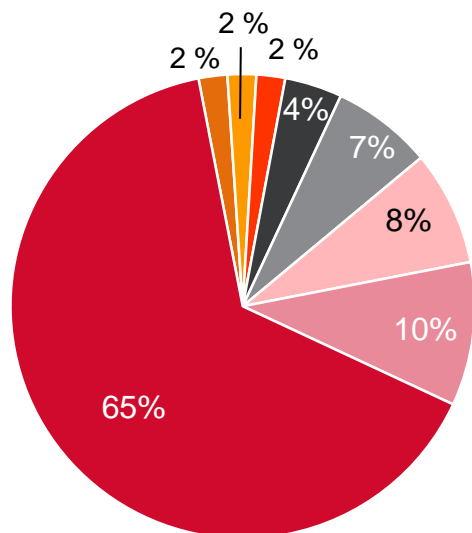


The level of investment slightly declined in 2015 with 606 MIn MAD invested, including 11 new investments

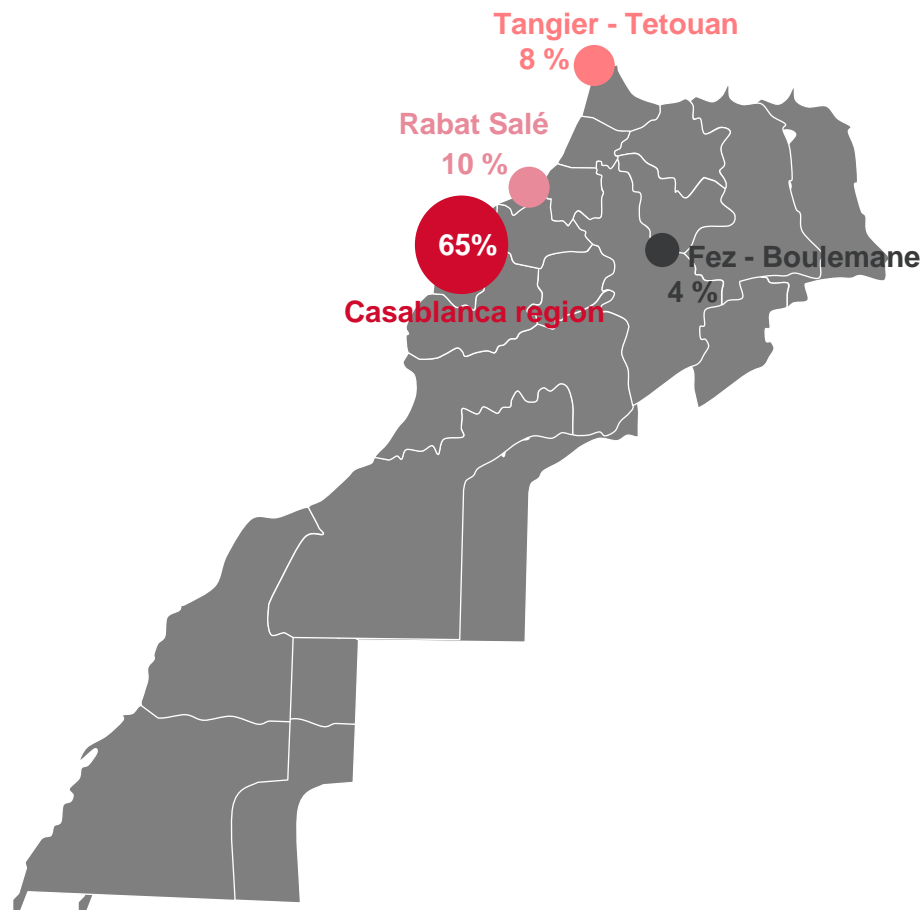
166 companies invested since inception for a **total of 5.5 BIn MAD**

Location of invested companies

End of 2015 (as % of value)



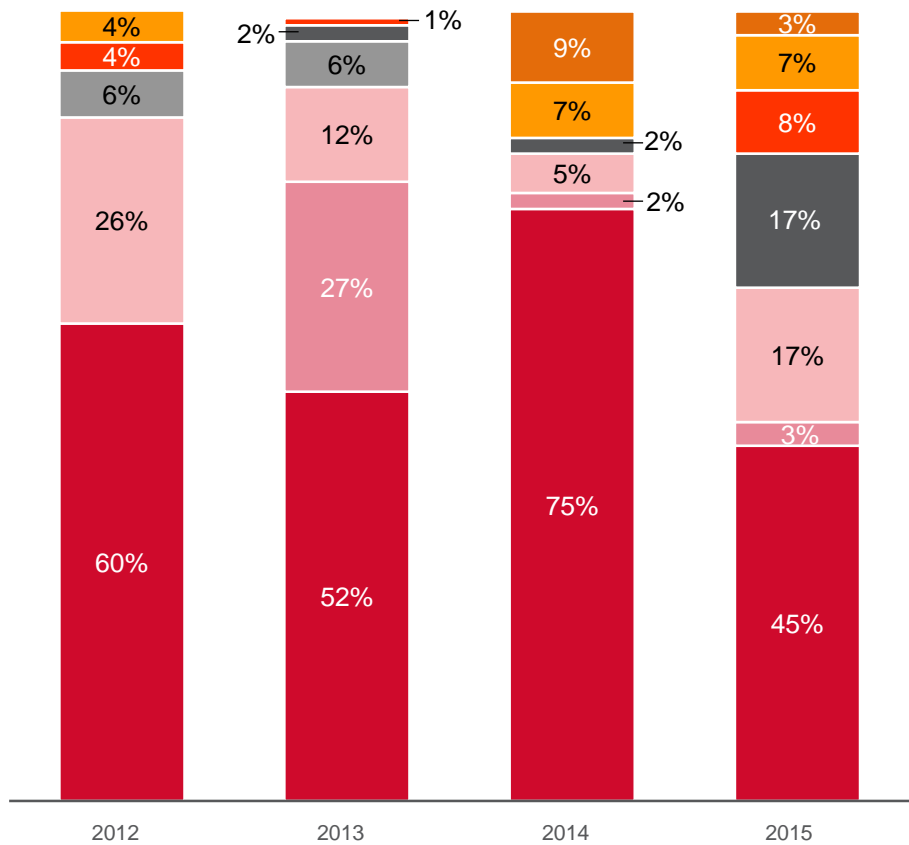
- Meknes - Tafilalet
- Marrakech - Tensift - Al Haouz
- Foreign
- Fez - Boulemane
- Other regions*
- Rabat - Salé - Zemmour - Zaer
- Tangier - Tetouan
- Casablanca region



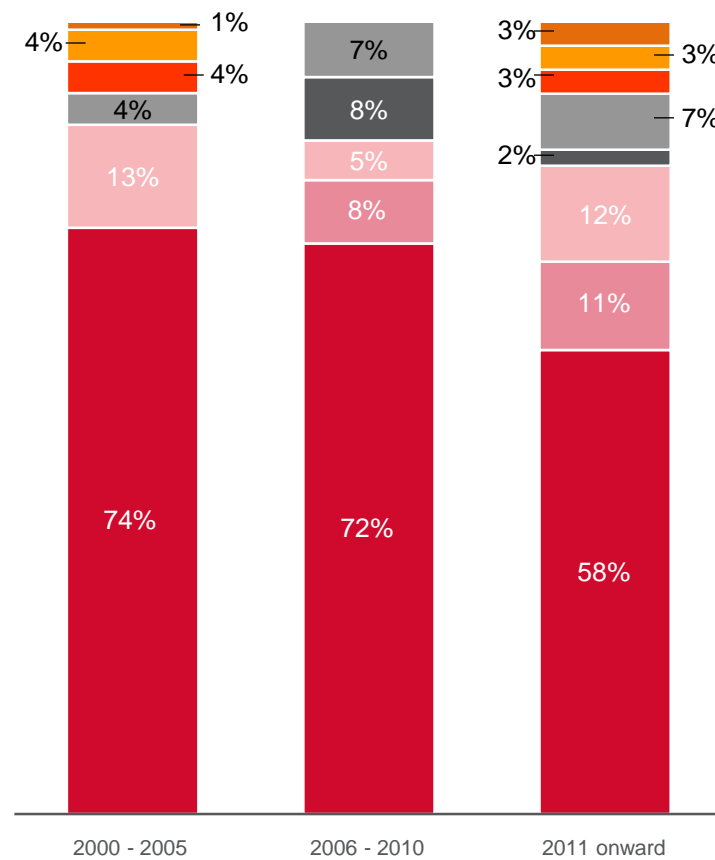
*Other regions : Chaouia-Ouardigha, Gharb-Chrarda-Beni-Hssen, Oriental, Souss-Massa-Draa

Location of invested companies

By year



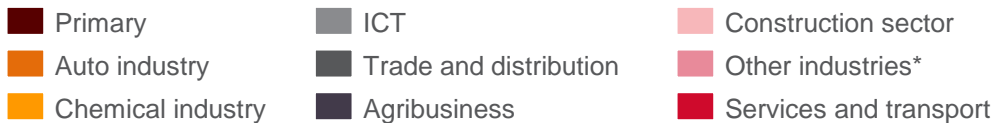
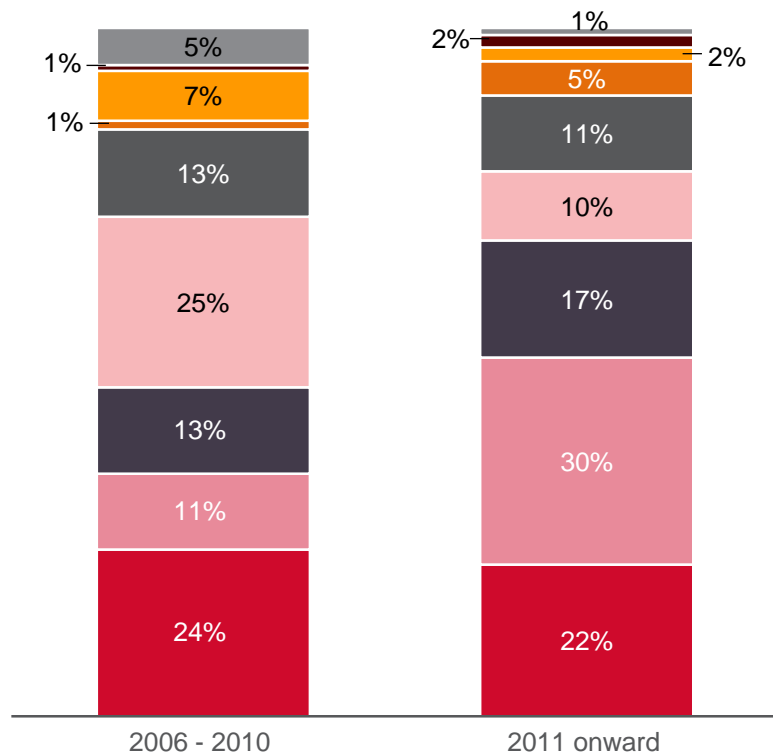
By fund generation



*Other regions : Chaouia-Ouardigha, Gharb-Chrarda-Beni-Hssen, Oriental, Souss-Massa-Draa

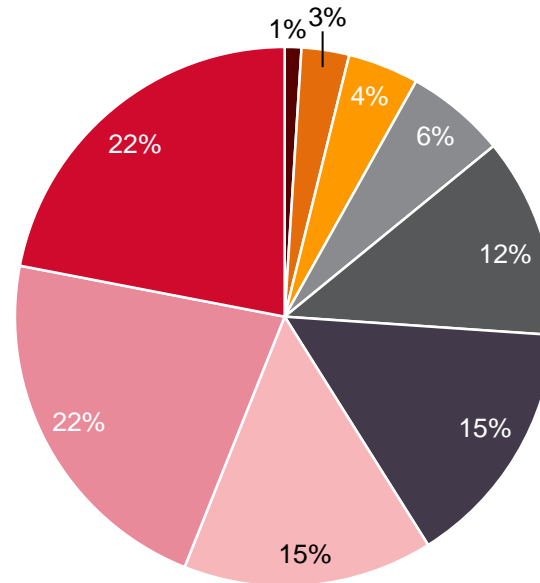
Sectors of invested companies

By fund generation



*Health, Packaging, Aerospace, and others

End of 2015

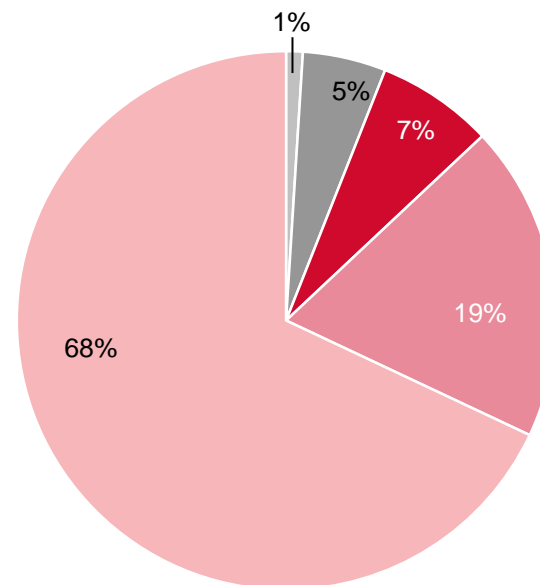
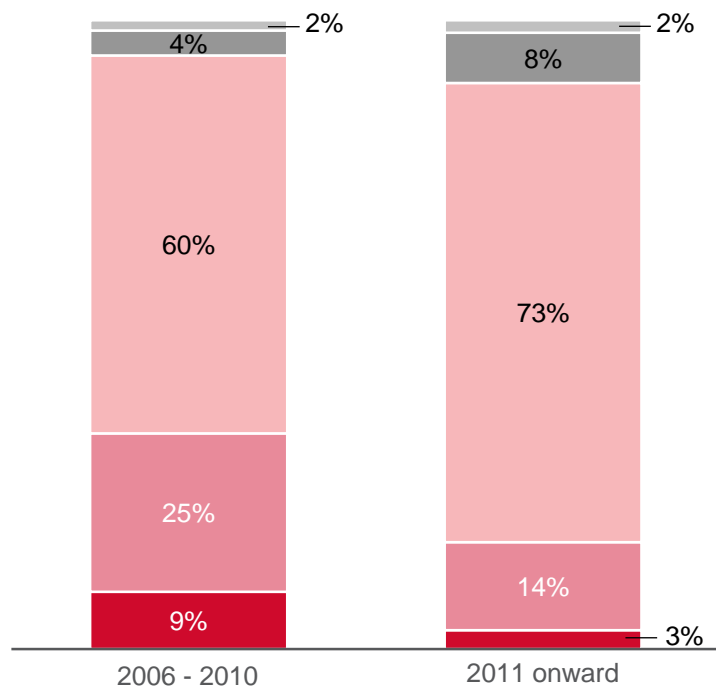


The industrial sector represents 48% of investments made since 2011
 Services and transport sector ranks second with 22% of investments

Invested companies by development stage (as % of value)

By funds generation

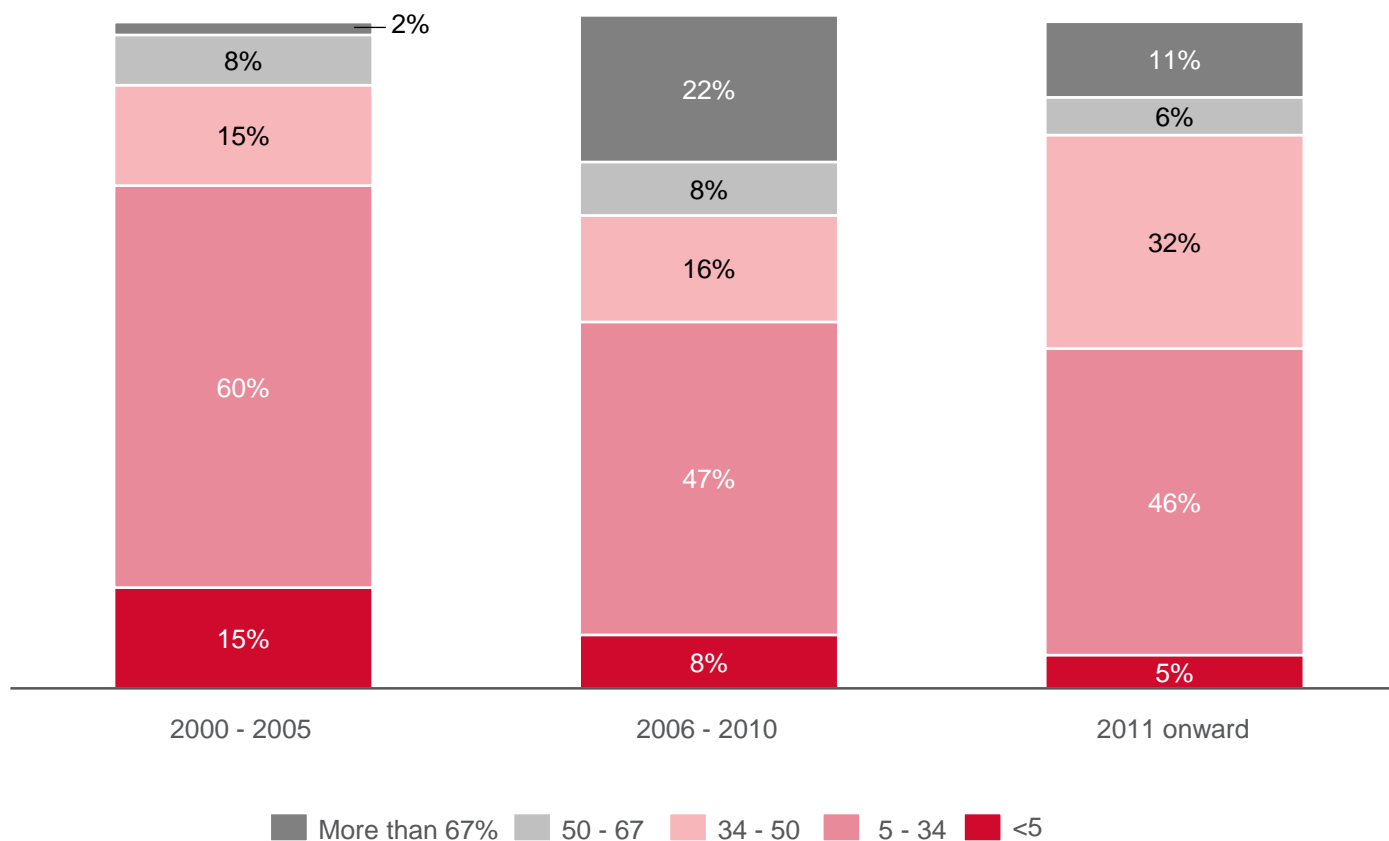
End of 2015



Seed Venture Growth Buy out Turn around

2/3 of investments have been in companies in the growth stage

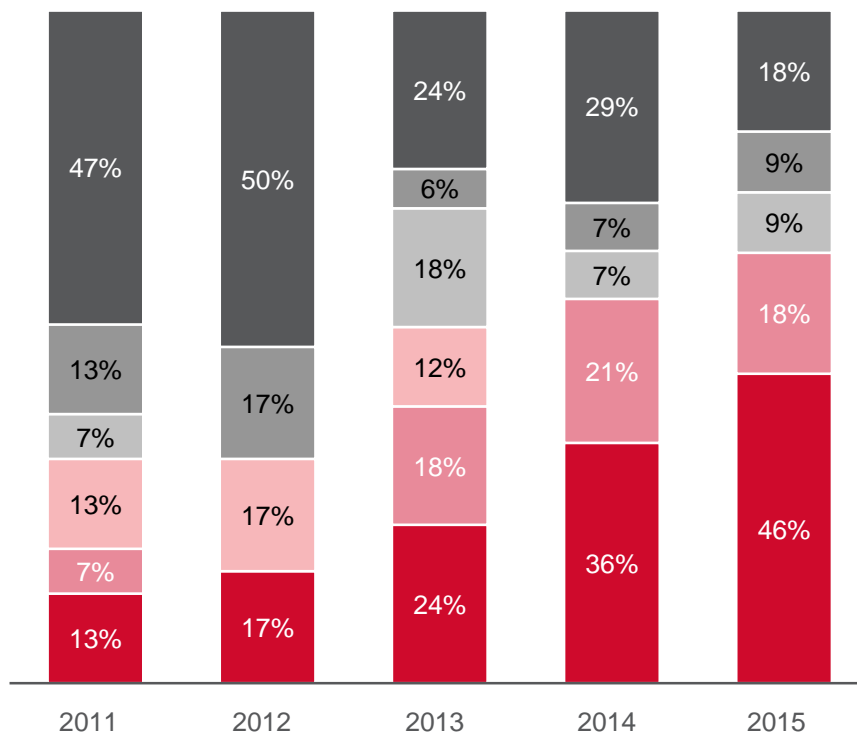
Companies funded by percent of capital acquired



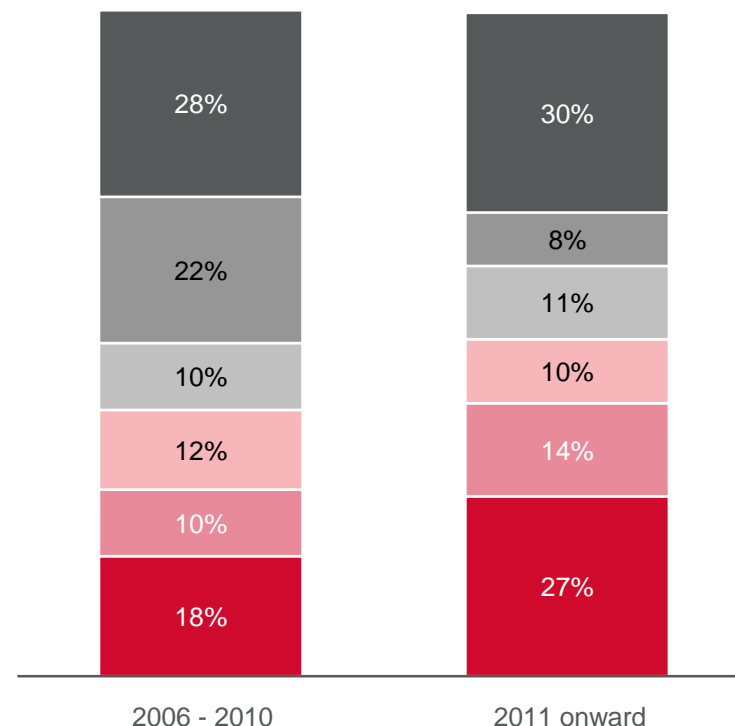
The share of **majority transactions declined significantly** (from 30 to 17%) between 2nd and 3rd generation funds in conjunction with the decrease in buy out investments

Companies funded by transaction size

By year



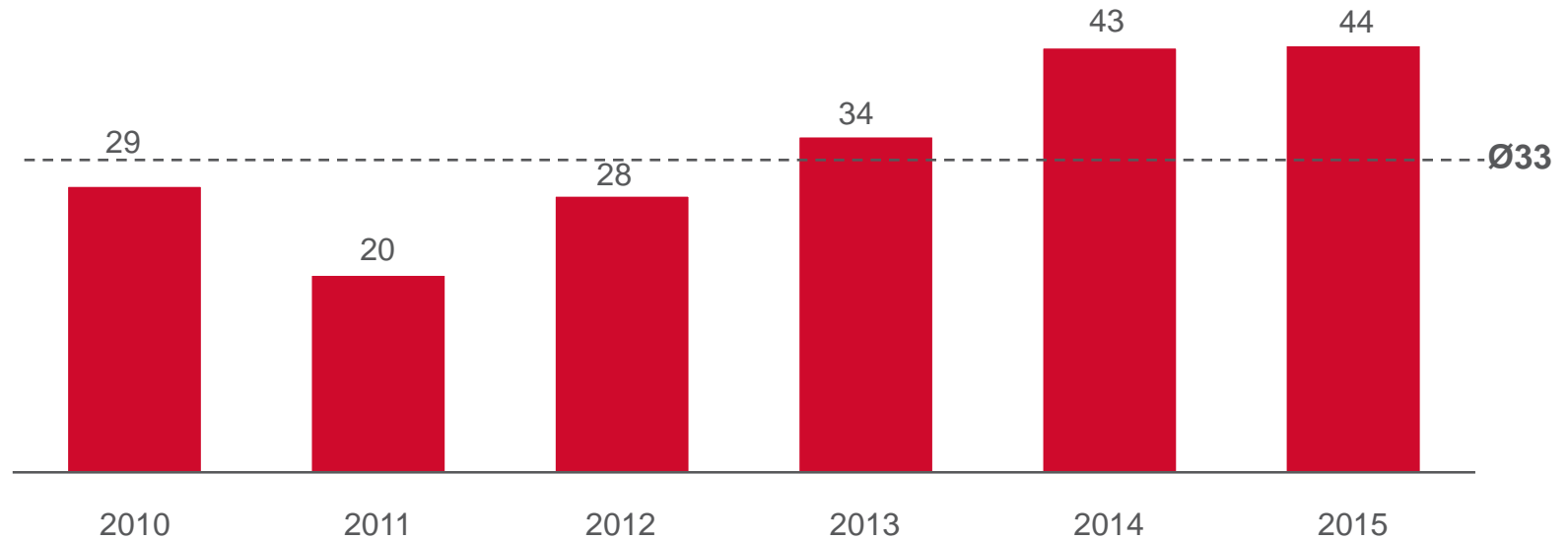
By fund generation



0 to 10 mln MAD
 10 to 20
 20 to 30
 30 to 40
 40 to 50
 More than 50

The investment trend of the last generation of funds is towards larger transactions (41% over 40 mln MAD) and continued investment in the seed/venture stage

Average ticket size of new investments (Mln MAD per year)

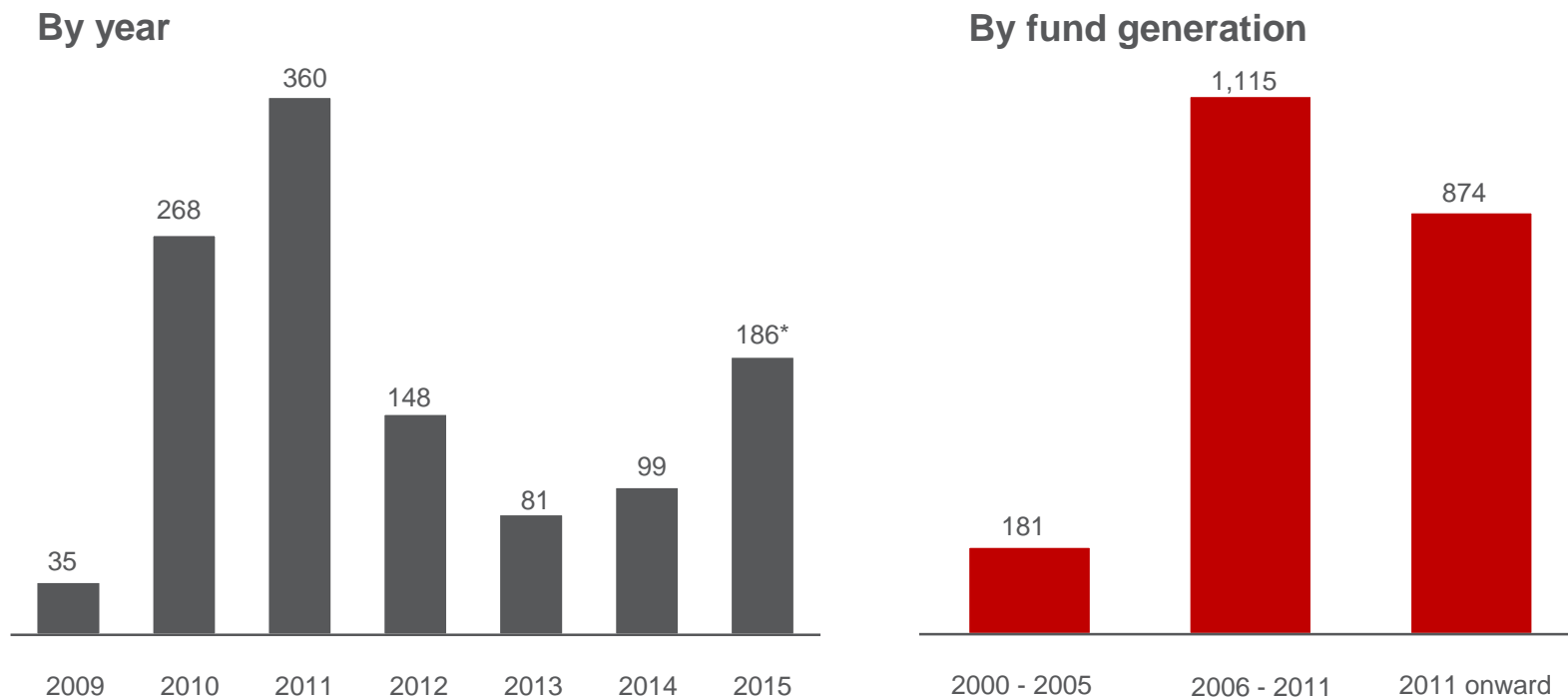


The **average ticket size** invested between 2010 and 2015 is 33 mln MAD, which has sharply increased with the 3rd generation funds

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Evolution of exits as % of value (Mln MAD)



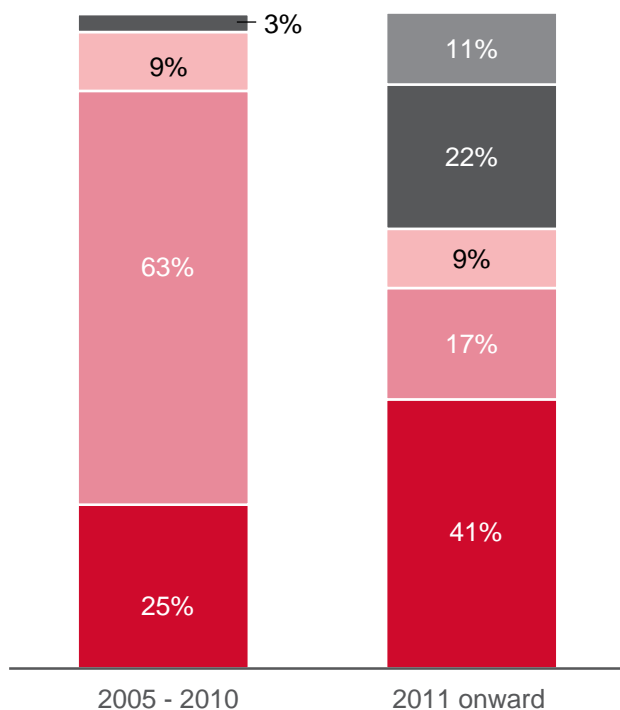
* 3 undisclosed amounts

Exits were **up 84%** compared to 2014

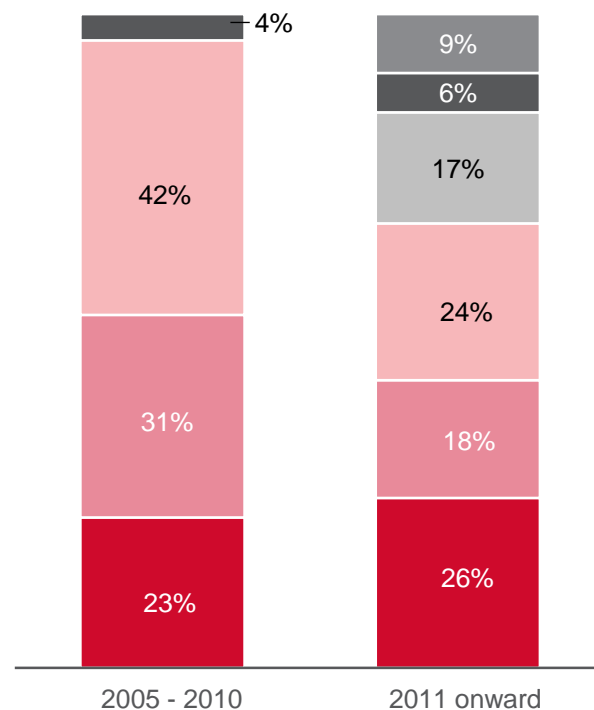
Since inception, the **total amount exited** reached 2.2 bln MAD, representing **40% of the overall amount invested** by the Private Equity industry

Types of exits by fund generation

As % of value



In number



Loss realized
Repayments

Private equity buyers
Management

IPO or sale of shares
Industrials (Trade sales)

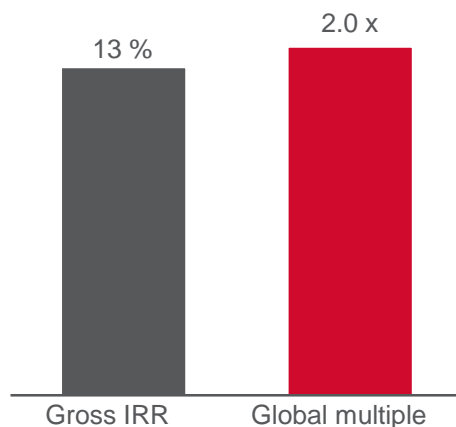
Accumulated amounts exited: 2.2 Bln MAD

Number of exits: 91

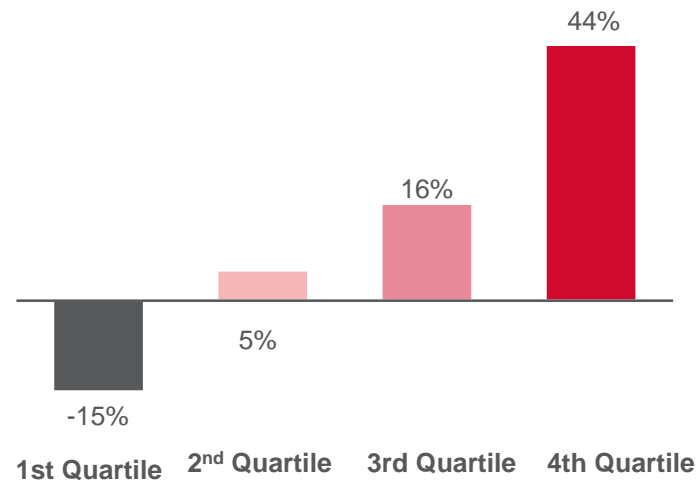
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Gross Internal Rate of Return (IRR)* & Multiple 2000 - 2015



Unweighted average IRR per quartile



* Average Gross IRR on exits (Cf. Methodology)

Weighted average IRR at end of 2015: 13%

Average multiple (unweighted) : 2.0
(Seed - Venture : 1.2 / Growth : 2.6 / Buy out : 1.5)

Average investment length: 6.0 years

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Turnover growth and employment growth of invested companies (by end 2015)

Turnover CAGR (compound annual growth rate) of invested companies by the end of 2015* = 17.6 %

CAGR by end of 2014 = 15.4 %

CAGR by end of 2013 = 13.8 %

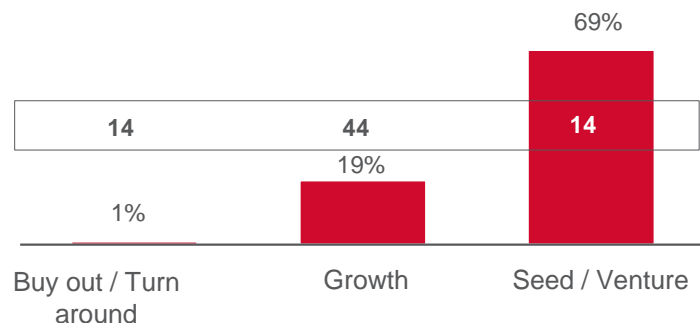
Employment CAGR by the end of 2015* = 4.9 %

CAGR by end of 2014 = 4.2 %

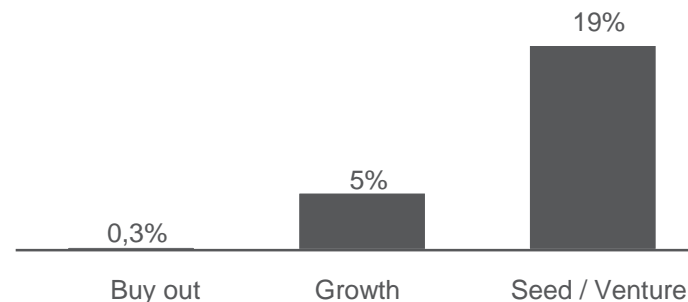
CAGR by end of 2013 = 7.7 %

* Based on data of 72 invested companies and still in portfolio

Turnover CAGR by development stage



Employment CAGR by development stage

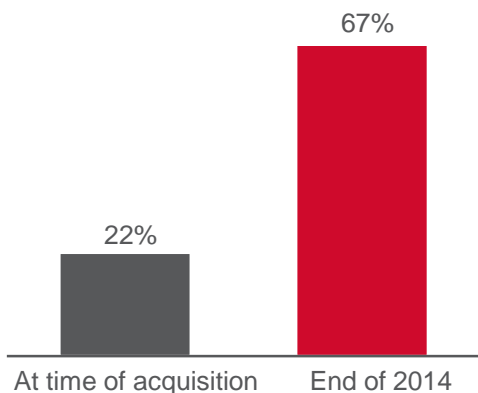


Turnover CAGR by sector

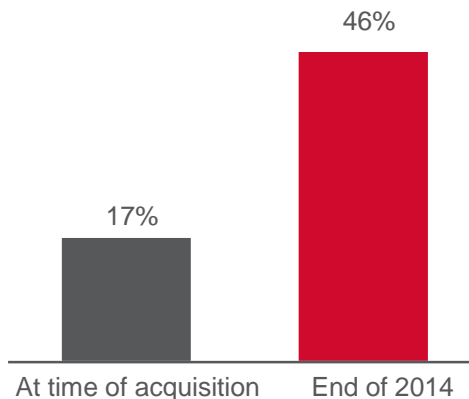


X Number of companies by sector / category

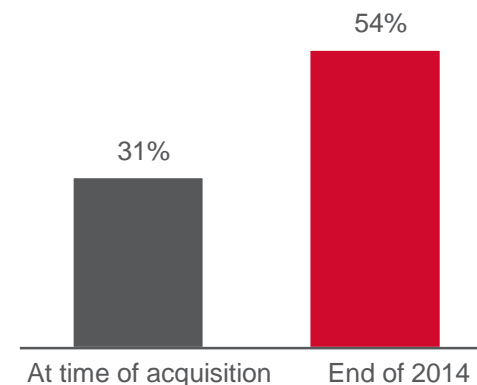
Annual training plan



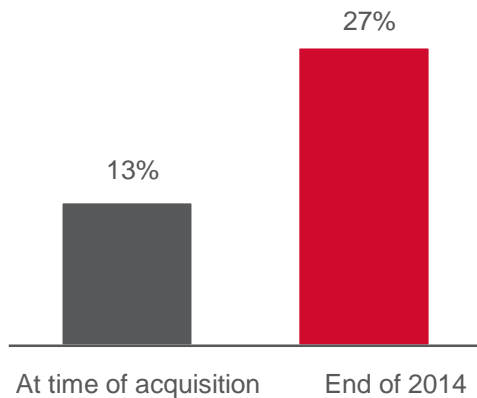
Strategic workforce planning



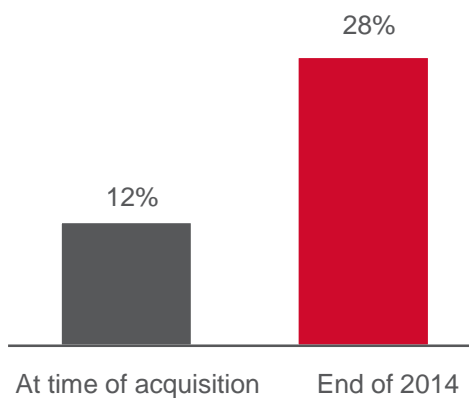
Code of ethics

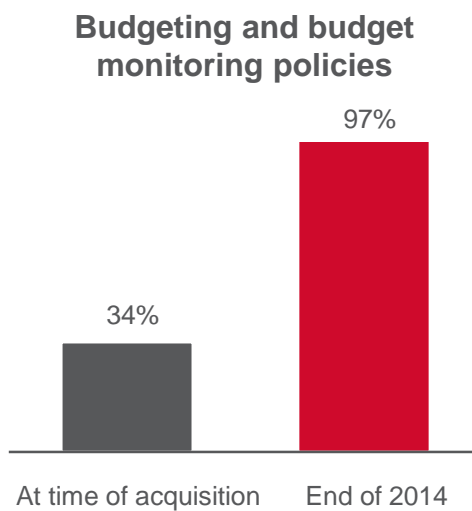
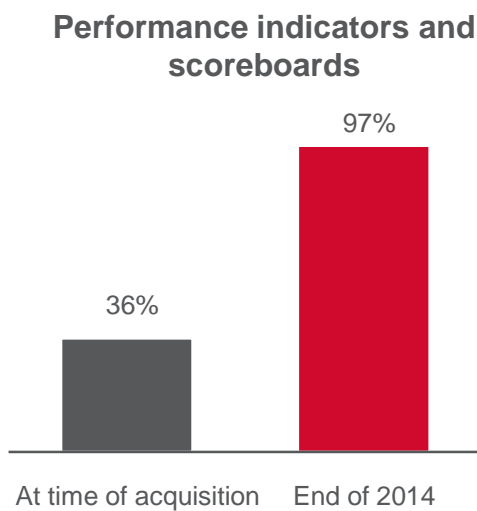
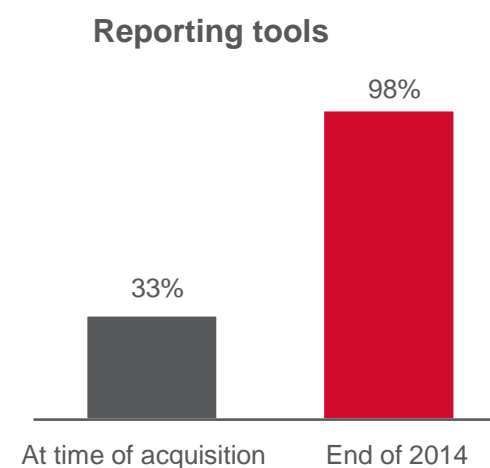
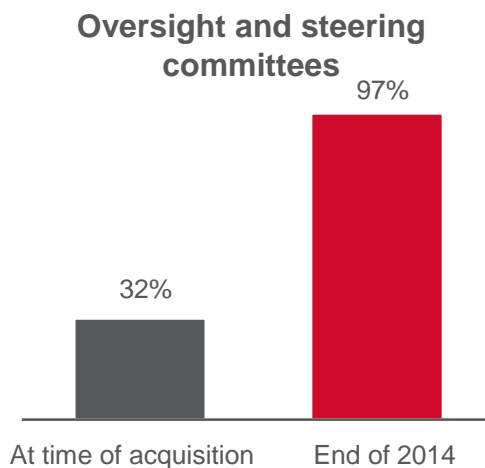
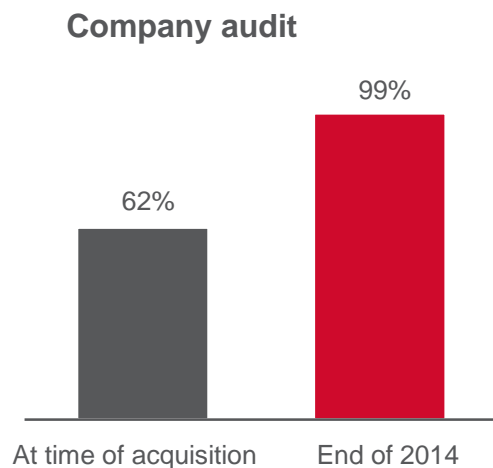


Actions engaging the company in social activities



Actions for environmental protection

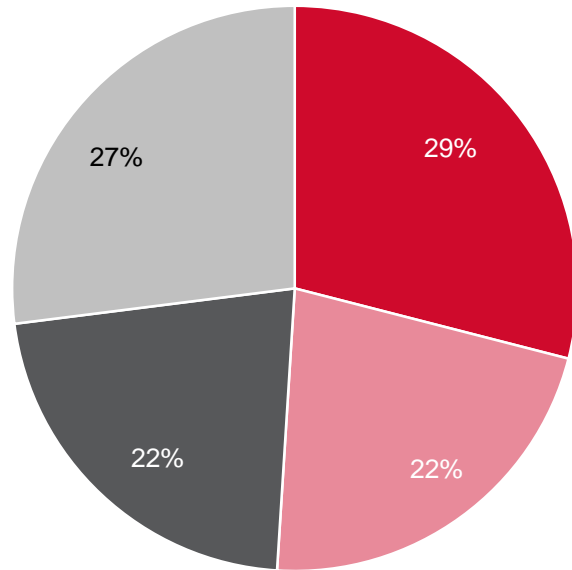




Summary

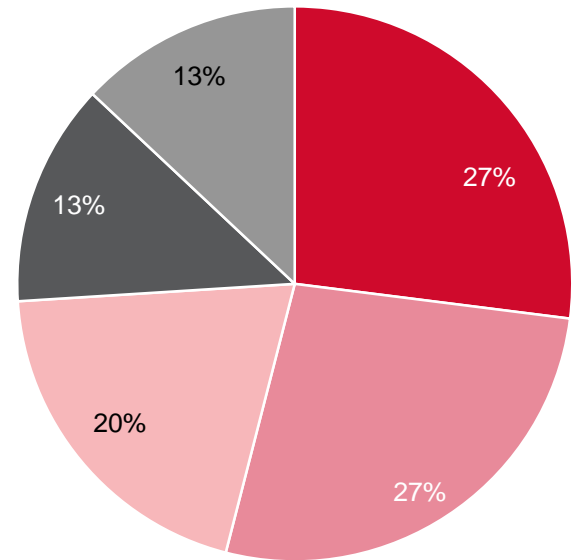
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Main challenges for 2016



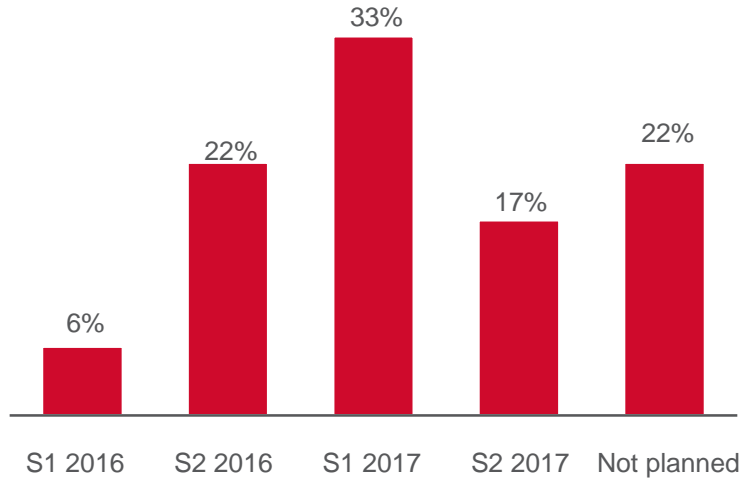
- Investing in new companies
- Fundraising
- Managing underperforming companies
- Identifying exits

Priority investment areas (for transregional funds)

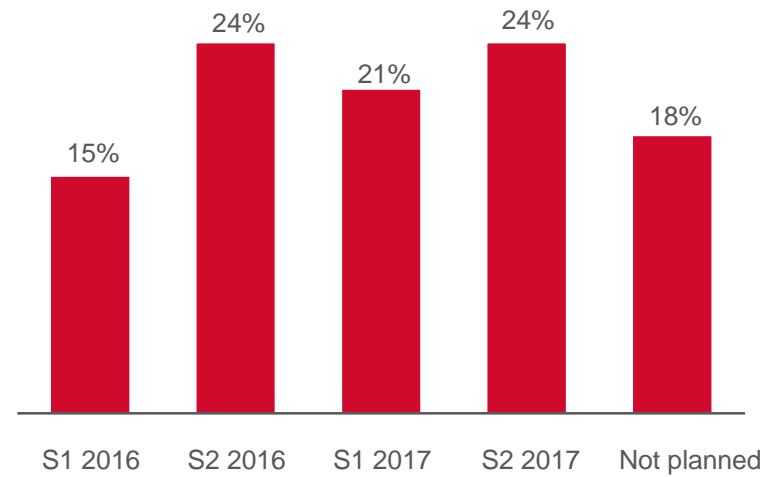


- Morocco
- Tunisia
- Sub Saharan Africa
- Algeria
- Egypt

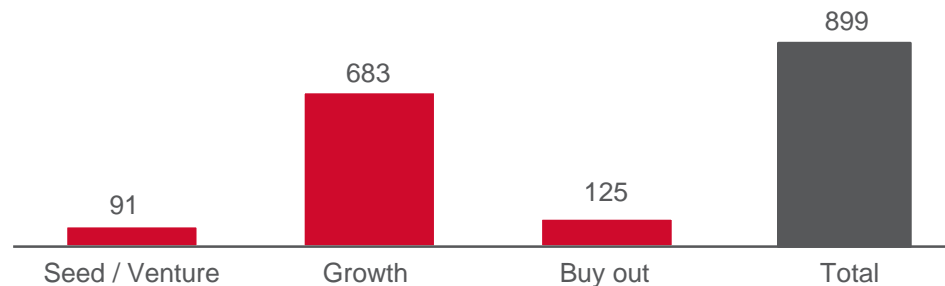
Planned fundraising for new funds



Planned exits for the majority of portfolio companies

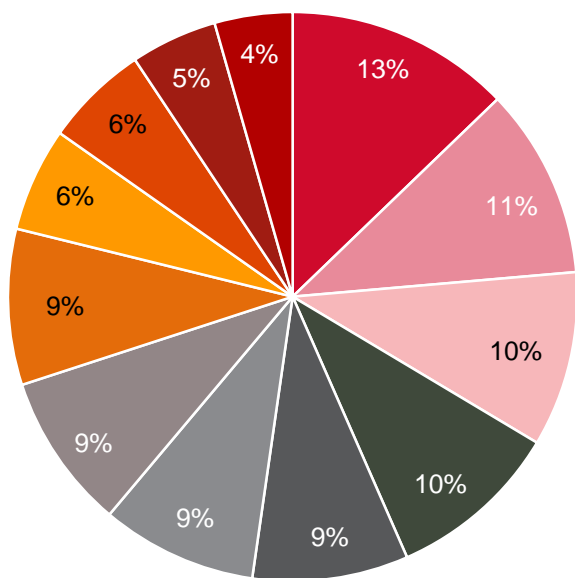


Investments forecasts for 2016 by development stage in mln MAD*



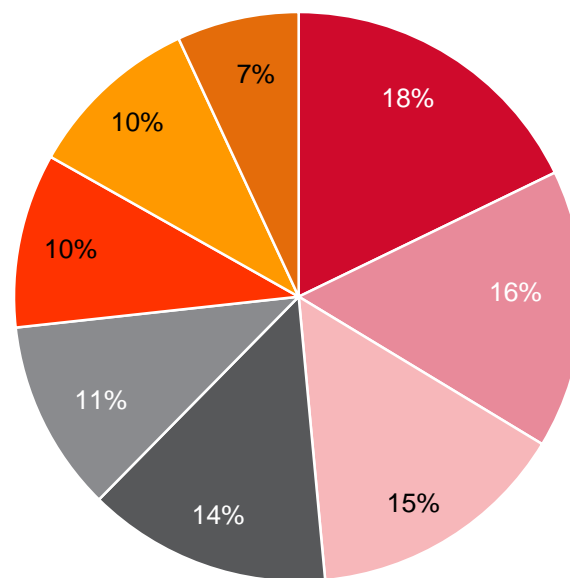
* 9 management companies

Investment sectors over the next 5 years



- | | | |
|--|---|--|
| ■ Agribusiness | ■ New technologies | ■ Automobile |
| ■ Health | ■ Consumer goods | ■ Distribution |
| ■ Energy | ■ Services | ■ Telecom |
| ■ Education | ■ Transport and Logistics | ■ BTP |

Investment regions over the next 5 years



- | | | | |
|---|--|--|---|
| ■ Casablanca | ■ Marrakech | ■ Agadir | ■ Oujda |
| ■ Rabat | ■ Tangier | ■ Fez | ■ Laayoune |

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Funds raised	16.4 bln MAD raised by private equity and infrastructure funds	95 % funds raised since 2013 are by transregional funds	3.2 bln MAD still available for investment
Investments	5.5 bln MAD invested in 166 companies by the end of 2015	606 mln MAD invested in 2015	Average investment ticket = 44 mln MAD
Exits	Accumulated amounts exited = 2.1 bln MAD		58% of exits since 2011 are through trade sales or sale of shares (IPO)
Economic and social impact	97% of companies have implemented a complete system of governance	Employment CAGR = 4.9% Turnover CAGR = 17.6%	
Performance	Weighted average gross IRR = 13%	Average investment time = 6.0 years	Average multiple = 2.0

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Investment company	Operation
Swicorp	Investment in the capital of Venezia Ice Injection of 125 mln MAD via the Intaj II fund
TPG Growth SATYA Capital Limited	Investment in Yassamine schools, up to 250 mln MAD
Blue Mango Capital	Investment in Menara clinic in Marrakech, a center specialized in oncology and radiology
Saham & Tana Africa Cap	Investment in the primary and secondary education sector via a new entity: Sana Education

BIn MAD	Billions of Moroccan dirhams
CAGR	Compound Annual Growth Rate
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EMPEA	Emerging Markets Private Equity Association
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFC	International Finance Corporation
IPO	Initial Public Offering
IRR	Internal Rate of Return
MEF	Ministry of Economy and Finance
MIn MAD	Millions of Moroccan dirhams
OPCC	Organisme de Placement Collectif en Capital : Collective Investment in Capital Scheme

Buy out Capital (transmission capital):

Transmission capital investments in management or owner succession aimed buyouts in mature firms.

Discretionary Management:

Classic private equity structure where individual investment decisions are in the hands of the management team.

Exit Amount:

Exit valued at proceeds of sale of investment in the enterprise.

Exit Mode: Management

Share by-back from PE investor by management of the enterprise.

Funds of Funds:

A fund raising funds from multiple sources for investment in a diverse number of private equity funds.

Growth Capital (late stage venture capital):

Investment in equity and quasi-equity in order to finance the development of a business or the acquisition of new stocks. The business partner is a company established in its markets, profitable and having significant growth prospects. Frequently called Growth Venture Capital.

IRR (Internal Rate of Return):

Measurement of the average annualized rate of return of an investment consisting of negative flows (cash outflows) and positive flows (cash inflows). It is used to measure and monitor performance of private equity transactions.

Invested Capital:

Capital invested in enterprises by venture or private equity fund companies.

Multiple:

Investment Multiple = Proceeds of sale / Invested amount.

Private Equity Fund:

An investment vehicle that raises capital from a diverse group of investors with a view to investing in unlisted private firms and realizing capital gains shared among investors.

Quartile:

Division of the quartiles are the values that share a set of values into four equal parts. Thus, in the distribution of IRR for example, the first quartile is the IRR below which lie 25% of IRRs.

Quasi Equity:

Financing vehicles that combine both debt and equity characteristic.

Raised Capital:

Confirmed investment commitments in venture or private equity funds.

Seed Capital:

Seed Capital investors bring, along with equity, a professional network and personal experience in early stage entrepreneurial projects that are still in development.

Small and Mid Caps:

The definition of small and mid caps varies depending on the maturity of the markets. In Morocco, AMIC considers that the investments “Small and Mid Caps” correspond to transactions less than 200 mln MAD

Transregional Funds:

Funds targeting several investment geographies at the country level (in contrast to ‘regional’ funds within Morocco focused on regional investment within Morocco alone)

Venture Capital (early stage):

Equity or quasi equity in young enterprises and start-ups.

Founded in 2000, **AMIC** (the Moroccan Private Equity Association) is an independent professional association whose mission is to **unite, represent and promote the private equity profession to local and international investors, entrepreneurs and governmental bodies.**

AMIC's main mission is to **strengthen the private equity industry's competitiveness in Morocco and abroad** via:

- **Effective and clear communication** about the private equity industry
- **Executing reliable reports and surveys on the state of Private Equity in Morocco**
- **Active participation in discussions on any draft law** regulating the sector
- **Establishing a good governance and ethics code** for the Private Equity industry and promoting compliance with this code
- **Providing support services to members on regulatory issues** related to the profession
- Development of a **quality training program** touching on all industry fundamental skills.

Site Web : www.amic.org.ma

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- Organisation
- Information system
- Improvement of the performance
- Certification/Categorization

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