



## **PE Management to Enable the Growth of SMEs**

December 2006



### **Agenda**

- In this presentation, I will attempt to illustrate:
  - ✓ **The lifecycle of Private Equity**
  - ✓ **The contribution of Private Equity to the growth of SMEs**
  - ✓ **The results obtained by our approach**



## Introducing Tuninvest

### ▪ Tuninvest Finance Group:

- ✓ Private Equity and Corporate Finance partnership covering North, West and Central Africa founded in 1994
- ✓ 20 investment officers in the region
- ✓ \$170 million under management
- ✓ A portfolio with over 50 companies
- ✓ Strategic partnerships with DFIs
- ✓ Co-Founder of the Africa Venture Capital Association

### ▪ Khaled Ben Jilani:

- ✓ Engineering background
- ✓ First life as an IT & Strategy consultant
- ✓ Second life in private equity

## The Private Equity Lifecycle

### 1. Raising funds

- Performance based fee
- 10 year-life funds
- Mainly DFIs funding

### 2. Investing

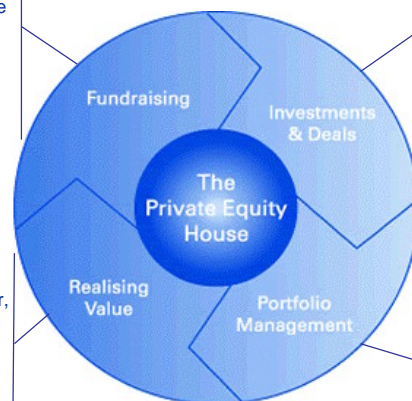
- Financing in real equity
- Core company risk
- 3 to 7 years investments

### 3. Harvesting

- Sale to strategic partner, international or regional players
- Through management acquisition
- Initial public offering

### 4. Growing

- Hands-on monitoring and value addition through:
- Strategic vision sharing
  - Strengthening of management
  - Enhanced corporate governance



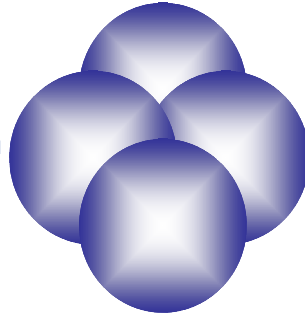
## Our Approach to Private Equity

### Proximity to Portfolio

- Build close, shock-resistant relationships with management based on trust and value addition
- Introduce corporate governance as a pillar of the future

### Network

- Build a dense network across institutions, industries and countries
- Encourage to build technical & commercial partnerships
- Facilitate the expansion of companies beyond their borders



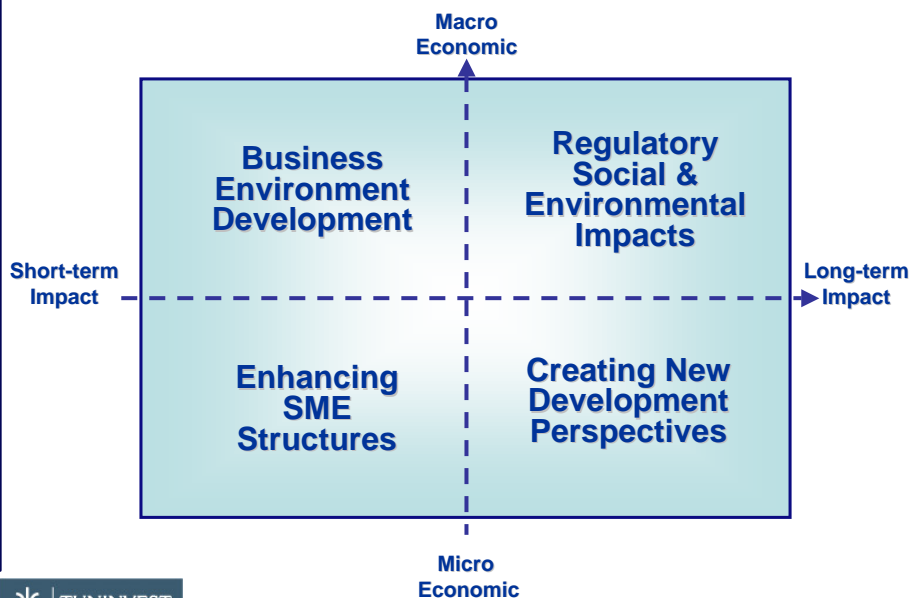
### Skills & Values

- Recruit and retain motivated and multi-skilled team
- Create a challenging and motivating environment for highly-skilled managers
- Build an irreproachable ethical culture based on integrity, merit and faith

### Positive lobbying

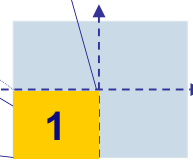
- Push for an evolution of business-related laws
- Ensure protection enforceability

## Contribution of Private Equity to SME development



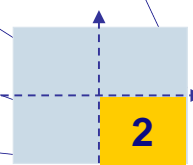
**Micro & Short Term Impacts:  
Enhance the structure of SMEs**

- Improve the capitalization of companies and bring them out of the intoxicating leverage spiral (e.g. IGL)
- Attract a new breed of entrepreneurs and recruit highly skilled managers and executives (e.g. ISP Algeria)
- Give executive teams access to capital and create stable HR for companies (e.g. Interchem)
- Bring a culture with a mix of the best of family and institutional culture, based on integrity, merit and faith



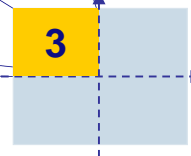
**Micro & Long-Term impact:  
New Development Perspectives**

- Help entrepreneurs to institutionalize and formalize their initiatives (e.g. Esprit)
- Bring companies beyond the borders of their local markets based on regional strategies to improve their global competitive position (e.g. S2M)
- Duplicate proven technologies and models in investee companies
- Attract foreign investments and strategic partners (e.g. Interchem)
- Help family businesses evolve beyond their founders



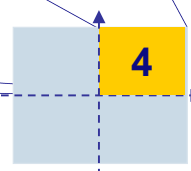
**Macro & Short Term Impacts:  
Structuring the business environment**

- **Develop corporate governance and financial transparency culture**
- **Contribute to improve tax collection efficiency (e.g. Baguette & Baguette)**
- **Enhance exports by contributing to open the access to neighboring and developed markets**
- **Improve reliability of local distribution networks by forming networks of local suppliers and buyers (e.g. Monoprix)**
- **Develop the financial sector and the stock markets (e.g. Exits)**



**Macro & Long-term impacts:  
Regulatory, Social & Environmental Perspective**

- **Lobby for**
  - ✓ the enforceability of shareholders' agreements and stock options plans, and the creation of new instruments, etc... (e.g. AVCA, ATIC agendas)
  - ✓ Fiscal reforms to encourage initiatives and investments by reducing fiscal pressure
- **Implement new environmental guidelines which meet international standards (e.g. Vitalait: water treatment)**
- **Create intangible assets, in the form of improved employees' rights, health, training, etc... (e.g. Siprof: asbestos)**



**Results Obtained**

**Tuninvest's vs. UK PE Backed Co.s Performances:**

Annual Increases	Tuninvest Portfolio 1995-02	Overall Tunisia 1995-02	PE Backed Co.s (UK) 1996-01	Overall UK 1996-01
Job creation Growth	+25%	+2.7%	+29%	+2%
Sales Increase	+45%	+5%	+27%	NA
Export Increase	>>100%	+20%	+27%	+4.4%
Investment Increase	>>100%	NA	+24%	+8.8%

**→ Results comparable with UK's in a less competitive and less structured environment**



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