

Investisseur & Partenaire

New Fund I&P Afrique Entrepreneurs

- Releasing the potential of SMEs and the financial sector
- Promoting socially and environmentally responsible entrepreneurship
- In Sub-Saharan Africa



Executive summary

- I&P Afrique Entrepreneurs relies on an **original business model designed and developed by Investisseur & Partenaire pour le Développement** (I&P Développement), under the leadership of Patrice Hoppenot, a renowned private equity professional.
- I&P Développement, which **has invested in 30 small and medium sized companies (SMEs) and microfinance institutions (MFIs) in developing countries**, is a private investment company created in 2002, and has proven to be successful. It has been managed since its inception by the same management team, which has progressively grown and improved its organization in order to meet its growing challenges.
- The purpose of the new fund is to **increase the investment capacity of the team through a classical investment vehicle and reach additional qualitative impacts**.
- I&P Afrique Entrepreneurs will be run by the **same team, adapted to the new challenges, and led by Jean-Michel Severino**, former CEO of Agence Française de Développement (AFD).
- I&P Afrique Entrepreneurs will follow the **same investment strategy and values** as I&P Développement, with minor changes based on the accumulated experience and the evolving needs.

An impact investing strategy

OUR GOAL

- To contribute to the development of an enduring and efficient private sector and strengthen the economic fabric in Africa, as well as the Indian Ocean, and promote entrepreneurship values
- To spur local economic, social and environmental impact

OUR MEANS

- To support the creation and development of African high potential Small and medium sized firms (SMEs), and financial institutions, especially Microfinance institutions (MFIs)
- To contribute to making them competitive, autonomous and sustainable; to help them create value, services, capabilities and jobs
- To improve their governance, their social management and their impact on the environment

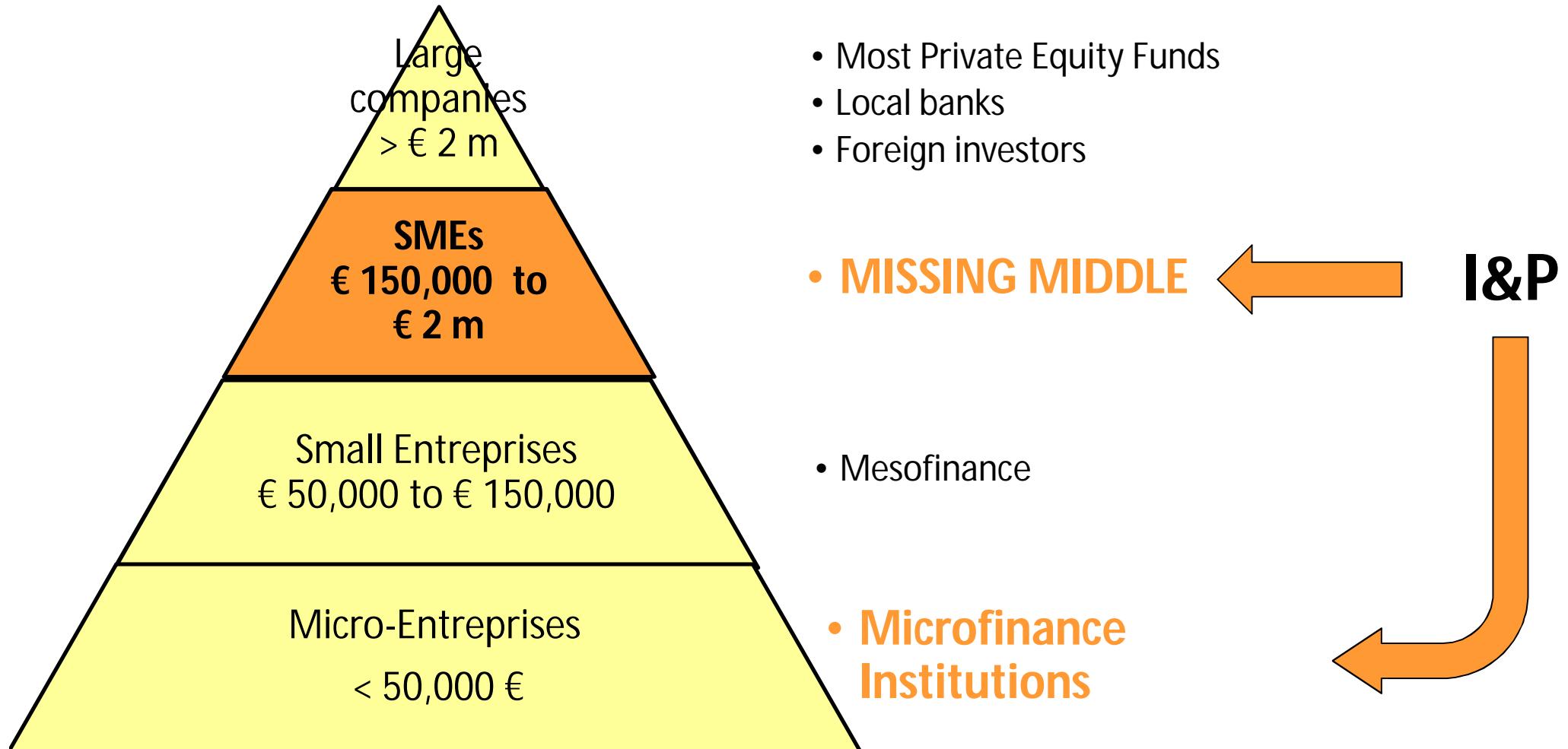
OUR PROPOSAL:

Offering investors the first impact investing opportunity in Western and Central Africa, and the Indian Ocean, combining satisfactory financial returns and significant economic and social value

Our core investment focus : Western and Central Africa

- **Western and Central Africa** (from Senegal to DRC, with the exception of Nigeria) will be the core focus of the team with many opportunities :
 - Macroeconomics conditions in Central and Western African countries have improved: Sub-saharan Africa is projected to generate 5,9% real GDP growth in 2011 (3 times more than EU)
 - Economic development and on-going demographic transition generate a lot of opportunities and challenges for local companies
 - Despite security problems in the Sahel, and a political transition challenge in Ivory Coast, this region benefits from improved business environments
- **Two secondary target areas may be considered :**
 - **The Indian Ocean** : an archipelago of diverse levels of maturing economies (Madagascar, Mauritius, Comoros...) providing a large scope of possibilities, and a strong collaboration with a sister fund, I&P Capital
 - **Punctually**, interesting opportunities may appear in **Eastern or Southern Africa**, in a buoyant part of the continent, in a more competitive environment, that can be seized on an opportunistic basis; I&P Afrique Entrepreneurs, will especially look for opportunities in this region in the microfinance sector.

Investment profile : the missing middle and micro-entrepreneurs



The « missing middle » opportunity

- The African economic environment, essentially divided into a plethora of informal micro-enterprises and a few major companies, mirrors the two-tier structure of the finance sector : micro-enterprises and major companies have access to appropriate financing opportunities, respectively from MFIs and from banks or investment funds.
- Between these two extremes, **the SME fabric remains widely underdeveloped in Sub-Saharan Africa, especially in French-speaking countries : the “missing middle”.**
- **Despite the widespread consensus on the instrumental role and potential of SMEs** to address African coming challenges and be major providers of jobs, products and services, SMEs have **limited access to funding opportunities**, especially long-term capital.
- Market opportunities are considerable for African SMEs, and so are their needs of funding.
- Bringing funding solutions and adequate support will unlock the potential of SMEs.

Micro-entrepreneurs through MFIs

- MFIs provide financial services to micro-entrepreneurs in the informal economy who do not have access to the conventional banking system. For these entrepreneurs, access to credit and savings is an essential factor of dynamism, growth and security.
- **The positive impact of microfinance on the poverty level of its clients is a globally accepted fact but the sector is still not significantly developed to meet the growing demand in many African countries.**
- The Fund shall **focus on MFIs operating in underserved areas or countries** because this strategy is both efficient in terms of strategic positioning and social performances, all the more so as intense competition in immature or poorly regulated markets can be dangerous both for the clients (over-indebtedness) and for the MFI (market risk).
- **MFIs represent relatively low-risk investments, are profitable and exit opportunities are increasingly available.**



SMEs and MFIs profile

- I&P Afrique Entrepreneurs will invest in SMEs or MFIs **in their early, development stage or turnaround**
 - **SMEs** : small to medium companies, including start-ups, employing on average from 10 to 250 people with a turnover ranging from € 200,000 to € 10 M
 - **MFIs or small financial corporations**: greenfield in association with a Microfinance operator or microfinance projects to be converted into private companies, development and consolidation of existing MFIs, small commercial financial institutions facing strategic challenges...
- **In diversified sectors** (health, food-processing, agriculture, building materials, retail, services, microfinance...)
- Showing a strong **potential for value creation** and managed by **skilled local entrepreneurs/managers**
- In search of **mentoring and advice**

The operational and financial objectives

- **Equity stakes** and/or loans (convertible, participating etc.)
- **10 investments per year** during 5 years (investment period)
- Investment (Equity + Loan) ranging **from € 300,000 to € 1,500,000**, the average being around **€ 700,000** (Equity + Loan)



The impact objectives

- **Strengthening the African economic and social fabric**, by the multiplication of SMEs and entrepreneurship values
- **Economic impact**, through additional economic growth, fiscal contribution, promotion of the domestic market
- **Social impact**, through the creation of decent jobs, good working conditions, promotion of best social practices
- **Environmental responsibility**, by promoting best practices related to biodiversity, climate impact, natural resources usage, energy efficiency
- **Governance impact**, by the promotion of the formal sector, the progressive introduction of best governance practices

A **specific reporting thereon** will be regularly provided to investors. These objectives will guide the fund's strategy and its operations

A tailored partnership approach

- **I&P builds strong partnerships with SMEs and their entrepreneurs**
 - long-term
 - hands-on
 - tailor-made
 - transparent and trustful
- **It provides close support to and mentoring** of the entrepreneur and the management
- **It gets strongly and actively involved** in the company strategy and management
- **It customizes the investment package alongside entrepreneurs:** combination of equity interests, participating loans, convertible loans, shareholders' current accounts
- **It provides technical assistance**

I&P Team contribution to portfolio companies

- I&P Investment Team does **more than** providing the usual **monitoring and mentoring** which investment funds usually offer.
- Its support includes especially:
 - Participation to structuring and organization of all company components : accounting, governance, sales and marketing, quality, HR, information systems etc.
 - Capacity building/Training/Coaching
 - Transfer of knowledge
 - Access to professional networks
 - Support in finding additional funding or partners

Technical Assistance facilities

- The Fund will benefit from several **Technical Assistance facilities** granted by Development Finance Institutions to support its mission.
- **General objectives :**
 - To add value and improve efficiency and profitability
 - To improve and strengthen organization and management capabilities
 - To foster knowledge transfer and experience sharing
 - To support changes in governance and improve social and environmental management
- On request, or at the initiative of the team, technical assistance missions can be carried out **to meet a need for a more in-depth support, requiring the involvement of specific expertise over a period of weeks or months.**
- I&P can rely on a **large panel of local or international experts.**

Organization

- **I&P Afrique Entrepreneurs will be incorporated in Mauritius and managed by I&P Gestion, incorporated in Mauritius, with the support from I&P Conseil (in France).**
- **I&P will run operations both from Paris and field offices, with inputs from Mauritius.**
- The management and part of the administrative team will be located in Paris, running the largest deals, providing guidance as well as managerial and technical support to local offices.
- **Local offices in Africa** are or will be set (Cameroon, Senegal, Ghana, Madagascar). They will host most of the investment team. Depending on the structure of the portfolio, other offices may be opened in the future. Those offices will progressively run most of the daily operations with the exception of the largest ones, and carry a major role in the identification of the deal-flow.
- **Going forwards**, international and local advisory committees will support I&P analysis capacity.
- Cooperation with the sister team, I&P Management located in Mauritius, running the Funds I&P Capital will widen the scope of expertise of I&P Gestion.

The Team

- **Jean-Michel Severino**, 53, leads the management team. He took over from Patrice Hoppenot, retiring. Former director general of AFD and chair of Proparco, former Vice-President of the World Bank, Jean-Michel Severino has a life long experience of Africa as well as investment in developing and emerging countries, especially this continent.
- The investment leading team gathers 3 investment directors (average age 37 years old), with an average of 11 years of professional experience (6 years at I&P), all graduated from leading business schools: **Sébastien Boyé, Pierre Carpentier, Jérémie Hajdenberg**. Sébastien Boyé is located in a field office (in Accra, Ghana) and Pierre Carpentier and Jérémie Hajdenberg are located in Paris.
- The investment team will also include 3 currently operating investment officers (average age 31 years old) with an average of 4 years of professional experience (2 years at I&P), all graduated from leading business schools: **David Munnich, Elodie Nocquet, Thomas Lauruol**.
- **This team will be complemented by the hiring of additional African investment officers, located in the field offices.**
- **Administrative and support team:**
 - **Laetitia Latreille**, 32, Chief Financial Director
 - **Isabelle Colin**, 50, Administration Officer
- A network of experts, with strong experience in investment and SMEs and/or industry-specific expertise
- A network of local service providers (accounting, management, IT) in each target country
- Seniors advisors also support the management and the investment strategy