EMPEA

Investing for Growth
Deal Book

Portfolio company cases from fund managers across Africa, Asia, Emerging Europe, Latin America, and the Middle East.

A Message from the CEO

This inaugural **Investing for Growth Deal Book** seeks to illustrate in practical terms the real impact of exemplary private capital investment in Asia, Africa, Latin America, the Middle East, and Central & Eastern Europe.

Eighteen cases from EMPEA member firms span denim manufacturing in Vietnam, an R&D-driven seed business in India, municipal waste management in Poland, online medical education in Brazil, wind energy in Senegal, and a real estate logistics platform spanning China and Southeast Asia.

In part, this publication is a response to the widespread excitement over responsible investing globally, which has dominated mainstream media and the promotion of fund products across asset classes, creating both momentum for change and confusion over definitions, metrics, and expected outcomes.

Beyond the marketing language and tick boxes, private capital fund and institutional investors commit hundreds of billions of dollars to companies and projects in our markets each year, where operational capabilities are table stakes – success depends on the ability to execute, not timing market cycles or financial engineering. In order to generate returns they must grow businesses, institutionalize governance, enable technology, and build infrastructure, creating jobs and training workforces in the process.

One fund manager described it to me as “ESG in action.”

Limited partners are right to demand transparency and standardization as they evaluate funds promising to mitigate climate change or reduce income inequality. And LPs will not commit capital unless they are guaranteed excellent governance at the GP level – backing trusted partners – as protection from reputational risk or worse.

At the same time, standardized metrics and reporting will not capture the full, transformational effect of long-term capital in our markets. This became evident as EMPEA worked closely with deal team professionals and portfolio company CEOs over the last nine months to produce this publication; each deal presented unique and complex challenges for management and investors, and outcomes should be considered relative to local contexts.

EMPEA will be building on this work with subsequent publications and a rigorous awards program to recognize excellence in our industry.

– Cate Ambrose
CEO, EMPEA

About EMPEA

EMPEA is the global industry association for private capital in emerging markets. An independent, non-profit organization, the association brings together 300+ firms—including institutional investors, fund managers, and industry advisors—who manage more than USD5 trillion in assets across 130 countries. EMPEA supports its members globally through research and intelligence, investor meetings, education, and advocacy.

EMPEA Leadership Circle Members

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EMPEA Products & Programs

Data Portal

The EMPEA Data Portal allows members to search for and download underlying fund- and deal-level data.

Industry Data & Statistics

EMPEA members receive mid-year and year-end Industry Data & Statistics with detailed analysis and access to raw data, as well as 2-page region- and sector-specific breakdowns.

Member Directory

Search profiles of 300+ EM fund managers, institutional investors, and other industry stakeholders. Advanced search capabilities include keywords, firm name, firm type, HQ, and region.

Global Limited Partners Survey

Annual survey featuring the views of 100+ LPs on the current conditions and outlook for private capital in emerging markets.

Investing for Growth Deal Book

Verified and detailed portfolio company cases from fund managers across Africa, Asia, Emerging Europe, Latin America, and the Middle East.

VC+Tech Report

EMPEA's annual report on venture-backed startups across emerging markets which includes data on VC fundraising and investments, as well as market breakdowns including top VC deals by size, most active venture investors, and tech sector highlights.

GPEC

The Global Private Equity Conference (GPEC), hosted by IFC in association with EMPEA, is the world's leading event dedicated to exploring private investment opportunities across emerging markets.

Education & Training

EMPEA maintains a curriculum of live and virtual practitioner-led investor training for PE and VC fund managers, as well as EM-based institutional investors.

NewsWatch

Weekly newsletter with updates on the latest private capital transactions and activity across Africa, Emerging Asia and Europe, Latin America, and the Middle East.

Global VC Cache

A bi-weekly newsletter covering cross-border tech transactions and innovations in a rapidly changing world.

Contents

The Investor: **Actis**

Fund Manager: Actis

Fund Name: Actis Energy 3

Fund Size: USD1.15 billion

Total AUM: USD10 billion

Actis is a global investor focused on growth markets across Africa, Asia, and Latin America. Founded in 2004, Actis has raised USD19 billion since its inception, investing in more than 200 companies and realizing over 165 exits. The firm has a team of over 300 employees, including over 120 investment professionals, operating out of 17 offices globally.

The Company: **PETN**

Company: Parc Eolien Taiba N'Diaye

Website: www.taibaeolien.com

Industry / Sector: Energy

Location: Senegal

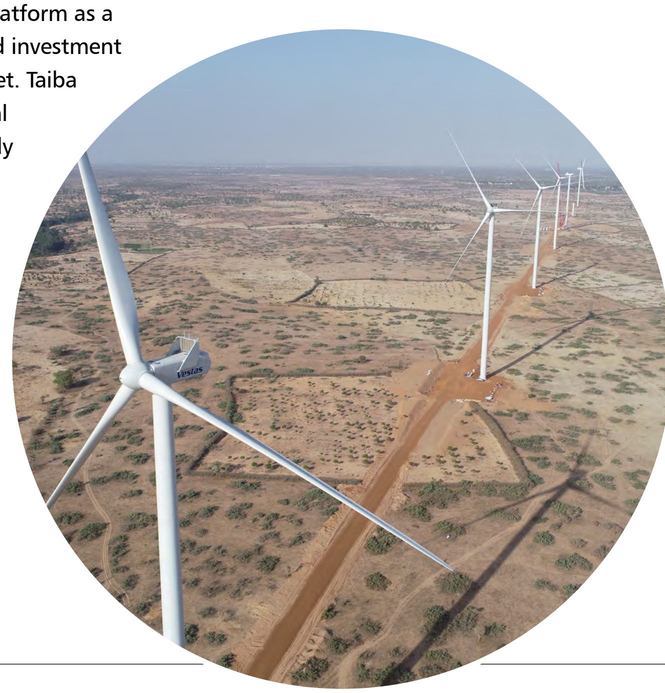
Parc Eolien Taiba N'Diaye (PETN) is the first utility-scale wind energy platform in Senegal and the largest wind farm in West Africa. One of several projects being developed by Lekela Power, PETN will provide 158.7 megawatts (MW) of clean, reliable power to Senegal's electricity grid once completed in 2020. It is designed to operate for a minimum of 20 years, while providing power to over two million people.

Date of Investment:	Amount:	Participation / Stake:
June 2016	**~USD330 million***	**60%**

Opportunity

When Actis began evaluating the 158 megawatt (MW) Parc Eolien Taiba N'Diaye (PETN) project in 2016, it saw an opportunity to transform the Senegalese power sector by building the country's first utility-scale wind power plant. At the time, only 65% of the population in Senegal had access to electricity, while 88% of the country's generation capacity was sourced via burning oil and diesel, according to World Bank estimates. Senegal additionally had one of the highest generation costs in the world due to its reliance on imported fuel. Despite these challenges, Actis recognized that Senegal boasted one of the best wind resources in Africa, and valued that the project had the support of the Senegalese government, which was vocally committed to developing the country's renewable power sector in order to halt chronic electrical outages and achieve greater energy independence.

Actis had recently partnered with Mainstream Renewable Power to build Lekela Power, a USD1.9 billion renewable energy platform, and was actively searching for opportunities across Africa. PETN fit well within this platform as a commercially attractive greenfield investment in a historically challenging market. Taiba N'Diaye was a relatively poor rural community, located approximately 70 kilometers northeast of Dakar, and was vulnerable to increasingly frequent and prolonged periods of drought—particularly as only 5% of the land was irrigated. By the time Actis began looking at PETN, people in the local community were already well informed regarding the project and were open to further discussions to see how their lives and the region could be improved by hosting a wind farm in the area.



*Representing an equity investment by Lekela Power, which is a joint venture between Actis (60%) and Mainstream Renewable Power (40%), as well as debt financing provided by the Danish Export Credit Agency (EKF) and the U.S. International Development Finance Corporation (DFC)

Execution

Actis' impact-led investment approach was a key factor in Lekela winning the competitive process to acquire the PETN project and sell electricity to state-owned utility Société Nationale d'Electricité du Senegal (Senelec) through a 20-year power purchase agreement. An immediate priority for Lekela was recruiting community liaison officers and a local management team, including a dedicated ESG group. The team also negotiated the Engineering, Procurement and Construction (EPC) contract with the turbine supplier.

Actis and the Lekela team then faced the logistical challenge of transporting equipment such as 138 turbine blades, each 60 meters in length, and 46 Vestas wind turbines, each 180 meters in height, from the port in Dakar to Taiba N'Diaye. The mostly rural and narrow roads presented challenging conditions, so road turnings had to be modified, while turbine transportation typically began at night in order to minimize disruptions to villages along the route.

In late 2018, construction on the wind power plant commenced. At peak construction, PETN employed 902 people, with 294 workers from the Taiba N'Diaye region, 536 from Senegal and 72 expatriates. PETN generated 18 permanent skilled jobs in the management team, 16 of which are held by Senegalese nationals. Actis and Lekela organized trainings for the employees, particularly on safety and construction techniques. Having to also account for the safety of curious community members keen to watch the plant being built, Lekela undertook various initiatives such as speaking at schools to educate people on the risks of being in operation areas and asking bystanders to stay a minimum of 300 meters away from turbine components.

Outcome

PETN is currently the largest wind farm in the West Africa region and is on track to expand Senegal's total electricity generation capacity by 15%. It began operating the first 55.2 MW of the project in November 2019, and the remaining 103.5 MW reached completion in December 2020. Once fully commissioned, PETN will generate 400 gigawatt hours (GWh) of clean electricity annually to over two million people for a minimum of 20 years. The project will also offset approximately six million tons of carbon over the next two decades and significantly reduce the cost of electricity in Senegal from the current price of approximately USD0.30 per kWh.

PETN was officially inaugurated in February 2020 by Senegalese Head of State Macky Sall and has been well received by local government officials due in large part to the community investment programs Actis helped put in place. Having a world class wind farm on their doorstep has also become a source of pride for people living within the region. As a private equity investor Actis will seek to generate a profit by selling its stake in PETN in the next several years, but the long-term partnership with the Taiba N'Diaye community will also be a lasting part of its track record.

Spotlight: Engaging a Community

Because the site was located in an agricultural area—and construction of the wind farm and access to associated roads would result in some farmers being economically displaced—Actis and Lekela participated in ongoing consultations with those affected by the project to develop a livelihood restoration plan and ultimately solidify their support for the project. PETN assisted 415 families with transitional financing, land and crop replacements, financial management training and irrigated garden establishments—and continues to monitor those families on an ongoing basis.

Lekela and Actis also examined how others living in Taiba N'Diaye might be negatively affected by the project. The women's agricultural economy became one focus point after seeing how heavy vehicles coming in and out of the region could pose a health and safety risk to those selling produce on the side of a busy main road. At the request of a local women's association, PETN provided a new marketplace in Taiba N'Diaye in November 2019 with over 60 covered stalls. The first monitoring and evaluation survey confirmed that all of the women interviewed had seen an increase in revenue and improved health since moving to the central marketplace. Actis also worked with PETN to build a new Information Technology Centre for the Taiba N'Diaye High School in October 2019 and has supported the funding of 12 technical traineeships.

In 2020, Lekela prepared the Taiba N'Diaye community for the COVID-19 pandemic. In collaboration with Actis' neighbouring thermal power plant Tobene Power, Lekela met with community groups throughout the region, including schools, mosques, and women's health groups to distribute information pamphlets and soap. Women were encouraged to start sewing masks, hand washing stations were established, and food parcels were distributed to the most vulnerable members of the community.

The Investor: **Adenia Partners**

Fund Manager: Adenia Partners

Fund Name: Adenia Capital (III)

Fund Size: USD113 million

Total AUM: USD400 million

Founded in 2002, Adenia Partners is an Africa-focused private equity firm operating across five offices in the region. With a target ticket size of between USD12 million and USD80 million, Adenia invests exclusively in controlling stakes in sectors including agribusiness, manufacturing, financial services, telecommunications, hospitality, and health care. To date, Adenia has raised four funds, made 25 investments, and realized 15 exits.

The Company: **Mauvilac**

Company: Mauvilac

Website: www.mauvilac.mu

Industry / Sector: Paint and coatings

Location: Mauritius

Mauvilac manufactures and distributes decorative and specialty paints and coatings. Founded in 1964, Mauvilac sells its products directly through five concept stores in Mauritius and indirectly via a network of over 1,000 hardware stores across the Indian Ocean region. By 2020, Mauvilac had captured a greater than 50% market share of the Mauritian paint industry.

Date of Investment:	Enterprise Value:	Participation / Stake:
July 2014	**USD43 million** (as of March 2020)	**95%**

Opportunity

The Maurel family built Mauvilac, a paint and coatings business, into the flagship brand in Mauritius over 50 years, and was exploring a sale in 2014. The Maurels believed that the company might be a good fit for Adenia Partners, one of the few private equity investors in Sub-Saharan Africa interested in acquiring controlling stakes. Impressed by Mauvilac's renowned brand and track record of profitability in a non-cyclical industry with high barriers to entry, Adenia acquired 95% of the company's shares, with the remaining shares staying in the hands of the founding family.

As part of its investment process, Adenia deliberates exit scenarios at the beginning of each acquisition; in the case of Mauvilac, it was clear that the optimal outcome would be to sell its stake to a leading paint company. The firm contracted Laurent Roussel, a former Managing Director in the paint industry with more than ten years of business, compliance, and marketing experience, to identify areas for improvement that would ultimately move Mauvilac in line with global standards. With Roussel's help, Adenia designed a strategic plan around modernizing governance, improving the facilities, implementing a formal environmental and social management system, optimizing product range, and expanding the distribution network.

Execution

During the first few months immediately following the acquisition, Adenia's modernization plan for Mauvilac was slow to materialize due to organizational inertia. When it became clear that a new CEO was needed to champion the transformation of the company, Adenia recruited Roussel for the role. As the new management team adopted a more inclusive and collaborative approach, the company began to implement new initiatives.

One key focus was improving the job quality of Mauvilac's 250 employees. Adenia strengthened the company's human resources function—an employee handbook was created, job descriptions were reviewed for all employees, and large training programs were organized on topics such as operational excellence, quality management, and safety. For example, 60% of Mauvilac's employees received external training on the ISO management systems. Safety measures were also introduced at the plant, including the addition of floor markings for pedestrians, enforced use of safety equipment and close monitoring of safety performance on site. As a result, work accidents—defined as accidents leading to at least one day of sick leave—have decreased by 44%.

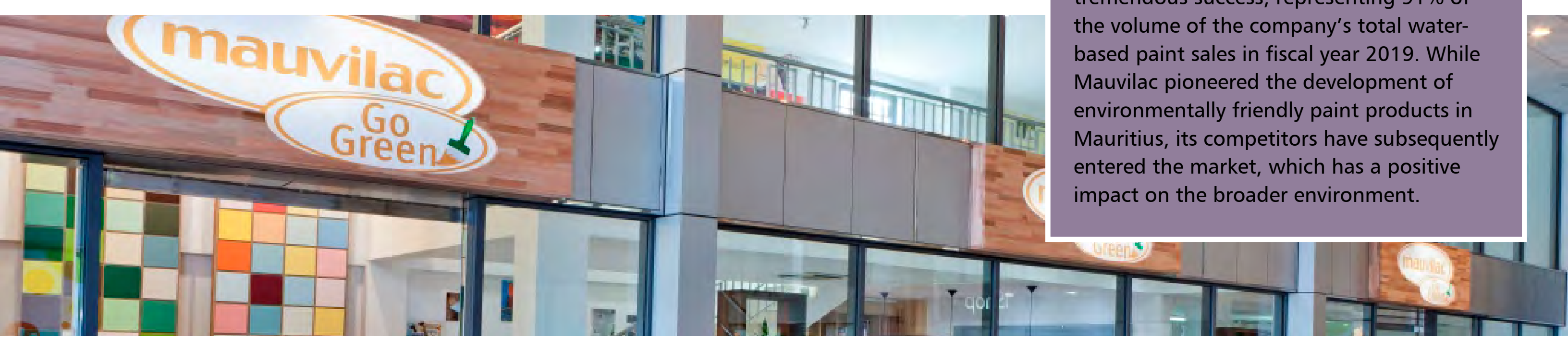
Adenia invested in upgrades to the factory, including moving production from a mostly manual to a semi-automatized process while also making the facilities more modern and environmentally friendly. Waste management and solvent recycling systems were implemented in line with the development of a formal environmental and social management system. Though Mauvilac produces mostly water-based paints, the company did not want to contribute to local pollution and therefore made additional investments to prevent any leakage from its facilities into the nearby environment.

Over its six-year investment period, Adenia drove forward innovations around Mauvilac's products and expanded the company's distribution network, with the company capturing a greater than 50% market share in Mauritius by 2020. At the time of Adenia's acquisition, Mauvilac had three concept stores on the island where customers could purchase products directly. Recognizing that these stores increased customer loyalty and provided better profit margins, Adenia encouraged the company's management to open two additional locations, bringing the total to five by the time of Adenia's exit. Adenia also sought ways to distribute Mauvilac's products beyond Mauritius to neighbouring islands; the company began selling products in Madagascar in 2019 and is currently prospecting in the Seychelles.

Spotlight: Innovating a Local Industry

Research and development is core to Mauvilac's business strategy. Spending between 3-5% of revenue annually on research initiatives, the company stands apart from its competitors by regularly launching new products and seeking to improve existing ones. For example, in 2018 Mauvilac launched Imperial White, a product that has 90% more coverage than traditional white paint. Another innovative product that saw commercial success was an antibacterial paint called Nanotech. As of September 2020, the Nanotech line has helped the company exceed last year's year-to-date sales despite the COVID-19 pandemic as consumers keen to make their homes and offices less receptive to viruses eagerly purchased the product.

Adenia further sought to optimize Mauvilac's product range by supporting the development of the Go Green label, which is the first environmentally friendly paint line in Mauritius. In addition to being produced through greener production processes and using recycled materials for packaging, Go Green paints have significantly lower amounts of volatile organic compounds (VOCs) than traditional paint. Approximately 3,000 tons of VOCs have been saved in the last three years through the use of Go Green products. The label has seen tremendous success, representing 91% of the volume of the company's total water-based paint sales in fiscal year 2019. While Mauvilac pioneered the development of environmentally friendly paint products in Mauritius, its competitors have subsequently entered the market, which has a positive impact on the broader environment.



Outcome

As Adenia began to move into the exit process, several international strategic and financial buyers expressed interest in Mauvilac. As a result of the improvements implemented by Adenia around productivity, product line, and distribution, Mauvilac's EBITDA margins increased by 65% between the time of acquisition and exit. Prospective buyers were also impressed by Mauvilac's adoption of best-in-class operating and governance standards, in line with ISO 9001, ISO 14001, and ISO 45001 certifications, respectively, for quality, environmental and occupational health, and safety management.

In January 2020, Adenia sold its stake in Mauvilac to AkzoNobel, a Dutch multinational company that was the third largest paint and performance coatings manufacturer worldwide at the time. With an approximate enterprise value of USD43 million, AkzoNobel valued the company at 10x EBITDA—versus 7x at the time of acquisition. The exit is a testament to Mauvilac as a leader in innovation, branding, and infrastructure which buyers may not have expected to find in a relatively small emerging market like Mauritius.

The Investor: **Affirma Capital**

Fund Manager: Affirma Capital

Fund Name: Undisclosed

Fund Size: Undisclosed

Total AUM: USD3.5 billion

Affirma Capital is an independent emerging market private equity firm that was established through the spin-off of Standard Chartered Private Equity from the Standard Chartered Group in 2019. The team has deployed over USD5.5 billion in over 90 companies across Asia, Africa, and the Middle East in its 18-year history of working together. Affirma Capital has offices in Singapore, Dubai, Johannesburg, Mumbai, Shanghai, and Seoul.

The Company: **Fine Hygenic Holding**

Company: Fine Hygenic Holding

Website: www.finehh.com

Industry / Sector: Fast-moving consumer goods

Location: Middle East and North Africa

Fine Hygienic Holding (FHH), with headquarters in Dubai, UAE and Amman, Jordan is a vertically integrated hygienic paper product manufacturer and wellness company. Using sustainably sourced raw materials, the company's main products include tissues, diapers, and jumbo reels, as well as its Fine Guard line of face masks, gloves, and disinfectant wipes. With over 3,400 employees, FHH operates five paper mills and over 80 converting lines across the Middle East and North Africa.

Date of Investment:	Amount:	Participation / Stake:
May 2015	**USD225 million** (includes co-investors)	**Undisclosed**

Opportunity

Palestinian refugee Elia Nuqul founded Fine Hygienic Holding (FHH) in Jordan in 1958, seeing an opportunity to sell affordable hygienic paper products, which were not widely available in the Middle East and North Africa (MENA) region. The company grew over the following decades, expanding into Saudi Arabia, Egypt, and the UAE. By 2015, the founding family began to search for a partner who could not only provide financing but also help FHH further expand its operations geographically. Affirma Capital, which at the time was still operating as Standard Chartered Private Equity, had a successful track record of working with family-run mid-size businesses in the region. Keen to back an established consumer brand with a diversified product offering, Affirma Capital built a consortium that invested USD225 million in FHH in May 2015.

Execution

Affirma Capital's initial priority post-investment was to help the company strengthen its position as a regional leader. To increase product availability, the firm assisted FHH in securing financing for a new state-of-the-art paper mill in Abu Dhabi in 2017, which expanded production capacity by approximately 30% to 210,000 tons. However, in the latter half of 2017, FHH was confronted with multiple challenges. The price of its primary raw material, pulp, had increased to unprecedented levels by over 60% between January 2017 and December 2018 due to a combination of spiking demand from China and supply disruptions in an oligopolistic, supply-constrained market. At the same time, a decline in oil prices was leading to reduced spending in the Gulf Cooperation Council countries, and a 40% devaluation of the Egyptian currency in late 2016 was reverberating across its economy.

FHH needed to reinvent itself to compete in an environment in which end product prices needed to increase in order for the company to remain profitable, yet consumers were increasingly cost conscious. Affirma Capital recognized that new leadership was needed to strengthen the core business, differentiate FHH's product offering, and ultimately drive the company's turnaround; in early 2018, James Michael Lafferty was recruited as CEO. With over 30 years of experience, Lafferty previously held leadership roles at P&G, Coca-Cola, and British American Tobacco, and was already serving on FHH's board.

FHH's turnaround strategy focused on eliminating redundancies in the organizational structure, creating a centralized and diversified procurement strategy to reduce raw material costs, and improving manufacturing inefficiencies. For example, facial tissue and toilet paper is typically made through a two-step process—pulp is converted into jumbo rolls at a paper mill and those rolls are then transformed into the final product through a converting line. FHH ensured that these processes were taking place in the same location and that all machines were functioning at optimal speeds. To reduce costs, the team carefully evaluated which markets would be the cheapest to produce various products and nimbly purchased pulp at both spot and contract rates, depending upon which offered the most favorable terms.

Perhaps most importantly, Affirma Capital and the new management team began to transition FHH into a wellness company by launching premium, value-added, and innovative products that could command higher margins and reduce FHH's dependency on pulp. FHH was one of the first regional companies to produce a colds- and allergies-focused tissue (Fine Rx). Launched in 2019, Fine Rx is a three-ply sterilized and medicated line of tissues made with decongestant oils. With Affirma Capital's support, in February 2020, the company developed its Fine Guard product line, which includes face masks, gloves, and disinfectant wipes, in response to the COVID-19 pandemic. Recognizing the burden that disposable masks will place on the environment, FHH's masks are reusable with each replacing 210 disposable masks. FHH has also partnered with Switzerland's Livinguard Technologies to incorporate a patented technology within these products that has been clinically proven to kill 99.9% of bacteria and viruses.

Spotlight: Breaking Down Gender Barriers in the MENA Region

With over 3,400 employees, FHH has prioritized creating a corporate culture that can attract global talent with competitive benefits. In particular, the Affirma Capital team has worked closely with FHH to promote gender diversity within the organization. Since 2018, FHH has added four women to senior leadership roles, which account for approximately 24% of the leadership positions in the company.

In Saudi Arabia, FHH hired the first female sales representatives in the fast-moving consumer goods industry—a breakthrough concept for the more traditional market—and has established production teams in the local factory that are completely staffed and run by women. For all of its employees, FHH has adopted a "work from anywhere" arrangement in part to support working mothers, while its maternity policy—with 16 paid weeks—is one of the most progressive in the MENA region. In 2018, FHH was recognized as a global leader in promoting gender diversity and women's empowerment, receiving several "Break the Ceiling, Touch the Sky" Leonie Awards (also known as the Global Gender Diversity and Leadership Excellence Awards).

Outlook

FHH has broadened its reach in partnership with Affirma Capital and currently has an active presence in nine MENA markets with exports to over 75 countries. As of October 2020, the company has over USD500 million in annual sales. Going forward, Affirma Capital will continue to support FHH's transition to a wellness company by helping it expand its product line-up, move into complementary product categories (e.g., health beverages and supplements), and further expand within the region and into select export markets.

> "FHH's commitment to gender diversity is creating a ripple effect across the MENA region as fast-moving consumer goods players replicate the company's policies. Although women continue to be largely underrepresented in the workforce, there is a lot of impetus for change across the MENA region and FHH is at the forefront of this movement.
>
> – Taimoor Labib
> *Founding Partner, Head of MENA and Chairman of Africa, Affirma Capital*

The Investor: BPEA

Fund Manager: Baring Private Equity Asia (BPEA)

Fund Name: The Baring Asia Private Equity Fund VI

Fund Size: USD3.99 billion

Total AUM: USD21 billion

Established in 1997, Baring Private Equity Asia (BPEA) is an Asia-focused private equity firm with nine regional offices and over 190 employees. As of October 2020, the firm has invested in over 100 companies and realized 53 exits.[1] BPEA typically invests through either a controlling or significant minority stake in companies with enterprise values between USD300 million and USD1.5 billion.

The Company: Interplex

Company: Interplex

Website: www.interplex.com

Industry / Sector: Value-added manufacturing

Location: Global

Interplex provides advanced interconnect and high-precision engineering solutions for the automotive, health care, data communications, and telecommunications industries. With 14,000 employees, the company has operations in 13 countries across Asia (primarily Singapore, China, India, Indonesia, Malaysia, and Vietnam), Europe, and the Americas, including ten product development and 28 manufacturing sites.

Date of Investment:	Pre-Privatization Market Capitalization:	Participation / Stake:
March 2016	**USD283 million** (as of December 2015, Singapore Exchange)	**100%**

Opportunity

Baring Private Equity Asia (BPEA) had been closely following the precision engineering industry—a fast-growing sub-segment of the manufacturing outsourcing sector—since 2005. Singapore-headquartered Amtek Engineering's 2014 acquisition of US-based Interplex Industries had caught the private equity firm's attention—the company's share price on the Singapore Exchange had fallen by more than 30% since its 2010 public listing and the BPEA team believed that the merger was fundamentally misunderstood and undervalued. The merged company, called Interplex, combined Amtek's mechanical precision engineering capabilities in areas such as metal stamping, cold forging, and plastic and rubber molding with Interplex Industries' miniaturized application-specific interconnect expertise, thus offering the potential to provide a comprehensive solution to customers.

Interplex's diversified global client base included some of the world's largest tier 1 car manufacturers, data communications providers, and medical companies. In addition, the company's broad footprint, which spanned China, India, Southeast Asia, Western and Eastern Europe, the United States, and Mexico, created opportunities for localized manufacturing. With the investment thesis that the right management team could leverage these competitive advantages and transform the business, BPEA privatized Interplex in March 2016, acquiring 100% of the company in the process.

Execution

Post-acquisition, BPEA's primary challenge was to fully integrate Amtek and Interplex Industries. The companies were similar in size prior to the merger yet had vastly different cultures as Interplex had been a family-run business before being acquired by the more institutionalized Amtek. In the first few months following its investment, BPEA recruited Alex Perrotta, who had previously run connector solutions manufacturer FCI Electronics, to serve as the Chief Executive Officer and develop a new blueprint for the business. The private equity firm also replaced over ten senior management team members and appointed two independent directors with extensive industry experience to support Perrotta and his growth plan for Interplex.

Under Perrotta's leadership, Interplex narrowed its focus from eight market segments to three high-margin verticals: automotive, medical/life sciences, and data communications. As part of its strategy to refocus on more profitable services, Interplex has been transitioning from a "build-to-print" to "build-to-spec" business, meaning that Interplex can design, engineer, and manufacture a product to solve problems for customers who are increasingly requiring a value-added supplier capable of supporting greater design complexities. BPEA's investments in Interplex's research and development capabilities, including through its three Technology Innovation Centers and nine Product Development locations, have been core to this initiative.

Prior to BPEA's acquisition, Interplex had been largely operating in silos. As a result, customers were asking the company to simultaneously bid for the same project from both China and Mexico, for example, and receiving two different quotes. BPEA created a new front-end organization, which included investing in Interplex's sales and product development teams. Dedicated account managers were designated for each key global customer—an initiative that has been particularly successfully in light of the COVID-19 pandemic as customers have been able to quickly receive updates on orders and shipments, giving them the ability to better manage their supply chains.

As Interplex reconfigures its product mix and value proposition, it has been able to move into environmentally friendly industries such as the growing hybrid and electric vehicle automotive (EV) market. In the last 12 months, the company has secured multimillion-dollar contracts with one of the world's largest EV manufacturers and will be involved in its battery distribution system. In addition, the company has been focused on minimizing the environmental impact of its internal operations. For example, as of October 2020, Interplex has converted 65% of the total lighting in its global manufacturing facilities to LED lighting, has begun to install solar panels, and completely eliminated the use of plastic water bottles in all of its sites, which would have equated to 1.2 tons of waste in fiscal year 2020. It has also planted 9,766 trees and intends to plant an additional 3,000 mature native trees at its properties, as well as one million trees within local communities, by the end of 2021.

Spotlight: Building a Culture Around Quality Control

During BPEA's initial investment period, Interplex was suffering from quality issues across its factories due to a prior lack of investment. BPEA hired a dedicated Vice President of Quality to develop an action plan and build a company-wide department that included regional quality managers and a quality team at each facility. Adopting a "zero defects" approach throughout its operations, Interplex's facilities are now equipped with state-of-the-art testing equipment, and quality is embedded across the company's value chain from product and tooling design to process controls, as well as reliability testing and failure management. Interplex introduced Interplex Business System (IBS) globally to create awareness and educate the organization on the importance of the lean system and the value of layer process audits, and simultaneously began the company-wide certification of factory lines as Bronze, Silver, or Gold.

The BPEA and Interplex teams recognized that quality was intricately tied to employee involvement. Experienced technicians and engineers are at the heart of Interplex's business model, so BPEA has worked with the company to develop a retention program while also broadening the workforce to include retirees and workers over the age of 60 as consultants and contractors. By bringing in these experts, Interplex gains decades of work experience and an established work ethic with each employee. As keeping its staff safe is also critical to ensuring quality, Interplex has adopted rigorous risk and hazard assessments, the use of stringent safety equipment, and frequent trainings on safety.

Outlook

In partnership with BPEA, Interplex's group revenue has grown to approximately USD1 billion in fiscal year 2020. With the transformation of the sales and product development teams complete, BPEA is currently prioritizing helping Interplex renew and grow programs while continuing to prune low margin or non-strategic business lines and customers. Looking forward, BPEA is positioning Interplex to capitalize on global trends such as the electronification of cars, advances in healthcare and universal connectivity—all while keeping the focus on customized "build-to-spec" solutions, which represent a large portion of Interplex's pipeline. With an improved sales organization and product solutions team, Interplex achieved more than USD1 billion in new wins across all sectors in fiscal year 2020, representing a significant increase over the previous year.

The Investor: **Crescera Capital**

Fund Manager: Crescera Capital

Fund Name: Crescera Educacional II FIP Multiestratégia

Fund Size: USD430 million

Total AUM: USD1 billion (BRL5.2 billion)

Crescera Capital is a Brazil-based private equity and venture capital investment manager with a focus on education, health care, consumer goods, specialty retail, services, innovation, and technology. Since 2008, Crescera's private equity team has invested predominantly growth capital into 15 portfolio companies and 23 investments.

The Company: **Afya**

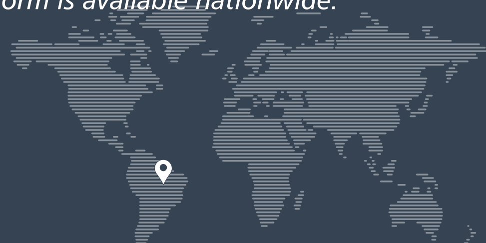
Company: Afya Ltd.

Website: ir.afya.com.br

Industry / Sector: Education and trainings, services and consumer

Location: Brazil

Afya Educacional is a medical education group focused on the lifelong learning career of physicians in Brazil through all stages of their career. The company's purpose is to produce and distribute high-quality content and manage the entire professional journey of its students by offering solutions and trainings based on cutting-edge educational technologies. The company is situated in 13 Brazilian states plus Brasília, while its digital platform is available nationwide.



Date of Investment: **January 2016**

Amount: **~USD156 million**

Initial / Current Stake: **37.5%* / 25.9%**
(*before first divestment)

Opportunity

Crescera Educacional II FIP Multiestratégia targets investments in thematic education. In 2012, the team targeted Brazil's medical sector in response to a lack of quality education and poor penetration beyond the country's largest cities. Crescera believed that technology was a key feature to provide a more effective and personalized learning experience to students nationwide and would allow students in remote areas to access the same high-quality content delivered in major cities in the country. When it became evident that such a company didn't exist, Crescera decided to create one.

Crescera identified a number of companies across the fragmented sector to become part of a platform where students could be at the center of their education. Crescera acquired three companies – NRE, Medcel, and Uniceplac – consolidating them into Afya Educacional in 2019. With the goal of revolutionizing medical education in the country Afya continued to integrate additional schools and technology companies. Afya increased its annual authorized seats in the medical course to 2,303 while expanding its offering to health professionals beyond doctors, dentists, and nurses.

With its innovative methodological approach which combines integrated content, interactive learning, and an adaptive experience for lifelong medical learners, it generated and delivers an end-to-end physician-centric ecosystem that serves and empowers students to be lifelong medical learners through their medical residency preparation, graduation program, medical post-graduate specialization programs, and continuing medical education activities, or CME.

Execution

Crescera's investment team has been responsible for identifying and executing acquisitions, including negotiating with the various schools and any subsidiary minority shareholders. In addition to educational institutions, Crescera has been looking for complementary technology companies. For example, in July 2020, Afya acquired PEBMED, a mobile and web application that helps doctors and medical students make faster and more accurate clinical decisions through medical calculators, conducts, prescriptions, procedures, and other content related to over 28 specialties.

Integrating all of these various entities has been a key focus of the firm. Crescera established a holding company with a management team responsible for implementing and supervising a shared service center to consolidate all non-core administrative processes including purchasing, human resources, finance, IT, and the management of classes and professors. Afya has also unified the curriculum, including updates to the academic programs, the adoption of digital solutions, and the development and deployment of new educational products, including a television series focused on clinical cases that features both real doctors and actors. With Crescera's support, operating efficiencies increased and Afya's net revenues grew at a compound annual growth rate of over 86% between the end of 2017 and 2019.

Crescera considered an eventual public offering for Afya since its formation. Thus, instituting a formal auditing process and installing robust corporate governance structures, including a board of directors with independent members, was highly relevant from the start. A Compliance Department led by a Compliance Officer reporting directly to the CEO and board was created with full autonomy. In partnership with Afya's Ethics Committee, the Compliance Department is responsible for organizing and promoting frequent trainings for all 5,000 employees.

> "Brazil's problem is not that it lacks a sufficient number of doctors; it is one of distribution. We have more doctors in São Paulo per 1,000 occupants than in Switzerland, but very few in places like Amazonia. Crescera and Afya are striving to attract a range of health care professionals to more rural areas—and hopefully many will stay once they graduate, thus bringing value to the local communities.
>
> – Laura Guarana
> *Partner, Crescera Capital*

Outcome

Afya became the first Brazilian company focused on medical education to be listed on the US Nasdaq Stock Market in 2019, raising over USD264 million and marking the first medical education company to trade on the exchange globally. Crescera divested a portion of its stake in February 2020 through a follow-on offering of approximately USD258m, reducing its holding from 37.5% to 26.1%, currently 25.9%.

Through the IPO process, Crescera and Afya announced that they would use the proceeds to expand medical training with places for another 1,000 students; 851 of these were in place by October 2020. In addition, Afya is developing greater in-house technologies to deliver content to additional doctors across Brazil, focusing on underpenetrated markets. Crescera and Afya view themselves as a partner to the regional municipalities—the concentration of aspiring health professionals can often lead to greater health infrastructure investment, with a positive impact on the local economy.

Spotlight: Bringing Medical Education to Rural Brazil

In addition to expanding via acquisitions, Afya has opened new schools, including one in Palmas, Tocantins in 2017. Through the Mais Médico program, a government program which seeks to increase the number of medical professionals in underserved areas, Afya was awarded seven out of 28 new campuses—the most granted to any education group—based on both financial and educational metrics. These campuses are located in the north and northeast regions of Brazil, which have historically had a shortage of physicians. The average ratio of physicians per thousand inhabitants is 1.9 in the cities where Afya's schools are located, well below the average of 2.2 in Brazil and 3.4 for OECD countries.

Since many of Afya's schools are located in regions where medical services are scarce, the students are able to make a positive social impact on the local population through free medical consultations and treatments. In 2019, the medicine course alone promoted more than 270,000 free consultations while those campuses that operate dental clinics collectively serviced more than 70,000 appointments. The students of IPEMED, which Afya acquired in 2019 and offers specialized post-graduate medical programs, offer free care to low-income patients one weekend per month. Communities can also access care in biomedicine, physical therapy, speech therapy, nutrition, and psychology.

Afya is providing a significant amount of medical content for free in order to lessen the negative impact of the COVID-19 pandemic on other public and private medical schools across Brazil. As of September 2020, more than 11,000 medical students have already accessed content on Medcel, the company's distance learning medical program platform. Afya has also developed a free course to train health professionals on how to care for COVID-19 patients, covering subjects such as mechanical ventilation, respiratory emergencies, and diagnostic imaging, with over 23,000 participants and 34 institutions enrolled. The company has separately donated masks, gloves, and safety equipment to hospitals in the 13 cities where Afya's medical courses are located.

The Investor: DPI

Fund Adviser: Development Partners International (DPI)

Fund Name: African Development Partners I (ADP I), African Development Partners II (ADP II)

Fund Size: ~USD400 million (ADP I), USD725 million (ADP II)

Total AUM: USD1.7 billion

Development Partners International (DPI) is a pan-African private equity firm established in 2007. As of October 2020, DPI had invested in 22 portfolio companies across 29 countries through three private equity funds. DPI typically commits between USD40 million and USD120 million in equity per investment.

The Company: Eaton Towers Holdings Ltd.

Company: Eaton Towers Holdings Limited

Website: www.americantower.com

Industry / Sector: Telecommunications

Location: Uganda, Ghana, Kenya, Burkina Faso, and Niger

Founded in 2008, London-headquartered Eaton Towers was an independent tower company that acquired, built, and managed shared telecommunications infrastructure across Africa. By leasing towers to multiple mobile operators, the company helped them reduce capital expenditures and operating costs. By the end of 2019, Eaton Towers owned 5,700 telecommunications sites.

Dates of Investment:	Amount:	Date of Exit:
December 2008, June 2015	**Undisclosed**	**December 2019**

Opportunity

Shortly after Development Partners International (DPI) was founded in 2007, the team recognized that telecommunication towers infrastructure sharing was likely to become a prominent trend across Africa. Businesses focused on tower sharing were already well established in Western markets and trading at high multiples. At the time, mobile telecommunications companies such as Celtel were expanding rapidly in Africa, with cellular networks leapfrogging fixed-line infrastructure across the region. DPI saw a market opportunity to build a towers company that could also catalyze greater economic development by supporting the growth of digital infrastructure and connectivity across Africa.

In December 2008, DPI invested in Q-Venture, a South African company that was building towers on behalf of mobile telecommunications operators in 13 Sub-Saharan African countries—marking DPI's debut fund's first investment. DPI's thesis was that Q-Venture would form the nucleus of a broader platform that would not only build towers but also own and manage them on behalf of operators, giving the firm an early mover advantage once tower sharing and outsourcing took off in the region.

> "While Eaton Towers' initial interest in renewable and hybrid energy solutions was largely driven by the high cost of diesel, it developed a robust sustainability culture that not only made the company more efficient, but also better able to sell its product. For example, as clients increasingly wanted to understand the carbon emissions in their supply chains, Eaton Towers was already well positioned to discuss this along with its overall environmental performance.
>
> – Michael Hall
> *Head of ESG and Impact, DPI*

Execution

The DPI team faced a number of challenges early in its investment. Q-Venture's business model had been negatively affected by a change of payment terms in the industry that resulted in tower construction companies receiving payments post construction. This resulted in an adverse working capital cycle for Q-Venture that significantly worsened the unit economics and attractiveness of the business. DPI and the Q-Venture management team needed to convert the distressed tower building business into a tower ownership company. Transformation began in 2010, when Q-Venture was awarded a contract in Ghana with Vodafone to take over the management of its portfolio and source additional tenants on those towers. DPI realized this pivot required different management skills and it led Q-Venture's acquisition of Eaton Telecom Infrastructure in late 2009 to gain an executive team with broad experience in owning and operating telecommunications networks across the continent. The merged entity was rebranded as Eaton Towers.

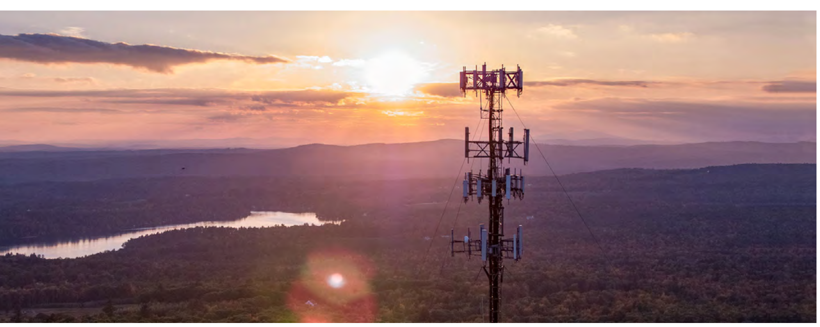
The towers ownership business required significant capital to acquire blocks of towers as the best opportunities arose. DPI's ADP I fund was already fully committed, so the private equity firm began a search for additional equity and debt investors. In 2011, Capital International Private Equity Fund (CIPEF) partnered to purchase portfolios of towers, committing USD150 million, followed by an additional USD198 million in 2013. In 2015, CIPEF, which had become the company's controlling shareholder, was joined by a consortium that included Ethos Private Equity and Standard Chartered Private Equity in a USD350 million financing round to further expand and diversify Eaton Towers' portfolio. This included purchasing over 3,000 towers from Airtel in Ghana, Uganda, Kenya, Niger, and Burkina Faso. DPI also participated, investing through its ADP II fund.

To ensure the towers were run efficiently post-acquisition, DPI worked to bring in a Chief Operating Officer who had previously worked for American Tower Corporation, a global owner and operator of wireless and broadcast communications infrastructure. Eaton Towers was able to increase margins through efficiency gains (including energy savings initiatives), additional colocations and an effective build-to-suit program, in which towers are built with contracts already in place to guarantee immediate revenue. This resulted in an EBITDA margin of approximately 58% as of December 2018—higher than those achieved by direct competitors.

Spotlight: Enabling Safety and Sustainability

DPI strived to ensure that Eaton Towers and its subcontractors—who carried out most of the company's work—implemented best-in-class environmental, health, and safety management practices. Safety was a particular focus for DPI as Eaton Towers had thousands of sites scattered across often remote environments. Most of these places were not on the grid so the company had to initially depend on diesel generators. With diesel being a valuable commodity in the region, fuel theft became a frequent problem and consequently put local staff, including the technicians and security guards, at risk. DPI worked closely with the Eaton Towers team and its subcontractors to put in place safety protocols in partnership with local authorities.

The costs and safety risks associated with diesel led Eaton Towers to focus on energy efficiency and finding cheaper alternatives. The company implemented hybrid solutions that could harness solar power in each country, which not only reduced its carbon footprint but lowered operating costs, particularly given that these systems required a less intensive maintenance schedule. Eaton Towers was the first ADP portfolio company to assess and have Scope 1 and 2 greenhouse gas emissions verified across the organization when the company became ISO 14064 greenhouse gas certified in 2018.



Outcome

By 2019, Eaton Towers had 5,700 towers across Ghana, Uganda, Kenya, Burkina Faso, and Niger, and was serving many of Africa's largest mobile operators including MTN, Airtel, Vodacom, Vodafone, and Orange. As DPI and other shareholders began to plan an exit together, they ran a dual-track process, preparing the company for a possible IPO while simultaneously negotiating with strategic investors. They had partially exited their holding in 2016 when American Tower purchased Eaton Towers' South African operations. Having already established a relationship, American Tower and Eaton Towers entered discussions regarding the remainder of the portfolio.

Eaton Towers' geographic diversification, which had been carefully structured by the shareholders and management team, was a key selling point. As transactions of this scale were largely unprecedented in the continent, the team spent a significant amount of time trying to understand the local regulatory requirements and tax laws related to a merger in each market. After approximately 18 months of a collaborative negotiation process, DPI and its private equity partners agreed to sell Eaton Towers to American Tower in December 2019, with an estimated enterprise value of USD1.85 billion—making it one of the largest private equity exits in Africa to date.

The Investor: **Everstone Capital Asia**

Fund Manager: Everstone Capital Asia Pte. Ltd.

Fund Name: Everstone Capital Partners III

Fund Size: ~USD730 million

Total AUM: USD5 billion

Founded in 2006, the Everstone Group is a private investment group in India and Southeast Asia, with a team of over 350 professionals across seven offices in Singapore, India, London, New York, and Mauritius. As of October 2020, the Everstone Group manages over USD5 billion in assets across private equity, real estate, credit, infrastructure, and venture capital.

The Company: **API Holdings**

Company: API Holdings

Website: www.ahwspl.com

Industry / Sector: Digital health distribution platform

Location: India

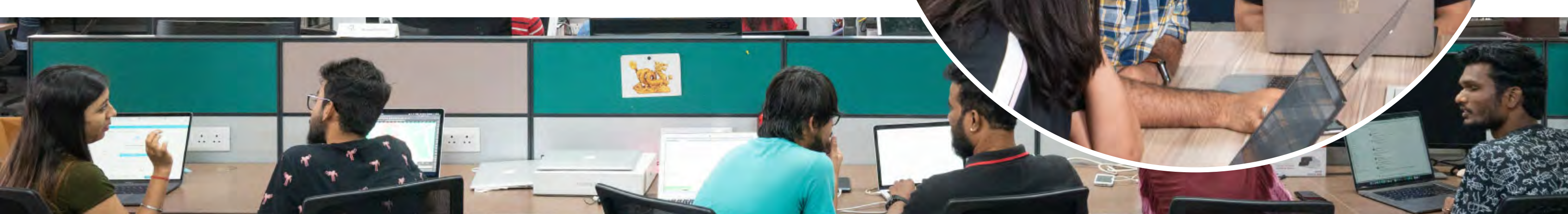
Founded in 2012, API Holdings is an Indian digital health care platform with three business lines: offline medicine distribution, an online B2B pharmaceutical marketplace (Retail IO), and a B2C pharmaceutical marketplace (PharmEasy). As of October 2020, Ascent is the largest e-pharmacy and the second largest offline distributor in India with access to over 20,000 pharmacies and 4,000 distributors.

Date of Investment:	Amount:	Participation / Stake:
March 2016	**USD60.2 million**	**62.8%**

Opportunity

In 2012, Siddharth Shah founded Ascent Health and Wellness Solution—now one of the subsidiaries of API Holdings—with a vision of consolidating India's fragmented pharmaceutical distribution market and creating a digital health care platform that could reach even the most remote corners of India. At the time, the industry was highly fragmented with the top ten players each having less than 2% market share. To achieve his goal, Shah approached Everstone Capital, which had a track record of executing buy-and-build strategies, in 2015.

Everstone saw potential in Ascent, particularly as the consolidation thesis had successfully played out in Western markets and was picking up steam in China. The investment firm conducted a top-down analysis of the pharmaceutical distribution industry and discovered that first-generation founders—many of whom saw little interest from their second or third generation—dominated the competitive landscape in India. With no clear succession plan, many of these owners were willing to sell their businesses at a discount. Everstone acquired a majority stake in Ascent in March 2016 for USD60.2 million. The firm aimed to provide growth capital for acquisitions, achieve economies of scale, and deploy technology to build the largest pharmaceutical distribution marketplace in India.



Execution

Everstone's first priority was to scale Ascent's offline medicine distribution business through mergers and acquisitions. At the beginning of 2016, Ascent was present solely in Mumbai and covered approximately 3,300 retailers. In partnership with Everstone, Ascent made 12 acquisitions over the following three years, purchasing at least one of the top two distributors in Delhi, Chennai, Gurgaon, Bangalore, Davangere, and Mysore. These acquisitions enabled Ascent to scale its revenues by more than 10 times since Everstone's investment. Everstone also implemented enterprise resource planning systems in all locations and appointed a professional management team to support the founder. The company has grown from less than 400 to 4,000 employees during this period. Today, more than 500 of these staff members are dedicated to customer support—purchasing medicine requires a prescription in India and customer orders are often rejected. Ascent's team works closely with customers to obtain and correct prescriptions through its brand offering called DocStat.

Ascent was keen to build an e-pharmacy business that could quickly provide affordable medicine directly to consumers throughout India and therefore became one of the first and largest investors in PharmEasy, an online platform that allows people to order medicine and wellness products. Everstone supported this venture in a number of ways—in addition to raising capital and providing financing, the investment firm drove PharmEasy's mass and digital media strategy by setting aside a budget, formulating campaign themes, bringing in an external media buying agency, and hiring a Head of Marketing. As of October 2020, PharmEasy has an annual gross merchandise value (GMV) run rate of over USD150 million, filling approximately one million orders per month and covering 44,000 postal codes across the country. PharmEasy's e-consultation platform, DocOn, is also seeing significant traction, especially as outpatient practices have been significantly impacted by the COVID-19 pandemic.

Everstone additionally led the company's strategy to expand beyond the traditional brick-and-mortar pharmaceutical distribution business. In 2018, it assisted Ascent in launching Retail IO—a homegrown software tool that serves as a marketplace for retailers to order pharmaceutical products from over 4,000 distributors. Within 18 months of its launch, Retail IO had established a presence in more than 50 cities and, in particular, the platform has gained traction in many of India's third- and fourth-tier cities. With more than 50,000 retailers, Retail IO has an annual GMV run rate of approximately USD500 million as of October 2020. Ascent is leveraging its reach through the Retail IO platform to extend credit and insurance products directly to transacting retailers and distributors. In five years, the company expects to scale up its fintech business to more than USD500 million in book size.

In June 2020, the Indian Courts approved a merger between Ascent and PharmEasy to create API Holdings, the investment holding company for India's largest digital health platform comprising of Ascent Health, Pharmeasy and Retail IO. Everstone has led the merger process, which will enable synergies between PharmEasy and Ascent through a centralized procurement process. The new entity is forecast to reach approximately USD1.2 billion in GMV in fiscal year 2021.

Spotlight: Working the Frontlines of the COVID-19 Pandemic

Beginning in March 2020, API Holdings began to collaborate with the Indian government to address the COVID-19 pandemic. India accounted for the second highest number of total cases by country as of October 2020. At the onset of the pandemic, the company assisted Mumbai's municipal corporation in setting up a Coronavirus Control Centre to serve as a war room in monitoring and controlling the spread of the virus, which will soon be replicated by the Government of Maharashtra. The company's employees worked closely with municipal authorities as well as local hospitals to create a technology backbone for tracking cases. Because of the company's wide distribution footprint, the government was able to deliver personal protective equipment and medicine to treat COVID-19 symptoms to people living in rural areas that it would not have been able to reach alone.

In particular, the PharmEasy platform has been an important tool in India's response to COVID-19. When the pandemic began, pharmacies were not able to operate and e-pharmacies like PharmEasy were the country's only channel for delivering medicine on time. Once the brick-and-mortar shops were allowed to open, Ascent played a key role in ensuring that disruptions in the industry's supply chain were minimized. PharmEasy is also able to provide video consultations with physicians through its digital platform, DocOn, which has facilitated nearly 300,000 online visits as of October 2020. Through the PharmEasy app, Ascent organized a crowdfunding campaign for mask donations to health care workers, and separately donated 750,000 masks in partnership with Brookfield, Tata Trusts, and RPG Foundation.

Outlook

Everstone realized a partial exit in June 2020 when Singapore's Temasek and Lightstone Global Fund invested in the business. Following the merger between Ascent and PharmEasy, Everstone's stake was reduced to a minority holding, yet it remains the largest shareholder in API Holdings.

As of October 2020, Ascent is the second biggest offline pharmaceutical distribution company in India behind Apollo Hospitals, while Retail IO and PharmEasy are the country's largest online B2B and B2C marketplaces, respectively. Everstone's priority over the next two years is to assist API Holdings in becoming the largest digital health care platform and ecosystem in India, consolidating the market via acquisitions, pushing further into underpenetrated second-, third-, and fourth-tier cities within India and increasing its platform offering through credit, insurance, and local area marketing.

The Investor: **General Atlantic**

Fund Manager: General Atlantic

Total AUM: USD40 billion

Founded in 1980 as one of the first dedicated growth equity firms, General Atlantic focuses on investments in the consumer, financial services, health care, life sciences, and technology sectors. Its portfolio is diversified by region, with more than half of its investments located outside of the United States and more than one-third based in emerging markets. The company has nearly 400 employees—of which more than 175 are investment professionals—operating across 14 global locations in five regions. General Atlantic has made over 400 growth investments in its more than 40-year history.

The Company: **Clip**

Company: Clip

Website: https://clip.mx

Industry / Sector: Financial services

Location: Mexico

Clip is a provider of payments solutions to small and medium-sized businesses in Mexico. Founded in 2012 by CEO Adolfo Babatz, the company offers mobile payments through three hardware products and a free app, enabling merchants to accept credit and debit card payments from banks and card networks. Clip also offers working capital loans, remote transfers, digital wallets, debit cards, and other financial services through its platform.

Date of Investment:	Amount:	Participation / Stake:
December 2016	**USD160 million** (in aggregate)	**Undisclosed**

Opportunity

General Atlantic takes a thematic approach to investing, and one of the key themes it has identified across emerging markets is the declining relevance of cash. Mexico, in particular, has a large, growing, and underpenetrated market—cash represents 90% of transaction volume, and the country has the highest cash share in the Americas. Meanwhile, card volume as a percentage of GDP stands at 10% in Mexico, in comparison to 20% and 30% in Brazil and the United States, respectively. Most traditional banks, which control the electronic payments market and offer predominantly more expensive products underpinned by less current technology, view merchant acquisition as a loss leading product. As a result, they primarily target larger merchants that can be serviced through multiple business units.

In 2016, General Atlantic sought to identify companies that could drive Mexico's transformation around the electronification of payments. Clip emerged as a disruptor with a strong blend of technology, affordability, and customer service. Clip founder and CEO Adolfo Babatz had previously worked for PayPal across Latin America and started Clip with the aspiration of meeting unmet demand from smaller businesses for electronic payment solutions, including credit and debit cards. Although Babatz was initially considering a smaller, venture capital Series B financing round, he made the decision to partner with General Atlantic, a later-stage growth fund, as an ally who would be with him for the long run, help fund future fundraising rounds, and provide operational expertise.

Clip's efforts, in partnership with General Atlantic, to create competitively priced financial access for SMEs that have been historically overlooked by the big banks have paid off. As of September 2020, Clip's products are being used in 69% of Mexico's 2,459 municipalities, including the country's most rural regions. These initiatives have also driven greater financial inclusion in Mexico as 75% of Clip merchants are accepting electronic payments for the first time.

Execution

Once General Atlantic partnered with Babatz, immediate priorities included increasing the depth of the management team, bringing the accounting function in-house, implementing an enterprise resource planning (ERP) system, and defining key performance indicators (KPIs) in line with global best practices. Two areas of significant focus were Clip's distribution channels and the development of new value-added products and services.

General Atlantic worked with the Clip team to both grow existing distribution channels and develop new ones. Clip's card reader is now available for purchase at approximately 21,000 different points of sale in partnership with Sam's Club and the Mexican convenience store chain Oxxo, among others. Beyond retail, the growth equity firm assisted Clip with starting and scaling up two additional channels: online and resellers. Clip's online sales have grown roughly 200% annually since 2016. Clip's reseller channel, known as *agentes*, enables the company to access merchants that are harder to reach via retail or online platforms. Due to the amount of time and effort it takes to build up such a sales force, Clip has created a higher barrier to entry for competitors. In addition to focusing on distribution, General Atlantic aimed to increase Clip's above-the-line marketing initiatives, including television and billboard advertisements across Mexico.

One of the biggest challenges General Atlantic faced was helping Clip manage the transition from a single-product to a multi-product company. In mid-2019, Clip began to offer working capital loans to its clients, as well as a service known as *recargas*, through which a merchant can sell top-up data and minutes to individual phones. In May 2020—amidst the COVID-19 pandemic—Clip started a pilot project around card-not-present transactions to assist merchants who needed to remotely sell products. Having historically offered only one product, these pivots required Clip to rethink its organizational chart. General Atlantic played a key role in helping the company define a new organizational structure that empowered different leaders to manage the new business lines in a financially independent manner, while allowing those units to capitalize on common functions and infrastructure.

Spotlight: Accessing Global Talent and Trends

General Atlantic leveraged its global network to assist Clip in building out its management team, including recruiting six of the seven positions reporting directly to the CEO. For example, the growth equity firm was active in bringing on board a Vice President of Product and Technology who was previously with PagSeguro, a Brazilian financial technology provider with a market capitalization of over USD13 billion as of September 2020, as well as a Vice President of Growth and Marketing who had formerly worked at Amazon in the United States.

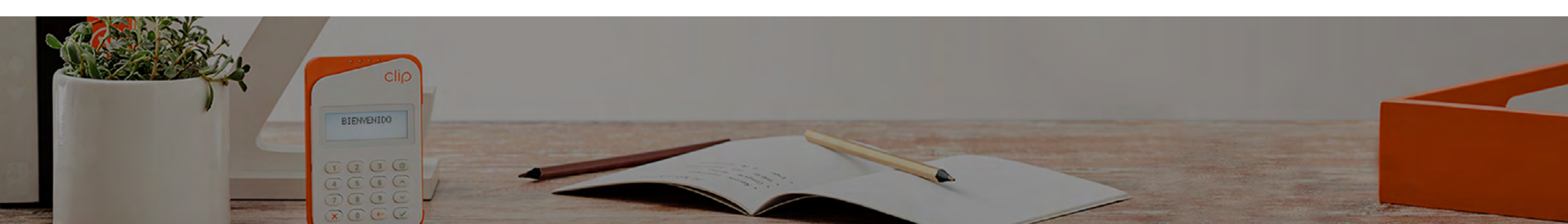
General Atlantic's global perspective also helped Clip access best practices for relevant business models within its portfolio and around the world. This led the Clip team to launch several new products beyond its Clip Classic that do not require mobile phones, including Clip Plus, which connects via Bluetooth, and Clip Pro. Sales improved dramatically, and the two new readers grew to represent over 80% of the volume processed by merchants.

> "Mexico has the benefit of being able to read tomorrow's newspapers—many of the trends happening in the country today already took place five years ago in the United States and three years ago in Brazil. Since we are investors in those regions and more, we can be ahead of the curve in terms of understanding which strategies have been successful."
>
> – Luis Cervantes
> *Managing Director & Head of Mexico Office*

Outlook

Due in large part to the push into new products and services as well as the buildout in distribution channels, Clip's total payment volume increased at a compound annual growth rate of 93%, while revenues rose 85% between 2016 and 2019. Growth is continuing to accelerate as the COVID-19 pandemic has increased the relevancy of a number of Clip's contactless initiatives to its merchants. Over the last 12 months, 460,000 unique merchants have been served by Clip.

Currently, Babatz's main priorities, in partnership with General Atlantic, include the continued creation and expansion of a full merchant commerce ecosystem, while broadening Clip's focus to include more of Mexico's middle market players. General Atlantic also sees itself as a trusted partner to continue supporting the company in the near term—but as it looks ahead, it believes Clip has significant opportunity to further grow and scale, including the potential for an eventual public listing.



The Investor: **Helios Investment Partners**

Fund Manager: Helios Investment Partners LLP

Fund Name: Helios Investors III

Fund Size: USD1.1 billion

Total AUM: USD3.6 billion

Helios Investment Partners is an Africa-focused private investment firm with offices in London, Paris, Lagos, and Nairobi. Founded in 2004, the firm has raised three private equity funds and established a dedicated credit platform in 2015 which manages the TriLinc Global Impact Fund's Sub-Saharan African term loan portfolio. Helios received B Corp certification in 2019.

The Company: **Fawry**

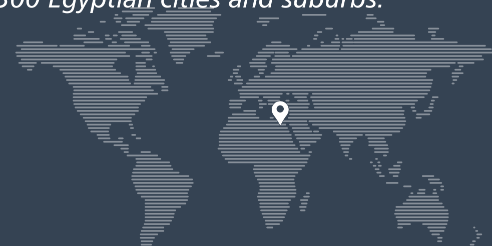
Company: Fawry

Website: www.fawry.com

Industry / Sector: Electronic payments

Location: Egypt

Established in 2009, Fawry is an Egyptian e-payments company that enables banked and unbanked customers to pay a wide range of bills through multiple channels. The company offers its services across a network of 166,500 agents and 34 bank partnerships, serving close to 30 million customers. In the first half of 2020, Fawry offered over 850 services and processed 2.9 million average daily transactions across 300 Egyptian cities and suburbs.



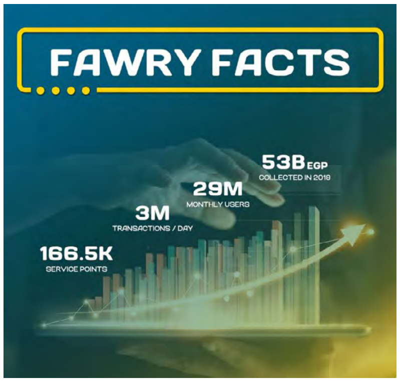
Date of Investment:	Amount:	Initial / Current Stake:	Date of IPO:
September 2015	**USD40 million**	**40.9% / 18.5%**	**August 2019**

Opportunity

Fawry, founded by Ashraf Sabry, had become the largest provider of alternative digital payments in Egypt by 2015, providing a way for unbanked and underbanked customers to conveniently pay telecommunications bills in cash. The company offered 180 services to 13 million customers through a network of 50,000 brick-and-mortar agents across the country. Helios saw an opportunity for Fawry—with its brand, diversity of connections to service providers, and breadth of distribution—to diversify from a predominantly airtime and telecommunications bill payment business into a broad-based payments company that could service all Egyptians through a range of offline and online distribution channels.

In November 2015, Helios anchored an investment consortium to acquire 85% of Fawry for a collective enterprise value of approximately USD100 million. The consortium included the Egyptian American Enterprise Fund, the MENA Long Term Value Fund, IFC, and the Fawry management team.

> Fawry helps to solve the big problem of financial inclusion in Egypt on multiple fronts — for consumers, by driving card acceptance and online and mobile payments, and for merchants through payment functionality, point of sale devices, and working capital financing. Each business leverages off the others to create a defensive and self-reinforcing platform.
>
> – Alykhan Nathoo
> *Partner, Helios Investment Partners*



Execution

Helios has worked closely with Fawry's board and CEO in setting the strategic direction of the company and supporting its growth strategy in a way that would reinforce and strengthen the core alternative digital payments business. As a first step, the company expanded the number of payments services to give customers the ability to pay for a vast array of bills—including electricity, water, and gas bills, car license fees, traffic tickets, car insurance fees, university fees, syndicate membership fees, and donations—at a single agent location. As of October 2020, Fawry provides over 850 services—up from 180 services at the time of Helios' investment. The provision of a "one-stop shop" is highly valued by Egyptian consumers, especially in the context of life in large cities with heavy traffic and congestion.

Fawry has also expanded from a predominantly "agency-led" cash payments business to an "omni-channel" payments platform, enabling customers to pay through a multitude of offline and digital channels. Fawry's agent network has increased from 50,000 at the time of Helios' investment to over 165,000 as of October 2020, and services are now available through post offices, ATMs, third-party mobile wallets, and online devices. Fawry has also recently launched myFawry, its own branded mobile wallet app, which can be used to facilitate alternative payment services to its customers.

Leveraging its relationships, connectivity, and platform, Fawry has also moved into new business lines including supply chain payments, banking services, and microfinance. Supply chain payments allow SMEs to pay their suppliers either electronically or in cash using Fawry's cash centers, which lowers cash management costs and increases sales operation efficiency. On banking services, Fawry is adopting merchant acquiring, which enables small- and medium-size merchants to accept card and digital payments from consumers, as well as agent banking, which allows Fawry—in partnership with two of Egypt's largest banks—to provide a range of banking services as well as "cash-in" and "cash-out" for mobile wallets. Lastly, Fawry has rolled out a microfinance business that provides short-term working capital loans to SMEs in its network that it knows well and can credit score effectively.

Since Helios' investment, the expansion in Fawry's agent network and services has driven revenue growth by a factor of four. Of note, the contribution of Fawry's new business lines to total revenues has increased from 9% in 2016 to 25% in the first half of 2020. The new business lines have positioned Fawry to capture the growth opportunity arising from Egypt's cash-to-digital transition as the government pushes to reduce cash dependency.

Spotlight:
Driving Digitization and Promoting Financial Inclusion

Cash continues to represent over 70% of consumer payment value in Egypt according to Euromonitor. By providing unbanked and underbanked Egyptian consumers with an easy way to securely make payments, Fawry is driving financial inclusion across its customer base. Consumers who had previously paid for goods and services in cash are increasingly using digital channels, either via third-party mobile wallets—most of which are powered by Fawry—or Fawry's own mobile wallet app. The take-up of these convenient and safe channels has been significant—a trend that has been accelerated by the COVID-19 pandemic. On the merchant side, Fawry is also playing a critical role in empowering SMEs though working capital loans and the rollout of its card-accepting point of sale systems.

As part of an effort to ensure financial access for women specifically, in 2019 Fawry launched Heya Fawry—the first female electronic payment network in Egypt—in collaboration with the Arab Women's Enterprise Fund, AXA, Unilever, and Baheya, a local organization focused on detecting and treating breast cancer. Through this initiative, women are provided with a Fawry POS terminal, given the necessary training to operate it and offered complementary microinsurance coverage. Unbanked women are encouraged to pay bills, initiate money transfers, manage microloan payments through female agents in their local community. As of June 2020, over 150 Heya Fawry agents had generated 30,000 financial transactions valued at over USD60,000.

Outcome

Helios has achieved three partial exits from Fawry as of October 2020. The first was through a stake sale to European impact investor and asset manager responsAbility in October 2017. This was followed by another partial sale in August 2019 in conjunction with Fawry's successful initial public offering on the Egyptian Stock Exchange. Helios played a key role in guiding Fawry through the IPO process, which comprised the secondary sale of 36% of Fawry's share capital by existing investors. Approximately 21% was sold to three cornerstone investors (National Bank of Egypt, Banque Misr, and Actis) and 15% to a combination of institutional, high-net-worth, and retail investors. The retail offering was 30x oversubscribed, and the institutional offering—which attracted a wide range of international, regional, and Egyptian institutions—was more than 15x oversubscribed.

As a result of the company's performance, Fawry's share price re-rated. In July 2020, Helios sold an additional stake in Fawry as part of a USD50 million accelerated book-build, leaving Helios with an 18.5% stake in the company. Helios remains the largest shareholder in Fawry, which had a market capitalization of over USD1.3 billion as of October 2020. Helios plans to continue supporting Fawry by focusing on growing the microfinance business, driving the adoption of myFawry and expanding the company's merchant acquiring efforts. To help accelerate these initiatives, Fawry's board has recently approved an approximate USD25 million rights issue.

The Investor: **Horizon Capital**

Fund Manager: Horizon Capital

Fund Name: Emerging Europe Growth Fund II

Fund Size: USD370 million

Total AUM: USD852 million

Horizon Capital is an Emerging Europe-focused private equity firm based in Ukraine with a tenure of 25 years in the region. It is backed by over 40 institutional investors and has managed four funds as of October 2020. Horizon Capital's investment strategy focuses on export-oriented businesses in technology, e-commerce, light manufacturing, and food and agriculture, as well as select domestic companies in fast-growing sectors.

The Company: **Purcari**

Company: Purcari Wineries Plc

Website: www.purcari.wine/en

Industry / Sector: Distillers and vintners

Location: Moldova

Purcari Wineries is a wine and brandy producer in the Central and Eastern European region. Founded in 1827, the company manages over 1,400 hectares of vineyards and operates four production platforms in Moldova and Romania with over 1,000 employees. Purcari exports its products to over 30 countries, with its largest markets being Romania, Moldova, and Poland.

Date of Investment:	Amount:	Participation / Stake:	Date of IPO:
June 2010	**USD17.5 million**	**63.55%**	**February 2018**

Opportunity

Russia has historically been one of the world's largest wine markets, with consumption steadily climbing following the collapse of former Soviet Union President Mikhail Gorbachev's prohibition campaign in the late 1980s. Sales to the country took a hit in 2006, however, when Russia placed an embargo on wine from Georgia and Moldova in response to political conflict. When the market began to reopen in 2010, Horizon Capital placed a bet that Russia would once again become a large consumer of wine and began to look for investment opportunities. Moldova was a natural place to start its search—although geographically small and one of the poorest countries in the region, Moldova boasts more vineyards than South Africa or New Zealand and nearly as many as Australia. The country also presented a competitive advantage by offering low labor costs in a labor intensive industry.

Horizon Capital discovered Purcari Wineries led by Victor Bostan, a wine business veteran with over 30 years of experience. Having previously exported heavily to Russia, the company understood the market well and had built numerous commercial relationships. Nonetheless, the wine embargo had taken a heavy toll on Purcari's operations. While Horizon Capital typically takes minority stakes in growing companies, it acquired 64% of Purcari in June 2010 in order to maximize financial and operational support. In partnership with CEO Bostan, Horizon Capital returned the company to financial health, tackled the challenges that arose with a new embargo from Russia, and ultimately positioned Purcari to become the first Moldovan company to successfully execute an initial public offering, valuing the company's equity at over USD100 million.

Execution

Horizon Capital worked closely with Bostan to professionalize the management team by hiring a new COO, a Financial Controller, a Commercial Director, a Marketing Director, and a Human Resources Director in the years immediately following its investment. To help retain this talent and create a shared sense of ownership, the company implemented a management share option plan (MSOP) in 2012, which covered nearly 20 employees—beyond the scope of industry standards. Horizon Capital also expanded the company's marketing and sales capabilities, enhancing the team with multilingual export managers and training them on best practices in account management and customer engagement. With Horizon Capital's encouragement, Bostan and his team became early adopters of social media as a marketing tool.

Purcari had a large and bloated portfolio with over 300 stock keeping units (SKUs). Horizon Capital helped the Purcari team streamline its products and exit its high-volume yet low-margin private label business. Four key brands were relaunched with a more appealing identity, and the company more than doubled the average price per liter of wine sold, led by its flagship Purcari brand. In addition to improving gross margins, Horizon Capital focused on cutting costs. Purcari historically had poor working capital discipline evidenced by high inventories and a large share of overdue account receivables. The new Financial Controller was tasked with cost benchmarking and stopping shipments to customers who had exceeded their approved credit limit. With Horizon Capital's assistance, Purcari's financial department also ensured that salaries for its staff—which had increased from 652 to 1,172 employees during the investment period—were properly recorded.

Horizon Capital works closely with all of its portfolio companies to assess and manage environmental risks. In November 2010, Purcari adopted an environment, health, and safety policy and implemented an environmental and social management system. Key initiatives included launching wastewater treatment facilities at its Vinaria Purcari SRL vineyard—a costly investment that remains rare in Moldovan wineries. Purcari also implemented a company-wide recycling policy with the sorted waste sold to processing facilities; for example, broken glass is sent to a nearby glass mill while paper and cardboard waste is delivered to a local cardboard factory. Purcari additionally maintains a strict pesticide management program that targets the minimum required use of crop protection in its agricultural operations.

Spotlight: Reorienting an International Expansion Strategy

By 2013, Russia accounted for approximately 28% of Purcari's total sales and was poised to represent a significantly growing share. However, in September, Russian authorities—displeased by the fact that Moldova was in the process of signing the European Union Association Agreement—announced a new wine embargo. This retaliatory move cost Purcari its largest market once again and nearly USD7 million in account receivables were likely to be lost. In addition, the Ukrainian Crisis negatively affected most of its other export markets as currencies plummeted in Ukraine, Kazakhstan, and Belarus. With the company strapped with approximately USD20 million in debt and struggling to make payroll, Horizon Capital's growth equity investment had suddenly turned into a distressed deal by the beginning of 2014.

Horizon Capital knew Purcari needed to pivot away from Russia, so it helped the team define a new commercial strategy focused on Central and Eastern European markets. Although traditionally greater consumers of spirits and beer, many of these countries were beginning to develop a growing taste for wine, in part in the belief that it was a healthier alternative. By 2018, over 80% of Purcari's sales were in Central and Eastern Europe with Romania and Poland accounting for over 50% and 15%, respectively. Purcari's revenues more than doubled between 2013 and 2018, its EBITDA spiked from less than USD1m to USD14 million during the same period, while its EBITDA margin—at approximately 33% in 2018—was among the highest of its publicly listed peer group.

Outcome

Horizon Capital pursued a dual-track strategy when it came time to exit its investment. Several strategic investors had indicated an interest in purchasing the company, but the private equity firm continued to weigh the option of an IPO despite the fact that Purcari was a relatively small Moldovan business. Horizon Capital and Purcari decided to conduct an "early look" road show to meet institutional investors and solicit their feedback, which was positive. Undeterred by challenging market conditions, Purcari became the first Moldovan company to complete an IPO, raising nearly USD50 million via the listing of 49% of the company on the Bucharest Stock Exchange in February 2018. In the process, Horizon Capital exited the majority of its stake, representing 41% of the company. Horizon Capital's remaining holding was sold through an accelerated bookbuild in October 2019, resulting in a 3.3 times gross cash-on-cash multiple on a blended basis.

The Investor: **Linzor Capital Partners**

Fund Manager: Linzor Capital Partners

Fund Name: Linzor Capital Partners III

Fund Size: USD621 million

Total Commitments Raised: USD1.2 billion

Linzor Capital Partners is a private equity firm investing in mid-size companies across Latin America excluding Brazil. Since its founding in 2006, Linzor has raised three private equity funds and primarily seeks controlling positions. Its current portfolio has exposure to sectors such as financial services, telecom, retail, education, health care and food manufacturing. The Linzor team, including its eight partners, operates out of offices in Chile, Mexico, and Colombia.

The Company: **UTEL**

Company: UTEL

Website: www.utel.edu.mx

Industry / Sector: Education

Location: Mexico

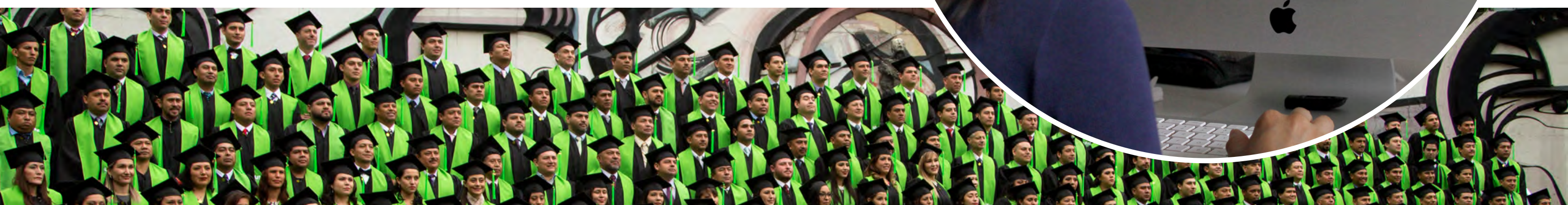
UTEL is an online university in Mexico with over 47,000 students as of September 2020. Targeting the middle-income population, the company offers 65 accredited programs with a wide range of undergraduate and graduate courses, the most popular of which include computer systems engineering, industrial engineering, and education. UTEL has recently begun to offer executive online programs and is expanding its services throughout Latin America.

Date of Investment:	Amount:	Participation / Stake:
May 2018	**Undisclosed**	**53%**

Opportunity

Seeking exposure to the education sector, Linzor Capital Partners began to map the industry in Mexico in 2016, looking at a wide range of segments including language training, K-12 education, and universities. The team concluded that higher education was the most attractive target—in particular, Linzor wanted to invest in a service that could address the problem of low penetration of undergraduate education in working adults. In Mexico, only 18% of the population between the ages of 25 and 64 has an undergraduate degree, according to the Organization for Economic Cooperation and Development (OECD). Linzor believed that an affordable and scalable platform could not only drive significant profits but also fundamentally improve peoples' job prospects and overall incomes.

David Stofenmacher started UTEL Universidad with the vision of delivering high quality education at a low cost. With initial support from global learning company Pearson and Mexican curriculum and technology provider INITE, UTEL had enrolled 20,000 students in its exclusively online university, which catered to individuals with full or part-time jobs, in its first six years of business. For the company's next stage of development, Stofenmacher wanted to grow both enrollment and revenues at a faster pace and desired a partner that could help optimize its capital structure, offer greater analytical capabilities, and contribute towards stronger corporate governance. In 2018, Linzor acquired a 53% stake in UTEL.



Execution

One of Linzor's first initiatives following its investment was institutionalizing UTEL's data collection and reporting processes in order to help the company better assess and value its digital subscription-based business and identify key growth and profitability drivers. UTEL completed a migration to a new Student Information System as well as a more robust enterprise resource planning (ERP) process in 2019. As part of an effort to boost student retention, optimize its lead conversion rate, and promote other operational improvements, Linzor and UTEL are also building a data lake to be analyzed by artificial intelligence tools. These steps have helped UTEL nearly double the number of annual new admissions while reducing customer acquisition costs since Linzor's investment.

Linzor helped recruit a new Chief Financial Officer as well as executives with education sector experience across Latin America. Leveraging these additive skillsets, the UTEL team began to expand the company both geographically and via new services. UTEL opened enrollment centers in Peru, Colombia, Chile, and Ecuador and plans to reach more Latin American markets by the first half of 2021. As of September 2020, approximately 5,400 students located outside of Mexico had enrolled, representing 17% of total new admissions. The company also completed an international evaluation from the National Association of Credential Evaluation Services (NACES) to obtain accreditation for 22 undergraduate and 29 graduate programs in the United States. In partnership with Linzor, UTEL has additionally developed new business lines in 2019, including an executive online course that is paired with in-person lectures and networking events, a digital bootcamp, and a massive online open course (UTEL X) that will be offered to the public for a monthly fee.

Notably, UTEL provides access to higher education to Mexico's underserved populations. As of September 2020, approximately 56% of UTEL's students live in rural areas in Mexico that have less than 400,000 inhabitants and 49% are 30 years of age or older. Without UTEL's flexible schedule and affordable pricing of around USD100 per month, it is likely that these students would not be able to study while working and taking care of their families. The company also offers scholarships and discounts to low-income and disabled students—in 2020 through September, UTEL has provided an average discount of 65% to 85% off regular tuition to nearly 500 students.

> "UTEL is always testing out new ideas, which has been a large part of its success. We have had to learn how to support this culture of trial and error—which is unique for midsize businesses in Latin America—while also bringing in the analytical tools to question every new venture so that we all find what we are looking for at the end of the journey.
>
> – Jean Ide Gerard
> *Partner, Linzor Capital Partners*

Spotlight: Embracing a Culture of Trial and Error

Frequently experimenting and conducting pilot tests is core to UTEL's strategy, as it fine-tunes and scales up ideas based on initial results. For example, the company recognized a growing trend in the United States of traditional universities seeking to grow their online programs, so it began to evaluate a business line focused on providing expertise to these schools under a profit-sharing agreement. This online program management (OPM) unit began with the UTEL team initially traveling to a few small universities and proposing a service to develop and maintain their online offering. UTEL has since signed a long-term contract with Uniminuto, the largest private Colombian university with 110,000 active students, and is currently negotiating deals with additional schools in Colombia, Mexico, and Peru.

A culture of adaptability has also helped to shape UTEL's response to the COVID-19 pandemic. Migrating all employees—including over 700 sales agents—to remote status presented a challenge for the company, particularly given connectivity issues involving the technologies that UTEL uses to power its contact center. UTEL plans to maintain, to a large extent, this remote work policy as it helps employees save time and money, and decreases risks associated with public transportation in Mexico City. This initiative will also help reduce UTEL's carbon footprint. UTEL has been able to successfully increase student engagement on the platform since the beginning of the outbreak in line with rising volumes of new admissions and high conversion rates. With Linzor's support, the company has offered significant promotional discounts on its services and, as a result, expects to finish 2020 with more than 60% year-over-year growth in new intakes.

Outlook

UTEL has reached a number of milestones following its acquisition by Linzor. In 2019, UTEL became the first exclusively online university to be accepted into the evaluation process to become a FIMPES accredited university, the Mexican higher education association and accreditation body. UTEL has also created 1,125 new jobs, representing 188% growth relative to the size of the company at acquisition, while the number of active students has climbed from 24,000 in 2018 to 47,000 as of September 2020. Going forward, UTEL plans to continue experimenting with various growth initiatives, including a digital academic bootcamp, while striving to meet the rising demand for online higher education across the Latin American region—and potentially beyond.

The Investor: **Mediterrania Capital Partners**

Fund Manager: Mediterrania Capital Partners

Fund Name: Mediterrania Capital III

Fund Size: USD315 million

Total AUM: USD520 million

Mediterrania Capital Partners is a private equity firm investing in consolidated SMEs and mid-cap companies in Africa with annual turnover of between EUR20 million and EUR300 million. Today, the firm has offices in Abidjan, Algiers, Barcelona, Cairo, Casablanca, and Valletta and its portfolio companies deliver over EUR1.5 billion in annual revenues and employ more than 20,000 people in Africa.

The Company: **Aziza**

Company: Aziza

Website: www.aziza.tn

Industry / Sector: Food retail

Location: Tunisia

Founded in 2014 by the Slama family, Aziza is a food retail operator with over 345 stores across Tunisia covering 105,000 square meters of sales area. Located in primarily urban areas, Aziza's stores target middle-income customers by focusing on low prices, quality products, and an easy purchasing process. Its own-brand product offering has expanded from food to cleaning and hygiene products with 200 labels.

Date of Investment:	Amount:	Participation / Stake:
July 2019	**Undisclosed**	**Minority**

Opportunity

Tunisia's retail distribution market has historically been dominated by small neighborhood stores that often have a limited selection of products. Recognizing that people increasingly wanted to purchase everything they need in one place, Ghassen Slama, Aziza's founder and Chief Executive Officer, decided in 2014 to create the first discount supermarket chain in the country focused on the middle-class consumer. Mediterrania Capital Partners met with Aziza's management team early in its history to discuss a potential partnership. Although the private equity firm found the business model compelling, it chose to wait and observe the young company's growth trajectory.

Several years later, the company had scaled to 345 stores in Tunisia and achieved profitability, and was seeking targeted strategic and financial support in order to embark upon its next phase of expansion. Mediterrania Capital invested in July 2019 alongside Tunisian-Kuwaiti investment company Ekuity Capital. Mediterrania Capital has since been working closely with Aziza to implement the company's ambitious development plan with a focus on expanding the company's reach across Tunisia, improving the product portfolio, and keeping consumer prices low.

Execution

Mediterrania Capital's top priority following its investment was to optimize Aziza's supply chain. In particular, the private equity firm encouraged the company to reduce the number of products it was importing and to instead look for comparable local items. By negotiating long-term offtake agreements with local suppliers, the company has improved its bargaining power and benefited from guaranteed pricing on contracts as well as a shortened logistics chain by using trucks at full capacity. Mediterrania Capital has also supported Aziza in expanding its own line of products. As of September 2020, Aziza owns 200 labels within its total product portfolio of 1,100 stock keeping units (SKUs). These private label products represented 13% of overall sales in 2020, up from 4% in 2015, and are on average 40% cheaper than those of Aziza competitors.

Energy-related costs represent one of Aziza's largest operational expenses, and Mediterrania Capital has helped the company deploy a number of energy efficiency initiatives. Aziza has identified ways to save energy by using improved chiller doors on refrigerated multi-deck cabinets as well as new shelf-edge technology in open refrigerated display decks, which are being tested in ten and two stores, respectively, as of September 2020. These initiatives are also leading to an improvement in product quality as food items are not being thrown out due to temperature control problems. The company has additionally installed a solar photovoltaic system in one of its stores as a pilot test and plans to add this technology to 120 stores by the end of 2021.

Outlook

In 2020, Aziza's revenues increased by 32% and EBITDA rose by 110% in comparison to 2019. The COVID-19 pandemic had been a key factor in supporting Aziza's revenue growth—Tunisians stocked up products at the beginning of the outbreak and have continued to shop at Aziza's stores.

Mediterrania Capital's priorities going forward are to continue working with Aziza to further expand the network across Tunisia while continuously improving the quality and cost competitiveness of the company's offering. As the buying power of Tunisians continues to grow, Mediterrania Capital believes that Aziza is well positioned to capture an increasing share of rising demand for consumer products.

Spotlight: Focusing on People and Promoting Diversity

As Aziza has over 2,650 employees, Mediterrania Capital recognized early in its investment that a strong human resources function would be essential to the company's success as it grows—each new store opening requires hiring at least eight new employees. Employee turnover has historically been a significant issue in the industry as it is not uncommon for retail employees to quit after only a few months of working. Mediterrania Capital hired an external consultant to identify some of the leading reasons for turnover and they collectively identified several steps to improve employee satisfaction. For example, all staff members were given remuneration contracts that include a bonus-incentive system—salaries are comprised of a fixed component as well as a variable one based on experience, responsibility, and performance. Additionally, the company has made it a formal policy that any open regional and store manager position would be filled via an internal promotion. In 2019, 237 employees were promoted internally versus 161 in 2018. These efforts have paid off—as of the end of 2020, employee turnover has decreased by 34% as compared to the prior year.

Aziza has also launched a new gender equality and diversity initiative, committing to a 50/50 gender split across the management team and all functions. The company is striving to create a more inclusive culture by offering flexible work arrangements, integrating diversity metrics into managers' performance reviews and promoting ongoing business training for women to help them transition into leadership roles. Aziza has further adopted the principle that female workers will be promoted at the same rate as men. At the end of 2020, 33% of the store employees and 45% of the head office staff were female.

The Investor: **Mekong Capital**

Fund Manager: Mekong Capital

Fund Name: Mekong Enterprise Fund III

Fund Size: USD112.5 million

Mekong Capital is a private equity firm focused on consumer-driven businesses in Vietnam. Established in 2001, Mekong Capital has invested in 35 companies, 27 of which have been fully exited, through four funds. Mekong Enterprise Fund III, which was launched in May 2015, is seeking to deploy between USD8 million and USD15 million per investment. The private equity firm's team includes over 35 employees, based in Ho Chi Minh City and Hanoi, who hold an average tenure of over five years.

The Company: **Pizza 4P's**

Company: Pizza 4P's

Website: www.pizza4ps.com

Industry / Sector: Food and beverage

Location: Vietnam

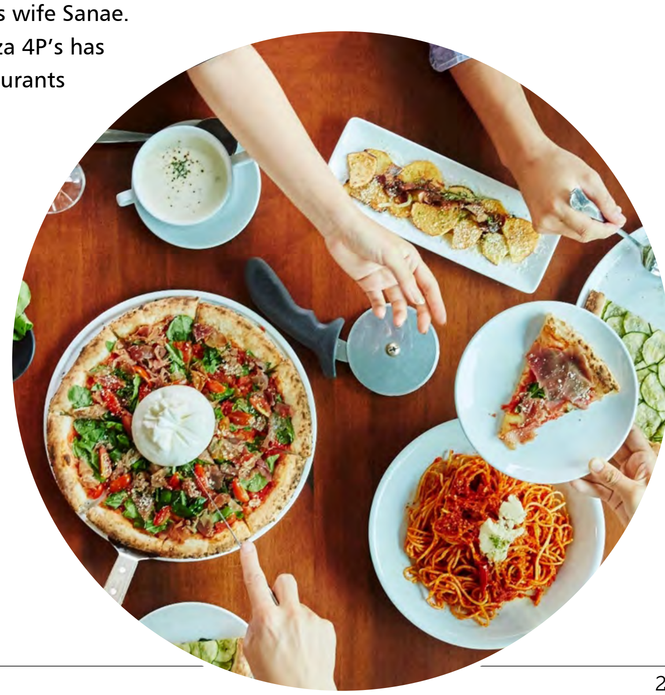
Pizza 4P's (or Pizzas for Peace) is a restaurant chain known for its fresh homemade cheese and sustainably sourced local ingredients. Founded in 2011 by a Japanese husband and wife team, the company has grown to operate a chain of 20 Pizza 4P's full-service restaurants, two food trucks, and two franchised Ippudo ramen restaurants targeting upper middle-income customers.

Date of Investment:	Amount:	Participation / Stake:
July 2018	**Undisclosed**	**Minority**

Opportunity

Mekong Capital began courting the founders of Pizza 4P's in late 2015. The private equity firm had recently exited its investment in Vietnamese restaurant chain operator Golden Gate in August 2014 and was looking to gain new exposure to the food and beverage sector. It identified Pizza 4P's as a clear frontrunner—the pizza chain's customer satisfaction scores were among the highest in the industry and many on the Mekong Capital team were personal fans of its Japanese Italian fusion cuisine. Seat turnover—at just under 5x per day—was more than double its competitors and the private equity firm saw an opportunity to further scale the company, which had already expanded to five restaurants in four years.

Mekong Capital's opportunity emerged in July 2018 when a venture capital firm that had previously invested in Pizza 4P's became interested in selling its stake. Competing against a number of other investors, Mekong Capital successfully won the final round of bidding on the strength of its track record of growing businesses in Vietnam. More importantly, its vision-driven approach to investing resonated with the company's founders, Yosuke Masuko and his wife Sanae. Since the partnership began, Pizza 4P's has expanded from seven to 22 restaurants and food trucks and serves more than 7,900 customers per day. The company has also become a pioneer in promoting the farm-to-table dining concept in Vietnam, prioritizing organic and sustainably produced ingredients while promoting transparency in its sourcing processes.



Execution

One of the most important lessons that Mekong Capital learned while investing its first fund was how to work with companies to articulate their business visions, realizing that this process often results in entrepreneurs becoming more receptive to suggestions for change. In the case of Pizza 4P's, the founders were already committed to a higher purpose of spreading smiles and creating opportunities for millions of people to experience inner peace. The challenge for Mekong Capital was translating this vision into operational measures that would enable the company to grow its platform.

Immediately following its investment, Mekong Capital spent considerable time with the founders in fleshing out a set of core values and building a strong corporate culture to ensure those principles were firmly embedded across the company's 1,500 employees. In particular, one of Pizza 4P's core values, omotenashi, which means unconditionally incredible hospitality in Japanese and seeks to view each customer's experience uniquely, became harder to institutionalize with each new opening. To improve customer satisfaction, Mekong Capital and Pizza 4P's launched a project whereby each restaurant produced a daily summary report to capture customer feedback and complaints, which were swiftly reviewed.

Mekong Capital also focused on ensuring that Pizza 4P's had the right leadership both within the company and on the board. The private equity firm played a key role in recruiting talent to the company's management team to support Yosuke and Sanae Masuko in accelerating the pizza chain's growth. To date, Mekong Capital has supported the hiring of approximately 30 people. Furthermore, Mekong Capital implemented a number of changes designed to strengthen the board, including assisting in the onboarding of an independent director, Bryan Pelz. Previously the cofounder of VNG, a Vietnamese technology unicorn, Pelz has been helping Pizza 4P's accelerate its digital transformation process.

Outlook

Looking forward, Mekong Capital plans to continue supporting Pizza 4P's as it further scales within Vietnam and begins to expand internationally. While the company aims to eventually be in markets such as Japan and the United States, as a first step, it is launching a zero-waste concept restaurant in Cambodia, where it is currently solidifying relationships with local recycling and composting companies to ensure that no waste generated on site is sent to a landfill. Additional priorities for Mekong Capital will include inspiring the 4P's leadership team to effectively instill the new vision throughout the company, continuing to improve operating efficiencies, and recruiting and retaining high-caliber talent.

Spotlight: Connecting Sustainability to Vision

Sustainability is central to Pizza 4P's business model and vision. When the company first opened, mozzarella cheese was not produced in Vietnam and therefore had to be imported, so the company made the decision to produce its own natural cheese at a factory located outside of Dalat. Pizza 4P's has additionally developed strong relationships with a number of local organic farms; for example, five years ago, it partnered with the Thien Sinh Farm where rocket leaves are grown exclusively for the company. It also works closely with small- and medium-size farms that utilize sustainable production practices but don't have the budget to obtain a formal organic certificate, which can be extremely costly in Vietnam.

Mekong Capital has also encouraged Pizza 4P's efforts to educate the community on the importance of sustainability, hoping that doing so will inspire people to be more conscientious about their own waste. In 2019, the company opened an "edutainment" restaurant in Ho Chi Minh City that has an urban farm where customers can directly harvest from more than 1,000 pots of herbs and vegetables as well as see the role of aquaponics in reducing waste as water from the fish pond is pumped into the gardens. Earthworms, which are later fed to the fish, are utilized to compost vegetable scraps and produce fertilizer—all of which results in a reduction of approximately 20 kilograms of garbage per day.

Seeking to be more sustainable in terms of materials, the company made the decision in 2017 to eliminate plastic drinking straws and began to incorporate compostable plastic bags into its operations in April 2020. Made out of locally grown cassava starch and biodegradable within six months, these bags were rolled out at an opportune time as lockdowns resulting from the COVID-19 pandemic led to a significant uptick in delivery service. Additional energy conservation efforts undertaken by the company include the use of photovoltaic panels on restaurant rooftops, generating an approximate supply rate of 5%.

The Investor: **Navis Capital Partners**

Fund Manager: Navis Capital Partners

Fund Name: Navis Asia Fund VII

Fund Size: USD1.438 billion

Total AUM: ~USD5 billion

Navis Capital Partners was founded in 1999 and manages both private and public equity funds focused on growth buyouts in Southeast Asia. As of October 2020, Navis has completed 87 controlling private equity investments in addition to over 75 follow-on investments. Based in Kuala Lumpur, the company has 100 professionals working across six offices in the region.

The Company: **Saitex**

Company: Saitex

Website: www.sai-tex.com

Industry / Sector: Garment and textiles

Location: Vietnam

Founded in 2001, Saitex designs and manufactures environmentally sustainable denim products. Saitex's services include product development, design, raw material sourcing, sewing, washing, and finishing of denim. The company produces over five million garments per year for global brands that include Everlane, Madewell, G-Star Raw, J.Crew, and more, and has achieved B Corp, LEED, and Fairtrade certifications.

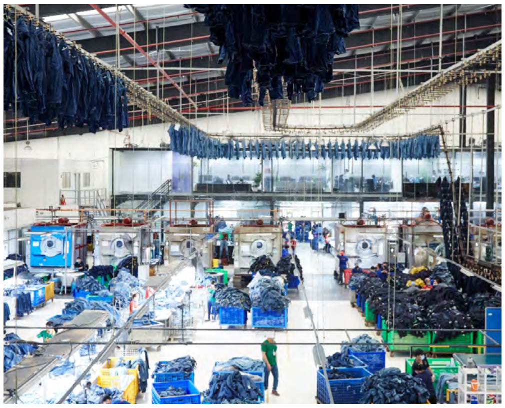
Date of Investment:	Amount:	Participation / Stake:
May 2018	**Undisclosed**	**Majority**

Opportunity

Sanjeev Bahl, founder and Chief Executive of Vietnam-based denim manufacturer Saitex, set out to find solutions to make the textile business more environmentally sustainable. As Saitex grew, Bahl decided to bring in a financial and strategic partner and was introduced to the team at Southeast Asia-focused private equity firm Navis Capital Partners in 2017.

Navis had toured numerous textile businesses in the region, but Saitex—with its unique focus on sustainability—was unlike any company in the sector. Saitex had a well-established customer base and pipeline that included some of the largest global players in the industry, as well as a compelling business model of charging premium prices while maintaining lower production costs than many of its premium-focused competitors in Western Europe, Turkey, and China. Navis invested in Saitex in May 2018 with the goal of implementing a vertical integration strategy and increasing capacity to meet growing demand—and to do so as one of the most sustainable denim producers in the world.

> "It's no secret that denim mills, which have largely been doing the same thing for decades, are not the cleanest part of the supply chain, but change is difficult and expensive. Saitex's new mill will be the greenest in the world and it's a huge expense. But we are doing the right thing—differentiating ourselves in the process—and there will be a payoff.
>
> – David Ireland
> *Senior Partner, Navis Capital Partners*



Execution

Navis helped Bahl recruit Chief Financial and Operating Officers in 2018 to support an aggressive growth plan, which included doubling the production capacity in Saitex's sewing and laundry facilities. In addition to investing in automation to improve production efficiency, Navis assisted the company in acquiring a nearby garment factory, incorporating and bringing onboard that factory's workers in the process. Navis also worked closely with Saitex to develop a vertical integration strategy to fuel revenue growth and margin expansion through both upstream and downstream initiatives.

International clothing brands typically dictate which fabric suppliers the denim manufacturers should use, leaving the factories with little control over—and often limited awareness of—how the cotton was sourced, the amount of water or dye used, or the level of pollution created. Seeking to address the problems associated with this part of the supply chain, Bahl had the vision to invest upstream and is currently partnering with Navis to build a new USD66 million state-of-the-art mill in Vietnam to produce sustainable denim fabrics. The mill will enable Saitex to achieve greater profitability while providing a one-stop solution for customers and reducing the order time frequently associated with external mills.

Navis assisted Saitex in navigating the site selection, construction, and licensing process, and secured financing for the greenfield project. The mill is slated to open in the first quarter of 2021 and will create approximately 600 jobs, many of which will be skilled positions, for example those operating the weaving of the fabric and fabric-related research and development. As Vietnam is not traditionally known for producing high-quality textiles, the mill with state-of-the-art technology will drive a significant transference of skills to the local workforce.

Integrating downstream, Saitex is building a small and highly automated Los Angeles-based factory to meet United States-based customers' demands for flexibility and speed. Navis and Saitex believed that some clients would be willing to pay a premium for faster delivery as the apparel cycle can be long—a designer in New York or Los Angeles may have to wait up to a year to receive a final product, which makes it difficult to make changes or move quickly in rolling out a new trend.

Outlook

Saitex's revenues are projected to increase from USD70 million in 2018 to over USD100 million in 2021, despite weakened customer demand resulting from the global COVID-19 pandemic. Navis has helped Saitex implement measures to mitigate the negative impact of the virus including controlling costs around payroll, marketing, subcontracting, and logistics, and has also supported the new fabric mill through a USD5.6 million equity contribution in July 2020. Beyond ensuring the success of the mill and Los Angeles-based factory, looking forward, Navis plans to help Saitex invest in the development of its own and licensed brands, while constantly keeping the focus on sustainability and transparency.

Spotlight: Raising the Bar On Sustainability For the Global Textile Industry

Greenwashing is a common trend in the fashion industry. Inspired to do better, the Saitex team has been focused on maximizing a reduction in water, chemicals, and power usage throughout the company's core operations—initiatives that Navis has supported and helped to accelerate, particularly through investments in technology. Saitex utilizes the Higg Facility Environmental Module, an assessment tool for apparel products developed by the Sustainable Apparel Coalition, to measure its environmental impact. In 2019, the company achieved a score of 90 out of 100, making it the top-rated business in Vietnam and one of the highest globally.

Saitex uses a closed water system and jet washing that enables the company to save 430 million liters of water per year, while the production of each jean requires 1.5 liters of water versus the industry standard of 80 liters. In addition, the toxic by-product from Saitex's wastewater treatment plant is shipped to a nearby brick factory and mixed with concrete, with the resulting bricks used to build affordable homes. The new denim mill will also employ the latest modern dyeing techniques with a nearly waterless application resulting in 92% less water, 30% less energy, and 87% less cotton waste than incumbent mills.

To reduce energy usage, 100% of the steam produced in Saitex's mill will come from renewable sources, with 30%—or approximately 6,000 tonnes—of fuel derived from sludge generated by a nearby industrial park effluent wastewater treatment plant, and much of the remainder coming from agricultural waste by-products such as coconut shells or rice husks. The company has installed solar panels on its facilities, saving an estimated 13 million kilowatts per year. Saitex also takes the unique approach of primarily air drying its jeans, for which it has constructed a giant conveyer on its ceiling.

Navis encouraged Saitex to strive for certifications that are typically difficult for apparel manufacturers to achieve. In 2019, the company became the first and only Vietnamese apparel business to be awarded B Corp certification. Saitex has also received LEED (Leadership in Energy and Environmental Design) certification and is the only Bluesign certified laundry in the world, recognizing the company's commitment to using the least amount of water possible.

The Investor: **True North Managers**

Fund Manager: True North Managers LLP

Fund Name: True North Fund V

Fund Size: USD670 million

Total AUM: ~USD3 billion

True North invests in Indian mid-size businesses, targeting an investment size of between USD50 million and USD100 million. Founded in 1999 and formerly known as India Value Fund Advisors, True North has launched six funds and raised over USD2.5 billion from global institutional investors. The firm has invested in over 50 companies, of which approximately 30 have been exited as of September 2020.

The Company: **SeedWorks International**

Company: SeedWorks International

Website: www.seedworks.com

Industry / Sector: Agricultural inputs

Location: India, the Philippines, and Nepal

SeedWorks International develops and sells hybrid seeds of rice, cotton, vegetables, millet, and mustard. The company, which has been active in the Indian seed business since 1998, has a base of over 2.3 million farmers and engages with more than 45,000 seed growers. With a focus on technology and innovation, SeedWorks has primary research facilities in Hyderabad, Bangalore, Aurangabad, Alwar, Abohar, Hissar, and Lucknow with 51 satellite locations.

Date of Investment:	Amount:	Participation / Stake:
July 2016	**~USD35 million**	**~97%**

Opportunity

True North sought exposure to agribusiness inputs in India, and eventually targeted seeds. The True North team believed that a seeds-focused company with a strong research and development (R&D) program could increase productivity and improve the livelihoods of farmers across the country by offering hybrid seeds that take into account individual needs related to factors such as yield, climate, soil conditions, disease resistance, and taste, while also delivering attractive financial returns.

The Indian seeds industry was primarily dominated by large multinational companies—few local businesses had a strong market presence and quality R&D programs. Within this landscape, Hyderabad-based SeedWorks stood out. In 2015, Germany's Bayer Crop Science had acquired SeedWorks' vegetable seeds arm, which represented the bulk of the company's operations. Following the sale, SeedWorks approached True North regarding an acquisition of the remaining Indian hybrid rice and cotton seed business, which also had a presence in the Philippines and Nepal. Seeing the potential for long-term growth through further hybridization in the rice market as well an opportunity to leverage its high-quality R&D pipeline within the hybrid cotton segment, True North acquired a majority stake in SeedWorks in July 2016, with the founder and management team retaining a small holding.

Execution

Following its investment, True North faced the challenge of managing SeedWorks' transition from being an entrepreneur-owned to private equity-backed business, which was not common in the industry. The team found it initially difficult to attract talent but over the following year successfully recruited a new Chief Executive Officer and several supporting executives focused on marketing, human resources, technology, quality, and sales in order to complement the existing management team. To retain this talent and facilitate shared ownership, True North created an employee stock options (ESOP) pool, representing approximately 6.5% of the company. Once the team was fully integrated, True North prioritized building a new corporate culture around collaboration rather than operating in silos and focusing on local maximization.

In 2017, True North created a long-term vision and action plan for each crop segment. This roadmap, which focused on market expansion as well as crop and product diversification, included annual targets and milestones for employees. True North and SeedWorks developed a growth strategy at a geographic micro level for its hybrid rice and cotton seeds and—leveraging the company's brand and history—began to organically rebuild its vegetable seeds business with a focus on tomato, peppers, okra, and gourds. In addition, the company acquired Krishna Research Seeds in 2019 in order to add millet and mustard seeds to its offering.

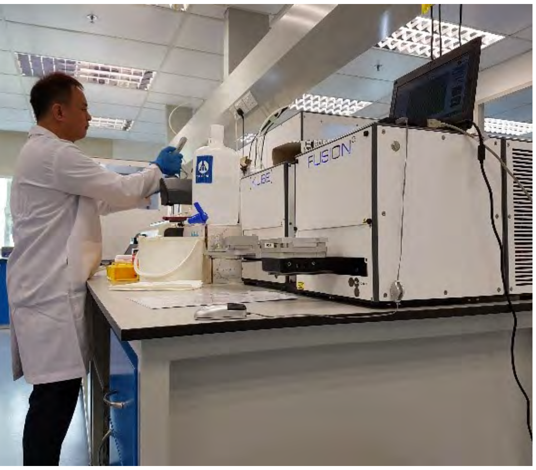
True North is also working closely with SeedWorks to advocate sustainable practices in partnership with local farmers. In particular, the company has trained approximately 2.3 million smallholder farmers who have been long-standing customers on good seed and plant practices across the entire growing season. Once fully onboarded, these farmers participate in the field trials of SeedWorks' products. SeedWorks also provides digital traceability applications to help its smallholder farmers avoid counterfeit products and maintain productivity.

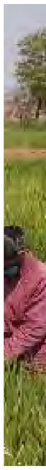
Spotlight: Maximizing Farmer Incomes Through R&D

Research and development is at the heart of SeedWorks' growth plans. SeedWorks spends approximately 10% of its annual sales on R&D, and its products are tested extensively across 691 locations before commercial release. SeedWorks also has a biotech lab in Singapore that can accelerate product development by rapidly identifying various genetic markers that match what the R&D team is seeking to feature in new varieties, such as higher yield or better fruit quality.

In particular, True North is working closely with the company to develop growth strategies for micro markets. India is a vast nation with 29 states and 718 districts—all with distinct climate zones, soil conditions, and taste preferences, so products must be tailored for individual regions. For example, SeedWorks has become the second largest hybrid cotton seeds player in the north of India, as of September 2020, but does not yet have a significant presence in the south-central region of the country. True North is helping the company develop the right products to compete effectively in these underpenetrated markets.

Beyond micro markets, SeedWorks is also drilling down to identify and orient R&D efforts around individual customer preferences. Even in the same village, one farmer may want a hybrid cotton seed that will give him or her the maximum yield in one picking to reduce labor costs and subsequently turn over the land for a second crop, while another farmer will seek to generate the maximum yield over a longer period of time. By meeting the needs of individual farmers, SeedWorks is helping to improve farm output and maximize incomes.





Outcome

SeedWorks' growth continues to be led by the hybrid rice business, but the other segments are beginning to take greater market share. For example, as of September 2020, the company's hybrid cotton seed business has expanded nearly five times since True North's investment, while the vegetable seed business has grown rapidly with 65 products released in the first 18 months of operation. In partnership with True North, the company's EBITDA margins have improved, rising from -17% two years pre-investment to 22% four years post-investment. SeedWorks' efforts to build a strong corporate culture for its 250 employees have also paid off—it was recognized as one of the top 50 Great Mid-size Workplaces in India in 2020, ranking 24th in Great Place to Work's annual review of businesses with between 100 and 500 employees.

In September 2020, True North partially exited its stake via a secondary sale to alternative asset manager Global Environment Fund, reducing its holding to approximately 80%. Through the exit, True North generated an IRR of over 45% and a multiple on invested capital of 3x in Indian rupees. In the near term, True North plans to continue focusing on driving further growth within each crop segment, reducing production costs, and possibly pushing for greater international expansion, but will likely seek to fully exit its position via a strategic sale over the next three to four years.

The Investor: **Turkven**

Fund Manager: Turkish Private Equity Fund IIII LP

Fund Name: Turk Venture Partners III Limited

Fund Size: USD840 million

Total AUM: USD1.5 billion

Founded in 2000, Turkven is a private equity firm in Turkey. Funds advised by Turkven have invested over USD5 billion in 26 companies.

The Company: **Vansan Makina**

Company: Vansan Makina

Website: www.vansan.com.tr

Industry / Sector: Submersible motor and pumps

Location: Turkey

Vansan produces a wide range of pumps and motors that service agribusinesses, power plants, industrial companies, and municipalities. The company operates two factories and a research and development center. Exporting to 70 countries across six continents, it is the second largest centrifugal water pump and motor company in the European, Middle Eastern, and African region as of September 2020. Vansan has recently launched a magnetic bearing submersible motor that increases efficiency by 10% versus standard motors.

Date of Investment:	Amount:	Participation / Stake:	Company Size:
November 2017	**Undisclosed**	**60%**	**USD80 million** (in revenues, 2020)

Opportunity

Turkven began closely following Vansan's operations in 2012. The private equity firm believed that water was becoming an increasingly important resource around the world—and valued the company's mission to bring deep underground water to ground level affordably for farmers, geothermal power plants, industrial companies, and more. According to the U.S. Department of Energy, approximately 20% of the world's electricity consumption is tied to moving water, and Turkven recognized that any efforts to make that process more energy efficient had the potential for global impact. In addition, as pumps and motors remain the only way to transport water, the company's business model could not be digitally disrupted.

The Turkven team was in close contact with Vansan's founding family for several years and was impressed by the company's engineering and in-house manufacturing capabilities. The quality of its products was showcased by the fact that while farmers typically have to replace pumps and motors every five years, Vansan's standard products lasted an average of ten years, resulting in significant cost savings. Five years after taking an initial interest, the first-generation founders decided to hand over the business to the second generation. Turkven facilitated the succession process in 2017 and acquired a 60% share in Vansan, with the new Chief Executive Officer, a second-generation family member, retaining the remaining 40%.

Execution

Through its prior investment experience, the Turkven team had seen numerous family-owned companies take the approach of focusing heavily on sales and production while neglecting, to an extent, the necessary infrastructure investment to make the business truly scalable—and Vansan was no exception. Turkven worked with the CEO to implement new processes and systems around cash flow management, human resources, information management, and enterprise resource planning to prepare the company for rapid export growth.

The Turkven team devoted much of 2018 to spearheading initiatives related to Vansan's production processes. The company's original production system, which had individual employees responsible for multiple tasks and separate factories producing pumps and motors, became strained as Vansan began to grow. Inspired by best practices from the automotive industry, Vansan and Turkven moved the company to an assembly line manufacturing system and adopted serial production processes for pumps and motors, merging both within a new factory with room to grow. A second factory was then retrofitted and dedicated to larger custom pumps and engineering. Vansan also expanded task-based trainings in order to overcome capacity constraints due to a lack of skilled labor. By eliminating these production bottlenecks, Vansan achieved a 50% increase in capacity.

This increase in manufacturing efficiency did not negatively affect employment. In fact, Vansan's labor force has grown from 470 employees in 2017 to 600 as of September 2020—largely due to a growth in export markets. In order to reduce turnover, Turkven worked with Vansan to introduce a number of initiatives, including creating feedback loops between the workforce and management, improving overall working conditions, and implementing a bonus scheme tied to production. Vansan also began providing health insurance to all employees and their immediate families.

Governance was also a priority for Turkven as it sought to achieve a strategic balance between the shareholders and management. Following Turkven's investment, three external consultants were added to the board of directors with expertise in production, sales, marketing, and human resources. These consultants included the former CEO of one of the leading automobile manufacturers in Turkey, a former executive who held various roles at the largest pump manufacturer in the world, and a former human resources director at a Turkish conglomerate. Regular board meetings, which had not taken place prior to Turkven's involvement, were established.

Outcome

Three years into its investment, Turkven's priority is to continue expanding the company's export markets given that Vansan already has a greater than 50% market share in Turkey. When Turkven first invested in 2017, Vansan was selling its products to 50 countries; by the first half of 2020, that number had increased to 70, representing approximately 65% of sales. While Turkish exports are commonly found throughout Europe and the Middle East, Vansan's products travel as far as Chile, where they are competitive from a quality, efficiency, and cost perspective. In the process, Turkven and Vansan are showcasing Turkey on a global stage, particularly as the company's products are increasingly being recognized as efficient and long lasting with an overall failure ratio of less than 1%.

Vansan is also focused on further commercialization of the geothermal line shaft pump and permanent magnet motor product lines. While the former is supporting production of one of the cleanest energy sources in Turkey, Turkven views the latter as a pathway to widespread electricity savings.

Spotlight: Driving Innovation in Sustainability and Efficiency

After 2018, Turkey's geothermal industry started to grapple with decreasing levels of carbon dioxide (CO_2) in its reserves. As a result, water cannot be extracted from wells without a pump that can work in depths greater than 500 meters and at temperatures of over 200 degrees Celsius.

Vansan saw an opportunity in this lucrative and technically demanding segment and developed a special purpose line shaft pump. The product consists of an above-ground motor and an underground pump, which can withstand the extreme depth and temperature conditions. The new product enabled these geothermal wells to stay functional and profitable. Most submersible motor and pump systems in geothermal wells have lifespans of three to four months, generating high replacement costs and reducing productivity. As of September 2020, Vansan has installed two line shaft pumps, both of which have been working without incident for over two years. The company expects to sell between eight and ten pumps per year beginning in 2021, generating annual revenues of USD5 million.

In another important research and development project, the company developed motors with permanent magnet bearings during the Turkven partnership. The standard magnetic motor pump system requires expensive frequency converters. As a result, although magnet motors typically result in a 10% reduction in electricity consumption, 50% of this benefit is lost due to the costs associated with the converter. Vansan created a new design that eliminates the need to use a frequency converter while retaining the efficiency gains, resulting in a much more affordable system. Farmers and other customers get an immediate 10% savings on electricity, leading to a payback period of six to nine months versus four to five years. This product has the potential to save several percentage points of electricity consumption at the national level given the weight of irrigation motors in overall energy consumption.

The Investor: **Value4Capital**

Fund Manager: Value4Capital

Fund Name: V4C Poland Plus Fund

Fund Size: EUR91 million

Total AUM: USD110 million

Value4Capital (V4C) is a private equity firm investing in mid-market companies across Central Europe. V4C targets growth and buyout opportunities in service-oriented businesses with a key focus on Poland, and selectively backs businesses in other EU member states in Central Europe. The firm invests between EUR10 million and EUR25million in equity per transaction. V4C has been owned by its partners since the firm gained its independence in 2011 from a global asset manager.

The Company: **Kom-Eko S.A.**

Company: Kom-Eko S.A.

Website: www.kom-eko.pl

Industry / Sector: Waste management

Location: Poland

Established in 1994, Kom-Eko is an integrated waste management company focused on municipal and commercial waste collection in Eastern Poland. The company, which employs approximately 460 full-time employees, owns a landfill and also manages several sorting and processing centers with an emphasis on recycling. As of September 2020, Kom-Eko provides services to over 55% of Lublin's inhabitants and has recently begun processing waste from the city of Warsaw.

Date of Investment:	Amount:	Participation / Stake:
October 2018	**EUR17.5 million**	**100%**

Opportunity

In 2018, Central Europe-focused alternative investment fund manager Royalton Partners exited its investment in waste management company Kom-Eko through an auction process. Value4Capital (V4C), which had just raised its latest fund focusing on Polish service businesses, entered the competitive bidding process. Kom-Eko was a regional market leader with a recurring revenue stream anchored by contracts with local municipalities. Because the company had previously been under private equity ownership, Kom-Eko had a well-established governance framework, consistent operations, detailed reporting, and a history of regulatory compliance.

V4C won the auction, edging out a number of bidders, including several international parties. The private equity firm purchased the business in October 2018, bringing in a number of co-investors as well, including the European Investment Fund and Alpha Associates. From the outset, V4C has worked closely with Kom-Eko to expand its waste processing capacity while simultaneously increasing the percentage of recycled material in its waste stream in line with the European Commission's goal that at least 50% of all plastic packaging waste must be recycled by 2025, and 55% by 2030.

Execution

Kom-Eko is an integrated business—the company manages all aspects of the waste cycle from collection, sorting, and processing to recycling and disposal. V4C drives the company's growth strategy by searching for and, if necessary, funding complementary consolidation opportunities across Eastern Poland in each of these areas. For example, in July 2020, V4C supported Kom-Eko's acquisition of a majority of shares in Lubelska Agencja Ochrony Środowiska, which was offering similar services to industrial clients that Kom-Eko was providing to businesses and individuals. While V4C believes that consolidation opportunities are likely to rise over time as increased regulation and enforcement weaken some of the industry's smaller players, it is ensuring that high environmental and governance standards, including compliance with permitting and laws, are leading Kom-Eko's acquisition strategy.

While Kom-Eko is not solely focused on recycling, all of the company's activities aim to underpin the environmental objective of creating a circular economy in which the majority of waste is recycled and the residual is disposed of in a sustainable manner. Over time, the company has been able to effectively reduce the total amount of waste ending up in a landfill— in 2019 176,000 tonnes of solid waste was collected and 81% was recovered, as compared to 2011, when 70,530 tonnes was collected and 66% recovered. An even higher percentage of the materials collected by the company is expected to be recovered in the near future as Kom-Eko is slated to open a new EUR5.4 million recycling center in 2021 with V4C's strategic support.

The new facility, which will be housed in an industrial hall spanning 10,000 square meters, will not only enhance the recovery of recycled material but also reduce the costs associated with disposing of non-recyclable waste. The recycling center will more efficiently process separated paper, plastic, and metal and perform the necessary sorting and triage of those streams to create a high-quality separated waste steam known as refuse derived fuel (RDF). One of the main costs in the waste management industry is the disposal of waste, and Kom-Eko's total expenses will reduce as RDF is of higher value to an end user, such as an incinerator or cement plant. The recycling center will process an estimated 38,000 tonnes of material per year, with roughly 50% being directly recycled and the other 50% being processed into RDF—none of the waste will end up in a landfill.

> "It is easy to believe that everyone knows how important it is to recycle in order to take care of our planet but that's simply not the case—especially if you go to some of the smaller towns, for example, in southeast Poland. As a commercial business, we are doing our best to educate the community in partnership with cities, as it's the only way we will collectively meet the European Union's recycling targets.
>
> – Marcin W. Benbenek
> *CEO, Kom-Eko*

Spotlight: Educating a Community on Recycling

As the largest collection and waste processing company for the city of Lublin and surrounding areas, Kom-Eko has a responsibility to promote environmental education in waste generation and management. Under the slogan "together for tomorrow," the company is actively encouraging recycling in the local community, with efforts that include publicity campaigns, a monthly magazine, and the recent launch of a dedicated application (www.ekoapp.pl). This app, which can be downloaded to a mobile phone for free, teaches people how to properly sort waste to increase recycling from higher quality waste streams.

Kom-Eko regularly hosts groups of residents, especially students, at its plants and Education Center where people can learn about best practices in waste management—however, it is making adjustments to its strategy in light of the COVID-19 pandemic. For instance, participating in the most recent annual Clean Up the World campaign in September 2020, which aims to combat waste and plastic pollution globally via local projects, Kom-Eko utilized virtual meetings with students of the Special School Complex at the University Children's Hospital in Lublin to teach them about rational waste management, waste segregation principles, and waste processing methods.

Outlook

In partnership with V4C, Kom-Eko has grown considerably in the last two years—revenues are forecast to reach over USD31.3 million in 2020, up from USD22.4 million in 2018, while EBITDA margins are expected to improve from 24% to 28% over the same time period. Looking forward, V4C's priorities include working closely with Kom-Eko to broaden its cleaning and sanitation services within Lublin and neighboring cities. The V4C and Kom-Eko teams are also evaluating ways to expand the company's waste-to-energy program, thus going farther into downstream integration and providing a more secure offtake for recycled materials. The company has several projects in its pipeline valued at approximately EUR80 million. Perhaps most importantly, V4C will continue to help Kom-Eko position itself as a responsible operator in the industry, securing its reputation as a reliable partner for government, industrial clients, and residents.

The Investor: **Warburg Pincus**

Fund Manager: Warburg Pincus

Fund Name: Warburg Pincus Private Equity X, L.P.

Fund Size: USD15.1 billion

Total AUM: ~USD57 billion

Founded in 1966, Warburg Pincus is a global private equity firm with 600 professionals across 14 offices. Since inception, the firm has raised 19 private equity funds and invested in more than 920 companies in over 40 countries. Warburg Pincus invests in a wide variety of sectors with a strong focus on consumer, energy, financial services, health care, industrial and business services, real estate, and technology.

The Company: **ESR**

Company: ESR

Website: www.esr.com

Industry / Sector: Logistics real estate

Location: Asia-Pacific

ESR is a logistics real estate platform in the Asia-Pacific region with properties completed and under development accounting for 18.7 million square meters of gross floor area. Headquartered in Hong Kong, ESR had USD26.5 billion in total assets under management, representing the value of its properties as well as a broad range of logistics real estate-focused funds and investment vehicles, as of June 2020.

Date of Investment:	Participation / Stake:	Date of IPO:
June 2011	**Undisclosed**	**November 2019**

Opportunity

Warburg Pincus determined a decade ago that an investment opportunity existed in modern warehousing in China, recognizing that a lack of warehousing space was often the biggest inhibitor to growth for e-commerce companies. The firm wanted to back an e-commerce-focused logistics real estate platform as China transitioned from a manufacturing-based to consumption-based economy. This strategy offered a competitive advantage as e-commerce tenants typically require three times the amount of space as traditional brick-and-mortar retailers to sell the same amount of product.

In conducting research on the nascent and highly fragmented industry, the Warburg Pincus team met with two entrepreneurs: Sun Dongping, who was building warehouses for international corporations, and Jeffrey Shen, who was the first employee of China's Prologis—the largest industrial real estate company in the world. Concluding that Dongping and Shen, partnered together, could build modern logistics infrastructure on time and within budget, Warburg Pincus co-founded e-Shang—the precursor to ESR—in 2011. In nine years, ESR has become the largest Asia-Pacific logistics real estate platform by gross floor area and assets under management, and is setting new standards for sustainable development in the region with green design initiatives throughout its buildings.

Execution

With an e-commerce tenant-led strategy, e-Shang built modern warehouses across China for clients that included Amazon and JD.com. The team realized that by moving into new markets across Asia, these tenants would naturally follow them as their businesses grew. Warburg Pincus worked with the company to develop a regional expansion strategy that would strive to create the strongest local platform in each market by either acquiring existing businesses or building organically.

The company entered South Korea in 2014 by investing in Kendall Square Logistics Properties. In 2016, Warburg Pincus orchestrated e-Shang's merger with logistics real estate firm Redwood Group Asia, which transformed the rebranded ESR into a pan-Asian platform by deepening its footprint in China and expanding into Japan and Singapore. In Australia, Warburg Pincus helped ESR acquire property development group Commercial & Industrial Property (CIP), while investing in a local property funds manager and real estate group between 2017 and 2018. To further build out its asset management platform, Warburg Pincus also played a key role in ESR's

2017 acquisition of the manager of ESR-REIT, which had a large portfolio of properties across Singapore. By the end of 2020, the formerly China-centric business had become a regional player with operations across Singapore, Japan, South Korea, India, Australia, and Indonesia.

Warburg Pincus raised approximately USD2 billion at the corporate-level from investors including Goldman Sachs, Hana Asset Management, JD.com, and SK Holdings to fund ESR's growth. Warburg Pincus also began to transition the company from an asset-heavy platform to an "asset-light" funds management business—and sought to do so on a regional basis to give investors access to Asia's strong growth momentum. In 2014, Warburg Pincus established its first project-level joint venture with Dutch pension fund manager APG Asset Management to finance logistics opportunities in China. The following year, APG further invested with ESR alongside Canada Pension Plan Investment Board (CPP Investments) with a joint venture that ultimately committed USD1.15 billion to 17 projects in South Korea. Warburg Pincus worked with ESR to establish funds and investment vehicles to develop logistics and industrial facilities throughout Asia with additional strategic investors such as Singapore's GIC, Malaysia's EPF, New China Life Insurance Company, and AXA Investment Managers. ESR's fundraising initiatives have been instrumental in the company reaching USD26.5 billion in total assets under management as of June 2020.

Outcome

ESR and Warburg Pincus launched an investor roadshow in June 2019. A day before the scheduled pricing of its initial public offering, protests erupted in Hong Kong in response to the government's introduction of a bill that would have allowed extradition to China and Taiwan, potentially curtailing civil liberties. Warburg Pincus and ESR made the tough decision to pause the listing. The private equity firm kept the investor group together and came back to the market in November, when ESR successfully raised USD1.8 billion in its IPO on the Hong Kong Stock Exchange—an increase from its original target of USD1.24 billion. ESR has been included in the FTSE Global Equity Index Series (Large Cap) since June 2020 and was added to the MSCI Hong Kong Index in November.

In July and November 2020, Warburg Pincus sold a 13% stake in total in ESR through partial exits. Currently, the company's priorities include further expanding into Southeast Asia, focusing on data centers and continuing to help it build state-of-the-art facilities with a pipeline of over 7.2 million square meters of gross floor area across the Asia-Pacific region. As the largest Asia-Pacific-focused logistics real estate platform, the company also reaffirmed its commitment to long-term sustainable growth in November 2020 by announcing its five-year vision roadmap and targets around environmental, social, and governance performance.

Spotlight: Leading on Sustainability and Gender Diversity

The construction and operation of buildings account for nearly 40% of energy-related carbon dioxide emissions globally according to the United Nations Environment Program. ESR and its investors recognized that green buildings would play a significant role in addressing climate change risks and therefore prioritized the development and management of sustainable buildings by adopting energy-efficient lighting, comprehensive water and waste management systems, expansive green areas, and solar panels mounted on its expansive rooftops. Across the region, ESR has 24 properties with roof-mounted solar panels, and a pipeline in Japan of solar power initiatives that will provide 50 megawatts of clean energy. Fifty of ESR's properties have obtained globally recognized LEED and CASBEE certifications in 2019, and the company was the first in Asia to receive WELL Gold Certification for its Bucheon Logistics Park in South Korea.

ESR has made gender diversity a priority both within its operations and throughout its buildings. As of November 2020, 35% of the company's 626 employees are female, with a target to reach at least 40% by 2025. At ESR's Hong Kong headquarters and its ESR-REIT Singapore office, women currently represent 62% and 68% of the staff, respectively. Warburg Pincus is also working closely with the ESR team to bring women back into the broader workforce across Asia. For example, in each distribution center that exceeds 100,000 square meters, the company has established kids' clubs run by licensed day-care providers that are available free-of-charge to employees of ESR's tenants. In 2018, ESR Japan received the Social and Environmental Contribution award from British Business Awards by the British Chamber of Commerce in Japan, recognizing its commitment to working mothers.