

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:
July 2014

Enterprise Value:
USD43 million
(as of March 2020)

Participation / Stake:
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.