

## Private Equity

**INTERVIEW: LUC RIGOUZZO**  
Executive president of Amethis Finance

# AIM FOR THE CONSUMER MARKET

Amethis Finance is a new investment fund which has raised \$300m to invest in Africa's future needs for 'growth and consumption'. **Luc Rigouzzo**, the former CEO of Proparco, what he plans to do with this money. Interview by **Hichem Ben Yaïche**



### What is behind the launch of Amethis Finance?

Amethis Finance is the result of over 20 years' experience of responsible long-term investment in the African continent. Africa today is a continent undergoing significant change. We are at a historic turning point, where the driving forces for the continent are the structural reforms commenced at the end of the 1990s and also major demographic changes.

From an "empty, rural region", 30 years ago, Africa is in the process of becoming a densely populated urban continent which will be home to 20% of the world's population by 2040. Estimated at over 300m people, its middle class alone will represent a market worth \$2,000bn. These demographic, urban and economic shifts offer significant opportunities for investment.

Over the last 10 years, Africa has become one of the world's most dynamic regions of economic growth, with an average growth of 6.5% if you

exclude South Africa. Laurent Demey and I founded Amethis Finance in partnership with the Benjamin de Rothschild Company to be a part of this momentum and to contribute, in some small way, to the emergence of Africa. Africa is today showing high rates of return for foreign direct investment and private equity investment in all asset classes. The best prospects for returns are offered not by the extractive industries, as is sometimes believed in Europe and the US, but across all those sectors that provide goods and services to Africans themselves.

Africa's growth is dependent on its internal market and, boosted by its demographics, Africa has become one of the last bastions of world growth.

### How much capital would you like to raise and what is your investment strategy?

We have just raised first-round capital of €120m in equity and have agreement from the board of directors at OPIC in the US for a credit line of over \$150m.

Amethis is therefore starting out with the capacity to invest \$300m in the continent, based on funding from equity and debt. We will continue our efforts to raise capital in 2013 to double these sums. Amethis operates along conservative lines, raising capital to make equity investments and borrowing to a limited extent in order to lend. We are aiming for a high level of geographic and industry diversification, which we believe is essential in a continent where some countries and sectors are still faced with high volatility.

Our strategy is to foster long-term ties with well-established, high-growth African businesses which need long-term capital, and supporting them through a new phase in their life cycle by helping them to develop, first in their own national space, then in the regional space.

Selectivity is key in our line of business and we choose very carefully the businesses in which we invest. Our strategy is to take minority interests in businesses which we hope will be the regional or continental stars of tomorrow. Before we make an investment, we undertake rigorous due diligence encompassing the financial, ethical, social and environmental aspects of the business.

### What is your degree of involvement in the African business in which you take a stake?

Beyond the capital contribution, we provide support in defining their strategy and help them to build strategic and financial partnerships, creating value for our partners and investors. When we take an equity interest in a business, we become an active investor, helping the company to grow. Our team's expertise and network help to open up new markets and new partnerships.

The long-term horizon is consistent with the needs of African businesses. We are also evaluating the impacts of projects we have funded. We know from experience that a high level of social and environmental responsibility is a pre-requisite for the



creation of long-term value, and Africa is no different in this. And quite simply, it reflects our values.

**Are there any African countries, or sectors, in which you prefer to do business?**

The realities facing Africa's 54 economies are very different. Amethis Finance is a pan-African fund but we will be focusing on a limited number of countries with diversified economies that do not depend exclusively on one single raw material. The economic and industrial fabric of all these countries is substantial and all are growing at a rate in excess of 7%. We will explore market opportunities across all sectors in these countries, where we will have a strong presence.

The second grouping encompasses countries with good potential and which are beginning to diversify. Here, we will take a more opportunistic, sector-specific approach. Finally, for the last grouping, our focus will be on individual companies.

We favour high growth sectors serving middle class consumers. There are three priority sectors, all of which pose major obstacles to development in Africa at present: financial services, personal services (healthcare, pharmaceutical and education), agro industries, distribution and energy supply. In the long term, these sectors will account for 80% of Amethis Finance's portfolio.

**Will the emergence of an increasingly large middle class allow businesses to adapt their size and strategy to satisfy consumer demand?**

This is already happening. Most of the large personal fortunes amassed in Africa in recent years have been built on consumer-focused sectors, such as telecoms, drinks, cement, food, banking and insurance. African businesses which lead the way in their national spaces will need to have a regional and pan-African vision to meet growing consumer demand. Today, Ugandan cement manufacturers, Kenyan oilseed

**'Our strategy is to foster long-term ties with well-established, high-growth African businesses which need long-term capital'**



Luc Rigouzzo and co-founder Laurent Demey

producers and Tanzanian bankers all build their long-term strategy on the whole of the East African market. The current trend is to segment the continent into five economic areas (North, West, East, Central and Southern Africa). Businesses operating in these areas will be able to reach critical mass before they set out to capture new African and world markets. Of course, there are still challenges to be addressed in these regional spaces, such as the creation of effective infrastructure networks, the harmonisation of legal frameworks and the introduction of free movement of people and goods.

**One of the essentials of growth is industrialisation. Africa, with a few exceptions is still far behind. Is that going to change?**

It has become much more attractive and profitable to focus on the African consumer than on exports. The continent's logistical drawbacks, which made exports less competitive, offer natural import substitution protection for local industry serving urban consumers. In addition, despite

the challenges of the education system, the workforce in many African countries is qualified and competitive. So I am confident we will see rapid industrialisation as long as some of the constraints I mentioned earlier are dealt with.

**What should be the role of financial services in driving Africa's growth?**

If it sticks to its 'industrial mission', which is to provide capital to sectors and businesses that are driving economic growth, then financial services is an industry just like any other. Against the current backdrop of high growth, businesses need long-term capital, and the African retail banks and the emerging stock markets are too small to meet these needs.

There are three particular benefits to private equity, which is still a young industry for the continent, with the possible exception of South Africa. Firstly, it means that experienced teams can mobilise available long-term savings (in developed countries and in the African continent alike) to invest in high-quality projects. Financial players have wrongly overestimated the risk that Africa presents for many years.

Next, it is essential for providing the equity that fast-growing businesses need. Lastly, in addition to its financial contribution, it narrows the gap between industries in developed countries and those in emerging markets by making its expertise and industrial networks available to all parties.

This is where Amethis Finance's activity comes in, in ensuring that these different and still very insular worlds can converge, making it possible for 'old' Europe to invest in 'young' Africa and take advantage of its momentum over the next few decades.

By providing African businesses with access to long-term capital markets, to financial and industrial partners and creating long-term value for our investors and our African partners, we hope to enable the continent to accommodate over a billion new consumers over the new few decades. ■