

Enhancement of the Business Environment in the Southern Mediterranean



A project funded by the European Union



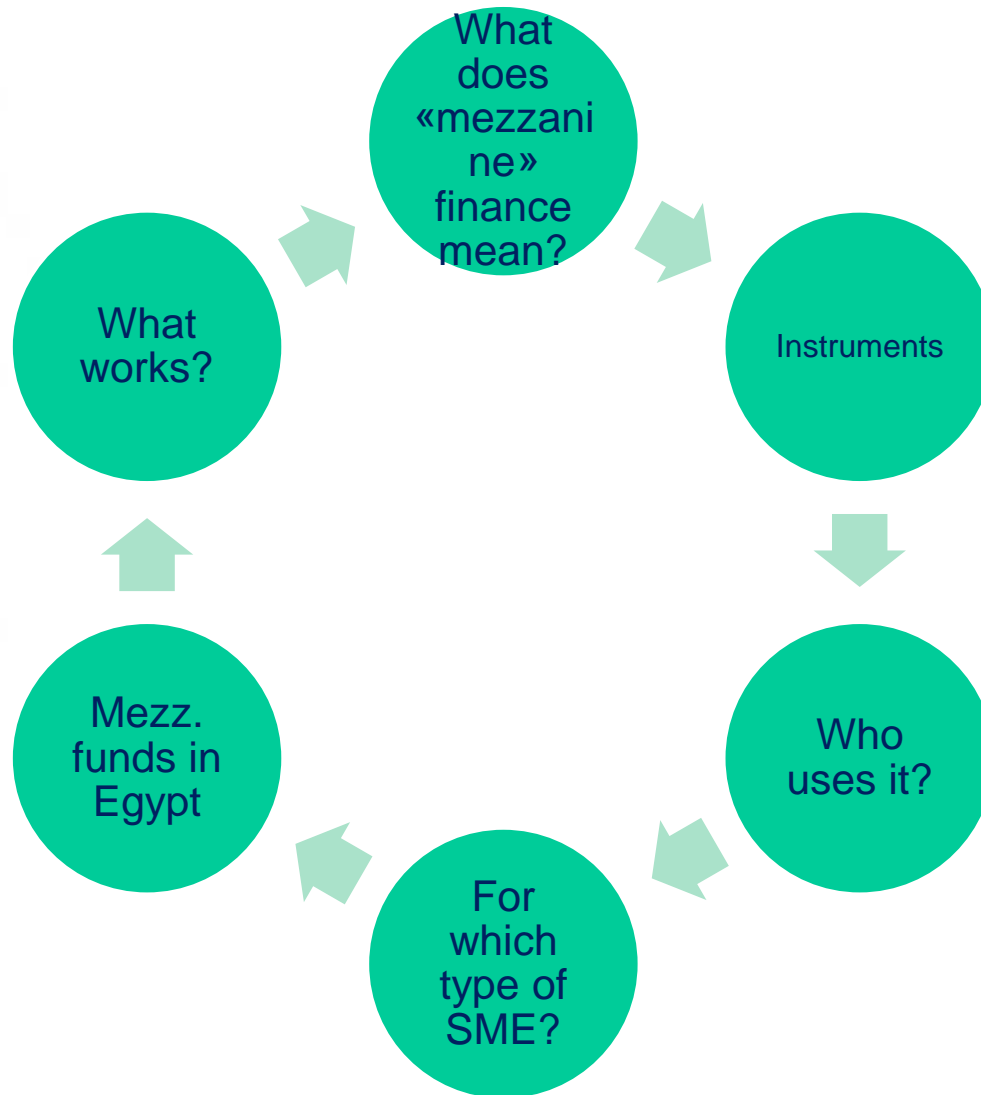
Mezzanine finance for SMEs

Bernd Balkenhol

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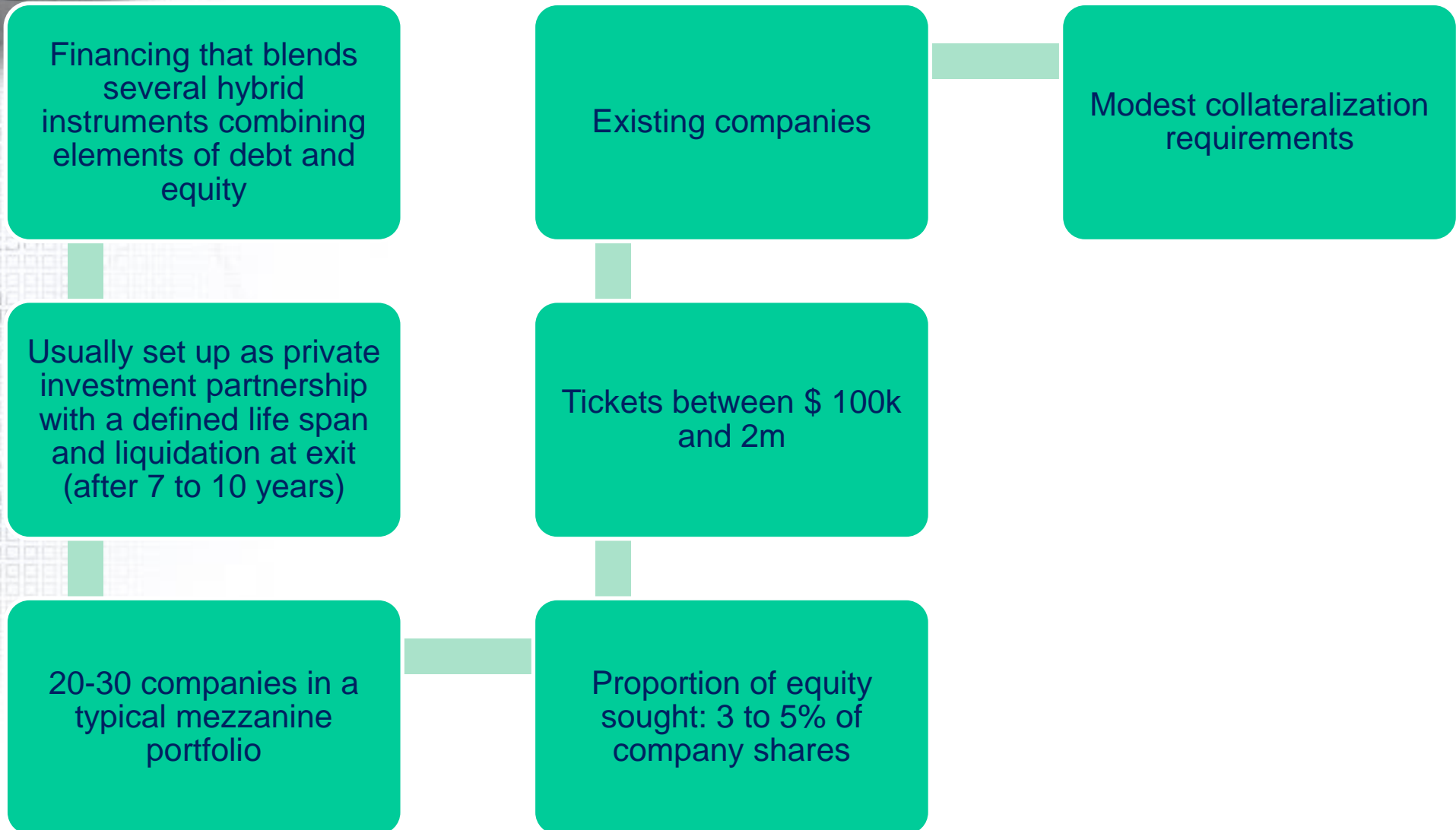


Overview





Mezzanine finance





Hybrid instruments



Subordinated debt: rank below senior debt, but above equity; repayment of principal in bullet; unsecured, hence more expensive for borrower

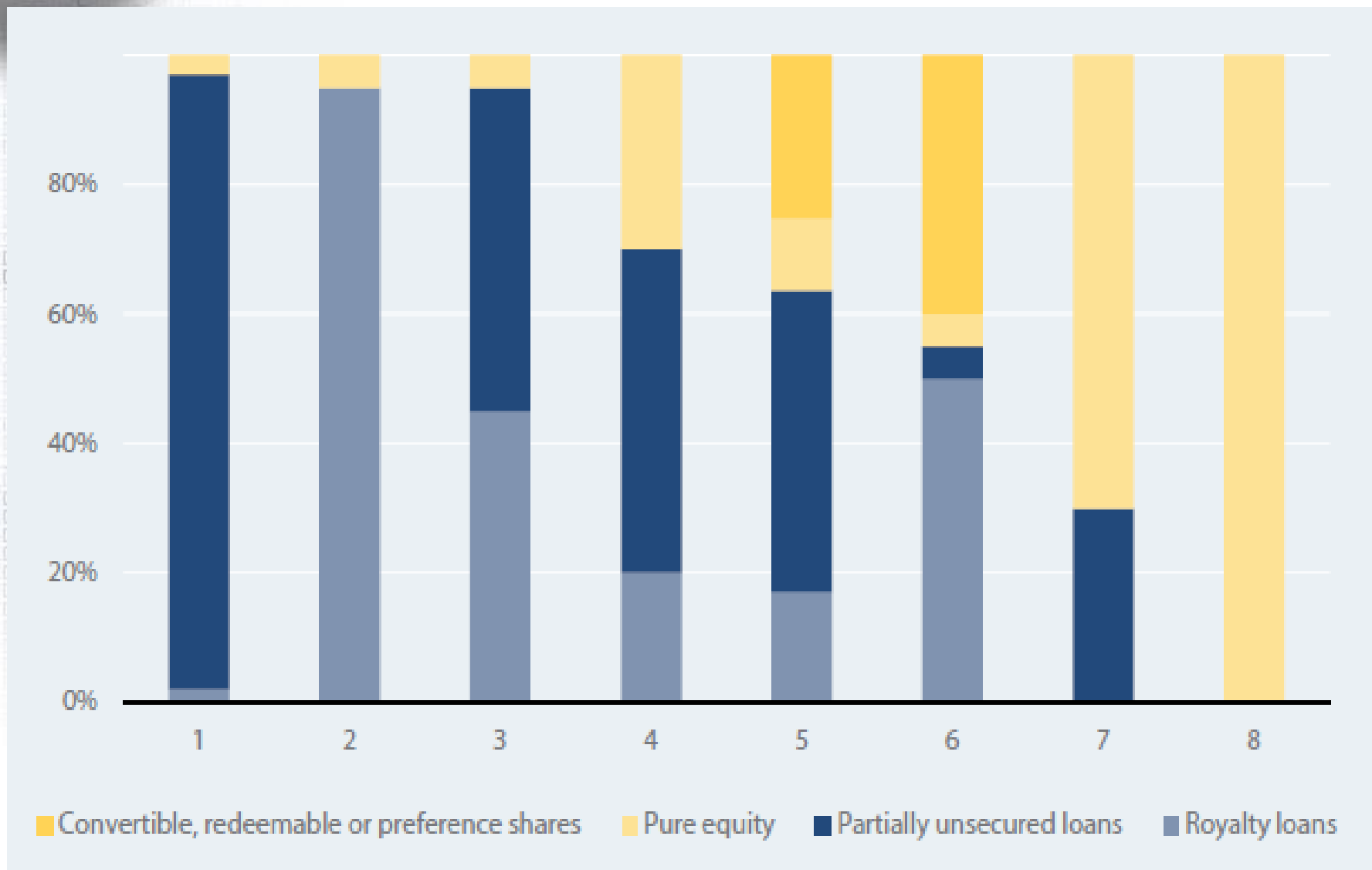
Participating loans: remuneration depends on turnover, profits, share price

Silent participation: equity with limited liability

Convertible debt and warrants: option to convert to equity



Hybrid instruments in 8 Mezz Finance Funds (Triple Jump)





The ideal SME for mezzanine finance



Established

Track record

Growth potential

Upper tier SMEs

Ticket size > euro 2 mio

Seeking to address overleveraging

Scope for an eventual IPO



Selected mezzanine funds for SMEs

(OECD)



	agency	name program	target	type	ticket range	term (yrs)
Austria	Wservice		SMEs	Subord.	< 2,5 mio	10
Estonia	Kredex		SMEs +	Sub +sil. p.	< 1,1 mio	3-10
France	OSEO	C.Dev.Part.			< 3 mio	7
Germany	KfW	Entre.loan	SMEs SE	Subord.	< 50 mio turnover	10
UK	BIS	Breakthru	SMEs	Subord.		3-5



An example: GROFIN



- a “specialist SME impact investor” that finances and supports small and growing businesses across Africa and the Middle East
- Funded by DFIs (AfDB, CDC, DFID, DEG, EIB, FMO, IFC, KfW, USAID etc) and private funders
- US\$ 500 million
- “proprietary viability model”: collateral not an issue
- patient capital and specialized business support



GROFIN in Egypt



Set up in 2014

One operation so far: «Five Builders»,
an established construction firm

Working capital loan of EGP 4 mio
plus business support



The floor above: no lack of PE and VC in Egypt... EPEA members



- **Abraaj** - Represented By Mr. Ahmed Badr El Din
- **BPE Partners** - Represented By Dr. Abdel Monem Omran
- **Concord** - Represented By Mrs. Bahia Ismail
- **Qalaa Holdings** - Represented By Mr. Abdallah El Ebiary
- **EFG-Hermes** - Represented By Mr. Samer Safwat Yassa
- **Naeem** - Represented By Ms. Omnia Kelig
- **ReAaya Holding** - Represented by Mr. Ahmed Samy Emar
- **Actis** - Represented by Mr. Hossam Abou Moussa
- **Paradise Capital** - Represented by Mr. Samer Sallam
- **Misr Capital Investment** - Represented by Mr. Ihab Nemr
- **Multiples Group** - Represented by Mr. Moustafa El Shenety
- **Amwal El Khaleej** - Represented by Mr. Karim Saada
- **Euro MENA Funds - Capital Trust Group** - Represented by Mr. Gilles De Clerk
- **Arab African Investment Management** - Represented by Mr. Haitham Waguih
- **Maatouk Basiouny Law Firm** - Represented by Mr. Omar Basiouny
- **Gulf Capital** - Represented by Mr. Ihab Mohammed Alameldin
- **Bedaya Fund** - Represented by Mr. Sherif Zahran
- **Pharos Holding** - Represented by Mr. Elwy Taymour
- **National Bank of Egypt** - Represented by Mr. Mansour Kelada
- **Al Ahly Capital** - Represented by Mr. Wael El Hatow
- **Insurance Holding Company** - Represented by Mr. Basel El Hini
- **Delta Shield Investments** - Represented by Mrs. Neveen El Tahri
- **Cairo Financial Holding** - Represented by Mr. Amr Raouf
- **Emerging Investment Partners** - Represented by Mr. Wassim Heneine
- **Premiere Holding** - Represented by Dr. Ahmed Adel
- **Fin Corp Investment Holding** - Represented by Mr. Mohammed Salem
- **Catalyst Partners** - Represented by Mr. Aly Al Tahry
- **Arqaam Capital** - Represented by Mrs. Yasmine Guindi
- **Feather Invest** - Represented by Mr. Wael Khattab
- **EK Holding** - Represented by Mr. Sherif El Zayat



Conclusions



Suited for a specific type of SME at a particular junction of its trajectory.

Challenge: downsize, sustainability

Local investors

Standardization

Public policy: DFIs; guarantees; platform?



Thank you for your attention

Contact:

Name

Email:

