

MARMORE

MENA INTELLIGENCE

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MARMORE FIRST TAKE

Abraaj: Stunning Past, Stunted Future



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HIGHLIGHTS

- Abraaj Group, Middle East's biggest private equity firm, founded in 2002 rose over the years attracting global investors by offering easy access to investment options in fast-growing markets in the Middle East, Asia & Africa.
- Abraaj Group currently manages almost USD 14 billion in assets for various investors including many institutions such as the sovereign wealth funds, large pension funds, and foundations.
- The group is under scrutiny for allegedly mismanaging money in a USD 1 billion healthcare fund that deployed capital from investors including the Bill & Melinda Gates Foundation, the World Bank's International Finance Corporation, Britain's CDC Group and Proparco Group of France
- Between October 2016 and April 2017, Abraaj drawdown USD 545 million in three tranches from health care fund's investors. By the end of September 2017, only USD 266 million of that money, less than half the amount were deployed.
- In October 2017, the Gates Foundation and three other investors probed as to what happened to the rest of the money. Abraaj's response was that all funds drawn down from investors in the Abraaj Growth Markets Health Fund were either fully used or returned
- Moreover, discrepancy between money it collected from investors and the amount it invested was due to delays in projects, and that the agreement with investors permitted it to retain the cash until it could be deployed.
- In December 2017, Abraaj returned USD 140 million to the fund's investors, but the repayment did not appease all of them. Thus, the investors asked U.S. forensic accounting firm Ankura Consulting Group LLC to audit the fund and trace their money.
- Abraaj itself hired KMPG to investigate, and claimed the auditing firm found no evidence of wrongdoing. Subsequently, Deloitte was hired to review its business, after investors were unsatisfied with a KPMG review.
- The founder and CEO, Arif Naqvi stepped down as head of its fund management business and the fund halted deployment activity. As a fallout, Abraaj suspended fundraising for its latest flagship fund, which already had closed on \$3 billion of its \$6 billion target.
- As per recent reports, the firm also used more than \$200 million of investor money from a \$1.6 billion buyout fund to help finance its own business rather than buy or invest in companies as it is intended.
- Abraaj has sought a 'standstill' agreement with creditors over debts. A standstill agreement is a deal reached between creditors and a debtor to delay repayment of interest and debts, until a full restructuring can be agreed.
- However, Kuwait's pension fund Public Institution for Social Security (PIFSS) has refused to join other creditors in a debt freeze. PIFSS recently filed a petition in the Grand Court of the Cayman Islands for liquidation and winding up of Abraaj Holdings over the latter's inability to repay a USD 100million debt. PIFSS bought a stake in Abraaj in 2006 and by 2013 its investments in and loans to the firm totalled approx. USD 732mn. It so far has got USD 346mn back.
- U.S. private-equity firm TPG is in talks with investors in the Abraaj health-care fund about taking over management of the fund's hospitals and clinics in developing countries.
- Cerberus Capital Management LP offered \$125 million to acquire the private-equity business of embattled Abraaj Group. Proceeds from a sale of the private-equity business would be used to pay back investors in the buyout fund.
- Though the separate audits conducted by KPMG, Deloitte and Ankura Consulting haven't found anything that could be classified as misappropriation of funds, a barrage of headlines in international media including, Wall Street Journal, New York Times, Reuters and Bloomberg resulted in confusion and uncertainty among its investors. The resultant flight of capital, demand from creditors and action by PIFSS has stymied the functioning of Abraaj group; such has been the power of information and media.
- Since the allegations surfaced in February, private equity deals and fundraising in the region have come to a halt. As the crisis reaffirms already existing concerns among the investors about lack of transparency in the region. This crisis is expected to bring change to the nascent industry, with better governance and disclosure.

¹ FTSE Russell

Funds Managed by Firm

Name	Size (USD mn)	Fund Stage	Year
Abraaj Growth Markets Health Fund LP	1,000.0	Buyouts	2016
Abraaj Pakistan Fund I	-	Generalist	2016
Abraaj Africa Fund III	990.0	Generalist	2015
Abraaj Turkey Fund I	486.0	Buyouts	2015
Anatolia Growth Captal Fund	27.0	Balanced Stage	2015
Abraaj North Africa Fund II	375.0	Generalist	2014
Lebanon Growth Capital Fund	30.0	Buyouts	2011
Jordan Growth Capital Fund	30.0	Generalist	2011
Aureos India Fund II	-	Generalist	2011
Riyada Enterprise Development Growth Capital Fund	150.0	Buyouts	2010
ASAS, L.P.	100.0	Value Add	2010
Palestine Growth Capital Fund	15.0	Balanced Stage	2010
Egypt Growth Capital Fund	-	Buyouts	2010
Abraaj Buyout IV	2,600.0	Buyouts	2009
Africa Healthcare Fund	105.4	Generalist	2009
Aureos South-East Asia Fund II, L.P.	86.2	Generalist	2009
Africa Health Fund, The	-	Generalist	2009
Abraaj Buyout Fund III	3,000.0	Buyouts	2008
Aureos Africa Fund	381.1	Generalist	2008
Fondo Aureos Colombia Fondo de Capital Privado Fund	35.8	Generalist	2008
Al Kantara Fund	16.6	Buyouts	2008
Sabre Abraaj Private Equity Fund I, Ltd.	300.0	Balanced Stage	2007
Aureos Latin America Fund	184.0	Generalist	2007
Aureos Central Asia Fund, The	67.0	Generalist	2007
Aureos China Fund	34.5	Later Stage	2007
Aureos Malaysia Fund	25.0	Generalist	2007
Infrastructure and Growth Capital Fund (AKA: IGCF)	1,700.0	Generalist	2006
Abraaj BMA Pakistan Buyout Fund L.P.	300.0	Buyouts	2006
Aureos South Asia Fund	122.4	Generalist	2006
Aureos India Opportunity Fund	75.0	Balanced Stage	2006

Name	Size (USD mn)	Fund Stage	Year
Emerge Central America Growth Fund	21.0	Generalist	2006
Kula Fund II	16.0	Balanced Stage	2006
Abraaj Buyout Fund II	500.0	Buyouts	2005
Abraaj Special Opportunities Fund II	100.0	Buyouts	2005
Abraaj Buyout Fund L.P.	116.0	Buyouts	2004
Abraaj Real Estate Fund L.P.	100.0	Buyouts	2004
Aureos South-East Asia Fund	91.0	Generalist	2004
Aureos South Asia Fund I	10.0	Seed Stage	2004
Aureos Southern Africa Fund	50.0	Generalist	2003
Aureos West Africa Fund	50.0	Generalist	2003
Aureos East Africa Fund	40.0	Generalist	2003
Abraaj Special Opportunities Fund L.P.	32.5	Buyouts	2003
Aureos Central America Fund	36.3	Seed Stage	2002
Abraaj Capital - Unspecified Fund	-	Generalist	2002
Abraaj Private Equity Fund IV	-	Buyouts	2002
Total	13,398.9		

Source: Reuters

Known Limited Partners

Known Limited Partner Investors
African Development Bank
Bill & Melinda Gates Foundation Trust
CDC Group PLC
Deutsche Investitions- und Entwicklungsgesellschaft mbH
Development Bank Of Southern Africa Ltd
ELMA Foundation
International Finance Corporation
Norfund
Proparco

Source: Reuters

Latest Direct Investments

Company Name	Industry	Still in Portfolio	Company Status	Last Investment Date	Location
Middlesex University	Consumer Non-Cyclicals	Yes	LBO	31-Jan-2018	U.A.E
Qbco SA	Consumer Non-Cyclicals	Yes	LBO	10-Oct-2017	Colombia
Cinepax Ltd	Consumer Cyclicals	Yes	Active	04-Oct-2017	Pakistan
Netlog Lojistik Hizmetleri AS	Industrials	Yes	Active	27-Jul-2017	Turkey
Jhimpir Power (Pvt.) Ltd.	Utilities	Yes	Pending Acquisition	25-Jan-2017	Pakistan
Casaideas	Technology	Yes	Active	19-Jan-2017	Chile
Laureate Education Inc	Consumer Non-Cyclicals	Yes	Active	21-Dec-2016	U.S
Vietnam US Society English International JSC	Industrials	Yes	Active	19-Oct-2016	Vietnam
Indorama Eleme Fertilizer & Chemicals Ltd	Basic Materials	Yes	Active	16-Oct-2016	Nigeria
Ste Aziza de Commerce de Detail SA	Consumer Non-Cyclicals	Yes	Active	13-Oct-2016	Tunisia
Capa de Ozono	Consumer Cyclicals	Yes	Active	26-Sep-2016	Mexico
Fibabanka AS	Financials	Yes	Active	06-Jun-2016	Turkey
Integrated Diagnostics Inc	Healthcare	Yes	Active	18-May-2016	U.S
Ninja Logistics Pte Ltd	Industrials	Yes	Active	19-Apr-2016	Singapore
Supermarket Grocery Supplies Pvt Ltd	Technology	Yes	Active	22-Mar-2016	India
Themis Proje Gelistirme Ltd Sti	Industrials	Yes	LBO	16-Mar-2016	Turkey
Quality Care India Ltd	Healthcare	Yes	Pending Acquisition	13-Jan-2016	India
Care Hospitals Pvt Ltd	Healthcare	Yes	Pending Acquisition	13-Jan-2016	India
Cepro DZ SPA	Consumer Non-Cyclicals	Yes	Active	11-Jan-2016	Algeria
Societe JM Holding SA	Industrials	Yes	Active	28-Dec-2015	Tunisia

Source: Reuters

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About marmore

Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making

Our aim

Advocate intellectual research on MENA economics, businesses and financial markets and provide customized, actionable solutions.

Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

Published research

Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

Policy research

Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

Periodic research

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

Regulatory research

Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.

Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

What type of consulting services we provide?

- Industry market assessment (market size, competitors, regulations)
- White label reports (industry reports, company newsletters, periodic research)
- Databases (competitors' information, target clients insights)
- Company valuation (buy/sell side advisory)
- Due diligence / Business evaluation
- Feasibility studies (market and financial)
- Business plans
- C-Suite support to leaders with intellectual, industry related needs

How do we execute consulting engagement?

Our seven step process to execute consulting engagements:

- Step 1: Requirement and scope analysis
- Step 2: Proposal submission
- Step 3: Project initiation
- Step 4: Fieldwork / research
- Step 5: Analysis & reporting
- Step 6: Review & approval
- Step 7: Report submission / presentation

