



Tunisian  
American  
Enterprise  
Fund

IMPULSION AU DEVELOPPEMENT

# ANNUAL REPORT 2016



**USAID**  
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# **TAEF Annual Report**

## **Board Chair and COO Letter**

Hela and I want to reemphasize again how pleased we at TAEF are about our progress and about the dynamism and energy displayed by the entrepreneurs we've invested in. And at the same time we want to underline something that isn't always apparent. All of our investments are intended to reach different parts of the small and medium enterprise sector in Tunisia and all of these investments are driven by the same belief.

We believe that the health and growth of this SME sector is the key to a healthy Tunisian private economy. If we wish to see stronger Tunisian economic growth, more jobs, greater equity and fairness, more opportunities for Tunisia's youth, and more possibilities in all parts of Tunisia, then there is no other path but to develop the SME sector. As TAEF grows in the future we will create more and different ways to invest in this sector, but our single minded focus on the health of small business and the value to Tunisia of Tunisia's own home grown entrepreneurs will not change

W. Bowman Cutter  
Chair

Hela Fourati  
COO





# TAEF AT A GLANCE

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## PURPOSE

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**Support** the Tunisian economy following the Tunisian revolution.

**Expand** economic and employment opportunities throughout the country.

**Catalyze** investments and promote broad economic growth.

**Strengthen** small and medium enterprises, improve prospects for sustainable growth.

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## TAEF INVESTMENT STRATEGY

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TAEF funds enterprises throughout their life cycle from start-up to early growth and maturity.

TAEF's investment strategy targets

- Microbusinesses
- Small to mid-cap traditional & family owned SMEs
- High growth start-ups
- Large-cap SMEs

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## FUNDING - SOURCE

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The U.S. Agency for International Development funds TAEF and provides oversight.

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## FUNDING - AMOUNT

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Up to \$100 million

Funded to Date: \$80 million in four \$20 million tranches.

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## FUNDING - TERM

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The fund will continue to actively invest for 10 years after the last \$20 million tranche is appropriated by the U.S. Government (projected for 2017).

We expect to be actively investing through 2027, followed by a period of investment management and fund wind-down.

## 2016 Overview

2016 was a year of growth. Growth and refinement of our strategy. Growth of our investments.

TAEF invests in the full spectrum of Tunisian SMEs from micro-business to large-cap SMEs. We do so with a multi-pronged strategy described and illustrated below. The flexible nature of our funding allows TAEF to deploy a variety of financial instruments to meet the financing needs of Tunisia's SMEs.

## TAEF Investment Strategy

Segment	Microbusiness	Small & Mid Cap SMEs	High Growth Start-ups	Large Cap SMEs
	Investments	Microfinance Institutions	TASME Fund	Flat6labs AnavaSeed Fund
				TunInvest Croissance Private Equity Fund Entrepreneur in Residence / Direct Investments

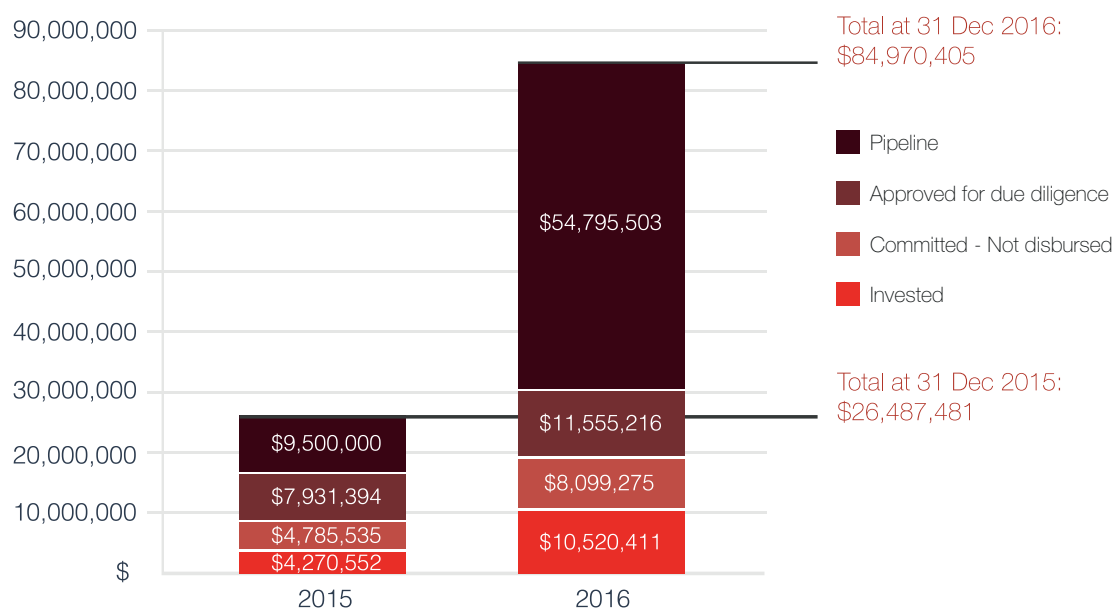
In 2016, we committed to an investment in Flat6Labs and AnavaSeed Fund, an innovative business accelerator and seed funding approach. We also expanded our Large-Cap SME strategy beyond our initial investment in the TunInvest Croissance private equity fund. At the end of the year, we were carrying out active due diligence on an additional private equity fund targeting SMEs, laying the groundwork for an innovative *Entrepreneur in Residence / Search fund* initiative and reviewing a pipeline of larger direct investments in companies.

Overall, TAEF's investment activity grew substantially in 2016 over the prior year. The chart below illustrates a doubling in investments made and in investments approved for due diligence. The most dramatic growth in TAEF's activity is seen in the pipeline of companies being considered for investment across all of our investment vehicles: an increase from \$9.5 million at FYE 2015 to \$54.7 million at FYE 2016. This robust pipeline speaks to the real demand for financing provided by TAEF and to the depth of the Tunisian market

Note that the chart shows investments committed but not yet disbursed at the end of each year. These numbers indicate investments approved by our Investment Committee and in the process of finalizing legal documents.

## TAEF ACTIVE PORTFOLIO

Comparison of FYE 2015 and FYE 2016



Another way to look at our investment activity is by category of investment as defined in our strategy (see chart below for a comparison of 2015 and 2016 numbers). This chart shows that the 2016 growth in investments is due to increases in two areas: TASME, our small-mid-cap SME fund, and high growth start-ups. Each investment category will be described below.

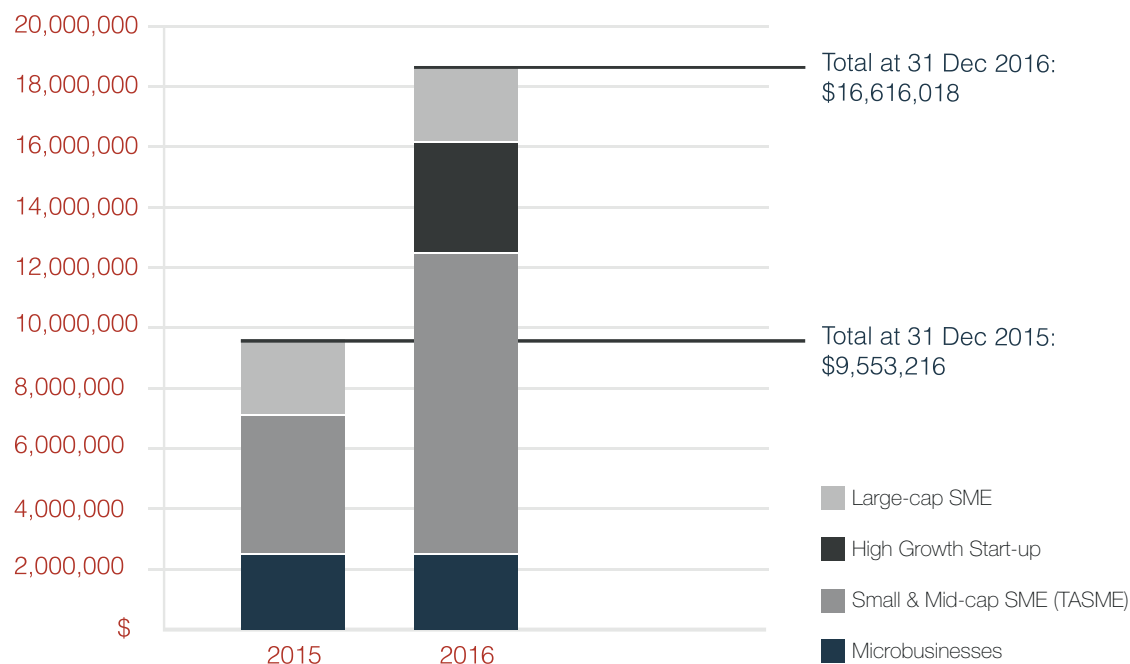






## TAEF INVESTMENT CATEGORY OVERVIEW

Comparison of FYE 2015 and FYE 2016 : TAEF Funds Invested & Committed



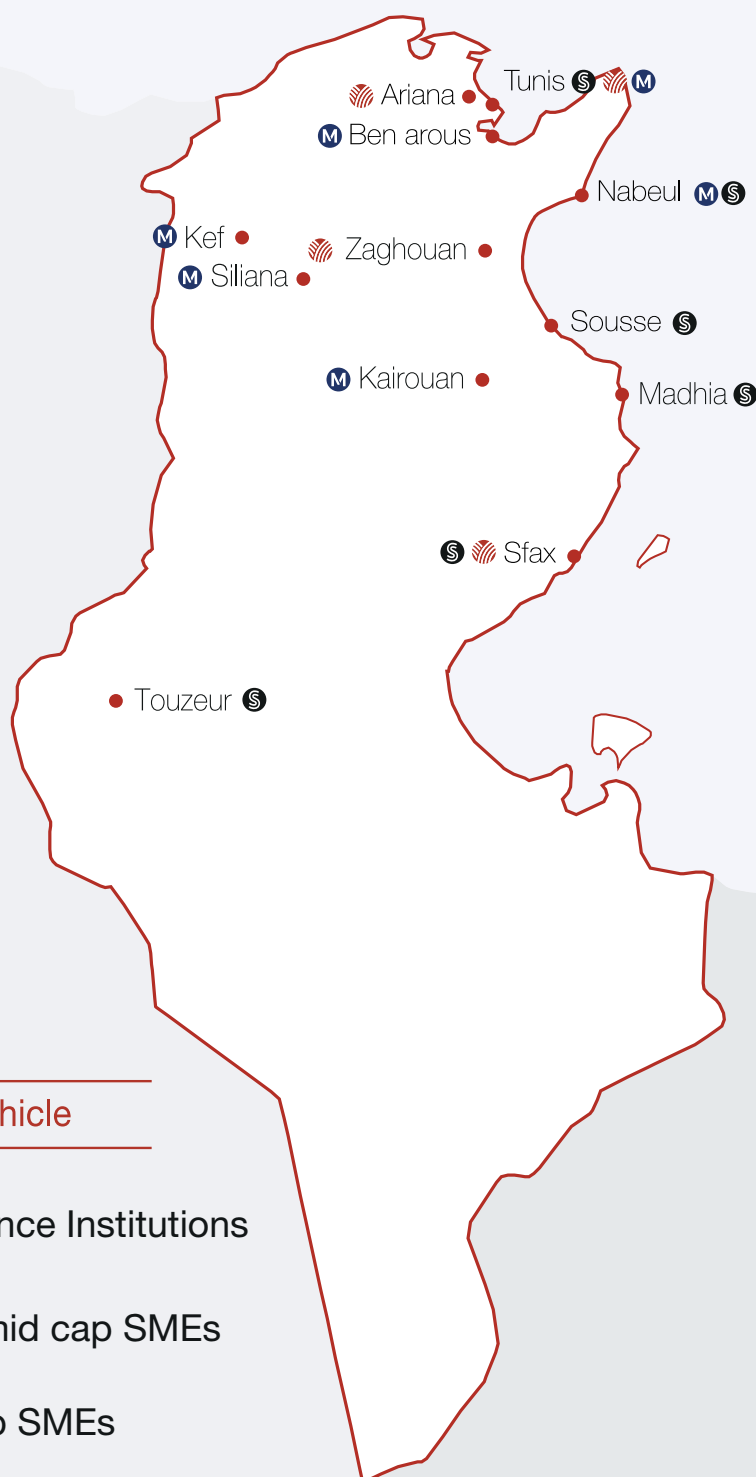
## DEVELOPMENT IMPACT

TAEF's goal is to invest actively throughout Tunisia, supporting the local economies. The map shows the location of TAEF's committed investments at the end of 2016.

TAEF's investments also seek to support and create employment. TAEF expects employment retained and created to grow along with increasing investments. As of 2016, TAEF's investments have supported more than 5,000 positions.



# Map of TAEF committed investments



## Investment Vehicle

**M** Microfinance Institutions

**S** Small & mid cap SMEs

**Large cap SMEs**



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## **MICROBUSINESSES**

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TAEF supports Tunisia's smallest businesses through our investments in select microfinance institutions (MFIs). These MFIs provide scarce loans to working Tunisian micro-entrepreneurs throughout the country. TAEF's first MFI commitment was to Taysir Microfinance for \$2.5 million, \$1 million of which has been disbursed. Additional MFI investments have been approved for due diligence and are in the active pipeline of investments undergoing review.

In 2017, TAEF expects to make additional investments in Tunisian MFIs.

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## **SMALL TO MID-CAP SMES: TASME**

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Early in 2015, TAEF established a platform specifically designed to meet the growth needs of traditional family owned SMEs: the Tunisian American SME Company (TASME). TASME invests directly in SMEs through an innovative financing mechanism specifically designed to meet the needs of SMEs by combining equity, debt and performance based mezzanine products. This financing structure injects capital, provides loans and funds growth without fundamentally impacting the shareholding structure and governance and while linking TASME to the potential upside of improved SME operating performance.

TASME is TAEF's single largest initiative: we have allocated \$30 million of our current \$80 million fund to TASME.

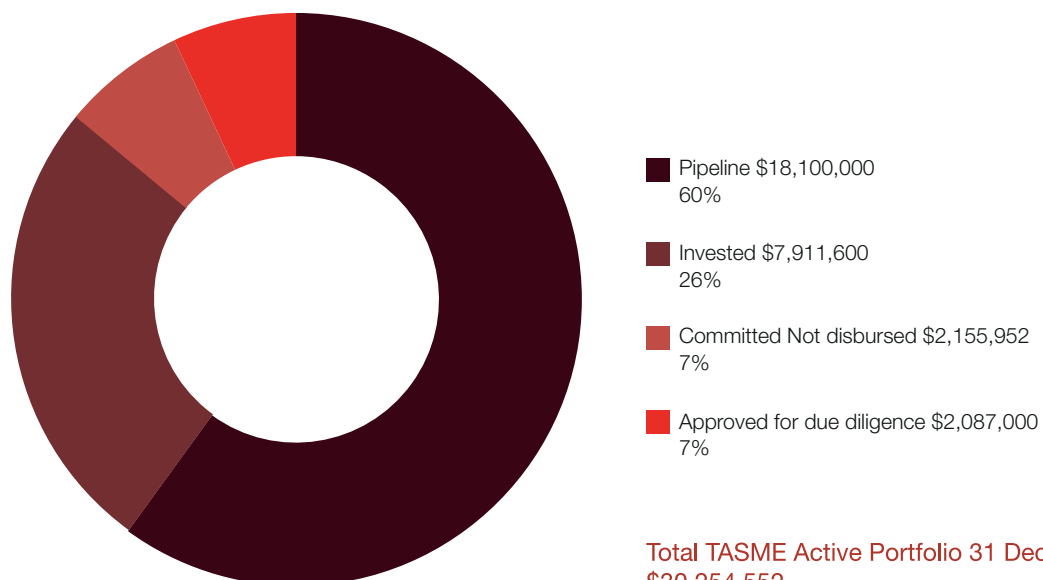
TASME'S portfolio of investments at the end of 2016 are double where they were at the end of 2015: \$30 million vs. \$14 million. Of the active portfolio, investments made increased from \$1.8 million in 2015 to \$7.9 million in 2016. We are encouraged by the quickening pace of investment in 2016 and are working to streamline our underwriting and due diligence procedures to continue shortening the time required from initial review to investment decision and implementation.

At the end of 2016, TASME was finalizing documents for \$2.15 million of approved investments and was carrying out due diligence on additional investments of \$2.08 million. The substantial pipeline of companies undergoing preliminary review demonstrates an appetite for this type of financing for SMEs.

In 2017, TAEF expects TASME's investments to continue to grow at a significant pace.

## TASME ACTIVE POTFOLIO

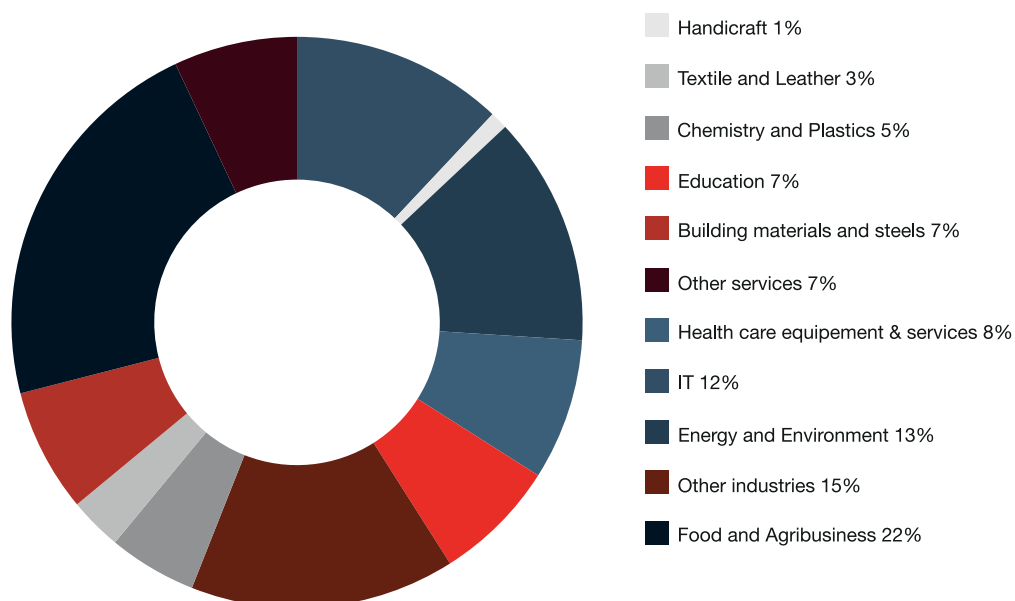
As of 31 December 2016



**Total TASME Active Portfolio 31 Dec 2016:**  
\$30,254,552

The chart below illustrates the wide variety of companies in which TASME invests. The diversity of industries provides some risk adjustment for the fund.

## TASME ACTIVE PORTFOLIO BY INDUSTRY SECTOR



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## HIGH GROWTH STARTUPS

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TAEF has joined in partnership with Meninx Holding and Banque Internationale Arabe de Tunisie (BIAT), to bring the successful Flat6Labs model to Tunis. TAEF has committed \$3.6 million to this initiative which expects to support and invest in more than 90 Tunisian startups within the next five years through its accelerator program and a TND 20 million (\$9 million) early stage fund.

Tunisia's inherent tech-savvy and highly educated population coupled with its steadily growing entrepreneurial ecosystem will enable Flat6Labs Tunis to tap into ambitious, youthful talent and support a budding fast-paced economy.

The leading startup accelerator in the MENA region, Flat6Labs brings a proven model of bootcamps, competitive selection, acceleration program, seed funding and follow-on funding. TAEF expects two classes of entrepreneurs to go through the process and to compete for funding in 2017.

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## LARGE-CAP SMES

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In 2016, TAEF began to expand our strategy for investing in large-cap SMEs beyond our investment in TunInvest Croissance. At TAEF's board strategy session in October, our board approved due diligence of new investment approaches in larger SMEs. At the end of 2016, these initiatives were in the early stages of development.

## TUNINVEST CROISSANCE / INVESTMENT FUNDS

TAEF found an exceptional local partner in AfricInvest, a Tunisian based private equity firm investing throughout Africa. Their Tunisian-specific fund TunInvest Croissance is targeted at mid to large sized SMEs. TAEF joined this local partner, taking a 15.5% share in the fund to diversify and increase its impact on this range of SMEs. TAEF has the option of providing follow-on investments to TunInvest Croissance SMEs that need additional financing to fund growth. Note that TunInvest Croissance is fully invested.



## NEW LARGE-CAP INVESTMENT INITIATIVES

In 2017, TAEF expects to expand its large-cap efforts with participation in a new private equity fund targeting SMEs and with the launch of a new initiative, *Entrepreneur in Residence / Search fund*, to seek innovative investment opportunities.

TAEF is actively looking for direct investments in large-cap SMEs that are poised for growth with a specific focus on social impact sectors: health, education, agribusiness, environment and renewable energy. To date, none of the pipeline investments have passed through our deal review and due diligence to receive investment approval.

The launch of the new *Entrepreneur in Residence / Search fund*, will also seek investment opportunities.









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## TAEF BOARD MEMBERS

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W.Bowman **Cutter** Chair  
Roosevelt Institute



Mohamed **Malouche** Treasurer  
Tunisian American Young Professionals



Ferid **Abbas**  
SETCAR



Howard **Newman**  
Pine Brook Partners



Lauren **Hendricks**  
Grameen Foundation



Mehdi **Sethom**  
Mediterranean Corporate Finance



Gil **Crawford**  
Microvest Capital Management



Ann **Wyman**  
AfricInvest



Ahmed **Benghazi**  
ABG



 *US member*

 *Tunisian member*

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*The US Agency for international Development administers the U.S. foreign assistance program providing economic and humanitarian assistance in more 80 countries worldwide.*

*This annual report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the Tunisian American Enterprise Fund and do not necessarily reflect the views of USAID or the United States Government.*

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Photo Credits: Med Karim El Amri, Alkaz'art. All photos of TAEF investee companies.



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