



Tunisian  
American  
Enterprise  
Fund

IMPULSION AU DEVELOPPEMENT

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# ANNUAL REPORT 2018



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# BOARD CHAIR AND COO LETTER

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It is hard to believe that TAEF marked five years of operations in July 2018. During these five years, we have deepened our commitment to Tunisia and its entrepreneurs. We have refined our approach to investing in the breadth of Tunisia's SME companies. We have sought out and adapted innovative financing mechanisms to Tunisia. We have gathered a strong and talented team at the board and staff levels. We have built networks of partners and colleagues.

Throughout it all, we continue to be inspired and awed by the tenacity, persistence, and vision of Tunisia's entrepreneurs. The stories of a couple of these entrepreneurs are highlighted in the pages that follow.

This annual report gives an overview of our work in 2018. It is accompanied for the first time by a video that can be found on our website [taefund.org](http://taefund.org) along with more detail, company photos and videos. We invite you to spend some time meeting our entrepreneur partners and exploring the diversity of companies in TAEF's portfolio.

## LOOKING AHEAD

In 2019, TAEF will continue to build on the strong base we have in place and will invest according to our strategy in the full range of SMEs. TAEF will continue to pilot other select initiatives that support entrepreneurship and employability.

We remain committed to Tunisia, to its SMEs, to piloting innovative approaches to financing and to working in full partnership with entrepreneurs, managers, investors and Tunisian institutions.

Warm regards,

**W.Bowman Cutter**  
Chair

**Hela Kaddour Fourati**  
Managing Director & Chief Operating Officer




# TAEF AT A GLANCE

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**\$100**  
MILLION

Fully funded  
as of May 2018

# An Innovative Committed Impact Investor

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## TAEF MISSION

- **Support** the Tunisian economy
- **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

## TAEF OBJECTIVES

- Financial sustainability & returns
- New & stable employment
- Investments throughout the country with a focus on the interior regions
- Strong support to women and young entrepreneurs

## FUNDING SOURCE

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

## FUNDING AMOUNT

As of May 2018, fully funded at \$100 million

## FUNDING TERM

The fund will continue to actively invest through 2028, 10 years after the last \$20 million tranche was appropriated by the U.S. Government. A period of investment exits and fund wind-down will follow.

## TAEF VALUES

TAEF commits to conducting itself with transparency and integrity, adhering to the highest standards of ethical behavior and corporate governance and to acting in full compliance with laws and regulations.

# INVESTMENT STRATEGY & 2018 OVERVIEW

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TAEF's investment strategy (shown in the chart below) funds small and medium enterprises (SMEs) throughout their life cycle from start-up to early growth and maturity. We invest

- In microfinance institutions that reach the smallest of Tunisia's business owners
- Directly in SMEs through TASME , our SME platform and our Search Fund
- In partnership with Tunisian investment firms that target larger SMEs
- In digital, technology and knowledge based start-ups through Flat6 Labs accelerator and Anava Seed Fund



# It was a year of continued growth

SEGMENTS	Microbusiness	SMEs Direct	SMEs Fund of Funds	Start-Ups
	INVESTMENTS	Microfinance Institutions	TASME	TunInvest Croissance INMA Holding
		Tunisian American Search Fund		

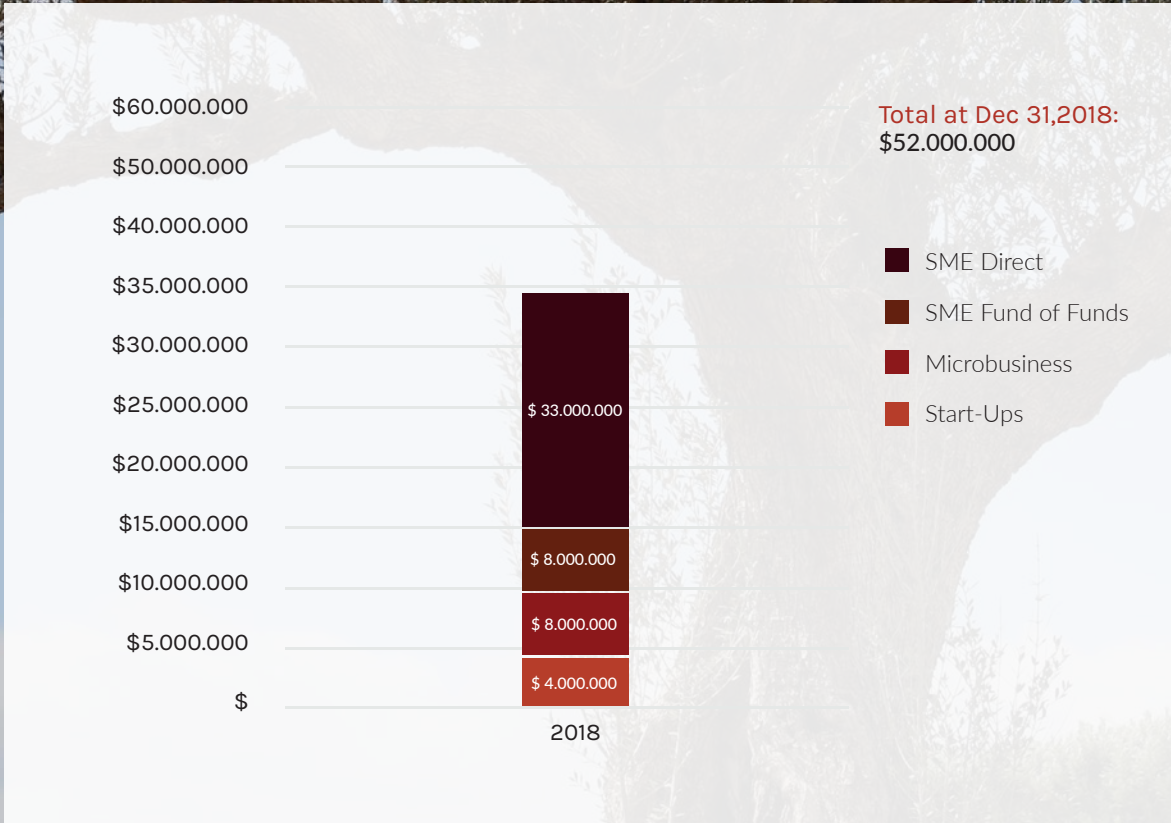
## TAEF INVESTMENT PORTFOLIO - CONTINUED GROWTH

By the end of 2018, TAEF had invested in and committed \$52 million across all investment business lines (see chart below), a significant increase from the \$38 million of investments and commitments in 2017.

This increase reflects investments across our strategy in microfinance institutions, TASME, our Tunisian American Search Fund, and in INMA Holding, an investment company targeting SMEs.

# TAEF ACTIVE & COMMITED INVESTMENT

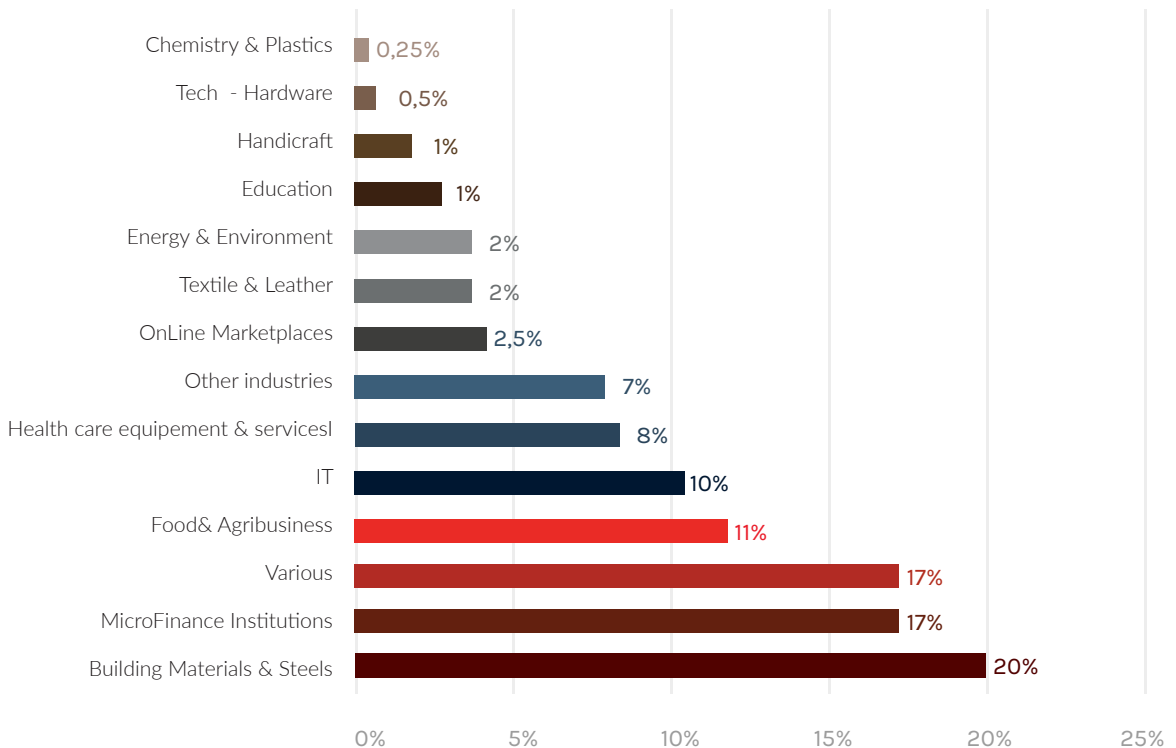
FYE 2018



## TAEF INVESTMENT PORTFOLIO - DIVERSE SECTORS

At TAEF we are frequently asked which sectors we target for investment. Our reply is “almost all of them.” The chart below illustrates the wide diversity of sectors: chemistry and plastics, education, IT, building materials, handicrafts and

food and agribusiness. Our portfolio speaks to the great diversity of enterprises in Tunisia – the enterprises of a modern economy.



Percentage of TAEF's Total Committed & Disbursed Portfolio by Sector



# MAP OF TAEF INVESTMENTS

TAEF actively seeks investment opportunities throughout Tunisia, in particular beyond the capital region.

 Microbusiness

 SME Direct

 SME Fund of funds

 Startups







# TAEF INVESTMENT PORTFOLIO – STABLE & GROWING EMPLOYMENT

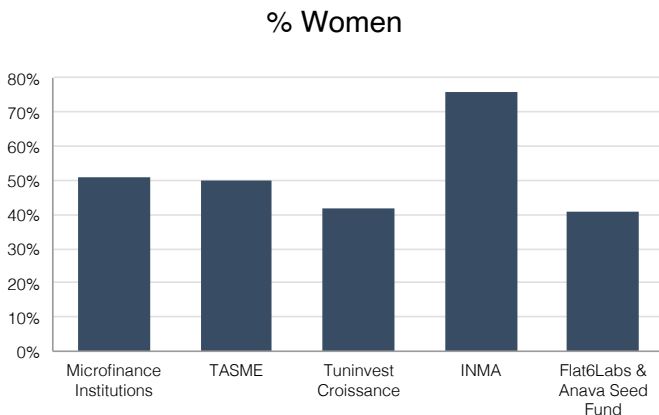
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To state the obvious, stable and growing companies create jobs. Investments in companies create opportunity, for the entrepreneur and for their current and future employees.

TAEF alone cannot meet the employment gap of Tunisia, but it can support employment growth at the level of individual companies.

Investment	# Companies	Total Employment	Women %	Women Managed / Owned	Youth %
Microfinance Institutions	2	262	51%	5	-
TASME	20	1251	50%	14	71%
Tuninvest Croissance	11	1608	42%	1	54%
INMA	1	193	76%	1	40%
Flat6Labs & Anava Seed Fund	20	58	41%	2	47%
<b>Total</b>	<b>54</b>	<b>3372</b>	<b>-</b>	<b>23</b>	<b>-</b>

## PERCENTAGE OF WOMEN per investment



In addition to the direct employment effect of TAEF’s investee activity, there is significant indirect employment. The indirect effect is most readily measured at the microfinance institution level where each client represents a small business that employs the owner and often others.

**MICRO  
FINANCE  
INSTITUTIONS**  
2 Companies

**9283**  
TOTAL CLIENTS

**41%**  
WOMEN

A woman wearing a light blue long-sleeved shirt, a red and brown striped hijab, and glasses is focused on her work. She is holding a pair of scissors and cutting a piece of white thread. In the background, several large spools of white thread are stacked on a wooden shelf. In the foreground, a large, intricate piece of white woven fabric is visible. The overall scene is a close-up of a textile worker in a workshop.

# TAEF INVESTMENT PORTFOLIO

INVESTING FOR IMPACT

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TAEF is committed to investing for both financial returns and development impact through our focus on geographic distribution, growth, gender equality, youth opportunity and as follows :

### ———— INVESTEE PROTECTION PRINCIPLES

TAEF applies the best standards of protection for our investees, including: appropriate product design and delivery, prevention of over-indebtedness, responsible pricing, fair and respectful treatment of clients, privacy of client data, and mechanisms for complaint resolution.

### ———— GOVERNANCE

TAEF participates in the governance of investee companies, often taking board positions or requiring changes in governance practices. We also participate in the hiring of senior management positions (CFO, sales managers).

### ———— COMPLIANCE

TAEF is committed to conducting itself with transparency and integrity, adhering to the highest standards of ethical behavior, and acting in full compliance with laws and regulations.

### ———— ENVIRONMENTAL IMPACT

The environmental impact of each company's operations is reviewed as part of TAEF's standard due diligence.

TAEF brings a high standard to its work and to our investees. TAEF encourages its investees to adopt best practices and governance standards. In fact, many companies improve their governance, legal and financial practices as a prerequisite to receiving a TAEF investment. In addition, TAEF connects investees to technical assistance programs offered by our partners.

# TAEF INVESTMENTS MICROBUSINESSES

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## \_\_\_\_ OPPORTUNITY

Promote inclusive finance especially for women and youth, and provide scarce capital for very small businesses.

In 2018, TAEF was invested in two microfinance institutions. These investments support Tunisia's working micro-entrepreneurs throughout the country.

TAEF is an active investor providing debt, equity, technical assistance and appointing board members.



Invested  
**\$1 million loan**  
(repaid fully in 2018)



Committed  
**\$5.2 million**  
(partially invested)  
equity, loan, technical  
assistance

In 2019, TAEF expects to continue its active governance role in CFE and to make one or two additional MFI investments

A photograph of an industrial facility, likely a brewery or food processing plant. The scene is dominated by a complex network of polished stainless steel pipes and machinery. The pipes run horizontally and vertically, with some curving at 90-degree angles. The floor is a solid, light green color. In the background, a white door is visible against a light-colored wall. The lighting is bright, creating reflections on the metallic surfaces.

**SME DIRECT -  
TASME (TUNISIAN  
AMERICAN SME  
COMPANY)**

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## OPPORTUNITY

Address the investment and working capital growth needs of SMEs through alternative finance.

The Tunisian American SME Company (TASME) is a 100% TAEF funded SME investment platform. TASME's approach adapts an innovative mezzanine financing mechanism specifically designed to meet the needs of traditional family owned SMEs with an average investment ticket of \$ 1 million.

TASME invests

- In sustainable and growing SMEs
- In a variety of industrial and service sectors
- Throughout the country
- With an interest in companies that are led by and create employment for women and youth
- In Investment tickets up to TND 5 million

**20**  
Companies

At the end of 2018 TASME's portfolio contained  
Committed (partially invested)  
**\$21,593,211**

In 2019, TAEF expects TASME to continue to actively invest in Tunisia's SMEs in a variety of sectors and throughout the country.

# TASME NEW INVESTMENTS 2018



*Domaine de  
Segermès*

## **BIOLIVE COMPANY ( THE DOMAINE OF SEGERMÈS)**

Founded in 2014 by Mounir Bousetta, Biolive produces premium olive oil. The core business is the cultivation of 300 Ha of olive trees, the production, storage, bottling and export of premium organic olive oil. With a production capacity of 100 tons of olive oil, Biolive has been awarded major international olive oil distinctions.

**Location** | Zaghouan

**Sector** | Agribusiness (Olive oil)



## **VEGA GROUP**

Founded in 2012, VEGA GROUP is a technology company that:

- Promotes products including: tablets, smartphones, laptops, television sets and a wide variety of technological accessories;
- Develops its in-house innovations in the fields of security and mobile phone; and
- Develops software applications and business software tools.

**Location** | Tunis & Sousse

**Sector** | IT



### ALEONAT

Founded in 2012, Aleonat is a pharmaceutical laboratory specialized in phytotherapy, 100% natural dietary supplement products.

**Location |** Sfax, Tunis & Sousse

**Sector |** Dietary Supplements



### STIPE

STIPE was created in 2005 by Mr. Aymen Khalfallah, a young Tunisian entrepreneur who grew in the foundry sector and the recycling of metals. He has a high entrepreneurial spirit and a great dynamism.

**Location |** Sfax

**Sector |** Building Materials & Steels (Foundry)



### PUBLICOM

Publicom is a design and signage company that provides solutions for indoor and outdoor visual communication.

**Location |** Tunis

**Sector |** Other industries (Design, production and installation of urban furnishings, display stands and signs)



### LEADER FOOD PROCESS

LFP is specialized in the production and processing of spices, herbs and nuts.

**Location |** Sfax

**Sector |** Food & Agribusiness



# PUBLICOM STORY



## **PUBLICOM**

**Industry |** Other industries (Design, production and installation of urban furnishings, display stands and signs)

**Location |** Tunis

### **2018 Investments |**

**TND 120,000 equity**

**TND 1,080,000 loan**

Established in 1993 by Mr. Montassar Azaiez, Publicom is a design and signage company that provides solutions for indoor and outdoor visual communication.

Publicom has diversified from its core design, manufacture and installation of signage products to apply its expertise in the

- Design and furnishing of commercial premises
- Design and manufacture of street furniture
- Design and construction of display stands.

Under the able leadership of Mr. Azaiez, Publicom Marketing is becoming a market leader in Tunisia. Mr. Azaiez draws on his strong training to guide the company –two masters' degrees in finance from ISG Tunis (1988) and in tourism (1991) from IHEC Carthage.

TAEF spends a great deal of time with potential investees and the entrepreneurs – as these individuals are the key to company success. Mr. Azaiez is a desirable partner as he brings serious dedication to his work and an appetite for cautious expansion within a dynamic industry.

Our equity and loan investment supported Publicom's growth and expansion into new markets in sub-Saharan Africa: Publicom has carried out projects in Ivory Coast, Cameroon and Senegal.

TAEF looks for partners like Publicom that are able to leverage the talent and location of Tunisia to access markets in the region.



# LEADER FOOD PROCESS STORY



## LEADER FOOD PROCESS

**Industry |** Food & Agribusiness

**Location |** Sfax

**2018 Investments |**

TND 960,000 loan

TND 240,000 equity

TAEF invests in many companies in the agribusiness and food sectors. Leader Food Process (LFP) is one such company. LFP is specialized in the production and processing of spices, herbs and nuts.

LFP's production facilities, freezing rooms and packaging equipment are located in one of Tunisia's industrial zones in Sfax.

LFP came to TAEF looking for investment for working capital so it could buy in bulk directly from suppliers and expand its sales team. LFP's need for working capital is a typical problem for Tunisian SME companies – and it is a need that TAEF –through TASME – is perfectly positioned to fill.





**SME DIRECT -  
TASF (TUNISIAN  
AMERICAN SEARCH  
FUND)**

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## OPPORTUNITY

Match experienced, dynamic business leaders who have high management potential with companies that have untapped growth potential and owners looking to exit.

As part of TAEF's commitment to bringing successful, innovative financial approaches to Tunisia, TAEF created TASF, Tunisia's first search fund.

We saw an opportunity to support experienced and dynamic entrepreneurs in the search, acquisition, management and growth of companies with owners looking to exit. TASF supports entrepreneurship through acquisition. For our first search fund, TAEF found a highly qualified and skilled entrepreneur/ manager in Slah Kooli.

Over 24 months of search, Slah met more than 100 intermediaries and company owners, he analyzed in detail about 20 companies and presented one to our Investment Committee. The transaction was approved at the end of 2018 for a 100% acquisition combining TAEF equity investment and a leverage buy-out.



Tunisian  
American  
Search  
Fund

ENTREPRENARIAT ET DEVELOPPEMENT

Committed  
**\$6.02 million**  
equity

In 2019, TASF anticipates finalizing the company acquisition.





# SME FUND OF FUNDS

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## OPPORTUNITY

In partnership with other investors, address the growth needs of large and/or mature SMEs.

In 2018, TAEF was a co-investor in two investment vehicles targeting larger Tunisian SMEs. We invest alongside other Tunisian financial institutions, thereby leveraging our investments.

Both investments are consistent with our strategy of partnering with local financial institutions and are aligned with our social development and impact goals.

**TunInvest Croissance:** TunInvest Croissance is a private equity fund fully invested in 10 companies in a variety of sectors. The fund is currently in the phase of managing portfolio companies' growth and preparing for exits.

**INMA Holding:** TAEF is a co-investor in the innovative, newly formed investment company INMA Holding that targets larger, growing Tunisian SMEs as well as companies undergoing a transition or restructuring phase. INMA made its first investment in 2018 in a group of schools based in Tunis.



(TAEF at 15.5 %)  
Invested  
**\$2.4 million**  
equity



(TAEF at 30%)  
Committed  
**\$6.038 million**  
equity

In 2019, TAEF expects that TunInvest may exit some of its investments and that INMA will make additional investments.

# START-UPS

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## OPPORTUNITY

A unique platform addressing Tunisian startups' limited access to support, acceleration and venture capital.

In 2018, a second cycle of 7 companies completed the full Flat6Labs Tunis program of competitive selection, bootcamp, participation in the accelerator and presenting their business plans to investors at a Demo Day. A third cycle of 7 companies was underway.

Anava Seed Fund, a fund affiliated with Flat6Labs, is investing along outside investors from seed to pre-Series A stages of the start-ups.



Committed  
TND 8 million equity  
(\$3.6 million at time of commitment)

# CYCLE 2 COMPANIES



## CHANTIER PLATFORM

Chantier is a platform that connects homeowners with verified and qualified service professionals for home improvement and repair projects.



## P'TIT CHEF

Homemade dishes with fresh and seasonal ingredients can be ordered in 3 clicks and delivered for lunch at the office or at home in 35 minutes.



## HEALUP

Healup aims to change the patient experience during the healthcare journey by supporting doctors delivering quality care regardless of location and income.



## JIBLY BY MONRESTO

The platform is an everything delivery mobile app using advanced technology and logistics to deliver all kinds of products as a B2C and a B2B service.



## TOUFOULA KIDS

Toufoula Kids connects children with their social and natural environment, with both physical and digital technologies enabling a rich civic education oriented content.



## OPTIMALLOGISTIC

Optimalogistic is a marketplace which connects road hauling and lifting & handling companies with customers.





# FLAT 6 LABS TUNIS

**Logis**

## **LOGIS**

Logis provides a set of tools designed for the real estate sector to help industry professionals work smarter in a digital world.



# LOGIS STORY



*Logis*

## LOGIS

**Industry |** Technology – Real Estate Sector

**Location |** Tunis

**Stage |** Cycle 2 | Demo Day Spring 2018

Logis was founded by Riadh Ellouze, a young entrepreneur who graduated from UCLA and the University of Westminster. He brings real estate experience from his work in China and in the US to Tunisia's market.

Logis provides a set of technology tools designed for the real estate sector: it helps industry professionals work smarter in a digital world and real estate customers find properties to buy or rent.

Logis sees real opportunity in Tunisia and throughout the MENA region.



# TAEF FELLOWS PROGRAM

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In addition to our investments in companies, TAEF is committed to have impact on entrepreneurship and employability. In 2017, we started a Fellows Program to nurture the next generation of entrepreneurs and business people while providing talented interns to TAEF investees. TAEF selects students from Tunisian universities to work on specific projects that meet real needs of our investee companies.

In 2018, 13 students (5 women) worked at a variety of TAEF investees in the technology, manufacturing, health care and water treatment industries.


A few of these students have been offered permanent positions at the companies. Others have caught the entrepreneurship bug and are working on creating their own startups.

**In 2019, TAEF expects the Fellows Program to grow.**


# TAEF BOARD OF DIRECTORS


W. Bowman **Cutter**, Chair   
Roosevelt Institute

Ferid **Abbas**   
SETCAR

Lauren **Hendricks**   
Grameen Foundation

Gil **Crawford**   
Microvest Capital Management

Ahmed **Benghazi**   
ABG

Mohamed **Malouche**, Treasurer   
Deloitte Afrique,  
Tunisian American Young Professionals

Howard **Newman**   
Pine Brook Partners

Mehdi **Sethom**   
Mediterranean Corporate Finance

Ann **Wyman**   
AfricInvest

 US member

 Tunisian member

*Photo credits. All photos of TAEF investee companies.*

*Photo Credits: Ghassen Gacem, Win Agency*

*The U.S. Agency for International Development administers the U.S. foreign assistance program providing economic and humanitarian assistance in more than 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.*





# TAEF STAFF

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**LEFT TO RIGHT:**

Hajer Khammassi, Lilia Ben Yahia, Hedi Ksiao, Naziha Ouanes, Mohamed Ali Ben Ayed, Hela Kaddour Fourati, Mohamed Mazouni, Mohamed Khelil, Ahlem Ayachi, Imen Ben Halima, Melika Khanfir

Missing: Louise Stoner Crawford

\_\_\_\_\_ NOTES



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