



Tunisian
American
Enterprise
Fund

IMPULSION AU DEVELOPPEMENT

ANNUAL REPORT 2019



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BOARD CHAIR AND COO LETTER

As we prepare this 2019 annual report for TAEF, the world is grappling with the profound effects of the Covid-19 pandemic of 2020. In Tunisia, as elsewhere, the SME sector, the core of the economy, has suffered greatly from a nationwide lock-down.

Although the Covid-19 pandemic began after the period covered in this report, we want to highlight TAEF's response here. TAEF's commitment to our investees is evident in our Covid-19 response. Our Investment Officers maintain close communication with every company in our portfolio to understand their situation and to determine the need for additional financial support. A detailed portfolio-wide analysis of TAEF's investments led the board to approve follow-on loans where needed to existing investees at favorable terms. These loans have been used for essential working capital and to fund capital equipment that enables companies to pivot to produce Covid-19 related products and services. One example is an industrial filtration manufacturing company that began producing a line of face masks at the request of their clients. Another investee pivoted from designing and producing outdoor displays and furniture to making safety products such as plexiglass barriers for cashiers. These companies are staying nimble and adapting with the support of TAEF, a responsible and responsive investment partner.

In terms of our own operations, TAEF's staff transitioned almost seamlessly to working virtually from their homes. The entire team took on the additional work of the portfolio analysis and frequent communications with investees under difficult circumstances. We cannot thank them enough for their hard work, persistence and unflagging problem-solving attitude during this time. Our extraordinary team has proven that, indeed, they are our most valuable asset.

LOOKING AHEAD

At the time of writing this letter, we know that 2020 brought unanticipated challenges to TAEF, to our investees and to the Tunisian economy as a whole. We also know that TAEF remains committed to and undaunted in our support of the critical SME sector in Tunisia. It is our belief that a country is only as resilient as its SME sector.

TAEF will continue to seek out new investments in 2020 while we strengthen our partnership with our existing investees as they strive to produce the products and services of the Tunisian economy.

Warm regards,

W.Bowman Cutter
Chair

Hela Kaddour Fourati
Managing Director & Chief Operating Officer

TAEF AT A GLANCE

**\$100
MILLION**

Fully funded
as of May 2018



An Innovative Committed Impact Investor

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.

TAEF INVESTMENT PORTFOLIO OVERVIEW

TAEF's strategy of investing across Tunisia's SME sector has been realized: TAEF actively invests in small and medium enterprises (SMEs) throughout their life cycle from start-up to early growth and maturity as illustrated in the chart below.

We invest

- In microfinance institutions (MFIs) that reach the smallest of Tunisia's business owners
- Directly in SMEs through TASME , our SME platform and our Search Fund (TASF)
- 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 TASF TASF II	TunInvest Croissance INMA Holding INMA Finance	Flat6Labs Anava Seed Fund

TAEF INVESTMENT PORTFOLIO - CONTINUED GROWTH

In 2019 TAEF's investments in Tunisian SME companies increased again. Our commitments increased dramatically from \$52 million in 2018 to \$102 million.

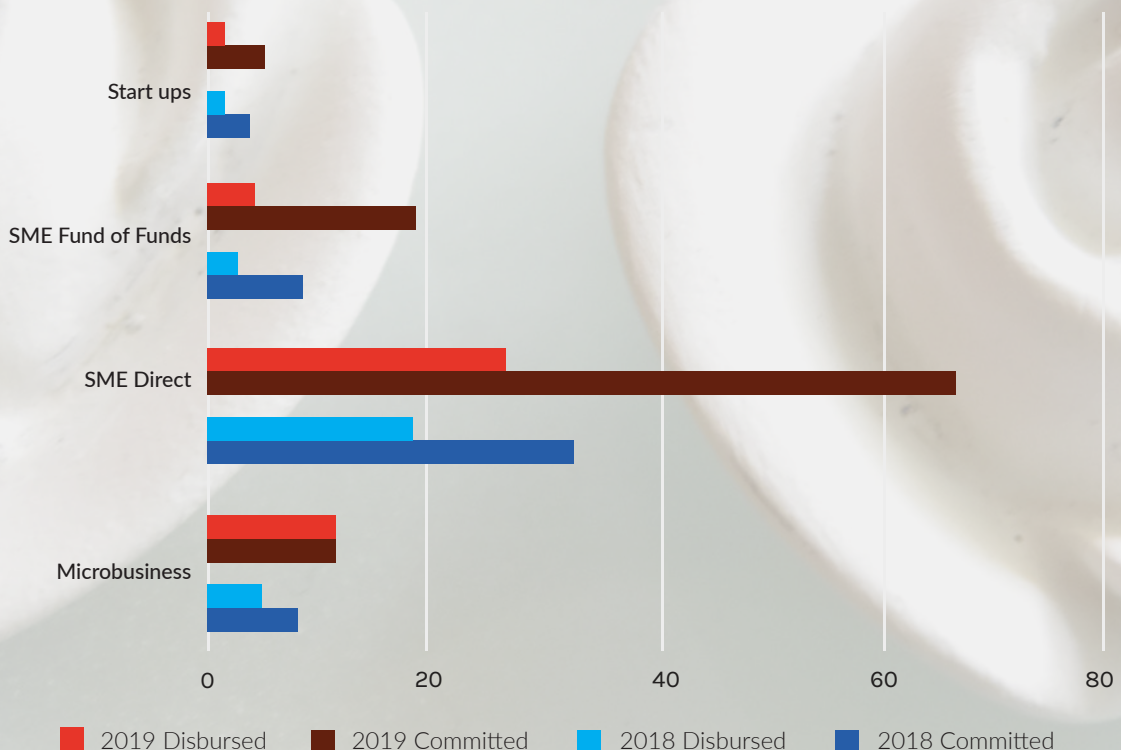
That increase reflects the full capitalization of TASME at \$50 million, the approval of two new initiatives, a private debt fund and a second phase for our Tunisian American Search Fund (TASF) in addition to growth in our microbusiness investing.

2019 IMPACT

The chart below illustrates the growth from 2018 in our commitments and disbursements. 2019 disbursed investment highlights, a total of \$44 million:

- Microbusiness: TAEF invested in ENDA, Tunisia's longest operating and largest MFI with activity throughout the country
- SME Direct:
 - TASME's investments in individual SME companies at an average ticket of \$1 M
 - TASF (Tunisian American Search Fund)'s purchase of Propann, a company poised for growth
- INMA Holding's investments in a second growing SME company
- Flat6Labs and Anava Seed Fund's investment in digital start-up companies

Detailed discussion of each of TAEF's investment lines is found later in this report.



TAEF INVESTMENTS COMMITTED & DISBURSED
2018-2019 (USD MILLION)

2019 IMPACT

The previous section describes the funds TAEF invests in Tunisia's SME companies. That is an essential part of TAEF's work. It is not, however, the full story. TAEF's mission is twofold: to invest for financial return and impact.

TAEF's strategy for impact has several components:

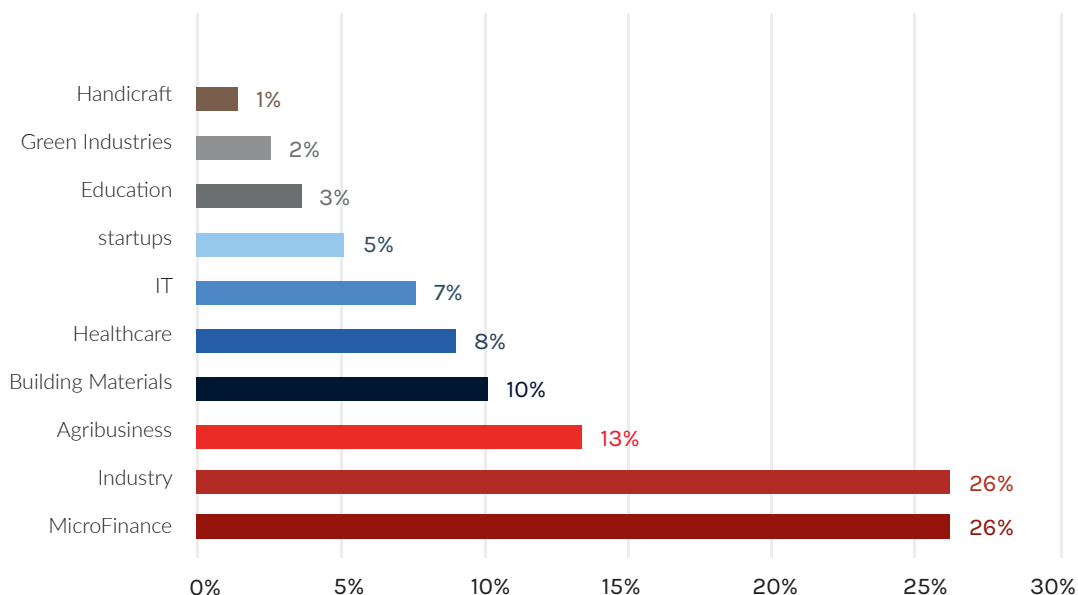
- Investing in diverse industries
- Investing throughout the country, notably beyond the national capital region
- Investing for employment stability and growth
- Investing for organizational impact

INVESTING IN DIVERSE INDUSTRIES

TAEF's strategy of meeting the financing gaps for Tunisia's SMEs means that we invest in companies in a wide variety of sectors.

What they have in common is a need for financing to fund capital improvements, working capital and growth of their companies. TAEF's portfolio reflects the diversity of Tunisia's SME economy.

TAEF INVESTMENTS DISBURSED BY INDUSTRY SECTOR FY 2019




Percentage of TAEF's Total Investment Portfolio as of Dec 31 2019

MAP OF TAEF INVESTMENTS

INVESTING THROUGHOUT TUNISIA

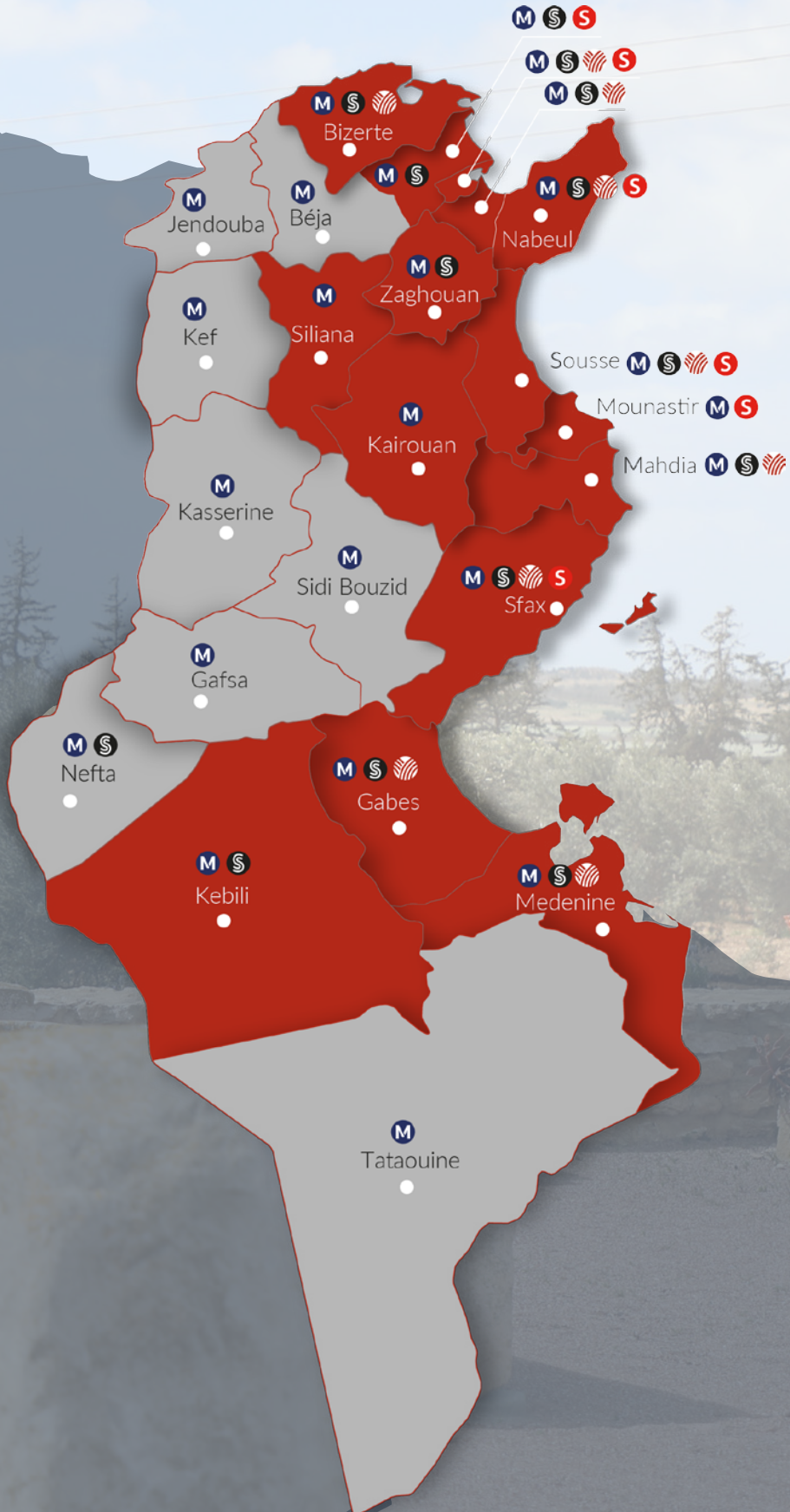
TAEF actively seeks investments in growing SME companies throughout all of Tunisia. With our 2019 investment in ENDA, a microfinance institution with branches nationwide, TAEF now has investments in every corner of the country. Our MFI investments, however, are not the only ones that reach many regions of the country. The map below shows the results of TAEF's strategy of actively sourcing potential investments in many regions. .

 Microbusiness

 SME Direct

 SME Fund of funds

 Startups



INVESTING IN STABLE & GROWING EMPLOYMENT

Stable and growing companies create jobs. Investments in companies create opportunities, for the entrepreneur and for their current and future employees.

TAEF's investment in stable and growing companies supports employment growth. The tables below detail the direct and indirect employment of TAEF's investees.

DIRECT EMPLOYMENT OF TAEF INVESTEES

Investment	# Investees	Total Employment	# Women in Management	% Women	% Youth
Microfinance Institutions	3	1,886	16	49%	63%
TASME	20	1,638	87	48%	61%
TASF	1	48	1	10%	13%
Fund of funds	2	17	2	53%	53%
Flat6Labs & Anava Seed Fund	1	9	4	56%	44%
Total Direct	27	3,598	110	-	-

The table above shows the direct employment of TAEF investees. That is not the complete picture: several of TAEF’s investments are in intermediaries who, in turn, invest in other companies. The table below showing indirect employment points to the multiplicative effect of many of TAEFs investments: their impact is greater than evident at first glance.

INDIRECT EMPLOYMENT OF TAEF INVESTEES





RESPONSIBLE INVESTING

TAEF is committed to working with our investees to build companies that grow and that adhere to high standards of governance and compliance. We think that part of TAEF's legacy will be a growing cohort of companies that apply best practices and high standards.

These standards may in turn allow for early identification and resolution of corporate issues and increase the attractiveness of companies to other funders. In particular, TAEF brings the following to all of our investments :

———— 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, as well as participating 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. We expect the same from our investees and work with them to accomplish that end

———— 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.



INVESTING IN THE FUTURE GENERATION

TAEF FELLOWS PROGRAM



In addition to our investments in companies, TAEF seeks to nurture the next generation of entrepreneurs and business people while providing talented interns to TAEF investees. Students from all Tunisian universities may apply to TAEF to work on specific projects of our investee companies.

In 2019, we expanded the program to offer positions to students during the academic year as part of their final projects. Each student intern was paid a stipend for their work and participated in group training at TAEF on soft skills and design thinking.

TAEF's Fellows program expanded to 22 students in 2019 with 7 students in academic year internships. Students (16 women, 6 men) were matched to TAEF investees' need based on their skills, experience and interest on projects such as software design, engineering, marketing, financial analysis, accounting analysis and operations.

Interns were placed at a microfinance institution, TASME investees and several Flat6Labs start-ups.

Of those 22 students, a few are going on to create their own digital technology start-ups, two were recruited to full time work at their intern company placement, one student became a shareholder of the startup where he worked. All benefitted from the experience of working on meaningful projects.

In 2020, TAEF expects the Fellows Program to expand both in terms of the internships matched and in terms of the activity and programming for the community of TAEF Fellows Alumni.

INVESTING IN THE FUTURE GENERATION

OPEN INNOVATION





In April 2019, TAEF piloted a program, Open Innovation, a contest (hackathon) of student teams at ISET Kairouan University that competed to solve real problems posed by three TAEF investees. The problems posed to the student teams included challenges in a manufacturing process, a software process and digital game development.

Eleven teams of four to five students competed in a 24-hour hackathon. Student teams were supported by TAEF partners and teachers throughout the process to prepare their pitches. The jury was composed of entrepreneurs from the companies that posed the problems to be solved. The three winning teams received the first part of their prize award and were supported in a 3 month follow-up period where they collaborated with the companies to implement their proposed solutions. After this period, the companies determined whether or not the student teams would receive the second part of their prize monies.

TAEF discovered that the Kairouan students were very eager to have an opportunity like this – opportunities that are rare in this region with high unemployment—and that students could come up with creative and pragmatic solutions to solve real problems for SME companies.

In 2020, aspects of the Open Innovation pilot will be integrated into an expanded Fellows Program.



TAEF INVESTMENT DETAILS MICROBUSINESSES

OPPORTUNITY

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

In 2019, 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 participating in MFI's governance through TAEF appointed board members. Our new investment in ENDA, Tunisia's longest and largest operating MFI, provided needed capital for their operations and development of their portfolio.



Fully Invested
\$5.2 million
loan



Fully Invested
\$5.2 million
equity, loan, technical
assistance

In 2020, TAEF expects to continue our active institutional investor role in CFE and our support of ENDA.



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

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 (Exceptions possible up to TND 7 million)

20
Companies

At the end of 2019 TASME's portfolio contained

Committed **\$23,5 million**
Disbursed **\$20,4 million**

In 2020, TAEF expects TASME to continue to actively invest in Tunisia's SMEs in a variety of sectors and throughout the country.

MARION CONFECTION STORY



MARION CONFECTION PROMOTEX

Industry | Textiles

Location | Ksar Said

2019 Investments |

TND 200,000 equity

TND 1,080,000 loan

Marion Confection is a textile company specialized in sportswear production and founded in 2009. TAEF initially invested TND 2 million in Marion Confection in 2015. That investment funded the capital improvements and process upgrades required for certification by Marion's international clients in Quality, Energy, Environment, Health and Safety Management systems. In 2017 Marion was successful in obtaining these important certifications that opened up production for the European market.

An additional TAEF investment allowed the company to increase its production capacity and recruit 160 employees over a 3 year-period.

During 2018 and 2019, Marion Confection faced several social and operational issues that seriously threatened the company's sustainability. The company and the 160 jobs were in peril.

TAEF staff worked closely with Marion Confection management to identify potential partners. By the end of 2019, TAEF closed a turnaround transaction with Promotex Group, a major player in the Tunisian textile sector. Promotex highly valued both the certifications and the trained workforce. The transaction included an additional investment from TAEF of TND 2 M to enhance the working capital and strengthen the assets of an expanded Promotex.

TAEF is a partner to our investees. TAEF worked with Marion to identify its highest value assets (certifications and highly trained staff) and to find and negotiate a turnaround.

F4T STORY



FILTRATION TISSUS TECHNIQUES & TOILES DE TAMISAGE

Industry | Industrial filters manufacturing

Location | Sfax

2019 Investments |

TND 2,500,000 loan

TND 500,000 equity

Established in 1997 by Mr. Mohamed Makni, F4T is the sole manufacturer of industrial filtration in Tunisia and North Africa. The company produces a range of filters used by industries for air filtration, liquid filtration, sieving and other functions using technical fabrics.

F4T's unique competitive advantage comes from combining 3 different businesses: engineering, fabric production and steel construction.

Located in the industrial area of Sfax, F4T employs 49, 61% of whom are women.

TAEF's investment in F4T supported growth through a diversification strategy, funding the acquisition of new equipment to manufacture filters for the cement industry. TAEF's investment also provided working capital to reduce delivery times and penetrate new foreign markets.

TAEF seeks investments like this in companies with strong management, a competitive advantage in their industry and growth potential.



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



—— OPPORTUNITY

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

One of TAEF's key strategies is to identify financing innovations to meet existing needs among Tunisia's SME entrepreneurs. The search fund model is one such innovation that supports entrepreneurship through acquisition. TASF, the Tunisian American Search Fund, has been a pioneer as the first search fund in Tunisia. It supports experienced and dynamic entrepreneurs as they search for, acquire, manage and grow companies that have real growth potential and that have owners looking to exit.

In 2019, after two years of intensive search, TASF's first search entrepreneur, Slah Kooli, closed on the acquisition of Propann, a manufacturing company located in Zaghouan. The acquisition combined a TAEF equity investment and a leverage buy-out. Since the acquisition in Q2, the new management has proven its value by conducting change management and developing the company. The workforce is expanding.



Invested
\$6.05 million
equity

In 2020, TASF II will replicate this search fund model by identifying new search entrepreneurs to support.

PROPANN STORY



PROPANN

Industry | Production of Melamine & Veneered boards

Location | Zaghouan

2019 Investments |

TND 18,000,000 equity

TAEF and Slah Kooli launched Tunisia’s first search fund in May 2017, Tunisian American Search Fund (TASF), a pilot project financed fully by TAEF. Over a 24-month period, Mr. Kooli analyzed nearly 20 companies and met with around a hundred intermediaries, managers and business owners.

In May 2019, Mr. Kooli and TAEF successfully acquired Propann, a manufacturing company specialized in melamine and particle board. Mr. Kooli became the Managing Director, bringing his significant experience in management, export companies and production to the operations. His objectives for the company are growth through increased efficiencies, new product development and growth of both the local market and regional export markets.

Propann uses advanced technologies and is committed to creating value for its clients via innovation and to offering high-quality products and service.

TAEF financed this pilot to determine the viability of the search fund approach in the Tunisian SME market. TAEF found that the combination of the right searcher, patient and persistent due diligence and adequate support can result in growth for a company and an exit for the founding family entrepreneurs. We are working to replicate this model in 2020.



SME FUND OF FUNDS

TAEF's investments in private equity funds reflect the key investment strategies of seeking partnerships and of leveraging our funding.

In 2019, we continued as partners investing alongside other Tunisian financial institutions in two Tunisian investment funds focused on the SME sector. Both investments are consistent with our social development and impact goals.

OPPORTUNITY

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, investment company INMA Holding that targets larger, growing Tunisian SMEs as well as companies undergoing a transition or restructuring phase. INMA made its second investment in 2019 in a patisserie company with stores in several cities.

INMA Finance: TAEF is a co-founder of this newly created private debt vehicle. Approved by TAEF's board in 2019 with a \$10 million commitment, the company lined up additional funding for a first close at TND 35 million, which is expected to be final in mid-2020.



(TAEF at 15.5%)

Invested

\$2.4 million equity



(TAEF at 30%)

Committed

\$6.038 million equity

Disbursed

\$1.6 million



(TAEF at 79,65%)

Committed

\$10 million equity

In 2020, TAEF expects that TunInvest Croissance may exit some of its investments, that INMA Holding will make additional investments and that INMA Finance will complete its incorporation and initial fund raising and start operating.

START-UPS

OPPORTUNITY

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

2019 was a year of growth for Flat6Labs and Anava Seed Fund. Cycles 3 and 4 (with 7 and 8 start-ups respectively) completed the accelerator program and presented their companies' growth plans to potential investors at Demo Days. At the end of 2019, the eight Cycle 5 companies were getting ready for an early 2020 Demo Day of their own. Although most of these start-ups are in the digital innovation space, they work in a wide variety of sectors including: education, financial technology, logistics, fashion, automobile sales and travel.

Anava Seed Fund, the investment fund affiliated with Flat6Labs, invests in start-ups along outside investors from seed to pre-Series A. In 2019, Anava Seed Fund had a second close at TND 30 million and brought in new investors including the International Finance Corporation; TAEF increased its commitment from TND 8 to TND 12 million. The expanded fund will allocate 50% to seed funding and 50% to pre-series A funding for select start-up companies.

	&	
Committed TND 12 million equity TAEF at 40,3%		Disbursed \$1,5 million

In 2020, TAEF expects Flat6Labs and Anava Seed Fund to continue their work with and investment in startups. TAEF also expects Anava Seed Fund to expand its direct investments in Pre series A companies.

ANAVA SEED FUND INVESTEE HIGHLIGHT



GOMYCODE

Industry | Education

Location | Tunis, Sousse, Sfax

Stage | Pre serie A

GoMyCode is an educational platform providing high-end technology education and a unique learning experience to train students on the newest technologies and to connect them with tech opportunities around the world. GoMyCode's integrated platform includes skills assessments and a robust course library that tailors learning to the needs of each student by offering multiple learning experiences and formats.

GoMyCode's vision is to leverage technology to empower a new generation of people and businesses in Africa by

- Delivering convenient, up-to-date and affordable technology training to African youth that allows them to build tech products or to start careers in technology
- Helping businesses hire tech talents adapted to the digital age, and
- Fostering an African tech ecosystem of developers, designers, experts, entrepreneurs, freelancers and digital talents.

In under three years, GoMyCode has trained a total of 5000 students, made partnerships with more than 100 recruiting tech companies, and ensured the placement of more than 2000 developers with their partners.

GoMyCode has received recognition for its work: in May 2017 it was named one of the 100 most innovative startups in the Arab World by World Economic Forum and won the 1st place in the MIT competition in Tunisia BloomMasters.

Through Anava Seed Fund, TAEF is providing rare venture capital financing to Tunisia's most promising start-ups like GoMyCode.

TAEF BOARD OF DIRECTORS

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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.



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Louise Stoner Crawford

____ NOTES



Tunisian
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IMPULSION AU DEVELOPPEMENT



Tunisian
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IMPULSION AU DEVELOPPEMENT

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