

GrowthGate may invest \$200m more in Mideast

Mahmoud Kassem (Bloomberg) / 5 January 2013

GrowthGate Capital Corp, a Dubai-based private-equity firm with investments in companies that are valued at \$1.4 billion, said it may invest an additional \$200 million in businesses in the Middle East that weren't hurt by the turmoil of the Arab Spring as difficulties raising funds abate.

"The markets that we like the most, the Gulf Cooperation Council, plus Jordan and Morocco, have gained more prominence after the Arab Spring and we think that they hold the most promise for private equity," Karim Souaid, managing partner of GrowthGate, said in an interview on December 31.

"The private-equity ecosystem in these countries is at its best, and that's political stability, economic prospects, middle class, demographics, purchasing power and rule of law."

Fundraising by private-equity firms in the Middle East and North Africa fell to \$672 million in 2011, less than half the \$1.5 billion of 2010, according to a study published in June by the Mena Private Equity Association, a Dubai-based lobby group. The industry gathered about \$6 billion in 2008. Firms struggled to attract investors as uprisings toppled governments in Egypt, Tunisia and Libya and Europe's sovereign-debt crisis worsened.

GrowthGate deployed \$200 million of the money it raised since its inception in 2007 in Saudi Arabia, where about half its investments are, as well as the UAE and Jordan, Souaid said. The firm's investments grew at an annual compound rate of 18 per cent from 2007 to 2012 and it may start a fresh round of capital raising in mid-2013, he said.

"GrowthGate intends to duplicate its existing private-equity investments of \$200 million into new targets in 2013 and beyond," said Souaid, 48, a former investment banker.

Souaid, who coined the term 'MUST' to designate what he calls the key markets of Morocco, UAE Saudi Arabia and Turkey, has spent money buying into services that are not capital intensive and which he calls 'middle market,' including logistics, waste management, and food. He's considering investments in property management and oil-field services.

"We're generalists," Souaid said. "Our investments depend upon a number of criteria, including good management, usually founders' management. We don't buy into distressed. We only invest in properly managed old-economy type of businesses. We don't look at fancy stuff."