

# THE LARGEST-EVER Private Equity Exit in the CSE

By Africa Global Funds



**Mohamed Ali Abdelhak,**  
Partner, Mediterrania Capital Partners

*“In order to help TGCC continue its expansion and reach its growth goals, we implemented our value creation model that was adjusted and adapted to the company’s particularities and specificities*

**I**n December 2021, Mediterrania Capital Partners (MCP) via its third fund, MC III, completed a partial exit of Travaux Généraux de Construction de Casablanca (TGCC), a general contractor specializing in construction and public works in Morocco and Sub-Saharan Africa.

TGCC’s shareholders launched the IPO process on the Casablanca Stock Exchange to enable MCP to begin its exit process and increase its financial capabilities to fuel growth to the next milestones.

With a one-week subscription period, the IPO was significantly oversubscribed, highlighting the company’s attractiveness and strong fundamentals, and enabled the largest-ever Private Equity exit in the CSE. The IPO consisted of a cash-out of 300 million Dirhams and a capital increase of 300 million Dirhams.

Mediterrania Capital Partners, a dedicated Private Equity firm focusing on growth investments in SMEs and mid-cap companies in Africa, initially invested €25m in the business in January 2018, part of a €55m capital raise alongside DEG, Proparco, and South Suez.

Founded in 1991, TGCC leads the Moroccan construction industry, handling large projects that span several sectors such as residential, hospitality, commercial, industrial, administrative and infrastructure. TGCC has provided integrated design, engineering, procurement, construction and project management services in more than 1,000 projects to date. TGCC expanded into Gabon in 2015, Côte d’Ivoire in 2016 and launched operations in Senegal in 2018. Today the company employs more than 8,000 people.

Mohamed Ali Abdelhak, Partner at Mediterrania Capital Partners, states that TGCC presented a strong growth potential at the time of investment. “TGCC clearly differentiated itself from its competitors, thanks to its high versatility, market diversification and strong investment in equipment,” he says.

The company was well positioned to capture the growth in the Moroccan market and had an extremely efficient commercial team that allowed “to capture a large backlog of orders covering at least between two and three years of revenues”.

Another reason for MCP’s investment was TGCC’s resilience and the sound historical financial performance despite the crisis between 2011 and 2014, Abdelhak adds.

The group had all the ingredients to capture the future growth



**INVESTMENT: TRAVAUX GÉNÉRAUX DE  
CONSTRUCTION DE CASABLANCA (TGCC)**

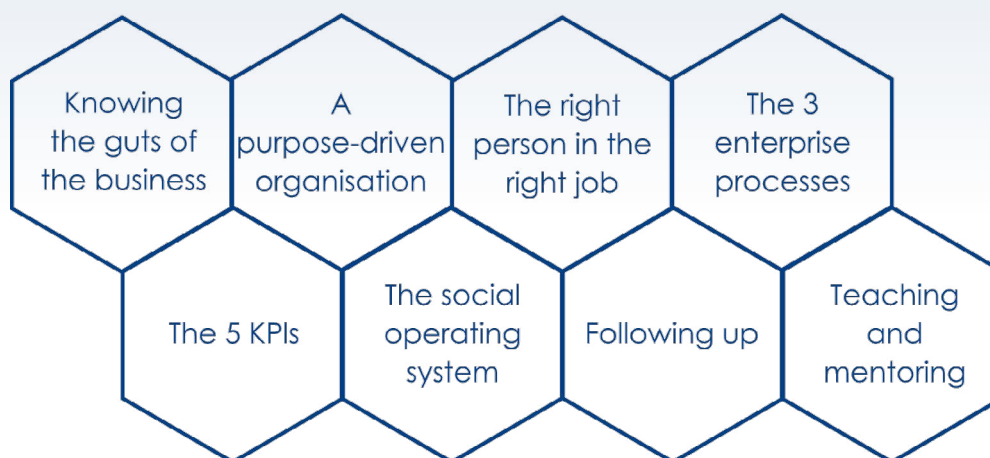
**COUNTRIES: MOROCCO, GABON, COTE D’IVOIRE AND SENEGAL**

**INVESTMENT DATE: JANUARY 2018**

**INVESTMENT FUND: MEDITERRANIA CAPITAL III**

## MEDITERRANIA CAPITAL PARTNERS' EIGHT PILLARS OF VALUE CREATION

Source: Mediterrania Capital Partners, [www.mcapitalp.com](http://www.mcapitalp.com)



offered by the market. At the same time, MCP also identified a few challenges, mainly related to the improvement of the internal processes and governance. "In order to help TGCC continue its expansion and reach its growth goals so we implemented our value creation model that was adjusted and adapted to the company's particularities and specificities."

Mediterrania Capital Partners' value creation model is based on eight pillars combining principles of sound execution, bespoke strategies, governance, human capital best practices and strong company-wide processes.

Since the early days of the investment, Mediterrania Capital Partners placed considerable emphasis on building strong governance processes within TGCC and setting up a Board of Directors with robust expertise. A strong sense of corporate governance with clearly defined responsibilities was implemented, providing tight control of the business, improved risk management and lower potential liabilities.

"In order to create value, we worked with the management team to initiate and implement the three wide enterprise processes which are the Strategic process, the HR process, and the Budgeting process," Abdelhak explains.

A very important area towards improving TGCC's governance was focused on defining what Mediterrania Capital Partners calls the company's "social operating system", which typically includes board meetings, management meetings, audit committees and strategic sessions which are combined with informal touchpoints with the management team at different levels.

Moreover, in order to support TGCC's expansion plans in Morocco and internationally, Mediterrania Capital Partners recommended the creation of two new departments - the Audit & Internal Control Department and the Financial Controlling Department.

After improving TGCC's governance and strengthening the company's finance departments, with Mediterrania Capital Partners' support and

expertise, at the end of 2018 TGCC launched operations in Senegal and won its first tender in the country for the turnkey construction of a 5-star hotel, one of TGCC's main market segments.

Following Mediterrania Capital's investment in TGCC, the company expanded its prefabricated concrete unit to fulfill its internal demand, decrease its dependency on external suppliers and increase its profitability. As a result of this initiative, the unit tripled its production capacity and significantly increased its storage capacity.

As part of its verticalization strategy, in 2019 TGCC began investing in a wood carpentry unit and, in 2020, it launched an aluminum carpentry unit with the objective to eventually insource all of TGCC's demand.

"The group intends to continue this verticalization to develop other activities such as steel structure and facade. This strategy allows the group not only to master the timeframe of the project and the quality, but also allows the group to gain some points of margins through these different subsidiaries," he adds.

### GOING FORWARD

Through the IPO Mediterrania Capital Partners sold approximately 1/3 of its shares in TGCC. "There is still a lot of value to create within TGCC," Hatim Ben Ahmed, Managing Partner at MCP, says. Ben Ahmed led the IPO process for MCP working hand-in-hand with TGCC's management and the other investors. "The results accomplished during the past 4 years show the excellence of the MCP processes, from the identification and analysis of the asset's potential, investment in and implementation of value creation and sustainability initiatives through to exit. Today, TGCC is a company with a clear vision that makes a major contribution to the development of Africa by supporting its economies and delivering a positive social and environmental impact. We're looking forward to continue working with TGCC in its growth path", he concludes.



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### **Rajaa Berrkia,**

Partner and Director of Sustainability & Risk Officer, Mediterrania Capital Partners

#### **DRIVING ESG ACTIONS AT TGCC**

Mediterrania Capital Partners puts a high emphasis on sustainability. According to Rajaa Berrkia, Partner and Director of Sustainability & Risk Officer at Mediterrania Capital Partners, one of TGCC’s ESG challenges is to minimize its use of resources and generation of waste, seeking opportunities for recycling and reuse, and embedding circular economy models within its projects. She says that another challenge is to master the selection of the building material, including how and from where raw material is procured, its potential for adaptation and reuse, and its ecological implications. “TGCC is also facing challenges in recruiting skilled labor and attracting new talent. The global Covid-19 pandemic, from one side, has tightened health, safety, well-being, staff development and training. But, from another side, it caused a shortage of skills, which is both a short-term and long-term concern,” she says.

At TGCC, Mediterrania Capital Partners has emphasized on the importance of creating and delivering projects which have positive outcomes for the society and the environment. “A key pillar to turn TGCC into a sustainable building construction is to shift into a strategy which saves time and material. By prioritizing the use of sustainable material acquisition TGCC has managed to reduce waste, energy, and several inefficiencies at building sites,” she says. “Construction Waste Management such as separating and recycling waste, recycling on site, etc. has also become central. Stormwater Management is yet another example to prevent site activities and by-products pollutants from entering the stormwater system,” she adds.

Berrkia says that naturally TGCC is more exposed to social risks, but it has also relatively high exposure to environmental risk. “The identification and assessment of ESG risks and opportunities are an integrated part of the company’s risk management approach. A companywide ESG materiality assessment, based on the SASB standards and TGCC’s own history has allowed to determine which common metrics subcategories are material for construction. Then, a tailored materiality assessment exercise is also conducted to identify precisely which other ESG factors should also be considered material given the nature of construction and development projects such as economic displacement or destruction of natural habitats.”

Developing and improving capacity building to ensure the company has skills, knowledge, and expertise to manage and monitor these risks once they are identified is of crucial importance, she adds.

“CEO endorsement, the explicit designation of a qualified person for the integration of sustainability risks, and active engagement with the teams on the ground have proven to be effective measures in order to enhance ESG risk visibility and focus,” she says.

With the support of Mediterrania Capital Partners, TGCC introduced employee performance appraisal mechanisms in which career development planning is also addressed and increased the criticality of self-appraisals to provide an accurate performance rating.

In July 2020, TGCC obtained the international certification of its Health Risk Management System in order to further strengthen the resilience of its business model in pandemic situations and thereby protect the business and employees and ensure its business continuity, emergency preparedness and job protection. Quality, health, safety and environment (QHSE) factors are a key part of the construction, commissioning and start-up phases of any TGCC project.

Consequently, the company put together an integrated team supervising that onsite QHSE is hardwired into each project and continuously monitored to ensure that the right organization, planning, procedures and systems are in place at all construction sites. An active environmental player, TGCC is a pioneer in the shift toward alternative building materials for green construction in some projects, using innovations such as Low-E glass, Isophone paint, hydro-ceramics, green asphalt solutions, etc. TGCC also implemented an enhanced wastewater policy for remote construction sites, requiring all wastewater to be collected and transported to a communal wastewater treatment plant and a wastewater treatment system in the machinery washing station equipped with an oil-water separator to remove oils, grease, and hydrocarbons.

The company has also taken steps to improve employee safety, reducing workplace risks and creating better, safer working conditions for all. As a result of these measures, TGCC is the first construction company in Morocco to receive ISO 14001 and ISO 45001 certification.

Berrkia explains that ESG performance is assessed against the sector’s largest ESG impacts, as defined by the SASB standards. The company measures its performance against a set of voluntary and mandatory ESG criteria. “To more accurately quantify its ESG performance, TGCC intends to align its management system and performance measurement to ISO 26 000,” she comments.