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The role of private equity in the recovery of SMEs in difficulty

Study of the turnaround of NCA Rouïba by the private equity firm Afric-invest

دور الأسهم الخاصة في إنعاش المؤسسات الصغيرة والمتوسطة التي تعاني من صعوبات

دراسة التحول لشركة NCA Rouïba من قبل شركة الأسهم الخاصة Afric–invest

Le rôle du capital-investissement dans la relance des PME en difficultés : Etude du redressement de l'entreprise NCA Rouïba par la société de capital investissement Afric-invest

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ملخص: **على** الرغم من أن الشركات الصغيرة والمتوسطة تعتبر نفسها محركات للنمو الاقتصادي، إلا أنها تواجه العديد من الصعوبات، بما في ذلك الوصول إلى التمويل. تمثل الأسهم الخاصة (CI) بديلاً فعالاً لتلبية الاحتياجات المحددة للشركات الصغيرة والمتوسطة، والتي غالبًا ما تكون محدودة بسبب قيود التمويل التقليدي. الهدف من هذا العمل هو إظهار تأثير الأسهم الخاصة على انتعاش الشركات الصغيرة والمتوسطة التي تواجه صعوبات من خلال تقييم الوضع المالي لشركة ممولة من صندوق رأس المال الخاص؛ وقد وافقت دراستنا على أن الرافعة المزدوجة، المالية والتشغيلية، التي يوفرها رأس مال المستثمرين تساعد الشركات الصغيرة والمتوسطة على التغلب على الصعوبات التي تواجهها، واستعادة قدرتها التنافسية ووضع نفسها على مسار النمو المستدام.

الكلمات المفتاحية: الشركات الصغيرة والمتوسطة؛ التمويل؛ الصعوبات؛ الأسهم الخاصة

Abstract: Although small and medium-sized enterprises (SMEs) see themselves as engines of economic growth, they face many difficulties, not least access to finance. Private equity (PE) represents an effective alternative for meeting the specific needs of SMEs, which are often limited by the constraints of traditional financing. It provides them not only with the necessary capital, but also with strategic support at every key stage of their development, enabling them to realize their ambitions. The aim of this work is to demonstrate the impact of private equity on the recovery of SMEs in difficulty, through an assessment of the financial situation of a company financed by a private equity fund. Our study has approved that the double leverage, financial and operational, provided by PE helps SMEs to overcome their difficulties, regain their competitiveness and position themselves on a sustainable growth trajectory.

Keywords: SMEs; financing; difficulties; private equity

Résumé: Bien que les Petites et Moyennes Entreprises (PME) se considèrent comme des moteurs de croissance économique, elles sont confrontées à de nombreuses difficultés, notamment l'accès au financement. Le capital-investissement (CI) représente une alternative efficace pour répondre aux

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besoins spécifiques des PME, souvent limitées par les contraintes du financement traditionnel. L'objectif de ce travail est de montrer l'impact du capital-investissement sur la relance des pme en difficultés à travers une évaluation de la situation financière d'une entreprise financée par un fond de capital-investissement ; notre étude a approuvé que le double levier, financier et opérationnel, apporté par le capital-investisseur aide les PME à surmonter leurs difficultés, à retrouver leur compétitivité et à se positionner sur une trajectoire de croissance durable.

Mots clés : PME ; financement ; difficultés ; capital-investissement

Introduction:

The financing of small and medium-sized enterprises (SMEs) has become a major challenge in many countries, including Algeria. Limited access to financial resources hinders their growth, competitiveness and ability to innovate; hence the development of diversified, adapted and accessible financing mechanisms has become crucial to enable SMEs to overcome their obstacles and play their full role in the country's economic development.

First introduced in 1946 in the USA in the form of the American Research & Development Corp (ARD) founded by General DORIOT, and later in Europe (Gilles, 2007), private equity is an alternative form of financing that offers a number of advantages to companies in need of financing, particularly SMEs; through this financing mechanism, the financed company benefits from substantial funding accompanied by strategic and operational expertise. This powerful development lever can be used at different stages of a company's life, depending on its financial and strategic needs, whether it's a young start-up looking for financial resources to launch its business, or a large enterprise looking to finance expansion or a transfer.

In Algeria, private equity did not see the light of day until the early 1991s, with the creation of the first private equity company, Financière Algéro-Européenne de Participation FINALEP:

Subsequently, and in order to promote the private equity business, the Algerian authorities promulgated law n°06-11 of June 24, 2006 relating to the private equity company, which represented a major step forward for the development of private equity in the country; however, this business remains relatively limited compared with neighboring countries such as Tunisia and Morocco, which in 2019 had forty (ATIC, 2019) and twenty (Herradi, 2019) specialized private equity institutions respectively, compared with just five COSOB-approved private equity companies in Algeria; this has necessitated the introduction of reforms concerning regulation, access to financing and entrepreneurial culture, which are necessary to improve private equity activity in Algeria and thus offer SMEs an important lever that will enable them to accelerate their development, finance their growth, or restructure their capital.

The aim of our work is to highlight the important role of private equity as a powerful instrument that offers SMEs in difficulty a unique combination of financing, expertise and strategic management, enabling them to turn around their financial and operational situation, citing as an example the company NCA Rouiba financed by the private equity firm AfricInvest. The following question will then be addressed:

What is the impact of Afric-Invest's intervention on the relaunch of NCA-Rouiba?

In order to answer this question, we will first adopt a theoretical approach aimed at clarifying the concept of SMEs, their characteristics and the challenges they face. We will then attempt to remove the ambiguity surrounding the concept of private equity, by presenting various definitions of this financing method, its stakeholders, how it operates and its exit procedures. In the second part, we will opt for an analytical approach that will enable us to assess the impact of private equity financing on the financial situation of a company in difficulty.

1- Literature review

Private equity is often presented as an alternative to traditional forms of financing, such as bank loans, which may be difficult for SMEs to access, especially in distressed situations. (Udell, 1998)explain that SMEs, due to their modest size and lack of informational transparency, frequently encounter obstacles in obtaining traditional bank financing. Private equity, with its long-term commitment and risk-sharing approach, offers a flexible alternative to meet these needs. (Lerner, 2001)add that private equity plays a crucial role in financing innovative or restructuring companies. This type of financing not only provides funds, but also strategic, managerial and technical support to strengthen the management capabilities of SMEs. Companies in difficulty often require special forms of private equity, such as turnaround capital, specially designed to restructure companies facing financial or organizational crises. (Mooradian, 1997) show that private equity intervention in the turnaround of ailing companies often results in internal reorganization, cost-cutting, streamlining of operations, and sometimes a change in management to turn the company around. This type of intervention is perceived as risky, but potentially very profitable if the company manages to overcome its difficulties. Concerning the effect of private equity on the performance of distressed smes, (cressy R, 1997)show that companies benefiting from this type of financing generally see an improvement in their operational and financial performance, thanks in part to the expertise provided by investors. However, and according to (Guo, 2011) private equity interventions can be beneficial, but they do not always guarantee success, especially in situations of insolvency or deep economic crisis. Success often depends on investors' ability to quickly restructure the company and reposition it on the market.

2- Background on SMEs

Small and medium-sized enterprises (SMEs) play a crucial role in the global economy, accounting for a large part of the economic fabric through their contribution to employment, production, social development and innovation. In the following, we present an overview of SMEs, their characteristics and challenges, with a focus on Algerian SMEs.

2-1. Definition and characteristics of SMEs

The SME is a vague concept which contains various definitions (Juilan, 1986), it is presented as a productive unit whose phenomena are more easily identifiable and readable (Maldowney, 1988), according to (Julian, 1988)the SME is an autonomous company, both legally and financially,

operating in various sectors such as primary, manufacturing or services, in this type of company, the company managers personally and directly assume the financial, technical and social responsibilities of the company, whatever its legal form (Borderie, 1998, p. 18). The aspect that distinguishes SMEs from large companies is their role in the innovation process. Although they cannot compete with large companies in terms of the financial and human resources devoted to research and development, SMEs are less dependent on existing procedures and products. As a result, they are able to introduce innovations that are fundamentally different from existing products (WTTERWULGHE, 1998, p. 19).

INSEE defines SMEs as those employing fewer than 250 people, with annual sales not exceeding 50 million euros or total assets not exceeding 43 million euros. They include the category of micro-businesses (MIC) which employ fewer than 10 people and have annual sales or a balance sheet total not exceeding 2 million euros (l'institue national de la statistique et des etudes économiques INSEE, 1962).

In the Algerian context, as of December 2001, Algeria adopted a law (Law n01-18 Ramadhan 1422 corresponding to December 12, 2001) on the orientation of the promotion of small and medium-sized enterprises; according to this law, the SME is defined, regardless of its legal status, as a company producing goods and/or services:

- Employing between one (1) and 250 people;

- Whose annual sales do not exceed 2 billion dinars or whose annual balance sheet total does not exceed 500 million dinars;

A new law (n 17-02 of RabieEthani 11, 1438 corresponding to January 10, 2017, concerning the orientation law on the development of small and medium-sized enterprises (SMEs)) subsequently increased the sales threshold to four (4) billion dinars, and the balance sheet total to one billion dinars.

According to articles 5, 6 and 7 of Chapter II of the Official Journal, practical clarifications have been introduced to subdivide SMEs into three categories:

The medium-sized enterprise is defined as a company employing between 50 and 250 people, with sales of between 200 million and 2 billion Dinars, or with an annual balance sheet total of between 100 and 500 million Dinars (article 5).

- A small business is defined as a company with between 10 and 49 employees and annual sales not exceeding 200 million Dinars, or annual balance sheet total not exceeding 100 million Dinars (article 6).

- The very small enterprise (VSE), or micro enterprise, is a company with 1 to 9 employees and annual sales of less than 20 million Dinars, or an annual balance sheet total not exceeding 10 million Dinars (article 7).

2-2. Evolution of SMEs in Algeria

Algeria's SME sector has undergone significant development over the past few decades, marked by a series of public initiatives and increased diversification of business sectors, but also by persistent challenges. The initiatives put in place by the Algerian government to encourage the creation of SMEs as part of the economic diversification policy aimed at reducing dependence on hydrocarbons, have given SMEs an important place in the country's economic development and modernization.

The number of algerian smes has risen from 711,832 in 2012 to 1,359,803 in 2022 (Bulletins d'informations statistiques des PME en Algérie (bulletins n° 22, 2022); this growth experienced by private SMEs can be attributed to a series of reforms implemented in the Algerian economy from 2001 onwards. These include the adoption of an ordinance on investment development (no. 01/03) and an orientation law on SME promotion (no. 01/18), aimed at strengthening and developing investment in Algeria. This evolution is also the result of the creation of dedicated agencies, such as APSI, ANDI and ANSEJ, whose mission is to support, facilitate and accompany investments. However, despite the wide range of measures and reforms implemented by the Algerian government, the results have not lived up to the sector's expectations. This is mainly due to the many obstacles faced by entrepreneurs, such as difficulties in accessing financing, cumbersome bureaucracy, high tax burdens, corruption, and the mismatch between the supply of manpower and the needs of businesses, all of which are major obstacles for entrepreneurs. These barriers risk not only limiting the growth of Algerian SMEs, but could also push them to migrate to the informal economy, where they would escape these constraints but remain on the bangs of the legal and regulatory framework. This could have negative consequences for the sustainability and transparency of entrepreneurship in Algeria.

2-3. Difficulties encountered by SMEs

Small and medium-sized enterprises, which have become a key player in the development of the modern economy, face a number of obstacles related to financing, regulation, competition and innovation that can hamper their development and growth, these obstacles include:

- The lack of visibility of economic activity, due to numerous regulatory interventions and the complexity of legislative texts, is an obstacle to the development of SMEs; generally speaking, the unsuitability of the administrative environment is mentioned, characterized by heavy bureaucracy and rules that are often unclear or poorly adapted to the realities of SMEs;

- The absence of a training policy for managers and employees in the majority of private companies hinders the development of skills and managerial innovation;

- Difficult access to land, particularly in industrial zones, limits business expansion;

- High tax and social security burdens weigh heavily on SMEs;

- Access to financing is one of the main obstacles facing SMEs, and one that can hinder their growth, competitiveness and ability to innovate. Among the difficulties that inhibit SMEs from accessing financing we cite: the perception of high risk, which leads to stricter lending conditions, as well as higher collateral requirements and interest rates; the lack of sufficient collateral, which makes it difficult to obtain traditional financing; investors and lenders generally prefer companies with a solid financial base to better withstand economic shocks, which is not the case for the majority of SMEs with a weak equity structure.

The challenges faced by SMEs require, on the one hand, appropriate support, whether in terms of reducing administrative burdens or facilitating innovation and partnership, and on the other hand, the development of alternative financing which has become crucial for SMEs in order to diversify their sources of funding. It is in this context that private equity comes into play, playing a key role in the recovery of companies in difficulty and in the development of companies with high growth potential.

3- Introduction to private equity

Private equity is an essential lever for economies seeking to exploit their growth potential by supporting innovative SMEs. Thanks to its flexible approach, its capital contribution and its strategic expertise, private equity offers financing solutions adapted to unlisted companies at various stages of their development.

3-1. Definition and operation of private equity

Private equity represents the acquisition of equity stakes in generally unlisted companies that do not have direct access to the financial markets, in order to finance their start-up, growth, transfer or survival. The aim is to finance start-ups or SMEs at a critical juncture in their history, by compensating for the lack of funds on the part of founders or managers, and by providing capital that banks are not prepared to commit, as the risk to which they would be exposed would be too great for them (Gilles, 2007). This type of financing represents the long-term investment by professional investors in the equity of unlisted companies, in return for a random capital gain supplemented by a dividend yield (Wright, 2002). (Bernasconi, 2013)add that private equity represents all equity interventions at different stages of a company's life cycle. It is a generic term including various processes (financing working capital growth, acquisition strategy, transmission, spin-off or buy-out) by which an investment fund enters the capital of a company for several years, with the aim of reselling its stake.

The private equity firm acts as a financial intermediary, investing the capital entrusted to it by institutional investors in small and medium-sized businesses, with the aim of generating internal rates of return (IRR) and capital gains on exit.

Algerian law defines the capital investment company as “a company whose purpose is to participate in the share capital and any operation consisting of equity and quasi-equity contributions

in companies being created, developed, transferred or privatized"[2]; it sets a maximum participation rate of 49% in the company's capital, and a participation period that varies between 5 and 7 years.

3-2. Private equity professions

There are several types of private equity, each adapted to specific situations depending on the company's stage of development, financial needs and growth prospects.

According to (Lachmann, 1999), private equity encompasses a whole range of activities: venture capital, where investors contribute their funds, networks and experience to entrepreneurial projects that are still at the research and development stage; seed capital, which intervenes upstream of the company's start-up to help the entrepreneur prove the feasibility of his idea, complete his research and create his company (Batini, 2006), start-up capital, which consists of financing companies that are still in their infancy but already have legal status (Saublens, 2007), and post-creation capital, which consists of investing capital in companies that are beyond the research and development stage but need additional funds to begin producing and marketing their products and services (Saublens, 2007); development capital is aimed at companies seeking to finance their growth and expand their activities, and can be carried out with one or more financial partners, generally on a minority basis, with the aim of supporting the entrepreneur in his or her development strategy, with a view to creating value and generating liquidity in the medium term (Foucault, novembre 2008); buyout capital consists of equity financing for the transfer of companies, and is an investment made in order to buy out companies in association with their management (Management Buy Out MBO), or external buyers (Management Buy In MBI), using leveraged buyout (LBO) financial techniques (H Legoupil, 2005); Turnaround capital is designed to finance the restructuring of companies in difficulty. In this case, turnaround capital investors generally acquire all or a majority stake in the company, then inject the financial resources needed to implement a turnaround plan (Jérôme Glachant, 2008).

3-3. Exit procedures for private equity investors

According to (Gilson, 1988), a dynamic private equity market requires a well-developed financial market with a variety of exit methods. In order to be able to renew their portfolio of investments, private equity investors must regularly realize the potential capital gains generated by their previous investments (Broye, 2000). This liquidation usually results from an inappropriate development strategy for an existing company, or from the inability to repay debts incurred in LBO transactions. This results in a recognized loss for the equity investor; The buyout of equity stakes by the company, which occurs when the founders acquire the company. (Stephany, 2003) considers two scenarios for this type of exit: in the first, the manager buys back the shares held by the equity investor

in order to strengthen his majority position, which requires substantial financing and may, in some cases, entail a risk of over-indebtedness. In the second scenario, the company's executives purchase the shares held by the private equity firm through a stock option deal; the sale of the stake to another private equity firm, which involves the purchase of the initial investor's shares by another private equity firm. This sale enables the initial investor to realize gains on his investment and reinvest in new opportunities. For the target company, it offers a new strategy as well as additional resources provided by the new private equity fund, which can contribute to its future growth; Industrial divestment, also known as strategic sale, refers to the total or partial sale of a private equity fund's stake in an industrial company. The strategic acquirer is usually a company in the same or a complementary sector, able to benefit from operational synergies, expand its product range or access new markets; Repayment of capital, which involves using the company's financial resources to buy back the shares held by equity investors. This operation can be carried out using the company's own funds or through bank debt. This process enables the manager to retain independence and control of the company without calling in new investors. What's more, it enables the company to avoid certain costs, such as the issuance fees associated with an IPO, or intermediary commissions in the case of a strategic sale. However, in the case of bank debt, it can increase the company's level of indebtedness, reducing its financial flexibility in the future; the Initial Public Offering (IPO), which, according to (Barry, 1990)provides the investor capital with significant profits and enables him to realize substantial capital gains, such an exit offers significant advantages for the company concerned, including the establishment of a recognized valuation, increased financing possibilities thanks to the notoriety and recognition acquired, as well as the possibility for the company to access liquidity by placing securities on the market (Poitrinal, 2015) company to access liquidity by placing securities on the market (Poitrinal, 2015).

3-4. Private equity companies operating in Algeria

Private equity activity in Algeria is still at an embryonic stage, with few companies specializing in this sector:

El DjazairIstithmar SPA: is a CI company governed by lawN° 06-11 of June 24, 2006 relating to the private equity company; it began operations in 2010 at the initiative of two public banks, BADR and CNEP banque. Approved by the Ministry of Finance since May 2010, the company has a share capital of one billion dinars. It operates by acquiring temporary minority stakes and making cash contributions to the share capital of SMEs.

National investment fund: created by law n°63-165 of May 7, 1963, amended and supplemented, the FNI was established as a specialized public financial institution with a capital of 150 billion DA by the complementary finance law of 2009; this institution is dedicated to financing investment by granting loans or taking equity stakes in collaboration with local or foreign partners.

SOFINANCE SPA: set up by the CNPE (Conseil national des participations de l'Etat), its main aim is to support the modernization of production infrastructures and develop new financial instruments; its services cover lease financing, equity participation in companies, traditional loans and commitments by signature, as well as the acquisition of equity interests.

FINALEP: Algeria's first private equity company. Founded in 1991, its share capital has undergone several successive increases to reach a level of 3,200,000,000 DA; its main objective is to take equity stakes in the capital of smes by intervening in their various life phases; the financing of its equity stakes is carried out by its own funds as well as by external resources such as the investment funds of the wilayas created by the public authorities within the framework of the complementary finance law of 2009.

ASICOM: is an Algerian-Saudi investment company founded under an agreement ratified by the Algerian and Saudi governments. It began operations in 2008, and has a fully paid-up share capital of DA8 billion, held equally by the two countries. The company's investments are financed by capital contributions (company start-ups or equity stakes in existing companies) and by contributions in associated current accounts.

AFRICINVEST: this company is the subject of our study and will be presented in the following section.

Algerian InvestmentFund AIF: founded in 2021, AIF is the result of a partnership between Banque Extérieure d'Algérie and Banque Nationale d'Algérie. With a share capital of eleven billion DA, this private equity company aims to support investors in their business creation and expansion projects by acquiring a stake in their capital.

ICOSIA capital SPA: is a private equity company that aims to participate in the creation and development of companies through equity contributions and loans in the form of CCAs; ICOSIA launched its activities in May 2018 and has a share capital of one billion five hundred million dinars (1,500,000,000) entirely held by the Madar Holding/spa group.

Algerian Startup Fund ASF: created in October 2020, ASF is the first investment fund dedicated to startups in Algeria. The company is the fruit of a partnership between the Ministry in charge of the Knowledge Economy and Startups and six (06) public banks, all equal shareholders: Crédit Populaire d'Algérie, Banque Nationale d'Algérie, Banque Extérieure d'Algérie, Caisse Nationale d'Epargne et de Prévoyance, Banque de l'Agriculture et du Développement Rural and Banque de Développement Local; its main mission is to promote the entrepreneurial ecosystem in Algeria by offering financing services tailored to the needs of startups.

4- Case study: The relaunch of NCA Rouiba by the private equity fund Afric-Invest

NCA Rouiba, an Algerian company specializing in the production and distribution of beverages, nectars and fruit juices, has long been a key player in Algeria's agri-food sector. Over the years, however, the company has encountered financial and operational difficulties. Faced with this worrying situation, NCA Rouiba decided to call on the private equity fund Afric-Invest to relaunch its activities and return to a sustainable growth trajectory.

4-1. Presentation of the company NCA-Rouiba

NCA-Rouiba Spa is a private company incorporated under Algerian law, with share capital of DA849,195,000. Its main activity is the production and distribution of beverages, nectars and fruit juices. Founded in 1966 as a Société à Responsabilité Limitée (SARL), it was originally known as "Nouvelles Conserveries Algériennes". In its early days, the company specialized in the manufacture of tomato paste, harissa and jams marketed under the Rouiba brand.

4-2. Presentation of the AFRIC-INVEST private equity fund

Founded in the early 1990s, AfricInvest is an investment and financial services company recognized as one of Africa's most experienced private equity investors. It has dedicated teams across the continent and employs over 100 professionals in eleven offices.

Since its creation, AfricInvest has raised $2 billion through 21 funds, benefiting from the long-term support of local and international investors, including major development finance institutions in the United States and Europe.

As co-founder of the African Venture Capital Association (AVCA), the Global Private Capital Association (GPCA) and the Euromed Capital Forum, AfricInvest plays a key role in promoting the private equity industry in Africa.

The company has invested in over 200 companies in 35 African countries, covering high-growth sectors such as financial services, agribusiness, consumer/retail, education and healthcare. Thanks to an extensive network of high-level executives across the continent, AfricInvest brings significant expertise in strategic and expanding sectors.

4-3. Main actions undertaken by the AFRIC-INVEST investment fund in NCA-Rouiba

The partnership between AfricInvest and NCA-Rouiba was characterized by the absence of guarantees, with both parties sharing risks and profits according to the company's performance. This investment fund embodied the very essence of the role of a private equity investor, providing far-reaching strategic support to the managers throughout their involvement. This constant support has been a real added value for the company, strengthening its ability to overcome challenges and grow.

In addition to financing, AfricInvest provided:

- Coaching and motivation for NCA Rouiba's founding team;

- Specialized know-how to develop the business;

- Access to a vast network of experienced entrepreneurs, potential customers, business partners and managers;

- Strategic advice to ensure the company's success, focusing on sales and marketing, with an action plan including: - Strategic orientation; - Industrial restructuring; - Marketing plan.

- Implementation of good governance practices, strengthening the highly qualified management team.

AfricInvest has also established an approach based on three essential levers: a strategic lever, a legal lever and an operational lever, to maximize the company's efficiency and growth.

AfricInvest's strategic leverage manifests itself in rigorous monitoring and control of the company, demonstrating its direct involvement in NCA Rouiba's governance. This leverage comprises several key elements:

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- The company's audit committee is chaired by Mr. Gherbi, an AfricInvest partner, thus ensuring enhanced control.
- AfricInvest proposed the creation of a family council to resolve potential conflicts between family shareholders, which greatly contributed to the establishment of sound governance.

- AfricInvest has also been behind a number of major strategic decisions, such as the 2005 decision to abandon the production and distribution of canned vegetables, fruit and milk, and refocus on the production and distribution of beverages and fruit juices.
- The company has set up a Strategy and Investment Committee, as well as several other Board committees, such as the Audit Committee, the Remuneration Committee, and the Ethics, Environment and Sustainable Development Committee.

These strategic actions have enabled NCA Rouiba to restructure effectively and improve its governance, under the impetus of AfricInvest.

The legal leverage is based on a shareholders' agreement between the members of the Othmani family and AfricInvest Ltd, which includes the following provisions:

- The shareholders of the Othmani family undertake to appoint AfricInvest as director and to maintain this appointment throughout the period of validity of the agreement.
- AfricInvest has auditing rights, enabling it to appoint a chartered accountant to carry out accounting and financial audits.
- A liquidity clause is included, providing either for the company to be floated on the stock market, or, failing that, for AfricInvest's shareholding to be bought back by the shareholders concerned by the agreement.

This legal leverage guarantees transparency and security for AfricInvest, while providing a framework for the relationship with family shareholders.

In operational terms, AfricInvest has initiated major transformations within NCA Rouiba. These changes were steered by the strategic committee set up after AfricInvest joined the company in 2005. This committee adopted an upgrading and development program with two main components:

Industrial upgrading program including:

- Particular emphasis was placed on developing training programs for all human resources;
- Fitting out new administrative premises, widening traffic lanes, and extending the logistics platform to improve storage capacity;
- Modernization of Rouiba brand packaging and logo.

Marketing action plan (launched in 2008):

- Modernization of the brand logo for a more up-to-date positioning;
- Adoption of new packaging to make products more attractive;
- Revitalization of the product range with the introduction of new items, including the launch of the Fruits Mixés project in PET (plastic) bottles;
- A significant part of the budget was allocated to communication and advertising to reinforce the brand's visibility.

These actions have enabled NCA Rouiba to modernize its industrial and marketing operations, consolidating its position in the market.

4-4. Analysis of NCA-Rouïba's financial situation before and during the partnership with Afric-invest

In order to highlight the key role played by the AfricInvest investment fund in the revival and restructuring of NCA Rouïba, we carried out an analysis of the company's financial situation before and during its partnership with Afric-invest (i.e. successively from 2002 to 2004 and from 2005 to 2009), based on ratios relating to the company's balance sheet and income statement.

4-4-1. Analysis of the financial situation prior to the Africinvest-NCA rouiba partnership

Ratios relating to the balance sheet: the table below, based on NCA-Rouïba's condensed balance sheets prior to the partnership with Afric-invest, presents a study of the main financial ratios, namely the stable fixed asset financing ratio, general liquidity ratio, degree and capacity of indebtedness and financial autonomy ratio.

Table -1-: ratios relating to balance sheets before the partnership

Designation	2002	2003	2004
Permanent capital	464 973 264	277 980 211	700 337 957
Fixed assets	447 296 734	413 985 656	773 699 311

Stable capital funding ratio: CP/FA	**1.04**	**0.67**	**0.90**
Current assets	618 487 896	595 389 381	484 206 166
Short-term debt	600 811 366	731 394 826	557 567 520
Current ratio = CA/STD	**1.03**	**0.81**	**0.87**
Total liabilities	929 069 403	995 211 294	1 170 131 312
liabilities	1135 383 675	1009 375 037	1257 905 477
Total debt = T.L/Liabilities	**81%**	**98%**	**93%**
Shareholders' equity	4 169 823	9 146 107	81 176 855
Medium and long-term debt	328 258 037	242 744 235	612 563 792
Debt capacity= SH.E/Debt L/M	**1.2%**	**3.7%**	**13.2%**
Financial autonomy ratio = SH.E/P.C	**0.89%**	**3%**	**11%**

Source: compiled by us from NCA-Rouiba balance sheets

In the three years prior to the partnership between NCA and AfricInvest, we observed that NCA was unable to finance all of its fixed assets from stable resources, indicating financing difficulties. In addition, the company's liquidity declined during this period, suggesting an inability to meet its short-term obligations. We also noted a high level of indebtedness, particularly in respect of trade payables, as well as increased recourse to bank overdrafts to finance a significant proportion of assets. Moreover, NCA's long-term debt capacity was limited, as investments made during the period were mainly financed by bank loans.

Income statement ratios: the following table presents a study of the various financial ratios relating to the income statements for the three years preceding the Africinvest-NCA rouiba partnership.

Table- 2-: Income statement ratios

Designation	2002	2003	2004
Net income	(69 599 045)	4 976 285	72 030 749
Sales figures	1 496 487 455	1 583 080 134	1 770 644 931
Profitability ratio NI/Sales	(4.6%)	0.3%	4%
Added value	401 319 020	321 786 463	432 355 576
Added value rate	**27%**	**20%**	**24%**

Shareholders' equity	4 169 823	9 146 107	81 176 855
Financial profitability ratio =NI/SH.E	**(16.7)**	**0.54**	**0.89**

Source: compiled by us from NCA-Rouiba income statements

Over these three years, we found that NCA's ability to generate profits from its financial resources remained weak, although a slight increase was observed compared with the first year, thanks to the favorable trend in net income in relation to sales. Looking at the rate of value added, which measures the company's contribution to the national economy, it appears that NCA was moderately integrated into the economic fabric, making an average contribution to value creation during this period. As for profitability, measured in relation to the capital invested in the company and determining the return on equity, a notable growth was recorded over these three years, mainly due to the increase in net income observed over the last two years.

4-4-2. Analysis of the financial situation during the Africinvest-NCA rouiba partnership

After examining the first period, we undertook a five-year analysis (from 2005 to 2009) of the partnership between NCA and the private equity firm Afric-invest. This analysis aims to assess the impact of this partnership on NCA's financial position and performance over this period.

Balance sheet ratios: the table below presents an analysis of the main financial ratios based on the condensed balance sheets of NCA Rouibaduring its partnership with Afric-Invest.

Table-3-: ratios relating to the financial balance sheets during the partnership

Designation	2005	2006	2007	2008	2009
Permanent capital	805473 673	722042 218	11211 68307	17054 48150	16503 46633
Fixed assets	713857 865	651132 756	11340 48751	10596 39171	15837 42010
Stable capital funding ratio: CP/FA	**1.13**	**1.11**	**0.99**	**1.61**	**1.04**
Current assets	653282 260	684876 202	94315 7310	13899 35700	11127 43494
Short-term debt	561666 452	613966 740	95603 7754	74412 6721	10461 38870
Current ratio = CA/STD	**1.16**	**1.11**	**0.98**	**1.87**	**1.06**
Total liabilities	113445 8249	109765 1780	11886 76868	13703 00133	15532 93243

liabilities	139931 0833	133600 8958	20772 06061	24495 74871	26964 85503
Total debt = T.L/Liabilities	**81%**	**82%**	**57%**	**56%**	**57%**
Shareholders' equity	232681 876	238357 178	88852 9193	10504 61450	11273 90718
Medium and long-term debt	572791 797	483685 040	23263 9114	62617 3412	50715 4373
Debt capacity= SH.E/Debt L/M	**40%**	**49%**	**381%**	**167%**	**222%**
Financial autonomy ratio = SH.E/P.C	**28%**	**33%**	**79%**	**61%**	**68%**

Source: compiled by us from NCA-Rouiba balance sheets

After increasing its capital thanks to the Afric-Invest investment fund, NCA Rouiba was able, during this period, to finance all its fixed assets from stable resources, enabling it to overcome its financing difficulties. The company's liquidity improved, particularly in 2008 and 2009, thanks to optimized management of working capital requirements (WCR), marked by a reduction in current assets and an increase in current liabilities. This has enabled NCA Rouiba to better meet its short-term obligations. The company's level of indebtedness also fell sharply, from 98% in 2003 to 57% in 2009. Its debt capacity improved, as new investments were mainly financed by capital injections from Afric-Invest, rather than by new debt. This has strengthened the company's financial autonomy.

Income statement ratios: the table below provides an analysis of the various income statement ratios over a five-year period during the Afrinc-invest and NCA Rouiba partnership.

Table-4-: Income statement ratios

Designation	2005	2006	2007	2008	2009
Net income	(32170 708)	567530 2	247212 35	510786 70	112105 081
Sales figures	182596 9620	177789 0149	196068 2650	228846 1834	288399 2837

Profitability ratio NI/Sales	**(1%)**	**0.03%**	**1%**	**2%**	**3%**
Added value	360652770	459387453	567594252	635405288	776749682
Added value rate	**19%**	**25%**	**29%**	**28%**	**27%**
Shareholders' equity	232681876	238357178	888529193	1050461450	1127390718
Financial profitability ratio =NI/SH. E	**(0.13)**	**0.02**	**0.03**	**0.05**	**0.1**

Source: compiled by us from NCA Rouiba income statements

We note that, over this period, the company's ability to generate profits from its financial resources increased slightly as a result of the rise in sales; value added actually rose, from DA 360,652,770 in 2005 to DA 776,749,682 in 2009, in line with this growth. The value-added rates calculated indicate that NCA Rouiba has been well integrated into the economic fabric, contributing significantly to value creation during this period; however, this period was marked by low financial profitability for NCA due to the significant increase in shareholders' equity over the same period, suggesting inefficiency in the use of resources or the need to re-evaluate investment and management strategies to improve profitability.

4-5. Synthesis

The strategic intervention of the private equity fund Afric-Invest has played a major role in the development of the company NCA-Rouiba by acting on several fundamental axes:

Financial contribution: Afric-Invest strengthened NCA-Rouiba's financial structure, enabling it to better manage its resources. This intervention also led to an increase in debt capacity, facilitating the financing of new projects. In addition, the implementation of an ambitious financial strategy enabled the company to position itself more effectively on the market.

Organizational contribution: The fund has established an active partnership with the management of NCA-Rouiba, providing invaluable support to the management teams. This partnership included advice on governance and management issues, notably the strategic decision to discontinue the milk business in 2005, which had generated a deficit. Afric-Invest also took part in discussions within the management bodies, promoting better decision-making.

Strategic input: Afric-Invest enriched the entrepreneur's vision with new and innovative ideas. This sharing of specialized know-how has enabled NCA-Rouiba to strengthen its image on the market, thereby consolidating its competitive position.

Conclusion:

SME financing is crucial to the renewal of a country's economy. In order to bring their projects to fruition, it is important for SMEs to have access to sufficient volumes of financing, with favorable cost and maturity conditions. Private equity is an invaluable support for SMEs, both financially and managerially, offering them a combination of financial resources and strategic support, thus fostering their development and sustainability.

The NCA Rouiba-Africinvest partnership illustrates how strategic private equity intervention can transform a struggling company into a dynamic market player. Thanks to Afric-Invest's expertise and financial support, NCA Rouiba not only overcame its initial challenges, but also laid the foundations for sustainable future growth. This experience underlines the importance of private equity in revitalizing SMEs, particularly in complex economic contexts.

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