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# Due Diligence: Talking investment in Africa with Phatisa co-founder



Duncan Owen, Joint Managing Partner, Phatisa

How we made it in Africa's *Due Diligence* series asks top players in Africa's private equity industry about how they are mastering the art and science of profitable dealmaking and fundraising. Doing the due diligence on those who do due diligence for a living.

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Phatisa is an African private equity fund manager that invests throughout sub-Saharan Africa. The firm currently has two sector-specific funds under management: the African Agriculture Fund (AAF) and the Pan African Housing Fund (PAHF), totalling over US\$285m. The successor food fund, Phatisa Food Fund 2, is targeting \$300m and achieved a first close in October 2018.

Michael Avery asked joint managing partner, Duncan Owen, about the firm's investment philosophy and the biggest misconception about his job.

## 1. What is it you look for in an investment?

We look to invest in outstanding management teams: entrepreneurial, a solid track record, running profitable businesses with positive EBITDA and PAT (profit after tax) and minimal debt. This allows us to make an initial capital investment and offer significant follow-on opportunities.

## 2. Describe the greatest investment lesson you've learnt?

The cost of a bad deal is more than poor financial returns. It is demoralising, energy sapping and distracts the team for an inordinate period of time.

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The entire firm should make time for honest robust debate before committing to any transaction. There is always an element of doubt in each investment; the doubters in the investment process should be heard patiently and their doubts explored thoroughly.

### 3. Identify an untapped opportunity for private equity investors in Africa.

Investment in technology aimed at agriculture and personal finance have huge potential. For Africa to leapfrog further into the future we need aggressive investment in innovation and technology aimed at agriculture and financial products.

### 4. What is the biggest misconception about your job?

Private equity is not a glamorous *Dragons' Den* existence. The reality is that you are in the trenches battling for every gain. Here at Phatisa, we all have a deep passion for Africa and positively impacting its people and that is what keeps us going.

### 5. Name the one deal you wish you invested in.

No regrets so far. We have invested where we wanted to and walked away from overpriced competitive processes.

### 6. What are the skills you need to succeed as a private equity investor in Africa?

My top five:

- Attracting, building, retaining and motivating outstanding team members.
- Commercial nous to reject a bad deal early on and the ability to close fast on the right transactions.
- Closing the right deal at the right price; driving profitable growth – doubling the EBITDA over five years with hands-on portfolio management.
- A cohesive senior partnership that can stand the test of time.
- In-house financial skills to manage the general partner balance sheet and maintain a stable house.

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