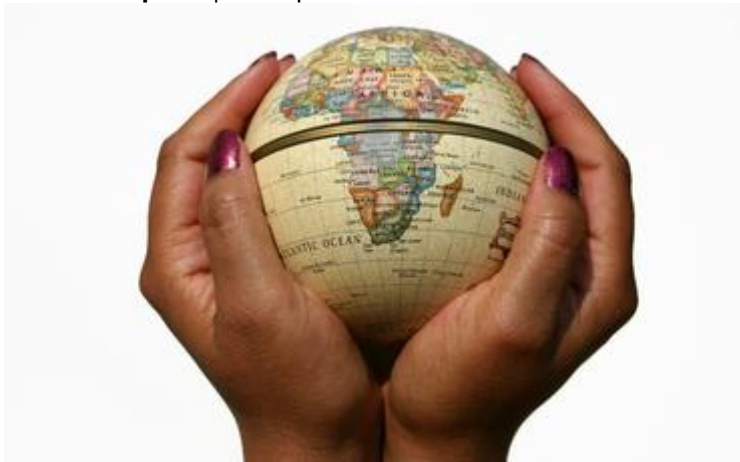


PE in emerging markets: local presence not key?

Source: unquote | 23 Sep 2011



Speaking at unquote's 20th anniversary summit in London yesterday, Development Partners International's Eduardo Gutierrez-Garcia told delegates why his firm felt no need to set up shop in Africa. Other emerging markets tell a different story though. Greg Gille reports.

Established in 2007, Development Partners International invests across Africa without any particular regional or sector-related focus. One would think that this strategy should call for several local offices to better operate over such a vast continent.

But partner Eduardo Gutierrez-Garcia pointed out that being based in London is actually an asset in that respect: "London is the best hub for Africa in terms of flights, more so than Paris for instance." This allows the team to deploy quickly to any part of the continent when required, something that would be more complex to achieve from within Africa itself.

Gutierrez-Garcia also highlighted the fact that trying to be closer to the market can turn out to be counterproductive. "Being based in London definitely helps to attract the best talent", he said, as the quality of life in the UK capital is a plus to entice talented and sought-after professionals. By contrast, asking them to relocate to certain parts of Africa might not be the most attractive proposition.

Investors in other emerging countries however stressed that developing a local presence was paramount. "In Brazil, it is nearly impossible to run everything from London," said Capital Dynamics managing director John Gripton. "You need to have a local presence and get to know local managers extensively." Da Vinci Capital managing partner Oleg Jelezko noted that this was also the case in Russia.

That said, Gripton was quick to warn that having a local presence wasn't without its downsides. "Brazil is a very competitive market, which brings risk: you do need a local presence but this will also lead to good teams being poached by emerging local actors - or international competitors wanting to set up shop there," he said. Ironically, Capital

Dynamics' Brazilian team leaders Filipe Caldas and Ricardo Fernandez left to join Hamilton Lane's Rio office earlier this month.

While the need for a local presence might vary depending on the market targeted, all three panellists agreed on the complex ground work and deep knowledge required to invest in emerging countries. "You can't just turn up and start making investments, or you'll be taken to the cleaners," warned Gutierrez-Garcia. "You need to know the people you're dealing with."