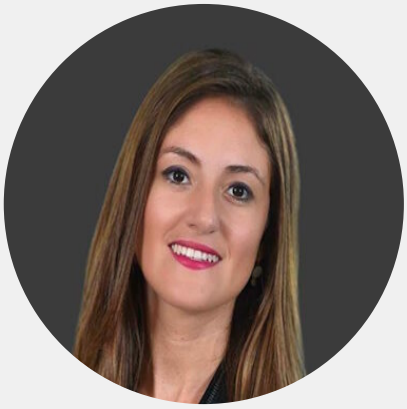
Camilia Benani – Partner, DLA Piper Morocco



The ongoing changes and reforms in [Morocco] are aiming to simplify the investment process and create a more investor-friendly landscape

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Camilia Benani, recently promoted to partner at DLA Piper's Casablanca office, explains why the Moroccan healthcare sector has become a lightning rod for M&A activity in recent years. Drawing on her experience advising many of the organisations involved in these deals, Benani touches on the evolution of deal structuring in the country as well as that of foreign investors' attitudes and targets, and gives her advice for local players looking to tap into international capital.



Can you begin by briefly introducing yourself and the history of DLA Piper in Morocco?

I recently took on the role of a partner here at DLA Piper based in Casablanca, however, I have spent a significant amount of time working in the United Kingdom. In terms of my professional background, I began my career in Paris and then London, where I initially joined the Freshfields law firm. As of today, I have been part of DLA Piper for over a decade.

My expertise is primarily in M&A, corporate law, and private equity. I provide guidance to international private equity funds and corporations that aim to invest in Morocco. While DLA works across various sectors, my particular area of specialization over the past eight years has been in healthcare and life sciences. This covers the areas of healthcare clinics, pharmaceuticals, medical equipment, and more.

DLA Piper's established is office here in Casablanca in 2016. Today, we have a team of approximately 20 professionals. Morocco is a very strategic market as we are increasingly witnessing a trend where investments from Europe, the United States, and the Middle East are channeled through Morocco, using it as a gateway to access opportunities across Africa.

The EDRB, IMF, and World Bank all predict sturdy economic growth for Morocco of about 3 percent in 2023 and the World Bank places Morocco third in MENA for ease of doing business. Can you elaborate on the reasons driving this improvement in Morocco's business landscape and subsequent increase in foreign investments?

As I mentioned, Morocco's strategic location serves as a bridge between Europe and Africa. This unique positioning makes it an attractive destination for businesses looking to tap into both continents. Additionally, Morocco has maintained a relatively stable political environment compared to some other North African countries which also contributes to investor confidence.

Another significant factor is the evolution of Morocco's legal environment. The country has undergone substantial reforms aimed at creating an attractive environment for foreign investors. These reforms include the introduction of tax incentives and the establishment of Casablanca Finance City (CFC), a financial hub that offers favorable conditions for investors. CFC provides tax benefits and facilitates interactions with the foreign exchange office. This process helps foreign investors to invest in Morocco without facing excessive regulatory hurdles.

Although Morocco has political stability and an improved legal framework, it is not the largest market in the region and is smaller than countries like Egypt or Nigeria. However, Morocco's ongoing efforts to attracting investments has made it a preferred destination. The evolving local

business landscape and continuous efforts to facilitate investments have done well for economic growth and its attractiveness for global capital.

In which sectors of the Moroccan economy are you seeing the most significant M&A activity?

In recent years, Morocco has witnessed significant M&A activity, particularly in sectors that were previously restricted. About seven years ago, there was a major shift in the healthcare sector, specifically in private clinics. New regulations now allow for the opening of clinic share capital to investors which was limited to only doctors before. This shift brought a surge of international investments in private clinics across the country.

Furthermore, the pharmaceutical sector has emerged as a focal point for M&A activity. International private equity firms have shown a lot of interest in the Moroccan pharmaceutical market. This attention to pharmaceuticals stems partly from the heightened level of awareness generated by COVID. Morocco faced shortages during the pandemic as many important medicines were imported from Europe, India, and China. Therefore, the pandemic prompted the establishment of new pharmaceutical companies in the country. These companies started with vaccine production and later expanded to the manufacturing of various drugs.

DLA assisted in executing many key deals in this sector. For example, we worked with Helios Investment Partners, a well-known UK private equity firm specializing in African investments. Helios Investment Partners made a substantial investment in Techniques Science Santé (T2S), a large medical technology group. Additionally, we assisted Oncologie & Diagnostic du Maroc in several acquisitions of clinics in Morocco.

Furthermore, we have facilitated M&A deals involving major pharmaceutical multinationals. We oversaw the sale of Maphar, then a subsidiary of Sanofi, to Eurapharma in 2017. These deals highlight the Moroccan pharmaceutical sector’s increasing attractiveness’ for foreign investment.

How would you describe the conditions and attractiveness of Morocco’s healthcare sector in particular?

The healthcare sector in Morocco is experiencing improvements, although there are still areas in need of further reform as seen in private clinics. Initially, when Morocco decided to open this

market to foreign investors, it captured significant attention. Many investors recognized the opportunities within this sector. However, the reality on the ground presented several challenges. Private clinics in Morocco primarily involved doctors who, despite their medical expertise, often lacked knowledge about business, market practices, and the legal nuances necessary for such transactions. This landscape posed significant difficulties for both foreign and sophisticated investors seeking to enter this space.

Another noteworthy challenge stemmed from Morocco's substantial out-of-pocket healthcare payment system. This structure has historically presented barriers to the growth of the healthcare sector. Furthermore, a lack of strict compliance regulations and ethical standards posed significant challenges for investors.

Nonetheless, the healthcare sector in Morocco has made considerable progress in recent years. The government has implemented stringent compliance regulations and ethical standards, which include anti-bribery measures. These developments have laid a foundation for the sector's growth and have renewed attention from foreign investors. As the sector continues to evolve and align with international standards, it will become an increasingly attractive and promising investment opportunity.

In proclamations made by Morocco's Minister of Industry, there seems to be a central message focused on the key word 'sovereignty.' For foreign investors does this signal greater willingness to collaborate internationally on improving Moroccan infrastructure or a move towards protectionism and nationalism?

This message reflects a multi-faceted approach to economic development and self-reliance. On one hand, Morocco aims to enhance its domestic infrastructure, especially in key sectors like healthcare. The goal is to establish efficient public services, such as healthcare, for Moroccan citizens. However, the process of achieving this goal is expected to be lengthy. Therefore, Morocco acknowledges the need for both time and investment to facilitate this transformation.

While Morocco is working towards strengthening its public healthcare system and expanding social security coverage, there is a recognition of the value that foreign investors can bring to the country. These investors are helping improve healthcare infrastructure by investing in clinics, pharmaceuticals, and related sectors. The healthcare system today faces challenges such as hospitals that do not perform optimally and limited social security coverage and private and foreign investments can fill the gaps.

Moreover, Morocco’s healthcare landscape has unique characteristics, including its relatively smaller market size compared to countries like Algeria or Egypt. However, with the ongoing implementation of a social security scheme, the market will continue to grow. This is particularly attractive to foreign investors as it offers continuous opportunities.

What kinds of deal structuring are you seeing in Moroccan M&A transactions and what considerations are influencing these choices?

The predominant approach to deal structuring typically revolves around acquisitions and share deals. There are generally two scenarios at play in these transactions. Firstly, when industrial firms seek to acquire shares in other entities, they usually target a majority shareholding. Secondly, private equity firms looking for shorter-term investments often acquire minority shareholdings, with plans to exit within a few years. Regardless of the scenario, the structuring of the transaction tends to be share deals.

One reason behind the prevalence of share deals is the complexity and potential complications associated with asset deals in Morocco. In asset transactions, the documentation and regulatory requirements become quite complex. This extends to the necessity of establishing escrow agreements and structuring the transaction from a tax perspective. Moreover, asset deals can include a substantial tax cost, around six percent of the assessed value of the business. The valuation process can often be closely audited by tax authorities which adds to the overall complexity and cost of asset transactions.

All things considered, share deals are the more practical and tax-efficient option for M&A transactions in Morocco. They offer a smoother and simpler path for investors, making them the preferred option in the local M&A landscape.

How is the profile of foreign investors and companies in the healthcare and life science sector changing?

Initially, the prominent players were multinational companies. However, the profile of investors has evolved, with a growing presence of private equity funds driven by several factors. Firstly, private equity firms are often more open to a certain level of risk compared to multinationals. They are willing to explore alternative markets like Morocco and typically have significant experience in navigating the complexities of the African market. This expertise gives them a particular

understanding of the risks associated with investments in the region.

This being said, while private equity firms have become increasingly active in the Moroccan healthcare and life science sector, there is still interest from multinational companies. However, the volume of transactions involving these corporations has been comparatively lower in recent years.

What do you consider to be the key developments that Moroccan companies need to undergo to become more attractive as partners for foreign investors?

Moroccan companies must embark on significant developments regarding professionalization. One of the key challenges faced by many Moroccan companies is the necessity for restructuring. This need for restructuring is similar to preparing a bride to look her best on her wedding day. Companies must perform extensive internal reforms to enhance their attractiveness to potential investors.

It is important to recognize that many Moroccan businesses, especially in the healthcare sector, are often family-owned and operated. This familial structure can introduce complexities when attempting to transfer ownership to foreign and even local investors. Additionally, many large family-run companies in Morocco tend to operate without the level of structure and adherence to international standards that foreign investors typically seek. Therefore, it is imperative to take on a process of professionalization to meet the strict criteria of foreign investors.

This transformation does not happen overnight – it is a gradual process. Many family-owned businesses in Morocco are led by charismatic founders within the family. Building a more professionalized, structured, and internationally compliant company takes time and effort. Furthermore, foreign investors often encounter Moroccan family businesses that may have inflated valuations, making it challenging to negotiate deals. These businesses may present asking prices that are significantly higher than the reality of their value. Consequently, investors looking to enter the Moroccan market may find a shortage of suitable targets that align with their investment criteria.

Are there any final words you would like to share with the international investment community that may be considering Morocco as place of opportunity?

I would like to emphasize that Morocco is progressively emerging as an increasingly attractive market for foreign investors. The ongoing changes and reforms in the country are aiming to simplify the investment process and create a more investor-friendly landscape. For example, the evolution of foreign exchange regulations and the introduction of a new investment charter. These developments have facilitated a streamlined infrastructure for foreign investment in Morocco.

Furthermore, the lifestyle and healthcare sectors in Morocco are experiencing significant developments which are likely to increasingly catch the eye of investors. With the expanding coverage of the Social Security system in the country, there will continue to be more opportunities and potential for investors to explore and participate in this market. Morocco is positioned to offer a wealth of opportunities for those seeking to invest in various sectors, and I would encourage the international investment community to take a closer look at the evolving landscape in Morocco.

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