



Danladi Verheijen

EDITORS' NOTE Prior to founding Verod, Danladi Verheijen held roles at Citibank Nigeria, Ocean and Oil Holdings and at McKinsey & Company. He received an M.B.A. from Harvard Business School, a M.Sc. in engineering economic systems and operations research from Stanford University and a B.Sc. in electrical engineering from Calvin College. He is a Director of Rotoprint, Niyya Food and Drinks, Shaldag and UTL Trust Management Services. Verheijen also sits on the board of the African Venture Capital Association (AVCA) and the Private Equity and Venture Capital Association of Nigeria (PEVCAN). He was named a Young Global Leader by the World Economic Forum in 2014.

COMPANY BRIEF Verod Capital Management (verodcapital.com) was founded in 2008 as an investment boutique based in Nigeria. In 2014, in response to the growing opportunities in West Africa and the influx of foreign investment, Verod transitioned to become one of the first truly indigenous private equity firms in West Africa. Following a successful fundraising campaign, the firm launched Verod Capital Growth Fund II, the largest first-time fund in Nigeria's history. Verod is backed by a blend of foreign and institutional investors including pension funds, sovereign wealth funds, insurance companies, asset management firms and development finance institutions with extensive experience supporting fund managers across emerging markets.

What was your vision for creating Verod?

Verod is a private equity firm focused on West Africa, but primarily on Nigeria and Ghana, two of the largest economies in West Africa. Since we started in 2008, the objective has been to establish an investment firm to direct private capital into sustainable and attractive businesses in this region.

There had been very little capital going into businesses in this region, especially capital combined with strategic and operational expertise. We do not invest and then sit and wait for the capital to get returned – we invest in private companies and then actively support the growth of these businesses by being active board members and helping the companies with strategic, operational and human resource issues.

Focused on Africa

An Interview with Danladi Verheijen, Co-Founder and Managing Partner, Verod Capital Management

We have always aimed to invest in and build a collection of high performing businesses which provide attractive economic returns to our investors, while also positively impacting the local communities in which those businesses operate.

Do international investors understand the opportunities that exist in the region?

The majority of international investors do not understand our markets and the opportunity. This is not surprising given the lack of information about the markets and the choice of negative stories which seem to headline whatever press does come out from the region.

However, a few investors do understand the opportunity and they are capitalizing on it. Many global CEOs (from GE to Carlyle to Google) have made trips to Nigeria and they aren't traveling there for philanthropic reasons – their companies are making money here.

Mark Zuckerberg was in Nigeria two years ago investing in a small start-up in the tech space, which is indicative of the opportunities.

For those of us already on the ground, we see the opportunity firsthand. Nigeria and Ghana have more than 200 million people combined, more than half of whom are under the age of 20. This makes for a massive potential consumer market that needs goods and services.

Finally, there is relatively very little competition in the region, which provides a wonderful opportunity to deploy capital. Investors need to be smart about what sectors they are investing in and which entrepreneurs they're backing, but there is an opportunity to make a lot of money while also creating significant impact.

Is sustainability a component of any investment you make?

We believe that everything we do should be sustainable and have impact. We seek to invest in companies with an environmental and social impact as important as the financial returns and, if anything, we believe a focus on sustainability enhances financial returns.

For example, we have invested in different factories which produce products locally that were previously imported – items such as generic drugs, aluminum beverage cans and food. Manufacturing locally spurs economic growth by creating jobs, building local infrastructure and saving foreign exchange for the country.

How critical is strong management when evaluating an investment opportunity?

Traditional private equity always wants to back solid management teams. That is our preference as well.

However, since many of the opportunities we look at involve establishing new factories, we often have to complement or bring in entire management teams.

Whenever we have to build a management team for an opportunity, we always do it along-side an international player (via an equity relationship with a strategic partner or a management contract with a technical partner or consultant) who has established and managed similar ventures in other markets to support our efforts. For example, we established our aluminum can manufacturing plant with Rexam, the world's largest can manufacturer at the time, and our fish farm with Dutch and Israeli experts.

In some cases, we may enter into a joint venture or, alternatively, into a management contract with the individuals who have built these businesses in other parts of the world.

At the end of the day, there are many local nuances to businesses. However, when it comes to setting up a great bicycle factory, for instance, it's the technology behind it, the processes and systems that matter initially, and then a team with experience managing such enterprises. We prefer to bring in people who have already done that in other parts of the world to help us manage the businesses, while growing local talent to be able to take over from them in a short period of time.

Do you focus on specific sectors?

We focus on the consumer space, so our sweet spot is rather large – it's comprised of 200 million people and basically encompasses everything that people in Nigeria and Ghana buy. We also invest in financial services and education. For example, we invested in a university in Ghana (Lancaster University Ghana), which is a branch campus of U.K.-based Lancaster University. This allows students from Ghana and other West African countries to get an education with the same curriculum and professors that they would have in the U.K., but for less than one third of the price.

Do you plan to extend into other countries in Africa?

Our focus is Anglophone West Africa, with Nigeria and Ghana being the focus. Nigeria alone represents close to 20 percent of the African population and its GDP is larger than that of 40 other African countries combined. By anyone's standards, that's a large market. The rest of Anglophone West Africa is attractive to us since they have a similar official language, legal systems are based on English Common Law, and business practices are similar. We may at some point in the future expand beyond this region, but for now, we prefer to remain very focused on a few markets that we know well. ●