

"Capital markets in Curaçao; a paradigm shift. Crossing the threshold between local and international; new capital instruments in Curaçao"

By: Justus Martens
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Curaçao at the cross roads?



Or maybe it is just another day in a life full of surprises?



It is our task to get the best out of Curaçao...



Capital is the fuel of economic development



Capital is a major bottleneck in Curaçao



How it is usually done...

Curaçao at the cross roads?

- 2019 end of the offshore sector
- Globalization of financial ethics
- Global political instability
- The digital economy is taking over
- Sustainability is high on the agenda
- Trump has his own agenda; or does he?



Or maybe it is just another day in a life full of surprises?

- Changes and challenges are a given; always
- It is just a matter of adaptation
- Curaçao has other fiscal alternatives, will comply, expand its e-zones, build more wind mills and solar parks...
- And Trump; he will continue to entertain us



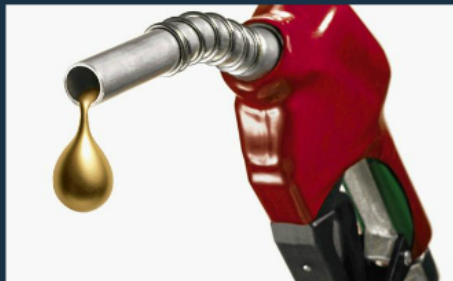
It is our task to get the best out of Curaçao...

- Overcoming our small-island economy handicaps and high cost level
- Leveraging our position within the EU and the Kingdom, our long trade history, our well-developed service industry and well-educated work force
- Allowing our entrepreneurs to perform, grow and expand
- Circumstances are just a given; it is what you do with them



Capital is the fuel of economic development

- Ideas and track record are not enough; investment is needed
- Funded by equity and financing
- Financing has to come from the banks, the institutional investors or the public market
- Equity can be earned, or sourced from a range of investors
- Curaçao has always been a large producer of fuel; but not this fuel!



Capital is a major bottleneck in Curaçao

- Earning your own equity is like driving with the hand break on
- Companies can grow faster if they can attract financing and equity from third parties
- ...But the local banks are ultra conservative
- ...And the local equity market is just emerging
- This means that the economic growth record of Curaçao is no surprise; and actually not a bad record given the lack of capital




How it is usually done...

- in OECD countries banks lend against more than 'stones'; and other financiers finance through bonds
- And much more importantly, institutional investors and the public invest in equity of small and large companies
- In the form of 'private' equity; informal investors, VC's, private equity funds
- Or through the stock exchange

**"Not having private equity or capital markets is an OBSTACLE
in the way of economic development and growth!"**



 Many small island economies have this obstacle











 That brings me to the 'paradigm shift'...

Many small island economies have this obstacle

- ...and hardly grow
- But Curaçao is one of the few that can remove the obstacle; can take the hand break off
- As is it blessed with very strong professional pension funds and a well-developed international financial sector
- So, the only thing that is required is vision, determination and guts
- And the realization that there is no alternative...

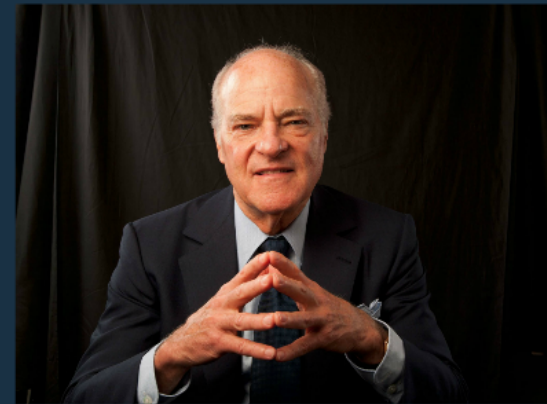
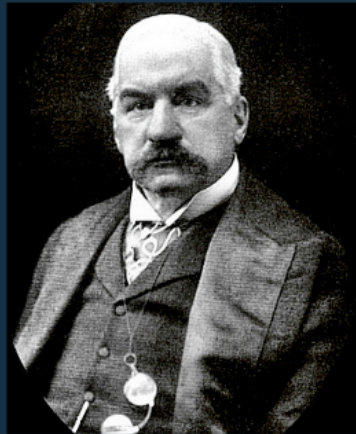
That brings me to the 'paradigm shift'...

- Over the last years Curaçao has created capital markets and private equity investment
- The DCSX was launched in 2010; the first international equity listing was completed in 2011 and the first local bond listing was completed in 2016
- The first private equity fund was initiated in 2011 and launched in 2015; the first investments were made in 2015 as well
- Curaçao is now one of the few countries of its size that has reached this initial development phase in terms of capital markets... and onwards!

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-  What is private equity exactly?
 -  Curaçao Growth Fund
 -  Why via a fund?
 -  Approach
 -  Investments thus far
 -  Activities
 -  Points of focus
 -  Watch out!
 -  What should a good private equity investor have?

What is private equity exactly?

- Nothing exotic; investment in local companies
- Focused on private companies; lower prices, higher added value
- Customary allocation for institutional investors globally
- ABP has a 5%+ allocation; CalPers has a 15%+ allocation
- Modern PE developed since 1901; led by J.P. Morgan, Doriot, Buffett and Kravis



Curaçao Growth Fund



- Run by Erik Baas and myself, on a fulltime basis
- Anchor investor is APC, who should really be complimented for supporting both the fund and the DCSX...
- Only invests in equity of well-established local companies, making a profit and with a good management team
- Build-up of a portfolio of 7-10 companies over 7 years
- Sister fund of Aruba Growth Fund
- No real estate, no start-ups, no financing
- Target annual return of 12.5%+

Why via a fund?

- Full-time professional management
- Investment managers with international experience
- Tailor-made structure
- Diversified portfolio of companies
- Discretionary decision making creates accountability and speed

Approach

- Equity bought from exiting owner or invested in company for growth
- Only based in Curaçao; local investment rule
- Majority-owned or co-owned
- No management role but hands-on supervisory role
- All sectors
- Preference for (regional) growth opportunities

Investments thus far

- All of C3 (ex-Zenitel); critical communication
- Part of Building Depot

C3
CRITICAL COMMUNICATION CARIBBEAN

HOME ABOUT SOLUTIONS PRODUCTS NEWS & EVENTS CAREERS LIBRARY CONTACT US

Motorola Tetra Radio

Stay connected when seconds count, using technologies designed to keep you in touch. Latest models, water resistant, heavy duty.

Now available!

ZENITEL CARIBBEAN IS NOW C3



Activities

- Acquisition
- Structuring/financing
- Negotiation
- Documentation
- Due diligence
- Monitoring (dashboard, OGSM, cost savings)
- Value creation (discipline, strategy, financing, performance, reporting, management, benchmarking)
- Exit

Points of focus

- History (financial/corporate)
 - Function/position in market
 - Growth potential
 - Management/culture
 - Reporting/compliance level
 - Exit potential
 - Due diligence findings
- AND: - Price



Watch out!

- Change in market/technology
- Management issues
- Misrepresentation
- Dependence on government
- dependence on suppliers/buyers

AND: - Price

AND: - Timing



What should a good private equity investor have?

- Patience
- Perseverance
- Specialization
- Knowledge
- Trustworthiness
- No ego





Experience until today?



CGF aims to contribute to removing the "threshold"

Experience until today?

- There are many good companies in Curaçao
- The profitability, the growth and the returns are there
- Two good investments made fast; more coming up
- Good returns and first dividends already announced to APC
- Private equity is a very good instrument to improve companies and to make them grow faster, locally and internationally

CGF aims to contribute to removing the "threshold"

- Curaçao has always been an international economy
- The 'onshore/offshore' divide is from the past
- Companies and capital markets need to be international
- Building Depot Member Services was the first local listing on DCSX
- CGF looks for companies that can grow regionally; such as C3/Zenitel that is active on all Dutch Caribbean islands, but also in Colombia and Panama

And we urge the financial sector in Curaçao to:

- Support important new capital market initiatives
- Not confuse prudence with inaction (no decision is also a decision)
- Be a catalyst for business growth, development and innovation
- Really help good local companies
and entrepreneurs to reach their full (regional) potential

Curaçao has great potential; but
everyone has to do their part



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