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PRIVATE EQUITY

MAGAZINE

Special Issue ■ June 2007

The new president paid a visit during his campaign to Moteurs Baudoin, under LBO with Axa PE. A good omen for the industry?

FRENCH PRIVATE EQUITY 2007

A year in France

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THE SOCIAL IMAGE…

In front of countless attacks from unions and politicians, French LBO world is preparing a social riposte.

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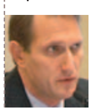
IPOs ARE BACK

The momentum is good. Buoyant market has opened up the horizons for French VCs.



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Sustaining growth, maintaining control over the company, getting used to a financier are the main reasons why managers choose this way of financing.

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M. Osti

Franck Caron, Editor.

A NEW EDITION OF OUR ANNUAL REVIEW OF THE FRENCH PRIVATE EQUITY MARKET. We left it buoyant to find it again in an excellent shape. In between, the industry had to face an unprecedented opposition which questioned the very nature of its model. Although this surge of social contestation spread over Europe and the United States, it has to be taken particularly seriously in France considering the country reluctance towards anything that looks like "pure finance" game. This is the challenge of a successful industry which makes the covers of economic newspapers everyday. Success oblige. By addressing the contestation seriously, members of the industry have shown a maturity that should help find their way through more troubled time.

Pictures: DR
Cover photograph: © MARLENE AWAAD/IP3/MAXPPP

TALKING ABOUT

Targets in red

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PRIVATE EQUITY MAGAZINE

...NEWS FLASH...

Audacia has just raised a mezzanine fund of 100 millions for SMEs. This new team led by Charles Beigbeder will offer financings between 500,000 and 1.5 million euros to companies of less than 50 million turnover. The structuring of Audacia 1 is under the responsibility of Commerzbank, which will securitize the shares of the fund for the first 60 investments.

Eurazeo is near a final closing of its first co-investment fund at 345 millions for an objective of 500 millions. Eurazeo Co-Investment Partners will invest, as in Europcar in 2006, alongside Eurazeo for each operation at a 20% level.

CIC LBO Partners closed in 2006 its fund for the French mid-market at the level of 135 million euros (initial target of 120 millions). Sponsored by CIC to the tune of 23%, CIC LBO Partners has already made 4 deals on Carré Blanc, Sateco, Tréfilaction and Europe-Snacks.

It has been a very good year for Banexi Capital Partenaires, with 9 deals made and 93 million euros invested. Notably MBOs on Paprec, Bretèche Industrie, and Numalliance. The French fund also counted 10 exits for a total of 103 millions.

Industri Kapital has open a Paris office under Dan Soudry. The team led by Chris Masek for France has made 8 investments up to now, including 5 complete exits (Laho Equipement, Fives Lille, Labeyrie, Consolis-Bonna-Sabla, Idex). IK is preparing to raise a sixth fund for 1 billion euros.

Luis Mayans, a Spanish analyst took over the head of GE Leveraged Finance in France. The bank has invested 1 billion euros over two years in the French market as co-arranger (Cegelec, Consolis) or underwriter (Deutsch Group, Elior, etc.).

Initiative & Finance has beaten its own record for investment in 2006, at 35.2 million euros, with 7 new participations including Duralex Peintures, Alden, Filorga or Charlott'. The SCR has also made 14 exits, including Staci or Geoxia, for 48.9 million net plus-value.

2006. RESULTS

Natixis Private Equity increased its profits

All the indicators are positive for the capital investment subsidiary of the new group comprising the Banques Populaires (Natexis) and the Caisse Nationale des Caisses d'Epargne (Ixis). Its managed capital has strongly increased in 2006 and the net profits of the group has been multiplied by 2, increasing from 103 to 218 million euros, thanks to a very high level of profit which reached 540 millions on all the managed portfolios, with 404 millions for Natixis PE's own fund. Expansion capital and transmission operations contributed 47% and 39% respectively of this amount, with stock market floatations in expansion and secondary LBOs (and the latent profit have increased globally from 346 to 399 millions).

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Jean Duhau de Berenx, president, and Pierre Hervé, secretary general.

Investments have also reached exceptional levels, at 603 millions, there also with a major proportion for LBOs (50%) and expansion (39%), as well as increasing internationalisation: 22% of investment have been made in Europe (Germany, Italy and Spain) and 9% in the merging economies, notably China, Brazil, Poland (from now on with Krokus Private Equity) and India (with Zephyr Peacock). The 89 new deals represent total investment of 464 million euros, with 139 millions additional investments and diverse investments.

The excellent health of Natixis PE is also perceptible in the amount of funds managed, which has surpassed the symbolic 3 billions figure (30% of which is outside France), thanks to a series of fundraisings of 933 million euros. Of this total, 300 millions have been allocated to the new fund of funds activity, where Natixis and the European Investment Fund invest together.

FRENCH PE. HISTORIC PLAYER

Very good results for Siparex in 2006, and a new start in venture

Siparex has experienced an excellent year in 2006, with a strong increase in transfers (+64% at 181 million euros) having led to attractive gross profit (94.5 million euros) and maintaining investments at 73 millions, a slight reduction due to venture funds having almost entirely been invested. The group insists on its independent expansion capital activity and transmission based on the French mid market (68% of equity generated).

On these activities, the investments have reached 52.5 millions (+12%), with 15 new investments valued between 2 and 10 millions, and an equilibrium between majority Lbos (for example CMR), owner buyouts (Comat) and expansion capital (Jalmat).

Southern Europe, chosen as a strategic development axis since 2003, has also been a happy hunting ground with deals made by the branches in Milan (Vimec and TecMo), and Madrid (Neumaticos Andres). This activity has brought in the best returns with total exits of 143 millions in IPOs (Mastrad, Medicrea) or secondary LBOs (Outinord, AlteAd, RMF/Royal Moto France).

Returns to investors amounted to 140 million euros including 76 millions of profit, the highest level since the creation of the group thirty years ago. After having raised Siparex Midcap (for the bottom end of the market) to 124 millions in March 2006, the team launched Siparex MidMarket II at the end of 2006 (already 100 millions in promised subscriptions).

Otherwise, the group has announced the relaunching of its venture capital activity with a new fund raised in 2007, hopefully of 100 million euros. Last year, the team led by Paul-Louis Santy invested 12 million euros, notably for the account of its managed FCPI, via 2 new participations and 17 follow-ons. Exits totalled 28 million euros (with a profit of 11 millions). Local investments (regional FCPRs and FIPs in Rhône-Alpes, Bourgogne, Franche-Comté, Auvergne) are also progressing.

Finally, this year will be the one for new partnerships in emerging countries, notably the Maghreb.

DR

Dominique Nouvelet, chairman of the board.

Activa Capital raised 315 million for mid-caps

Activa Capital closed its second fund on 315 million euros. It took only a few weeks for the house funded by the Diehl brothers , Charles and Michael, and Jean-Louis de Bernardy to collect that amount as all the investors (institutions and family offices) in the previous fund recommitted. A small group of new institutions and family offices from France and the rest of the world joined Activa Capital II to nearly double the size of the first fund (162 million euros raised in 2003). Consequently, Activa Capital will raise the maximum size of its targets to 200 million euros, particularly to cater for the appetite of its LPs for co-investments. It will keep on with its strategy of investing across all sectors in France, with a strong focus on food and consumer goods, business and support services, healthcare and pharmaceuticals.
Legal advice : SJ Berwin

CLOSING. FRENCH SPEAKING MID-MARKET

Sagard raised 1 billion euros

The young team at Sagard, who had already raised some 600 million euros in 2003, have finalised their second fund and achieved at the end of 2006 the biggest closing by a French fund this year of around 1 billion euros, still aimed at the mid market LBO. It will soon be four years that the polar bear firm has won an incontestable market share in this sector (see league tables, pages 14-15) and had no need to make many exits to convince its investors, two-thirds of which remain the great industrial families. Apart from the Desmarais family, at the origin of the creation of funds, we also find families present in the first fund (Peugeot, Dassault, Frère, Halley, etc.), and 3 new ones, "all members of the CAC 40". The families have contributed 710 million, alongside the institutional investors: still the Caisse des Dépôts du Québec, the pension fund for municipal employees in Ontario, CSFB and Crédit Agricole, but also Prédica, AGF, Standard Life and Pantheon Ventures. From now on, the funds will be invested in companies valued between 150 and 700 million euros, based in French speaking Europe (with the advantages of proximity and culture), and business plans marked with strong growth perspectives.

Since 2003, these 12 professionals have made, with the aid of the aforementioned families, 12 acquisitions: Faiveley Transport, HMY, CEPL, Médi-Partenaires, Kiloutou, Souriau, RLD, Dépolabo, Olympia,

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Jocelyn Lefebvre, Frédéric Stolar, Chris Spencer, Antoine Ernoult-Dairaine: the partners of Sagard Private Equity.

and 3 exits: Vivarte, Groupe Moniteur and AFE. Rapid exits, approved by the management when objectives were reached faster than expected. "Our mid-market position is favourable for the evolution of the market, commented Didier Pineau-Valencienne, president of the investment committee: there were only 400 globalised industrial sectors ten years ago, today there are more than 10,000. So the small and medium-sized companies have not always got the means to stand up to this movement alone.

The new vehicle has already made 2 new acquisitions with Aliplast (aluminium sections for doors) and Desjonquères (health containers and cosmetics).

2006 FIGURES. AFIC-PRICEWATERHOUSECOOPERS

French investors pass the 10 billions mark

The annual PwC study on French private equity industry has been concluded for 2006 with a new record: 10.2 billion euros invested by funds which are AFIC members in 1,376 companies, that is an increase of 26% by value and of 10% by number of deals compared with 2005. All stages of investment gain in value, with an average amount of 12.5 millions against 10.6 in 2005: seed capital-creation (+11%), the LBOs of more than 100 millions (+8%), and above all the LBOs of less than 100 millions (+57%).

In number of deals, expansion registers the largest increase, from 402 to 481 (+20%), and stays ahead of the other sectors with 35% of the total number of companies supported. This predominance of expansion capital is reflected in the spread of investments: 79% for SMEs of fewer than 250 employers and less than 50 million euros turn-over, and more than 40% are companies

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Patrick Sayer, chairman of French venture capital association (AFIC).

developing innovative or technological activities. The origins of dossiers have changed little: 86% of the sums invested are for new dossiers. Concerning domestic investment, private equity is even stronger: 8.4 billions have been invested, that is an increase on 2005 of 37% by value and 7% in number, the Ile-de-France drawing in 48% of the investments. On the other hand, the sum of operations carried out abroad (Europe outside France has 12% of operations, the rest of the world has 4%) diminished by 8%. A statistic indicator about the state of the market is the figure for exits in 2006: if their number has been more or less stable (971 against 960 in 2005), their value has diminished by 10% by value calculated by their historic entry cost, from 4.25 billions in 2005 to 3.8 in 2006. However this is nothing to get alarmed about, as this sum remains markedly superior to the one for 2003 (2.15 billions) and 2004 (3.14 billions). Exits towards corporate groups remain the preferred way (196), beating sales to managers (171) and IPOs (129).

Finally, the fundraising has known a slight slowing down after having grown in 2005: 10.28 billions against 11.95 last year, originating for 59% from France, 24% from the rest of Europe and 17% from the rest of the world. The type of LPs is stable, with insurance companies and banks remaining the main providers of funds, with 19 and 18% of the funds raised. An increase of family offices and funds of funds can be observed, passing respectively from 12 to 18% and from 10 to 18% of the total.

CLOSING. MID-SIZED FRENCH COMPANIES

AtriA PE Fund III raised 300 millions in a flash

AtriA Capital Partenaires has in three months raised its third fund for 300 million euros. The initial objective of 250 millions has been raised to be able to bring in new institutions like Altius Associates, CalSTRS, LGT Capital Partners or Pantheon Ventures, alongside great institutional investors who were already present earlier. This third fund managed by the Dominique Oger team, who have since provided investors with a net IRR of 20%, will pursue his investment strategy in majority LBOs on enterprises worth between 20 and 200 million euros. And still with the AtriA, the entrepreneur's club which brings together 50 heads of companies, with all their abilities and networks from different sectors of activity. AtriA controls 625 million euros through management in 3 funds.

...NEWS FLASH...

Weinberg Capital Partners, founded in 2005 by Serge Weinberg (former-ly PPR) has already taken over 5 mid-sized companies: Pharma Omnium (pharmaceuticals), Alliance Industrie (automobile), Team Partners (computer services), Sasa Industrie (food cooking), Via Location (hiring of industrial vehicles). It was closed at 420 million euros at the start of 2006.

Sopromec has relaunched a policy of active investment under the direction of Patrick Grumelart, the Pelican group having set him the task of investing in small companies with minority positions.

XAnge Private Equity launched a new expansion capital fund called XPansion already with 35 million euros (objective 75 million). The GP, created in 2004 to invest in venture in parallel with the SCR XAnge Capital (La Poste group), enlarges its intervention with the idea of accompanying the companies close to its sector – "the world of exchanges" – in their development or transmission. With 15 to 20 targets valued between 5 and 50 millions, in several sectors notably the energy, sustainable development and eco-technologies.
Its venture capital company, XAnge Capital, has furthermore increased its capital from 50 to 65 million euros.

Argos Soditic has closed its Euroknights V fund at 267 millions to invest between 10 and 50 million euros by transaction in European mid-market.

Argos Soditic and the data specialist Epsilon Finance have launched an index for unquoted middle-sized companies, the first in the zone euro (outside the UK). This index, median of the EV/Ebitda multiple, has increased from 6.9 to 9, from 434 transactions considered between 2004 and 2006.

The French national pension fund (FRR) has granted Axa PE responsibility for managing a total of 150 million euros to be placed in secondary positions in European and North American funds. It now has to ascribe responsibility for 3 others: concerning primary positions on the European markets (lot 2), French SMEs (lot 3), North America (lot 4).

CLOSING. INTERNATIONAL VOCATION

Big success for 21 Centrale Partners fundraising

21 Centrale Partners closed its new FCPR, 21 Centrale Partners III, at the level of 330 million euros (well over the objective of 250 millions). The former Société Centrale pour l'Industrie, merged in 1998 with the Alessandro Benetton 21 Investimenti company (also fundraising in Italy), is increasing in scale after having raised 200 millions for France in the past (80 millions for 21 Développement in 1999 and 100 millions for 21 Développement II in 2002). Gérard Pluvinet has been able to keep the trust of investors in previous funds (48% of the total) and to enlarge the circle of other European and American LPs (including the pension fund of the State of New York). Edizione Holding still brings 4.5% of the funds.


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Gérard Pluvinet, 21 Centrale Partners.

21 Centrale Partners will carry out 10 to 15 significant operations on the mid market (Enterprise Value of between 50 and 150 millions) by having less recourse to syndication with an average ticket of 20 to 30 millions. It is one of the rare European players on this part of the market to have carried out so many international style build-ups. While one of the last exits had brought 4 times the outlay to investors, the third fund has already been invested in 4 participations: Vulcanic, Interflora, Batisanté and Atos.

CLOSING. EUROPEAN FUND OF FUNDS

380 million euros for AGF PE Holding IV

AGF Private Equity has announced the closing of its fourth fund of funds at 380 million euros, against an initial target of 300 millions. This FCPR is structured in two segments: AGF Private Equity Holding IV-Europe (310 millions), and AGF Private Equity Holding IV-France (70 millions), funded by CDC, AGF and the CNP as part of the France Investment programme (see page 8). The European segment, which will be more orientated towards mid market LBOs and invested by priority in local funds, is already committed at more than 70%. A good reason for launching AGF Private Equity Holding V (with an objective of 350 millions), first offered exclusively to investors of the earlier funds. The fund of funds team has so far invested 1.7 billion euros in more than 125 funds, mainly in Europe.


DR

Christophe Bavière, for AGF PE.

AGF Private Equity, from venture to seed capital

Faced with light inflation in the most important financing rounds provoked by the influx of liquidity (notably in biotech), the venture capital team of AGF PE (300 million euros managed with 10 FCPI) wants to reposition its strategy into less well known areas and with more diversified levels of investment. This trend should lead it to invest more than before in seed capital (in Yoono, Criteo, Crocus Techology or 24h00 in 2006). The team has invested 32 million euros in venture capital last year, with a third in biotech and bio-pharmacy, where they also have a slightly off beat approach: on niche products and domains, where investments of 10 millions between all the rounds may allow them to accompany the medicine until the marketing authorisation, and do not need an IPO for that. It has successfully introduced Cellectis on Alternext in January, but in this case for developing the commercialization phase from now on…


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Windfarms: a promising sector for investments in France.

ENVIRONMENT. RENEWABLE ENERGY

New funds for wind farms

First of all, Demeter finalise its first FCPR at above 100 million euros this autumn. It will invest in companies in the environment sector and renewable energy, with an investment strategy based around expansion capital. Sponsored notably by CDC Entreprises and l'Institut Français du Pétrole, this fund has already made several investments notably in Aerowatt (wind energy), Vergnet (hydraulic and wind energy), or Paprec (recycling).

At the start of December, Platina Finance Ltd announced the closing of its Mistral Windfarms I (for 56 million euros) and Mistral Energy II funds (for 30 million euros). The first one, launched at the start of 2005, is dedicated for building and managing wind farms. Supported by Santander Infraestructuras FCR, Consensus Group and Worldstar Ltd, it is the second specialized fund after Mistral Energy I, which invested, since 2003, 20 million euros in the preliminary phases and studies of windfarm projects. Mistral Energy II will also be invested in expanded aims. The Mistral funds ambition to build, from now until late 2008, a 500 millions portfolio of windfarms (representing 200 MW in the United Kingdom and 100 MW in France).

Finally, EolInvest, FCPR launched under the aegis of 123 Venture, closed at the level of 70 millions. The Eolfi team collected these commitments from family offices and European banks (notably the Belgian Petercam), pension funds or insurance companies. It has already invested in 13 windmills which are in use and 40 under construction (100 MW). Eolfi has also launched for individual investors a 30 millions FIP to co-invest with Eolinvest, while preparing a second fund for institutions hopefully of 200 millions.

...NEWS FLASH...

LBO France has led several leverage fundraisings in 2006: 152 million euros for Hexagone II, its fund dedicated to small companies, and more than 800 millions for White Knight VII, fund for middle-sized and large companies, whose investment capacity is approaching 2 billion euros with co-investment agreements…

Auriga Partners in 2006 raised a third fund of 150 million euros, subscribed essentially by historic investors: Axa PE, CDC Entreprises, FP Gestion, CNP, Macif, Crédit Agricole, IEF, etc. Auriga Ventures III will keep its strategy to invest in 20 to 25 start-ups with strong technological content in the IT and health sectors.

Euromezzanine has raised 660 millions for its fund V in 2006. The management company Euromezzanine Conseil, now independant from Natixis (only 15% of its capital since 1999). Euromezzanine V invests on continental Europe and mid market enterprises valued between 50 and 500 million euros, with financing from 5 to 80 million…

In 2006 IFE Mezzanine also finalised its second fund for 300 millions. This leverage dedicated to mezzanine debt investments for mid-caps in France and continental Europe has already been engaged for more than 150 million euros in about a dozen deals: Kermel, Frères Blanc, Marc Orian II, Cegelec II, etc.

Name changed this year for:
- CPR Private Equity, fund of funds manager for Crédit Agricole Asset Management AI, became Crédit Agricole Asset Management Capital Investors (1.2 billion euros under management),
- Nord Europe PE, a subsidiary of Crédit Mutuel Nord Europe, became UFG Private Equity, several months after notably launching a common fund with Schroders (Diadème Global Selection FCPR),
- the French team of Electra Partners Europe also became Cognetas,
- Natexis PE became Natixis Private Equity as part of the merger between Natixis-Ixis CIB and CDC's departure from the capital of the Caisses d'Epargne. Its subsidiary Spef Venture also became Seventure.

SMEs. NEW FUND OF FUNDS

France Investissement and CDC support the most promising SMEs

Renaud Dutreil, the former Minister for the small and medium-sized enterprises (SMEs), presented on the 9th of November a mechanism which should permit the "reorientation" of a supplementary 3 billion euros for dynamic French small and medium sized enterprises through a subscription system to the fund of funds. The Caisse des Dépôts et Consignations (CDC), along with CDC Entreprises will thus provide 2 billion euros over six years, that is on average 300 millions a year, partly thanks to the doubled activities of PME Innovation, which already invests 150 million euros a year in regional funds and direct co-investments, and in part through private investors associated with the programme controlled by René Ricol: AGF, which was the first to substantiate its commitment by creating a specific structure for welcoming CDC and CNP in its funds of funds AGF PE holding Europe IV (see elsewhere), Axa, Groupama, Natixis BP, the Caisses d'Epargne group and the Société Générale. This programme will amply fulfil its role if it can finance small funds, present notably in new sectors such a renewable energy…

Jérôme Gallot, new chairman of CDC Entreprises.

DR

René Ricol head France Investissement orientation comittee.

In parallel to this, the state has created the "Gazelle programme" with the "growth enterprise statute", which since 1st January permits SMEs who have undergone more than 15% growth of their salary bill for two years to benefit from frozen company tax. There is a third programme for supporting business "angels" with the creation of a "business angel company" statute, with fiscal and budgetary aids, plus financial support to constitute these networks, aiming for 10 000 business angels in 2009 (against 4 000 at present).

For its part, the CDC has reorganised its capital investment division: so with both its subsidiary CDC Entreprises, headed by Jérôme Gallot for all general interest activities (from seed capital to small LBOs, with 1.2 billion managed), and also the other subsidiaries. CDC Capital Investissement headed by René Maury (1.8 billion under management) reunited the ex-CDC Entreprises Services Industrie devolved for expansion capital and small LBOs with the ex-CDC Entreprises Capital, for mid-market LBOs. The Fondinvest company, which manages funds of funds for third parties (1.2 billion euros), has seized its independence this winter and CDC Innovation, which manages the FCPI and other private venture funds, are in the course of doing so.

LISTED PRIVATE EQUITY. NEW PLAYERS

Apax and Turenne with new quoted vehicles

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François Lombard, chairman of Turenne Capital Partenaires.

Such as Apax Partners' creation of Amboise Investissement in March 2006, Turenne Capital launched on Alternext the SCR Turenne Investissement, dedicated to expansion capital, on the 5th of December. Its raised 18 million euros compared to 119 millions for Amboise on Euronext. A system of shares with equity warrants (BSA) should permit it to double the size of the fund between now and 2008. Like the Apax vehicule, Turenne Investissement has benefited at its introduction from a transfer of already invested portfolio companies (WH Holding-Webhelp and SGM/Aston Medical) to limit the proportion of sleeping capital while awaiting the first investments coming at the start of 2007.

For its part, Apax Partners has just fused Amboise Investissement with its predecessor, the SCR Altamir, in order to make a bigger vehicle, Altamir Amboise, with a final target of 1 billion euros, and consequently a much more liquid value for the market. This merger will soon be followed by an increase of capital of 120 million euros, bringing the stock market capitalisation of the new structure to nearly 370 millions, 95% floated, in order to be quoted on Eurolist B. In 2006, Altamir and Amboise invested in 7 co-investments: France Telecom Mobile Satellite Communications / Telenor Satellite Services, Prosodie, Equalliance, Odyssey FT and Royer. Altamir Amboise should invest 150 million euros in 2007.

RBS starts the year in style

RBS leveraged finance has begun the year on the up and up… After a less extraordinary 2006 than previous years (see league tables page 15), the French team now led by François Guichot-Perere and Geoffroi de Saint Chamas have arranged the LBO debt on Vivarte (with Charterhouse), Aliplast (with Sagard), Desmet Ballestra (with Barclays PE) and Desjonquères (with Sagard and Cognetas), as well as the new recapitalisation of Frans Bonhomme. All this represents a total debt of 4.9 billion euros as arranger and 5.2 billions as bookrunner.

CLOSING. FUND OF FUNDS WITH A DIVERSIFIED APPROACH

Access CF III raises 307 millions for European mid-market

Access Capital Partners at the end of December achieved the final closing of its third fund for the European mid-market, Access Capital Fund III MMBO, reaching 307 million euros, against an initial objective of 250 millions. The geographical distribution of the investors had a good share of American institutions (32.7%), Northern Europeans (31.9%), French (24.9%) and German (7.1%). The pension funds, insurance companies and family offices are the three principal kinds of sponsors. The fund of funds, which invest in GPs dedicated to European growth mid-market, already holds positions in several funds, 3 from secondary transactions.

This brings to 1.65 billion euros the funds managed by Access Capital Partners. At the same time, the team led by Dominique Peninon, Agnès Nahum and Philippe Poggioli have closed their fund dedicated to investments in technology (start-ups, later stage and buyout), Access Capital Fund III Technologie, for 85 million euros. It has also had its mandate renewed to manage the pension funds for the State of New York for 250 millions, which brings the specific mandates to manage allocation for the major institutional investors to 7.

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Dominique Peninon, Agnès Nahum et Philippe Poggioli, partners of this original european fund of funds.

Founded in 1999, Access Capital Partners has subsequently performed convincingly with its original strategic choice based on rigorous selection – according to track-record of the funds, but also the approach to deals, underlying portfolio, as well as a long term monitoring and a privileged relationship with the funds management teams.

LISTED PRIVATE EQUITY. LARGE CAPS

Wendel sees its results continuing to progress

Wendel Investissement has announced a 363 million euros net consolidated result for the group, an increase of 23% from the previous year, despite the absence of exits in 2006 (the last one was the sale of Wheelabrator Allevard to LBO France in 2006). Dividends for shareholders inscrease by 21%.

In 2006, Wendel made 4 acquisitions, 3 of which were international: Materis (specialty chemistry for the construction industry), Stahl (leather treating), Deutsch Group (connectors) and the Dutch AVR (rubbish treatment). It pursued its investment build-up policy by investing a supplementary 250 millions in about 30 operations, notably for Editis and Bureau Veritas. Wendel's NAV has thus risen to 117 euros a share at the end of March 2007, against 82 euros at the end of December 2005. Having multiplied its market cap by 5 since 2002, it commands an available war chest of 1 billion euros and intends to invest nearly 3 billions of its own funds by 2012, as well as 2 billions for external growth.

PLACEMENT AGENT. A PIONEER

Triago celebrates 15 years of successful fund raising

DR

Antoine Dréan, founder of Triago.

Did you know that it was a Frenchman who invented the profession of placement agent? Having noticed the hesitant urge towards independence of numerous "captive" European VCs, it was Antoine Dréan who launched Triago in Paris in 1992 as pioneer and now one of the world leaders for placement agent (with Triago Advisors) and secondary transactions of private equity funds (with Triago-X). In fifteen years, the fundraisings adviser have accompanied more than 120 major operations for clients who have often become benchmarks: AtriA, Bridgepoint, Cevian, Entreprise Investors, Eurazeo, GSC, Kelso Place, WLRoss, etc. The rate of missions reaches about a dozen a year since the opening of an office in New York in 2004. Its data base of 10,000 LPs with 3,000 contacts kept up to date monthly includes 500 permanent active investors, a third of whom are family offices. This is what allows them to "choose" their clients in regard of the size and perspective of funds.

In the last three years, the Triago-X team has also advised on more than 350 secondary transfers of all kinds, thanks to a global vision of the market on both sides of the Atlantic.

Now the only independent player of this magnitude, Triago will soon open a third office in Dubai (managed by Jean Aboumrad).

OFI Private Equity is looking towards the market

OFI Private Equity should raise 75 million euros on the Eurolist in the near future. It is a new start for the quoted vehicle and is aimed at reinforcing its investment strategy in secondary LBOs valued between 15 and 75 millions on the French market. This subsidary of asset manager Ofivalmo (an association of insurance companies) already manages above 100 million euros. In addition, OFI Private Equity, launched its fund of funds OFI Europa I, with a first closing at 30 millions in 2006 and a final objective of 100 millions. The team led by Olivier Millet (former 3i, subsequently Barclays PE) offers a risk-return couple calculated to suit the needs of new entrants such as insurance companies and pension funds: this fund of funds is structured in two sections. 80% of OFI Europa I is managed by Access CP and invested in European mid market buyout funds and mezzanine debt funds. The remainging 20% is directly invested by OFI PE in secondary LBOs. Over the last year, OFI invested 30 million euros in equity and/or mezzanine in 5 buyouts : Axson, MSI, Credirec, Marco Polo Food…

FINANCE AND COMMUNITY

A man with moral standards

Analytical rigor, professionalism and enthusiasm have let **Denis Metzger** build one of the most experienced teams on the French market. Morality and emotion, that is what comes to mind when he is asked to talk about himself.

To explain the direction which life takes, there are often key encounters. For Denis Metzger, meeting Christian Clefty, one of the founders of Sofinnova, certainly counted greatly. By asking him to write a report under the aegis of the European Commmunity to promote the private equity industry, he hijacked this enthusiastic economist from working for the State, to which he had been destined. So he joins Sofinnova, discovers investment and commits himself to venture.

Once he grows certain of his choice, the necessity for a more practical education leads him to Insead and open doors for him in finance, Anglo-Saxon style. At the time, it was a different world. For four years, he makes technological investments for JP Morgan at New York and London. This was a decisive experience as it gave him a permanent taste for a kind of pragmatism in the way business is conducted. Homesickness brings him back to France. Private equity is just going through its first operations and it is with an English team that he turns for pursuing his career of investor. Alongside Michel Klibbeler, president of Charterhouse France, they will make it a vital player in French capital investment and will survive the great transformations in their profession. The opening toward management for third parties is an important stage. Four funds will be raised following the bank's decision to disengage, including Initiative & Finance, the first French LBO fund, and Medial which would bring Chaterhouse and BNP into association.

It is also the great period for expansion capital, a profession which depends less on financial ingenuity than on identifying enterprises which succeed. The perfect product-market balance just where the LBOs are more concerned with the equilibrium of price and future cash flows; two professions which are as different as Formula 1 and Swiss watch-making. The movement from one to the other will not prove simple for many teams.

Belonging to the subsidiary of a bank also implies submitting to changes in share holders, and often in strategy. In his case, the purchase by the CCF, itself then subject to a takeover by HSBC, will see the managers finding themselves rehired, and the spectre of intervention varied from the most random to the most specialised. But there were no hard feelings as the team built up in the 90s were raised in the values which Denis Metzger puts high up on his own personal scale: analytic rigor, professionalism and enthusiasm for sustaining entrepreneurs. It is for this that Gonzague de Blignières and Dominique Gaillard will come, as a rite of passage, to enrich their education. And it is this team which will make up the basis for turning independent in 2001, when the new shareholders wish to concentrate on two distinct sectors, the small caps and the big Lbos: which no longer corresponds with his vision of the market. In a spirit of friendship and with the support of Charterhouse's managers, Denis Metzger and his partners negotiate their departure.

The Chequers Capital story is starting. With the serenity of an extremely tight knit team which is amongst the most experienced in the market, but with no little apprehension, they confront the raising of a first fund without a sponsor. Closed out at 300 million euros, this fund is subscribed 8 times over. Its successor will bring together 600 million euros in less than four months in early 2006.

landmarks

> 1975
graduated from Sciences Po Paris and degree in economics

> 1976-1977
joins Sofinnova as analyst economics; PhD in economics (Paris Dauphine)

> 1977
military service, working as commercial attaché, at the French embassy in Bombay

> 1978
MBA at Insead

> 1979
joins JP Morgan as an investment officer in New York and London, where he supervises technological investments; participates in the creation of Action Contre la Faim (ACF)

> 1984
joins Chaterhouse in France as director, then general manager and president

> 2001
creates an independent fund dedicated to the mid market, Chequers

> 2002
raises a first fund of 450 million euros

> 2006
closes the second Chequers capital fund at 600 million euros.

Denis Metzger is enthusiastic about economics, venture, Third World…

DR

"Expansion capital depends less on financial ingenuity than on identifying enterprises which succeed."

The humanitarian basis

If there is another meeting which has counted a lot for Denis Metzger, it is with Jacques Attali. Alongside Françoise Giroud, Bernard-Henri Lévy or Guy Sorman, they create Action Against Hunger (Action Contre la Faim) together in 1979. This young enthusiast for the Third World will try and adapt some of his methods learned in the venture for it, which will notably result in the creation of 400 micro enterprises. With them, he will live through some of the decisive moments of his life outside his job. Some mark him permanently.

A commitment which has stayed the course as today he presides over the association, as well as Unogep, which encourages public generosity. He also helped the lawyer Jean-Luc Bedos for a time in creating Droit d'Urgence. Doubtless he will place the same values of rigor, high expectations and moral duty at the disposal of the collective. ■

Franck Caron

With investments in French unlisted companies increasing of 26% in 2006, this market experienced a new record year. Even venture capital regained a strong momentum. Now, is the time to face a few challenges linked to these successes, however challenges which are common to all players in Europe.

Challenges ahead

It is obvious to any observer of the French private equity industry that 2006 was another record breaking year. Second market in Europe and first on the continent, it shows all the robust fundamentals of a market that has reached a certain form of maturity. In this regard, the European venture capital association (EVCA) recently conducted a study that ranked France as the most favourable environment for private equity in Europe (see page 20).

Needless to say that there is still some room for improvement, notably regarding taxations. But these are minor questions. The bulk of what it takes for the industry to play its role as a new class of financial investors is there. And its influence reaches farther than the big LBOs that are much talked about.

In 2006, 80% of the firms financed by a private equity fund had a staff with less than 250 people and a turnover smaller than 50 million euros. From the 10,2 billions invested during that year by members of the French professional association AFIC, the most dynamic segments were transmission (LBO smaller than 100) and expansion capital for the number of deals.

Seed and venture capital were also at the party with an 11% increase. Can we draw the conclusion that the future of the industry is a cloudless sky? It would probably be a step too far as it will have to face a few challenges which are common to all players in Europe.

The first will be the end of an economic cycle marked with a world liquidity that has benefited the big debt consumers. Once it will become impossible to put the same level of debt in LBOs, the question of improving operational efficiency will regain its predominance. And there is no doubt that the performances of the funds will suffer even if most of them already pay a lot of attention to that aspect of the value they can create.

The second challenge is the growing opposition it faces from workers unions and to a larger extent its social acceptability. One could have thought considering the history of social relations in France that it would lead the protestation in Europe. However, it is not in France that the most vociferous voices to question the action of private equity funds were to be heard but elsewhere in Europe and in the States. France is not immune to it though. It's been mixed to some negative reaction towards some very well paid management packages and also to questions of cost reduction and moving production units abroad. As most of the economic matters end up in the hands of

The social impact of the LBO under the microscope

Compared with "financial high fliers… making and unmaking local or national economies", by Philippe Matzkowski, founder of the LBO Collective, the private equity players have understood the danger and come back with arguments sustained by figures. The French venture capital association, AFIC, thus had the Constantin practice carry out a study which, while far from being exhaustive, indicates that during the three and a half year average tenure of a company by an LBO fund in France, job creation apart from external growth is 5 times stronger than the national average (+3.2% a year against +0.6%). The financial conditions improve much more with the LBO for salaries (+3.3%), stock-options (20% des enterprises) and company savings plans (60%). Participation in capital involves 100% of managers, 61% of middle managers but only 20% of other employees. Encouraged by AFIC, it nevertheless allows for a reduction in the rate of absenteeism and the job turnover, which shrinks from between 1.12 and 3.7 points in the companies concerned, against 0.54 and 2.16 over the entire sample. As for a more equal distribution of profit, AFIC and the administration now incline towards a possible reglementation of private equity.

Jacques Charles

GRANDS PRIX 2007 OF PRIVATE EQUITY MAGAZINE

The award ceremony took place in front of an audience of 500 at the Maison France-Amérique on the 13th of February 2007. The chairman of the evening and guestspeaker was Alain Afflelou, chairman of Alain Affelou SA, who founded this optician brand and chain (610 shops today) and has already managed two MBO since 1999. 8 «Grands Prix» were awarded by PE Magazine to 9 teams who have been distinguished for their performance on the French market in 2006. The jury was composed of 19 experienced and recognised professionals.

■ **Venture Capital Team of the year: SOFINNOVA PARTNERS**
Nominated: Alven Capital, Auriga Partners, Crédit Agricole PE, OTC Asset Management, Seventure, Sgam AI PE, Ventech

■ **LBO Fund (small caps) of the year: PERFECTIS**
Nominated: Ciclad, EdRIP, MBO Partenaires, Initiative & Finance, IPO

■ **LBO Funds (mid caps) of the year: 21 CENTRALE PARTNERS and AXA PRIVATE EQUITY**
Nominated: Astorg Partners, Barclays PE, AtriA Capital Partenaires

■ **LBO Fund (large caps) of the year: EURAZEO**
Nominated: PAI Partners

■ **Debt Provider of the year: CALYON CIB**
Nominated: BNP Paribas, Euromezzanine, ICG, Natixis

■ **Partnership of the year: 3i for KEOLIS**
Nominated: Apax Partners for Alain Afflelou SA, AtriA for ICM Group, Barclays PE for Gibaud, Bridgepoint for Médica, Cognetas for Diana Ingrédients, Eurazeo for Fraikin, Industri Kapital for Consolis

■ **Legal Adviser of the year: Mayer, Brown, Rowe & Maw**
Nominated: Ayache Salama & Associés, HPML, Lamartine Conseil, Latham & Watkins, Linklaters, SJ Berwin, Weil Gotshal & Manges

■ **M&A Adviser of the year: ROTHSCHILD & CIE**
Nominated: Aforge Finance, BNP Paribas, Lazard Frères

Sponsors of the evening: OFI Private Equity, AlixPartners, Ayache Salama & Associés, Gatienne Brault & Associés, Grant Thornton.

politicians, not always for the better, the industry has rightly seized the problem and tries to address it in the best of its interest. The latter lies it seems in its positive effect on employment. 10% of the total workforce is now employed by private equity owned companies, which create in proportion more jobs that the average French firm and the big blue chips from CAC 40. In a country faced with an endemic high level of unemployment, that surely is an argument politicians will listen to.

It has also engaged in a process that will permit to share some of the profit generated by a buyout operation with the voluntary staff through an employee share-ownership "Plan d'Epargne d'Entreprise". By making a shareholder out of each employee, AFIC expects a convergence of interest.

The final step is to encourage more transparency, and to find ways to give "more substance to a shareholder who often appears faceless". From the success of the recent years, the challenges ahead are those of a new type of ownership that must prove its vitality in all circumstances. ■

Franck Caron

Private Equity Magazine's

Private Equity Magazine has ranked the most active funds in France in 2006, categorized by value of the companies they invested in.

During the months of January and February, our editors examined 230 private equity funds which invested in France in 2005 in companies of all sizes, and then ranked them by the total invested in each pre-defined segment according to the value of each company. One category – venture – was treated separately as it concerns new businesses. It has been mainly dominated by Sofinnova, which beated his record of investments in 2006. From first to later stages, in biotechs (Stentys, Fovea, Cerenis Therapeutics, Novexel, etc.) as well as in IT (Streamezzo, Inside Contacless, Wyplay, etc.), the well-known French fund has the distinction of being omnipresent in start-up investments.

Regarding the small caps (LBO and expansion), BNP Paribas Développement has performed an extraordinary year, but without being able to break down between 0-30 and 30-75 M€ deals. Just below, the "surprising" Acto (Finama/Groupama) with 6 transactions in the top of this range, and Naxicap, regular on this part of the market where capital expansion and buyout were not distinguishable. The other national players are Siparex, MBO Partenaires, Perfectis, CIC Finance, Initiative & Finance, inter-

Early stage (in M€)

GP	AMOUNT 2006	DEALS NBR.	AMOUNT 2005
1 Sofinnova Partners	74,9	27	52,1
2 Credit Agricole PE	37,9	49	24,0
3 Innovacom	35,7	35	26,9
4 Truffle Venture	31,1	10	16,9
5 Seventure	29,8	28	19,8
6 CDC Entreprises Innov.	26,9	24	22,7
7 CM-CIC Capital Privé	25,0	31	nd
8 Iris Capital	24,0	5	8,0
9 AGF Private Equity	21,3	18	13,7
10 Viveris Management	21,0	20	nc
11 Sgam AI Private Equity	21,0	24	30,8
12 ACE Management	19,7	18	nc
13 EdRIP Bio Discovery	19,4	3	nc
14 XAnge Private Equity	17,5	21	21,5
15 Auriga Partners	15,7	13	18,0

Source: funds, PEM

0-30 M€ enterprise value

GP	AMOUNT 2006	DEALS NBR.	AMOUNT 2005
1 BNP Paribas Dév.*	40,0	nc	21,9
2 Acto	37,2	6	nc
3 Naxicap Partners	35,5	29	29,0
4 Activa Capital	32,2	7	-
5 Siparex	31,7	18	20,8
6 MBO Partenaires	27,8	13	29,0
7 Perfectis	26,9	6	25,3
8 Prado Finance	26,0	5	nc
9 Irdi-Icso Gestion	25,3	11	26,4
10 LBO France	22,3	4	-
11 CIC Finance	22,2	6	14,0
12 IPO	20,1	17	18,0
13 Dévelop. & Partenariat	19,3	6	-
14 Initiative & Finance	17,6	9	17,2
15 Avenir Entr. Gestion	17,2	21	20,3

Source: funds, PEM *Not confirmed

30-75 M€ enterprise value

GP	AMOUNT 2006	DEALS NBR.	AMOUNT 2005
1 Banexi Capital Partenaires	61	7	30
2 Butler Capital Partners*	45	3	-
3 Naxicap Partners	37	12	6
4 SG Capital Europe*	35	2	-
5 OFI Private Equity	26	4	-
EdRIP Winch Capital	26	4	nc
7 LFPI-FPG	26	2	25
8 CIC Banque De Vizille	25	6	nc
9 Perfectis	24	3	-
10 Siparex	22	4	30
11 Axa Private Equity	22	3	14
12 Argos Soditic	22	1	25
13 IPO	20	6	24
14 Atria Capital Partenaires	17	1	57
15 CIC LBO Partners	16	2	19

Source: funds, PEM *Not confirmed

75-200 M€ enterprise value

GP	AMOUNT 2006	DEALS NBR.	AMOUNT 2005
1 Apax Partners	153	4	49
2 Axa Private Equity	114	5	173
3 3i France	106	3	50
4 LBO France	77	2	0
5 Chequers Capital	74	3	22
6 European Capital	68	4	5
7 21 Centrale Partners	67	3	0
8 Barclays Private Equity	65	3	157
9 Pragma Capital	65	3	0
10 ABN Amro Capital France	60	2	nc
11 Weinberg Capital Partners	60	2	0
12 Credit Agricole PE	56	5	24
13 ING Parcom	55	3	40
14 Atria Capital Partenaires	52	2	19
15 Industri Kapital	50	1	50

Source: funds, PEM

METHODOLOGY. These tables show the funds or investment structures in France in 2006 (closing date) that did deals with companies in the range of value displayed. In each category (a part from debt), the amount of equity is the first benchmark for ranking. **Start-ups:** reinvestments or follow-ons were regularly included in the figures but not always in the deal references. **From € 0 to 75 millions:** in all these cases, capital expansion and buyout were not distinguishable. Some reinvestments are build-up deals with new capital invested in the original target company and in companies of referred category. Other deals included are recaps and unfortunately we cannot always tell which ones are, in fact, partial cash-outs. **Above € 75 millions:** the same approach as for the build-ups. Furthermore, the deals we included were intended to be companies whose headquarters or main business activities were in France; so we were only concerned by the French part of multinational capital. When not confirmed by the funds, we took the informations gathered from external sources. Not counted for 2006 (because closed in 2007), some important deals as Consolis II, Vivarte II, Médi-Partenaires II, Lafarge Roofing, Quick, Fraikin II and Prosodie.

2006 league tables…

mixted with regional actors such as Irdi-Icso Gestion or IPO, and with Activa Capital and LBO France, normally in the segment just above. Prado Finance and Développement & Partenariat made some turn around deals last year.

In the 30-75 M€ segment, the lower mid-cap market is playfield for organisations which often have a different culture: from small caps specialists looking above their usual deal value, to firms used to the mid-market and attracted new opportunities. Yet, Banexi CP finds its place with 7 of its 9 deals in 2006: d'Haussy, France Terre, Numalliance, Valority, Brunet, etc. Butler CP (with Accès Industrie, SNCM and Paris Saint-Germain) has been active in turnaround, and Naxicap in expansion deals. They take the lead over LBO specialists such as SG Capital Europe, LFPI-FPG, CIC Banque de Vizille, Perfectis, Argos Soditic or Axa PE, and the new player OFI Private Equity which did 4 deals regardless.

Apax Partners, Axa Private Equity and 3i proved to be the most dynamic teams in the heart of the mid-market. The former succeeded in its repositioning on this segment with Selective Beauty, Défimode and Emprunttis. Axa PE confirmed ist status of key player, and Apax Partners closed 4 deals on this part of the league tables. Behind, the usual real players LBO France, Chequers Capital, Barclays PE, Pragma, ABN Amro, AtriA or ING Parcom, the new entrant Weinberg CP, and the confirmations with European Capital, 21 Centrale Partners…

There were more deals last year in the 200-500 M€ segment, still dominated in France by Sagard (with Souriau, RLD, Olympia), even if Montagu (with Sebia) and Doughty Hanson (with KP1) both closed a big deal for 2006. Groupe Moniteur, Gerflor, WFS, Aixam-Mega, Histoire d'Or, Novasep were some of the other major import deals.

The largest buyout category was the scene of 9 deals over 1 Bn€: TDF (with TPG), PagesJaunes (KKR), Europcar (Eurazeo), Elior (Charterhouse), Materis (Wendel), UPC-Noos (Cinven), Cegelec (LBO France), Amec Spie (PAI) and Axa Ré (Stone Point). A record. ■ **Fabrice Anselmi**

200-500 M€ enterprise value

GP	Amount 2006	Deals nbr.	Amount 2005
1 Sagard	130	3	165
2 Montagu Private Equity	130	1	30
Doughty Hanson	130	1	-
4 Bridgepoint Capital	117	1	134
5 Barclays Private Equity	101	2	28
6 LBO France	100	1	100
7 Axa Private Equity	84	2	-
8 3i Gestion*	80	1	1
9 PPM Capital	70	1	-
10 Gilde Buyout Partners	60	1	-
11 ABN Amro Capital France	59	2	-
12 Weinberg Capital Partners	59	1	-
13 Qualis SCA*	54	1	-
14 Charterhouse*	42	1	100
15 L Capital	39	1	-

Source: funds, PEM *Not confirmed

>500 M€ enterprise value

GP	Amount 2006	Deals nbr.	Amount 2005
1 Eurazeo	775	1	464
2 Charterhouse*	680	4	107
3 KKR*	600	2	-
4 Wendel Investissement*	415	2	-
5 LBO France	409	2	355
6 Texas Pacific Group*	370	1	-
7 PAI Partners	300	1	370
8 Cinven*	300	1	317
9 Blackstone*	203	1	-
Lion Capital*	203	1	-
11 Investcorp*	190	1	-
12 Axa Private Equity*	178	2	-
13 BC Partners*	108	1	80
14 Bridgepoint	89	1	-
15 Apax Partners	74	1	77

Source: funds, PEM *Not confirmed

A sophisticated debt

ICG still lead on the mezzanine market ahead of Euromezzanine, European Capital, Capzanne and Mezzanis. IFE and Axa PE join the league with other new players (Mezzanine Management, LFPI, Acto Mezz, etc.). The LBO debt providers league table is made from the study of 95 deals > 100 M€ (47 Bn€ of total debt). The first 6 are the same as last year: BNP Paribas leading, Calyon duplicating, RBS and Natixis slightly decreasing (in spite of the merger with Ixis), and SG CIB. The only main change is the under performance of ING. The others English an American lenders presence (MS, JPM, LB, ML, Citigroup, BOA, HSBC, GS, Barclays, etc.) is, as every year, due to several large deals.
Private Equity Magazine also looked into the small cap lenders: CIC, BNP Paribas, LCL, Natixis, Calyon, SG, Fortis, Banque Palatine, Barclays, IKB, take a strong position…

Mezzanine (in M€)

GP	Amount 2006	Deals nbr.	Amount 2005
1 ICG*	400	14	300
2 Euromezzanine	282	14	223
3 European Capital	190	11	62
4 Capzanine	68	14	48
5 IFE Conseil	68	6	-
6 Axa PE Mezzanine	67	6	-
7 Céréa Mezzanine	55	13	13
8 Mezzanis	41	7	27
9 Indigo Capital	40	2	47
10 CM-CIC Mezzanine	32	6	18
11 IDI Mezzanine	23	4	16

Source: funds, PEM *Not confirmed

LBO debt (> 100 M€ enterprise value)

Bank	Bookrunner part (in M€)	Deals nbr.
1 BNP Paribas	8025	20 (11)
2 Calyon CIB	6834	19 (8)
3 RBS	5298	15 (5)
4 Natixis BP	3795	14 (10)
5 SG CIB	2950	9 (5)
6 Morgan Stanley*	2551	4 (0)
7 JPMorgan*	2222	5 (1)
8 Lehman Brothers	1750	3 (0)
9 Deutsche Bank*	1731	3 (1)
10 Merrill Lynch	1686	3 (0)
11 Citigroup*	1685	3 (1)

Source: banks, PEM *Not confirmed
The figure within brackets indicates the "sole bookrunner" role

Private Equity Magazine has also ranked the most active advisors near private equity funds in France in 2006, still categorised by value of the companies that were targetted. Here a panorama of the M&A (or financial) and legal advisors.

Venture/expansion (in M€)

Financial advisors	Deals nbr.	Amount	Quality
1 Aelios Finance	16	85,3	**
2 Chausson Finance	9	41,8	***
3 Multeam Conseil	8	10,9	**
4 Lorentz Deschamps & Ass.	5	47,5	**
5 Bryan Garnier	5	83,2	**
6 Opticroissance	5	8,3	*
7 MK Finance	5	8,4	-
8 Clipperton Finance	4	30,0	**
9 Iris Finance	3	6,5	*
10 Ernst & Young CF (1)	2	31,8	-
11 DRC(1)	2	18,9	-
12 Grant Thornton CF (1)	2	15,0	-
13 KPMG Corporate Finance	2	12,6	-
14 Capital Partners	2	4,0	-
15 Cazenove	2	279	*

Sources: advisors, Epsilon Finance, PEM (1)Not confirmed

0-30 M€ enterprise value

Financial advisors	Deals nbr.	Amount	Quality
1 Aforge Finance	12	326	****
2 Grant Thornton CF	12	192	**
3 Adna Partners	11	82	-
4 Close Brothers	8	254	**
5 Transcapital	8	91	-
6 KPMG Corporate Finance	7	178	**
7 Opticroissance	7	97	*
8 Capital Partners	7	95	-
9 Societex	7	52	**
10 Intuitu Capital	6	90	*
11 Financière De Courcelles	6	57	**
12 MK Finance	5	10	-
13 Entreprise et Patrimoine	5	7	-
14 Lincoln International	4	105	*
15 Financière Cambon	4	77	-

Sources: advisors, Epsilon Finance, PEM (1)Not confirmed

League tables 2006 f

During the months of March, April and May, our editors also examined 400 law firms and 150 merchant banks or "boutiques" which advised private equity funds or targets in France in 2006. There were ranked by number of deals in each pre-defined segment according to the value of each company.

One category – venture/expansion capital – was treated separately as it concerns all the businesses without leverage. For the legal advisers, it has been mainly dominated by Jones Day (team led by Olivier Edwards and Renaud Bonnet) and Orsay (with Samira Friggeri and Frédéric Lerner). Some other law firms like Chammas & Marcheteau, Gide Loyrette Nouel or SJ Berwin are also recognised in this speciality. In M&A, those who are specialised in raising funds for start-ups, such as Aelios (Pascal Mercier), Chausson Finance (Christophe Chausson) or Multeam Conseil (Paul Berrux), are well paid by this league table. Banks like Bryan Garnier or Cazenove would have win in value for IPOs they advised…

What about LBOs? Regarding the small caps, the French legal advice market is dominated by 2 main actors: HPML and Lamartine Conseil. But some other firms like Orsay, De Gaulle Fleurance, Gatienne Brault & Associés, Eversheds or the missing Intuity and LB Avocats have made it their specialty. As for the the M&A advisors, the market is dominated, for this segment, by classical boutiques or merchant banks like Aforge and Grant Thornton… We noted that it is increasingly difficult to account and check all the deals because even the smallest are more and more intermediated (this league table does not rank the recent networks of M&A advisors which advised very small transactions). **On the mid-market, the law firm SJ Berwin** (with Maxence Bloch and Christophe Digoy) experienced an incredible year in France. Linklaters

Venture/expansion (in M€)

Law firm	Deals nbr.	Amount	Quality
1 Jones Day	27	236	***
2 Orsay (2)	24	213	*
3 Chammas & Marcheteau (2)	20	80	***
4 SJ Berwin	15	194	*
5 Gide Loyrette Nouel	15	141	**
6 De Gaulle Fleurance (1)	15	30	*
7 UGGC	13	71	*
8 Deprez Dian Guignot	12	113	*
9 Alerion	12	74	**
10 Pinot De Villechenon	10	69	**
11 Valluet-Achache (1)	9	70	-
12 Hammonds Haussman (1)	9	21	-
13 Lamartine Conseil (1)	8	41	*
14 Kahn & Associés	7	85	-
15 Grand Auzas	7	13	-

Sources: LF, PEM (1) Not confirmed (2) Based on public deals

0-50 M€ enterprise value

Law firm	Deals nbr.	Amount	Quality
1 HPML (1)	37	300	***
2 Lamartine Conseil (1)	21	180	**
3 Ernst&Young LF (1)	11	220	*
4 De Pardieu Brocas Maffei	9	214	*
5 Orsay (2)	9	120	**
6 CMS Bureau Francis Lefebvre	8	147	-
7 De Gaulle Fleurance (1)	8	80	-
8 Ginestié Magellan	7	192	*
9 Ayache Salama & Associés	7	182	**
10 UGGC	7	97	-
11 Lefèvre Pelletier & Associés	6	172	*
12 Lovells	6	140	*
13 SJ Berwin	6	113	**
14 Clifford Chance	6	98	*
15 Latham & Watkins	5	140	**

Sources: LF, PEM (1) Not confirmed (2) Based on public deals

50-500 M€ enterprise value

Financial advisors	Deals nbr.	Amount	Quality
1 Rothschild & Cie	27	4579	***
2 Aforge Finance	16	2185	****
3 Lazard Frères (1)	11	2566	***
4 BNP Paribas	11	2114	**
5 Close Brothers	11	1346	***
6 PwC Corporate Finance	8	1107	**
7 Grant Thornton CF	6	597	**
8 Ernst & Young CF	5	459	**
9 JP Morgan Chase & Co (1)	4	1197	*
10 UBS Inv. Bank	4	972	**
11 HSBC	4	689	**
12 SG CIB (1)	4	456	-
13 Lehman Brothers	3	787	*
14 Wagram Corporate Fin.	3	450	**
15 Deloitte CF	3	403	-

Sources: advisors, Epsilon Finance, PEM (1)Not confirmed

>500 M€ enterprise value

Financial advisors	Deals nbr.	Amount	Quality
1 Rothschild & Cie	9	10830	***
2 Goldman Sachs	6	8712	*
3 Lazard Frères (1)	6	8486	***
4 JP Morgan Chase & Co	6	7470	*
5 BNP Paribas	5	11150	*
6 Morgan Stanley (1)	5	10666	-
7 Deutsche Bank	5	9215	*
8 HSBC	4	8715	**
9 Lehman Brothers	4	7250	**
10 SG CIB	4	6550	*
11 Citigroup	3	5490	*
12 Calyon CIB (1)	3	3320	*
13 Hawkpoint	3	2670	*
14 Merrill Lynch	2	8200	-
15 UBS Inv. Bank	2	2115	**

Sources: advisors, Epsilon Finance, PEM (1)Not confirmed

METHODOLOGY. These tables rank M&A and legal advisors for private equity transactions in France in 2006 (closing date). M&A advisors are mandated on the buy or sell side by a PE fund or the target company. Lawyers are corporate advisors. For each category, the number of deals was the first benchmark for ranking, before the total amount in value. The number of stars indicate how funds (as clients) evaluated the quality of these advisors. **Venture/expansion:** reinvestments or follow-ons are included in the figures. **From 0 to 50 M€:** build-up deals are counted when declared, along with turnaround transactions. **Above 50 M€:** same approach as the build-ups. Furthermore, the deals we included are companies whose headquarters or main businesses are in France; so we are only concerned by the French part of multinational capital or activity. When not confirmed by the advisors, we took the informations gathered from external sources. Deals not counted for 2006: Consolis II, Vivarte II, Médi-Partenaires II, Lafarge Roofing, Quick, Fraikin II.

for M&A and legal advisors

(with Fabrice de la Morandière and Michel Frieh who is leaving), Latham & Watkins (with Thomas Forschbach) or White & Case, Clifford Chance, Mayer Brown, Ayache Salama & Associés… remain key advisers! So are Rothschild & Cie and the boutique Aforge for the M&A advisory business. Close Brothers is back on the lead and Lazard remains regular contestant fot the top 5…

Finally, the large LBO market si still the easiest to rank with only a dozen of very large deals (more than 1 Bn€ in value) in France, often advised, on legal aspects, by Freshfields, Ashurst, Latham & Watkins, Mayer Brown, Linklaters or White & Case. Bredin Prat is involved in a very few private equity deals, but always the largest (PagesJaunes, TDF and Europcar last year). A little bit like Morgan Stanley and BNP Paribas in M&A, still largely dominated by the Rothschild team led by Laurent Baril and Richard Thil. Goldman Sachs, Lazard and JP Morgan completed the podium last year. ■ **Fabrice Anselmi**

50-500 M€ enterprise value

Law firm	Deals nbr.	Amount	Quality
1 SJ Berwin	17	2808	**
2 Linklaters	15	2602	***
3 Latham & Watkins	14	2933	***
4 White & Case	11	1911	*
5 Lovells	9	1384	*
6 E&Y LF (1)	9	1100	-
7 Clifford Chance	8	2122	*
8 JeantetAssociés	8	1273	-
9 Mayer, Brown, Rowe & Maw	8	1218	*
10 Ayache Salama & Associés	7	999	**
11 Taylor Wessing	7	415	-
12 HPML (1)	7	800	-
13 Ashurst	6	1391	**
14 De Pardieu Brocas Maffei	6	393	*
15 CMS Bureau Francis Lefebvre	5	855	-

Sources: LF, PEM (1) Not confirmed (2) Based on public deals

>500 M€ enterprise value

Law firm	Deals nbr.	Amount	Quality
1 Freshfields	7	7297	*
2 Ashurst	6	5167	**
3 Latham & Watkins	5	9643	***
4 Mayer, Brown, Rowe & Maw	5	7280	*
5 Linklaters	5	3560	***
6 White & Case	4	6233	**
7 Allen & Overy	4	3865	-
8 Bredin Prat	3	12100	-
9 Gide Loyrette Nouel	3	9100	-
10 Cleary Gottlieb	3	6900	**
11 Debevoise & Plimpton	3	6580	-
12 Sullivan & Cromwell	3	5450	-
13 Franklin	3	3480	*
14 Willkie Farr & Gallagher	3	3410	**
15 Fried Frank	3	1500	**

Sources: LF, PEM (1) Not confirmed (2) Based on public deals

FOR BANKERS AND MANAGERS

Legal specialists such as Eric Cartier Millon (from Gide Loyrette Nouel) advise debt and mezzanine providers which are, nowadays, keystones to a LBO transaction. He advised 29 LBOs or recaps in 2006! The teams led by Laurent Mabilat at Ashurst (14 deals), Xavier Farde at Latham (13), Colin Millar at SJ Berwin (11) or Arnaud Fromion at Linklaters (10) are also well valued by bankers and mezzanine houses. SJ Berwin is a stand-alone leader on the market of structruring funds (16 last year), while Landwell is number 1 advisor for taxation. On the specific business of advising managers of the target companies – a French "specialty" as they have gained a strong decision power – Mayer Brown, Sarrau Thomas Couderc and Wilinski Scotto are leaders for legal. Callisto recently invented the job of advising M&A management…

FRENCH LEGISLATION

LBO debt: have recent legal changes made it a safer job?

Matthieu de Varax, partner at Mayer Brown Rowe & Maw LLP, looks at how recent legal changes may affect the financing of private equity funds in France.

Simply put, to the extent that private equity transactions essentially rely on leveraged financing, which financing requires taking security on all available assets (financial assistance rules permitting) of the borrower(s), much of the legal landscape of French private equity has been somewhat shaken up in the space of 11 months.

Matthieu de Varax, partner at Mayer Brown Rowe & Maw.

Refreshed security and fiduciary interest are meant to join forces. The question is not if fiduciary interest will be used in large LBO transactions, but rather when."

However good a reading it could be, the French civil code never really made creditors' life easy. For a long time, French law on security interests was perceived to – and did – lack flexibility and transparency, and to an extent compared poorly with common law instruments. Ordinance no. 2006-346, dated 23 March 2006, aimed at solving most of these issues and significantly reformed French law on security interests..

Debtor in possession

One of the main hurdles of taking security in France has always been the requirement that the secured asset be removed from the borrower's possession (a concept known as dépossession).

Article 2337 of the Civil Code now provides that a security interest in movable assets can be perfected upon its filing with a special public registry. Accordingly, creditors may now record a security interest in the debtor's movable assets (such as machinery, IT equipment and other goods) and those assets may remain in that debtor's possession. As a result, other creditors (such as subordinated lenders) may take lower priority security interests in the same assets. Undoubtedly, this special registry will require some further legislation to take account of practical considerations that have not been taken on board by the Ordinance. For instance, commercial courts tend to require that security documents be executed in French in order to be filed, which may not be compatible with certain cross border syndicated transactions. Similarly, the filing form that has been created does not take account of the case where the security is held by an agent or a trustee on behalf of a pool of lenders, etc.

Putting the lender in the driving seat

Another innovative feature – and one which already gives rise to much debate between borrowers and lenders - is the secured party's ability now to foreclose on the underlying asset immediately upon default of the debtor, without the need for any previous court order.

The Ordinance provides that the value of the secured asset should be determined by an expert to ensure that the creditor does not collect more than it needs from the asset. Any balance must be returned to the borrower. However, this provision raises questions such as when should the valuation take place? Does title transfer immediately upon enforcement? Can a non financial default trigger the enforcement? etc.

Taking security interests in receivables has also been largely simplified. Lenders can now dispense with the cumbersome formality of having the pledge notified upon the debtor by process server. Equally, the pledge no longer needs to be registered with the local tax office which, incidentally, allows French receivable pledge agreements to be executed in English.

Here comes the fiducie

In common law jurisdictions, taking security in syndicated lending transactions almost systematically means creating a trust, with the security trustee holding the security package for the benefit of the lenders. This proves to be a convenient concept that, inter alia, simplifies syndication and allows perfection of the security in the sole name of the security trustee.

By contrast, French practitioners have been debating for years about the best way to take security on behalf of a syndicate of lenders. The issue can become complex where the security has to be registered (as is now the case for pledges of movables, as seen above): should the security interest be registered in the name of all lenders to ensure perfection of each of their individual interests or can it be filed only in the name of an agent?

The much awaited introduction of fiducie (the French equivalent of trust) in French law by the law of 19 February 2007 may bring practical solutions to this issue. Indeed, the law provides that one or more settlers may transfer assets, rights or security to a fiduciary agent (or trustee) who will hold the same for the benefit of designated beneficiaries. Interestingly (and rather surprisingly), the ability for a fiduciary agent to register, manage and enforce security for and on behalf of secured creditors is found at the very end of the law in the "miscellaneous" provision (new article 2328-1 of the Civil code), as if it was added to the text just before it went to the printer! Whilst the drafting of the provision could have been better, it makes no doubt that it was designed to allow a security interest to be held by a fiduciary agent for the benefit of secured parties. Refreshed security and fiduciary interest are meant to join forces. The question is not if fiduciary interest will be used in large LBO transactions, but rather when. ■

EUROPE

France, a favourable environment for private equity

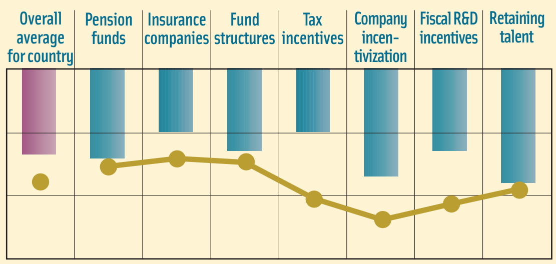
Marie-Annick Peninon-Bernard, consultant for European venture capital association (EVCA), explains how the French environment for private equity has improved during the last years.

According to Marie-Annick Peninon-Bernard, consultant for Evca, France makes up for lost time.

DR

"In the environment study, France ranks second only to Ireland – and before the UK, where private equity first took off."

CURRENT SITUATION FOR PRIVATE EQUITY IN FRANCE



The study is available on the EVCA website : www.evca.com

Source : Evca

Although private equity took longer to develop in France than in the US or UK, it's now clear that the French have caught up. According to a study recently conducted by EVCA ("Benchmarking European Tax and Legal Environments" – EVCA December 2006), France ranks second only to Ireland – and before the UK, where private equity first took off. This third pan-European study conducted with KPMG and including data up to July 1, 2006, reviewed 29 variables in three areas: the tax and legal environment for limited partners and fund managers, the environment for investee companies, and the environment for retaining talent in investee companies and management funds. The study show that France has improved its overall environment once again, just as it did in the 2004 study.

What is the explanation for France's excellent performance? Part of the answer lies in the methodology used in this third benchmarking study. Although certain criteria remain unchanged, the recent evolution of market conditions and more aggressive policies at the European as well as national levels mean that this year new analysis criteria were selected that favored France – especially those promoting research and development among investee companies. This is an area in which France has taken the lead in Europe, especially with the introduction in 2004 of a specific scheme for supporting the creation and growth of innovative high potential start-ups (young innovative company, or jeune entreprise innovante – JEI). As part of the scheme, SMEs fulfilling certain requirements in R&D spending benefit from lower company tax rates for eight years.

Interest for innovation

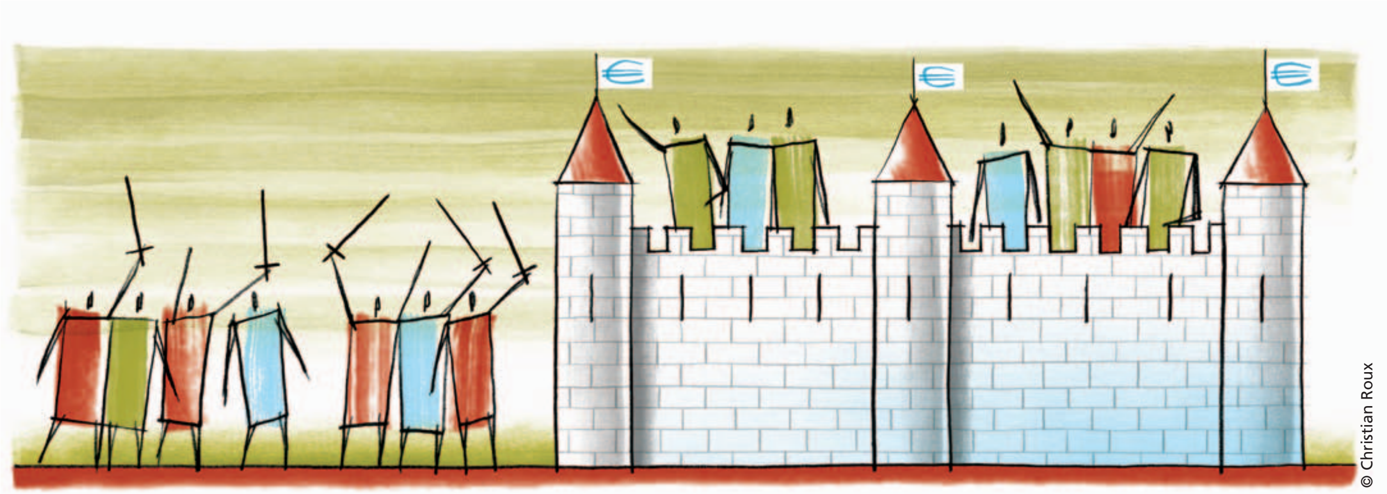
The JEI scheme was hailed in France as a great advance that should be adopted at the European level. However, the fiscal advantages it provides shouldn't hide the fact that, at 33%, the company tax rate in France remains above the European average of 26.2% – even if the study underscores the progress made with the Crédit d'Impôt Recherche, which provides fiscal incentives for business R&D expenditures. This new fiscal initiative is another example of the political will in France to reform and improve the environment for private equity funding of companies. The creation of the Agence pour l'Innovation Industrielle and the "pôles de compétitivité" are other ways in which France is helping boost innovation.

Secondly, in terms of fund structures, France offers a number of investment vehicles – including the FCPR (Fonds Communs de Placement à Risque), FCPI (Fonds Communs de Placement pour l'Innovation) – that attract capital from domestic investors and non-domestic investors alike. Pension funds and insurance companies enjoy considerable freedom to invest within the ordinary rules of caution defined by the European Pension Fund Directive. It is regrettable that France has not yet completely adopted this directive into its regulatory scheme.

Personal income taxes

There is one area in which France fall short. At 48% the maximum personal income tax is considerably above the European average of 42%. Furthermore, capital gains are taxed at 27%, including social charges, compared with a European average of 15%. This is a problem in terms of attracting fund managers or corporate talent. However, recent fiscal developments are encouraging, notably the fact that stock options of investee company managers and employees are taxed only when the underlying shares are sold and "carried interest" is taxed as a capital gain. We can expect to see other improvements in the area of taxation of capital-gains.

The EVCA study is a comparative guide for governments to use in improving their individual private equity environments and to fight against fragmentation of the European markets. EVCA supports the European Commission's decision not to regulate the industry, but to show best practices. In this regard, France is well placed. ■



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NEW CHALLENGES

The social image of private equity

While the LBO remains the object of countless attacks, from unions but also politicians, the world of private equity is preparing a social riposte. Beyond the value creation and employment points, work still remains to be done on knowledge, image, transparency and sharing out of profit.

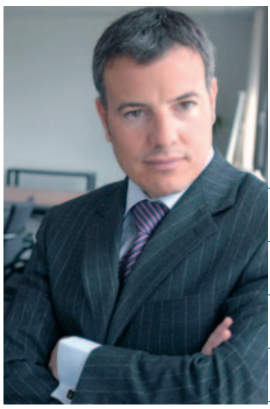
"The French have to be reconciled with enterprise", you often hear in economic circles. As for companies under LBO, the job seems so much harder. GPs are having their reputation blackened, managers get shown up for shameless self-enrichment and arrogance; so divorce is decreed. Everybody who is not invited to the party, from employee representatives to bosses of CAC 40 companies, decide to get up on their high horse to denounce the injustices of a system which according to them benefits too few people.

Nevertheless, the profession no longer needs to demonstrate the effectiveness of its model; or have to claim a contribution to general economic well-being which it considers already established. For years, EVCA (European venture capital association) and national organisations have made it a point of honour to display the social and economic analysis of their activities by independent bodies, which is definitely favourable in creating jobs (1 million since 2000 in Europe) and wealth. Professional investors thought they had good enough argument to aspire to respectability. But a financial force of 600 billion dollars, even during a period of abundant liquidity, and a structuring effect on pretty much every sector of industry have inevitably raised questions about the private nature of the operations.

An unexpected mobilisation

In recent months, an unprecedented media campaign has portrayed these "barbarians", "birds of prey" or "grasshoppers". Rating agencies and financial analysts have thrown themselves into the fray. Excited by the complexity of operations, the weight of debt, new means for shareholding, the dynamism of M&A markets and rumours of takeover, increasing pressure had been weighing on private equity. Finally, the unexpected union mobilisation has spread internationally. "It is true that we didn't see it coming, admits Javier Echarri, secretary general of EVCA from his Brussels observation post. We took too much time to understand what was happening." For this Spaniard, the origins of "this organised campaign" dates from the meetings between European and American unions in Vienna last November to create a global organisation, the ITUC. At the time, the union representatives expressed their worries about globalisation. The increased power of the hedge funds and private equity funds have been presented as two tools for bringing financiarization of the economy. The debate continued during the economic forum at Davos. In March, the union consultative commission met in Paris and officially asked the G8 for "a working group to study the dangers which the remarkable increase in leveraged investment poses to the international financial system". In the European parliament, the socialist group has even ordered from the University of Potsdam a study of a score of LBOs which conflicts with the existing independent studies…

Over and above the figures and the case studies employed, the argument really takes an ideological turn. The profession is targeted in a political debate which is unconnected with the growth in turnover or employees. Its image needs improving. In late 2006, Evca set up a working group about it; notably to becoming more active in the press. It has advocated transparency, which is indispensable for escape vilification. The critics have calmed a little… except in France, where the



"It is true that we didn't see it coming. We took too much time to understand what was happening."
Javier Echarri, secretary general of Evca

> "All the employees must be associated to a second Lbo. And when it is not done straight away, this is above due to a shortage of time."
>
> Laurent Travers, chief financial officer of Scaff-Holding

DR

Collectif LBO has not stopped demonstrating since. Formerly attached to the CGT, led by a former manager from a company undergoing LBO, Philippe Matzkowski, and supported by a union representative from the Caisse des Dépôts, Philippe Larasse, at the start of April 2006 this organisation publicly displayed a document with an evocative title; "LBO: the recalcitrant ones". "The infection is spreading' is the title of one of its latest press releases. In France, more than 500,000 people are suffering from this disease with Anglo-Saxon origins called LBO…" Contacting the press, the public authorities, the elected members, even the President of the Republic himself (the Collectif having been received by an advisor at the Elysée), the movement proposes its own definition of an LBO: "A financial arrangement which pressurises the purchased company to refund the debt as quickly as possible…"

A year after it was launched, the results are mixed. With some successful agitations, such as blocking deliveries when the subsidiary of Arena swimsuits in the Gironde, under a secondary buyout from the Italian BS Private Equity fund, announced its delocalisation at the start of the year. In several groups, such as Terreal or more recently Vivarte, the organisation of a new buyout operation precipitated a social movement, which

PHILIPPE MATZKOWSKI, the rebel

The Collectif LBO defines leveraged buyout as "a financial arrangement which pressurises the purchased company to refund the debt as quickly as possible…"

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was calmed down by setting up a plan for worker shareholders. Spurred into action by the Collectif LBO, CGT delegates from companies undergoing LBO show resistance, as at TDF where they took on the president at recent company board meeting. The sale of the measurements division of Trescal by the Air Liquide group set off strong reactions in the CGT delegation, which "decided to put an end to practices of unscrupulous financiers". At Vénissieux, the managers and employees of the Transmission & Distribution division of the nuclear group Areva even had the last word in the transfer of their site by their shareholder. They carried off the stake against the turnaround fund Green Recovery. French private equity must henceforth get used to its inconvenient partners…

"In effect, I can sense real union pressure", observes Xavier du Boÿs, CEO of Kiloutou, "but it not necessarily linked to LBOs. It has more to do with setting up the project." Perhaps it could be managed internally. But funds now require their managers to take some of the responsibility for this image problem. "Which is logical enough", as communication professionals like Charles Fleming, president of AMO Paris (EuroRSCG group) explain: "an investment fund does not have an image, for the most part it works by mysterious processes. It needs to be personalised." Where a few months ago, managers undergoing Lbo were required to agree about creating value, they are now requested to contribute their experience about organising the sharing out of value within the group.

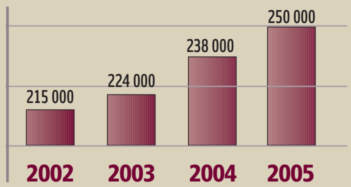
The need for dialogue

"We are pressing for participations to be offered regularly to employees, within the limits of 25% of their remuneration and with a lump sum", recalls Patrick Sayer, the president of the AFIC. "And we recommend that everybody should be involved." Going further, Gonzague de Blignières, the president of Barclays PE, says "You've got to be more admired for what you distribute than for what you make." "In one sense, the market is more mature, but in another, the social and political context has changed. Even if you retain an option of a coherent group of shareholders with primary; on secondary you've got to be more dispersed", confirms Alexis Dargent, partner at Mayer Brown.

And so examples of this "extension" are increasing. With the distributor Frans Bonhomme, managed by Michel Pic, the number of employees associated with successive packages is going to increase to 90, 400 and then 700, via the creation of an employees' company negotiated with the AMF (French regulator). With Keolis, Terreal, Consolis, Materis, Ceva Santé Animale, Geoxia, etc. the setting up of ever increasing circles of participants is just as evident. Of course, there are always some doubters. Some, like Stéphane de Lassus, barrister linked with Sarrau Thomas Couderc, prefers to evoke the continued complexity of financial packages and above all the risk which financial investment in an LBO operation constitutes for an ordinary employee. "Investing in a private company is not a right, but requires a minimum of entrepreneurial spirit and affectio societatis. You must distinguish between priorities for shareholders and for employee savings." What others present as reluctance to share out the cake may also derive from the complexity of the packages. In carve-outs or spin-offs from major groups, the employees are already used to own shares from thier compnay… But in a small firm, often everything still has to be set up from the beginning. "And when it is not done straight away, this is above due to a shortage of time", explains Laurent Travers, the financial director of Scaff-Holding, a specialist in renting out scaffolding and props (with a 100 million euros turnover in 2006). This group was acquired in 2002 by TCR through Suez, and has just been taken over by its managers and bosses supported by Barclays PE: the managers have increased their share of capital from less than 5% to… 51%: The first LBO often gets the financial mechanism understood… the second LBO proposes to associate the 550 employees during the five coming months… The funds can only be delighted to see the managers passing more time helping employee participation than negotiating their management package… And all this helps improve the image of the profession. ■ **Marie Guilhem**

LBO's IMPACT ON EMPLOYEMENT ACCORDING TO AFIC

Constantin & Ass. published in Februray a study commissioned by the AFIC: 200 French companies under LBO created 35,000 new jobs for the last three years (+3,2% by year against +0,6% for the national average), mainly in services.



"Investing in a private company is not a right, but requires a minimum spirit." Stéphane de Lassus, partner of Sarrau Thomas Couderc.

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Major novelties in profit-sharing and shareholding for employees

There are two new phenomena in the French LBO world, explains Bruno Fourage from Mercer HRC. The 30 December 2006 law for the development of employee participation and shareholding has made the system for collective remuneration considerably more flexible, by permitting the enterprise to pay an a posteriori profit sharing supplement of up to 20% of the total salaries bill which is tax free. Previously, it had to be decided before knowing what the profit would be. This law has also set up a collective mechanism for distributing free shares, which may or may not, according to the employees' wishes, be part of a company savings plan. This change should facilitate the establishment of mechanisms for medium term incentives over four years, exactly the right period of a LBO; and increase the circle of beneficiaries.

expansion capital

Pierre-Michel Passy, Antoine le Bourgeois and Pierre-Yves Poirier, partners of Edmond de Rothschild Investment Partners (EdRIP), raised 170 million euros in 2006.

© Olivier Héraut

TRADITION

How to live in the shadow of the LBO?

Why pursue expansion capital when you can make more with a leverage operation? Sustaining growth in the company, maintaining control over it, getting used to partnership with a financier, are the answers for managers. Diversification is the one for the LPs.

Setting off in the capital-development shuttle for a trip into the private equity galaxy will end up, eventually on planet LBO. This might be, in short, the offer made to directors of small and medium sized enterprises who are timidly preparing to discover the universe of capital investment. If they have decided to resist the appeal of debt and the sirens of buyout, but need to structure their capital or a major injection of funding, expansion capital is made for them. This instant version of private equity is also one of the most dynamic in France, with fifty or so more or specialist funds with tickets varying from 100,000 euros for small regional teams to 50 millions for pan-European funds like 3i, specialising on the mid market and the emerging countries. Nearly 450 French entrepreneurs have thus taken this option last year.

Investments made in 2006 in expansion capital surpassed a billion euros. More than one enterprise in three concerned with capital investment in recent months have done so with an expansion capital fund. For the French venture capital association (AFIC), the conclusion is obvious: it is indeed expansion capital which drives the market with 1.5 times as many operations as the Lbo. Does the comparison stop there? The capital invested in them is 6 times smaller than that destined to majority participations which have, nevertheless, known an advance of nearly 25% in 2006 thanks to big operations like PagesJaunes or TDF.

But with the average ticket approaching 10 million euros, expansion capital is losing its image as an "old style" investment, which stuck to it during the 70s and 80s. And even so... The profession is happily getting used to "nice investors", who are rather discrete just when private equity is at the centre of polemics about sharing the creation of value or economic patriotism. The expansion capital has become the moral security for the sector, for the good pupils from the "private equity" class.

The best side of the profession

For expansion capital presents the best side of the profession. The one which is interested in small and medium sized enterprises and domestic markets… "It is true that we are at the heart of the problem of the dynamics of industry and the creation of an eco-system which would be favourable to them, admits Jean-Jacques Vaury, associate director of UI Gestion, which has invested 30 million euros in 6 investments in 2006. "Our commitment with companies, the length of our capital presence and the stability which it implies, the theme of the development of small and medium sized enterprises are all arguments which appeal to institutional investors, pension or insurance funds, confirm Pierre-Michel Passy and Antoine le Bourgeois, respectively president and associate director of Edmond de Rothschild Investment Partners (EdRIP), the autonomous management company for the LCF Rothschild group, whose last fund, raised at the end of 2005, amounted to 170 million euros.

To list the advantages of expansion capital does not necessarily amount to opposing LBO. "We are a stage in the development of an enterprise. In 95% of the cases we have known, it is the first capital opening. The director is not familiar with debt. And we are going to get him used to an environment, familiarise him with the fundamentals and growth logic which might lead him to Lbo," emphasises Christian d'Argoubet, managing partner of EPF, which when created in 1996 aimed at providing "pre-flotation" financings in Europe.

The frontier between buyout and expansion is all the same increasingly tenuous. "Reinforcement of their own funds, sale by minority shareholders, owner buyouts, etc. the typology of operations has been greatly enlarged", warns Benoît Métais, general director of Sigefi PE/Siparex. On the last fund raised at the start of 2006, Siparex made 50% of its activity in expansion capital. This variety of possible activity evoked by Benoît Métais offers the profession an impressive deal-flow. Certainly superior to that of buyouts, even if Pierre-Michel Passy's team once asked whether it would have enough. EdRIP finally achieved 10 dossiers for a sum of 60 millions invested in 2006. Expansion capital is still not very intermediated. There are not yet any Parisian merchant banks but a population of advisers who gravitate around heads of companies (business lawyers, accountants, auditors) and transform themselves into business contributors in nearly 50% of dossiers. The rest comes direct…

Performances are better than assumed

As far as performance is concerned, expansion capital might suffer in comparison with LBO… "We are doing far better than the statistics which credit us with an average IRR of 17%. Our profits are nearer to 25 than 20%, and may be spread over seven or eight years", categorically assert the funds concerned. This is the Rothschild case for 38 analysed exits, with in general 5% of the IRR linked to under-rating on entry (20% for minority positions), and the rest for the growth of the enterprise or the improvement of its profit margins.

Of course, some operations have been able to shoot off the end of the scale. Banque de Vizille, with 450 million euros of equity capital, with 60% invested in expansion, evoke Distriborg, transferred in 2000 with an IRR of 17% over thirteen years. In 2006, the lovely operation is to the credit of EPF, who signed with Cornéal an industrial American exit. The cosmetic medicine giant Allergan payed out 170 million dollars for the small Annecy group in

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"We are a stage in the development of an enterprise. In 95% of the cases, it is the first capital opening and the manager is not familiar with debt."
Christian d'Argoubet, EPF Partners

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EdRIP achieved in January the quotation of Eurilogic, a company specialized in electronic and computer services for industry (here naval intelligence).

which EPF had taken 20% in 2002 at its squeeze out of the French Bourse. The industrial company, specialised in ocular implants which has since developed products for removing wrinkles, was then valued at 22 million euros.

To obtain such profits, the rules are simple: be a major shareholder, be part of the board of directors, and, or course, limit the recourse to leverage. Performance has to be found on growth projects. The enterprise is going to be forced to change size. "Our role goes beyond a minority one. We do the same work as LBO teams. We must be active and inventive. We get involved in the business plan, and help to structure the financial information", confirms Eric Pencreac'h, who is in charge of expansion capital activity and buyout at Crédit Agricole Private Equity.

The debate is open between expansion capital specialists, for whom LBO permits the buying of much more sophisticated assets but does not have growth as a priority, and buyout specialists like Jean Eichenlaub, of European Capital, who assert that growth is also written into their business plans. For Pierre-Michel Passy, an expansion capital operation is above all an association and not a purchase. Because the fund remains in the minority; because it is more dependent on the manager of the company as well.

"We have not got the power to choose the management, that makes its position much more dominant", adds Christophe Tournier, management member of CIC Banque de Vizille. This difference has its cost. The multiple will be different and will permit LBO to sell better.

Two time development

In theory, expansion capital assumes an effect over two periods. The company will undergo a fast acceleration for five years. It will not have optimised the operation being paid with large multiples, but its association with the funds will permit it to put

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its growth project in place. And to make itself attractive for an acquirer, this time a majority one… At Rothschild from 1990 to 2005, on 48 investments and 38 exits, a third were by IPO, a third by corporate exits and a third by LBO. This distribution fairly faithfully reflects the profession as a whole. Rothschild in January achieved the quotation of Eurilogic, a company specialized in electronic and computer services for industry, which increased from 20 to 60 million euros turnover between 2002 and 2006 thanks to external growth. This summer, EPF was able to put 17,5% of the capital of Parrot, specialist in bluetooth telephone for cars, on the market, with 81 million euros turnover. But none of the participants neglected secondary operations, particularly recommended for optimising their contributions. The LBO is also often the choice of the manager who, at first, had opted for expansion capital to remain in the majority and to emphasise the contribution of capital over debt. "We put him on the way to improved performance, and help him structure his teams and to make the best of his financial structure", insists Christian d'Argoubet.

In practice, the growing role of OBOs proves that the founder-managers look more and more kindly upon the buy-out. These owner-buyouts let the manager introduce a minority shareholder and bring out some cash. Ready to repeat the operation, this time with a majority shareholder, a few years later. Today we do almost as many Obos as expansion capital, admit Jean-Jacques Vaury and Benoît Métais. The result: a more rapid circulation of expansion capital operations whose length, for a fund like Siparex, now passes below the five year limit. "Helping a manager to do a cash-out is not what we like best", comments Eric Pencreac'h. "It corresponds less with our expansion capital philosophy". But at the same time, average tickets are regularly increasing from 2 to 5 million francs ten years ago to 5 to 6 million euros today… ■ **Marie Guilhem**

"Capital expansion still represents our core business with 40% of our investments."
Guy Zarzavatdjian, managing partner of 3i Europe

venture capital

Bernard-Louis Roques (Truffle Venture) and Viviane Redding (European Commission), have views on long term investment in technology.

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ABOUT THE EXIT

New IPOs are regaining momentum at "the Bourse"…

Venture exits seem to be back. The true dynamism of the stock markets has opened up the horizons for French VCs in 2006. The profession is rediscovering the delights of new IPOs after a long gap, notably for biotech. The momentum effect might well re-launch the entire sector…

At first sight, it seems like a long time since venture capital in France has been showing so much dynamism. According to the Chausson Finance indicator, the second half year of 2006, with 441 million euros invested in start-ups in France, has been the best since 2000 and the bubble bursting. The year 2006 will certainly be remembered as a very good one, with 811 million euros injected into 550 companies by the 53 venture funds active in France. This amounts to a historical investment record of 1.6 million euros.

The first false note is, however, that the gap between the total sums raised in all investment capital and risk capital remains so large; 8 billion annually against 800 million. The difference is about one in ten and is tending to get bigger. Furthermore, the dynamism of venture in France depends very largely on a reduced group of risk-capital investors, the 10 leading funds (Sofinnova Partners, OTC Innovation, Turenne Capital, Truffle Venture, ACE Management, Crédit Agricole PE, Innovacom, Seventure, Auriga, Innoven, etc.) making up half the investment. In short, the Paris exchange is still too small.

Capital inflow

A massive inflow of capital into innovative enterprises would be like changing gear. This is Philippe Pouletty's thesis, the general partner of Truffle Venture and honorary president of France Biotech. According to him, the solution lies in "a reorientation of the French people's savings habits, particularly from 1,400 billion euros in life assurance to small and medium sized enterprises and seed capital, still lacking in France". The situation might improve a little with the launch of the France Investissement mechanism, held by the Caisse des dépôts on behalf of the State. "The prospect of the State participating left me sceptical at the start, admitted Denis Lucquin, the managing partner at Sofinnova, but I have changed my mind. France Investissement will work with the fund of funds, which seems sensible to me." The minister in charge of small and medium-sized companies, Renaud Dutreil, has announced up to 3 billion euros to be injected into growth companies over six years. Which is quite a lot. Once again the funds have got to be present where promised, but also the notion of "growth small or medium-sized enterprise" must not undergo the same discrete development as the FCPI[1], which "nowadays finances much more than just innovation, as the huge majority of companies concerned already have a turnover of more than 1 million euros", emphasises an official of the Oseo-Anvar innovation agency.

The market supporting the funds

But does bringing in more capital really solve everything? The problem of the size of venture also reappears when you see the new exits, notably on the Paris Bourse. And it is framed in almost ideological terms; the shock waves from the bubble bursting have passed, the situation is improving, but in terms of critical mass, the French market still leaves something to be desired. There is no shortage of positive signals. So although practically all plans for floatation have been frozen since 1999 in the health sector (which attracts a third of VC investments, biotech and medical supplies together), recent quarters have seen the IPOs of Bioalliance and Exonhit Therapeutics

(1) Venture investment funds subscribed by individuals who benefit from tax exemption.

(late 2005), then Cellectis, Genfit and Innate Pharma in late 2006 and early 2007 on the market. The enterprise METabolic EXplorer has just been listed, confirming this trend.

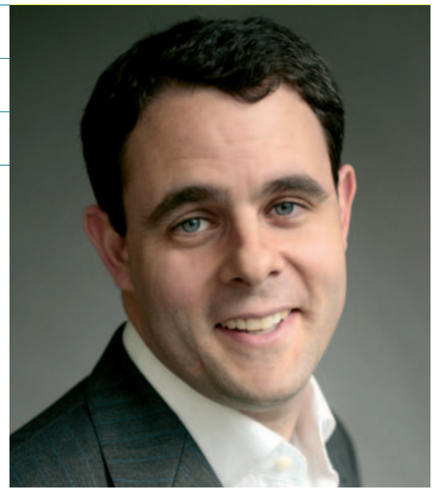
The same thing could be said, nearly, for telecommunications, software and Internet. If the IPOs have never completely stopped, they have been rising again since 2005 with Meetic, Rue du Commerce, Maximiles, Meilleurtaux, Newsweb, Netbooster, Weborama, Xiring, Prodware, and more recently Neuf Cegetel (on Eurolist) or DreamNex… It remains although that Alternext has only 60 members at the end of 2006. And the year has been more generally an excellent one for all the stock markets: Alternext, set up in 2005, has only been taking advantage of this dynamism. At its present rate of development, it will need several decades to play in the same league as its explicit model, the Alternative Investment Market, which already counts nearly 1,500 quoted companies a decade after its creation on the London Stock Exchange.

The European route

"Alternext still has a narrow base, so let us think in European terms", proposes Marc Fournier, a partner with Sgam AI Private Equity. "And let us look to the United States, our point of reference. The difference is clearly in our favour. There were 138 VC backed flotations of high technology companies on the European Stock Exchange during the last twenty-four months, against 97 in the United States. Objectively speaking, the markets are in a good state." Sgam AI PE is furthermore preparing 3 IPOs for IT companies. And Marc Fournier has just added that "industrial exits are just as dynamic. The big groups have reduced their R&D after the bubble burst and now find themselves short of new ideas. They have their needs and often their financial means." This analysis was shared by Philippe Pouletty. "The industrial and technological fundamentals plead in favour of venture for the medium term."

The market thus may reasonably rely on the momentun coming from easier exits. Including floatations? "Yes", Denis Lucquin replies without hesitation. "The IPO remains the sole means for building European or global champions. Nicox is now worth 10 times more than at its floatation in 1999." "For bio-therapeutic companies with no products on the market yet, adds however Stéphane Boissel, CFO of Innate Pharma, the valuation reflects essentially medicines at phases II and III, that is to say those which are not far from being authorised to be put on the market. Everything which is further upstream in development has hardly any influence on the quoted price." Innate Pharma (cancer immunotherapy) was launched on Eurolist in November 2006, with the unlimited support of Sofinnova, present since

"A start-up should not to public without a 15 million turnover."
Marc Fournier, partner of Sgam AI Private Equity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the first round of financing. "An in-depth analysis shows that "trade sell" operations give a higher valuation to a company", adds Denis Lucquin, "the acquirer trusting to the strategic nature of a new technology or a market position. A choice has to be made at certain times: favour the trade sell for a faster exit, possibly in "paper", or to float the company, often at an lower valuation, but in the hope of taking more advantage of strong points later." This is the way for Cellectis, introduced in February on Alternext, which has subsequently benefited from its genome engineering technology and rewriting of DNA sequences, an interesting model for several pharmacy, agro-chemical and bio-production sectors.

"The fact of being quoted gives visibility and credibility", confirms Valéry Huot, managing director of CDC Entreprises Innovation while insisting on the need for related communication. For instance, Efront (publisher of financial software) made its entry on Alternext in December and raised enough to buy the webholding part of Fymasis in March…

"The bad scenario, continues Philippe Pouletty, is where the stock market functions badly and leaves the big groups to set the prices." There is still a long way to go. To the point that some people are even demanding whether the IPOs aren't too easy, paradoxically. Recovery is present in the Bourse, but Alternext remains a new market; a fragile market. The little cold snap in March reminds us how volatile the indexes are. Nobody has the temerity to think that their (personal) champions, even with growth based on sound fundamentals, would be spared in the event of the Bourse going the other way. "The course of the first ones must not discourage the others", notes Philippe Pouletty. VCs under lock-up feel themselves at the mercy of a market full of companies they


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André Choulika, CEO of Cellectis, and Stéphane Boissel, Innate Pharma's CFO.
Two of the main French IPOs in biotech during the last months.


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would not have selected!

For Marc Founier, a start-up should not go public without a 15 million turnover: "The good IPO was Parrot's". The specialist in bluetooth technologies was floated in June 2006 on Euronext, sustained by a 2005 turnover of 80 million euros, up by 140%, with a net profit of 7.7 million. The price has progressed 50% in nine months. "Certain candidates are not ready", confirms Pierre-Louis Amancic, taking-up advisor with the boutique Havila Partners by evoking the discussions with the AMF (French regulator). "Strategy and growth rhythm count for as much as turnover", corrects Bernard-Louis Roques, a partner with Truffle Venture, who talks about quickly reaching capital of 100 million. Netbooster arrived on Alternext in July 2006 with an annual net increase in sales of 70% and the objective of becoming the leading quoted player in its sector [qualitative evaluation of visits to web sites]. And Dietswell, specialist in petrol drilling which had failed its private placement in October, was successful in its quotation in January, after a concerted communications effort around its economic model. Truffle has anyway retained the essential part of its participation and wishes to build a group for the long term.

The funds have a role to play "up to 50 or 100 million euros turnover" according to Pierre-Louis Amancic. "The idea is to follow them up until compartment C on Euronext, which should coincide with our exit", suggests Valéry Huot, according to whom "it is no longer possible to enter the market as contraband on the basis of an economic model drawn up schematically. The analysts are on the look out, it will be a failure". ■ **Erwan Seznec**

"The industrial and technological fundamentals are in favour of venture for the medium term."
Philippe Pouletty, general partner of Truffle Venture and honorary president of France Biotech.

IDENTITY

EDMOND DE ROTHSCHILD CAPITAL PARTNERS

GROUPE LCF ROTHSCHILD

PORTFOLIO

Having decided to set up a LBO group, La Compagnie Financière de Rothschild had recourse to two former Astorg Partners employees who raised a team and set up their first funds in October 2004. Edmond de Rothschild Capital Partners so far boast of 7 investments, 4 of which were realised in 2005.

Taking a position on enterprises worth from 30 to 200 million euros, the fund aims for the active growth of its participations, principally by roll-out and/or buy-and-build. It should launch ERCP II in the course of 2007 with the objective of raising 300 million euros.

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Edmond de Rothschild Capital growth accelerators

With a clear Lbo strategy of growth by roll-out and/or buy-and-build, the Edmond de Rothschild Capital Partners has been able, quite apart from its name, very rapidly to build a reputation in the small world of the French mid market.

The profession includes a few famous double acts. The one formed by Erick Fouque, 45, and Eric de Montgolfier, 41, is one of them. "We are one of those quadras who already have twenty years of private equity experience behind them", they recall. The two partners met at the start of 1990 at Astorg's, in the final days of the old joint-venture between Idi and the Suez group. They contributed to Astorg I's track record, and then took charge as co-founders of Astorg II, from 1998 until 2002.

Michel Cicurel was then seeking to reinforce the presence of La Compagnie Financière Edmond de Rothschild, which he heads, in private equity. The house is active in institutional and private management and already has an expansion capital and venture capability. It seeks to create aa LBO capability to complete its armoury and take advantage of possible synergies in raising funds, deal-making and estate management.

An entrepreneurial opportunity

An entrepreneurial opportunity you cannot refuse. From a single blank sheet of paper, the "2 Erics" are building a mid market Lbo strategy for Edmond de Rothschild. They have the market segment of companies worth from 30 to 200 million euros in their sights. Rather than a semi-captive, it is a completely autonomous subsidiary structure named Edmond de Rothschild Capital Partners (ERCP). Its prestigious sponsor is providing 30 million euros towards the aim of raising funds of 200 million.

The new team starts its activities in september 2002. The timing could hardly be worse. "It was the worst period", the investors recall. They closed the funds in October 2004 at 210 million euros. At that date, ERCP already had 2 investments to

DEALS

Bonpoint

The funds first investment made in September 2003, a luxury brand children illustrates the roll-out strategy shown by some of ERCP's participations. Expanding by a dozen openings a year in France and abroad, Bonpoint expects to surpass 50 million euros sales in 2007, growth superior to 15% a year since 2003. The exit, in February, returns more than 3 times the investment.

Via Location

A pre-emptive offer allowed ERCP to win the deal in January 2004. The second most important multi-specialist industrial vehicle-hire group in France has change its "mix" of activities to concentrate on the core business of long term rentals and maintenance. It has created a nearly 70% Ebit increase in three years. And permits, at the exit in March, a return near of 3 times the investment.

Médiascience

ERCP enters as majority shareholder for the leader of science teaching equipment in France in February 2005. At the time, Médiascience boasts 41 million euros sales and a rich catalogue of 8,000 references. Today, the company is aiming for a turnover close to 50 million, basing its development increasingly on the international market.

H3S

The founder of the French number 2 in the specialised free press chose to structure an OBO with ERCP in April 2005. Today it can boast of doubling its Ebit and of a fast acceleration of its growth thanks to the creations of new editions in France and abroad, notably the acquisition of a competitive title in the Paris region and of the French-Swiss leader in the sector.

Lavance

The French leader in car wash distribution and maintenance was sold in July 2005 to ERCP. It then had a turnover of 35 million euros and was responsible for 4,500 sites. The group strategy is to redirect its core business from a trading model to a services model with contracted B-to-B.

Acteon

The leader in small scale equipment and dental disposables has achieved 2 acquisitions since July 2006, in Germany and Italy. Its current growth should allow it to enter the world top 10 within five years. A scenario which has won over ERCP. Management has furthermore persuaded shareholder to retain his capital until the end of 2010 to provide time to put this strategy into effect.

KEY WORDS

- PRESTIGIOUS NAME
- INTEGRITY AND LOYALTY
- ENTERPRISE CULTURE
- MANAGER FRIENDLY
- STRATEGIC VISION
- ROLL-OUT AND BUY-AND-BUILD

Partners :

[210 million euros under management]

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PARTNERS >>>

ERIC DE MONTGOLFIER

Co-founding partner of Edmond de Rothschild Capital Partners in 2002. Eric de Montgolfier has seventeen years experience of private equity in the French market. From 1990, he first acted as associate then senior associate at Astorg Compagnie d'Investissements.
In 1998, he was one of the co-founders of Astorg Partners, the management company for Astorg funds II, focused on leveraged build-ups in France. He is a graduate of ESCP.

ERICK FOUQUE

Co-founding partner of Edmond de Rothschild Capital Partners in 2002. Erick Fouque has twenty years in private equity in the French market. In 1986, he launched a start up in the cosmetics industry. From 1988, he spent ten years at Astorg Compagnie d'Investissements, where he was successively as associate then senior associate.
In 1998, he was also one of the co-founders of Astorg Partners, the management company for Astorg funds II. Erick is a graduate of HEC.

In three years, the team will have studied about 20 external growth target areas and will have achieved 7 acquisitions.

Viadom

Viadom achieves a turnover of nearly 37 million euros in the services sector for people at home.
ERCP anticipates the group, which began with home hairdressing, will become diversified into housework and gardening, at the same time as geographical expansion to cover all of France to create a multi-service group and the leader in terms of profitability.

its credit: Bonpoint and Via Location. The funds built their team by stages: 3 seniors, coming from 3i, Chequers or Astorg, but also 3 juniors, with an experience in private equity, audit, M&A and mezzanine debt. "This is the right sized team for managing the present funds, the partners remark. ERCP is organised around flexible deal teams of 3 people capable of concentrating on growth accompaniment and acceleration, which is the heart of our strategy."

Roll-out and buy-and-build

On their blank sheet, Erick Fouque and Eric de Montgolfier have in effect inscribed roll-out and buy-and-build as privileged tools of the pro-active growth they advocate, especially in the four principal activities where their track record was built: services, distribution, media and health. Bonpoint and the development of its network, opening a dozen shops a year, illustrate what they mean by roll-out. As for buy-and-build, they suggest looking at Acteon. The Bordeaux industrial group intensifies its acquisitions to enter the world wide top 10 manufacturers of small scale equipment and expendable dental products.

"We have already achieved in a year 2 external growth operations each needing reinvestment. This is the proof that acquisitions under LBO debt can be made, all the more so as there is no hesitation in reinvesting", explain the investors. In total, explains Eric de Montgolfier, "the team and the management of portfolio companies will in three years have studied about 20 external growth target areas and will have achieved 7 acquisitions".

With also 7 participations in the portfolio, the ERCP team estimates itself to be up with the investment pace. The year 2006 has been much less busy for the team, which is selective and has only signed 1 operation, as against 4 in the previous year. "We have also made 2 reinvestments and 2 recapitalisations, adds Erick Fouque, and we probably won't go beyond 10 to 11 operations for the present fund." The synergies with the other arms of the Compagnie Financière have been functioning as well. Private banking and the colleagues in expansion capital have facilitated access to 2 of the 4 ERCP's friendly deals.

The team, whose portfolio is regularly sought out by corporate groups, has already secured its 2 first exits, from Bonpoint and Via Location. The year 2007 in effect corresponds to Edmond de Rothschild Capital Partners' return on the fundraising road. The team expects raising a second fund of 300 million euros. ■ **Marie Guilhem**

Refocusing on wellness products, R&D, a new industrial base and acquisitions in the Southern Hemisphere… Diana Naturals has increased its sales by 26% in three years.

landmarks

> 1954
Jean Guyomarc'h founds his enterprise specialising in animal food at Vannes (Morbihan)

> 1990
takeover of the Guyomarc'h group by Paribas

> 1999
refocusing on animal foods, ending animal raising and slaughtering ; legal independence of Diana Ingredients

> 2004
Lbo by Cognetas

> 2005
sale of BCF

> 2006
renovation of production sites for natural extracts and construction of a highly efficient protein production unit in France

> 2007
Acquisition of Biofruit in Chile (natural extracts), and construction of the pet food ingredients factory in the United States.

PET FOOD AND INGREDIENTS

Cognetas transforms Diana Ingrédients

Transfer of the "amino acid" business, repositioning natural ingredients, consolidating the pet food sector via investment, diversification of culinary ingredients… The company has found the right recipe with the first LBO conducted by Cognetas.

If Diana Ingredients has advanced in ten years from a local SME based in Brittany (small or medium-sized enterprise) with a strong industrial culture to a major international food sector group familiar with segmentation marketing techniques, it has something to do with Cognetas presence as shareholder. The company had started its transformation earlier, but the results of the former subsidiary of the animal food group Guyomarc'h are nevertheless progressing in a spectacular way since its purchase by the fund in 2004: the turnover advances from 161 to 254 million euros between 2003 and 2006, with an Ebitda which increases on average by 19% a year over the same period, with a marked internationalization (68% of turnover) indicated by the opening of business offices in China, Thailand or Argentina. So what were the "ingredients" of this success?

In late 2003, Diana Ingredients is for sale: the company operates in niche markets where it has acquired strong positions, flavourings for pet food, amino acids for the pharmaceutical industry, also producing natural extracts and culinary ingredients. Its internal growth rate reaches 10% with the encouragement of its principal shareholder, the bank Paribas, which manages its participation in the traditional way since taking over Guyomarc'h in 1990. But the merger with BNP in May 2000 changed the situation: the new banking giant wants to unload the majority industrial participations inherited from Paribas.

So in May 2004 it is Cognetas who acquires 85% of Diana's capital for 270 million euros, ahead of Axa Private Equity, Candover, Bain Capital and the two-headed ABN Amro-Barclays. Six months studying the case and analyzing the results, and above all the intense discussions between the fund and the management led by Olivier Suquet have assured both parties that they have a similar understanding of the sector and the strategy needed: an understanding which is a precondition for the fund playing the role of "growth accelerator". "Diana Ingredients had to be reconstructed around activities linked to taste and nutrition, where the company still seemed to possess a strong potential for growth", added Patrick Eisenchteter, the Cognetas partner in charge of this investment. So it was logical that one of the first decisions was to sell activities outside the core business, such as the production of amino acids: Bretagne Chimie Fine is sold to Siparex and Céréa Mezzanine for 25.5 million in July 2005.

Refocusing and repositioning

The repositioning of Diana Naturals, the natural extracts division, is the second task: this means passing from a development strategy on all fronts to a more targeted strategy. This subsidiary in fact commands a very wide product range for soups, sauces, drinks and pre-prepared meals, made up from successive acquisitions, the last of which in June 2004 was Villers, a subsidiary of Nestlé specialized in dried fruit, vegetables and meat. But as the market is becoming more segmented and more international, it suffered from a lack of innovation and differentiation in its products, and from outdated production facilities. As an answer to these challenges, Diana appoints at the head of its subsidiary Antoine Coutant, formerly manager of a big international group. With the help of Thomas Derville, the operating partner of Cognetas, he is going to reposition Diana Naturals in the very profitable health and wellness sector.

The subsidiary is redoubling its research and development efforts in this area, bringing out products such as polyphenol apple extract with anti-oxidizing properties, which is used in basic foods and food supplements. At the same time, the industrial base is being reorganised around 4 production sites, each concentrating on one specific product category: extracts for baby food, seafood and meat extracts, vegetable extracts and niche products, and standardized extracts produced in mass quantities. In 2006, the subsidiary puts a vast restructuring plan into effect, costing 6 million euros, and closes 2 units with inevitable social consequences (52 of the 65 employees affected by the restructuring having been redeployed). Finally, to eliminate seasonal variation, Diana acquires a supply system in the Southern Hemisphere, the Chilean company Biofruit. Strengthened by this optimal situation and the new production base, Diana Naturals sees its sales grow strongly between 2003 and 2006 (+26%), to 89 million euros, driven notably by its successes in the baby food and flavoured drinks markets.

R&D efforts for pet food

The situation is rather different for pet food ingredients, which represent 46% of total activity when Cognetas bought Diana: in spite of its firm position in Europe and recognized know-how in developing those critical appetizers in pet foods, the Pet Food Specialities department (SPF) is confronted with a problem of capacity in a market where demand must be treated on a global scale. At the same time, the management is questioning the long term future of the loss-making American production unit. "Nevertheless we remained confident about growth prospects in the United States, with Europe and Asia one of the three major markets, explains Olivier Suquet. Thus we have agreed with Cognetas to change this subsidiary's management and to let it benefit from its French equivalent's know-how for luring an animal of its food. Otherwise, to move closer to the clients and

300 cats and 120 dogs regularly test the Diana Ingredients flavourings.

cope with strongly increased demand, we have opened new production facilities in Hungary and Mexico."

These investments are going to prove

"The operating partner both helps creating value and transmits information between the fund and the management."

profitable: having become uncontested world leader in a sector undergoing concentration and where the number two, AFB International, just bought the number three, NuPetra, SPF doubled its turnover between 2003 and 2006. This subsidiary is also going to invest a supplementary 8 million in the construction of a second production unit in the United-States, which should become operational in September.

As if one were necessary, the final proof of Diana Ingredients' transformation is the diversification in the third most important activity, culinary ingredients. Very dependent on the bacon slices market for the cooked meats industry, with low profit margins, CAP Diana succeeds in three years to enter the market for sauces, and then the CAProteins, which are binding meat proteins for the meat industry, with 4 million euros investment in 2006 constructing a production site in Pleucadec (Morbihan). The impact of repositioning itself around these products with large profit margins is clear: sales have progressed by 35% since 2003, from 22 to 30 million euros in 2006, and the Ebit margin from 5.1 to 11.6%.

At the moment of assessment, when Cognetas considers selling its participation, both partners can boast of having reached their objectives a year ahead of the initial plan. Success which will lead Olivier Suquet and his management to try the LBO adventure again despite being reluctant about debts considered too high in the funds proposed financial package. The takeover candidates are informed... ■ **François de Soulanges**

DOUBLE VISION

Olivier Suquet, manager of Diana Ingrédients, and Patrick Eisenchteter, Cognetas associate, recall their relationship during this Lbo.

PRIVATE EQUITY : How did your story start ?

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Olivier Suquet : Jean Ducroux and his team came to visit us in September 2003 for the first time. During the following month, they were able to show us their real interest in our firm and in its specialized market in particular... in spite of a strange habit of turning the conversation towards yachting, my favourite hobby.

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Patrick Eisenchteter : From the start we had a very good relation with Olivier and his team, which allowed us to agree on strategy in the event of our offer being successful. With this leg up, we were allowed to concentrate exclusively on the purchase process.

PRIVATE EQUITY : What has been Cognetas's contribution since it started its participation ?

OS : We particularly appreciated Cognetas's confidence in 2006 when they agreed to reinvest and raise the industrial base to the required norms, and construct a new pet food factory in the United States, rather than insist on recapitalization.

PE : At the very start of the deal, we were very deeply involved in the transfer of Bretagne Chimie Fine. But late we also actively participated in researching possible acquisitions for Diana Naturals.

PRIVATE EQUITY : What has been the role of the operating partner of Cognetas ?

OS : Thomas Derville's last experience with Unilever Bestfoods, where he worked on the health and wellness position of their brands, was very useful to us as part of our strategic thinking about the natural extracts market.

PE : The operating partner is not a spy for the fund: he both helps creating value and transmitting information between the two parties. We formed a veritable trio with him and the management.

INTERNET SERVICES

Newsweb, constructing a portal for men

The VCs in the style of Alven Capital have just transferred this online information sites group for men to the Lagardère group. A real success in spite of "difficulties".

newsweb

Premier groupe média sur Internet

Boursier.com re-inforced the idea of a strategic move towards a group of sites targetting the male audience.

1999, the French team having just won the football world cup, Alexis Caude returned from his experience in strategic management with Universal Studios in the United States and decided to copy an already existing business-model from across the Atlantic… "The Americans don't know a lot about "soccer", but their sites about top sportsmen had just raised funds from famous VCs: I thought about carrying off a financial coup", the entrepreneur admits… In November, he signs a contact with the player Nicolas Anelka and launches Athleteline.com, a publishing company for champion sites in association with the journalist Hugues Dangy (for content) and the financier Cédric Baumer (for management). Charles Letourneur and Guillaume Aubin, the two founders of Alven Capital which will be born several months later, are associated with "friends and family" capital.

From 2000, the company takes over from Canal+ the Internet rights of all its sportsmen – except Zidane – and signs about fifty contracts with most of the world champions (Deschamps, Desailly, Barthez, Lebœuf, Lizarazu, etc.). In June, Athleteline thus seals a first real financing round (of 1 million euros) with Alven Capital, but also BNP Paribas Développement, Capital-Invest (Aubay Technologies) and Qualis. It was not easy all the same, as the Internet crash is not far away and these sites do not achieve much turnover yet (neither in advertising nor in spin-offs or other signed photos as in the United States…).

Content production

Very quickly, the business becomes aware of its own limits. Although the second financing round seems complicated, in mid 2001, it diversifies in TV production on behalf of the satellite channel range TPS Star and Infosport (notably with the programmes presented by Didier Deschamps and Marcel Desailly). The company opens its capital (up to 1.5 million euros extra) to M6 and Suez, who want to prepare the convergence of web, television and cell phones – Jean d'Arthuys also joins the board of directors. "This management has always grabbed any good opportunity for diversification and succeeded in uniting different professions", suggests Charles Letourneur from Alven Capital, partner from the very beginning.

In June 2002, the French football team makes a mess of its world cup and the customer channels announce that they do not want to renew their TV programmes: "At this particular moment, we started again from zero, without any turnover", the founding manager continues. It then learns about Sports.fr being in receivership. This site was launched in France (with 15 million invested and completely lost) by the Sports.com group (CBS, Soros, Chase, etc.), suffering from intense competition on a sports information market which was free on line, and which targeted advertising could not make profitable… The deal was settled for a mere 50,000 euros in 2002, and all the Athleteline.com shareholders return to the kitty (about 300,000 euros), convinced that there are possibilities in producing multimedia content.

In 2003, the company, renamed Newsports, restructures the information site – the number of journalists notably decreases from 24 to 11 –, and signs a contract with Wanadoo Sport, which should assure regular revenue. With advertising taking off, it breaks even in late 2003. The betting site Sport4Fun is also on sale. Because of the French gambling legislation, the prizes (from t-shirts to sports cars) are provided there by the advertisers; therefore, this company acquires considerable know-how in direct marketing, permitting the generation of new traffic towards the Newsports sites. The transaction is more complicated than the previous ones, and is carried out in "paper" in 2004, Sport4Fun becoming a 100% subsidiary. The management immediately optimises synergies, notably for technical and administrative costs, with another little wave of departures to manage… From 1.1 million turnover in 2003 (and losses of 600,000 euros), the group reached a 2.7 million turnover in 2004 (with 139,000 euros Ebitda). Since 2005, the whole structure draws the second biggest Internet audience for sport in France (behind lequipe.fr and ahead of Yahoo! Sport, Sport24.com, TF1 Eurosport, Football365 or Sporever), and the biggest if Wanadoo Sport is included.

2006, key year

At the same time, Laurent Jacob has developed the Boursier.com site as a little Boursorama, of which he remains the sole shareholder and which has won its audience thanks to a purchasable newsletter which is recognised for its stock market recommendations. Above all, his principal competitor has meanwhile become an on-line broker and has not been able to count on the flow of advertising from other financial intermediaries. This opportunity was quickly seized by Laurent Jacob to improve his turnover (2.2 million in 2004) and his profit margins (0.7 million Ebit). At the end of 2005, he wants to sell up and Alexis Caude hears about it through Jean-Charles Moulin, his shareholder through BNP Paribas Développement… The idea of creating a group of sites for men based on the model of auféminin.com takes shape. The transaction may be made for 11 million euros; 8 in cash, 3 in paper. But the necessity to raise 6 million (more than 3 million debt) presents itself as a chance to float the group of sites: with a successful private pre-IPO, the operation is carried out on 12 January 2006 for a market cap of 30 million, of which 6 million euros are new. It unites Newsports (3.1 million turnover and 0.45 Ebit in 2005) and Boursier.com (2.9 millions turnover and 0.9 Ebit in 2005) within Newsweb, before a floatation on Alternext at 10.65 euros a share. With similar professions and targets, it can bring together complementary advertisers.

The rest of the year is also going to be eventful with the launching of the community site football.fr (with chat, forums and blogs), then autonews.fr. At the end of 2006, the turnover reached 9 million euros, for about 3 million Ebit. And the share price, already rising strongly in the spring, has more than doubled to nearly 24 euros in spite of the turbulence in June… All the same, Newsweb stock is not very liquid for the VCs, particularly as its value has not been the object of a real public appeal for savings before deposing the reference document in August.

When the shareholders hear, during the summer 2006 the major French media announce that they have missed the bus on Internet, an exit way emerges. And the management sense that it is time to think about an industrial transfer. The M&A specialists network is re-launched, Lazard is given a mandate with Matthieu Pigasse and Andrea Bozzi, the respective contacts of Jean d'Arthuys and Charles Letourneur, whose way in with the major media may prove very useful considering the small size of the dossier. Three corporate groups are set in mutual competition, a few Lbo funds try to get in on the act… On 12 December, Lagardère wins the game. The group, in the process of constructing a real "sport" division with the purchase of big clubs, the rights manager Sportfive, and hence specialised media… on 15 December took over 75.2% of the capital at 24.70 euros a share – a bonus of about 10% –, and launched a purchase offer for the rest which values the company at 74 million euros. For the Alven Capital funds, hence forward accustomed to two-figure multiples, that represents all the same more than 6 times the original stake. "It is a cause for satisfaction to have invested in only 3 managers and a slideshow…" ■ **Fabrice Anselmi**

landmarks

> 1999
creation of Athleteline.com, signature of a contract with the football player Nicolas Anelka

> 2000
buying up the contracts of Canal+ sportsmen, 1st round of financing from the VCs

> 2001
launch of TV production, opening the capital to M6 and Suez

> 2002
purchase of Sports.fr

> 2003
contract with Wanadoo Sport

> 2004
purchase of Sport4Fun

> 2006
buying up Boursier.com and IPO on Alternext; sale of the whole ensemble to

> "VCs have always been at our side in difficult moments: they are above all men who have belief in other men…"

DOUBLE VISION

Alexis Caude, president of Newsweb, recalls with Charles Letourneur and Guillaume Aubin, partners of 'Alven Capital, this shared adventure.

PRIVATE EQUITY : What conclusions are to be drawn from this successful partnership?


DR

Alexis Caude: VCs like Alven Capital and BNP Paribas Développement have always been at our side in difficult moments: they are above all men who have belief in other men… They remain close to the lines of investment and do their work seriously, always asking the right questions, etc.



DR

Charles Letourneur, Guillaume Aubin: On this operation, we have always been very close to the management and present on the board up to introduction: we left at that moment as we want to have the possibility to sell our shares if necessary (instead of which we have increased them).

PRIVATE EQUITY : But the story seemed ill fated…

AC : It was clear, almost from the start, that we had staked neither on the right industry nor the right project. But the VCs trusted us… They played a role at each turnaround, notably in sometimes bringing us opportunities for a new transaction.

CL, GA : This operation was important for us, it was one of the first when we had created Alven Capital: we were conscious of how this management was complementary and it had furthermore never made any mistake in spite of the difficulties it had encountered.

PRIVATE EQUITY : What of the future after this symbolic exit?

AC : Personally, I remain president of the direction of Newsweb with the willpower to stay at the heart of the numeric strategy of the Lagardère group, who has just named Didier Quillot (ex-director of Orange France) at the head of its "active media" division. With the JDD site and those of other magazines, there remains much to be done…

CL, GA : This sale to a major european press group marks an emblematic turn towards Internet and numerical media; in spite of the recent doubts of certain media about their capacity to appropriate Internet for themselves.

Fundraising tables

In partnership with Access Capital Partners

Each month, a global view of the fundraising market in Europe. Here a selection for France.

TYPE	GP	FUND	OBJECTIVES (M€)	LOCATION
BUYOUT	APAX PARTNERS	APAX EUROPE VII	10000	WESTERN EUROPE
BUYOUT	PAI PARTNERS	PAI EUROPE V	5000	WESTERN EUROPE
BUYOUT	INDUSTRI KAPITAL	IK 2007	1250	WESTERN EUROPE
BUYOUT	ASTORG PARTNERS (*)	ASTORG IV	800	FRANCE
BUYOUT	PRAGMA CAPITAL	PRAGMA 2	300	FRANCE
BUYOUT	IPE	IPE EXPANSION FUND	250	FRANCE
BUYOUT	QUARTUS GESTION	QUARTUS CAPITAL II	200	FRANCE
BUYOUT	OCCAM CAPITAL	OCCAM I	150	FRANCE
BUYOUT	SGAM AI PRIVATE EQUITY	SGAM EASTERN EUROPE FUND	150	EASTERN EUROPE
BUYOUT	SGAM AI PRIVATE EQUITY	SGAM NORTH AFRICA FUND KANTARA	150	NORTH AFRICA
BUYOUT	SIGEFI PRIVATE EQUITY	SIPAREX MIDCAP II	150	FRANCE
BUYOUT	TCR CAPITAL PARTNERS	TCR CAPITAL PARTNERS III	150	FRANCE
BUYOUT	ACLAND	ACLAND III	100	FRANCE
BUYOUT	CÉRÉA GESTION (*)	CÉRÉA LBO	100	FRANCE
BUYOUT	INDUSTRIE ET FINANCES PARTENAIRES	INDUSTRIE ET FINANCES II	100	FRANCE
MEZZANINE	CAPZANINE	CAPZANINE II	250	FRANCE
MEZZANINE	FINAMA PRIVATE EQUITY	ACTO MEZZANINE	150	FRANCE
MEZZANINE	CÉRÉA GESTION	CÉRÉA MEZZANINE	100	FRANCE
VENTURE	CDC IXIS INNOVATION	CDC ENTREPRISES III	300	FRANCE
VENTURE	PARTECH INTERNATIONAL	PARTECH INTERNATIONAL V	300	WESTERN EUROPE
VENTURE	CRÉDIT AGRICOLE PRIVATE EQUITY	CACI 2	150	FRANCE
VENTURE	INNOVACOM	INNOVACOM VI	150	FRANCE
VENTURE	TRUFFLE VENTURES	TRUFFLE VENTURES PROGRAM II	150	WESTERN EUROPE
VENTURE	VENTECH	VENTECH III	150	FRANCE
VENTURE	I-SOURCE	I-SOURCE 3	110	FRANCE
VENTURE	360° CAPITAL PARTNERS	360° CAPITAL PARTNERS	100	FRANCE
VENTURE	ALVEN CAPITAL	ALVEN CAPITAL III	100	FRANCE
VENTURE	TURENNE CAPITAL PARTENAIRES	TURENNE VENTURE CAPITAL FUND	100	FRANCE
VENTURE	CRÉDIT AGRICOLE PRIVATE EQUITY	CAPENERGIE	80	FRANCE
VENTURE	ENTREPRENEUR VENTURE GESTION	EENTREPRENEUR VENTURE 2	80	FRANCE
VENTURE	XANGE	X PANSION	75	FRANCE
FOF	FINAMA PE	QUARTILIUM III	350	WESTERN EUROPE
FOF	AGF PRIVATE EQUITY	AGF PRIVATE EQUITY HOLDING EUROPE V	350	FRANCE
FOF	AXA PRIVATE EQUITY	AXA PRIMARAY EUROPE IV	225	WESTERN EUROPE
FOF	ALTIUM CAPITAL GESTION	MONTAIGNE CAPITAL	100	WESTERN EUROPE
FOF	UFG PRIVATE EQUITY / SCHRODERS	DIADÈME GLOBAL SÉLECTION	100	GLOBAL
BUYOUT FOF	NATIXIS PRIVATE EQUITY	DAHLIA	400	WESTERN EUROPE
BUYOUT FOF	AXA PRIVATE EQUITY	AXA MIDCAP EUROPE	250	WESTERN EUROPE
BUYOUT FOF	OFI PRIVATE EQUITY	OFI EUROPA I	100	WESTERN EUROPE
SECOND. FOF	AXA PRIVATE EQUITY	AXA SECONDARY FUND IV	2050	WESTERN EUROPE

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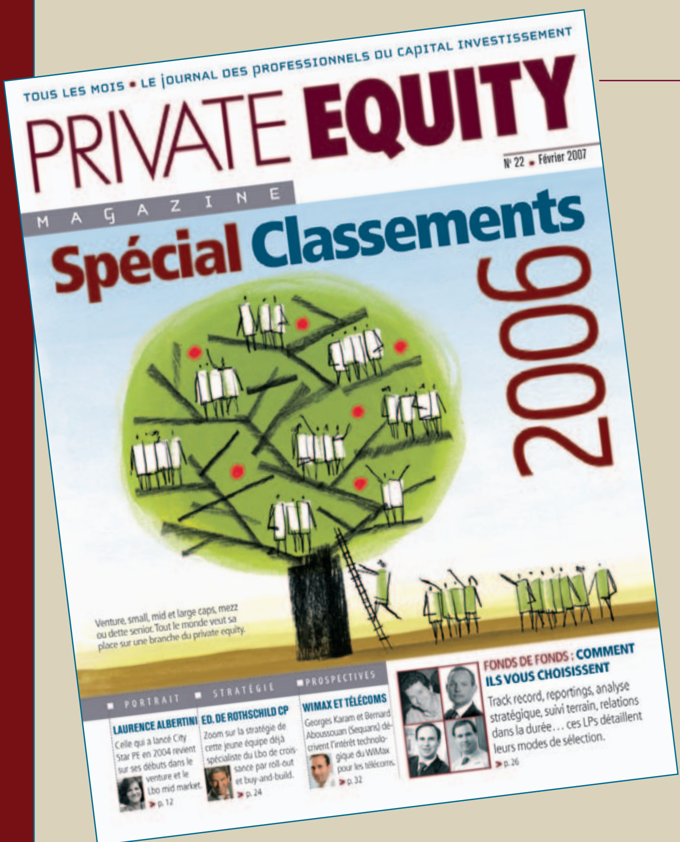

THE MEN, THE FUNDS, THE IDEAS, THE DEALS…

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Deals table

Each month, Private Equity Magazine presents a selection of deals, in France or in Europe.

KEY	
D: debt	E: equity
	M: mezzanine
L: legal adviser	
F: financial adviser	
A: accounting adviser	
T: technical adviser (strategy, insurance, environment…)	

	Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO 2, TELECOMS	4,850 M€ E 1,000 D 3,900	TDF (France)	TPG (42%), CDC (24%), Axa PE (18%), Charterhouse (14%) ADVISERS : F: Merrill Lynch; Toulouse & Ass.; L: Bredin Prat; Cleary Gottlieb; Shearman & Sterling; Latham & Watkins; Mayer Brown; Taj; A: KPMG; Deloitte; T: Marsh; D: Citigroup, BNP Paribas, Merrill Lynch, Morgan Stanley, HSBC	Charterhouse (55%), CDC (30%), CDC Entreprises (14%) ADVISERS : F: HSBC; A: E&Y TAS; T: OC&C; L: Ashurst; E&Y LF

Texas Pacific Group (with 42%) and Axa PE (18%) made a new Lbo on TDF, for 4.85 billion euros,about 10.9 time the Ebitda 2006, after one set up in 2002 by Charterhouse and CDC (with CDC Entreprises) in two stages. Two of the three former players, who had organised a refinancing in early 2005 and multiplied their initial stake by nearly 3 (with the early 2005 refinancing), are reinvesting respectively at 14 and 24% (with the management rising to 2%). The business plan established by the new president since June, Michel Combes, anticipates turnover increasing from 954 million euros in 2005 to 1.2 billion in 2010 to assist the broadcaster's clients in the changeover to all numerical (TNT, TVHD, cell phone television in DVB-H mode, numerical radio, etc.), in France but also abroad (Slovakia, Spain, etc.). But it needs new capital: although several financiers were interested (BC Partners, Cinven, Eurazeo, Macquarie, Wendel have been mentioned), two consortiums (with PAI-Goldman Sachs) have been present in the pre-emptive offers before even the standard auction was set up, and have precipitated a sale in record time. Debt would rise to 3.97 billion (more than 8 times the provisional Ebitda), including 450 million in lines of credit for financing acquisitions. The future build-ups of the ex France Télécom subsidiary (after Antalis and SmartJog, see the pages about launches) might reach 1 billion in five years. With debt mostly to be repaid in fine, TDF wants to consecrate a large part of the resulting cash flow (438 million Ebitda 2006) to invest another billion in numerical infrastructures. TPG: T. Serra, P. Costeletos; Axa PE: Dominique Senequier, D. Gaillard; Charterhouse: L. Giaccomotto; CDC: D. Marcel, J. Bensaid

	Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO 2, RETAIL	3,460 M€	Vivarte (France)	Charterhouse ADVISERS F: Goldman Sachs; Hawkpoint; L: Ashurst; Wilinski Scotto; Wilkie Farr; Linklaters; E&Y LF; T: OC&C; D: RBS; JD: Gide Loyrette Nouel	PAI Partners (66%), Sagard ADVISERS F: Rothschild & Cie; A: EY TAS

PAI has sold Vivarte to Charterhouse for about 3.46 billions, 9.5 times the Ebitda for 2006. PAI had removed the footwear and clothing distributor from quotation in April 2004, valuing it at 1.5 billion. This offers the funds almost 5 times their stake – Sagard which came as support should keep its approximately 10%. With Georges Plassat at its head, Vivarte has increased its Ebitda by 60% in three years. The group (2.3 billion turnover 2006, 360 millions of Ebitda) has achieved some major optimisation work on sourcing, Kookaï's turnaround, making the most dynamic use of all the shops, closures, re-localisations, renovations – notably of La Halle and La Halle aux Chaussures – openings or repurchasing of franchise outlets… Being unable to make an understanding with Charterhouse, the Descours family (22,8%) is also bowing out, and while the management has reached almost 15%, Georges Plassat 10%, the 15,000 employees are potentially at 5% via a bonus to be reinvested. After taking over Naf Naf and Beryl, the package will finance the movement towards Europe (notably the South) and the new sectors (accessories, perfume). Charterhouse: L. Giacomotto, S. Morgan; PAI Partners: M. Paris, E. Bouchez; Sagard: A. Ernoult-Dairaine; A. Chevrière

	Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, BUILDING, CHEMISTRY	2,400 M€ E 600 D 1,800	Lafarge Roofing France)	PAI Partners (65%), Lafarge (35%) ADVISERS F: BNP Paribas; Morgan Stanley; Goetzpartners CF; Callisto; L: Wilkie farr; Allen & Overy; Wilinski Scotto; E&Y LF; A: PwC TS; T: Roland Berger; Creative Value; D: BNP Paribas; JP Morgan, Bank of America; SG CIB; Mizuho	Lafarge (100%) ADVISERS F: JP MOrgan; Rothschild & Cie; L: Freshfields A: PWc TS

Beating LBO France, (who already owns Terreal), PAI took up 65% of the capital of Lafarge Roofing based on an enterprise value of 2.4 billion euros (including 420 millions of existing debt), 9 times the anticipated Ebitda for 2006. Lafarge (16 billion euros turnover in 2005) is refocusing around cement and concrete, ans spins off its roofing business, although it is world n°1 with a 1.5 billion turnover, 12 000 staff in 162 sites in 35 countires. All the same, the industrialist is reinvesting 35% in this deal, which might expect to follow the same course as Materis (the former speciality building materials division which has undergone three Lbos in five years). Roofing components offer excellent development potential, with the possibility of offering innovative solutions for the Asian, Central and Eastern Europe markets, and also the United States for certain kinds of tiles. Development will come through external growth, which was initiated in 2006 with the Mexican Clay Tile Venture, the German Hausprofi Bausysteme (roofing components), participation in Earthcore Industries (Etats-Unis), and shortly in Kulu (South Africa). PAI Partners: B. Meunier, O. de Vregille, M. Paris, N. Holzman

	Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, BUILDING	1,040 M€ E 350 D+SL 600 M 100	Amec Spie (France)	PAI Partners ADVISERS : F: HSBC; Deutshce Bank; Hawkpoint; L: Wilkie Farr; Allen & Overy; Lovells; E&Y LF; A: KPMG TS; T: BCG; D: SG CIB; BNP Paribas; L/D : Freshfields	Amec (United Kingdom) ADVISERS F: Citigroup; UBS IB; L: Linklaters; A: KPMG TS (in Manchester)

By responding quickly, notably on debt structuring, PAI has overtaken numerous candidates (including certain industrial groups like Vinci which need authorisation under the competition rules) to take over Amec Spie. The British engineering group Amec (quoted on the London stock exchange) has completed the sale of its French subsidiary for 1.04 billions (about 980 millions plus cash), which is about a third of the group activities, as part of a reorganization announced in 2004. Amec Spie conceives, installs and maintains (like Cegelec) electric, mechanical, climate and communications equipment for companies and local administrations. The bought businesses (with a share of the railways joint venture in Great Britain but without the pipeline subsidiary Spie Capag) generated 2.66 billion euros turnover in 2005, for 107 million Ebitda. Management is taking a significant share of the capital and the 23,000 employees will be associated via a FCPE. The debt of 770 million (6.6 times the 2006 Ebitda) is based on three major segments (135+130+130, plus residual debt), a second lien, a mezzanine debt and an acquisition line, before the refinancing of the securisation programme for 150 million launched a year ago. This is the strategy: continuing the build-ups started a few months ago and even increasing the size of certain targets. PAI: Bertrand Meunier, Olivier de Vregille, Nicolas Holzman, Mathieu Paillat

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Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, PACKAGING, LUXURY 670 M€ E 370 D+SL 245 M 45	Desjonquères (France)	**Sagard (40%), Cognetas (40%)** ADVISERS: F: UBS IB; Lincoln International; L: Latham & Watkins; Landwell; A: PwC TS; T: Mercer MC-Oliver Wyman; D: RBS; UBS; L/D: Ashurst	**Saint-Gobain** ADVISERS F: BNP Paribas; Callisto; L: Bredin Prat; Fidal; A: EY TAS; T: Bain; ERM

By overtaking PAI, 3i, Carlyle and LBO France, Cognetas and Sagard are becoming the owners of Desjonquères, Saint-Gobain's perfume bottle making business. Financed by a 490 millions debt, including B and C segments of 200 millions each, a mezzanine debt and a second lien of 45 millions, the deal values the company at 670 million euros and allows both funds to divide up about 80% of the capital in equal shares. Desjonquères, whose clients include the biggest names in perfume (Channel, Hermès…), bases its development on top-of-the-range specialisation in Europe and North America, and on winning mass markets in countries where the luxury market is in full flow, notably South America and India, with possibilities for acquisitions. This group is managed by François Dujardin, employs 4 600 staff on 11 industrial sites and achieved a 607 million turnover in 2006, with an operating result of 50 millions. Sagard: Christopher Spencer, Philippe Lagarde ; Cognetas: Edward Koopman, Cédric Rays

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO 2, BUILDING 460 M€ E 130 D 330	KP1 (France)	**Doughty Hanson (75%)** ADVISERS F: Arjil Groupe Altium; Callisto; L: Skadden Arps; Bignon Lebray; Landwell; A: KPMG TS; T: ERM; D: Calyon; L/D: Gide Loyrette Nouel	**Alpha Associés (55,6%), AlpInvest (16,7%), Koramic** ADVISERS: F: Lazard; L : SJ Berwin; A: E&Y TAS; T: Estin & Co; URS; Marsh

Doughty Hanson, the fund led in France by Yann Duchesne, associated with the management led by Jean-François Trontin, which increases its capital share from 11 to 25%, is taking over KP1 alongside Alpha Associés, AlpInvest and the Belgian group Koramic. The Avignon company, created in 1959, is the French leader in prefabricated contruction systems for the building industry: flooring, various structures and supports (small beams, concrete shuttering, etc.) in pre-stressed concrete. KP1 generated a 310 million turnover in 2006 (+13%, 40% of the French market), with 60 million Ebitda. On a market whith stron entree barriers, the company possesses a complete industrial base (19 production sites plus 2 in Poland) and distribution system (12 agencies and warehouses) in France. The debt presupposes future development, with organic growth and also complementary acquisitions; smaller players in France, but mainly abroad (3 or 4 targets have been identified)… The British fund might also reinvest if needed. Doughty Hanson : Yann Duchesne, Pascal Koetgens

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, CHEMESTRY 425 M€ E 110 D+SL 260 M 45	Novasep (France)	**Gilde, Banexi CP, BNP Paribas (72%)** ADVISERS: F: Aforge Finance; L: White & Case; Lovelles; Mayer Brown; Gegout & Gutton; Taj; A: Dloitte; T: Arthur D. Little; URS; Aon; D: ING, HVB; L/D: Linklaters	**Rockwood Holdings** ADVISERS F: JP Morgan; Cazenove; Lazard; L: Debevoise & Plimpton; Landwell; A: PWc TS; T: ERM

Gilde bought Novasep from the American specialty chemicals Rockwood. The management is increasing its capital share from 21 to 28%. The Lorrain industrial group is an expert in chemical synthesis and the purification of complex molecules for the pharmaceutical industry, and is valued at 425 million, nearly 8 times the 2006 Ebitda. Gilde has invited Banexi, which had been a group shareholder between 2000 and 2004 (n°3), and BNP Paribas (which is one of its LPs). The financial package comprises 230 million of senior debt (17-106.5-106.5), a second lien of 35 and mezzanine debt of 45 million. A 45 million revolving credit and a 50 million capex line are not included in the closing. Having merged with Dynamic Synthesis in 2004, the company is assuming a 280 million turnover for 2006 with 1 300 employees. Its revenues should increase 40% in the next five years through internal growth. Acquisitions are also anticipated. Gilde: P. Bekx, H. Lange, B. Barrière ; Banexi: Christine Mariette, Anne Robert ; BNP: Claire Gawer

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO 2, SERVICES 350 M€ E 220 D 96 M 30	Via Location (France)	**Weinberg Capital Partners** ADVISERS: L: Sj Berwin; LMT Avocats; Taj; A: Deloitte TS; T: Marsh; D : SG CIB; M : ICG; L/D : Gide Loyrette Nouel; Latham & Watkins	**Edmon de Rothschild CP (52%)** ADVISERS: F: Rothschild & Cie; L: Linklaters; CMS BFL; A: KPMG TS; T: Arthur D. Little

In competition with other funds, Weinberg CP takes over Via Location for nearly 350 millions, 7 times the 2006 Ebitda. EdRCP came in during January 2004 through a pre-emptive offer. Since then, the group headed by Nicolas Truelle, which is the second-largest independent multi-specialist in renting industrial vehicles in France (with 7,000 vehicles, 62 agencies), behind Fraikin, has re-focused its core business activities on long term rental without drivers or maintenance, and has raised its Ebit by 75% to 19.7 millions, in spite of a more of less stable turnover at 127 millions. The departing investor generates a net IRR of 37% and a multiple of 2.6, while still retaining 20% of the capital, just like Financière Dentressangle, long term shareholder and ICG (nearly 30% with the management). The financing is made of a senior debt of 96 millions, a capex line of 230 millions, a 10 million revolving credit, and a mezzanine debt of 30 millions. WCP wants to develop its sales force in France, with about fifteen agencies opening in the mid term, as well as abroad. Weinberg CP: S. Weinberg, P. Klocanas ; ERCP: E. Fouque, H. Fonta

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, SERVICES, TRANSPORT 315 M€ E 50 D 270	World Fight Services (France)	**LBO France** ADVISERS: F: OES; L: Mayer Brown; Sarrau Thomas Couderc; A: Conseil Audit & Synthèse; T: Bain & Co; D: ING; J/D: Linklaters	**Vinci** ADVISERS: F: Rothschild & Cie; Close Brothers; E&Y LF; A: E&Y TAS; L: White & Case; E&Y LF

LBO France is taking over World Flight Services for 315 million euros (share value net of cash and residual debt), a sale which is part of the assets sale programme announced by Vinci at the acquisition of ASF last winter. Created in 1984, WFS became the Vinci airport services subsidiary in 2001. This disputed deal (notably against Midocean Partners) lets the financier get his hands on a services company with a 505 million euros turnover in 2005 (11 000 employees, mostly in Europe and in the United States), made from airlines: handling and services linked to air freight (loading planes, runway services, sorting and transferring backage, etc.), as well as ground services directly linked to passengers, which play a less significant part since acquiring France Handling in 2005. Between corporate debt (including a credit lease) which is still to be refinanced, a senior in three tranches, a second lien and mezzanine, the leverage amounts to 65% of the total amount. LBO France: R. Daussun, J. Guez

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, BUILDING 310 M€ E ND D+Sl 190 M 45	Gerflor (France)	**AXA PE (>50%), Barclays PE, Natixis Industrie, ICG** ADVISERS: F: Calyon; Callisto; L: Linklaters; Sarrau Thomas Couderc; A: Pwc TS; T: ERM; D: BNP Paribas, ICG; M: Euromezzanine; L/D: Eversheds	**PAI Partners, CDC Entreprises** ADVISERS: F: Rothschild & Cie; L: Weil Gotshal; E&Y LF; A: E&Y TAS; T: Bain & Co; URS

It's the third Lbo for Gerflor after Europe Capital Partners (in 1992) and then the present sellers (in 1998). Axa PE, associated with the management, are thus taking over the group, which specialises in the production/distribution of PVC ground coverings for professional or residential use, for about 310 millions from PAI and CDC Entreprises. The fund is supported by Barclays PE as well as Natexis Industrie and ICG, who are renewing their confidence in the group. A staple financing brings a senior debt of 165 millions (three tranches) a second lien of 20 millions, a mezzanine debt of 45, as well as the usual revolving and capex lines. The former subsidiary of BP has suffered from the rising price of petrol and instability in management before the arrival of Bertrand Chammas, who has re-launched the enterprise since 2003, facilitating a recapitalisation at the end of 2005. The Rhodanien group (1900 employees, 7 production sites, a 336 million 2005 turnover) predicts a more than 350 million 2006 turnover thanks to a sales force grouped by profession (BTP, transports equipment, sport, etc.), and with internationally recognised brand names and standards. Axa PE: D. Gaillard, E. Neuplanche ; Natexis Ind. : Caroline Joubin, S. Frédéric Ferrand ; Barclays PE: G. de Blignières, L. Chauvois ; PAI: A-J. Motte ; CDC Entreprises: O. Boyadjian

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Deal value	Target	Financial investors (%)	Exiting investors (%)

LBO, TOURISM, INTERNET

Deal value	Target	Financial investors (%)	Exiting investors (%)
236 M€ E ND D 117 M 35	**Go Voyages (France)**	**Financière Agache PE (75%)** ADVISERS: F: FDR Finance; Credit Suisse; L: Clifford Chance; Sarrau Thomas Couderc; A: KPMG TS; AS: BCG; D: SG CIB; M: European Capital	**Accor** ADVISERS F: Deutsche Bank; L: Debevoise & Plimpton; Bigon Lebray

The Financière Agache PE carries out its first LBO with Go Voyages for 281 millions (including a cash of 45 millions). A real contest continued up to the two final bids (with CDC Capital). The company, with a 60 million turnover and 16 million 2006 Ebitda (20 predicted for 2007), is valued around 14 times this ratio. The transaction is 55% debt financed. This is a return to familiar terrain for the manager of the fund created not long ago by Bernard Arnault. He had already acquired it for Accor in 2000 (for less than 60 millions at the time). The discount travel agent relies on its founder managers, Carlos Da Silva and Nicolas Brumelot, who hold from 25 to 30% of the capital along with 70 collaborators. It benefits from a large and increasing free cash flow, a negative BFR and a low capex. With 30% of a strongly growing market where there are major barriers to new entrants (for example with access to GDS such as Amadeus). Objective: to pursue growth (30% a year), notably by duplicating the model in Europe (Spain, Belgium, Italy, etc.) and increasing the available services with hotels and car rental. Financière Agache PE : J-M. Espalioux

LBO 2, RETAIL

Deal value	Target	Financial investors (%)	Exiting investors (%)
170 M€ E 50 D 90 M 30	**Un Jours Ailleurs (France)**	**AtriA Capital Partenaires, UI Gestion (56%)** ADVISERS: L: Paul Hastings; Sj Berwin; A: Sofidec; D: IKB; Ixis CIB; M: Euromezzanine; J/D: Linklaters	**Astorg Partners** ADVISERS: F: Rothschild & Cie; L: Ayache Salama & Associés; Landwell; A: PwC TS

AtriA won the auction for the ready to wear clothing chain Un Jour Ailleurs. It has invited along UI Gestion with whom it holds 56%, the founder (Félix Soussan) keeping 35%, and the managers have the balance. The team, at thata time manager of the CFi portfolio, already had a minority holding from 1995 to2002. They replace Astorg Partners, who achieve a 2.3 multiple in three and a half years. The turnover has since risen from 95 to 114 million euros in 2005 (with 750 employees). The Ebit has reached 21.5 millions for the 158 shops (the vast majority owned, and about twenty with affiliated management), including 22 abroad. This secondary LBO values the company at over 170 millions, 70% financed by senior and mezzanine debt. The funds are happy with this continuity with a strong brand name for the forty to fifty-five age group (mainly ceremonial clothes), and hope, like Patrick Defauw, who should be gradually take command of the corporate name, to spread the European network, with priority for Italy, Belgium and Spain. AtriA : P. Bertiaux, L-E. Michel-Weltert, Sophie Pourquéry, F. Sultan, UI Gestion : O. Jarrousse, F. Gressant

LBO 2, MEDICAL

Deal value	Target	Financial investors (%)	Exiting investors (%)
160 M€	**Paster Cerba (France)**	**Industri Kapital** ADVISERS: F: Rothschild & Cie; L: White & Case; LMT Avocats; A: E&Y TAS; T: URS; Aon; D: Natixis; M: ICG; JD: Shearman & Sterling	**Astorg Partners (70%), ICG (10%)** ADVISERS: F: HR Finance; L: SJ Berwin; L: KPMG TS

Industri Kapital has just entered the capital of the specialist medical analysis laboritory for more than 150 millions (via Cerba European Lab holding). Created in 1967, the Cerba laboratory merged with the Centre de Biologie Médicale Spécialisée of the Institut Pasteur in 1999 to become Pasteur Cerba in 2002. The French group had been the object of a first Lbo with Initiative & Finance and Natexis Industrieien 1999 and then a second in 2002 with Astorg Partners in association with the biologists and the management. This third LBO shares out the capital between IK, Astorg (who retain 10%), ICG and the managers led by Catherine Courboillier and Christine Bergeron since 2005 and the retirement of the manager. The group carries out specific analyses for laboratories or hospitals. French leader with 40% of the market, it generated a 100 million euros turnover in 2005 with 500 employees. Its ambition: to spread into Europe, notably by acquisitions which the sellers who would already have achieved more than 40% of IRR if they stopped there, have prepared and therefore wish to continue their support. IK: Christopher Masek, Dan Soudry, Rémi Buttiaux; Astorg: Thierry Timsit, Christian Couturier

LBO 2, FOOD INDUSTRY

Deal value	Target	Financial investors (%)	Exiting investors (%)
128 M€ E 51 D 57 M 20	**Bretèche Industrie (France)**	**Banexi Capital Partenairses (51%), Unigrains (17,5%)** ADVISERS: L: UGGC; A: Bellot Mullenbach; T: ERM; Marsh; D: LCL; M: Céréa Gestion; Mezzanis; Idia; L/D: Salans, Orsay	**Fondateur (50%), CAPE, Crédit Mutuel Océan , IPO** ADVISERS: F: Aforge Finance; L: Weil Gotshal

Banexi CP (with 51%) has allied with Unigrains (17,5%) to take over the Bretèche group, which designs, builds and installs industrial equipment for agribusiness. The founder Daniel Bréfort keeps 30%, the rest going back to the management. Fifty per cent financed by debt, this MBO allows for the minority holdings, CAPE, CMO and IPO to exit (they were entered by purchases since the origins in 1988). The company operates in three sectors; bakery (world leader in kneading troughs with VMI and Diosna), milk and cheese (European leader for cooked and soft pasta with Chalon-Mégard, Technal and Simom), and slaughterhouses. It achieved a 136 million turnover in 2005 (it hopes for 150 millions in 2006, including 60% abroad) and a 10.2 million Ebit. Apart from external growth, always possible to complete the product range, the business should grow by 5% a year in the future. Banexi CP: M. Rowan, P. Jourdain, A. Dubut ; Unigrains: M-O. Bosshardt, A. Peyronnet, C. Chaumien

LBO 2, SERVICES

Deal value	Target	Financial investors (%)	Exiting investors (%)
120 M€ E 50 D 40 M 30	**Batisanté (France)**	**21 Centrale Partners, European Capital** ADVISERS: F: BNP Paribas; L: Mayer Brown; Orsay; D: BNP Paribas; M: European Capital; J/D: Clifford Chance; Cleary Gottlieb	**CDC Entreprises Capital** ADVISERS: F: Transaction R Rothschild; L: August & Debouzy

21 Centrale Partners has taken a majority share (55%) of Batisanté along with the management (35%) and European Capital (10% with 5 million in shares and OC). The financing includes a senior debt of about 40 million and a mezzanine (junior and senior) of more than 30 million. Founded in 1987, and then supported in an Obo by CDC Entreprises from 2003 onwards, the group is experiencing 20% annual growth (on a turnover of 40 million in 2005 and a good profit margin) based on offering reglementation services for the home and outside. Originally a specialist on 3D Hygene (disinfection, destroying insects, etc.), Batisanté has been able to set out its position on fire security and then the inspection and health and safety of buildings (lead, asbestos, etc.). One of the principal players in the Paris region market, it hopes to become important nationally and take advantage of possible new reglementation about controlling electrical safety. 21 Centrale Partners: Antoine Pupin, François Tranié; CDC Entreprises Capital: Olivier Boyadjian, Vincent Jonquières

LBO, IND. GOODS

Deal value	Target	Financial investors (%)	Exiting investors (%)
90 M€ E 35 D 45 M 10	**Metall Technologie (France, Germany)**	**European Capital (83%)** ADVISERS: L: Cleary Gottlieb; Landwell; A: PwC TS; T: LEk Consulting; Marsh; Winston & Stawn; D: European Capital; HSH NordBank	**Abyer LBB PE, Hannover Finanz (86%)** ADVISERS: F: Lincoln Internationa; L: Sj Berwin

European Capital makes its third deal by taking over the Franco-German industrial group Metall Technologie from Bayern LB PE and Hannover Finanz, who carried out a secondary Lbo themselves in 2003 after Barclays PE, which had put together the group in 1999, buying three factories from the English firm Bodycote. European Capital is taking 83% (the management moving from 14 to 17%) in a "one stop buyout", even if the fund has found a partner in HSH NordBank for the senior debt. To this combination (45 million senior and 10 million mezzanine debt) should be added a capex line and an acquisitions line (10 million each). The company, based in Germany and the Isère, designs and assembles very high technology furnaces for treating hi tech materials for the nuclear, thermal, car and ceramics industries, etc. The activity includes the installation and maintenance of plant and equipment for groups like Air Liquide, Total, Bosch, Siemens… Mettal Technologies has a 60 million turnover (with15 to 20% Ebitda) and has just bought a factory in China to support its clients there while awaiting the construction of others there. Developments are also planned in Eastern Europe and Turkey. European Capital: Etienne Haubold, Olivier Méline, Jean Eichenlaub

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Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, TOURISM, HOTEL			
> 80 M€	**Sofitel Royal Casino Mandelieu (France)**	**Chequers Capital** ADVISERS: L: CMS BFL; Jean-François Martin; A: Deloitte TS; T: MKG; Marsh; D: SG CIB	**Accor Casino** ADVISERS: F: Close Brothers; L: Darrois Villey

Chequers has concluded the acquisition of Sofitel Royal Casino de Cannes Mandelieu from Accor Casino. The competition regulators insisted on this transfer, following the merger of Accor Casino with the Groupe Lucien Barrière. It is worth more than 80 million euros, with senior debt and mortgage credit. The package includes the casino, which registered a net profit from gambling of 26 millions in 2005, but also the hotel Sofitel de Cannes Mandelieu (220 rooms), on an exceptional site with direct access to the sea bordering a golf course (a 15 million euros turnover). The transaction includes the walls and the business assets. Chequers will make major investments to renovate this luxury hotel and make the casino more alluring – within the specifications – possibly by buying other gaming establishments.
Chequers Capital: Anne-Claire Boutant-Louvet, Stéphane Mulard

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, TOURISM			
20 M€ E 50% D 50%	**Vacances Directes (France)**	**Acto (50,1%)** ADVISERS: L: Wilkie Farr; Ayache Salama & Associés; UGGC; A: Grant Thornton TS; T: CM International; Aon; D: BNP Paribas	**Founder** ADVISERS: L: Cornet Vincent Ségurel; Michel Hervieux

A tourism specialist for hotels and open air camping, Acto, the direct investment arm of Finama PE, is taking over 50.1% of Vacances Directes alongside the management (49.9%). It is subscribing convertible bondss which will allow it, after conversion, to attain 70% in the number 2 in rented mobile homes in France, valued at between 20 and 30 million euros. The economic model is half way between manager (already present in the following portfolio companies of Acto: CIAT for camping, Odalys for tourist homes, VVF for holiday villages) and tour operator: the Breton PME (small to medium-sized enterprises) rent spaces in 85 camp sites by the year, where it installs mobile homes which it then commercialises with its clients, allowing the owners of camp sites to make sure of their occupation rate and to be able to have access to a pool of mobile homes without making direct investments. Vacances Directes (4 000 mobile homes) shows 15% annual growth, with a 14 million turnover and an Ebitda margin of nearly 50%. It intends to increase its housing capacity by 400 spaces each year. Acto: S. Moreau, J-M. Scéo, Marie Arnaud-Battandier

Deal value	Target	Financial investors (%)	Exiting investors (%)
LBO, ENERGY			
> 5 M€ E 50% D 50%	**IES Synergy (France)**	**Demeter Partners (81%)** ADVISERS: F: Grant Thornton CF; L: Brunswick Société d'Avocats; D: Société Bordelaise de CIC	**CDC Entreprises, CIC Investissements Alsace (81%)** ADVISERS: F: Financière de Courcelles; L: Orsay

Demeter Partners has taken an 81% stake in IES Synergy, the Montpellier electronic equipment maker specialising in battery chargers for all kinds of electric vehicles, and power converters for energy stations. The CDC Capital Investissement fund and CIC Investissements Alsace, which took a share of the capital in 2001, are finalising their departure and the management keeps 19% of the capital. Demeter's investment is of 2.5 million euros, with a moderate debt to equity ratio. IES Synergy achieved a turnover of 5.6 million euros over the financial year 2005-2006 and should have 10% growth over 2006-2007. The objective is to double the turnover in three years by counting on the development of renewable energy (batteries for wind farms and solar panels) and entering the American market. Demeter Partners: Stéphane Villecroze, Bastien Gambini

Deal value	Target	Financial investors (%)	Exiting investors (%)
24,3 M€	**Cytheris (France)**	**CDC Entrepirses Innovation, ABn Amro, CAPE, Axa PE, T2C2, Bioam** ADVISERS: L: Latournerie Wolfrom; Sj Berwin	**Founders** ADVISERS L: Jones Day

VENTURE 2, BIOTECH

Cytheris is a company which specialises in the development of immunological drugs, and has just enjoyed a second financing round of 24.3 million from seven investors, led by CDC Entreprises, a new entrant with ABN Amro NV, alongside Axa PE, Bioam, Crédit Agricole PE, the Canadian seed capital fund T2C2 and the Caisse de Dépôt et Placement du Québec. This French bio-pharmaceuticals firm was created in 1999 before raising 6.9 million in the first round in 2002. This new funding should give it the means to sustain its star product, a stimulant to the immune system for resisting the consequences of HIV, hepatitis C and certain cancers up to phase II. Further on, to finance a phase III, the company might make an agreement with an industrial firm or envisage a possible IPO. A second product might then be sustained until the pre-clinical stage, or even to stage I, before a possible external licensing. CDC Entreprises Innovation: J-C. Renondin ; ABN Amro: B. Bergstein ; CAPE: P. Guinot ; Axa PE: G. Richard ; T2C2: B. Cayrol ; Bioam: O. Martinez

Deal value	Target	Financial investors (%)	Exiting investors (%)
12 M€	**ERYtech Pharma (France)**	**AGF PE, Auriga Partners, Axa PE, Cap Décisif, Amorçage Rhône-Alpes** ADVISERS: L: Alérion	**Founders** ADVISERS L: Lamy & Associés

VENTURE, BIOTECH, PHARMA

The biotechnical firm ERYtech raised 11,5 million euros from AGF Private Equity, Auriga and Axa Private Equity, followed by CapDecisif, Amorçage Rhône-Alpes and business angels who have participated in the seed capital of nearly 1 million since its creation by Yann Godfrin and Pierre-Olivier Goineau at the end of 2004. The financiers become majority shareholders in the Lyon company, which possesses patents for innovative technology which allows it to encapsulate molecules or enzymes in red globules on an industrial scale as part of cell therapy against acute leukaemia (with asparaginase) or enzyme replacement for small children's genetic ailments. This process has two advantages for the life of the drug (and hence its effectiveness) and its toxicity: immunological-allergic reactions may affect half the target cases. Already in phase II, the treatment for acute lymphocytic leukaemia may be commercialised in late 2009. Until then, ERYtech will build a production unit to prepare the red globules to be transfused to patients according to medical needs. AGF PE: Thierry Laugel; Auriga Partners : Franck Lescure ; Axa PE: Glenn Richard ; CapDecisif : Jérôme Snollaerts ; Amorçage Rhône-Alpes: Karine Lignel

Deal value	Target	Financial investors (%)	Exiting investors (%)
12 M€	**Exalead (France)**	**Qualis SCA** ADVISERS: L: Bredin Prat	**Founders** ADVISERS L: Reed Smith Rambaud Martel

VENTURE 2, INTERNET

Shareholder from the start, Qualis SCA continues to support Exalead, the Made in France Internet search engine, by bringing a new 12 million euros to its capital. The industrial investments company (Française de Palettes, CTN, SGCC, Akerys, etc.) has invested 21 million in four financing rounds since the creation of the start-up in 2000. From the beginning, Exalead has created its market with enterprises in proposing an integrated motor for Internet and the PC user, or indeed for Internet, the PC user and the enterprise's own network. It has already attained a reasonable turnover (3.5 million in 2006) before launching its new version intended for the general public and which should represent two-thirds of its activities in five years time. Exalead claims 8 billion references to Web pages, not so far behind the 12 to 15 billion attributed to Google or Yahoo. This increase in its own funding should speed up the commercialisation of the engine, notably internationally: the United States, Italy, Germany, United Kingdom, etc. Qualis SCA: Emmanuel Coste, Robert Léon

Deal value	Target	Financial investors (%)	Exiting investors (%)
9 M€	**EyeGate (France, USA)**	**Nexus, Innoven Partenaires, Ventech** ADVISERS: L: Bingham; SJ Berwin; T: Cooper & Dunham; Regimbeau & Associés	**Founders** ADVISERS

VENTURE 2, BIOTECH

EyeGate Pharma was born under the name of Optis in 1998 as a Parisian start-up, commencing operation in the United States in 2005. It has carried out a second financing round in two stages with the American VC Nexus (for about 1.5 million euros), as well as Innoven Partenaires and Ventech, who started to finance the first stage last year (6 million) and are completing the second (1.5 million). This biotechnical firm has perfected the technology to deliver intraocular drugs into the eyes by cathodermie, (using an electric current to place the active formula into the target zone). Drugs for the eyes have greatly advanced in recent years, but the means of applying them, especially to the back of the eye, are still inadequate. This technique has been used for a long time for other pathologies and was tested for the first time for ophthalmology on man in 1999 – just when Ventech financed a first round of 3 million – having been developed since in the United States, it might undergo clinical trials in phase II. Innoven Partenaires: Jean-Sébastien Cleiftie; Ventech: Alain Maiore ; Nexus Group : Thomas Hancock

Deal value	Target	Financial investors (%)	Exiting investors (%)
7 M€	**DailyMotion (France)**	**Atlas Venture, Partech International** ADVISERS: L: Jones Day	**Founders** ADVISERS F: Clipperton Finance; L: Bird & Bird

VENTURE, INTERNET

Atlas Venture and Partech International have been impressed by French community site DailyMotion, which allows Internet users to share their videos for free. Internet specialists are talking about a new use for personal videos with the media content generated by the users themselves (User Generated Contact - UGC). Founded in 2005, the start-up which has received 7 million euros is being very successful, with a bit more than 13 million pages a day (not just in France). It might take advantage of the success of MySpace and YouTube, taken over respectively by Newscorp (in March for 580 million dollars) and Google (early October for 1.65 billion dollars) if the future shows that they can make a profit from the communities they have bought. It should thus rely more on exchanging videos than on the sale of its software specialised in building community sites (such as the site Wat.tv for TF1) to grow in Europe. Atlas Venture: Marc Oiknine, Fred Destin; Partech International: Philippe Collombel

Deal value	Target	Financial investors (%)	Exiting investors (%)
4 M€	**Wyplay SAS (France)**	**Sofinnova Partners** ADVISERS: L: SJ Berwin	**Founders, CPR PE** ADVISERS: L: Adam Vermot-Desroches

VENTURE, ELECTRONIC

Wyplay, a pioneer company in the development of mass public products for numerical television, has finalised a 4 million euros financing round with Sofinnova. The company was founded in March by Jacques Bourgninaud's team, and designs the hardware and software for an innovative "media centre/all in one", which will present a full range of functions linked to multimedia based on television: hardisc/DVDreader/homevideo, decoder, recording and stocking music on CD, films, photos and images, numerical radio, etc. This product is very easy to use and is good value for money compared with the complex servers now on the market, and was presented at the Consumer Electronic Show 2007. From an electronics market for the general public estimated to be more than 166 billion dollars in 2005 (+20% a year), Wyplay hopes to help users replace all their appliances with a single box linked on one side to Internet (with all possible convergence) and on the other to their television. Sofinnova Partners: Alain Rodermann

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Exits table

Each month, Private Equity Magazine presents a selection of exits, in France and in Europe.

KEY	
E: equity	
D: debt	**M:** mezzanine
L: legal adviser	
F: financial adviser	
A: accounting adviser	
T: technical adviser (strategy, insurance, environment…)	

EXIT, PHARMA CY

Vendor: L Capital (75%)
Target: Forté Pharma (France)
New Investor: Natraceutical

In september 2006, L Capital had sold Forté Pharma to Natraceutical for 88 million euros (including 6 million cash). This price is 11 times the provisional 2006 Ebitda for the target, which achieved a 40.8 million turnover in 2005. Entering the company in 2001, the fund had invested 5.8 million euros during a capital increase an purchase of securities (35% at the time) and then financed an Mbi in 2003, which has allowed for Alain Boutboul to be nominated at the head of Forté Pharma. Since then, L Capital controlled 75% of this pharmaceutical group specialising in nutrition complements for the slimming, health and beauty sectors. Thanks to a new marketing approach, the company has grown strongly, increasing its sales five-fold in five years, especially in Europe. It represents a complementary activity to its Spanish buyer (mostly functional food). Natraceutical (with a 2005 turnover of 53 millions and 3.8 of profit) has notably financed the acquisition by increasing its capital by 60 millions on the Madrid stock exchange.

Transaction value: **88 M€**
IRR announced: **> 100%**
Turn over 2005: **48 M€**
L Capital: Philippe Franchet

ADVISERS

EXITING INVESTORS
F: Close Brothers
L: Cleary Gottlieb; Fidal
A: KPMG TS
T: Advention

NEW INVESTORS
F: Riva y Garcia
L: Garrigues; White & Case

EXIT, LEISURE

Vendors: Advent Int., Goldmand Sachs
Target: Sportfive (France)
New Investor: Lagardère Group (100%)

Advent International (75% with Goldman Sachs CP and the management), and the RTL Group sold Sportfive, the company leader in managing marketing and television rights for European football, to the Lagardère Group for 865 million euros. It won the deal thanks to its special strategic approach to communications and sports media. Present in the entire world, Sportfive (with a 600 million turnover) is notably the sole agency for marketing the media rights for the 2008 football European Championship, as well as 30 professional football clubs, including a good proportion of the French and German teams, and 270 associations in Europe. The fund, achieving "the expected multiple for four years" in two and a half, notably after refinancing in October (by Dresdner Bank) with 545 million debt, has helped the management led by Alain Krzentowski towards development which few people would have believed. Notably on the international front, thanks to his networks which have facilitated the enlargement of the rights portfolio.

Transaction value: **865 M€**
Multiple: **x3**
Turn Over 2006: **600 M€**
Ebitda 2006: **360 M€**
Advent International: Pascal Stefani

ADVISERS

EXITING INVESTORS
F: Morgan Stanley; Goldman Sachs; **L:** Ashurst

NEW INVESTORS
F: Calyon CIB; Goetzpartners CF
A: E&Y TAS;
L: Clifford Chance; E&Y LF

LBO 2, MEDICAL

Vendor: Astorg Partners (57%)
Target: Sebia (France)
New Investor: Montagu PE (51%)

Astorg sold to Montagu Sebia, the world leader in clinical electrophoresis, a diagnostic technique in vitro to separate molecules. Astorg, who had taken over in 2001, retain 16% alongside the management (20%). ICG, a mezzanine and capital investor in 2001, also reinforced its position (13%). Founded in 1967 by Guy Barouh, this French group (300 employees in 7 countries, nearly 100 millions in turnover) produces a specialised range of reactives (80%) and automata for biological analysis. It is building growth on innovation: after electrophoresis of proteins on cellulose acetate, and then the electrophoresis of polyacrylamide jelly, it has been exploiting capillary electrophoresis, using a very narrow tube with the advantages of speed and sensitivity. Well positioned for this market, Sebia is counting on new clinical applications (for example for diabetes), and its potential for international development, notably in Asia and Japan (second market). The transaction, valued at more than 400 million (225 million debt), has already produced a multiple of over 10 for Astorg.

Transaction value: **450 m€**
Multiple announced: **x10**
Turn over 2005: **100 M€**
Ebitda 2005: **35-40%**
Astorg Partners: Thierry Timsit; Montagu: Sylvain Berger-Duquene, Quentin Bergoy

ADVISERS

EXITING INVESTORS
F: Rothschild & Cie; **L:** Lovells;
A: PwC TS; **T:** Arthur D. Little

NEW INVESTORS
L: Weil Gotshal; Landwell;
A: PwC TS;
T: Bain & Co;
D: CIC; **M:** ICG;
L/D: Linklaters

EXIT, SERVICES

Vendor: Barclays PE (55%)
Target: Laho Equipement (France)
New Investor: Loxam (100%)

Two years after the secondary LBO, Barclays PE has sold Laho Equipement, n°3 in France for hiring out plant for the buildings, to Loxam, the leader on the national market. While the financier – which controlled a little more than 55% alongside the management – had bought it for 110 million euros from Industri Kapital in March 2005, Laho Equipement is sold for a total of 180 million euros. This is an estimated IRR of more than 40%. In two years, the company has improved its internal network by internal growth and acquisitions, growing from 90 agencies at the end of 2004 to 119 at the end of 2006. Its turnover for the rental activities has also noticeably improved, from 87 millions in 2004 to 124 in 2006. The refocusing around rental alone has facilitated the significant improvement in Ebitda, which reached 33 millions in 2006. With this acquisition from direct approach, Loxam, wish to retain the brand name and the autonomy of the Laho Equipement network, has made its market share rise from 15% to 19% in France.

Transaction value: **180 M€**
IRR announced: **> 40%**
Turn over 2006: **124 M€**
Ebit 2006: **33 M€**
Barclays PE: Guillaume Jacqueau; T. Crob; G. Châtillon

ADVISERS

EXITING INVESTORS
F: Hawkpoint
L: SJ Berwin; CMS BFL

NEW INVESTORS
F: BNP Paribas;
L: Lovells; White & Case

LBO 2, MEDICAL, HEALTH

Vendor: Bridgepoint (63%), AlpInvest
Target: Médica (France)
New Investors: BC Partners, AXA PE

After cancelling its IPO, Medica was the object of a secondary LBO with BC Partners (and AXA). This operation for 750 millions brought a very satisfactory return to Bridegpoint, which entered in July 2003 (for 330 millions). Since then, Médica (a 306 million 2006 turnover, 103 establishments, 8311 beds) has made itself the French leader in two sectors: houses for dependent old people and post care. Working on local businesses for each institution, an information system about prospective customers, adaptable charges and reinvestment in the least efficient institutions, the occupation rate has risen from 90.6% after the heat wave to 95%. New performance indicators and accelerating external growth (with Aetas in Italy) have generated an increased in the turnover (by 30%) and Ebitda (with debt increasing to more than 280 million after the 2005 recap). Having already invested in this sector, BC Partners financed the deal with a debt close to 450 millions, and intend to pursue the acquisitions policy.

Transaction value: **750 M€**
Multiple announced: **> x3,5**
Turn over 2006: **306 M€**
Ebitda 2006: **56 M€**
Bridgepoint: V. Briançon, Valérie Texier, P. Collason, B. Bassi; BC Partners: A. Françoi-Poncet, D. Villafranca, J-B. Wautier

ADVISERS

EXITING INVESTORS
F: Lazard; **L:** Linklaters; **A:** KPMG TS; **T:** LEK Consulting

NEW INVESTORS
F: ABN Amro CF; Rothschild & Cie; **L:** White & Case; Mayer Brown; Landwell; **A:** PwC TS;
T: Arian Santé Social; **D:** RBS

EXIT, INTERNET

Vendors: 3i 34%), Europatweb, Alven
Target: SeLoger.com (France)
New Investors: Market

On 1st December 3i achieved the IPO of SeLoger.com, the French leader for real estate advertising on Internet, 34% of which it held (for a 60 millions investment) since the LBO carried out in December 2005, with the original VCs (Europatweb and Alven Capital) and Capzanine. This IPO on Eurolist was over-subscribed, bringing the introductory share price to 22.50 euros per share, with a floated value increased by almost 55%. In a year, SeLoger.com has carried out 2 build-ups (Dataleads and Pericles), improved its team, and increased its turnover from a 24.6 to a 37.6 millions by developing its classified ads activity in the provinces. The IPO also facilitated the refinancing of the debt (80 millions) – the mezzanine houses Capzanine and European Capital have announced 28% of IRR. At the end of March, when 3i sold its 7% remaining, the value had reached more than 37 euros! And the fund made more than 2,5 times its investment.

Transaction value: **370 M€**
IRR announced: **132%**
Turn over 2006: **37,6 M€**
3i: Olivier Legal, Stanislas Cuny, Julien Wagner

ADVISERS

EXITING INVESTORS
Listed sponsors: BNP Paribas, UBS;
L: Cleary Gottlieb; Weil Gotshal;
D: BNP Paribas, IKB, SG CIB;
L/D: Simmons & Simmons

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TO GET ACQUAINTED

Le Soleil (The Sun)

From one kind of South to another! On the Italian Gildo's old stamping ground, a kind of sunshine which evokes everything that is most Provencal on the Rive Gauche which seems oh so tweedy-Burberry. And if the boudoir style evoking cicadas and Provencal characters is a bit over the top, in contrast the food really does evoke the lie of the land, Southern temperament and kindness of heart. Aïoli de bulots? Heady servings à l'antiboise, with shell fish as warm and sensuous as you've ever tasted them and an aïoli bursting with flavour from every clove. The favouilles soup, thickened with bediane (Chinese anise). The roast pigeon is alluringly pink with the giblets spread on croutons. Without forgetting the chanterelle mushrooms fried up with supions, the ever-smiling waitresses and a Corsican canarelli in each glass to bring back the sunshine. In short, just a few grams of real character spread over an area which is often too well controlled. Unfortunately that means several additional euros on the bill.

*LE SOLEIL. 153, rue de Grenelle, Paris 7è.
Tel: 33 (1) 45 51 54 12. Closed on sunday.
A la carte menu: around 40-60 euros.
Wine: pleasant card turned towards South.
Metro: Ecole Militaire. Parking: Invalides.*

Le Soleil

RESTAURANTS

A selection of the latest reviews of our favorite business tables.

By Emmanuel Rubin

TO NEGOTIATE

L'Orenoc

Claude Colliot at the Méridien, is a bit like lipstick on a stiff shirt collar, with its ad in Private Equity Magazine and the improbable encounter between an inspired chef and what used to be a business style canteen. Suddenly, the very Paris-New York-Tokyo decor is reeling from remarkable cuisine which seems utterly sure of its gestures and intuition. The pan of cep mushrooms in egg, fragrant with wisdom and woodsmoke, lets you forget about the grossly thick carpet, the taste of totally irresistible white onion ravioli trashes the excessively tasteful lighting, the Dublin Bay prawns enlivened with mango and Marjory put life into the tedious mahogany furniture and the "pop beetroot" desert brings some soft exuberance into the air-conditioned atmosphere. A gutsy cuisine to confound the conformism of business dinners comes over as a revelation and a half!

*L'ORENOC. 81, bd Gouvion Saint-Cyr, Paris 17è.
Tel: 33 (1) 40 68 30 40. About 70 euros for the à la carte menu. Lunch Menu 38 euros. Smokers' area: yes, but no cigar cellar. Wine: with the food and too little wine sold by the glass. Parking : Méridien-Etoile.*

Sensing

L'Orenoc

DR

TO CLINCH A DEAL

Les Ombres (Shadows)

On the upper slopes of the Musée des Arts Premiers, the terrace hewn out by Jean Nouvel, with the Eiffel Tower looking them in the eye and the Paris skyline impinging onto their table cloth, the public just cannot get over it… After expecting a museum cafeteria, we find ourselves having lunch perched on the capital city's eyelids. Suddenly, as often happens with pie in the sky catering, the food seems to have a touch altitude sickness. Not bad at all but a bit too sensible, cowering under the parasol and intimidated by the surrounding. Should we complain? It's not worth the trouble! Think about it, the food is not really what we've come for; it should accompany what's going on, keep quiet, and not spoil the view. In this "don't disturb" category, tuna fried with sesame seeds, lamb with poppy seed bread and vanilla Mille feuille pastry are more than adequate.

LES OMBRES, Musée du Quai Branly (5th floor). 222, rue de l'Université, Paris 7è. Tel: 33 (1) 47 53 68 00. Open daily except Tuesday. A la carte menu: about 40 euros at lunchtime, 60 euros in the evening. Wines: sound. Terrace: magical.

SEDUCING THE MANAGEMENT

Sensing

On the mythical Dominique's home ground, Guy Martin is proposing regime change at his Grand Véfour. A great grand chef doing a runner from his great restaurant to flirt with the zeitgeist is something we've got used to, but in spite of the naff logo and the designer decor without resonance, this time Martin has created subtle, elegantly crafted cuisine based on a short menu just for your appetite. His cuisine is inventive, sensitive, light without being fatuous, contemporary without being crass, technically accomplished without being academic (young mackerel with fennel in a delicate tart, magnificent tuna with foie gras and artichokes, Anjou pigeon in Muscovado and iced turnip, grapefruit supreme on iced lemon shortbread). This is glam gluttony, with cuisine as swanky as the high heels on the cloth.

*SENSING. 19, rue Bréa, Paris 6è.
Tel: 33 (1) 43 27 08 80. Open every day except Saturday (lunch) and Sunday. A la carte menu: about 50-60 euros. Snacks in the bar: about 15 euros. Lunch offer in a few weeks. No smoking anywhere in the restaurant. Wine also sold by the glass.
Parking: Montparnasse Raspail.*

WITH COLLEAGUES

Rich

This starts like an old-style thriller. A well hidden Paris courtyard, traces of the 1930s all over the façade, with four stories of a former diamond cutters' bourse converted into a gaming centre. Between two daggers we find a restaurant unfortunately named Rich. The gold plate sets the tone like a cellar for playing poker where you temper everybody's appetite with some victuals as unimaginative as the imitation felt carpet. Neo-standard cuisine with no frills, no pretensions or alarms, distributing mint chicken nems, Aberdeen Angus cutlets, well fleshed side of calf, and macaroons with bitter caramel. For the "holdem no'limit" (the initiates know what I mean), this is just what they need. As for everyone else, by a curious paradox this establishment is scrupulous about intimate relationships, and remains delicately discrete about distinction between pumpkin broth and walls in painted cloth.

*RICH. 14, rue Cadet, Paris 9è. Tel: 33 (1) 48 01 87 87. Open every day.
A la carte menu: About 50 euros. Set menu: 25 and 30 euros.
Saloon available. Smoking and non smoking zones. Parking: Buffault.*