

## Editorial

# Unlocking the potential of France's biggest asset: entrepreneurship

In 2014, Idinvest Partners' assets under management passed the €5bn mark: double the amount of four years ago. We owe this clear-cut success primarily to our investors, and we appreciate the trust they've placed in us time and again. That might be considered satisfaction enough in itself. But the real good news is not about Idinvest's accelerating momentum. It's all about the actual ventures: the mid-caps, the small-caps and their managers, who are driving that momentum.

Yes, the overall economic climate is morose. Yes, politicians' inability to deal with or even understand the business world is more glaring and more damaging than ever before. But at the same time – and this is the prevailing paradox – all signs point to entrepreneurship as a last lifeline for French society. France has perhaps a coy habit of criticizing what it does best. Yet it is the vitality of our businesses, and European businesses in general (after all, we are joined at the hip) that will turn the situation around.

Idinvest backs enterprises that are not in the limelight but have been

sending out a lot of positive signals. The recent wave of tech IPOs in Europe, Microsoft's acquisition of Minecraft and, on another level, the Rosetta probe's spatial exploits, all fly in the face of persistent claims that Europe is dead in the water, out of its depth, or lost at sea when it comes to innovation.

**“All signs point to entrepreneurship as a last lifeline for French society.”**

There's no denying that growth is set to remain weak in Europe for quite some time. But that only makes the work we do at Idinvest all the more worthwhile. Investing in innovative companies, meeting their funding needs, helping them make acquisitions by giving them the leverage to consolidate their markets, feeding their appetite for growth – these are the number-one priorities right now. This is what entrepreneurs have uppermost in their minds. To refuse them that support would be a critical mistake.

The success stories that have recently made headlines for many of them, especially in the digital industry,



offer a unique wealth of opportunity. They nurture an extremely fertile ecosystem of young entrepreneurs who have figured out, much faster than their predecessors, that tapping outside capital is a must if they are to accelerate, grow and develop their ventures internationally.

They are France's most vibrant but least well known asset. Our job is to help them unlock their potential.



Read the results of our entrepreneurship survey :

[www.idinvest.com](http://www.idinvest.com)

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Jean Losco, CEO



## Mezzanine Debt

Idinvest Partners stepped up its mezzanine debt investments with the new Idinvest Private Debt III fund, which has been instrumental in several emblematic deals over the past few months.



A new leader in apartment hotels is born. With their merger in March 2014, Appart'City and Park&Suites pulled ahead of Adagio. Together, the two groups now manage 130 business and tourism residences in France, announcing expected revenue of €186m for 2014. Idinvest Partners provided mezzanine financing for this deal, sponsored by Equistone Partners, which resulted in the creation of France's new number-one operator of apartment hotels. Idinvest also brought to the table its knowledge of the market, the company and its management thanks to an earlier investment in Park&Suites at the start of 2013. This tie-up is expected to unlock major commercial and financial synergies due to the new group's good geographic and operational fit. It will also facilitate development across Europe.

Idinvest Partners acquired a portion of Maxeda's mezzanine debt in August 2014. With a new management team at the wheel since 2013, this Dutch chain of DIY stores is capitalizing on its network of 367 points of sale, deeply embedded in the Dutch and Belgian retail landscape. The group is number one in Belgium with a market share of 45%, and number two in the Netherlands. Although the industry is mature, it is dominated by a few big players covering about 90% of the market, which limits the threat of new entrants. Founded in 1999, Maxeda forecasts revenue of €1.3bn for 2014.

J&S has been growing profitably as it provides for ever stricter vehicle safety needs and more extensive product ranges. This automotive parts manufacturer is expected to post revenue of €46m in 2014, a level of growth which convinced Idinvest Partners to participate in August 2014 in the company's unitranche financing. J&S will continue to benefit from the robust performance of its German customers. Volkswagen, for instance, plans to roll out 41 new vehicle models between 2013 and 2017. The construction of a new plant in China is expected to open the door to the world's biggest automotive market. Founded in 1990, J&S employs 410 people and is owned by Brockhaus Private Equity in partnership with the company's management.

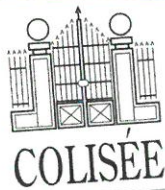
In October 2014, Idinvest Partners was involved in financing the buyout of Vulcain alongside Nixen Partners in partnership with the group's management. Vulcain provides engineering consultancy services to the oil, gas and nuclear industries. Boasting a team of around 400 consultants, Vulcain is hired by companies such as Technip, Areva and Total. Its expected 2014 revenue figure is €46m. One-third of that is generated by its international operations, a fraction that should continue to grow with the opening of new branches in the Benelux region and the United Kingdom.





## Senior Debt

Idinvest Partners has been particularly active in senior debt these past few months, positioning the fund to continue its strong development in Europe.



The Colisée Patrimoine group, France's fourth-largest independent nursing home operator, has come under the wing of Eurazeo PME via a primary investment that Idivest Partners helped finance. Colisée provides living assistance, medical services and rehabilitation to seniors residing in one of its 52 homes (3,567 beds). It had revenue of €170m in 2013.



Idivest Partners has continued investing internationally, helping to finance the primary deal for IDC Salud led by CVC. This company enjoys a leading position on the Spanish market for medical services, offering recognized expertise in the diagnosis and treatment of heart disease and cancer. IDC Salud achieved revenue of €817m in 2013.

## HSE 24

Idivest Partners was involved in financing the primary buyout of HSE 24 by Providence Equity Partners. HSE 24 is the second-largest home shopping services provider in Germany, Austria and Switzerland. It covers the entire value chain from product purchasing to the production of television programs, to sales and delivery. It had revenue of €597m in 2013.



Idivest Partners participated in the refinancing of Materis Paints, one of Europe's leading producers and distributors of paint products, owned by Wendel. Materis Paints operates in France, Italy, Portugal and Spain. It posted revenue of €754m in 2013. Materis Paints is a company that Idivest knows well, having financed its development between 2003 and 2006.

## Secondaries

Idivest Secondary Fund II surpasses its initial fundraising target



In March 2014, Idivest closed its second fund dedicated to secondary market deals at €228m, beating its initial target of €200m. This fund has attracted new institutional investors and family offices, one-third of which are based outside Europe, originating from North America, the Middle East and Asia.

With ISF II, Idivest intends to continue its strategic track record of targeting mature, small to mid-size secondary transactions in the European middle market segment, which remains sufficiently attractive and inefficient compared to the market for large intermediated deals.

Our current portfolio is comprised of 60 companies bought over the course of eight secondary transactions. In 2014 we closed three deals for a total of €50m. €10m was raised from a syndicate of the fund investors. For example, Idivest Secondary Fund II provided significant backing for Parcom France's spinoff into Parquest Capital, working alongside it to take over the financing of a portfolio of six French mid-size companies including Safic-Alcan (a distributor of specialty chemicals), Vivalto Santé (an operator of private medical clinics), 5àSec (a dry cleaning chain) and Unither (a manufacturer of pharmaceutical products). Two more deals are currently in advanced negotiations and could be signed by the end of 2014 for an estimated total of about €50m.



## Biotech / Medtech

The healthcare industry accounts for about a quarter of Idivest Partners' growth capital portfolio. It is one of the fund's development priorities, with the aim of supporting innovative projects that get real results.



Safe Orthopaedics is adding three new countries to its international sales base. Expanding outward from France and Germany, this provider of integrated orthopedic implant solutions began operating in Italy, Spain and the United Kingdom over the course of 2014. On the other side of the Atlantic, sales in the United States also picked up thanks to a dedicated team of five direct representatives.



Erytech now has the means to match its ambitions. This biotechnology firm successfully raised €30m in October 2014 via a reserved capital increase that was 68% subscribed by US investors, which puts it in a position to accelerate development in the United States, especially following its recent successes in investigating treatments for acute forms of leukemia. In September, Erytech obtained positive results in its pivotal phase-III clinical trial of Graspa, a drug designed to treat acute lymphoblastic leukemia (ALL). A few months earlier, independent experts analyzed the safety data from 60 initial trial subjects and unanimously gave the go-ahead for a phase IIb trial involving patients with acute myeloid leukemia (AML).

## Cleantechs



Enlighted, Leosphere and Sunfire, members of Idivest's cleantech portfolio, have just made the Global Cleantech 100, Cleantech Group's list of the top 100 private companies in clean technology. This distinction illustrates the relevance of the selection process implemented by Electranova Capital, the cleantech growth fund managed by Idivest Partners in partnership with EDF since it was started in 2012.



Sunfire inaugurated the world's first power to liquid demonstration rig in Germany in November 2014. The event was attended by Germany's Federal Minister of Education and Research. Located near Dresden, this facility can transform electricity, carbon dioxide and water into synthetic fuels such as diesel. The project is backed by automotive manufacturer Audi.



Forsee Power solidified its strong franchise as a specialist in battery systems for heavy-duty and commercial transport vehicles (trucks, buses) thanks to its extensive and particularly well-structured offering. Its powerful lithium batteries combine a quick charge and high energy density (using cylindrical Panasonic cells similar to those found in a Tesla electric car) with cooling technology that can stand up to the most extreme conditions.

## Exits



After seven years in Idivest's portfolio, Clear2Pay was bought by FIS, a world leader in consulting and solutions for managed services. The total size of the transaction was €375m for full ownership. In addition to an exit multiple of nearly 3x Idivest's initial investment, this digital industry deal provided an illustration of our successful support of Clear2Pay, a Belgian company founded in 2001 by Michel Akkermans and Jürgen Ingels. Clear2Pay revolutionized the payment solutions market by introducing the idea of a payment hub that would centralize every step in the online payment process. Today, the company employs more than 1,500 people in 15 countries, and its clients include 40 of the world's 50 largest financial institutions, among them BNP Paribas, Santander, Royal Bank of Scotland and Commerzbank.



Prosensa is entering a new league. This Dutch biotech company, backed by Idivest since 2008, will be joining the US group BioMarin. The total size of the acquisition is \$840m, composed of \$680m cash for all of Prosensa's stock and \$160m in milestone payments contingent on the successful registration of Drisapersen, the molecule developed by the company, in the United States and Europe. Prosensa develops treatments for genetic illnesses, with a particular focus on neuromuscular and neurodegenerative disorders. Idivest's exit multiple on this deal was 7.6x.





## “Serial entrepreneurs help nurture a fertile ecosystem”

**“French bashing” is all the rage right now. But I’ve met many entrepreneurs, all over Europe, and ours rank right up there with the best of them.**

France is home to its own breed of high-achieving entrepreneurs, and this has only become truer with time. Most of them started out in the 90s and already have at least one success story to tell. They’ve learned from their mistakes, and their business plans are getting stronger each time around.

As serial entrepreneurs, they help nurture a fertile ecosystem. They freely reinvest their earnings in new ventures, which then grow and go on to finance the next generation of start-ups. The money is recycled, pulling the entire economy up with it.

And France is no exception; Europe is brimming with innovation. Clear2Pay, the Brussels-based banking software developer, is a case study in what our continent does best.

Clear2Pay was started by Michel Akkermans, a well-known entrepreneur with his own success story in online banking platforms as founder of FICS. Akkermans teamed up with some experienced managers to put the right product, at the right time, on the market that needed it. A decade later, Clear2Pay’s sales had gone from around ten million euros to €100m. Topping it all off, the company was recently sold to FIS for €375m, enabling shareholders to turn their investment into cash. Idivest, which had backed the company since 2007, exited with a multiple of 3x its initial investment. That is just one example among many, in this case showing how attractive the market for digital services in Europe still is. If the economy were better, we would simply have more growth. Criteo has managed to post growth of 70% on its revenue base of \$450m.

That may seem exceptional, but Europe has dozens of companies advancing at this rate.

The opportunities offered by new geolocation and social networking technologies are boundless. The sharing economy is still in its infancy. Three years ago, the business models were still incomplete; now, you can share your apartment, your car, or even intangibles such as music. These new models have already given birth to global players like Airbnb and Uber, or France-based Deezer and BlaBlaCar. No industry is immune to disruptive technology. Kantox, for example, has just upset the status quo of the foreign exchange market by offering its corporate customers the ability to engage in peer-to-peer forex transactions at the most competitive prices. In France, and in Europe, innovation is alive and well.



*Idinvest sponsors the Prospective et Innovation think tank*



**“The rapid rise of new economic powerhouses, led by China, is reshaping the global economy.”**

For 25 years now, Prospective et Innovation, a think tank sponsored by Idinvest, has been analyzing the impact of major economic and technological changes around the world. To paraphrase the organization's chairman and former French Prime Minister Jean-Pierre Raffarin, there is no shortage of issues to address.

- **Prospective et Innovation was founded 25 years ago, while the Eastern bloc was crumbling. How is its mission still relevant today?**

In 1989, the founders of the organization – René Monory (a former French Minister and Speaker of the Senate) and François Dalle (CEO of L'Oréal) – wanted to create an interface between politics, i.e. government administrators, and the economy. They felt that establishing such a meeting-place of ideas would make it possible to analyze and anticipate the impact of political, economic, geopolitical and technological changes on French society, while avoiding partisan prejudices and hidden commercial agendas. After all those years of cold war, France needed to wake up to the rapidly changing world around it.

25 years later, the same need exists in a different way; if anything, the factors of change have only been magnified. The rapid rise of new economic powerhouses, led by China, is reshaping the global economy. The technological disruption brought about by social networks has accelerated the pace of decision-making in politics, business and society, revealing a crucial challenge: how do we reconcile our long-term aspirations with the constant demands of the short-term?

- **How does this idea play out in concrete terms?**

Our organization, which is currently chaired by Jean-Pierre Raffarin, continues to reflect on specific issues with the aim of making lasting improvements in actual practice. The global R&D landscape is one example of the major transformations we are looking at. Many people seem to think that humanity has already made the last of its great groundbreaking scientific discoveries.

There is also the issue of emerging Chinese competition. With this in mind, we are holding a conference in Paris in April 2015 alongside the National Institute of Intellectual Property (INPI) on R&D as a driver of French growth. But we will also be taking 50 young members of the research community (entrepreneurs, journalists, researchers, civil servants, etc.) to China to witness the inner workings of this new global R&D powerhouse.

- **What other disruptive phenomena do you expect to see going forward?**

Distance learning is a major worldwide trend. France still needs to accelerate its efforts in that regard. Healthcare is another big area of opportunity where our country has strengths to capitalize on. French companies are eager to meet these challenges; that has become clear from the meetings, conferences and trips we organize each year.

- **But are they really suited to today's new world order?**

Their perception of new players like China has changed profoundly. Our entrepreneurs no longer see China as sapping their strength, but rather as offering the potential for genuine commercial and financial partnerships. Mixed French-Chinese investment funds are proof of this. On the Chinese side, the change is also quite remarkable. China is looking for more and more sophisticated knowledge to meet the evolving needs of its population, and to help preserve its environment. For this reason, French companies that operate in the environmental, food and biotech industries have a very legitimate interest in forging ties with China and other emerging markets.



## France: a nation of entrepreneurs!



It appears the French do have a lot of entrepreneurial drive. For its third "Envie d'Entreprendre" survey, in partnership with French newspaper Le Figaro, Idivest Partners commissioned an exclusive new study to measure French people's appetite for starting new businesses. According to the results obtained by the survey company, Viavoice, from a representative sample of respondents, 37% of the French population would like to start a business. The number is even higher among students (49%).

Describing their motivations, 51% of people surveyed cited a desire for personal freedom and independence, followed by personal fulfillment (46%) and increased income (33%). The personal values most cited by respondents were respect for others (46%), willpower and effort (34%) and work ethic (33%).

Of course, starting a business is easier said than done. While 37% of respondents said they would like to start a business, only 28% said they had a specific business plan. That equates to 10% of all respondents, resulting in a final index of 370. Among 25 to 34 year-olds the index is 720.

## New Idivest team members



**Chloé Giard**  
Growth Capital Analyst

Chloé joined the digital venture capital team at Idivest Partners in February 2014, where she now handles investment prospecting and monitoring. Chloé previously worked as a consultant in fundraising and in mergers and acquisitions for technology, media and telecommunications clients, first at Clipperton Finance and later at Bryan, Garnier & Co. She also worked for AXA's subsidiary in London and helped facilitate the international development of a Boston-based software vendor. Chloé is a graduate of the EM Lyon business school and of the East China Normal University.



**Sylvain Makaya**  
Head of Corporate Strategy

Sylvain has been with Idivest Partners since December 2013, and is in charge of strategic development projects. After beginning his career at Andersen Consulting, Sylvain was CFO of Euro-mezzanine and of Antin Infrastructure Partners. Sylvain is a graduate of the EM Strasbourg business school and of Heriot-Watt University in Edinburgh (dual degree program).



**Amine Raïs**  
Investment Manager

Amine has been an Investment Manager at Idivest Partners since April 2014. His responsibilities include analyzing, monitoring and performing due diligence on secondary co-investments and primary transactions. Before joining Idivest, Amine was a secondary private equity partner at Paul Capital in Paris and Hong Kong for four years. Before that, he spent two years in mergers and acquisitions at Rothschild & Cie in Paris. Amine is a graduate of the ESSEC business school, where he specialized in private equity and management, and of the Arts et Métiers ParisTech graduate school. He is also a Chartered Financial Analyst (CFA).



**Sophie Bergeret**  
Financial Controller

Sophie joined the team at Idivest Partners in April 2014 as a financial controller in the funds of funds transaction group. Sophie had previously held the same position at Crédit Agricole for three years, focusing on private equity funds dedicated to agribusiness and winegrowing. She began her career as a financial auditor at the Warsaw and Paris offices of Mazars. Sophie is a graduate of the EM Lyon business school.





Questions for:  
**Jean Losco,**  
 CEO of  
**FircoSoft**



“Joining forces with a blue-chip investor will give us a different source of strength”

So when this new market popped up we were lucky enough to be already in business with a portfolio of clients, distributors and partners, which gave us a real head start on the competition. Today FircoSoft covers just over half of the global market. 35 of the 50 biggest banks in the world use our solutions. Our goal is to get that number to 40 in 2015.

• **What is your financial outlook?**

Over the past fiscal year ended June 30, 2014, FircoSoft made €21.1m in revenue and our EBITDA was €5.1m. For 2015, we expect revenue of €25m with a profit margin approaching 25% and strong organic growth.

• **Following the MBO organized in 2011 by Keensight and Paris Orléans with mezzanine financing from Idinvest, FircoSoft was bought by Reed Elsevier in autumn 2014 for an enterprise value of €152.5m. What do you gain in joining this multinational?**

The MBO enabled us to grow and expand our management team, bringing in more senior-level, international profiles. Joining forces with a blue-chip investor will give us a different source of strength. We are joining Reed Elsevier's RBI division alongside Accuity, which specializes in providing data on financial sanctions and money laundering.

Despite not being a household name, FircoSoft is the world's number one provider of anti-fraud and anti-money-laundering solutions to banks. Originally bought out in an MBO that Idinvest participated in, this French company was recently acquired by Reed Elsevier.

• **How do you explain that in barely 20 years a French company has managed to become the global leader in filtering solutions used by banks to combat money laundering and the financing of terrorism?**

FircoSoft grew out of a team of people working at Ingenia, an IT services company that went on to become Sword. It was the 1990s, and we were concentrating on artificial intelligence and natural language processing. In 1994, we used the technological expertise we had gained doing that to develop a filter for a large American bank to ensure compliance with the Office of Foreign Assets Control (OFAC)'s sanctions list. The regulation at that time was still very North-America-centric, which encouraged us to take a more international direction very early on. Everything sped up after the September 11th attacks, which led to tighter worldwide controls over financial sanctions and the fight to stop terrorist funding.

This collaboration will give us the chance to generate substantial synergies with our own data analysis business, which explains the acquisition price multiples. We are looking to improve our growth by 5 points on top of the 20% that we usually generate organically. What's more, our market is expanding very quickly. It's not just about combating money laundering anymore; we also have to deal with financial fraud, tax evasion and more recently cyber-terrorism. These are attractive growth prospects for big companies. That's why it was important for us to join forces with one of them, particularly so that we could pursue an active policy of external growth and bolster our position as a world leader.

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