Jasmin capital
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Strong interest in private equity from family offices

By Jean-Christel Trabarel, Managing Partner - Founder of Jasmin Capital

The strong heterogeneity of the French private equity firms coupled with an increasingly costly and restrictive regulation, like the AIFMD, and growing average tickets of institutional investors are fostering a concentration phenomenon among the management companies.
There are 300 private equity companies in France today, making it the first country in Europe in terms of number of private equity firms ahead of the UK (260) and Germany (200).
These French teams are very heterogeneous: it ranges from local companies with a few millions euros under management to multi-strategy platforms like Ardian, with billions of euros under management.

French private equity firms represent more than 40% of the total number of licenses granted by the Autorité des Marchés Financiers (AMF, the French regulator) for any asset classes, whereas the combined assets under management of these companies does not exceed 2% of the global French assets.

BPIFrance (the private equity arm of the French state), which is the main investor in small and mid-cap French funds, is also encouraging this concentration in order to foster players with more than one billion euros under management. The underlying idea of this strategy is to better support underlying companies on the long term and to attract more efficiently international investors.

Since 2010, more than 40 mergers between private equity companies were recorded in France:
- Sale of private equity companies owned by institutional players like XAnge sold by La Poste Group to Siparex, LBO Partners sold by CIC to Fondation Capital, Innovation Capital sold by CDC to LBO France, Groupama PE sold to ACG Capital, Edmond de Rothschild Capital Partners sold to Bridgepoint
- Regional consolidation like UI with IRPAC or A Plus Finance and Finadvance
- Sectorial consolidation like Demeter and Emertec

This concentration phenomenon is expected to continue. Jasmin Capital's team identified more than 20 French players currently thinking about such topics, either on the sell-side or on the buy-side. The main reasons for such projects are:
- The race to achieve critical mass for primary fund of funds, related to the high pressure on management fees. One way of solving the problem is to increase the assets under management
- Diversification towards institutional clients for retail funds (FCPI, FIP: equivalent of VCTs in the UK) in order to ensure their future business model
- Reach of the critical mass in order to meet with all the requirements that any private equity firm is facing: controls, operational follow-up with the underlying companies, investor relationships management, communication, digital, ESG etc.
- Private equity firms seeking to strengthen in order to achieve their next fundraising
- Development of multi-strategy platforms in order to mutualize available resources and LP basis, this to enable investors to deploy capital to only one GP with standardized reporting. These platforms generally have several fundraising processes at any given time, which mean a closer relationship with the LPs to better identify their expectation in terms of investment strategies.

This being said, mergers of private equity firms are complex and long processes. There must be a good fit between each of the participants' DNA. Elaborate an appropriate governance, convince all of the underlying LPs of the validity of the project, and most of all define a sound business plan to ensure future fundraising operations are not always an easy thing.

Like any other merger and acquisition process, these transactions require a good preparation in order to be efficient and to create value.

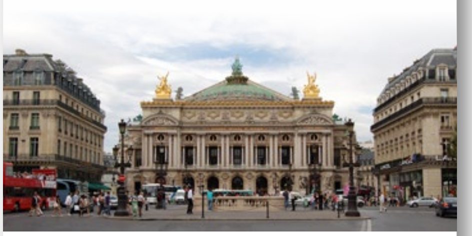
SUMMARY

- A new hire:

  Vincent Goupil joined the company in August as an Associate after working as an analyst for Helix International. He will sustain the team efforts on both the fundraising's marketing aspect and the secondary advisory part.

  Jasmin Capital's team is now composed by 5 professionals and 3 senior advisors

- The team possesses specific know-how in the fields of private equity, private debt and infrastructure:
  - Placement Agent
  - Secondary Advisor
  - Co-Investment
  - Marketing Advisor
  - Merger & Acquisitions on GPs
  - Advisor for Family Offices and Institutional Investors



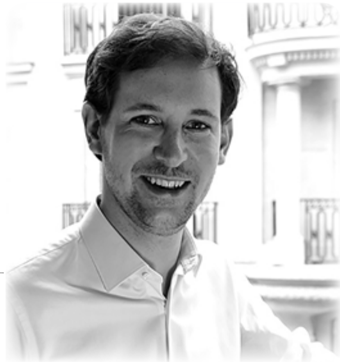
94, rue Saint-Lazare F-75009 PARIS
Tél +33 (0)1 83 62 82 59
Fax +33 (0)1 83 62 82 60
contact@jasmincapital.com
www.jasmincapital.com

Private Equity

INTERVIEW

HIVEST CAPITAL PARTNERS

Cédric Lépée and Axel Bonnassies
Co-founders, Managing Partners



Cédric Lépée

Axel Bonnassies

Hivest Capital Partners *is an independent private equity firm founded in 2016 and based in Paris. The company just raised its first investment vehicle, Hivest I, dedicated to sustain French companies in their efforts to develop their full potential through growth and operational improvements. Hivest I reached its hard-cap at EUR 120m in May 2017.*

Jasmin Capital supported Hivest I in its fundraising efforts

What is your feedback concerning the fundraising that reached the hard cap level within a record time frame?

We are very delighted about the fundraising process which has been indeed a real achievement for a first time fund.
In our opinion there were three keys of success:

- Complementarity of the team: Axel has an entrepreneur profile and thereafter became an investor, Cedric has an investor profile and thereafter became an entrepreneur
- Our clear and distinct positioning: Hivest Capital specialized on companies with good fundamentals but facing complex situations requiring the support of a fund with the necessary experience to undertake operational transformations. This relies on our solid track record and on our references.
- A good timing: the amount of dry powder to put at work and the global decrease of IRR levels sharpened investors' appetite for funds with a different and hands on investment strategy that contributes to better returns. The quick trust that some investors and entrepreneurs placed in us enabled then to accelerate the initial schedule.

How went the discussions with your LPs? What were their expectations?

Generally speaking, we received a warm welcome by all of the investors we met, exception made of those refusing as a rule to invest in first time funds. They all showed a strong appetite for niche actors with higher returns than average.

Our LPs put a lot of efforts in trying to better understand the specificity of our approach, the complementarity and relevance of the team, and the de-pness of the market we are targeting. We then had to prove ourselves through our track record and references.

We had the opportunity to be joined by LPs whom, once convinced about our project, were very reactive and supportive to enable the quick rise of a new player.

What evolution are you foreseeing in the private equity market over the next few years?

In our opinion, the private equity market is getting more and more mature and should follow a logical path compared to other industries: emergence of dominant and multinational generalist groups as well as more niche actors with a differentiating approach.

Low interest rates combined to abundant cash driving down the rates of return are accelerating this phenomenon.

Therefore, we are anticipating the actual consolidation phase of the market to pursue in favor of large, multi-platform, multinational players at the expense of local, generalist players forced to get together or disappear.

However, the opportunity stays unchanged for niche players able to demonstrate a real added-value to the creation of operational value either through sectoral expertise or specific investment approach.

Secondary

INTERVIEW

Ludovic Douge
Manager - Head of Secondaries at Jasmin Capital

Why did Jasmin Capital start operating as an advisor for secondary transactions?

Since inception, Jasmin Capital developed long standing relationships with both GPs and LPs on a global basis. As the activity grew up on the fundraising side, more and more of our clients started to inquire about the secondary market and how Jasmin Capital could assist them in their sale process of funds' interests and direct stakes. We therefore deemed necessary to provide our clients with a broader range of services and therefore increased our capabilities in the secondary area. I joined the company in this context, to look after the secondary practices. We will be very shortly assisted by new team members expected to arrive in September to sustain the fast-growing pace of activity.

On a worldwide basis, 2016 secondary volume reached $38Bn with an increasing proportion of this volume incurred by players looking to accelerate their portfolio turnover through operations like portfolio rebalancing, fund restructuring or tail-end vehicles optimization. This is a space where Jasmin Capital felt confident in its ability and expertise to assist the sellers in the best possible way through its deep network of LPs, strong funds' knowledges and pricing capabilities.

What were the common denominators of the last transactions you have worked on? What were your clients' expectations?

TWe recently observed that the secondary market is more and more an adjustment tool used by an increasing number of players. A few years ago, secondary volumes were, for an important part, driven by large institutions looking to comply with new regulations. These institutions are still very active but on top of that usual buyers are now coming to the market to sell some of their assets. Even though it is true to say that their approach is still opportunistic, it demonstrates that the secondary market became one classic portfolio management tool among others.
We also work more closely from GPs willing to offer punctual liquidity options to their LPs through intermediated processes.

> Jasmin Capital carried out ten secondary transactions in a year

Our clients are looking for more flexibility from the asset class. Being able to adjust their allocation in private assets for regulatory (Solvency II, Basel III) and/or strategic reasons is a mandatory requirement to consider increasing their allocation. In our opinion the secondary market is, among other tools, providing greater comfort to investors looking to manage their portfolio in a more dynamic way.
On top of the pricing, that our clients are always looking to optimize, they are also using our secondary market knowledge: what players should we include in the process, how should we structure the sale, what schedule should we adopt, how should we communicate with the concerned GPs etc. are questions we always need to answer.

In your opinion, what are the evolution to anticipate within the secondary market?

2015 and 2016 were marked by an increasing number of GP-led secondary processes and we believe the number of such processes will increase. Whereas the secondary market was a "LP tool" a few years ago, it also became a precious one for GPs willing to accelerate their funds' liquidity and to sustain their fundraising efforts through stapled transactions. This is not to mention the retail funds (FCPI or FIP in France, VCTs in the UK, etc.) that are more and more systematically using the secondary market to accelerate their liquidity in order to comply with the local regulations.

We are also seeing rising interests from our historical clients to deploy capital through secondary processes towards new asset classes like infrastructure. Generally speaking, the competition is getting tougher and tougher for buyers willing to deploy through the secondary market due to the record amounts of dry powder to put at work. The mechanical consequence of this is a sharp decrease of the observed discounts offered by the buyers and it is now common situation to see fund stakes transacting at NAV or even premium for tier-one GPs.

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Private Markets Advisors

Advisor for Family Offices and Institutionals

Placement Agent

PRIVATE EQUITY
PRIVATE DEBT
INFRASTRUCTURE

Secondary Transaction

Mergers & Acquisitions on GPs

Marketing Advisor / Image Study

Co-investment

Jasmin capital
94, rue Saint-Lazare F-75009 Paris - Phone +33 (0)1 83 62 82 59 - Fax +33 (0)1 83 62 82 60 - contact@jasmincapital.com
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