Jasmin capital

Private Markets Advisors

newsletter

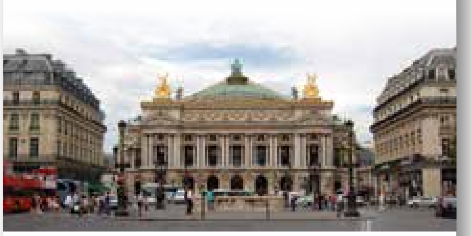
NUMBER 7 / 2020

SUMMARY

- Three new colleagues joined Jasmin Capital :
  - **Yris Deguenon**
    Associate
  - **Carl Dionet**
    Associate
  - **Diane Randriamahandry**
    Research Analyst

- Jasmin Capital is now regulated by the financial market authorities in Europe, USA, Canada, Japan and South Korea

- 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



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Private equity has to bank on corporate growth and deal origination

by Jean-Christel Trabarel - Founding Partner of Jasmin Capital

Private equity deals have hit very high valuation multiples over the past few months. Average buy-out acquisition prices in France are currently at 10 x EBITDA. If there is a turnaround in the cycle, when private equity funds will be looking to sell their stakes, valuation multiples could slip to 7 or 8 x EBITDA. Given the possible negative scissors effect at the time of divestment, investment funds will have to make even greater efforts to continue delivering significant capital gains for their LPs. Two factors will be the key to success, namely creating business value within the companies they hold in their portfolios and also originating outstanding deals.

For funds, driving earnings momentum in the companies in which they invest is the main method for sustainably generating capital gains and therefore delivering performance. Investment management teams must have a crystal-clear view of how to improve sales, EBITDA and the strategic positioning of the companies which they invest in, from the outset. Under the constraint of a 4 - 5 year investment horizon, new shareholders define the priority drivers to draw on, including product solutions, client segmentation, organic growth, add-on acquisitions, international development and digitalisation. Funds must know how to help the management teams in acquired companies achieve successful transformations, through their expertise, sector knowledge, networks and the broader set of skills that they can provide.

Identifying industrial buyers to target for the resale of a company, even before acquisition, is also one of the success factors for funds, in order to be able to adapt the company to the requirements of strategic acquirers.

Most origination deals are now intermediated in the context of bidding processes, with high valuations. The Holy Grail of origination involves finding primary investment opportunities, i.e. companies without investment funds in their capital and with no intermediaries, if possible.

For example, some investment teams prospect among family-owned companies or groups which might spin-off subsidiaries or carve-out business lines, in order to create links with shareholders and managers, ahead of a formal sale process. This type of deal can be struck at more moderate valuation multiples and provides a deeper understanding of the acquired companies through a longer investment process.

Through dynamic stake management which creates business value, private equity funds will continue to deliver long term performance and convince other company managers to open up their capital.

Private Markets

INTERVIEW

Aberdeen Standard Investments

Alistair Watson
Senior Investment Director - Private Equity

What are the investment strategies sought by Aberdeen Standard Investments in private markets ?

Private markets is an important growth engine for Aberdeen Standard Investments. We have a full service offering in private markets, covering private equity, venture capital, real assets, private infrastructure, real estate and private credit. In each of our specialisms, we seek to offer our investors access to what we think are the least efficient market segments.

In private equity we have significant experience and longstanding relationships, having been investors since the mid-1990s. We try to be nimble, forward thinking, focused and challenging in our work with managers, and most importantly to listen to our clients. We structure our commingled fund of funds vehicles creatively to ensure the j-curve is mitigated. For institutional investors, we are able to develop tailor made solutions giving them access to specific areas of specialism, using a menu of primaries, secondaries and co-investments, and across different geographies and sectors. In secondaries and co-investments we target niche market segments where our research capability, relationship angles, industry and expert networks, and proprietary database enable us to build conviction to be the best buyer of an asset or a portfolio.

Last but not least we see growing opportunities, robust performance and innovation in the fund financing and preferred equity markets, both which we address through dedicated teams.

What kind of developments do you anticipate in private markets ?

Investor demand is driving growth in private markets, some of whom are chasing yesterday's strategies and returns. We think private markets can drive faster change and benefit from disruption in traditional industry sectors. Therefore we are forward looking in our investment decision making processes, in assessing managers, strategies and individual companies. We really benefit from having a global venture fund investment team who focus on the early stage segment, giving us an edge in analysing future technological, healthcare and consumer trends. Tech and particularly tech disruption are crucial aspects we need to address in all our investments, because all sectors we look at are being affected by fast changes.

Private markets managers are proving to be astute stewards of an increasingly diverse spectrum of assets, and market forces mean that these assets can and will stay in private hands for longer. The private markets have shown such innovation and development (most recently the rapid development of GP led solutions in the secondary market), that we continue to believe in long term growth of the asset class.

The private ownership model gives huge opportunity to influence companies to make positive changes, and we are now seeing signs that the private markets industry can be at the forefront of ESG developments. We are working closely with our investors and private market managers to raise the bar on ESG action and reporting. ESG is an important factor in our due diligence process and we have specific criteria for each asset class. Our philosophy is that the positive aspects / outcomes of best ESG practice in companies are not yet fully valued by financial markets, but that this will change in the coming years.

What is your vision of the European private markets ?

We believe that private markets are where there is the possibility of the fastest change. Our vision is that there is an ecosystem ready to support that development and growth in terms of ESG, digitalisation, operational improvement, professionalisation, innovation and internationalisation. Private markets, and private equity, continues to be derided in some regions, and our vision is that through increased transparency we can ensure that more of the best management teams want to collaborate with private markets managers.

The weight of capital in Europe continues to flow into the largest private markets funds. The SME market in Europe is so deep and fragmented, with an exciting set of entrepreneurs and innovative companies, and one we believe is well worth the effort in tracking and uncovering.

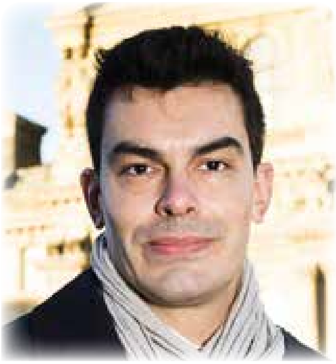
We expect to see increasing specialisation in managers. We watch closely what happens in North America where fund managers are more and more sector focused. In Europe, we see some moves towards that specialisation but not yet as systematic.

We don't deny that markets are very competitive right now and asset price inflation is our biggest worry, but we do believe that the private markets asset class has matured and is more ready to weather the storms ahead.

Private Markets

INTERVIEW

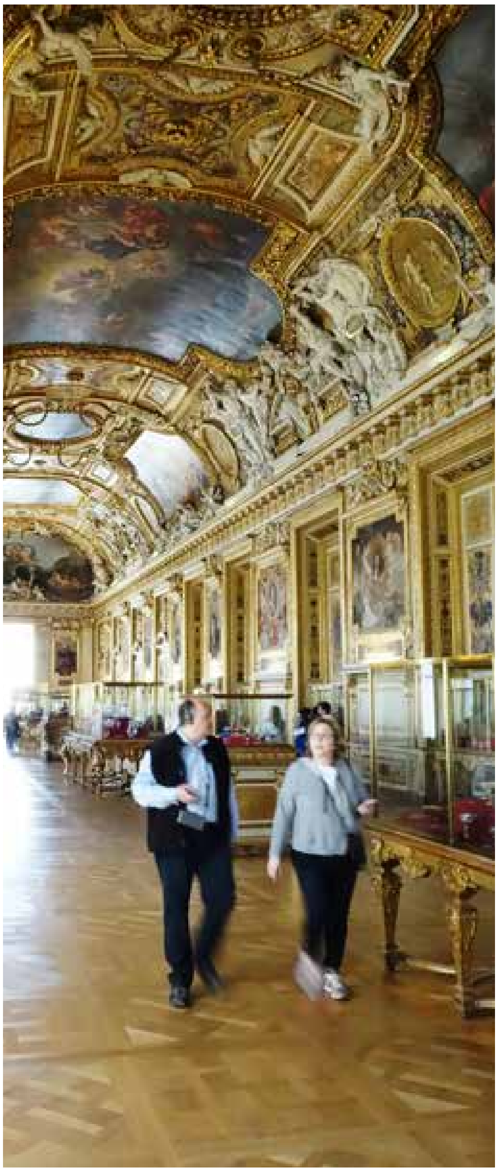
Philippe Gaboriau
CEO of the Louvre Endowment Fund



What are the investment strategies sought by the Louvre Endowment Fund in private markets ?

Created in 2009, the Louvre Endowment Fund manages 250 million euros making it the largest capital structure for culture at the European level. Our objective is to capitalise donations & bequest, as well as revenues from our brand licensing of Louvre Abu Dhabi. This helps financing actions of general interest for the Louvre Museum. The capital we are entrusted with is not redistributed, only investment earnings. This makes us a very long-term investor. We have a multi-management approach: we invest in equity, fixed income & alternative funds. In private markets we invest in infrastructure, private equity & private debt. It is important to note that our fund allocate 3% to impact investing, with an objective to reach 5% soon. The sectors targeted through this strategy are in concordance with our own missions: education, cultural heritage, craftsmanship & cultural tourism.

Donations from the sponsors of the Louvre Endowment Fund are secured and generate revenues every year as a way of supporting the actions of the Louvre in a sustainable manner. These donations allow a corporate income tax deduction of 60% of its amount, up to a limit of 0.05% of turnover. In addition to this tax advantage, the Louvre Museum offers 25% in kind compensation (space privatization, etc.).



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What trends do you anticipate in the coming years for private equity, private debt & infrastructure?

In general, private markets have developed significantly in the last few years. 10 years ago, the sector was focused mainly on real estate & buy-out. Today, infrastructure & private debt are gaining ground. Moving towards the end of the economic cycle, asset valuations are very high. Concerning Private Debt, returns are small & assets are illiquid: we have thus decided to stay out of "traditional private debt." Infrastructure is showing more positive indicators for an investor like us. This is because the asset class is cheaper than real estate and the market is less cyclical than "classic" private equity.

Moreover, private equity needs to be more transparent notably in terms of management fees. The competition between private equity managers will inevitably lead to ensure more transparency towards LPs concerning management fees.

What is your vision for the European private market ?

The private market has developed rapidly during the last two decades. Of course, European actors are often smaller than their US counterparts, but many managers have had strong performances. Within private markets, infrastructure seems to present the major opportunity pool in Continental Europe. There is currently a trend where public actors coinvest alongside investment partners to finance their infrastructures.

Aberdeen Standard and the Louvre Endowment Fund participated in fundraisings led by Jasmin Capital

Jasmin capital

Private Markets Advisors

Advisor for Family Offices and Institutionals

Placement Agent

PRIVATE EQUITY
PRIVATE DEBT
INFRASTRUCTURE

Mergers & Acquisitions on GPs

Secondary Transaction

Marketing Advisor / Image Study

Co-investment

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