



Private Markets Advisors

SUMMARY

Promotion

Vincent Goupil has been promoted to Manager. He primarily works as a Private Placement Agent.

Jasmin Capital has moved

Our new address is: 32 rue de Caumartin 75009 Paris. Our phone numbers are the same.

Jasmin Capital became an associate member of Invest Europe in March 2018

The team possesses specific know-how in the fields of private equity, private debt and infrastructure

- ▶ Placement agent
- ▶ Secondary advisor
- ▶ Co-investissement
- ▶ Marketing advisor
- ▶ Merger & Acquisitions on GPs
- ▶ Advisor for Family offices and Institutional investors

Developments in the French private equity industry

By Jean-Christel Trabarel - Founding Partner of Jasmin Capital



The French private equity market has undergone extensive changes over the last decade or so, with the emergence of new independent teams coupled with the consolidation of existing management companies and rapid development of multi-strategy investment platforms. France is highly pro-active when it comes to encouraging private equity investors to become entrepreneurs, conducting about twenty initiatives per year. The three main segments in which management companies are established are:

- Venture Capital Funds, with several teams in the digital industry, such as Daphni and Ring;
- Buyout Funds, notably consisting of companies focused on specific sectors such as Food & Beverages (FnB PE), Services (Momentum Invest), Financial Services and Healthcare.

- Special Situation Funds, supported by the Fonds de Fonds de Retournement under the "Programme d'Investissements d'Avenir" (Investments for the Future Programme) managed by BPI France.

It is crucial for these private equity firms to set themselves apart in the already crowded French industry, boasting more than 300 private equity investment firms. Potential LPs have to be convinced to take the risk of investing in a first-time fund, as opposed to an already well-established team which they may already hold in their portfolio.

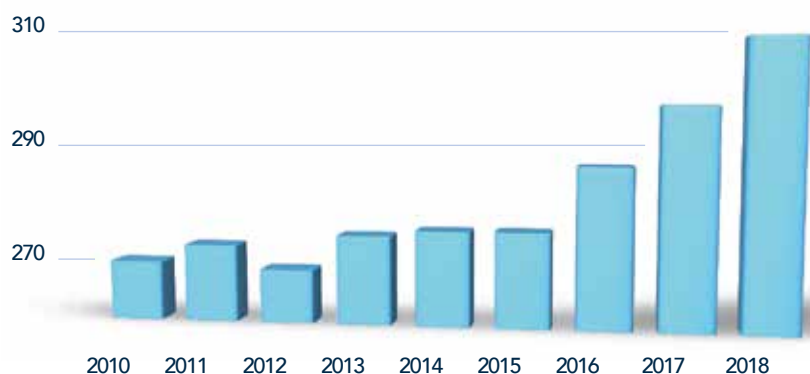
In addition to the newcomers, more and more historic teams are joining forces. The race to build AuM, attributable in part to fast-changing regulations and the draw of being able to provide LPs with a variety of product ranges, has paved the way for consolidation. Approximately thirty different companies are currently in merger talks with the ultimate goal of successfully raising funds from investors.

As for multi-strategy platforms, over a quarter of French private equity firms (GPs) already offer at least two fund ranges. A third already manage over €1 billion. Many LPs enjoy working with platforms in order to reduce the number of GPs relationship. Today, around a dozen teams are thinking of becoming platforms, primarily via mergers.

Overall, the number of private equity firms is poised to climb in France, with new comers expected to outpace mergers. Companies are increasingly tending to specialise in one or more investment themes or sectors in a bid to improve their investment appeal and separate themselves from the pack in terms of fundraising.

Since 2010 the number of private equity firms within France Invest association has increased by 15%

Active members



Source : France Invest



32, rue de Caumartin 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

Secondary

INTERVIEW

ARCANO

Ricardo Miró-Quesada

Managing Director & Chief Investment Officer at Arcano Capital



Arcano Partners, founded in 2003 and with offices in Madrid, Barcelona and New York, is a leading independent financial services with more than 150 people focused in asset management, investment banking and wealth advisory. Arcano's asset management division was established in 2006 and currently has over €3.8 billion AuM in private equity, credit and real estate funds. The latest private equity fund of funds program closed in March 2018 at its hard cap of €300 million.

Arcano took part in several secondary processes led by Jasmin Capital

How has evolved your private equity program over the last couple of years (strategy, tickets, geography...)?

Arcano started investing in private equity in 2006 through funds of funds making primary commitments in large US and pan-European private equity funds. Since then, we have developed a €3 billion AuM private equity platform through commingled funds and separate accounts that invests globally through primaries, secondaries and direct co-investments.

In primary fund investments, our focus is in small and mid-market buyout funds – but with a flexible mandate to complement with larger funds as well as growth and turnaround managers. We also tend to prefer managers that have deep operational capabilities to improve companies' performance and pursue a buy-and-build strategy to drive returns and, that are focused on preserving capital demonstrated by an historical low loss ratio, especially at this point of the cycle.

Geography wise we have historically focused in Europe and the US, which we cover from our offices in Madrid and New York, but we have opportunistically invested in other markets such as Latin America, Africa and Australia.

With regards to secondaries, we started buying single LP interest positions 10 years ago. Since then, we have completed transactions ranging from portfolios of LP interests in several funds with more than €100 million of NAV, to small single line purchases. Additionally, we have participated in several GP-led transactions, which now represent almost 50% of the deals we close. In secondaries we focus on the same strategies as primaries but are more agnostic in terms of the geography or size of the funds seeking attractive risk-adjusted absolute returns.

To complement the above strategies we have also built a strong track-record in direct co-investments in Europe and the US. These allow us not only to potentially obtain higher returns, but also help us diversify the portfolios by complementing the exposure to sectors or geographies we may have lower exposure through fund investments.

How would you describe the recent evolution of the secondary market in terms of deal-flow, competition, returns?

The evolution of the secondary market in the last few years has been impressive. Turning from a relatively small market characterized by distressed LPs to an active market with knowledgeable participants with different needs and objectives, including active portfolio management.

Deal flow is at an all-high and 2017 was a record year, surpassing for the first time \$50 billion in volume, well above the c.\$40 billion of the last 3 years. Additionally, GP-led transactions have also become more common and now represents over 25% of the total secondary volume.

As the market has grown and sophisticated competition has also increased but also become more specialized. Thus you have managers focused in different size transactions, others are more focused in LP positions or GP-led transactions, and then you also have people that focus in different strategies like venture capital or real assets.

In line with other asset classes but also as a result of higher competition and intermediation, as well as higher levels of leverage being used, especially by the larger funds, returns in the last few years have compressed across the board.

Where do you see the market in the next five years?

Based on the continued outperformance over other asset classes, we expect private equity – both primary and secondary – to continue to grow in the medium and long term.

In the case of the secondary market specifically it's important to note that, even after the increase in volume during the last few years, it still represents less than 2% of the total NAV in private equity funds. Additionally, we expect GP-led transactions to become an even more common tool for GPs so we would expect the % over total volume to increase even further. If on top of this we take into consideration that primary commitments to private equity funds is also reaching record levels, we believe the growth of the secondary market is guaranteed. An economic downturn may bring some volatility to those volumes but we believe the growth of the secondary market is structural and will develop even further in the long term.

Private Equity

INTERVIEW

Apax

PARTNERS

Caroline Rémus
Managing Partner at Apax Development



What feedback do you have on your fund raising experience?

The merger we completed last year between EPF (now Apax Development) and Apax Mid Market was the result of two observations. First, while raising capital for its ninth €1 billion fund, Apax Mid Market also recognised the value of returning to the small cap segment in the sense that it would be able to offer its LPs a regular selection of qualitative vehicles consistently managed with the same high standards and processes.

Second, EPF is constantly looking for better ways to contribute to the value-creation initiatives of the SMEs in which the team invests.

The platform created from this merger provides both the Mid Market and Development teams with the historic sector expertise gained by Apax and the cross-disciplinary functions serving investors and executive managers alike.

Apax has invested heavily in highly experienced and fully integrated support teams, including: Digital Transformation, Investor Relations and ESG.

The resulting increase in deal flow and complementarity of our teams, which still work in equity but on different-size companies, promotes the sharing of knowledge, experience and networks, while also encouraging reflection on trends and developments in our industry.

LPs appreciate the fact that, as a company, our management companies practice a long-term strategy aimed at attracting talent and offering them opportunities.

Our digitisation know-how is another major plus. Apax has always been on the cutting edge with respect to its own tools and in providing support to its equity investments. This is an especially critical issue for the SMEs in which Apax Development invests. LPs highly approval of Apax's methodological approach, rooted in digitisation from the very start by including it upstream in its corporate strategy.

This very systematic approach and the sector-oriented platform are without a doubt what LPs appreciate most about the firm.

How do you interact with your LPs? What are their expectations?

Many LPs see the platform as a source of consistent, guaranteed performance. For over a year now, we have learned the Apax platform inside-out. The autonomy enjoyed by our Small Caps team, combined with the synergies we are building, give us ample evidence to testify about the efficiency of the business model. And the fund's first investment with French cashmere specialist Eric Bompard is a great example!

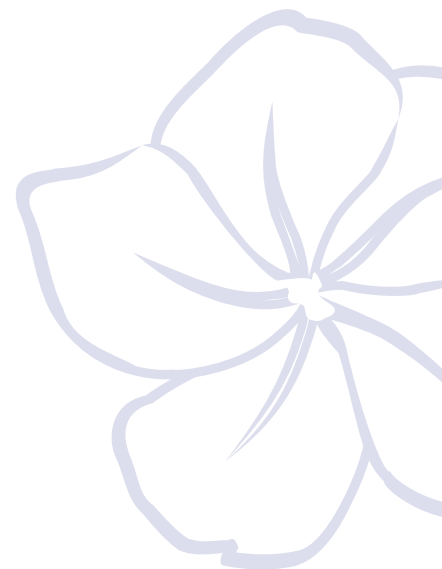
How do you see the private equity market evolving in the coming years?

The private equity industry has a very bright future, particularly in the small caps segment in France. In addition to successions and carve-outs, which are the bread-and-butter of the LBO market, just think of all the start-ups being set up...the best and brightest will soon be looking for more substantial capital.

The primary opportunities market is quite vast. Secondary deals, designed to meet a company's needs as it expands its business, will be conducted more naturally and with greater efficiency. Private Equity firms have their work cut out for them to finance and support companies as they develop, especially for independent platforms such as Apax offering their LPs well-managed investment products and a long-term strategy.

EPF Partners joined forces with Apax France in 2017 and became Apax Development. Apax Development focuses on majority buyout and growth deals, with enterprise value below €100 million and equity ticket between €10 million and €30 million, in the sectors of TMT, Consumer and Services/Healthcare.

Jasmin Capital is Apax Development Fund's Placement Agent



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