



# The Winch Capital newsletter

## A matter of legitimacy



There has been much confused and political debate over the current banking crisis and, as a consequence, even indisputably socially-useful activities have seen their image tarnished. If we are to

change this state of affairs, we will clearly have to re-establish our legitimacy.

We must firstly disprove the idea that the fund managers have 'easy money' at their disposal, by showing that the funds entrusted to us are difficult to obtain - since we have to convince clients (insurance companies, pension funds, etc.) who subject us to very close scrutiny every four years. We must answer a whole array of questions such as: Are we dependable, loyal, efficient? Can we select investments without taking undue risk or destroying value?

Having crossed this hurdle we must then turn to another equally demanding group of clients, namely the entrepreneurs, who have built up superb businesses before we ever became involved. Are we prepared to incur the same degree of risk as them? Will we be capable of contributing more than just funding, and will be supporting the companies' best interests? Will we invest for long enough to enable them to create value? Will we know how to help them exit profitably while, more importantly, focussing on the sustainability and future of business concerns to which they are profoundly attached?

We complete the circle when we again face our investors to whom we return their capital plus a yield that is acceptable to both themselves and their principals, thus hoping to induce them to reinvest with us.

All that is a good reflection of the real world, especially as management companies can cease to exist if they fail to meet all the above-mentioned objectives. That is also the unescapable reality of 2009.

Joyeux Noël and best wishes for 2010.

Pierre-Michel PASSY  
Chairman

## NEWS

## Winch Capital 2 successfully raised €250 million in 2009

On November 19, the Development Capital team had the pleasure of announcing the final closing of its new Winch Capital 2 fund for €250m. A first closing for €175m at the end of June 2009 was testimony to positive discussions with our investor base.

Winch Capital 2, with its €250m, was the only French development capital fund raised in a difficult year for private equity. Over and beyond the actual amount, it was the speed with which it was raised that should be underscored (the process commenced on 1 April 2009). Our fund raising strategy was quite simple, consisting in firstly convincing investors who had placed their confidence in us in 2005 with Winch Capital, then in capitalising on this confidence to seek out new investors, especially funds of funds specialised in private equity. From the first closing in June, we knew that our initial investors would remain loyal to us and over 75% of them invested in Fund 2. Then, after the customary lengthy consideration, funds of funds agreed to look at the development capital segment, analyse our track record and measure the ambitions of our management team.

### Winch Capital 2: investor categories (% subscribed)

- French insurance companies	29%
- Funds of funds	25%
- Pension funds	14%
- Banks	14%
- Non-French insurance companies	10%
- Individuals	8%

Figures aside, what truly motivated the investors? Firstly, the stability and commitment of the Winch Capital management team, and secondly the soundness of our portfolio which had weathered the storm in 2009 without any damage of note, and the fund's first successes with three divestments before its third anniversary (representing approximately 20% of its commitments). Thirdly, development capital proved to be of great interest to our subscribers in view of the reasonable risk / yield combination. Finally, they felt that 2010-2015 would be a good time to build up a portfolio of companies acquired at a reasonable price and representing a good basis for consolidation.

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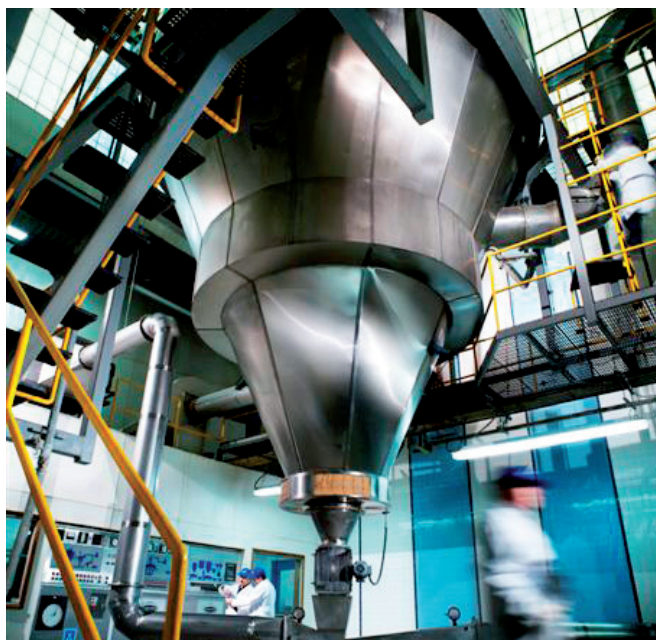
# Investments made in H1 2009



Jacques Dikansky is Chairman, and CEO of Naturex

Naturex, which was founded in 1992 by current Chairman Jacques Dikansky and is now listed on Eurolist C, is on the verge of becoming the world leader in natural specialty ingredients subsequent to the acquisition of the Ingredients Division of Spanish group Natraceutical. This transaction was announced in the summer of 2009 and will see the group double its size, with 2009 proforma revenue and EBITDA estimated at 185 M€ and 28 M€ respectively. Naturex will have production facilities in Europe (France, Italy, Spain, Switzerland and the UK), the USA, Morocco, Australia and Brazil. The new group's customer base will continue to be international, with Europe's share of sales up to 50% and the USA accounting for 34%.

Prior to this acquisition, Winch Capital had invested 9.4 M€ in SGD, the founder's holding company, by subscribing to the Naturex capital increase in February 2009. Despite the prevailing depressed climate at the time, this capital increase proved highly successful and raised 17.3 M€ to fund the group's organic growth and targeted acquisitions.



## Why did you increase the group's capital?

### Jacques Dikansky:

One of the reasons Naturex has grown so strongly in recent years is its ability to successfully integrate its acquisitions. The integration of Natraceutical's ingredients division is a milestone in the group's history, in both industrial and commercial terms. However, we have identified several smaller targets that could consolidate Naturex's worldwide position in certain specialty segments. The capital increase is funding the group's organic growth while enabling it to grasp external growth opportunities in the short or medium-term.



## For what reasons did you choose Winch Capital?

**Jacques Dikansky:** Naturex considered various scenarios aimed at reinforcing its equity. Our good relationship with the Winch management team, who had already invested in Naturex in the 1990s, established the trust required for this deal. Winch Capital's minority investor philosophy was perfectly suited to management's vision and expansion projects.

## What are the major projects you are working on?




**Jacques Dikansky:** Our main challenge now is to successfully integrate the Natraceutical subsidiaries in order to generate higher profitability with the new group as soon as possible, by repositioning these subsidiaries on specialty products while reducing the proportion of commodity-type products, but also by developing their potential in the USA where they only achieved 10% of Natraceutical's revenue.

Furthermore, since the start of the year Naturex has been organised by core market: Food & Beverage, Nutrition & Health and Personal Care. This is a market-driven structure headed by managers who coordinate the group's skills to meet client expectations and provide them with high added-value solutions. In particular, the Pharmaceuticals and Cosmetics market is expected to grow significantly and should become one of the group's major businesses alongside food ingredients and nutraceuticals.

# WINCH Capital holdings at December 1, 2009

Company's name 2008 revenue	Sector	Date and type of investment	Company's name 2008 revenue	Sector	Date and type of investment
 <b>Fin. Montalivet</b> 23,5 € m	Homes for the elderly and post-rehabilitation care	2005 OBO	 <b>OCEA</b> 48,8 € m	Aluminium boat design	2007 Dev. Cap.
 <b>Farinia</b> 148 € m	Technical forged and cast-iron parts	2005 Dev. Cap.	 <b>Groupe Saint Aubin</b> 23,3 € m	Fresh and frozen foods	2007 OBO
 <b>ARM</b> 2,3 € m	Medical assessments for insurance companies	2006 OBO	 <b>Financière Tortue</b> 45,2 € m	Women's and children's clothes sold through private sales in homes	2007 OBO
 <b>Manifesto</b> 9,2 € m	Promotional objects for the fragrances- cosmetics sector	2006 OBO	 <b>CEME</b> 80,1 € m	Electrical and air-conditioning equipment	2007 OBO
 <b>Sparflex</b> 55 € m	Packaging for the Wines & Spirits sector	2006 OBO	 <b>Groupe Nasse Demeco</b> 59,1 € m	Removals for private and corporate clients	2007 OBO
 <b>Aurenis</b> 137,3 € m	Book publishing	2005 Dev. Cap.	 <b>FastBooking</b> 20,7 € m	On-line hotel booking	2007 Dev. Cap.
 <b>Sibille</b> 51,1 € m	Electrical tools	2006 Dev. Cap.	 <b>ADF</b> 202 € m	Industrial maintenance	2007 Spin-off.
 <b>Transimmeubles</b> 72,5 € m	Property development and renovation sector	2006 OBO	 <b>Gamma Saphymo</b> 25,4 € m	Radioactivity detection	2008 Bimbo
 <b>G2C Développement</b> 71,8 € m	Industrial frameworks	2007 OBO	 <b>SGD-Naturex</b> 93,2 € m	Natural ingredients	2009 Dev. Cap.

# WINCH Capital divestments at December 1, 2009

Assets divested	Activity and acquisition	Date	Assets divested	Activity and acquisition	Date
 <b>Demeter / Panavi</b>	Industrial bakery / Viennese bakery, acquired by Vandemoortele	Sept. 2008	 <b>Luidpoldhütte</b>	Group FARINIA company, acquired by Agromash Holding	July 2008
 <b>Alturia</b>	Operational consul- ting for banks and insurance companies, acquired by the Alma Consulting Group	July 2008			



## Portfolio company news

➤ Captain Tortue has acquired lingerie manufacturer Java, a brand from Marseille distributed through private sales in homes over the last 15 years. Java turned over revenue of €0.8m in 2008 and boasts a trained sales force of 250 women. In September, the Captain Tortue group launched its third range of clothes, Lady Captain, for active women over 40.



➤ Farinia received €20m from the French government's strategic investment fund FSI in March 2009 to complete the financing of its Setforge acquisition.

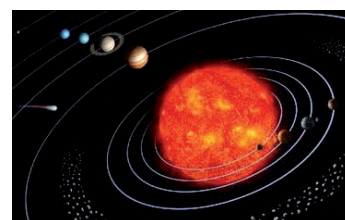
➤ CEME continued to pursue its external growth policy, taking over Moreau-Vallet near Nantes in September 2009. This acquisition takes its consolidated revenue over the €100m mark, and reinforces its HVAC business while completing its geographical coverage of the west of France.

➤ After Chantiers Navals Gamelin went into receivership, OCEA took over the La Rochelle shipyard of this boat building and repairs company as well as its 45 employees who have mostly been redeployed in the Vendée-based group's production division.

➤ During the secondary sale of 3i portfolio holdings, Winch Capital grasped a unique opportunity to significantly increase its stake in FastBooking. Winch Capital is now the main financial shareholder and Fastbooking is successfully pursuing its international development.

➤ Since the acquisition of Euroflash in 2008, the Demeco group has considerably increased its business in the removal and relocation of companies and administrations in France.

➤ Aurenis has intensified its international roll-out, particularly with the launch of "Spiderman" in Russia and "Solar System" in Japan, both of which have been very successful.



## EDMOND DE ROTHSCHILD INVESTMENT PARTNERS

### The WINCH Capital funds

The WINCH Capital funds are investment vehicles that Edmond de Rothschild Investment Partners dedicates to development capital transactions. The WINCH Capital fund raised in December 2005 has its €170m fully invested in some 20 companies in all sectors. Its successor, WINCH Capital 2, was created in 2009 and has an investment capacity of €250m. Edmond de Rothschild Investment Partners thus has one of the biggest development capital vehicles in France.

The WINCH Capital funds invest in well established and profitable companies (with revenue ranging from 15 to €250m) with ambitious growth projects and in which management is the main shareholder.

We take part in the financing of corporate development, transactions reorganising share capital ownership and partial liquidity of the main shareholder. Our involvement is tailored for the challenges faced by the company or entrepreneur and can take the form of capital increases or quasi-capital transactions, acquisition of securities, Owner Buy-Outs with recourse to borrowing. We take significant minority holdings (5 to €15m) as lead or joint-lead investors and assist the entrepreneurs in developing their businesses.

### The management team



**Pierre-Michel Passy**  
Chairman



**Antoine Le Bourgeois**  
Partner



**Sylvain Charignon**  
Partner



**Pierre-Yves Poirier**  
Partner



**Laurent Tourtois**  
Senior Investment Manager



**Sophie Nordmann**  
Investment Manager