



# The Winch Capital *newsletter*

## Not-so-lonesome cowboy



From a CEO's point of view, accepting a financial investor on board is primarily a marriage of convenience, while also addressing a more psychological issue in that

he will no longer be alone. No longer alone in setting the company's course, in hiring for key positions or in negotiating acquisitions. He will now have a sparring partner.

Our business entails building up a portfolio of investments in small and medium-sized growth companies, but must also enable their senior executives to share their experience and create business opportunities. That was the club-type spirit that prevailed on June 17 and 18 when the first Winch Capital Entrepreneurs symposium was held at Baron Benjamin de Rothschild's prestigious vineyards in the Médoc region of Bordeaux. Top-flight guest speakers and CEOs spoke on panels debating common issues such as the development of human capital or the integration of acquisitions.

The highlight of this event was indisputably the talk by film producer Alain Goldman ("*1492: Conquest of Paradise*", "*La Vie en Rose*", "*Purple Rivers*"). The CEO of Légende Productions explained his vision of film production, drawing parallels with the world of entrepreneurship and even capital investment: sourcing good projects, finding the right people, arranging financing, managing stars, an aversion to overspending, not to mention knowing how to wait months, even years for a film to be released before learning whether it will be a hit or a flop. The entrepreneurs and investors present in the room were left feeling not so lonesome any more!

Pierre-Michel PASSY  
Founding Partner

## NEWS

### FCPR Winch Capital: time for liquidity

This year, the Winch Capital fund, which began in 2005, accelerated its disposals as it reached maturity.

Our companies, which were less adversely affected by the crisis due to their low levels of debt, saw their business pick up sharply. The fund team thus focussed on a number of disposals as of the first quarter.

“ 2010 saw the portfolio reach maturity.

At the fore of these exits was the emblematic disposal of Aurenis in July 2010. Groupe Aurenis is a world leader in partwork publishing marketed through newsagents and by subscription. Winch Capital, whose initial investment dated back to the capital increase of July 2006, helped the group expand into proprietary publishing and international markets. That strategy gained momentum in 2007 with the acquisition of Eaglemoss (a leading publisher in the UK), at which time Winch Capital increased its investment. On June 30, 2010, LFPI acquired a majority stake in the group, leaving our fund with a multiple of over 2.5 and an IRR of close to 30%.

Aurenis is a perfect illustration of our strategy: a primary deal, management heavily invested in the group's capital,

a change of business model to improve profitability, and a major acquisition (Eaglemoss). Two figures to conclude on this success story: over that five-year period, revenue was multiplied by 11 and EBITDA by 3.7!



Another successful exit was that of Ideal Résidences divested in late July to LBO France who have taken control of the group. Since 2006, Ideal Résidences has doubled its size and improved its regional footprint by acquiring Groupe Medicotel with its four residences in the Paris region. Here again, the multiple was over 2.5 and the IRR in excess of 25%, thus demonstrating the efficiency of our development-capital model.





The S.S. Sudan, travel on a period steamship

© V. Mat / Voyageurs du Monde

## Voyageurs du Monde

### Winch Capital 2 gets on board an upmarket tour operator

Voyageurs du Monde organises and markets travel in two segments: customised individual trips via its Voyageurs du Monde and Comptoir des Voyages brands, and adventure trips under the Terres d'Aventure, Nomade Aventure, Déserts and Grand Nord Grand Large brand names.

The group has a unique travel centre concept called "Cités des Voyageurs" with sales centres in 14 cities in France and one abroad (Brussels).

Voyageurs du Monde also boasts an exclusive accommodation range which, by way of the historical relevance, the originality of the concept or the atmosphere created, constitutes an outstanding advertisement for the destination in question, while adding an extra dimension to the group's accommodation offering. For instance, the group recently purchased Gandhi's house in Johannesburg and plans to convert it into guest houses adjoining a small museum.

In 2009, the Alternext-listed group posted sales of 239 M€ and an operating margin of close to 10 M€, a resilient performance in difficult times.

In April 2010, Avantage – the Voyageurs du Monde group's management-owned holding company – increased its majority shareholding. At the same time, Winch Capital 2 managed by Edmond de Rothschild Investment Partners, and BNP Paribas Développement acquired 18.3% and 6.7% respectively of Avantage's capital.

## Iranex, future developments



Stéphane Dondain  
interview  
Chairman of Groupe Iranex

**What are the characteristic features of gum arabic, an area in which Iranex is**

**world leader?**

SD : Gum acacia is a natural vegetal exsudate found mainly in sub-Saharan Africa. It is a completely natural ingredient renowned for its texturing and emulsifying properties. Confectionary, sodas, encapsulation or even flavouring are among the numerous areas in which gum acacia is used. This is a niche sector smaller than the modified starch market, for example, but one that has been achieving sustained annual growth of over 5%. Moreover, nutrition will be an interesting growth relay for gum acacia.

**What are your main strengths in this niche market?**

SD : CNI, the group's main subsidiary, has a global market share of approximately 40% in gum acacia. CNI's great strength is that it controls the entire value chain. It has been a long-standing operator in the production areas of sub-Saharan Africa where it has preliminary processing plants, but also has innovative industrial tooling in France and Africa, a research and clinical studies programme conducted by CNI staff, a truly global distribution network, as well as being long since referenced by the major players in the agro-foods market, and it has control of its logistics worldwide. CNI was initially in commodities trading but has become an

integrated industrial player in a sector with substantial barriers to entry, thus making its competitive position very strong.

**What were the reasons for taking Edmond de Rothschild Investment Partners on board via its Winch Capital 2 fund?**

SD : As Chairman of the group and COO for over 10 years, I was eager to increase my investment in Iranex when my brother, my co-shareholder in Iranex, decided to leave the group. The OBO carried out alongside Edmond de Rothschild Investment Partners enabled me to increase my stake from 50% to 76%, Edmond de Rothschild Investment Partners acquiring the remaining 24%. This has enabled me to continue to develop this century-old, family-owned group independently, but has also given me the peace of mind to embark on a new development cycle with a minority partner.

**In what areas does the group intend to develop?**

SD : The sustained growth in the gum acacia market opens up interesting development prospects for CNI. We would like to expand into the nutrition market which we believe to be very buoyant, and more generally into product innovation. Groupe Iranex is looking at ways to diversify into the natural ingredients sector with a view to achieving sales of 100 M€ by 2013. After the acquisition of the Bio Serae laboratories, other external growth opportunities will be grasped and the group will develop its presence in the emerging countries.



Gum acacia

Iranex is an independent group that was established in 1895 and has been owned since by the Dondain family. It is a major player in the natural ingredients market. Its main subsidiary, CNI, is the world leader in gum acacia, a completely natural ingredient used in the agro-foods and nutraceuticals industries. The group also has extensive know-how in the sourcing of vegetal raw materials via its subsidiary Starlight Products, and in the field of spray-drying and encapsulation with its subsidiary Nutriprocess. In 2008, Iranex took over Bio Serae, one of the leading laboratories in the field of innovative natural nutraceuticals.

Iranex has sales of approximately 80 M€, of which 90% are outside France, and has some 250 employees worldwide.

## Winch Capital 1 holdings (at September 1, 2010)

HOLDINGS	SECTOR	DATE AND TYPE OF INVESTMENT
 Farinia Group	<b>Farinia</b> Technical forged and cast-iron parts	2005 - Dev. cap.
	<b>Manifesto</b> Promotional objects for the fragrances-cosmetics sector	2006 - OBO
	<b>Sparflex</b> Packaging for the Wines & Spirits sector	2006 - OBO
	<b>Sibille</b> Electrical tools	2006 - OBO
	<b>Emerige</b> Property renovation and development	2006 - Dev. cap.
	<b>G2C Développement</b> Industrial framework	2007 - OBO
	<b>OCEA</b> Aluminium boat building	2007 - Dev. cap.
	<b>Groupe Saint Aubin</b> Fresh and frozen foods	2007 - OBO
	<b>Financière Tortue</b> Women's and children's clothes sold through private sales in homes	2007 - OBO
	<b>CEME</b> Electrical and air-conditioning equipment	2007 - OBO
	<b>Groupe Nasse Demeco</b> Removals for private and corporate clients	2007 - OBO
	<b>FastBooking</b> On-line hotel booking	2007 - Dev. cap.
	<b>ADF</b> Industrial maintenance	2007 - Spin-off
	<b>Gamma Saphymo</b> Radioactivity detection equipment	2008 - BIMBO
	<b>TWC</b> Watches, jewellery and leatherwear	2009 - OBO
	<b>SGD-Naturex</b> Natural ingredients	2009 - Dev. cap.

## Winch Capital 2 holdings (at September 1, 2010)

HOLDINGS	SECTOR	DATE AND TYPE OF INVESTMENT
	<b>Groupe SEGEX</b> Urban maintenance and works	2010 - OBO
	<b>Iranex International</b> Natural ingredients	2010 - OBO
	<b>Groupe Fontanel</b> Construction (turnkey shell structures)	2010 - OBO
	<b>Avantage Voyageurs du Monde</b> Tour operator (customised and adventure trips)	2010 - Dev. cap.

## First steps in Italy

For a number of years, the Winch Capital team has sought to apply its development capital model outside of France. The Winch Capital 2 by-laws authorise the fund to invest in neighbouring countries provided the same philosophy prevails.

We are now establishing an investment business in Italy through an exclusive partnership agreement with Luca Ravano and Massimo Massari, with a view to expanding the Italian development capital market through Winch Capital 2.

Luca Ravano (44 years old) and Massimo Massari (42) are both graduates of Bocconi university. Together they form an experienced team that managed the Aletti Private Equity SGR business since 2004. They made 11 investments in Italian SMEs for a total of over 100 M€, disposing of 7 holdings at an average multiple of over 3. During that period, they notably received the AIFI award for the best exit of 2008 (Lovato Gas).

After starting his career in corporate finance in London, Massimo Massari worked for PAI Partners in France and Italy. As for Luca Ravano, he counts ten years experience with San Paolo and Hambros Bank in structured and corporate finance in London, followed by private equity experience in Milan.

Luca and Massimo have set up Mast Capital Partners in Milan ([www.mastcapital.com](http://www.mastcapital.com)), exclusive advisors to Edmond de Rothschild Investment Partners. They have joined forces with us convinced that Winch Capital's investment strategy is perfectly suited to the Italian market with its SMEs seeking to develop whilst reinforcing the structure of their capital ownership by taking on a professional shareholder. The numerous family-owned SMEs with strong brand names constitute an extraordinary wealth of sources for development capital deals involving a minority shareholding.

Through Winch Capital 2, Edmond de Rothschild Investment Partners would like to make two or three investments in Italy over the next two years.



Massimo Massari (left) and Luca Ravano (right) receiving the AIFI Award.

## Winch Capital team reinforced

In view of the increase in Winch Capital's assets, which have risen from 175 M€ in 2005 to 425 M€ in 2010, the management company has decided to reinforce its staff and promote its top talents.

The associate structure has remained stable around Pierre-Michel Passy, Sylvain Charignon, Antoine Le Bourgeois and Pierre-Yves Poirier.

### Promotions

**Laurent Tourtois** (34 years old, graduate of IEP Paris and HEC business school), who joined Winch Capital as a Senior Associate in 2006, was appointed **Investment Director** in 2010. He was involved in the CEME, ADF, Gamma Saphymo, Segex, Iranex and Fontanel deals.

**Sophie Nordmann-Caetano** (34 years old, graduate of the Nancy college of chemical engineering, and ESSEC business school) also joined in 2006 as an Associate, and was promoted to **Senior Associate** in 2010. She has worked on the OCEA, Financière Tortue, TWC and Naturex investments.

### Recruitments

**François-Xavier Mauron** (33) is a graduate of HEC and has joined Edmond de Rothschild Investment Partners as **Investment Director** at Winch Capital. He began his career in 2000 as a Senior Consultant in M&A at KPMG Corporate Finance in France and the UK, before joining Activa Capital in 2004. François-Xavier took part in the structuring of numerous transactions at Activa, notably Vivactis, Delpharm, Créal, BFI Optilas, Françoise Saget / Sport 2000 and Selpro.

**Damien Ricordeau** (25), who graduated from Paris-Dauphine with a master's degree in Corporate Finance, has joined the Winch Capital team as an **Analyst**. He has been with us for a year now and has worked on the VDM, TWC and ADF deals.



**Pierre-Michel Passy**  
Founding Partner



**Antoine Le Bourgeois**  
Partner



**Sylvain Charignon**  
Partner



**Pierre-Yves Poirier**  
Partner



**Laurent Tourtois**  
Investment Director



**François-Xavier Mauron**  
Investment Director



**Sophie Nordmann-Caetano**  
Senior Associate



**Damien Ricordeau**  
Analyst