# ARDIAN

# BENEFITING SOCIETY BY SUPPORTING THE REAL ECONOMY

ACTIVITY REPORT 2017



Ardian is a world-leading private investment house, with \$67bn managed on behalf of governments, institutions and high-net-worth investors around the world. Our company is majority owned by its 500 employees and operates from a global network of 13 offices. We are major investors in the real economy and in 2017 we invested \$10bn to help growing companies expand, create jobs and fund essential infrastructure assets.

Our approach to investment is founded on our conviction that finance has a responsibility to create positive social outcomes: security for the savers and pensioners whose money we invest, good working conditions and a share in the success employees in our portfolio companies help to create, and a beneficial impact from our activities on wider society. This is why Ardian is a leading advocate in our industry for responsible investment practices.

# IN CONVERSATION

with Dominique Senequier and Patrick Thomas

3

### Dominique Senequier, President of Ardian and Patrick Thomas, Chairman of the Supervisory Board discuss the major developments of 2017 and look to the road ahead.

### Why have you decided to expand the Executive Committee?

**Dominique Senequier:** What we have undertaken is a major step. Four of our younger Managing Directors have joined: Nicolò Saidelli, who is Head of Italy, Jan Philipp Schmitz, Co-head of Germany and Head of Asia, as well as our US Co-heads Vladimir Colas and Mark Benedetti, all of whom are between 37 and 50. We now also have a much more internationally diverse group of leaders within Ardian. We are expanding internationally very fast, and our assets under management reached \$67bn over the course of 2017. It is the right time to create a wider Executive Committee to reflect this global growth. At the same time, Dominique Gaillard, who has been with the company almost since day one, is leaving the Executive Committee to focus on his role as Chief Executive of Ardian France, which is the largest unit in the company with about 300 people. Patrick Thomas: These changes are intended to make the leadership of Ardian more international and to bring in emerging talent at the top of the company. I believe what Dominique and the rest of the group has done will hugely strengthen Ardian. This better reflects the company's modern

### What stage have your reached with the expansion into direct investment in North America?

D.S.: Our North America Direct Buyouts activity, led by Vincent Fandozzi, has closed two deals that are doing well. One of our next steps will be to create a closer relationship with our European buyout teams,



Dominique Senequier

### President of Ardian

make-up. Ardian is growing quickly across the world, so there's a clear logic in deciding to enlarge the Executive Committee to stay in step with this process.

D.S.: This is very much about transferring knowledge between all of us as members of the Executive Committee. Ardian is becoming more complex all the time because regulation is getting more demanding and digitalization is changing the landscape. We are much better placed if we have eleven people focusing on this rather than eight. Traditionally we have only addressed the North American market through our Fund of Funds business, which we can run on a large scale because we are buying portfolios of \$1.5bn or \$2bn per transaction. But as soon as we move into direct investments like buyouts and infrastructure, we need more people to oversee the business. That's why it's so good that our two US co-heads are joining the Executive Committee. It's essential that they feel fully empowered and responsible for the development of Ardian US.

5

### **Patrick Thomas**

because the cultural fit is so good. We also launched our first Americas Infrastructure Fund. The demand from LPs was so strong we were obliged to raise the hard cap, and we've already made two investments. Here too we have brought in an outstanding specialist investment team who wanted to join us. We have also attracted a third team, who were previously running co-investment at GE Capital, and will now develop our co-investment mandates with US pension funds and institutions. Finally, we are also considering opportunities in Real Estate, but that's at a much earlier stage. Overall,I would say the way we're developing our direct businessesin the US is very discreet, but we are laying the foundations of a successful future.

P.T.: From the perspective of the Supervisory Board, the rapid progress Ardian is making in North America shows that the strategy we set for global growth is working. But it also underlines that we must continue to expand the oversight of the Supervisory Board so that we can keep pace with Ardian's growth and the constant increase in regulation.

### How did the work of the Supervisory Board change during 2017?

P.T.: We made significant progress in the governance of the company, especially in terms of our oversight of the different units throughout the world. The Compliance and Risk teams have put in place many controls to secure the business for our shareholders, investors and staff, and to codify how we comply with the local regulation in every country. It's critical that we make a huge effort in anticipating risks because we are managing such a large amount of investors' money. We now have almost 10% of our staff in charge of controls, governance, audit, risk management, etc., which is enormous. **D.S.:** To give one example, we have appointed our first internal auditor, which is compulsory under new regulations. One of the auditor's first assignments was to audit our cybersecurity and report back to our Audit and Risk Committee and the Supervisory Board. Cybersecurity is a serious risk and we must keep the confidence of our clients -they have to trust that all our business processes are secure.

### How do you develop Ardian's people as the business becomes more global?

**D.S.:** We pay a lot of attention to individuals and we provide a lot of individual coaching and mentoring. Twice a year I personally attend our Compensation, Personal and Career Development Committee where we provide all 500 of our people with a review. The bigger the company, the more I think you should focus on your people.

"I am very conscious that technology is playing a bigger role in our lives every day and the more this trend continues, the more I believe we have to reinforce the human aspects of our society and our organizations."

### Dominique Senequier

They need to trust that the company is fair and that it cares about their fulfillment at work. The things I care about above all are Ardian's people and our culture, which is why we have recently launched the Ardian Lab project through our Foundation, to help unemployed people set up their own businesses. This gives us another way to express our internal culture, which is to use our skills and experience to have a positive impact on society.

P.T.: There is no better return on investment than someone who is fulfilled at work. I'm not here every day but I'm very impressed by the smooth relationships between people, the way they get on with each other and the way they contribute positively to problem solving. That's a big plus in my opinion.



Chairman of the Supervisory Board

# E X E C U T I V E C O M M I T T E E F O R E W O R D

The bold strategy we adopted to expand Ardian beyond Europe is bearing fruit. Ardian has growing international power: it is becoming a genuinely global investment company with a brand that attracts world-class talent. Over the past year we have closed large debut funds in European Real Estate and Infrastructure in the Americas, as well as new funds for Secondary Infrastructure and Growth that are up to three times the size of the previous generations.

Our investor base continues to grow rapidly and is becoming more international in its make-up. To meet the demands that this changing base brings, we have recently added Investor Relations staff in Chile and Japan to improve coverage in these strategic markets and prepare for the next wave of opportunities. On average, each of our LPs now holds more than three Ardian products-a key measure of the trust they place in our brand. As high-net-worth individuals steadily become a more important part of our business, we have repositioned our Co-Investment fund to better meet their needs too. We are already established as

the leader in North America for Secondary Fund of Funds but now our direct investment businesses are gaining significant traction as well. In 2017, we closed our first infrastructure deals in North and South America, and completed our first North American buyouts. In 2018 we will continue to consider new opportunities in North America, including direct and secondary Real Estate investments.

As well as the Americas, Asia will become more important for Ardian over the next few years. We are always considering opportunities to launch products in China. We are also planning to expand our operations in Singapore, and are assessing establishing a presence in Australia. The opening of our new Tokyo office will build upon our growing network of relationships with investors across Asia, including important new commitments during 2017 from South Korea and Taiwan.

The Ardian Executive Committee is carefully considering how we can continue to digitize more of our operations. Last year, we carried out a digital audit of the business, which found we are well positioned in our digital transition. It highlighted several further ways we can change our processes and introduce greater automation. However, we will take a selective approach to digitalization because our investors expect individual service with a human face. Developing our processes to marry high levels of personal service with the efficiency gains available through greater digitalization will be a major focus for 2018 and 2019.

6

7

As our digital transition gathers pace over the next few years, Ardian will come to depend much more on technology tools that are outside the expertise of the company's leadership. We have therefore made it a priority to spread knowledge about technology more widely through the company and to expand the Executive Committee to include younger members who are more familiar with technological developments. The four new Executive Committee members will not only ensure that Ardian's leadership is more international and matches the company's rapid global expansion, they will also reinforce the knowledge base of Ardian's leadership team in areas that will be critical to the company's future success.



### Executive Committee From left to right

Vladimir Colas Co-head of Ardian US, joined the Executive Committee in 2017

**Philippe Poletti** Head of Ardian Buyout

Mark Benedetti Co-head of Ardian US, joined the Executive Committee in 2017

Mathias Burghardt Head of Ardian Infrastructure **Olivier Decannière** Head of Ardian UK

Vincent Gombault Head of Fund of Funds and Private Debt activities

Jan Philipp Schmitz Co-head of Ardian Germany and Head of Asia, joined the Executive Committee in 2017

**Dominique Senequier** President

### ARDIAN

### Benoît Verbrugghe

Head of Ardian US

### Jérémie Delecourt

Head of Corporate and International Development

### Nicolò Saidelli

Head of Ardian Italy, joined the Executive Committee in 2017

# **ARDIAN'S ACTIVITIES** HAVE AN IMPACT ON SOCIETY

Ardian supports institutions that provide pensions, insurance and public services for millions of people. Our aim is to produce sustainable returns that will be shared with everyone involved in creating them, and to have a positive social impact both through our investments and through the Ardian Foundation.



### OUR COMPANY A GLOBAL NETWORK

Our 500 employees manage our investors' money through a global network of 13 offices, spanning Europe, North America and Asia. We invest through a multilocal network, in which each office is run by a highly experienced team of local professionals.



### **OUR CLIENTS** FUNDRAISING

We raise money from around 700 investors all over the world, including Sovereign Wealth Funds, Pension Funds, Insurers, Endowments and Wealthy Individuals. They show their trust in Ardian by investing in an average of 3.2 of our funds each.

### **OUR IMPACT** SHARED VALUE

Our cautious investment approach and our commitment to sustainability produces positive outcomes for our portfolio companies and their employees, for our clients and the pensioners and citizens they represent



### **OUR FOUNDATION** ARDIAN\_\_\_\_ FOUNDATION

Through the Ardian Foundation we extend our social impact by supporting young people from disadvantaged backgrounds to achieve their educational potential and acquire the skills they will need in the workplace.

# Ardian investment activities

### **DIRECT FUNDS**

Our investment teams partner with the founders and managers of ambitious companies in the major eurozone economies and North America, and support their expansion plans.

### FUND OF FUNDS

Ardian buys portfolios of private equity-backed companies that create jobs and help their economies grow. We own positions in 1,400 funds with 10,000 underlying companies.



Ardian provides a range of debt financing options to the private equity sponsors of LBOs, helping their portfolio companies to invest in their operations and fund further acquisitions.

### **INFRASTRUCTURE**

We are leading investors in Europe's vital economic infrastructure, where we provide services to 300 million people, and we have recently entered North America. We currently operate 1.4GW of renewable energy capacity.



### **REAL ESTATE**

Our multilocal team acquires office buildings in major French, German and Italian cities and improves them to provide the modern working environments that today's companies require.

# K E Y F I G U R E S



**PILLARS** We manage funds across five main in Secondary transactions and are b

10

We manage funds across five main areas of activity. In Fund of Funds we are the world's largest investor in Secondary transactions and are building a world-leading Mandate operation. Our Direct Funds business is among the largest players in the core eurozone economies and is now extending its presence in North America. Ardian Infrastructure is a leader in Europe and has recently closed its first North American fund. Finally, Private Debt provides LBO finance for transactions across a growing number of European markets, while Real Estate has invested the majority of its debut European Fund.

### FUND OF FUNDS

**OUR FIVE** 

Primary Early Secondary Secondary Mandates

### DIRECT FUNDS

Buyout North America Direct Buyout Expansion Growth Co-Investment

### INFRASTRUCTURE

PRIVATE DEBT

REAL ESTATE

13 OFFICES 500 EMPLOYEES PARIS | LONDON | FRANKFURT | MILAN | MADRID | ZURICH JERSEY | LUXEMBOURG | NEW YORK | SAN FRANCISCO BEIJING | SINGAPORE | TOKYO

# US\$38BN

# US\$16BN

# US\$9BN

# US\$3BN

# US\$1BN

# **KEY** EVENTS

### FEBRUARY

First Real Estate deals in Italy and France

Ardian acquired a portfolio of six properties in major Italian cities, which was then followed by its first deal in France: the Europa building in Western Paris.



### APRIL

### Fund of Funds seals \$2.5bn Mubadala transaction

In the largest deal of its kind, Ardian bought a \$1.75bn portfolio from Mubadala and invested up to \$750m in its new managed fund in which Ardian will be the main investor.

APRIL

Millennial Comex and Digital Think Tank set up Two dedicated groups started work: the Millennial Executive Committee, representing the company's youngest employees, and the Digital Think Tank, set up to promote digitalization initiatives.

### MAY

JUNE



### The Ardian Foundation launches Ardian Lab

The first group of unemployed people from deprived neighborhoods joins the scheme, receiving coaching from nine Ardian staff to help them pitch for funding to set up businesses. Seven were awarded sums of €5,000 to €30,000 each.

# First deal for Ardian North America Fund II

Ardian's North America Direct Buyouts team, based in New York, acquired Italian auto components maker Dynamic Technologies and merged it with Huron, an existing portfolio company.

### SEPTEMBER

UNPRI awards Ardian A+ across the board

The world's leading Responsible Investment organization awarded Ardian top marks in all four categories for its Environmental, Social and Governance practices.

12

### DECEMBER

### Ardian sells €1bn+ infrastructure portfolio

Two existing investors in the second generation of Infrastructure funds, AXA and APG, purchased their remaining assets, fulfilling Ardian's commitment to offer LPs liquidity after 10 years.



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# ARDIAN PUTS INVESTORS AT THE HEART OF WHAT WE DO

Overview

### MORE INVESTORS

We now have 700 investors, compared with 580 at the end of 2016. The number of high-net-worth individuals has risen from 237 to 290 during 2017.

### WIDER COVERAGE

We have expanded the Investor Relations team, with a new office in Tokyo and a local member of staff covering South America.

### MORE REQUESTS

Our Investor Relations team of 40 staff handled more than 1,000 queries from investors in 2017, including a growing number on compliance and ESG issues. The strength of Ardian's brand comes from two sources: our consistent track record over 20 years and the quality of our service to investors. We put investors at the heart of what we do and aim to provide whatever they need quickly and efficiently. As Ardian has expanded globally, launched new activities and increased assets under management, the Investor Relations operation has undergone a transformation so that it can continue to meet the expectations of our fast-growing group of investors, wherever they are in the world.

14

We have built a scalable structure based on our Executive Sales Committee, which co-ordinates and allows us to run several fundraising operations simultaneously. In 2017 we demonstrated the strength of this approach with a succession of major fundraising operations for first-time funds including European Real Estate (€700m) and Americas Infrastructure (\$800m), as well as significantly larger generations of Secondary Infrastructure and Growth. During the year, we received major first-time commitments from LPs in South Korea, Taiwan and South America.

Even though our Investor Relations operation is becoming bigger and more global, we remain committed to a relationship-based service with a human face. We have added local team members in Japan and South America to cover these strategically important markets and we continue to improve the quality of our reporting and our response times for investor requests. Our next step will be to complement this personal approach with improved digital delivery of information to help investors find what they need as quickly as possible.



# SHAPING TOMORROW'S WORLD

Summary



Ardian is continually evolving to stay in step with the world in which we operate. We are asking our young employees to help steer Ardian's future through our Millennial Executive Committee. We are leading our industry's thinking on Responsible Investment practices, and our Foundation is helping talented young people to overcome the challenges of deprivation and achieve their potential in education and the workplace. And through our Digital Think Tank we are exploring how to use the amazing power of Artificial Intelligence to serve the needs of our companies, our employees and society.

### Overview THE MILLENNIAL EXECUTIVE COMMITTEE -WE EMPOWER ARDIAN'S YOUNGER GENERATION

20

18

Interview POSITIVE SOCIAL IMPACT THROUGH **RESPONSIBLE INVESTMENT** 

Overview POSITIVE SOCIAL IMPACT THROUGH OUR FOUNDATION

24 In conversation COMMITTED TO UNDERSTANDING THE POTENTIAL OF ARTIFICIAL INTELLIGENCE

ARDIAN

# THE MILLENNIAL EXECUTIVE COMMITTEE

We empower Ardian's younger generation

### We have formed the Millennial Executive Committee to represent the views of our youngest employees and to involve them directly in deciding the future of our company.

Ardian is a fast-growing company with a very young staff: one-third of employees are under 30 and another third are aged between 30 and 40. Given the significant growth of the company over the last year and the critical importance to preserve Ardian culture and way of doing business, last year we decided to give young talented professionals a bigger role in supporting Ardian management and departments in setting their priorities and deciding the future of the company. The Millennial Executive Committee, which was launched in April 2017, is made up of 12 members of staff in their twenties and early thirties, drawn from different departments and working across three continents. It has regular contact with Ardian's internal departments and the Executive Committee proposing new initiatives and ideas. The decision to form this group followed the Quest 2036 exercise carried out in 2016 to coincide with Ardian's 20th anniversary. This asked Ardian's younger staff about their views on the company, how it should develop and what its priorities should be.

### "We want a job that makes sense and has a positive impact on society as a whole, we don't want just to raise money and perform well."

A number of issues emerged, including how to ensure young joiners understand and absorb the Ardian culture, finding ways to include everyone in communication and discussion

# 12

MEMBERS

### APRIL 2017 CREATION DATE

as the company gets bigger and more international, accelerating our digital transformation, and ensuring more employees understand and contribute to the company's social impact projects through the Ardian Foundation.

18

19

In its opening months, the Committee, which meets by video-conference every six weeks and in person twice a year, has taken up several of these issues and its Working Groups have co-operated with other departments to address them. Alongside Ardian's Human Resources team it produced a new welcome pack that explains the company's history and culture, and sets out its key activities, helping new arrivals to feel part of Ardian from day one. It also helped to revamp the induction seminar that new employees attend.

Feedback from the Committee has helped to expand the reach of the Ardian Foundation, extending its work to cater for younger children and adult entrepreneurs from deprived neighborhoods, and encouraging the Foundation to accelerate moves to bring non-French staff onto its board. Younger staff were also keen to get closer to the Foundation's work and to enable this to happen, the Foundation has moved to a decentralized model in which local offices manage their charitable activities in line with the Foundation's mission.

Finally, following the Committee's suggestion, one meeting per year of Ardian's Executive Committee is now held via a video-conference that is open to all employees globally and includes a Q&A session.



### **Gonzague Boutry** Infrastructure – Paris

**Inigo Weston** Fund of Funds – London

**Millennial Comex** 

from left to right

Julie Burgermeister

Colin Wang

Investor Relations – Paris

Fund of Funds – Beijing

**Maxime Letissier** Communications – Paris

**Jason Yao** Fund of Funds – Beijing

**Monica Preteseille** Fund Finance – London

### ARDIAN

**Edmond Delamalle** 

Buyout - Paris

**Wilfred Small** Fund of Funds – San Francisco

**Giacomo Forti** Buyout - Milan

**Leonarda Orani** Infrastructure – Milan

**Missing: Fabian Wagener** Buyout – Frankfurt

# **POSITIVE SOCIAL** IMPACT THROUGH **RESPONSIBLE** INVESTMENT

Candice Brenet, Head of Responsible Investment, explains how Ardian enhanced its performance both internally and externally during 2017.

### What were your main projects this year?

We've extended our analysis of climate risk for Buyout and Expansion portfolio companies to include physical risks, their exposure to energy crises and to shifts in customer demand caused by climate change. We want to increase the management teams' awareness of these issues and build action plans, in line with our commitment to support the transition to a low-carbon economy. In 2017, we also completed the first carbon assessment of the management company, covering 11 offices and quantifying our direct and indirect emissions. We tracked our performance over three years to see how emissions have changed as Ardian has grown, and we're now looking at taking concrete actions to reduce our carbon footprint. For our Real Estate activity, we worked on an ESG policy tailored to the asset class, including an innovative tool, developed with the sectorial expertise of PwC, which will provide us with ESG ratings for our Real Estate assets similar to those we apply to our portfolio companies. This tool will allow the Investment team to identify key strengths and opportunities for improvement so that we can increase sustainable performance throughout the holding period. Ardian also became a member of the UN PRI's select Private Equity Advisory Committee in 2017, providing strategic oversight on Responsible Investment issues in the industry on an international level, which meets on a guarterly basis. In order to support this growing activity and respond to LP and internal ESG related requests we've expanded our Corporate & Investment Responsibility team by recruiting an additional permanent employee so we are now three full-time employees dedicated to Corporate & Investment Responsibility activities within Ardian.

### Is interest in ESG among your investors and employees continuing to grow?

Definitely. The number of external and internal ESG requests we handled increased by 40% last year. On top of the usual ESG-related questions in due diligence questionnaires, many of our LPs want to understand how policies are implemented

and know who is responsible for implementing them-is it the ESG team or the investment teams? We work hand in hand at every phase of the investment process. Our aim is to empower the investment team by providing structured policies, tools and training on relevant subjects, with the help of expert external consultants when necessary. Employee interest is also growing as an internal survey revealed that employees are increasingly searching to add meaning and impact to their day-to-day activities. Last year, we introduced dedicated sessions into the induction process for all new joiners and added practical ESG training to the Ardian University course, explaining what it means for investment teams in their daily work and the resources they can draw on to support them.

### How do you see the ESG topic evolving from here?

I think the pressing issue is the contribution investors make to positive environmental and social outcomes. I think we will see a shift from concerns about the process of implementing ESG policies to a focus on our overall impact-so it moves from being a question of avoiding negative outcomes to demonstrating positives.

### How are you improving Ardian's own performance in different areas of the ESG agenda?

As an employee-controlled company with 75% of our staff as shareholders, we pay a lot of attention to governance and have the same structures you would find in a public company. We work hard on staff training and development and have also implemented global profit-sharing schemes. We know that issues including diversity and gender equality are very important to our staff and therefore we have put in place agreements covering these areas and action plans, including for example our disability awareness week in November. Finally, we're reducing our environmental impact across all our offices in areas like energy efficiency, recycling and increased use of video-conferencing, and we also take into account the environmental policies of companies we hire as suppliers.

# ARDIAN'S CONVICTIONS

Ardian's mission is to create value that is both sustainable and shared with all its stakeholders.

# 3

21

FULL-TIME EMPLOYEES DEDICATED TO CORPORATE & INVESTMENT RESPONSIBILITY

# 46

WE WORK WITH MORE THAN **46 COMPANIES EACH YEAR** TO BUILD AND REVIEW THEIR TAILORED ESG ROADMAP

# 160

WE FOLLOW 160 GP'S EACH YEAR TO SUPPORT THEIR **RESPONSIBLE INVESTMENT** BEST PRACTICES

**Engaging** with our portfolio companies and GPs to support and accompany their development strategy toward more sustainable growth through tailored monitoring of their ESG performance.

at each stage of the investment process with a tailored approach for each Ardian activity.

**Providing** our LPs with the highest standards of transparency in terms of reporting.

**Contributing** to the fight against climate change through the Initiative Climate 2020, our commitment to measure and reduce the carbon footprint of portfolio companies for which it is a material issue, by 2020.

### **Promoting Responsible Investment**

and collaborating with our peers by supporting and developing strategic guidance documents with international initiatives like the UNPRI (United Nations Principles for Responsible Investment).



### Integrating Responsible Investment

Sharing capital gains with the employees of portfolio companies when possible.

# **POSITIVE SOCIAL** IMPACT THROUGH **OUR FOUNDATION**

The Ardian Foundation is expanding its support for programs that promote social mobility and improve the life chances of young people from disadvantaged backgrounds.

During 2017, the Ardian Foundation adopted a series of initiatives to grow the organization, further equipping it to pursue its core mission: to help young people from less fortunate backgrounds to improve their lives and achieve greater social mobility. As part of this process, the Foundation worked with the Millennial Executive Committee to review its strategy and structure to help it become an even more effective means of promoting practical engagement among Ardian staff in social impact projects. One of the early results of this effort was Ardian's first Disability Employment Week in Paris, featuring numerous events to raise awareness of disability in the workplace, which were attended by over 200 employees. More than €3,600 was raised during the week and donated to Toupi, an association that promotes the inclusion of disabled people in the workplace.

Among the key changes last year was the decision to decentralize the Foundation's organization and empower individual Ardian offices to take greater ownership of the Foundation's activities at a local level. Alongside this initiative, the Foundation has also established a budget to support charitable projects put forward by employees who are personally raising funds. The employee's contribution is eligible for Foundation match-funding of up to three times the amount raised, depending on how close each project is to the Foundation's core objectives. This program has already backed more than 10 employee-initiated projects in the US, UK, France, Morocco, Niger and some Asian countries.

The Foundation has traditionally worked with specialist partners in many of the countries where Ardian is active, providing financial support, training and mentoring for young people from underprivileged backgrounds in three main areas: primary, secondary and university education, and on projects promoting social integration and employment opportunities. Last year, the Foundation extended its mission with the launch of Ardian Lab, a Paris-based project set up in partnership with social activist Eugène Henri-Moré, Partner at ENID3. Ardian Lab selects groups of unemployed people from deprived areas and provides them with coaching from Ardian staff to help them pitch for funding to set up businesses in their neighborhoods.

### "Ardian strengthens its social footprint via the Ardian Foundation with €1m invested each year for students and entrepreneurs from modest backgrounds."

Yann Bak, President of Ardian Foundation

The Foundation is now active in China, France, Germany, Italy, Luxembourg, the UK and US, and involves around 150 Ardian employees in its activities, ranging from serving on its Board and Committees, to mentoring young people and taking part in sponsored fundraising events. Its programs have become a key way in which Ardian fulfills its aim of ensuring that the world of finance remains closely connected and relevant to communities and society at large.

### Big expansion of activities in the US

Ardian employees in the US identified four additional educational charity projects which the Foundation now supports: Colleges Real, Student Sponsor Partners, Family Links and StreetSquash, in addition to existing partners, Year Up and Toigo.

### New French project is first to focus on music

The Foundation began a partnership with the Paris Mozart Orchestra, in which professional musicians spend time at schools in deprived areas to co-write a project with pupils, linked to their curriculum, mixing music and literature.

### **Funding**

+150





Ardian approved commitments of €1m each year for the next five years for the Foundation. Alongside charitable donations of approximately €100,000 raised for the Foundation each year by Ardian staff-which is also matched by Ardian-this takes the Foundation's annual budget up to circa €1.2m and the five-year budget to €6m.

### Team

First full-time Foundation employee appointed Hadia Kebe joined the Ardian Foundation as its first dedicated member of staff to help manage and expand its work in partnership with Ardian's 13-strong network of offices around the world.



**EMPLOYEES INVOLVED** 

IN THE FOUNDATION

22



### UK and Luxembourg partnerships go live

The Foundation began funding two British organizations which support children at secondary school-The Brilliant Club and Think Forward-as well as a mentoring program for underprivileged students in Luxembourg alongside Maison de Coaching.

### Foundation secures new funding commitment

# COMMITTED **TO UNDERSTANDING** THE POTENTIAL OF **ARTIFICIAL INTELLIGENCE**

Grégory Renard, Chief Al Officer at xBrain and Mathias Burghardt, Head of Ardian Infrastructure and Member of the Executive Committee.



"Don't think of it as something that replaces human employees but as something that augments their work."

Grégory Renard

### Ardian has formed a Digital Think Tank to explore the likely impact of technologies such as Artificial Intelligence on our portfolio companies and our own business.

Advances in Artificial Intelligence are creating numerous opportunities to apply it to business processes. Mathias Burghardt, Head of Ardian Infrastructure and Member of the Executive Committee, who leads Ardian's new Digital Think Tank, explores where this powerful technology is heading with Grégory Renard, Chief Al Officer at xBrain, a research center specializing in deep learning applied to natural language.

Mathias Burghardt: How should we think about Artificial Intelligence as a concept? Grégory Renard: Al is a natural progression in programming like those we've seen in the past. The difference is that with AI we aren't using programming language to set the rules that the machine will apply. Now, with machine learning, we are instead giving the machine a huge amount of data and allowing it to discover the rules for itself

by analyzing the information. M.B.: That's a major step that happened with the development of AlphaGo, right? Nowadays, the best human Go player would look like a complete beginner up against the latest version of the AlphaGo.

G.R.: Yes. If you've seen the TV show on AlphaGo, you'll understand how the machine's neural network learned how Go is played by analyzing data from the records of a huge number of games played by

24

people. And once it had done that, the machine then trained itself to play Go at a very high level. In effect, while a human player is making a single move, the machine will analyze more than 100,000 possible moves.

### M.B.: How can we use AI to help our portfolio companies? How can we make sure it supports people and serves human interests?

**G.R.:** Al is a powerful tool for your portfolio companies. Don't think of it as something that replaces human employees but as something that augments their work. AI can definitely support and increase the potential of humans. At xBrain, we have 30 staff but I've got AI doing the work of hundreds of data scientists so in terms of full-time equivalents there are more than a thousand of us. That allows us to compete against real giants when we're bidding for work.

### M.B.: How are you using your AI technology with clients?

G.R.: At xBrain we focus on machine learning and deep learning applied to natural language. We are creating solutions for the car industry like the Siri of your car for automotive manufacturers and the aftermarket, and more than a year ago we launched our Customer Journey Solution, which increases the productivity of companies' customer contact centers. Our Conversational AI

### **1-2 MILLION** NUMBER OF ARTICLES PER TOPIC THAT TODAY'S MACHINES CAN READ EVERY DAY

effectively becomes a co-worker with the human employees, but one that is under the control of people, who supervise its work.

M.B.: How does your technology perform in managing interactions with customers? G.R.: We work with clients in banking and insurance where AI is handling all the incoming calls, texts and emails. Our peak loads so far are 80,000 conversations in one day and 2,000 conversations in real time, and we have the capacity for 5,000 simultaneous conversations with the machine, equivalent to 100,000 conversations a day. One of our mid-sized clients who implemented Al saw a 30% increase in income after just one month, partly because machines can take calls outside normal working hours and arrange meetings. But even when people are handling the calls, a second AI system is working in the background, learning the skills it needs to generate potential responses by reading the company's internal documentation.

M.B.: But the machines are talking with humans, so they can only go as fast as the people! G.R.: Yes, our machines are actually slowed down by the speed of the human brain. In fact, today, a call-center agent is actually an AI supervisor that can analyze the conversation in real time and assess its emotional quality. M.B.: Does that mean you can analyze the customer's degree of satisfaction?
G.R.: Yes, in real time, and display it on a screen. We've found that 2% to 5% of customers don't want to talk to a machine and immediately ask to be transferred to a human, which we do automatically-customer satisfaction is key!
Call-center agents are no longer measured on their number of calls per day, but rather on the number of sales closed with the support of AI, which allows businesses to stop expanding their support teams and execute their strategy in another way.

"The way this technology is accelerating is incredible, which means it's more important than ever that we understand and anticipate how business models will evolve."

Mathias Burghardt



# **M.B.:** Where else have you found compelling-use cases for your AI?

**G.R.:** We've been building a knowledge-gathering capability internally for the past three years to help monitor key subjects and developments. The machines of today can read 1 to 2 million articles per topic every day: they select the best and most relevant ones before creating a summary. We're now able to draw on documents in any format and any kind of unstructured data, which will be analyzed to extract the best information. Today, we're seeing the phenomenon of "info-obesity". There's so much information out there on the internet that we're incapable of synthesizing it all and digesting it. It clogs our brains. Thanks to our tool, I've never been so well-informed in my role, because now I read only the most relevant articles. I use them to share information on social networks, which means that today I have 15,000 LinkedIn connections and more indirect business contacts than ever. M.B.: We now have the ability to capture and absorb more information than ever before. The potential to increase human capabilities is amazing. The way this technology is accelerating is incredible, which means it's more important than ever that we understand and anticipate

how business models will evolve.

26



# INVESTMENT ACTIVITIES

Summary



From a single French buyout fund, 21 years ago, Ardian has grown into a global private investment company with \$67bn under management across a wide range of asset classes and geographies. We are the world's biggest Fund of Funds investor and are expanding our Private Equity and Infrastructure activities from Europe to the Americas. In addition, we are a major provider of Private Debt in Europe and have a fast-developing Real Estate portfolio.

# 30 FUND OF FUNDS 38 MANDATES 42 **DIRECT FUNDS** 46 BUYOUT 54 NORTH AMERICA DIRECT BUYOUTS

58 EXPANSION

29

28

ARDIAN

66 GROWTH

74 CO-INVESTMENT

> 86 PRIVATE DEBT

80

INFRASTRUCTURE

94

REAL ESTATE

INVESTMENT ACTIVITIES

30

# FUND OF FUNDS

The world's leading fund of funds platform



Vincent Gombault Head of Ardian Fund of Funds and Ardian Private Debt, Member of the Executive Committee 14 SECONDARY TRANSACTIONS IN 2017

31

\$6.4BN INVESTED IN SECONDARY TRANSACTIONS IN 2017

\$5.8BN DISTRIBUTED TO INVESTORS IN 2017 Ardian dominates the top tier of the global Fund of Funds market, specializing in the largest and most complex transactions. During 2017, the company again claimed a major share of the largest secondary deals, including the \$2.5bn transaction with Mubadala (Abu Dhabi's sovereign fund) for which it syndicated the deal to a large number of world-class LPs from across the globe. Ardian continues to lead innovation in secondary portfolio management and has developed a range of dedicated secondary funds to provide liquidity to previously illiquid asset classes such as infrastructure and energy. Demand for these more recent secondary funds has been extremely strong-both from investors and from sellers.

The Fund of Funds team is currently investing its seventh generation secondary platform which closed in April 2016 at \$14bn including co-investment commitments. By the end of 2017, the fund was 67% invested. Ardian also remains a leading investor in Primary Fund of Funds and has continued to significantly grow its Mandates operation.

# The world's leading Secondary player





Vincent Gombault Head of Ardian Fund of Funds and Ardian Private Debt, Member of the Executive Committee

# How was Ardian able to secure the deal with Mubadala?

This was a very large and complex deal because we not only bought a majority stake in a portfolio of 14 LP interests and 14 direct holdings from Mubadala, mainly in North America, but we also agreed to invest up to \$750m in a new fund that Mubadala will manage. It's extremely unusual for a Sovereign Wealth Fund to manage money on behalf of external investors and this deal gives us privileged access to the deal flow that Mubadala sees in North America and Europe. The key to this agreement was our network of relationships with very large institutional partners around the world including Asian sovereign funds, North American and European pension funds and insurance groups. It was a competitive process, but we were able to convince

Mubadala that we were the best counterparty because we could put together a syndicate among our largest LPs and deliver the best transaction for everyone. We have close links with some of the world's biggest and most sophisticated institutions and we regularly share information and insights with them. This is what Ardian brings to the table when we negotiate for these very large and complex deals.

Are you concerned about the underlying company valuations and their impact on the pricing of deals today? From a valuation point of view, the market is certainly at a relatively high point-but what's changed is that we can see from our database that the amount of leverage used in LBO deals today is not as high as it was in 2007. And the average net debt / EBITDA multiples on the deals we signed last year is well below the average across the market. So yes, the market is expensive and leverage is increasing, but we're buying lowerrisk portfolios with relatively low leverage. We're very selective and that gives our investors a decent margin of safety.

# What innovations is Ardian bringing to portfolio management?

Normally, managers buy secondary assets and wait for the cash to come back through the exiting of underlying companies, but over the past couple of years we have started managing our positions much more actively. If we think we've seen most of the appreciation in a portfolio, we will sell it and return the cash to our LPs so they can look at better opportunities. But now we are also doing recaps on parts of the portfolios where we think the debt level is modest, which lets us return cash to our investors earlier than we otherwise could. We're using all the tools available to manage our positions more actively. By doing this we can reduce the holding period and create early liquidity-that's hugely to the advantage of our investors.

33

32

ARDIAN

"We're using all the tools available to manage our positions more actively. By doing this we can reduce the holding period and create early liquidity." 34



Benoît Verbrugghe Head of Ardian US. Member of the Executive Committee

"Now our deal flow is driven by pension funds and sovereign wealth funds who want to actively manage their portfolios."



Olivier Decannière Head of Ardian UK. Member of the Executive Committee

### Which types of seller dominated your deal flow last year?

Our deal flow is full of big transactions involving pension funds. We believe they now make up about 40% of the secondary market, which saw over \$50bn in deals last year. If you also include Sovereign Wealth Funds and other institutions such as family offices, investment holding companies, insurers, fund of funds managers and GP-led transactions, you're looking at about 85% of the total secondary market volumes. The picture has totally changed from 2011, when banks made up almost two-thirds of the secondary volume. Now our deal flow is driven by pension funds and sovereign wealth funds who want to actively manage their portfolios. This can be for a wide variety of reasons, such as ending relationships with GPs that cannot offer them co-investment opportunities to re-allocate the capital to GPs that will offer co-investment. We were very successful again last year in winning the largest transactions-apart from

the Mubadala deal–when we bought a portfolio from a Canadian pension fund for \$1.4bn and another from a UK pension fund worth \$900m.

### How have you seen the markets develop in your newer secondary strategies, namely Infrastructure and Energy?

The secondary market is evolving very quickly and interesting sub-markets are gaining scale. Last year we closed our new infrastructure secondary fund at \$1.7bn-that's more than three times the size of our first-generation infra secondary fund. A lot of institutions are looking for yield products that can deploy their cash quickly and generate an immediate income stream. That's why infrastructure secondaries are such an attractive area for us as a secondary market specialist. Our other newer secondary expertise was for energy secondaries and is based on our view of the cyclical nature in that sector. Now that excess capacity has been removed and the weaker assets have been written down we see it as an opportune moment to be more active on the secondary front. We closed the fund at \$283m (including co-investment) and as of 2017 year end we've already completed two deals-and there are a number of very interesting opportunities in the pipeline.

### What other specialist markets do you think will emerge?

We think secondary real estate has the potential to become another important sub-market. It's a huge asset class and we see no reason why large investors would not want the same liquidity here as they can now access in their Private Equity portfolios. If and when we move into this area we will follow a similar strategy and look to buy portfolios of interests in real estate funds rather than direct holdings. The appeal for investors will be the same as the secondary infrastructure funds we have already raised-another yield product offering very efficient deployment of cash into established income-producing assets.

### What changes are you seeing in the mix of deal flow?

We think the picture has changed a bit and in particular we've seen growing interest recently among insurance companies to invest again in this asset class as well as an increase in deal flow from Asia, which is obviously positive because it could help to balance any slowdown in other regions. Appetite for secondary transactions has historically tended to spread out from the US to Europe and then on to the Middle East and Asia, and now everyone agrees that the market is strong and valuations are high so even more investors are looking at selling. Doubts about the stability of the stock market also play into this because LPs know that if there's decline over the next few guarters it would have an impact on the pricing of their portfolios, which encourages them to make a move sooner rather than later. We welcome this because it increases the flow of high-quality global assets on to the secondary market.

### Is concern about valuations affecting LPs' appetite to commit funds?

Despite the fact that everyone thinks prices are high there is still huge appetite to invest in the secondary market, probably because investors are comfortable that there is good downside protection as well as less concentration because we're buying portfolios of funds. There's a big stock of private equity paper for sale from the vintages of 2011 to 2014 that's guite mature now, which means that although there may not be huge upside, from here there is likely to be early liquidity so investors can be confident of seeing a return fairly quickly. We agree that valuations are high, and there have been some large premiums paid in one or two GP-led transactions, but we don't see any signs of overheating. Ardian's positioning is to be disciplined and avoid paying big premiums-our investors know that we can still buy at par or a small discount and deploy money at volume in this market.

"Ardian's positioning is to be disciplined and avoid paying big premiums."

### How was 2017 for you in the UK?

It was a positive year. We completed our second big transaction with the University Superannuation Scheme, following on from the deal we completed with them in 2015. This time we purchased \$900m of global assets-one of the biggest deals in Europe last year. It's good to achieve that with a repeat seller from the UK. It's a challenging market but this shows we are welcomed and trusted by UK institutions that want to sell assets and we're developing our relationships with other pension schemes and discussing further transactions.

### **SELECTED SECONDARY TRANSACTIONS**

TOTAL AMOUNT DEPLOYED IN SECONDARIES IN 2017 IN 14 TRANSACTIONS

### GLOBAL FUNDS

CVC VII May 2017 APAX DIGITAL I HERMES PEC III | GAIP 2017 September 2017 October 2017

**SELECTED PRIMARY COMMITMENTS** 

TOTAL AMOUNT DEPLOYED

IN PRIMARY COMMITMENTS

IN 2017 IN 42 FUNDS

### NORTH AMERICAN FUNDS

June 2017

CLAYTON DUBILIER & RICE X February 2017	WELLSPRING VI March 2017	ONEX V July 2017	MIDOCEAN V September 2017	TRILANTIC VI September 2017
ICV IV October 2017	STONEPEAK INFRASTRUCTURE III October 2017	THL VIII October 2017	CARLYLE VII November 2017	NGP XII December 2017

### EUROPEAN FUNDS

BC X February 2017	PAN-EUROPEAN INFRASTRUCTURE II April 2017	NORDIC IX July 2017	TRITON SMALLER MID-CAP I October 2017	CAPVIS V October 2017
ABENEX V	EQT VIII	IK SMALL CAP II	INFRACAPITAL III	PAI VII
November 2017	November 2017	December 2017	December 2017	December 2017

### ASIAN FUNDS

LYFE II	KKR ASIA III
February 2017	March 2017

WELKIN II August 2017

hopu III September 2017

SECONDARY 3 out of 8 transactions

### EARLY SECONDARY

3 out of 4 transactions

\$2.5BN

€219M

SOVEREIGN WEALTH FUND 14 LP interests, 14 Direct interests MARCH 2017

EUROPEAN FINANCIAL INSTITUTION 2 LP interests OCTOBER 2017

\$1.4BN

NORTH AMERICAN PENSION FUND 11 LP interests SEPTEMBER 2017

\$872M

\$51M

€77M

EUROPEAN

3 LP interests

APRIL 2017

INVESTMENT FIRM

### EUROPEAN PENSION FUND 8 LP interests DECEMBER 2017

LATE PRIMARY 1 LP interest SEPTEMBER 2017

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### INFRASTRUCTURE SECONDARY

2 out of 2 transactions

€320M

EUROPEAN FINANCIAL INSTITUTION 2 LP interests SEPTEMBER 2017

€34M

VARIOUS SELLERS 1 LP interest DECEMBER 2017

INVESTMENT ACTIVITIES

38

MANDATES

The most flexible way to invest in private markets



6 NEW MANDATES WON IN 2017

39

3 SIGNIFICANT TOP-UPS

\$1.8BN DEPLOYED ON BEHALF OF MANDATES Ardian's Mandates business enjoyed another record year in 2017, attracting close to \$2bn in commitments and further strengthening our position in key European markets such as Germany, France and Switzerland. Mandates have proved increasingly popular in recent years, particularly among pension funds that want to increase their holdings in private markets but may not have the capacity in-house to manage a private investment portfolio.

Ardian Mandates are tailored around each client's organization, investment needs and preferred ways of collaboration. Our bespoke solutions allow for any combination of Ardian and third-party funds across private market strategies, segments and/or regions, benefiting from Ardian's global private markets investment platform as well as its access to top-tier funds worldwide. Mandate investors have flexible options to outsource the management of their private markets portfolio in whole or in part, hereby benefiting from Ardian's comprehensive service offering reaching from portfolio planning over investment sourcing, selection and monitoring to customized reporting.

40

Interview with Olivier Decannière

# A powerful proposition with global investor appeal



Martin Kessi Managing Director Zurich



Krista Oertle Head of Mandates Solutions Zurich



Olivier Decannière Head of Ardian UK. Member of the Executive Committee

### Why are Mandates growing so quickly for Ardian?

Many pension funds and insurers, for example in Germany, are deciding to start investing or increasing their allocation in private equity in a diversified manner. In the past they would probably have invested in primary funds of funds-today, most of them choose customized mandates instead because these are not only more economic, but also more flexible solutions. We've seen very strong take-up in Germany and won two French pension plan mandates last year. Notably, Mandates are increasingly becoming a global business for us: we're already very strong in Switzerland and Germany while recently observing more and more appetite from investors around the world.

### What are the major advantages of Mandates for clients?

The big one is flexibility. Clients can specify whatever mix of assets, regions, market segments and asset managers they want. We can structure the mandate to suit their legal and tax requirements, with a choice of jurisdictions. We can provide rather straightforward fund selection, monitoring and reporting services for the next year or two. Or we can provide a full recommendation on the client's private markets investment strategy for the next five or more years. Our service may be discretionary or non-discretionary -it depends entirely on what suits each client best. The advantage of working with Ardian is that we have a large Fund of Funds business, which provides us with a unique view of the industry's fundraising pipeline. In consequence, we can see what investment opportunities are likely to come up and recommend them to those clients we think will be interested.

### How important could the Mandates business become for Ardian?

It's a market with vast potential and, unlike our funds, it doesn't have a fixed

"We believe that in the near future we will have a steady annual inflow to Mandates of between \$1.5bn and \$2bn."



fundraising window-Mandates are always open. We believe that in the near future we will have a steady annual inflow to Mandates of between \$1.5bn and \$2bn. Typically clients allocate about 30% of the money they put into our Mandates to Ardian products, and that tends to rise over time as the clients become convinced of our quality and value. Considering all these aspects, Mandates are a very significant business for us, and it clearly confirms our decision five years ago to build a Mandates platform with a dedicated team In our view, the market is likely to move even more stronger in this direction.

### Where are you targeting for your next stage of growth?

Now that we have Jan Philipp Schmitz covering Asia, we are starting to see arowing interest from investors there, which is very exciting. We also believe the US to offer significant potential. It's an enormous market with very

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30% **OF INVESTORS'** MONEY GOES INTO **ARDIAN PRODUCTS** AND THAT TENDS TO RISE OVER TIME

large volumes, but the competitive landscape is completely different to Europe. We are making a push in the US and we hope to see good progress in 2018. Finally, we are experiencing increasing interest from Latin American investors for mandates and Ardian products alike.

THE US, ASIA AND LATIN AMERICA **OFFER SIGNIFICANT** POTENTIAL FOR GROWTH

# **DIRECT FUNDS**

Supporting entrepreneurial management teams across Europe and North America



88 TRANSACTIONS INCLUDING BUILD-UPS IN 2017

# €1.4BN INVESTED IN 2017

€1.7BN DISTRIBUTED TO INVESTORS IN 2017 Ardian's Direct Funds invest in companies based in the major Continental European economies, the UK and North America, and ranging in size from profitable growth capital opportunities through to international Large Cap businesses.

The investment teams operate a multilocal strategy, with experienced and well-connected local teams in each office drawing on strong networks of contacts, and targeting industrial sectors in which they have market-leading knowledge and experience. The teams' sourcing skills are demonstrated by their continuing ability to deploy capital rapidly, with an unusually high proportion of primary and proprietary deals, supported by outstanding add-on acquisition opportunities. 44

45

Interview with **Dominique Gaillard** 

# Strategies to create value in expensive markets



Dominique Gaillard CEO of Ardian France

Private equity markets have experienced buoyant fundraising conditions over recent years and easy access to debt finance thanks to low interest rates. Deploying money safely in these conditions demands a careful approach and rigorous stress-testing of the investment thesis, but Ardian's cautious approach has allowed it to continue finding attractive opportunities. How are you dealing with the level of competition and dry powder in your major markets?

There are tremendous amounts of money available-uncalled dry powder is running at 30% of assets under management across the Private Equity industry. In each strategy, we have decided to focus on sectors in which we have built significant experience and identified the companies in these sectors that we like so that we can work on pre-emptive deals. For example, the food ingredients business is a sector on which we decided to focus: historically it has shown very strong organic growth as food manufacturers adopt ingredient additives and it's a highly fragmented market that allows for active consolidation strategies. We identify targets where we know we can continue the equity story and approach them proactively. We may still have to pay full price, the strength of this approach is that there is a better ratio between the effort we invest to clinch a deal and

the results because we have done our analysis ahead of any process. It is an approach we've been working on consistently over the past five years but it paid off in particular in 2017 and we have been able to secure a lot of proprietary deals by doing so.

### What's your approach to managing the risks of buying assets in expensive markets?

Our base investment case is to ensure each transaction is capable of exceeding our hurdle rate of return even if we sell at a significantly lower multiple of earnings than we paid at entry. High-quality companies that are growing quickly can pass this test and still produce very strong returns, particularly if we can make add-on acquisitions at lower multiples of earnings. We may have to pay high prices for some assets but we only do so where the sector is fairly valued and we have a precise plan to create value. We are also very focused on the potential for digitalization to positively

disrupt the industries we invest in and we are improving our understanding of how digitalization can impact our investment decisions across all our direct activities. We insist that every investment analysis includes a detailed assessment of how digitalization could affect the way the business is valued during our ownership period.

"We have decided to focus on sectors in which we have built a significant experience so that we can work on pre-emptive deals."

In these conditions it must have been a strong year for exits? It has definitely been a good market for sellers, given all the dry powder available and low borrowing costs. I have pushed all our teams to sell assets and we've run a lot of sales processes across all our portfolios. Through our Co-Investment funds, we also benefit from active divestment policies of the GPs we are backing. I have encouraged our Growth team to actively pursue any opportunity and for our Infrastructure strategy, we have sold an entire portfolio in a single transaction—so, clearly, we have not stood still in terms of exits.



ARDIAN

"We insist that every investment memo includes a detailed assessment of how digitalization could affect the way the business is valued during our ownership period."

€250M TO €1.5BN VALUATION OF TARGETED COMPANIES

47

**39** INVESTMENT PROFESSIONALS

**100** BUILD-UPS DONE ACROSS THE WORLD SINCE 2010 Ardian consolidated its position as the leading Buyout investor in Western Europe throughout 2017, with six deals, including its first transaction in Spain with the combined acquisition and merger of bakery companies Bellsolà and Berlys, and the purchase of a majority stake in DRT, which valued the specialty chemicals company at approximately €1bn. In a highly competitive buyout market where valuations are still rising, Ardian's Buyout team sharpened its focus on leading companies in attractive sectors and largely avoided competitive sales processes. This strategy proved successful, enabling Ardian's Fund VI to complete six primary and proprietary deals out of the nine to date.

In addition, Ardian Buyout completed a number of add-on acquisitions and sale processes for companies in Funds IV and V. As a result, the team is on course to return close to 80% of the capital called for Fund V through the first five exits from 16 portfolio companies.

into global leaders

BUYOUT



**Philippe Poletti** Head of Ardian Buyout and Member of the Executive Committee

# Chemicals industry successes built on a unique network of experts

Philippe Poletti, Head of Ardian Buyout and Member of the Executive Committee, discusses the attractions of investing in the chemicals industry with Patrice Barthelmes, CEO of Unipex, and Ruud de Boer, Senior Industry Adviser, from Ardian's European network of former CEOs and actual industry experts.



Philippe Poletti Head of Ardian Buyout and Member of the **Executive** Committee

### How did you all meet?

Patrice Barthelmes: I was originally asked to take over as CEO of Eliokem, a then AXA Private Equity portfolio company, end June 2009 with an actual start at the beginning of 2010. End 2010, it was sold to Omnova Solutions and I became CEO of another portfolio company, Unipex, which was also sold after about a year and half to the Swedish investor IK. Philippe Poletti: We had two successful ventures together-which were short but very sweet-and since then, we've enjoyed an excellent relationship. Four years ago, it was Patrice who introduced us to Laurent Labatut, the CEO of DRT, the chemicals company we have just bought. This demonstrates the strength of our network in the chemicals sector.

48

49

Ruud de Boer: I was CEO of CABB, which was a carve-out from Clariant, a speciality chemicals company based in Germany, when it was sold to what was then AXA Private Equity in 2006. When we exited in 2011, I became an adviser to the Buyout team in Germany and since then, have also got to know the team in Italy. In 2014 we worked on the Italmatch deal together and I joined the advisory board after the acquisition. We then also worked together on the ESIM deal in Austria for which I am now the chairman of their



Ruud de Boer, Philippe Poletti and Patrice Barthelmes

advisory board. I also knew DRT because it was on my list of potential acquisitions when I was at CABB. When Thibault Basquin, Managing Director, Ardian Buyout, called me, I knew many of their suppliers very well, so I offered to help. The chemicals industry is a small world and everyone knows each other in this space.

### Why is Ardian so interested in the chemicals sector?

P.P.: It's a huge sector with many large companies present in our core markets and, over the past decade, many of these corporates have been looking to divest parts of their European businesses so they can invest more in China. This trend provided us with opportunities to buy strong, but niche, Ybusinesses with multiple barriers to entry that had been under-managed. It also presented huge potential to develop new products and find new markets. We've completed six deals in ten years in this sector, which is probably more than any other fund in Europe. Furthermore, they've been in all three of our main markets: France, Germany and Italy. We now have networks of experts in all three countries and it becomes a virtuous circle: the more we invest, the more our network grows, and the easier it becomes to source new opportunities.

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P.B.: Eliokem is a great example here. The company was mainly known for Pliolite, a coating additive used in paint. But we also had a small business making polymers, which we were able to grow significantly because no alternative businesses existed elsewhere for oil drilling. We've been very successful with this particular business, which quickly became core to Eliokem because of its differentiation.

### "The more we invest, the more our network grows, and the easier it becomes to source new opportunities."

Philippe Poletti

R.d.B.: Most of these companies were underdeveloped because they could never find the resources within these huge conglomerates to increase capacity or to make acquisitions. When they were independent, it became much easier to see their strengths.

P.B.: Another factor contributing to this trend is the activists pushing these groups to sell non-core assets. Although they're not core, these assets are run by teams who are absolutely determined

BUYOUT

50

51



Ruud de Boer Senior Industry Adviser



Patrice Barthelmes CEO of Unipex

to develop them with the help of companies like Ardian. These instances present great opportunities to recreate value in chemicals-and this sector is only at the beginning of its revolution.

### What do you mean by "revolution"?

P.B.: I see at least two big developing trends in this space. One is sustainable development-areen chemistry, the circular economy. It is about developing the ability to tell me exactly where your chemical came from and all the steps it takes before it reaches me. This traceability can be implemented all the way to finished products disposal (also called from cradle to grave). This is an unprecedented process, and we are only scratching the surface of it. The second is digitalization. This is going to change everything, from maintenance in the plant, to understanding customer needs and segmenting the market. You'd better be on board because size and agility are going to be critical. **R.d.B.:** I agree, but the window of opportunity is difficult to judge because the timing for bio products depends on a number of factors, such as raw material prices, market conditions, political situations such as the Presidency in the US and so on. We see a lot of projects that may be feasible with a low oil price, but it's now moving.

Ardian Buyout is focused on Europe, but the chemicals industry is a global one. What have you done beyond Europe? R.d.B.: When Ardian acquired Italmatch, the company had one site each in Germany and Spain, and one in the UK, so it was already a European company selling lubricant additives

### "I see two big developing trends in the chemicals sector: sustainable development and digitalization."

Patrice Barthelmes

to customers worldwide. We decided to go into water chemistry and bought businesses in the US and China. And on the lubricant side, we bought a company in the US, so we've balanced the business in different regions. We're buying companies around the world through our portfolio businesses and through Ardian. P.P.: Our companies are specialists with local customers, which require a local industrial platform, but also a way of serving global markets. If we can buy a platform on

each continent, we can use our knowhow across all of these to become a global leader. That's what we did with Italmatch in water treatment and lubricants.

### Chemicals is a very research-driven industry-is that an area in which Ardian is happy to invest?

R.d.B.: Absolutely. When Ardian acquired ESIM out of DPx, we could see they were still very dependent on DPx's research. Now we've built our own R&D pipeline from which we are already seeing positive results. That would never have happened in the early days of private equity. **P.P.:** This is a sector in which capex is also extremely high. It is crucial to invest adequately in security and environmental issues. That's why every time we buy a company, we need to upgrade products and identify new markets and opportunities. If it's not new geographies, the growth areas include new segments which we can sell at a better price, removing bottlenecks so we can produce more, or transforming our by-products into saleable products.

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CHEMICALS DEALS COMPLETED BY **ARDIAN BUYOUT OVER THE LAST 10 YEARS** 

P.B.: 20 years ago, nobody cared about pollution or waste. This has now all changed. I predict tough times for the people who believe it's only green-washing-the world is changing around us and the chemical industry will adapt.

### "The chemicals industry is a small world and everyone knows each other in this space."

Ruud de Boer



### INVESTMENTS

### Assystem Technologies

### Date of investment: September 2017 Activity: Research & Development

Ardian acquired a 60% stake in Assystem Technologies which specializes in product engineering and post-development services for industrial clients operating in the aerospace, automotive, transportation and manufacturing industries.

### Monbake

### Date of investment: February 2018 Activity: Food

In its first Spanish transaction, Ardian bought majority stakes in two leading Spanish bakery and pastry producers, Bellsolà and Berlys, and merged them to create an enlarged company with revenues of €300m, 1,700 employees and 11 plants. Its products are sold in more than 30 countries across Europe, Asia and the Americas.

### EXITS

### IRCA

### Date of investment: July 2015 Date of exit: June 2017 Activity: Semi-finished products for the pastry market

Ardian sold its majority stake in IRCA Group to the Carlyle Group. Ardian, IRCA Group's majority stakeholder since 2015, has supported the company's growth and strengthened its leading market position, both at a national and international level.



### Grand Frais

Trescal

Date of investment: July 2013 Date of exit: November 2017

Activity: Calibration services

OMERS Private Equity agreed with

Ardian to acquire a majority stake

in Trescal, the leading international

specialist for calibration services. Ardian invested in Trescal in 2013

organic growth and international

Trescal has completed numerous

acquisitions and grown revenue

and since then has supported

consolidation. Over this time,

the company's continued

to over €270 million.

Date of investment: April 2017 Activity: Fresh food retailer

Ardian acquired a majority stake in Prosol Group, the principal player of Grand Frais, the quality fresh food retailer. In the past few years, Prosol has opened 15-25 new Grand Frais stores a year, with the frequency of new site openings continuing to increase. The group today operates over 185 stores.

### DRT

Date of investment: November 2017 (signing) Activity: Organic Chemicals

The Buyout team agreed the purchase of a controlling stake in DRT, a French specialist in plant-based chemistry, valuing the company at about €1bn. The compounds DRT produces are used in sectors including flavors and fragrances, health and nutrition, adhesives and coatings, agriculture, chemical intermediates and energy. It has 10 global production plants and generates 80% of its revenues outside France.



### **Fives**

### Date of investment: October 2012 Date of exit: December 2017 Activity: Industrial engineering

La Caisse de dépôt et placement du Québec and the Public Sector Pension Investment Board announced a joint investment in Fives. Ardian will continue to be part of the new shareholding structure, as a minority co-investor as well as its management, which will continue to control Fives, to support the next development phase. Fives is a global industrial engineering group headquartered in France, which designs and supplies engineered machines, process equipment and production lines for the world's largest industrial players.

### PORTFOLIO

53

COMPANY	INVEST. DATE	ΑCTIVITY
<u> ∲ DRT</u>	Signed in Nov. 2017	Producer of ing
MONBAKE	Feb. 2018	Frozen bread
	Sep. 2017	Engineering se
(MB)	Apr. 2017	Fresh food spe
	Mar. 2017	Pharmaceutica
SLV	Jan. 2017	Lighting of resi
Weber Automotive	Dec. 2016	Automobile su
HYPRED	Nov. 2016	Biosafety, disir
Dedalus	July 2016	Medical softwo
	July 2016	Medical comm
	July 2016	Production and
d&b audiotednik 🗮	Feb. 2016	Audio equipm
BOLINA	Feb. 2016	Food ingredie
	Aug. 2015	Chemicals ma
SINCE SAINT HONORE	May 2015	Brokerage and
Nalmatch Chemicals	July 2014	Chemicals ma
Schleich (S)	July 2014	Toy manufactu
<b>7</b> NHV	Jan. 2014	Helicopter trar
RIEMSER 🥌	Aug. 2012	Specialty phar
PHOTONIS	Sep. 2011	Industrial grou
ODIGEO	July 2011	Online travel o
HSE24	Mar. 2010	Teleshopping g
LOWEN 🚱 PLAY	Apr. 2008	Gaming arcac

ST.	ACTIVITY	COUNTRY	2017 ESTIMATED REVENUES (€M)
d in 2017	Producer of ingredients derived from plant-based chemistry	France	460
2018	Frozen bread and bakery producer and distributor	Spain	302
2017	Engineering services provider	France	672
2017	Fresh food specialty retail	France	
2017	Pharmaceutical CDMO	France	270
2017	Lighting of residential and commercial spaces	Germany	228
2016	Automobile subcontractors	Germany	124
2016	Biosafety, disinfection and hygiene solutions	France	183
2016	Medical software	Italy	154
2016	Medical communications software	United Kingdom	115
2016	Production and commercialization of professional hygiene solutions	France	341
2016	Audio equipment manufacturers	Germany	120
2016	Food ingredient mixes	France	428
2015	Chemicals manufacturer	Austria	183
2015	Brokerage and consulting services	France	325
2014	Chemicals manufacturer	Italy	376
2014	Toy manufacturer	Germany	145
2014	Helicopter transport	Belgium	154
2012	Specialty pharmaceutical company	Germany	120
2011	Industrial group specializing in photo-sensor technology	France	130
2011	Online travel agency	France	487
2010	Teleshopping group	Germany	822
2008	Gaming arcades operator	Germany	306

INVESTMENT ACTIVITIES

# NORTH AMERICA DIRECT BUYOUTS

Growth strategies for mid-market industrial companies



### 2 FIRST DEALS COMPLETED IN 2017

### 8 INVESTMENT PROFESSIONALS

\$10M TO \$50M EBITDA OF THE TARGETED COMPANIES 2017 saw Ardian begin to execute its long term strategy of building a direct buyout business in North America, with the first two transactions in Ardian North America Fund II. The eight-strong New York-based team, led by Vincent Fandozzi, focuses on opportunities among lower mid-market industrial companies and providers of business services to this sector, with typical operating earnings around \$10m to \$50m and a strong record of cash generation.

The North America Direct Buyouts team seeks businesses that have well-differentiated business models and strong mutual relationships with their key customers. It welcomes opportunities where its willingness to take on more complex deals gives the potential to create significant value by resolving the issues-for example, transactions that involve a carve-out from a larger group, owner-operated businesses or a high level of exposure to key customers. 56

### Focus on Revere Plastics

# Carve-out deal provides a platform to create nationwide plastic components group



Glen Fish CEO, Revere Plastics Systems



Vincent Fandozzi Head of Ardian North America **Direct Buyouts** 

Vincent Fandozzi: Revere Plastics is exactly the kind of situation we look for-a classic middle American industrial company, based in Clyde, Ohio, with 1,100 people at three plants in the US and one in Canada. It's a business making high-value-added injection molded plastic components that sell mainly to the white goods industry. Revere has a very capable and ambitious management team that was struggling to get the attention and investment their business needed while they were part of a larger group. The deal we closed in December involved a carve-out from the parent, Revere Industries, and we're very excited about the potential we can see to acquire other businesses and create

It was also a deal that had the kind of complexity we're happy to take on. Revere Plastics generates excellent free cash flow but there's a lot of concentration in its customer base,

a group with truly national coverage

which is dominated by its relationship with Whirlpool. This put a number of buyers off but we were prepared to work with it. We carried out very careful due diligence, both on the quality of Revere's asset base, because we want it to be the platform for our buy-and-build strategy, and on the quality of Revere's relationship with Whirlpool, where we could see a lot of interdependence, which is what we look for. So overall, we were delighted to acquire Revere Plastics at a very attractive valuation and to partner with Glen Fish and his team to build a much bigger business on these foundations.

### "Ardian were prepared to help us invest and help the business take off."



What opportunities can you see in your partnership with Ardian? **Glen Fish:** The attraction of working

with Ardian was that they were prepared to help us invest and help the business take off. Before the deal we had turned the business round over a couple of years and done some investment but it was very modest. Now we can start to take the business to the next level. We have a lot of opportunity to grow organically by supporting Whirlpool and we want to make sure we continue to be a good partner to them so that we can grow together. But beyond that our number one priority is to diversify our customer base further into other industries. We have a very strong engineering capability, specializing in very highly engineered products that add a lot of value for customers-taking out cost, making products lighter or adding extra features, for example. We're confident we can use our expertise to build a good position in other markets.

### **REVERE PLASTICS** SYSTEMS

### 50

YEARS OF **EXPERIENCE IN** PLASTICS AND MANUFACTURING

### 750 **EMPLOYEES**

### What's your plan for the next stage of Revere Plastics' growth?

**G.F.:** There are more than 5,000 injection molders in the US, so it's a very fragmented business and most people are making very low-value-added commodity products. In our part of the market there's a much smaller number of players that we were looking at as both bolt-on and transformational opportunities-even before the deal with Ardian closed-because there are some end-markets and regions in North America that we can't serve very well with our current footprint. We think as our name and our brand become more recognized there will be very good opportunities to expand initially across North America and potentially Mexico. We're looking forward to working on it with Ardian and the experience has been areat so far-we've been able to make some changes to improve the incentives for our hourly workers and align them with the overall company goals.

# **EXPANSION**

Building Europe's lower mid-cap growth champions



€50M TO €250M VALUATION OF TARGETED COMPANIES

3 INVESTMENTS IN 2017

**2** EXITS IN 2017

**19** INVESTMENT PROFESSIONALS The core markets that Expansion targets for acquisitions–France, Italy and the German-speaking countries–continue to offer numerous opportunities to acquire both non-cyclical and to a certain extent more cyclical businesses with high growth rates, potential for international expansion and appeal to industrial buyers globally. The team completes a high percentage of proprietary and limited auction transactions and aims to work with management teams that want to reinvest a large proportion of their proceeds.

Over the first 18 months of the investment period for the fourth generation fund, the Expansion team has significantly increased the pace of their follow-on acquisition activity, benefiting from discussions with management teams early in the acquisition process. To date, 16 build-ups have been completed for the fourth generation fund portfolio companies and 30 for the third generation fund. Half of these build-ups were based outside the portfolio companies' domestic market, and 20% were outside Europe, highlighting Ardian's ability to pursue buy-and-build strategies globally.

### In conversation

# The journey that leads to compelling strategic value

The Expansion team uses Ardian's global network of contacts to help the leaders of lower mid-cap companies in Europe build businesses that will attract major industrial buyers. François Jerphagnon, Head of Ardian Expansion, recounts how his team helped Philippe Bacle, Chief Executive of Micropross, and Managing Director Max-André Lepoutre achieve a transformative deal with National Instruments in the US.



François Jerphagnon Head of Ardian Expansion

### How did Micropross come to partner with Ardian in 2015?

60

61

Philippe Bacle: Our plan was to sell a majority stake to an industrial partner but although we were arowing very guickly we didn't have the right connections and contacts within the major industrial players. However, our advisers were also arranging meetings with some of the leading private equity investors and through that process we met François. Max-André Lepoutre: We were a medium size company of 50 people, based in Lille, but we were leaders in testing smart cards for mobile phones and contactless payments. Ninety per cent of our sales were outside France and it was becoming difficult being a medium size company dealing with huge global customers in a fast-growing market. Our competitors were steadily being bought by big industrial companies and we didn't want to be left behind. Francois Jerphagnon: When we started the discussions with Philippe & Max-André, their first idea was to sell a majority but we thought it made more sense for them to maintain exposure to future growth. We could see their business was extremely profitable and arowing very quickly so we offered a minority transaction to them. It took us six months to convince them and we then finalized a scheme through which they kept

Max-André Lepoutre, Francois Jerphagnon and Philippe Bacle

51% of the company. That was a key moment because it showed that everyone understood that partnering with us was a step forward on their journey toward a sale to an industrial buyer. But in the meantime, we could bring things to the table that would help them reach that goal.

### How did having Ardian as a shareholder help Micropross?

P.B.: We really benefited from having a major institutional name behind us. While we were negotiating with Ardian we were also discussing a big R&D project with a huge US mobile phone company, and being able to say that we were bringing in such a strong investor definitely helped us in the negotiation.

M-A.L.: It also became obvious-even during the due diligence-that Ardian had very good contacts and we were very impressed by their ability to understand our business. When we talked afterwards we were like, "Wow, how could they know that?"

F.J.: The issue was that Micropross's margins were outstanding to the point of being suspicious-we had to be sure they were sustainable so we needed to find people who could help us understand the business in great detail. Through our network we identified



the right person, which also gave us a great non-executive board member who could be a sparring partner for Philippe and Max-André.

### "Our job is to help our companies agree deals with the best buyers."

François Jerphagnon

### How did you work together to grow the company?

F.J.: Looking at acquisitions that either complement the product portfolio or increase geographical exposure is a basic part of our approach and we talked about acquiring a direct competitor of Micropross in Germany. We even arranged a meeting but we decided not to go further as we all felt that integrating the two companies would have been too risky. Instead, we provided contacts to help Philippe and Max-André increase their presence in the US and Asia. We connected them with the CEO of Arkadin, which we had just sold to NTT in Japan, who was able to share his experience of leading a French company that was expanding in Asia.

expansion



**Philippe Bacle** Chief Executive Officer, Micropross

**ARDIAN SOLD ITS 49% STAKE IN** MICROPROSS **IN OCTOBER 2015 TO NATIONAL** INSTRUMENTS, A LEADING **PROVIDER OF** PLATFORM BASED TEST SYSTEMS.

62

63



Max-André Lepoutre Managing Director, Micropross

it deserves to have access to the top strategic

P.B.: During this period our business really exploded. We won some very big contracts in China, and US blue-chip companies bought our solution. But at the same time the industry was moving quickly and our competitors were still being acquired, so even though we hadn't been with Ardian for long, at the end of 2014 we knew it was time to start looking for an industrial buyer. A catalyst came when we were in the final stage of a big US tender but we didn't win because the client felt we were too small to support them worldwide at a large scale. National Instruments was also in that process: they were much bigger than us and didn't have our technology

"It also became obvious-even during the due diligence-that Ardian had very good contacts and we were very impressed by their ability to understand our business."

Max-André Lepoutre

but the capacity to offer a strong support team worldwide, therefore there was a natural fit. M-A.L.: Even though it was a quicker exit than Ardian would normally recommend, they understood that our market was changing rapidly and that this was a good opportunity for us and probably the best buyer we could imagine for our employees. It was a global perspective, not just a financial one.

### How did you manage the sale process?

P.B.: When you start to work on a sale process with Ardian, you are playing in the Champions League. You have the best team you can imagine, which made the process as easy as it could be for us. F.J.: We already knew the most likely buyers but we needed to create some tension and competition in the process, so we needed a banker with the right connections. The M&A banker to whom we gave the mandate had a long history in the testing and measurement business and already knew the CEOs of the potential acquirers very well. We had to deliver on Philippe and Max-André's expectations. Our job is to help our companies agree deals with the best buyers, whether that's National Instruments in the US, NTT in Japan who bought Arkadin or some other players in Europe. Even though Micropross is a mid-sized French company,

buyers globally. The other important point is that it's our job not to be shy about the price. It's partly about the intrinsic value of the company and partly helping the buyer to identify the synergies. But for a strategic buyer it's also a guestion of opportunity cost-what happens if they don't get access to this technology? If you lead your process well and have a constructive discussion with the buyers, you can have a strong increase in price. It was very similar with what happened on Arkadin: the price went up 30% between the first and final offers because we were convinced they could go higher.

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**ESTABLISHED IN** 1979, MICROPROSS IS THE LEADING COMPANY IN THE SUPPLY **OF TEST AND** PERSONALIZATION SOLUTIONS FOR NFC, E-PAYMENT AND WIRELESS CHARGING **BUSINESSES.** 

"We really benefited from having a major institutional name behind us."

Philippe Bacle



65

### HIGHLIGHTS

### INVESTMENTS

### imes-icore

### Date of investment: September 2017 Activity: Advanced manufacturing

Ardian Expansion bought a majority stake in imes-icore, a German company established in 2002 to make automated systems for milling, water jet and laser cutting, and 3D printing. Its core business is in systems for making dental implants, but its machines are also used in industries ranging from jewelry to automotive parts. It has 150 staff and revenues in 2016 of €30m.

### Competence Call Center

Date of investment: December 2017 Activity: Business process outsourcing

Ardian acquired Competence Call Center Group, one of the leading BPO service providers in Europe. The investment will be made via the Ardian Expansion Fund IV while the shares are being sold by Silverfleet Capital. Ardian already invested in CCC via its AXA Expansion Fund II between 2009 and 2013, when it helped the fast-growing company implement its international expansion strategy. During this phase, the number of employees more than doubled. With Árdian's renewed support, CCC plans to further strengthen its leading position in the Germanspeaking region.



### **Babeau-Seguin**

### Date of investment: December 2017 Activity: House builder

Ardian signed a deal with NiXEN, the management and the other historical shareholders, to acquire a majority stake in the Babeau-Seguin Group, the third largest builder of single-family detached houses in France. Since 2010, the Babeau-Seguin Group's turnover has almost doubled and is expected to reach more than €180m in 2017. With ten renowned brands, including the Maisons Babeau-Seguin brand, the Group offers a range of over 200 homes.

### **EXPANSION PORTFOLIO**

COMPANY	INVEST. DATE	ACTIVITY	COUNTRY	2017 ESTIMATED REVENUES (€M)
CCC	Dec. 2017	BPO (Business Process Outsourcing) service provider	Germany	139
L.	Dec. 2017	Builder of single homes	France	178
/imes-icore	Sep. 2017	Manufacturer of machine systems for the dental and manufacturing industry	Germany	33
SCHWIND	Dec. 2016	Laser systems for eye surgeries	Germany	40
Leonarda	Sep. 2016	Non-invasive orthopedic equipment	France	60
DIAM	Sep. 2016	PoP display and visual merchandising solutions	France	319
<b>ONISOS</b>	July 2016	Cold sterilization services	France	33
Gantner	Apr. 2016	RFID based access, locking, time control and vending system solution provider	Austria	50
FIS ANTEX	Feb. 2016	Business process outsourcing (HR / Finance)	Italy	54
chal-tec	July 2015	E-commerce retailer	Germany	158
CALGO	June 2015	Automotive components manufacturer	Italy	46
SERMA GROUP	Apr. 2015	Engineering services in electronics	France	97
	Aug. 2014	Supplier of amenities and cosmetics to hotels, cruise lines and airlines	Germany	111
GROUPEBIO7	July 2014	Routine laboratories	France	81
spie batignolies	July 2014	Global construction and public work contractor	France	1,787
CLS GROUP	Dec. 2013	Provider of location and data collection satellite	France	122
SYNCRLAB	Dec. 2013	Contract Development Manufacturing Organization	France	130
🚺 OUVÊO	Dec. 2011	Windows manufacturer	France	46
Champeau	Sep. 2006	Industrial framework for single family houses	France	26

## **CENTRAL & EASTERN EUROPE PORTFOLIO**

COMPANY	INVEST. DATE	ΑCTIVITY	COUNTRY	2017 ESTIMATED REVENUES (€M)
АКН	Dec. 2016	Distributor and servicer of tires and wheels, fleet servicing	Hungary	86
Constant	Dec. 2015	Animal feed manufacturer	Poland	117
World Class	Feb. 2014	Fitness clubs	Romania	24
boltcom	May 2011	Cable TV and internet service provider	Latvia	17
Aleren	Feb. 2011	Manufacturer and distributor of agrifood products	Poland	32
AND	Jan. 2011	Food distributor	Poland	94
MAVIT	Nov. 2010	Ophthalmology clinics	Poland	12

### EXITS

### frostkrone

### Date of investment: July 2012 Date of exit: February 2017 Activity: Frozen snacks

Ardian sold its stake in frostkrone to Emeram Capital Partners. Frostkrone is one of the leading providers of deep-frozen convenience food products in Europe, with a wide range of deep-frozen finger food and snack products.



### RGI

Date of investment: June 2014 Date of exit: December 2017 Activity: Software for insurance companies

Ardian sold a 100% stake in RGI to Corsair Capital. RGI is a company specializing in software development for insurance companies, covering the entire spectrum of insurance policy management through the provision of software and advisory services. INVESTMENT ACTIVITIES

GROWTH

One of the leading growth capital investors across southern Europe



ESM TO E25M INVESTMENT TICKETS 8 INVESTMENT PROFESSIONALS 100 MEMBERS OF

67

THE DIGITAL ENTREPRENEUR CLUB Ardian Growth expanded its presence in Southern Europe during 2017 with its first deal in Spain, building on its growing presence in France and Italy. It specializes in largely unleveraged, proprietary deals of €5m to €25m to support fast-growing businesses that are exploiting the trend of digitalization and aiming to expand internationally. These are mainly in areas such as online marketing, e-commerce, IT services and fintech, although the team also invests in more traditional sectors where digitalization is fueling innovative service delivery.

Deal flow is sourced through the Growth team's wide-ranging contacts in the entrepreneurial networks of France, Italy and Spain, which it has built through the Ardian Growth Entrepreneurs Club. This network is unique among continental private equity players, and around 100 entrepreneurs attended each of its 10 events during 2017.

### In conversation

# Social networks and the evolving digital ecosystem

Understanding how to harness the power of social media is critical for growing digital businesses. Laurent Foata, Head of Ardian Growth, talks to Hugo Borensztein, Business Development Lead, Facebook France & Southern Europe, about the many ways in which social networks can support innovative and ambitious companies -both large and small.

"It's our ability to deliver personalized marketing at scale-advertising that's relevant to the audience marketers want to reach-that leads to better results for everyone."

Hugo Borensztein



Laurent Foata Head of Ardian Growth

### What new opportunities are social networks giving your teams?

Laurent Foata: Our Growth team employees are digital natives. They are totally immersed in social media and this is something we champion at Ardian. We have to give them the tools to express themselves, and their social media activity is crucial for our business because it allows us to show off our work and connect with business leaders and networks of entrepreneurs. Our Entrepreneurs Club has more than 100 successful business leaders and social media extends that network by connecting us to a bigger entrepreneurial ecosystem.

Hugo Borensztein: The introduction of mobile in the past ten years has drastically changed the way people interact with technology and connect with the world around them. This has resulted in massive improvements for people, but it has been an incredibly complicated transformation for entrepreneurs and companies who need to build services or products for many platforms instead of one-the Web. This mobile transformation was the most important shift Facebook made as a company, and we built our platform to help facilitate the process for everyone else. Today, our community continues to grow with more than 2.1 billion people now using Facebook every month and 1.4 billion people using it daily. Instagram now has 800 million people using it around the world, Messenger 1.3 billion and WhatsApp 1.5 billion. Ultimately, this is a new opportunity for our partners-like Ardian-to navigate the mobile shift. With more than 6 million active advertisers using Facebook and more than 2 million advertisers using Instagram every month, we are committed to help them become long-term successful businesses in the digital world. L.F.: As ways of working continue to change, the hierarchical barriers come down-these collaborative networks encourage talented people to make their voices heard.

### "We have a partnership that helps our portfolio companies boost their visibility quickly on Facebook and see a rapid return on their investment."

### Laurent Foata

How do Ardian and Facebook work together? **L.F.:** We have a partnership that helps our portfolio companies boost their visibility quickly on Facebook

68



Hugo Borensztein Development Lead, Facebook France & Southern Europe

and see a rapid return on their investment. This is important for Ardian because with our European footprint, we need our companies to create a strong profile. The partnership works well because we share some core values such as agility, speed and focus on a clear ROI. Our e-commerce players like Bricoprivé or Santédiscount work with Facebook a lot. H.B.: Disruptors create new solutions to old problems that redefine how companies in their industry should act and operate. Then they execute better than everyone else-that is the reason why they work closely with us around the globe and in France. It's unheard of for a partner to invest more than they earn. Start-ups have limited resources-every euro they invest on our platforms-Facebook, Instagram & Messenger-should bring in business that you can track and measure, and we want to be the best dollar and minute they spend.

Facebook is all about marketing to people, not at people. It's our ability to deliver personalized marketing at scale-advertising that's relevant to the audience marketers want to reach-that leads to better results for everyone. Start-ups help make this possible by innovating on our platform and finding new ways to deliver meaningful creative and experiences to people on mobile devices, wherever they are.

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70

**1.4 BILLION PEOPLE USE** FACEBOOK EVERY DAY

#### **800 MILLION PEOPLE USE** INSTAGRAM

#### 1.5 BILLION **PEOPLE USE** WHATSAPP

**1.3 BILLION PEOPLE USE** FACEBOOK MESSENGER

L.F.: That's what we like about the partnership. It's not just about digitalization for the sake of it; it's about creating value, transforming how people work and the way organizations operate. These are real, day-to-day changes and they will spread, and we are seeing leading European players join start-ups in the digital universe. We're in a growth phase in digital technology where we have left imagination behind and entered the day-to-day implementation stage.

#### How does social media change the game for start-ups and small companies?

H.B.: Start-ups tell us that they're using Facebook to connect with customers, both existing and new ones, to help grow their business online, or they use Facebook to bring people into their shops, their services or to sell their products. Ten years ago, how did start-ups go about opening up in a foreign market? They would have to have opened an international office to test their model. How could they drive measurable performance like lead generations or app downloads? They had to massively invest in advertising. Today, they leverage Facebook, Instagram and Messenger because Facebook is the bridge to the new global mobile economy. Our solutions are easy to use for any business, all over the world-we help start-ups become large and local businesses become global. **L.F.:** The main difference compared to ten years

ago is that a platform like Facebook delivers what used to be a suite of separate software programs. Now they all connect with each other and manage the entire business process for a company.

#### "We help start-ups become large and local businesses become global."

<u>Hugo Borensztein</u>

**H.B.:** Start-ups and small businesses are the backbone of our economy. They drive economic growth and new jobs. Digital strategies-mobile in particular-can help businesses grow, and this can have a tremendous impact on the global economy. Creating a mobile presence, however, can be difficult to do and expensive. The biggest reason businesses succeed or fail is their ability (or inability) to attract customers. As more and more people turn to the web and their phones to discover and connect with businesses, it's crucial that start-ups have a mobile strategy. More than a third of US small businesses don't have a web presence at all, but more than 70 million small businesses around the world actively use Facebook Pages because they're free, easy to use, and they work well on mobile.



#### Laurent Foata and Hugo Borensztein

L.F.: When we invested, Lastminute.com had revenues of €120m in Italy. Now it has €2.3bn but their website delivers a fraction of their sales. The traffic is generated through social media, mainly Facebook.

H.B.: Indeed, start-ups are also advertising on Facebook because it drives business results. While other forms of advertising-print, TV, radio-can be expensive and hard to measure, Facebook ads reach the exact customers start-ups want to target for less money and great returns. That's why more than 5 million SMBs actively invest their hard-earned dollars with Facebook every month, a number that's grown significantly over the past few years.

#### Why is Facebook so interested in supporting start-ups and growing companies?

H.B.: Start-ups are important to Facebook-and we all know how important they are to the economy. Paris counts more than 3,000 start-ups and more than \$3bn has been invested in start-ups in France in 2017 making France no.1 in Europe in terms of total investments. That is why we're investing in our products and services for them. There are lots of things we did at critical points in our expansion that we can share with our partners. At Facebook, we're committed to supporting and investing in the French start-up ecosystem. We recently launched the Start-up Garage from Facebook at Station F,

a program designed to accelerate local start-ups that are at the forefront of innovating with personal data, helping people manage their personal information and make better decisions. Start-ups that are ultimately using personal information to help people improve their lives. Building trust in these technologies is crucial to the continued success of the digital economy, not just in France, but around the world "To grow, you need an innovative, barrier-free, agile, daring mindset;

# speed of execution makes all the difference."

Laurent Foata

**L.F.:** This applies to all companies, not just start-ups. To grow, you need an innovative, barrier-free, agile, daring mindset; speed of execution makes all the difference. You must be willing to make mistakes or you won't succeed in growing your business or expanding overseas. This is what Ivalua did-three years ago they went to the US and now they have 100 employees there. They made it happen through this mindset.

#### INVESTMENTS

#### T2O Media

#### Date of investment: June 2017 Activity: Digital media

Ardian Growth made its first investment in Spain with the acquisition of a minority stake in T2O Media, the country's leading digital media agency. T2O has offices in Madrid, Barcelona, Milan, Trento, Mexico City and Houston. With Ardian's support it aims to expand its reach to help advertisers address Spanish-speaking markets in Mexico and the US.

#### **Santédiscount**

#### Date of investment: May 2017 Activity: Online health and beauty store

Ardian invested in Santédiscount, the market-leading online health and beauty store in France. This partnership will see Ardian support the future development and growth of the company founded and majority owned by two pharmacists, joined by Loïc Lagarde who has led as Managing Director since 2014.

#### Abvent

#### Date of investment: May 2017 Activity: Software for architects

Ardian acquired a minority stake in the Abvent Group, a leading publisher and distributor of software for architects. Beyond using Ardian's network and expertise in supporting growing companies, this partnership aims to help the Abvent management team achieve its goal of increasing market share in the BIM sector (Building Information Modeling).

#### Sarbacane Software

Date of investment: July 2017 Activity: Digital marketing software

Ardian acquired a minority stake in Sarbacane Software, the leading email and digital marketing software publisher for small businesses in France and Europe.

#### EXITS

TimeOne

Date of investment: January 2016 Date of exit: October 2017

Activity: Digital marketing

Ardian Growth sold its stake

in TimeOne, created from the

2016 merger of Growth portfolio

companies Public-Idées and Place

des Leads, to funds controlled by

Edmond de Rothschild Investment

Partners. The company is France's

leading digital marketing agency,

with revenues of almost €50m.

#### **Clip Industrie**

Date of investment: May 2013 Date of exit: June 2017 Activity: Enterprise Resource Planning software

Enterprise Resource Planning (ERP) software for industrial SMEs, has been sold to Forterro and Battery Ventures. Ardian has supported Clip Industrie throughout its growth and build-up strategy, notably through the acquisition of software publisher Helios in 2013. Since Ardian took a stake in the company in 2013, Clip Industrie has doubled its revenue while maintaining strong profitability, becoming one of the leading operators in its market.





## PORTFOLIO

COMPANY	INVEST. DATE	ACTIVITY	COUNTRY
L=7 Sarbacane	July 2017	Marketing email software editor	France
Tomedia .	June 2017	Spanish digital agency	Spain
Si Santédiscourt	Apr. 2017	Online parapharmacy	France
	Mar. 2017	Software and IT for architects	France
Pizwich	Dec. 2016	Frozen salty snacks	France
je change Demandec road, en le fait pour vous.	July 2016	Comparison service	France
PC SOFT	July 2015	Windev software: development software for IS architecture	France
	June 2015	E-commerce	France
T4HMC)	Apr. 2016	Mobile programmatic buying agency	France
HR Path.	June 2015	Information system consulting for human resources	France
Anana	May 2015	Self check-in / check-out solutions in hotels	France
an 🖉 🎓 Statuster	Jan. 2015	Digital and mobile consultancy and design	France
saaswedo	Dec. 2014	Software editor for telecom supervision	France
🜔 NEOTYS	May 2014	Load-testing software editor for web or mobile apps	France
koula	May 2014	Web and cloud hosting solutions	France
SWORD	Jan. 2014	IT services and software editor	France
evolis	Apr. 2013	Plastic card personalization solutions	France
BrainSonic	Dec. 2012	Rich media and web TV content publisher and producer	France
ESKER	Oct. 2012	Provider of electronic document management solutions	France
Bilendi	Sep. 2012	Online operator specialized in affiliation programs	France
BuikyPex	Apr. 2012	Digital entertainment provider (games and apps for smartphones, tablets and social networks)	France
Externis	Apr. 2012	Promotional marketing for consumer companies	France
CONSORT NT	Jan. 2012	IT consultancy company specialized in business process outsourcing	France
KRDS 📪	July 2011	Facebook marketing agency	France
ংগ্ৰে	Apr. 2011	Online payment solutions provider	France
ivalua	Apr. 2011	Publisher in the e-buying solutions as well as sustainable development markets	France
🔀 lastminute.comgroup	July 2010	Online travel agency	Italy
CUSTOM	May 2010	Marketing and logistics services for mass market brands	France
weborama	May 2010	Online marketing and interactive advertising	France
locomercis	Jan. 2010	Online marketing and interactive advertising	France
intersection in a	Dec. 2009	Equipment and technology for air and water quality measurement	France
Planisware	Dec. 2008	Project management software publisher	France

73

INVESTMENT ACTIVITIES

#### 74

# **CO-INVESTMENT**

Diversified access to quality US and European deals



6 INVESTMENTS IN 2017

12 INVESTMENT PROFESSIONALS Deal flow during 2017 was strong, thanks to Co-Investment's ability to benefit from the Ardian Fund of Funds' large network of GP relationships. The team remained highly selective, declining a lot of opportunities due to high valuation or aggressive leverage: of 87 transactions reviewed in 2017, only six were accepted.

As investment activity steps up, Co-Investment is strengthening its team in the US with two new members and one transfer from Paris to help capitalize on the close relationship with Ardian's US Fund of Funds team.

75

#### In conversation

# How co-investors form successful relationships with leading GPs

Ardian's Co-Investment team has built strong, long term relationships with the world's leading GPs, providing access for investors to high-quality, diversified opportunities in the US and Europe. Alexandre Motte, Head of Ardian Co-Investment, discusses what makes these partnerships tick with Douglas Brody, Director of KKR Capital Markets.



Douglas Brody Director, KKR Capital Market



Alexandre Motte Head of Ardian Co-Investment

#### What are the secrets of a successful partnership between a co-investor and a GP?

Alexandre Motte: The first element from our side is to be very clear from the outset about the types of transaction we are interested in so that the GPs can approach us with opportunities that fit this strategy. I regularly spend time with GPs to explain the sectors we prefer, the ticket sizes that we can bring, what we look for in the due diligence process and how we can add value to the process. For example, we generally want to meet the management of the companies we are helping to acquire, this is important to be clear upfront so that the GP

can integrate it into its own process. Thanks to our ongoing dialog with GPs, they also understand our sector preferences, such as healthcare, consumer goods or business services, and the things we avoid, such as transactions with very complex structures or too much leverage. Then, each time we have an opportunity, we provide a quick first indicative response, and we are able to provide a final answer and binding commitment within four weeks, which means they can count on us, especially when we are involved pre-signing of the transaction. Our ability to move fast is a big differentiator that GPs really appreciate. But equally, we are not shy about saying no and being very clear about our rationale. We think being straightforward helps to build trust with GPs.

Douglas Brody: At KKR we've focused a lot on finding the right equity partners for each of our deals and to do this we have centralized this investment process in our capital markets team. We work on building relationships with investors around the world that are a good fit for the deals we sponsor and can enable our investment teams to acquire the businesses and assets they believe in. Ardian is a very natural and longstanding partner for KKR. I think we have been investing together since 2005 and that partnership has been built on mutual trust and a deep working relationship between our firms going all the way up to our founders. Over that period Ardian has reviewed 30 co-investment transactions with us and has closed on seven, with a total allocation of almost \$250m

A.M.: As Douglas says, a successful co-investment relationship depends on mutual trust and this is where we benefit a lot from Ardian's Fund of Funds platform, which is among the largest in the world. Ardian has 20 years of experience in the Fund of Funds market and over that time has built very strong relationships with the world's leading GPs. As a result we are very well positioned to generate a large co-investment deal flow. That deal flow is also growing as Ardian's Fund of Funds portfolio grows-four years ago it was \$17bn, now it stands at \$38bn, which brings with it more co-investment opportunities. We have a very well-structured process working with the Fund of Funds team to evaluate all current and expected co-investment opportunities and prioritize our efforts. At the same time, Ardian expertise in Direct Investment is key. There are a lot of experienced people in Ardian top management and in the direct investment teams; they can help us work through complex issues efficiently, and can share their market experiences and own contacts with us.

#### What does Ardian bring to the process once it commits to a deal?

D.B.: Our most recent transaction together, which was a Midwestern retail chain called Mills Fleet Farm, is a great example. The Ardian team impressed us from the very beginning by being so proactive in the process. They asked due diligence questions that were very detailed but core to the investment thesis, which also helped our deal

76

**ARDIAN HAS REVIEWED 30 CO-INVESTMENTS** WITH KKR AND HAS CLOSED ON 7 WITH A TOTAL ALLOCATION OF \$250M.

team refine their views. The Ardian team brought a deep sector knowledge, which I think allowed them not only to do a terrific job in that due diligence period, but also meant they could work very efficiently within our deal time frame. From the first call to the point when Ardian provided a firm commitment was just four weeks and more importantly, along the way the Ardian team consistently provided us with up-to-date, day-to-day feedback that was unbelievably valuable to a GP. The team's willingness to do a 24-hour trip to Minnesota to visit a store and meet the management team showed us their level of professional commitment. A.M.: Showing our partners that we can add real value to a process is an important part of building a co-investment relationship, whether this is in the due diligence where we have our own network of experts that we can tap into and share the findings, or during the life of the investment where we have been able to facilitate business development connections or identify potential acquisition targets for our portfolio companies. The GPs we invest alongside appreciate our input because it involves a genuine second screening of the deal with independent due diligence and approval from our Investment Committee. That is also a very important part of our proposition to our investors who benefit from a lower risk thanks to this double screening.

#### INVESTMENTS

#### **Alvest**

#### Date of investment: September 2017 Activity: Airport services

Ardian joined with Canadian institutional investor CDPQ to acquire a significant stake in Alvest, the leading global supplier of airport ground support equipment. Alvest has 1,800 employees and 10 factories in the US, Ćanada, France and China, serving customers from 130 countries.





#### Allegro

Date of investment: January 2017 Activity: Marketplace

Ardian acquired a €15 million stake in Allegro, the largest and most popular online marketplace and non-food shopping destination in Poland.

#### Praesidiad

Date of investment: October 2017 Activity: Security systems & solutions

Ardian acquired a stake in Praesidiad, a global supplier of perimeter security systems and solutions. Praesidiad employs 1,600 people in 9 manufacturing facilities, 2 assembly facilities and more than 30 sales offices worldwide.

#### **WaterFleet**

Date of investment: November 2017 Activity: Mobile water treatment provider

Ardian acquired a stake in WaterFleet, a provider of onsite generation of drinking water and wastewater treatment for remote temporary housing/work sites. The company is headquartered in San Antonio (Texas).

#### **ProService Hawaii**

Date of investment: December 2017 Activity: HR services

Ardian acquired a stake in ProService Hawaii, the largest professional employment organization ("PEO") in Hawaii offering outsourced HR services to small and medium-sized businesses.

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COMPANY	INVEST.	ΑCTIVITY
	DATE	Activiti
AL/EST	Jan. 2018	Airport ground support material
eee	Jan. 2018	Outsourced customer care service
ProService   A H A H The source way to do 140	Dec. 2017	HR services
fives	Dec. 2017	Industrial equipment and engineering
Water 044 Fleet	Nov. 2017	Mobile water treatment provider
	Oct. 2017	Security systems & solutions
Parkdean	Feb. 2017	UK caravan holiday park operator
EVANS	Feb. 2017	BPO services for the US freight industry
allegro	Jan. 2017	Non-food online retailer
> ProAmpac	Nov. 2016	Flexible packaging manufacturer
EVOLVE 💌	Aug. 2016	Cloud services for mid-size companies
<b>≯</b> evergieen	Aug. 2016	Industrial cleaning services
wcg	Aug. 2016	Regulatory ethics review of medical protocols
Couacap	June 2016	Chemicals for use in everyday products
MultiPlan	June 2016	Healthcare cost management solutions
CANDERRA	June 2016	Nuclear measurement equipment and services
PROJECT RESEARCH	May 2016	Electronic data collection and analysis solutions for c
W <sub>2</sub> O	Mar. 2016	Marketing communication services
EXACTCARE	Mar. 2016	Medication management and mail-order pharmacy
LeosePlan	Mar. 2016	Vehicle leasing and fleet management services
FLEET FARM	Feb. 2016	Rural retailer
SOLINA	Dec. 2015	Food ingredient solutions
nnovațign	Nov. 2015	Business process outsourcing services
COMMUNITY MEDICAL GROUP	July 2015	Healthcare services
INVENTUS	Apr. 2015	Designer and manufacturer of custom rechargeable
AirMedicalGroup	Apr. 2015	Provider of medical air services
PETSMART	Mar. 2015	Provider of pet products and services
SIG	Mar. 2015	Manufacturer of aseptic packaging systems
Fates.	June 2014	Manufacturer of automotive and industrial belts and
n≡wrest	May 2014	In-flight and remote site catering
ECI Software Solutions	Mar. 2014	Publisher of business management and e-commerce
춣 acino	Dec. 2013	Manufacturer of generic pharmaceutical products
ACTEON	Nov. 2012	Engineering services and products to oil companies
JELD WEN	Jan. 2012	Windows and doors manufacturer
ODIGEO	July 2011	Online travel agency
Slass Course brug	Sep. 2008	Safety closures and US aluminum screw caps manufa
куово	Dec. 2007	Life insurance
🔀 First Data.	Sep. 2007	Payment processing services provider

79

#### COUNTRY

## 2017 ESTIMATED REVENUES (€M)

		REVENUES (€M)
	France	557
	Germany	139
	United States	201
	France	1,896
	United States	20
	United Kingdom	435
	United Kingdom	523
	United States	82
	Poland	410
	United States	1,041
	United States	73
	United States	165
ls	United States	232
	France	1,000
	United States	946
es	United States	368
ons for clinical trials	United States	400
	United States	128
armacy	United States	145
ces	Netherlands	1,558
	United States	1,335
	France	428
	United Kingdom	298
	United States	200
rgeable power systems	United States	253
	United States	1,118
	United States	7,979
	Switzerland	1,664
elts and hoses	United States	2,596
	France	1,273
mmerce software	United States	125
oducts	Switzerland	296
npanies	United Kingdom	338
	United States	3,338
	France	487
s manufacturer	Italy	535
	Korea	8,180
	United States	6,587

## INFRASTRUCTURE

Established in Europe, expanding to the Americas



**33** INVESTMENTS SINCE 2005

81

## **40** PROFESSIONALS DEDICATED TO INFRASTRUCTURE INVESTMENT

## \$800M FOR ARDIAN AMERICAS INFRASTRUCTURE FUND IV

2017 saw the first two acquisitions of Ardian Americas Infrastructure Fund IV, the company's first vehicle targeting long-term infrastructure assets in North and South America. The fundraising was a great success as we raised in the region of \$800m within a few months. Existing investors but also new ones, including US pension funds, value the unique proposition of Ardian Infrastructure combining privileged deal sourcing capabilities with an industrial asset management approach. Ardian Infrastructure's expansion into the Americas, including the appointment of an experienced New York-based team, extends the company's proven European model of investing alongside leading industrial companies, making Ardian the global partner of choice for multinational players.

In Europe, the Infrastructure team completed an innovative, GP-led transaction involving the sale of a €1bn-plus portfolio of assets from Generation II to the Dutch pension fund APG and French insurer AXA, providing liquidity to the other LPs that wanted to exit. The team continues to deploy European Infrastructure Fund IV, which was 60% invested at the end of 2017.

#### In conversation

# Expanding the partnership model of infrastructure investment

Jaime Garcia-Legaz, Chief Executive Officer of Aena, and Mathias Burghardt, Head of Ardian Infrastructure and Member of the Executive Committee, explain how combining the knowledge and skills of industrial companies and infrastructure investors can generate value for all stakeholders.



Mathias Burghardt Head of Ardian Infrastructure, Member of the Executive Committee

How long have your two companies been working together?

Jaime Garcia-Legaz: Our partnership began in November 2013 when we jointly acquired the London Luton Airport concession company, with Aena owning 51% and Ardian the remaining balance, so we've already been working together for more than four years.

Mathias Burghardt: It's very much part of Ardian Infrastructure's DNA to partner with large industrial companies. Our collaboration with Aena is one of the best examples of our approach, which is also shown in other strong partnerships we have

with large energy and transport companies. But the striking thing about our relationship with Aena is that it was clear from the day we met them that we have a very similar view of how to manage airports. That makes Aena an ideal partner for us in this industry.

#### What are the ingredients for a successful partnership like this one?

J.G.-L.: A common vision has been the foundation of our success with Ardian in developing this airport. Our successful partnership is also due to the fact we are closely aligned behind a strategy that is fundamentally long term rather than short term. This has enabled us to develop a high level of trust over the past four years of working closely together. This was possible because our relationship is based on great transparency and a frank and professional approach when discussing critical issues. High standards of professionalism on both sides have made our relationship grow-there's a really good chemistry between the teams who've worked together on this. M.B.: I absolutely agree. We see a lot of potential to extend our relationship with Aena and one of the reasons we're expanding our investment focus beyond Europe is that Aena is a global airport operator. In fact, it's unique in that no one else manages such a wide range of airports, from very large international hubs like Madrid-Barajas to big point-to-point airports like Barcelona and Tenerife, and regional airports. Aena has a unique experience and knowledge of the airport industry. As Jaime pointed out, our partnership is about mutual

#### "It's very much part of Ardian Infrastructure's DNA to partner with large industrial companies."

#### Mathias Burghardt

trust and a common vision. We believe that value creation in infrastructure comes from investment. and that's a long term game. You can't make quick gains in infrastructure-it only leads to value destruction. Also, success in infrastructure is about aligning interests between different stakeholders: the public sector, the local community and the passengers. For this reason, we both have a long term view where all stakeholders share the benefits that investment brings.

J.G.-L.: Our relationship with Ardian is the only one of this kind that we have. We have a footprint in Central and South America but the consortium partnerships we have there are not the same sort. Our experience at London Luton is unique and it's probably the most successful international investment that Aena has made. Naturally, we would be more than happy to work with Ardian again in other countries. We believe there's a lot of room for the airport management business to grow around the world so joining forces would be very appealing for us.

#### What benefits does working with each other bring to you, both as an airport operator and a financial investor?

J.G.-L.: There are several key advantages for us. First, of course by working with Ardian we share the investment risk, which is prudent financial management for a multinational company. We also get a lot of value from the financial discipline that Ardian brings to the project and their rigorous approach to corporate governance. All of these add value for Aena.

M.B.: At Ardian, we want to work with best-in-class partners and with Aena we gain access to one of the best airport operators in the world, with a long record of investing to improve quality. That's critical and it's why our partnership has worked. But I would add that we are more than just financial investors. We don't approach the partnership with a purely financial perspective because that doesn't work-industrial partners are not prepared to do the work while you just watch and advise. You must be prepared to contribute to other aspects of the business and that's why, for example, one of our operating partners has international experience

in the aviation industry and is acknowledged by Aena to be doing a fantastic job as the Chairman of London Luton Airport, Another example: to support the ambitious construction plans, we have brought in a professional with over 25 years of experience on complex construction projects around the world. Although Aena provides the bulk of industrial expertise, a financial partner should be able to make practical contributions as well. The fact that we also work in other sectors like roads, rail and energy means we can contribute to the team by bringing people from our network. Do you have a fixed time-horizon

82



Jaime Garcia-Legaz Chief Executive Officer of Aena

# for your partnership at London Luton?

J.G.-L.: These partnerships are about vision and trust. We shared a vision from day one that this airport was not operating at the level it should be and we should expand its capacity. It was handling about 9 million passengers a year when we acquired it and the maximum capacity was 12 million. Now it's handling over 16 million passengers a year and we are getting close to the maximum of 18 million, so we are realizing we need to go further.

M.B.: For us, it's not about time-it's about delivering the business plan that we have agreed. That's what motivates Aena and ourselves. This airport has fantastic potential and we are showing that it's going to be realized. There's going to be a light rail connection to the main train station, which will significantly improve the passenger experience. Together we managed to transform the airport from where it was five years ago-and we believe it can go a lot further.

#### INVESTMENTS

#### Autovia Padana

#### Date of investment: June 2017 (Signing) Activity: Highway

Ardian Infrastructure signed an agreement with SIAS, Satap and Itinera, to become a shareholder in Autovia Padana, the company which operates the A21 Piacenza-Cremona-Brescia motorway. With this agreement, Ardian, through its fourth generation Infrastructure Fund, will acquire a 49% stake in the asset for approximately €80m, with both Satap and Itinera reducing their stakes in the share capital to 50.9% and 0.1% respectively.

#### Tolve Windfarms Holding – Date of investment: June 2017

#### Activity: Wind farm

Ardian announced its investment in Tolve Windfarms Holding through a dedicated capital increase. The deal will see Ardian holding 80% of Tolve Windfarms Holding, which owns three vehicles for the construction of three wind farms in the Tolve Municipality, Potenza Province, Italy. Construction will start in July and will be completed in the second half of 2018.

#### SPMR

## Date of investment: June 2017 Activity: Oil pipeline network

Ardian closed the acquisition of a 44% stake in SPMR ("Société du Pipeline Méditerranée Rhône"), the refined oil pipeline network company, from Total and BP. Following the transaction, Ardian became the largest shareholder in SPMR alongside Trapil, Esso, Eni, PetroFrance and Thevenin & Ducrot, who all remain invested in the company.

#### LBC Tank Terminals

#### Date of investment: September 2017 Activity: Bulk liquid storage

In the first deal for its Americas Infrastructure Fund I, the Infrastructure team bought a 35% stake in LBC, one of the world's biggest independent providers of storage facilities for major petrochemicals companies. Headquartered in Belgium, LBC has large US sites at Houston and Baton Rouge, as well as facilities in Shanghai, Rotterdam and Antwerp. The transaction underlines Ardian's growing focus on US infrastructure assets.



#### Géosel

#### Date of investment: September 2017 Activity: Oil storage

Transport Stockage Hydrocarbures (TSH), the joint subsidiary of Ardian and EDF Invest, completed the acquisition of a 26.7% stake in oil storage company Géosel from Basell Polyolefines, the multinational manufacturers of polyolefin (LyondellBasell group). TSH now owns 76.7% of Géosel, alongside Petroineos Manufacturing France (19.9%) and Total (3.4%).

## PORTFOLIO

85

MPANY	INVEST. DATE	ACTIVITY	COUNTRY	2017 ESTIMATEI REVENUES (M€
LBC	Sep. 2017 Oil and petrochemical storage		United States	16
AUTOVIA PADANA	June 2017 (signing)	Toll road	Italy	
12	June 2017	Transport of oil refined products	France	7
TOLVE WINDFARMS HOLDING	June 2017	Wind energy	Italy	
			Chile	;
P A C K	Sep. 2016	Solar energy	Peru	
YRESTAD (BEAUFORT)	June 2016	Wind energy	Sweden	
CGE PALEA ARSA	Mar. 2016	Solar energy	Italy	
HAMNEFJELL VINDKRAFT AS	Jan. 2016	Wind energy	Norway	
	Jan. 2017			
ASCENDI PT II	May 2016	Toll road	Portugal	
	Feb. 2016			
cáscal	Sep. 2017		France	73
Géosel o	Dec. 2015	— Oil storage		
СГН	Oct. 2015	Transport of oil refined products	Spain	719
Túnels	May 2015	Toll road	Spain	60
2i Arroant	Apr. 2015	Airport	Italy	38
	Sep. 2016			
	May 2014	— Car park	France	913
	Nov. 2013	Airport	United Kingdom	180
SVE	Mar. 2016			
encevo	July 2012	<ul> <li>Transport and supply of gas and electricity</li> </ul>	Luxembourg	1,770
	Sep. 2011	Wind energy	France	23
tre/olar	July 2011	Solar energy	Italy	64
Linge	June 2011	Rail	France	110
TRADOS 45	Jan. 2011	Toll road	Spain	3
SYNERAL	Feb. 2010	Telecommunications	France	200
xalien	July 2009	Wind energy	France	3
21 Bete	Dec. 2013			
Cinger Fit Rev Inde	Sep. 2009	— Gas distribution	Italy	1,004
<b>O</b> NDW	Apr. 2009			
	July 2007	Renewable energy	Italy	88
Salesse	May 2008	Toll road	France	1;
HTsi	Oct. 2007	Hospitals	Italy	20

#### Disposal of €1bn-plus European portfolio

#### Date of disposal: December 2017

EXITS

Ardian sold a large portfolio of assets from generation II, which closed in 2007, to AXA and Dutch pension fund APG, in an innovative GP-led deal that provided liquidity to those LPs that wished to exit after 10 years, in line with the fund's byelaws. The assets spanned energy networks, telecommunications, roads, healthcare facilities and renewables in Spain, Italy and France. Ardian Infrastructure will continue to manage the assets on behalf of the buyers.

#### Additional exits

During 2017, Ardian also fully exited from the French highway SANEF and the renewable company Aloe and partially exited from CLH the transport of oil refined product company. INVESTMENT ACTIVITIES

## **PRIVATE DEBT**

Pushing the boundaries of the fund-led market



87

+100 TRANSACTIONS COMPLETED SINCE ITS CREATION IN 2005

€400M AMOUNT ARRANGED EVERY YEAR SINCE 2010 ON AVERAGE

16 INVESTMENT PROFESSIONALS The 16-strong Ardian Private Debt team now operates from London, Paris, and Frankfurt, and is progressing with its strategy to create a pan-European business focused on funding mid-market leveraged buyouts. Many of these are sourced through the team's close relationship with Ardian's world-leading Fund of Funds platform. During 2017, Ardian Private Debt completed five deals in Germany, the Netherlands, France, Belgium and the UK. Ardian also provided financing for several add-on acquisitions by portfolio companies.

Our team also completed many significant unitranche transactions in 2017, which have accounted for the majority of the private debt deals Ardian has completed since launching the activity in 2010. We believe there is a growing opportunity to move into the institutional senior debt market and we see this as a key area of strategic interest as fund-led solutions become more competitive with bank financing across a wider range of products.

#### In conversation

# Fund-led solutions spread through the market

The Private Debt team is increasingly agreeing deals in a wider array of countries and moving deeper into the senior debt market. Mark Brenke and Olivier Berment, Co-heads of Ardian Private Debt, discuss the dynamics shaping the outlook in Europe with Chris Skinner, Partner in Deloitte's Debt Advisory Team.



Chris Skinner, Olivier Berment and Mark Brenke



Chris Skinner Partner in Deloitte's Debt Advisory Team

#### How do you see the balance changing between institutional debt funds and banks?

Olivier Berment: It's shifted steadily toward debt funds over the past decade since we launched our first mezzanine fund. From 2010, as banks pulled back, we moved into unitranche deals-which are now the mainstream for private debt funds-and more recently the fund market has extended into stretch-senior and institutional senior deals. We are aradually covering more of the capital structure and moving into low-risk, lower-return areas of the market historically dominated by the banks. Chris Skinner: We see a very interesting opportunity for private debt funds to compete successfully against local, relationship-driven bank lenders across Europe. The key will be ensuring pricing is competitive, or at least competitive enough to give finance directors food for thought. Our view is that there remains a shortage of private debt options at the Libor + 4.5 to 5.5% level, but it is at that level where we conclude there will be an inflection point which will open up a number of new opportunities. If we wind on two to three years from now we believe we will see a lot of change in that market. If leading players like Ardian can make that work, our view is private debt will rapidly accelerate its expansion from being a predominantly private equity orientated financing

tool into the mainstream of private companies. At that point, people will not talk about fund-led or bank-led solutions-the source of the money will stop being its defining characteristic.

#### How much scope is there to broaden the European market geographically?

Mark Brenke: We now see private debt as a pan-European opportunity. This is reflected in our deal flow. We did deals in Germany, the Netherlands, Belgium, France and the UK during 2017. We've built up our private debt team over the years and have observed that private debt is now much more widely accepted across Europe, where previously the focus has been on the more established markets like the UK and France. We believe this trend is going to accelerate and we think the European market, especially for less liquid, mid-market private businesses, will become increasingly dominated by institutional funding. **O.B.:** Fundamentally it's the LBO market that drives the acceptance of private debt, which explains why France and the UK have historically dominated the European debt market. Germany has become a good market for private debt because the volume of private equity deals has increased so significantly and we have become much more competitive with the banks.

Ardian's heritage is such a positive factor in building a pan-European private debt platform, and why Deloitte is also expanding so guickly into that market. We and Ardian both believe that local market representation will be critical in the medium term.

88

C.S.: The European market is already much broader than a lot of people realize. Taking France as an example, there have already been over 300 private debt deals done, compared to the 460 in the UK\* That said, France can be a challenging market to penetrate for some foreign players. That is why

#### "We are gradually covering more of the capital structure and moving into low-risk, lower-return areas of the market historically dominated by the banks."

Olivier Berment



Mark Brenke Co-head of Ardian Private Debt



Olivier Berment Co-head of Ardian Private Debt

#### How do you think the fund market will evolve?

**C.S.:** Over the past five years it has already changed beyond all recognition. There are now over 50 private debt funds operating across Europe with new entrants joining on a regular basis. We expect a consolidation phase over the next 12 to 24 months, with seven or eight managers able to write €250m+ tickets, with a far larger number able to deliver €100m+ tickets. The key will be having a brand and people that clients trust-if the pace of change continues we could well see billion euro deals being placed in the private market.

**O.B.:** We're convinced that brand is becoming more important. We emphasize to investors and to equity sponsors that the environment has been very positive over the past few years, which has obviously helped to pull in a lot of new managers. But there could be a downturn tomorrow, and if that happens, they can rely on the fact that Ardian will still be there afterwards. We have already been through one downturn in 2008-09 and have confidence in the resilience of our portfolio. If you're committing money to a fund, it's for ten years or even twelve-you have to be sure the manager has broad enough shoulders to withstand a crisis.

M.B.: Investors who have become more experienced with private debt are going beyond simple unitranche. If you have access to an investor base that is becoming increasingly sophisticated and enabling you to cover more of the capital structure that will allow the fund market to develop and offer a broader range of private debt solutions.

"We see a very interesting opportunity for private debt funds to compete successfully against local, relationship-driven bank lenders across Europe."

Chris Skinner

"We did deals in all our geographies, Germany, the Netherlands, Belgium, France and the UK during 2017."

Mark Brenke

#### Are investors ready to accept lower overall yields to access the lowest-risk parts of the capital structure?

M.B.: There's already a group of investors that are ready to accept a stretch-senior strategy with lower risk but also lower returns. Investors are still focused on yield but there is a base who have a record of investing in private debt, maybe in the US as well as Europe, and who recognize that for a senior-risk profile, a return of 200 basis points less represents a good risk-adjusted return. Private debt investors are definitely moving in that direction but it will take a little longer before you see really large pools of money looking to enter that part of the market.

O.B.: If you had proposed a net 6% or 5% return five years ago, investors would not have looked at it seriously. Now the market is evolving, different investors want different strategies and there are many more opportunities to have these conversations.





ARDIAN

#### INVESTMENTS

#### Ipackchem

#### Date of investment: February 2017 Activity: Rigid plastic packaging

Ardian has arranged a unitranche financing facility to support Sagard's acquisition of Ipackchem, a leading global manufacturer of rigid plastic packaging products for specialty chemicals industries such as flavor & fragrances, and agrochemicals. This will include a debt facility dedicated to financing Ipackchem's potential future build-ups.

#### Bellrock

Date of investment: July 2017 Activity: Facilities management and property services

Ardian arranged a unitranche financing facility to refinance Bellrock, a leading facilities management and property services provider. The facility will also fund Bellrock's acquisition of Profile Consultancy Limited, and includes a committed debt facility to further support Bellrock's expansion plans.

#### Alpega

#### Date of investment: July 2017 Activity: Logistics management

Ardian Private Debt arranged its first senior debt facility, providing finance to support Castik Capital's carve-out acquisition of Brusselsbased Alpega from Wolters Kluwer Group. The company is a leading European provider of cloud-based logistics management systems for distributors of high-volume, lowvalue goods, serving more than 100,000 users in 80 countries.



#### **EMVIA Living**

Date of investment: October 2017 Activity: Care homes

Ardian Private Debt expanded its direct lending activities in Germany with an agreement on a unitranche facility to fund the purchase of the care home operator EMVIA Living by Chequers Capital. The company, based in Hamburg and Berlin, operates about 5,500 beds in 46 homes. Ardian also agreed a committed debt facility to fund EMVIA Living's expansion plans.

## PORTFOLIO

93

OMPANY	INVEST. DATE	ACTIVITY	COUNTRY	2017 ESTIMATED REVENUES (€M)
EMVIA Living	Oct. 2017	Care homes	Germany	190
8885	Oct. 2017	Insurance broking software	Netherlands	49
oo belrock	July 2017	Facilities management procurement	United Kingdom	90
	July 2017	Transport & logistics software	Belgium	4
<b>IPACK</b> CHEM	Feb. 2017	Specialty packaging	France	7:
JLA	Oct. 2015	Business services	United Kingdom	147
C1.81/1	July 2015	Pharmaceutical contract manufacturing	France	18
6°	July 2015	Technology infrastructure provider	United Kingdom	11
<u></u>	June 2014	Veterinary pharmaceuticals	France	1,14
EAT.	Apr. 2014	Premium "Food-To-Go"	United Kingdom	11
DESSERTS	Nov. 2013	Industrial pastries	France	21
Texitallic	July 2013	Specific sealing solutions	France	16
KERMEL	July 2012	Fire resistant polyamide-imide fibers	France	2
maxeda	Mar. 2010	Do-It-Yourself retail	Netherlands/ Belgium	1,399



#### Voogd & Voogd

#### Date of investment: October 2017 Activity: Insurance intermediary

Ardian Private Debt and CVC Credit Partners provided financing supporting to support Five Arrows Principal Investments in their acquisition of Voogd & Voogd, a leading technology-enabled insurance intermediary based in the Netherlands. The financing also includes a committed debt facility to further support Voogd & Voogd's expansion plans.

INVESTMENT ACTIVITIES

94

**REAL ESTATE** 

Active asset management unlocks sustainable value



**€700M+** DEBUT EUROPEAN FUND

95

# TARGETED COUNTRIES

GERMANY, ITALY

TARGETED ASSETS CORE-PLUS/ VALUE-ADDED Ardian Real Estate closed its debut European Fund more than €700m in early 2018, with strong support from institutions, particularly on the Continent, and has deployed almost 40% to date in leading French, German and Italian cities. The fund targets an overall split of approximately 40% of assets each in France and Germany, and 20% in Italy.

The three locally-based teams in Paris, Frankfurt and Milan, managed respectively by Stéphanie Bensimon, Bernd Haggenmüller and Rodolfo Petrosino, have pioneered a strategy which focuses on the Core-Plus, Value-added segment, identifying well-located office buildings in key cities, where Ardian's "Re-Work" formula centers around creating significant additional value through focused redevelopment and active management.

The Real Estate team has developed a comprehensive ESG framework for its activities which incorporates the highest global ESG standards. This framework informs the redevelopment of each of the properties, as well as being used to rigorously monitor these properties' ongoing performance. 96

#### In conversation

# Creating workspaces fitted for the future

Close collaboration with tenants to create the innovative, sustainable environments their people need is critical to Ardian Real Estate's strategy for value creation. Rodolfo Petrosino, Managing Director, Italy, discusses the team's flagship remodeling project for PwC's Rome building with Marco Sala, Partner, PwC Italy.



Bertrand Julien-Laferrière Head of Ardian Real Estate



Rodolfo Petrosino Managing Director Ardian Real Estate Italy

#### Why did the need arise to make such radical changes to your building in Rome?

Marco Sala: The way our people work is changing. For example, we no longer use physical data rooms for due diligence; now it's all online. What we need is a completely different office environment that will make it easy for our people to work and collaborate in new ways. However, remodeling the building wasn't just about changing our working practices and organizing our work in activity-based working (ABW). We have about 5,000 people in Italy working across different business areas with completely different needs, and they all want a more productive and enjoyable environment. We know if we don't provide it, they'll leave. This isn't just an office, it's a place where they will probably spend more time than they spend at home. So if they aren't happy, the indirect cost to PwC in replacing lost talent will be much higher than the direct cost of the rent. Rodolfo Petrosino: We knew as soon as we bought this building that we had to work fast because PwC had been unhappy with the space for a while and were looking at other options. We were under pressure, but projects where we can work closely with our tenants to improve the property and secure a long term relationship are exactly what we are looking

#### "Projects where we can work closely with our tenants to improve the property and secure a long term relationship are exactly what we are looking for with this fund."

Rodolfo Petrosino

for with this fund. Although it was a challenging brief, Matteo Minardi, Director at Ardian, and our Italian Real Estate team have spent a lot of time and energy to create a compelling proposal, due to the relationship being so important and our desire to make it work.

#### What were your priorities in remodeling the space?

M.S.: The only request I received from the Managing Director of PwC Italy was to make sure our people were happy and that the ROI would be positive for the firm.

**R.P.:** Given the request, we understood the importance of choosing a team we knew could

"Our Re-Work approach to modernizing office spaces is proving extremely popular in the market because it aives tenants remodeled working environments that are fit for the future."

Bertrand Julien-Laferrière

deliver both in terms of the design proposal and also on the project management side. The architect firm we chose, Progetto CMR, is well known in Italy for having a clear understanding of the needs of a client like PwC and for using this understanding to create a strong solution which will transform a working environment to meet PwC's needs. We listened carefully to PwC's requirements and three months later we were able to present a proposal that satisfied their brief. From there on the relationship became increasingly positive and collaborative, and we were able to successfully work together on the final plan. M.S.: Aside from protecting our business, the biggest priority for us was to create an environment that would meet the needs of PwC's people today and for the next 10 years. The average age of our staff is 32, and it comes as no surprise that the younger employees have a completely different mindset from the older people in our firm. With these wide-ranging viewpoints in mind, it was clear that the refurbishment couldn't be a top-down decision: we had to put our people at the center of the project.

#### And what did they want?

M.S.: We've conducted a lot of staff surveys over the past couple of years that have had an incredibly high response rate, so it is obvious



Marco Sala Partner, PwC Italy

that our staff hold very strong views. This survey was no different, and results saw particular demand for spaces suitable for "activity-based working", meaning that people are not separated according to service lines but depending on the type of work they are doing. We'll have spaces for collaboration and others that will be completely silent; small spaces for phone calls and others for collaborating remotely using technology. Now that a lot of our work happens online, we need to enable people to work together effectively so that there's still direct contact and they can learn from their seniors-if we don't, the results won't be as good as those we have achieved in the past.

#### How did you make sure PwC's requirements fitted with the other pressures on you as the owners?

R.P.: It was a major challenge because we are not refurbishing a vacant building. Since PwC are already occupants, we had to draw up a detailed project management schedule that allows the firm to carry on as normal for 14 months while we refurbish one floor at a time. It's a turnkey project, so once it's finished, PwC will just have to move in their furniture, and the space will then be ready for immediate use. We did however face challenges because the block is listed, which meant we were not able to significantly alter the structure. We had to not only satisfy PwC's needs as a long term

tenant, but also the requirements of the Rome authorities, as well as our business plan. And in addition, our own internal requirements must also be met, a crucial factor being that the building must be ESG-compliant. We have proposed a project which will be Gold LEEDcertified, and that will increase the capacity of the building, boosting its energy efficiency as well as creating more natural light. This is a great demonstration of the new ESG policy for Ardian Real Estate that, amazingly, was developed with the support of PwC's team in Luxembourg.

98

99

#### What are your ambitions for this project?

**R.P.:** We want this refurbishment to strengthen our long term relationship with PwC. It must deliver the transformation they're looking for as well as showcasing our approach to managing assets and adding value. Our goal is to create an outstanding refurbishment that will last for 10 years while also appealing to future investors in the building. M.S.: I want this project to make our people happier at work and to reflect the PwC brand much better. Until now we've never been able to put our logo on the roof of the building-that's finally going to change. My hope is that in a few months I'll be able to say that I want to go to the PwC building, and my taxi driver will know exactly where I mean.

## Focus

# **STAFF SHAPE** TRANSFORMATION **OF PWC FRANCE**



**Geoffroy Schmitt** Transformation, Change & Innovation leader of PwC France

#### Geoffroy Schmitt, Transformation, Change & Innovation leader of PwC France, explains how the business set about creating a modern working environment in its Paris office.

us to operate in new ways. we need to provide the quality of office space they expect. make it happen.

We have signed a lease, which has four years remaining, and we are negotiating with Icade for further remodeling. This, along with the fact that the lease was a good deal financially, made the whole project a win-win situation.

#### New office spaces at PwC France



Digitalization has brought big changes to the way our people work, and we needed an office environment that allows them to adapt to that transformation and take full advantage of it. Becoming more technology-focused can't just be a strategic aim we talk about-if it is really going to be central to our day-to-day activity, it must be supported with different kinds of working spaces that allow

We had several priorities in this project. We wanted an environment adapted for more digital ways of working and one that would give us a higher-quality reception space to welcome our clients. And we wanted to put our staff at the heart of the process because we need to carry them with us. Talented employees expect top-quality surroundings that are equipped for the way they want to work, so if we want to attract and retain the best people,

The remodeling project was led by our CEO and involved all employees, so that everyone had the opportunity to provide their input and knew exactly where we were heading. We also wanted to recruit as many ambassadors as possible to help encourage the minority of doubters to get behind the project. We knew that if we gave our employees the right tools, they would adapt to new concepts more easily. People are more likely to embrace digitalization and a "zero paper" office, for example, if you give them the means to





#### **INVESTMENTS**



#### Europa

Country: France Date of investment: June 2017

Ardian joined with LaSalle Investment Management to purchase the landmark Europa Building from French industrial group Lagardère, which had occupied it since it was completed in 1993. The Europa is a very well-known building with a 180 meter glass facade on a prime street in Levallois, next to the Pont de Levallois metro station. Under the purchase agreement, Lagardère will continue to occupy the 26,500sqm building until December 2018.

In line with Ardian's value-add strategy for the Real Estate Europe Fund, the eight-story building will then be completely redeveloped to provide a different floorplan that meets the expectations of today's tenants. The project will involve extending the building slightly to allow more open floorplans that can accommodate large groups, and more meeting spaces and facilities to accommodate flexible working. The Europa's capacity will also increase from about 1,300 people to nearly 2,000.

This major value-added project is scheduled to last two years, with the refurbished building ready for re-sale at the end of 2020.







Country: Germany Date of investment: December 2017

Ardian Real Estate purchased the Heinemann Bogen office complex in the Neuperlach district of Munich, which is seeing significant residential and commercial development to meet growing demand. The complex, which was constructed in 1990 and most recently refurbished in 2013, has about 16,000sqm of rental space divided into office units, along with 228 parking

100

#### Heinemann Bogen



The Real Estate team made their first acquisition in Italy for Ardian Real Estate Europe Fund I, buying a portfolio of six Core-Plus office buildings with a gross leasable area of 91,000sqm. The portfolio comprises three buildings in Milan, two in Rome including Via Colombo 80, which is being remodeled for the existing tenant,

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103

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## ARDIAN GROUP'S RISK APPETITE STATEMENT

Ardian Group's mission is "to invest responsibly in order to create lasting value, outstanding returns and shared outcomes for our investors and partners, for our portfolio companies and their employees andfor our own people". We have a conservative long-term approach to creating value that emphasises industrial growth and strategic or operational excellence over leverage and financial engineering.

Overall, we have a moderate appetite for risk. We operate in fast-moving and highly competitive markets, but aim to do so in a prudent, considered manner consistent with our mission and core values. Our external investors are predominantly institutions and qualified professionals, meaning we have limited exposure to certain legal and regulatory risks.

At fund level, we avoid investment strategies that rely mainly on significant leverage or complex financial instruments. Our use of derivatives is restricted largely to hedging foreign-exchange and interest-rate exposures linked to the long-term nature of some fund cashflows. Our funds operate within strict guidelines that set various diversification and other limits agreed with our investors. We accept the risks that come from our ability to identify and close transactions quickly because this is one of our competitive advantages. As we expand into new asset classes and pursue new investment opportunities, we fully intend to maintain the disciplines that have led to our investment success. Wherever possible we will monitor our approach to ensure that we understand key risk trends, such as the growing importance of digital technologies.

At Group level, we accept significant exposures to macro-economic risks related to the fact that most of our products are spread across several regions and industrial sectors. However, we believe that management of these inter-connected risks is our essential core competence. We generate stable returns in part because we benefit from diversification, via our different types of funds and the selected portfolio investments within them, and from our ability to manage our assets flexibly across unpredictable economic and financial cycles.

We aim at all times to maintain prudent cash balances and reserves to meet expected and unexpected demands and/ or regulatory capital requirements in specific jurisdictions.

We have a particularly low appetite for risks that could threaten our reputation and we vigorously pursue the monitoring and mitigation of these risks. We continually assess our governance, our internal processes and procedures, the conduct of our directors and employees, as well as our awareness of unavoidable exposure to the actions and activities of≈third parties, including our fund administrators.

We accept operational risks associated with core IT systems, with data privacy and cyber security and with business continuity, but seek ways to mitigate these risks, including by making effective use of insurance. We are strongly committed to building and maintaining a world-class compliance and risk culture, in the belief that this will considerably reduce our overall risk exposure. Our people and all those with whom we transact are vital to the good conduct of our business and we seek at all times a proper combination of fairness, incentives and vigilance.

Ardian is a fast-growing company measured by assets under management, by client and staff numbers and by geographical coverage. As we have continued to expand, some of the risks we face have been increasing. We are committed to ensuring that we have the appropriate management and systems in place to manage these risks so that by embracing growth we can achieve the next phase of our strategic goals.

