



IPEM

« CO-INVESTMENT SUMMIT »

30 Jan. 2020, 11:45 to 13:45 @IPEM 2020 (Cannes, Palais des Festivals)

INVITATION ONLY / GPs and LPs ONLY

Sponsored by :


FLEXSTONE
PARTNERS

 IHS Markit



WHY DOES HE GET TO HOLD THE MIC?

KEY FIGURES

US\$7.6 bn
AUMA¹

400+
Funds invested in

40
Professionals

26-years
of experience²

**Small & Mid-
cap⁵**

Global

FLEXSTONE PARTNERS CO-INVESTMENT EXPERTISE

Since **2008**

closed **87** co-investments

First quartile* returns

Very **low loss** ratio (<5%)

Source: Flexstone Partners as of 12/31/2019.

Notes: 1. Assets under management and advisory as of 12/31/2019, including commitments for closed-end private placement funds, and sum of Net Asset Value and unfunded commitments otherwise. 2. Average experience in Finance for Flexstone Senior Professionals. 3. Unless otherwise indicated, returns are presented on a "Gross" basis (i.e. The Gross IRR does not reflect the management fees, carried interest, transaction costs and other expenses that may be paid by investors, which will result in lower returns); and calculated on an average basis. The gross IRR indicated on this slide is the combined performance of co-investments taken individually; it does not reflect performance of a Fund that could contain the same investments. Due to fees and costs supported by a Fund, the performance would be lower. Past performance is not a guarantee of future results. Investing in a fund involves significant risks, including loss of all your investment. Valuation and performance data as of June 30, 2019 pro forma for contributions and distributions through March 31, 2019. There can be no assurance that any pending transaction will close, or that any of the terms of such transactions described herein or under discussion will be achieved. Returns includes all co-investments completed by Flexstone Partners Sarl, SAS and LLC since inception.

EVOLUTION OF THE CO-INVESTMENT MODEL

CO-INVEST: **30-40%** OF PRIMARY VOLUME

€80+ BILLION

70% OF PE INVESTORS CO-INVEST

SHARING THE LOAD

DEDICATED CO-INVESTMENT VEHICLE

CO-INVEST IN NEW DEALS

BUYOUT / VENTURE

Mostly acting as **co-underwriter**, working alongside lead GPs, as opposed to syndication partner

CO-INVEST “MID-LIFE” INTO EXISTING PRIVATE EQUITY PORTFOLIO COMPANIES

GROWTH CAPITAL

Provides primary equity for **growth**

ADD-ON

Provides additional equity for **M&A**

PARTIAL / TOTAL REALIZATION

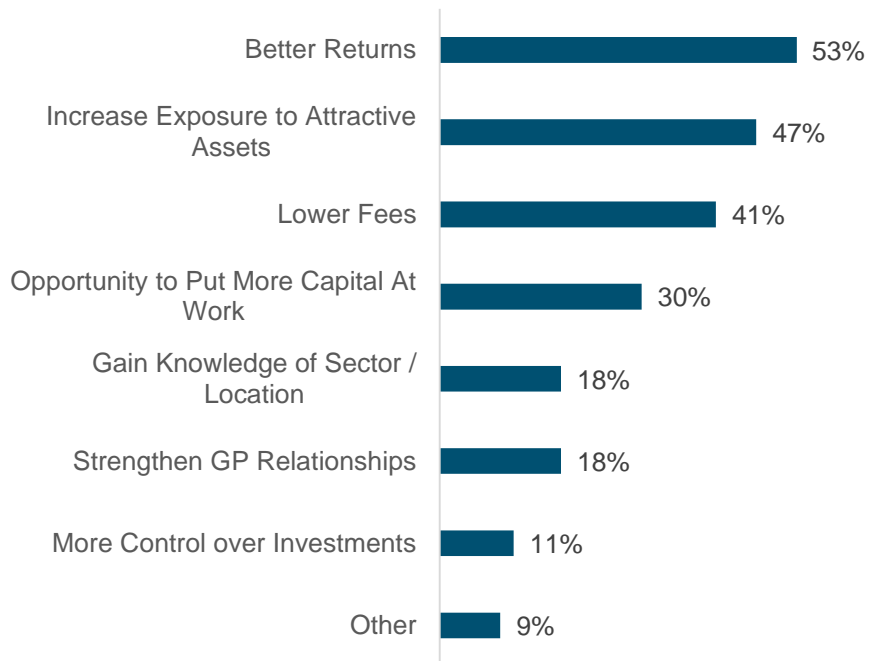
Provides **liquidity** to investors while the GP remains a lead sponsor

RECAP

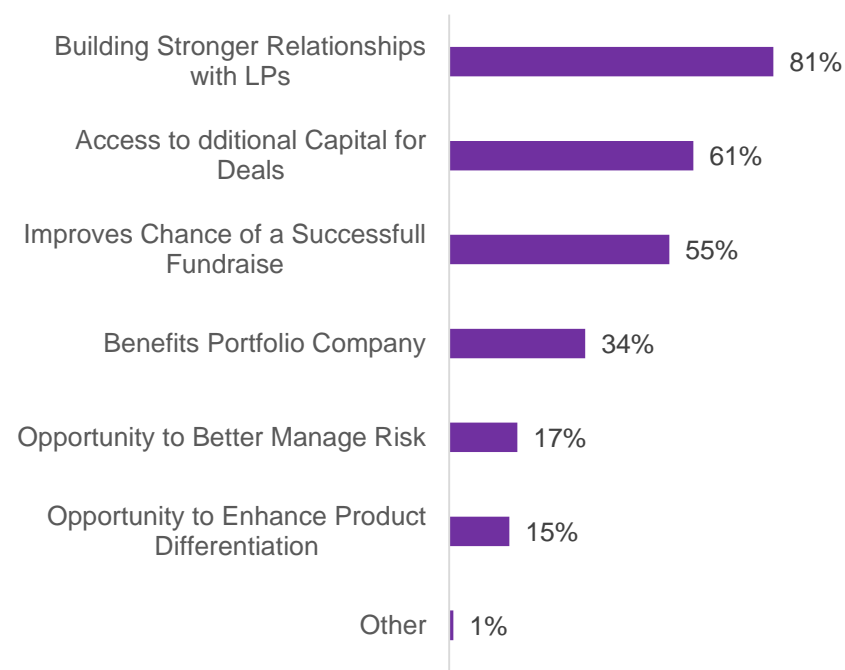
Provides primary equity to **recapitalize balance sheets**

THE “UNOFFICIAL FEE BREAK”

ACCORDING TO LPs



ACCORDING TO GPs



“GP OFTEN LOOK TO CO-INVESTMENT TO MANAGE THEIR RISKS,
EITHER BECAUSE THEY ARE DRIFTING ON STRATEGY OR BECAUSE
THEY CONSIDER AN ASSET TO BE HIGHER RISK” *A TOP QUARTILE GP*

RISKS FOR LPs

- ☹ Adverse selection (*even the best GPs do bad deals*)
- ☹ Resources and expertise to evaluate (*The A deal team works for GPs, not LPs*)
- ☹ Tight response times (*“sorry my next investment committee is, ... next month”*)
- ☹ Broken deal costs, follow-on capital
- ☹ Damage the primary program (*“I’ll invest in this second tier fund because the GP guarantees co-investment rights”*)

RISKS FOR GPs

- ☹ Slows deal process (59%)
- ☹ Additional cost and resource (44%)
- ☹ Difference in the terms or rights of the co-investors (44%)
- ☹ Negative impact on relationships with other GPs (26%)

WHEN IN DOUBT, TALK TO THE PUNDIT

*“...the average **performance of AVs is very similar** to that of the average main fund in our sample. However, AIVs **underperform relative to the main funds**”*

*“Case studies and practitioners accounts suggests that certain **high-profile investors receive more co-investment opportunities**”*

*We see that **GP-directed AVs significantly underperform** their main fund, especially for top performing GPs, while **discretionary AIVs outperform** even the main fund”*

*“**LPs with better past performance invest in AVs that had above-average market performance**”*

*“The analysis suggests the proliferation of co-investment opportunities **may be beneficial for the most sophisticated LPs**. But for the typical LP, it is far from clear that it is good news”*

KFS (FOR LPs)

- 😊 Quality of deal flow
- 😊 Selection skills
- 😊 Decision process
- 😊 Transparency

OPEN DISCUSSIONS

- ✓ Should investors consider co-investing? How should they approach these opportunities? What are sophisticated co-investors best practices?
- ✓ How do GPs pick LPs for co-investments? How do GPs manage their co-investment deal flow and the relationship with their co-investors?
- ✓ Diligence/turnaround time/decision making – how to address short execution window? A challenge for both GPs and LPs
- ✓ Value-add – as a minority investor can a co-investor still provide some value-add on the deals? Is it expected from the GP?
- ✓ How to think about building a co-investment portfolio?

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PRESENTATION

This new event at IPEM 2020 is designed to discuss the industry's current craze for co-investment (which is now estimated to account for nearly one-third of all private investment activity). Should investors consider co-investing? How should they approach these opportunities? What are sophisticated co-investors' best practices? How do GPs act manage their co-investment deal-flow and the relationship with their co-investors? This session was designed with the support of Flexstone Partners and IHS Markit.

PRELIMINARY AGENDA

- 11:45 **Participants welcome**
- 11:50 **« Co-investment: no two are the same »
Latest trends and practices**
Update by E. Deram, Flexstone Partners
- 12:05 **How to access the best co-investment opportunities?**
+ What are GPs' motivations to offer co-investments?
+ How do fund managers allocate their co-investment opportunities?
+ How do some LPs get more of it than others?
+ Open discussion in the room
+ Wrap-up
- 12:40 **What's next? From an opportunistic approach to building a thorough co-investment program**
+ Implementing the right internal processes for optimal execution
+ Managing a co-investment portfolio and putting a governance in place
+ Open discussions in the room
+ Wrap-up
- 13:10 **Networking Lunch**
- 14:00 **End of the summit**

SAMPLE SPEAKERS 2020



Justin WANG,
Associate
Teacher Retirement
Investment Company
of Texas



Eric DERAM,
Managing Partner
Flexstone Partners



Gilles COLLOMBIN,
Partner
Charterhouse Capital
Partners



David ENRIQUEZ,
Head of Private Equity
NYCRS



Christophe LENOUEL,
Head of Principal Investments
BNP Paribas Principal
Investments



Rishi KOTECHA,
Head of EMEA Private Markets
IHS Markit



David SMITH,
Managing Director,
Co-head of Co-investment
Capital Dynamics



Carl NAUCKHOFF,
Senior Principal and Head of
Investor Relations
Investindustrial