

WINNER

Private Equity Firm of the Year – France

Montefiore plays an active role in its portfolio companies

Interview conducted by *Dealmakers Monthly* and Eric Bismuth of Montefiore Investment

How does Montefiore Investment stand out among the other mid-market players in the French market?

The answer to that question lies in our commitment to two investment principles Focus and Growth. Since we started in 2005 we have remained dedicated to a clear sector specialisation in French locally supplied services (LSS), where we act primarily as a majority investor via operations of LBO and growth capital. "LSS" covers services such as retailing and B2B distribution, hotels and catering, leisure, tourism and transportation, as well as personal assistance services (healthcare, domestic services, education and local business services (facilities management)).

These areas, which account for 35% of France's GDP, give us a strategic advantage, for two reasons: First, the structural growth of LSS is above average French economic growth, second, LSS markets are more resilient in any economic environment because their activities are non cyclical and they face less market competition.

Montefiore invests in companies valued at between €25 million and €150 million that are established players on their market sector. We also act as a co-investor and strategic partner along with large private equity funds on transactions of more than €150 million.

Our investments by are often accompanied by leverage, the amount of which varies depending on the nature of the target company. Montefiore Investment also carries out deals without any debt, a major advantage in an environment where bank credit remains scarce.

What else is special about your investment strategy?

We firmly believe that value creation is fundamentally driven by profitable growth, not just leverage. So Montefiore acts as a catalyst for growth for the companies in which it invests by helping them face the challenges of expansion, such as the many human and cultural issues that may arise when a company scales up its operations.

There are essentially three ways in which we do this : by stimulating technology and innovation, by encouraging and supporting the internationalization of our companies, and through our in-depth understanding of markets.

The background experience of Montefiore's Partners allows them to identify areas of innovation and value creation. By stimulating the development of new projects, we help companies reach their potential.

The fund makes full use of the Internet and new technologies that offer many opportunities for new business structures. The team's experience in setting up "click & mortar" businesses allow it to contribute greatly to the growth of its portfolio companies.

Since we are convinced that an international presence is essential in today's global economy, we act as a catalyst for growth for our portfolio companies. By that I mean that Montefiore plays an active role in its portfolio companies' international development by using its expertise and wide network of contacts to help them conclude new partnerships and acquisitions of competitors.

For SMEs, it is much easier to expand first in Europe. So with budget hotel group B&B Hotels, we went first to Germany, which was very successful, and now we are entering Poland and Italy. In the case of campsite holidays operator Homair Vacances, we cultivated southern European countries like Italy, Spain, and Croatia for destinations and grew into Northern Europe by gaining new customers in England, the Netherlands and Germany. India and Brazil are fashionable right now, but for a company with sales of €50 million it makes more sense to first target other European markets for expansion. Thanks to our support of the organic and external growth initiatives carried out by our portfolio companies, they have shown average annual growth in revenues of about 20% since Montefiore invested in their capital.



Daniel Elalouf, Eric Bismuth, and Jean-Marc Espalioux.

How has Montefiore weathered the economic downturn?

We've actually done very well; last year was a particularly active one for us, marked by four new transactions for a total investment of €100 million in different sectors of LSS: B2B distribution, education, budget hotels and, most, recently, health services with the acquisition in December of a majority stake in Groupe Avenir Santé, a leading player in private hospitalisation in the Burgundy region of France.

The relevance of our investment strategy plus our expertise in supporting effectively our portfolio

companies have allowed us to offer our investors gross annual returns of more than 30% - despite the financial and economic crisis.

We now have a portfolio of high-quality, resilient companies that we intend to develop further in the years to come. In 2011 we will continue to reinforce our presence on the market for Locally Supplied Services, through growth capital and buy-out investments to support companies valued between €15 million and €150 million euros. **DM**



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