

EDITORIAL

ACTIVA CAPITAL: A SUCCESSFUL YEAR

Actively creating value for numerous SMEs is at the heart of a successful private equity strategy. We are delighted to announce some of our many achievements for 2010.

- The sale of Françoise Saget – Linvosges, now France’s leading mail order company for household linens after four years of strong growth (see p.3).

- The sale of Materne – Mont Blanc, a former Nestlé subsidiary, which in seven years and with two acquisitions, has become a major player in the French food industry (see p.3).

- The new investment in Selpro, a spin-off of Randstad, the world’s second-largest temporary employment group, an emblematic example of our specific expertise in takeovers of subsidiaries of large groups (see p. 2).

- The new investment in Groupe Galien, a leader in medical and paramedical post-secondary education. This is a top-level partnership between a family business and Activa Capital based on shared values of excellence, innovation and professionalism.

These positive results reinforce Activa Capital’s belief, shared by all its Partners, that there can be “no sustainable growth without ethics”.

In line with this philosophy, we signed the United Nations Principles for Responsible Investment (PRI) in November 2010, officially affirming our respect for environmental, social and corporate governance criteria that have always guided our investments.

The Activa Capital team continues to move forward. Our new Partner, Olivier Nemsguern (see box opposite) joined us in September and is now actively engaged in several projects and interesting deals. Jean-Louis de Bernardy has retired from operational activity, but remains very involved in the Investment Committee.

In a still-fragile and unstable economic environment, Activa Capital is now firmly established as a driving force in the French SME landscape, managing investments of over € 500 million. We will continue to be an active and effective partner, contributing to the development and expansion of our portfolio companies in France and internationally. ■

THE ACTIVA CAPITAL TEAM

Charles Diehl, Michael Diehl, Philippe Latorre, Olivier Nemsguern, Christophe Parier.



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COMMUNITY INVOLVEMENT, Activa Capital supports Le Rire Médecin.

NEW ARRIVAL

Activa Capital welcomes its new Partner



Olivier Nemsguern joined the Activa Capital team as a Partner in September 2010.

An experienced private equity specialist, Olivier previously worked at Abénex Capital for seven years, where he was involved in numerous transactions in the food, consumer, restaurant and building sectors.

FLASH > Activa Capital commits to Principles for Responsible Investment (PRI)

Activa Capital has adopted the Principles for Responsible Investment (PRI), a United Nations initiative launched in 2006 with the participation

of major investors worldwide. The programme now has more than 800 signatories and is aimed at promoting environmental, social

and corporate governance criteria (ESG) in investment practices.

Read more → P.04



Activa Capital wins the Trophée d’Or 2010 in the “French Lower Mid-Market LBO Fund” category.

In November 2010, Activa Capital was awarded the Trophée d’Or for the best French LBO fund in the lower mid-market segment. The Private Equity Exchange

Awards jury, composed of institutional investors and investment bankers, based its decision on a qualitative analysis of the long-term performance of selected firms.

[**PORTFOLIO ACTIVITY** 



Three questions to Henri de Pazzis, President of ProNatura

How do you define ProNatura's business?

ProNatura is the leading supplier of organic fruit and vegetables to the French market. We have aligned our strategy to the inherent values of the business, concentrating our efforts on sourcing local products. This means creating what are now referred to as short circuits, which means reducing the distance between producers and consumers. This is responsible behaviour, as well as a response to strong demand, especially in the high-potential out-of-home catering market.

Who are your customers?

We target all players in the fruit and vegetable business, with particular focus on specialist organic stores, operating independently or as part of a chain. Organic foods represent 42.2% of all sales in these shops, with growth at about 20% per annum. These stores are the big winners among increasingly aware and demanding consumers. To boost performance, we will provide support and training services to this specialist retailing sector, as we have already done with producers.

How do you plan to leverage growth?

In 25 years we have established a robust sourcing system and built an experienced commercial organisation. We are maintaining our lead against the competition by developing new business opportunities in organic fruit and vegetables. For example, we have launched the "jus producteurs" brand, distributing fresh fruit juice in specialist networks and we aim to develop the concept. ■



[**INVESTMENT** 

ERGALIS SIGNS ITS FIRST INVESTMENT IN SELPRO

In September, Activa Capital announced the launch of Ergalis, its new vehicle dedicated to the human resources sector. The acquisition of Selpro from global giant Randstad is its first investment.

Temporary employment specialist in SMEs for nearly 30 years, Selpro works through a network of 42 branches, located mainly in Greater Paris and the Rhône-Alpes region. It focuses on high added-value sectors (medical, engineering, industry and services), generating turnover of €78m in 2010.

THE ACQUISITION from Randstad, the world's second-largest human resources company, clearly demonstrates Activa Capital's expertise in spin-offs. Partners in the consortium include the former President of Selpro, Jacques Caroën, now a member of the Ergalis Supervisory Board and

30 years
of experience
42 branches

his successor, Frédéric Noyer, former CEO of Randstad France who becomes President of Ergalis.

The new management team and Activa Capital will work together to develop Ergalis, with two priority objectives: to expand the customer base to other sectors and to extend geographic coverage with the opening of new branches through acquisitions.

THIS FIRST STAGE clearly demonstrates the Ergalis strategy, to establish itself as a new and significant player in the recruitment and temporary employment market in France. Other acquisitions in the HR sector are being considered and several companies are currently in exclusive discussions with Ergalis. ■

www.selpro.fr

ProNatura in brief

Created in 1987 by Henri de Pazzis, ProNatura has had the backing of Activa Capital since 2005. The company distributes fresh organic fruit and vegetables in partnership with producers.

A leader in the wholesale organic fruit and vegetable market in Europe, ProNatura supplies the entire sector, including specialist stores, wholesalers, supermarket chains, out-of-home catering outlets and the food processing industry. ■

www.pronatura.com

€ 80m turnover
50,000 tons
distributed per annum
900 stores supplied

[**STOP PRESS**



GRUPE GALIEN GOES ONE STEP FURTHER WITH ACTIVA CAPITAL

Activa Capital is partnering with Dr. Jean-François Poncet, Founding Chairman of the Cours Galien. Cours Galien is the French leader in preparation training for medical and paramedical exams and has teamed up with Albarelle, the division created by Activa Capital to invest in post-secondary private education. ■

www.cours-galien.fr

[FOCUS



linvosges®

FRANÇOISE SAGET - LINVOSGES, THE MAKING OF A MARKET LEADER

Backed by Activa Capital since 2006, the Françoise Saget – Linvosges group is planning to bolster growth with a secondary LBO. The story of a partnership to create France's leading household linens home shopping company.

Françoise Saget, now France's leading household linens mail order company, was originally the household textiles subsidiary of the Yves Rocher group, the world leader in natural cosmetics. In 2006, when Yves Rocher decided to focus on its core business, it sold the business to Activa Capital in partnership with Marie-Françoise Kerhuel, while retaining a minority stake in the company.



The new CEO's profile was perfectly suited to the task since Marie-Françoise Kerhuel had already been involved with the company, having spent three years at the head of the Françoise Saget Management Board from 1987 to 1990. Marie-Françoise Kerhuel had also been CEO of Editions Atlas for 15 years, France's 3rd-ranked mail order publisher. The Françoise Saget acquisition had just been completed when an exceptional opportunity arose with the sale of

Linvosges, creator and distributor of high-end linens since 1922. Activa Capital piloted the merger process, which gave birth to this major group on the French market.

Since then, the company has enjoyed an uninterrupted series of successes. Four years later, Françoise Saget – Linvosges has become the leader in the household linens home shopping market and sales have

grown from €48m in 2006 to €130m in 2010.

This accomplishment is based on the combination of Activa Capital's experience in taking over subsidiaries from large groups and on the talented management team led by Marie-Françoise Kerhuel. Françoise Saget – Linvosges has built a winning combination based on an effective marketing strategy and a sound commercial organisation. The group and its management are now ramping up the business to seize new opportunities in this high-growth area. ■

Sales have risen from €48m to €130m in 4 years

[EXITS /
NEWSFLASH



MATERNE - MONT BLANC

Materne – Mont Blanc (MOM), France's leading ambient dessert maker, is a perfect example of a successful partnership with subsidiaries of large groups. In December 2010 Activa Capital sold its stakes in MOM after seven years of backing this strongly performing investment.

In 2003 Activa Capital acquired a majority stake in Mont Blanc, a Nestlé subsidiary. At the time, the company posted sales of €38m. With Activa Capital's backing, Mont Blanc grew rapidly, with two major acquisitions, Gloria (€10m in sales), acquired from Nestlé in 2005, and Materne (€136m in sales) acquired from the UK Lion Capital fund at the end of 2006. With sales of €175m and about 400 employees, MOM is now the French leader in ambient dairy cream and fruit compote desserts and second-ranked in jams, all sold through medium and large retail outlets.

MOM is in a sense an almost perfect case study in Activa Capital's partnership strategy with subsidiaries of large groups, (more information in the next issue of Activa News).

www.materne.fr
www.desserts-montblanc.fr



Cross-talk, Marie-Françoise Kerhuel and Christophe Parier



Marie-Françoise Kerhuel, CEO of Françoise Saget - Linvosges

Why did you opt for an LBO of Françoise Saget?

Marie-Françoise Kerhuel: Having previously managed the Françoise Saget subsidiary for three years, I knew the company from the inside and had intimate knowledge of its client base and potential, but I needed the right financial partner. I had already met about 20 potential partners when Activa Capital proposed its convincing project.

Christophe Parier: For us, Françoise Saget was exactly the kind of operation we excel with: a spin-off of a big group with excellent prospects and a top-notch management team, led by Marie-Françoise who had already doubled Françoise Saget sales when it was part of Yves Rocher.

How did you drive development?

MFK: We began by reorganising the supply chain and then we refocused offer, brought the customer service department back in-house and focused on building customer loyalty and winning over new customers through intensive media campaigns.

In 2010, the two brands posted excellent performances, with average growth of 13%.

CP: The specialist mail-order market is growing by 3 to 8% per annum. Following the acquisition

of Linvosges, we boosted distribution capabilities, concentrating our efforts on online and catalogue sales.

What does the future hold?

MFK and CP: This initial success is opening up huge opportunities, such as expanding sales to the BtoB sector, in particular hotels.

We're also planning the development of the Linvosges sales outlets network and we are looking at acquisitions to speed up the group's growth.

www.francoisesaget.com
www.linvosges.fr



Christophe Parier, Activa Capital Partner

[ANALYSIS ACTIVA CAPITAL HEC PARIS]

SPIN-OFFS & LBOs: THE KEYS TO SUCCESS

Specific expertise is required to take over subsidiaries from large groups and help them prosper.

LBOs from spin-offs do better than standard LBOs

A survey conducted by Olivier Gottschalg, professor at HEC (France's top business school) and recognised private equity specialist, in conjunction with Activa Capital, concludes that spin-off LBOs generally outperform standard LBOs.

Using a sample of around 500 LBO companies, 40% of which were spin-offs from large groups, the survey examined the success factors for this particular type of LBO.

In terms of performance, LBOs from spin-offs do better than standard LBOs: they generate on average 1.6 times IRR (Internal Rate of Return) than standard LBOs and better multiples (1.7 times higher). Default rates are also halved with just 6% of spin-offs producing negative return on investment.

All sectors offer spin-off opportunities, headed by industrial companies, but the survey showed that results are empirically not as positive in food processing and

wholesaling. It also reported that it takes more time to implement the complex processes for value creation in subsidiary LBOs, with the average investment holding time at 3.5 years as opposed to 3 years for other LBOs.

Furthermore, the survey data showed that funds that have real experience in this type of operation perform significantly better than the rest. In other words, there is a clear premium on specialisation. The other advantage for these specialised funds is that since spin-offs stem from the selling groups' need for cash and generally spin-offs use less leveraged debt, opportunities are bound to increase in the current tight credit environment. ■

[COMMITMENT]



Activa Capital signs on for Responsible Investment



PRI (Principles for Responsible Investment) is a UN (United Nations) initiative launched in 2006 for institutional investors and asset managers.

PRI works as a voluntary code of practices to apply environmental, social and governance (ESG) criteria in the investment process.

The simple yet ambitious goal of PRI is to improve return on investment, align the interests of investors and shareholders of companies receiving investment support and to contribute to society as a whole.

In signing the PRI, Activa Capital has officially committed to the following key principles:

- We take ESG issues into account in the investment analysis and decision-making process.
- We are active investors and uphold ESG issues in our shareholder practices and policies.
- We ask the businesses we invest in to publish appropriate reports on ESG issues.
- We promote the acceptance and application of PRI among asset managers.
- We work together to increase our effectiveness in applying PRI.
- We report individually on our activities and our progress in applying PRI.

Activa Capital has from the start been committed to being ethical and transparent in its dealings. The adoption of PRI further demonstrates our engagement as a responsible investor for sustainable growth.

www.unpri.org

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The association's 87 "hòpiclowns" present over 64,000 performances a year. Photo credit: © Jacques Grison / Rapho - Le Rire Médecin.

[COMMUNITY INVOLVEMENT]

le rire médecin
«de vrais clowns à l'hôpital»

Activa Capital helps to launch "Le Rire Médecin" International School

In 1991, Caroline Simonds founded *Le Rire Médecin* (literally, the Medical Laugh) in France. Its aim is to improve the quality of life of children in hospitals by organising and funding performances by professional clowns. In 2011, it will be developing its activity with the opening of *Le Rire Médecin* International School for the training of "hòpiclowns" [hospital clowns].

The training is open to qualified actors of any nationality, and will run for 19 weeks, delivering a certified qualification for "hospital-clown - comedians".

Activa Capital's partners have been inspired by this project and chosen to invest in it, not just as principal donors, but also and most importantly, by providing their expertise in supporting SMEs. They will work with the School for at least three years to bolster its development.

According to Charles Diehl, "*Le Rire Médecin* has contributed to the emergence of a new high-potential activity. This training responds to a growing need and Activa Capital is delighted to be associated with the first initiative for professional certification in this field." ■

www.leriremedecin.asso.fr

Activa Capital also supports:

The AGENCE DU DON EN NATURE

www.adnfrance.org



The FONDATION THIERRY LATRAN
www.fondation-thierry-latran.org

