

MOVING FROM STRATEGIC THINKING TO INVESTMENT

- Stanislas Cuny, Amundi



Moving from strategic thinking to investment: such has been the 2017 ambition for the recently rolled-out Amundi Megatrends private equity fund. Stanislas Cuny, Head of Direct Private Equity at Amundi, talks to Preqin about the choices made and the new and innovative prospects his investment programs offer.

Christopher Elvin: You commented last year about megatrends. Has this theme turned out to provide an adequate perspective for private equity?

Stanislas Cuny: Looking back on the past 12 months, we believe megatrends are very relevant to the requirements of private equity. These megatrends, which have been at work for 30 years or so, are strong, disruptive forces for the economy and provide long-term visibility. This in turn creates opportunities for companies, especially small and medium-sized ones, as they are more flexible than major corporations. Our strategy is to become active, minority shareholders in these companies, with a five-year investment horizon on average.

CE: Among the five megatrends, which do you see as the most promising today?

SC: Indeed, looking at our investments, some of the megatrends stand out. Number one is technology, which led us to acquire a 20% share in DL Software. This company offers niche ERP solutions, and boasts a €50mn turnover, with €10mn in EBITDA.

Along with the globalization megatrend, technology also guided us to invest in HMY, one of the leaders in store fitting. Not only does HMY provide fitting solutions to major mass retail chains in Europe, China and South America, but it also assists these corporations in adapting to the e-commerce revolution.

RCF, a leading sound system provider for public spaces, also benefits from the technology megatrend. It has provided sound systems for such venues as Saint-Marc's basilica or Abu Dhabi's airport, but also works with concert halls. And today, more and more concert halls are built, as artists increasingly need to perform

in order to make up for the decline in copyright revenues caused by illegal downloading on the internet.

I also want to mention an investment we made in the fields of environment and urbanization, which falls under the "demography" megatrend. The company is called Fondasol and specializes in structural soil analysis.

All in all, these four investments amount to €60mn.

CE: What are the benefits of being a minority shareholder?

SC: Our goal is to invest in hidden champions, in France and in neighbouring countries, such as Northern Italy or Germany. This geographic proximity is an essential component of the relationships we maintain with CEOs, and of the support we can provide to help them grow their businesses. Being active minority shareholders gives us access to family-owned and owner-managed businesses, in which the founders and their families are not willing to relinquish the majority of shares to major LBO funds. The latter are thus not granted access to these operations on very promising growth SMEs.

In addition, we believe now is a good time to invest in the active minority shareholder segment. Costs are reasonable, as opposed to what we see on the majority LBO segment.

The Argos Soditic Index for transactions on small and mid-sized companies shows that prices have reached an all-time high, with sky-rocketing multiples. As an example, we became an active minority shareholder in RCF, along with an Italian family office. The company now boasts €130mn in turnover, with a 10%

growth in turnover and 20% growth in EBITDA. We became shareholders on a very reasonable valuation (single-figure multiple). An LBO operation would have been performed with multiples in the vicinity of 12 or 13.

CE: How did investors react to your approach?

SC: We are very satisfied with the deployment of our fund, with a €250mn closing by year-end, in line with our objectives, and with limited marketing efforts. We should reach our €300mn hard cap.

Our Megatrends fund provides investment opportunities to both institutional and retail clients, as it is available in life insurance account units, which is a real innovation. It is one of the very first private equity funds to be marketed this way and available from as low as €100. It is on offer within Cardif life insurance plans and will soon be available for Crédit Agricole Assurance plans too. I would add that it has been structured so as to help investors keep their Solvency II requirements to 39%.

CE: 2017 also saw Amundi come back to venture capital. Why such a move?

SC: We came back to venture capital because we had the opportunity to establish a one-of-a-kind partnership with the CEA (the French Alternative Energies and Atomic Energy Commission). Through this joint venture, we are joining forces with a research organization considered as Europe's most innovative in 2017 by Reuters.

Together, we created a private equity structure, called Supernova Invest, with a view to manage investment funds in the area of disruptive technologies in France. Supernova Invest clearly benefits from

the CEA's technological expertise, from its unique start-up and patent ecosystem – with no less than 5,844 active patent families – and its close relationships with its industry. All of this significantly reduces the technological risk component in our investments.

In a tangible manner, the CEA supports sectors such as energy and health – as shown in the artificial pancreas, an innovation in which Supernova Invest actually invested – as well as green chemistry and electronics. It has spawned such world leaders as ST Microelectronics or Soitec.

In addition to bringing value to the selection process of investment projects, the CEA also contributes its expertise to the companies we invest in and helps them grow.

Supernova Invest already manages over €200mn.

CE: What is the value Amundi brings to this partnership?

SC: Amundi brings its expertise as an asset manager to complement the CEA's technological know-how. The companies we invest in also benefit from our international presence: we operate in 36 countries and are able to help French start-ups go global. As an example, we are helping a Savoie-based precision engineering company open a Mexican branch, as many of its automotive clients are already there.

We are supporting another one in India, where Amundi has a partnership with State Bank of India, the country's premier bank.

Here again, we act as an active minority shareholder and we can also help start-ups find other financial partners.

Are all deep-tech companies eligible to Supernova Invest's investment schemes? One of Supernova Invest's objectives is to

reveal future French deep-tech "unicorns", and invest in them for up to 10 years. Companies with very different degrees of maturity, from inception to D class, can be eligible.

Supernova selects start-ups that use disruptive technologies, have top-notch leadership teams and are supported by high-quality investors. All of the above are essential to the birth and growth of a "unicorn".

CE: Do the first results show investors are interested in this innovative sector?

SC: Supernova Invest leveraged a €70mn seed fund, as well as a €40mn fund dedicated to B and C class innovations. Through Amundi, an innovation-driven mutual fund (FCPI) has also been launched, and is now partially managed by Supernova Invest.

AMUNDI PRIVATE EQUITY FUNDS

Amundi is Europe's largest asset manager by assets under management and ranks in the top 10¹ globally. Following the integration of Pioneer Investments, it now manages over €1.3tn of assets² across six investment hubs based in 37 countries. In 2016, Amundi launched a platform dedicated to real and alternative assets to provide easier access to unlisted investments. Bringing together capabilities in real estate, private debt, private equity, and infrastructure (green energy), this platform has a headcount of 200 people for AUM of €38bn³, and offers solutions through direct funds, club deals, and multi-management, including two innovative and ambitious partnerships with EDF and CEA. As part of this new platform, Amundi Private Equity Funds manages more than €6bn³ and offers various investment solutions for both professional and retail investors: closed-end funds dedicated to acquiring direct holdings in non-listed companies (growth and transfer phases), and funds of funds which select and invest in private equity, private debt and infrastructure external programs. This specialized subsidiary is an authorized management company registered with the French regulator and fully-owned by Amundi.

STANISLAS CUNY

Stanislas Cuny is the Head of Direct Private Equity at Amundi Private Equity Funds since 2011. Stanislas started his career in 1991 in Paris, with a managing position at Compagnie Générale des Eaux (Veolia) before joining the European private equity firm 3i in 1998, where he spent about 10 years as Private Equity Funds Investment Director in France. In 2008, he moved to Pictet Asset Management in Geneva, to launch a private equity fund dedicated to the water industry. He then moved to Industries & Finances, a Paris LBO fund, before joining Amundi in 2011. Stanislas has an engineering degree from ENSTA Paris Tech and a MBA from HEC Paris.

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¹Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of end December 2016.

²Data combined for Amundi and Pioneer Investments at 30 June 2017 prior to harmonisation of accounting methods for AUM.

³Figures as of 30 September 2017.

Disclaimer: The Amundi SME Megatrends investment program is constituted of a French "Fonds Commun de Placement à Risques" (FCPR) registered with the "Autorité des Marchés Financiers" (AMF) for retail investors and a French "Fonds Professionnel de Capital Investissement" (FPCI) dedicated to professional investors. The investor's attention is drawn to the fact that it is a long term investment program with no certainty of return. The investor may not, on its own initiative, require to redeem its shares during the fund term. The fund may not be in a position to sell the portfolio interests within the time frame and for the value initially foreseen due to contractual restrictions. Past performance may not be a reliable indication of future performance.