



## IDENTITY



## PORTFOLIO

Quilvest Private Equity is the PE branch of Quilvest Group. It manages more than 18bn € (Pe accounts for 4) across 9 countries. It started third party management 10 years ago with its fund of fund QS PEP, soon followed by a venture FoF (QS Venture I and II), and an energy-focused FoF (QS Energy). The next step was emerging markets with a dedicated fund (QS GEO I and QS GEO II) and real estate with another FoF (QS REP I).

The portfolio of direct investments totalise more than 70 companies.

## ADDRESS

## Quilvest

243, boulevard Saint-Germain  
75007 Paris

Tel : +33 (0)1 40 62 07 62

Fax : +33 (0)1 40 62 07 87

## KEY WORDS

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- Smid cap
- Alignment of interests
- Opportunism

# Quilvest

## driven by aligning interests

In 2012, Quilvest celebrated 40 years in the private equity business, including 10 years since opening its third-party management platform. An opportunity to look back over the factors behind the success of this global player, which has \$4 billion under management in this asset class.

**40** years on and continuing to innovate: from its very first subscription in an American private equity fund back in 1972, the very discreet investment arm of the Bemberg family (dynasty of German brewers who built their industrial success story in Latin America at the start of the 20th century, with Quilmes beer) has established a strong track record and a somewhat unusual image in the world of private equity investors. Both LP and GP, combining a global strategy with small caps, covering conventional vehicles with funds of funds on the one hand, and on the other, deal-by-deal syndication for direct investment, positioning itself across the sector's entire range: from venture to plain vanilla LBOs and real estate, as well as being willing to take on relatively unconven-

tional deals (such as financing the creation of a hard discounter in Mexico from scratch, based on Aldi's model, or the co-investment with Sequoia in microfinance in India). This original approach is embraced by the CEO, the architect behind this multidimensional expansion strategy: "We have double-digit IRRs on all our investment programmes", explains the delighted Michel Abouchalache, who sees the strong level of interest among subscribers as the best sign of support for its investment policy: 90% of our products are oversubscribed and 2009 and 2010 were record years in a climate marked by a dearth of fundraising operations". What is the recipe for this success? "A flawless alignment of interests with our customers: we are not asset managers, but genuine investors who risk our money before

that of our subscribers", confirms Michel Abouchalache, highlighting the fact that the family and the investment team take part in each ticket for 20 to 30%. Out of the \$4 billion under management, the Bemberg family has put up \$1.5 billion, proving its commitment to this asset class, in which it was one of the pioneers, exclusively on its own behalf to begin with, before opening it up to include third-party management around 10 years ago.

### When LP also becomes GP

This new approach, orchestrated by Michel Abouchalache, who has taken the amounts under management up from \$400 million in 2002 to \$4 billion today, has also seen the range of operations extended to include direct investment. "We wanted to capitalise

## DEALS

#### ■ BBB (Mexico)

Quilvest is the majority shareholder and co-founder, alongside Anthony Hatoum, of BBB (Bueno, Bonito, Barato), Mexico's first hard discount supermarket chain, created from scratch in May 2004, since when it has invested a total of \$26.7 million. Quilvest's ambition has been to export to Mexico a model that initially proved its worth in developed countries (e.g. Aldi chain in Germany), before being successfully developed by Anthony Hatoum in Turkey (hard discount hypermarket chain BIM). Six years on from its creation, BBB recorded over \$97 million in revenues for 2010, up 54% in relation to 2009. Today, the group employs more than 2,000 people, and has grown from 14 to 300 stores in seven years.

#### ■ Small Tubes Products, LLC (USA)

In August 2011, Quilvest acquired STP, an American industrial group and the market leader for tube products, founded in 1947 and previously owned by the management team and the investor 3 Rivers Capital. Alongside Brodrick Capital (25.3% of the capital), Quilvest owns 57.3% of the company's capital following a \$19 million investment. STP has built up a portfolio of 800 customers, including major industrial operators such as Caterpillar or Siemens, and achieved 22% growth in its EBITDA for 2010 compared with 2009.

#### ■ SKS Microfinance (India)

Following a co-investment alongside Sequoia Capital, Quilvest has been providing ultra-minority support (2% of the capital) since 2007 for SKS, India's leading microfinance institution, which awards virtually all its micro-loans to women looking to develop income-generating activities. Initially set up as an NGO in 1997, SKS has been a for-profit enterprise since 2005. It employs 9,400 people in its 1,000 branches across India, serving over 5 million people nationwide.



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## MANAGEMENT

**Michel Abouchalache**

Michel Abouchalache is CEO of the Quilvest Group and Quilvest Private Equity. Before joining the Group in 2001, he co-founded Delta Capital, a private equity fund focused on emerging markets, and was notably a senior manager with Bain & Company in Boston. He also worked with Booz Allen Hamilton, Procter & Gamble and the bank Paribas. He graduated summa cum laude with a BS from Wharton, University of Pennsylvania, and has an MPA and MBA from Harvard.



From left to right – (seated) : Maurizio Arrigo, Marc Manasterski, Isabelle Boujnah, Michel Abouchalache. (standing up) : Guillaume Laboureux, Grégoire Le Blanc de Choisy, Loeiz Lagadec, Nadine Koniski-Ziadé, Aram Attar, Ali Al-Husseini, Jean-François Le Ruyet, Antoine Baudesson de Chanville, Marc Harfouche.

**Elan Schultz –**  
MANAGING PARTNER  
USA

**Axelle Strain –**  
MANAGING PARTNER  
UK

**Maurizio Arrigo –**  
MANAGING PARTNER  
FRANCE

**Nadine Koniski-Ziadé –**  
GLOBAL HEAD  
OF INVESTOR RELATIONS

**Marc Manasterski –**  
GLOBAL HEAD PRIVATE  
EQUITY REAL ESTATE

**Jérôme Chevalier –**  
GLOBAL HEAD VENTURES  
& ENERGY

**Carlos Heneine /  
Maninder Saluja –**  
CO-HEADS EMERGING  
MARKETS

## 4 \$ BN UNDER MANAGEMENT IN PRIVATE EQUITY

on the synergies between our historical fund of funds business and direct investment”, explains the head of Quilvest PE. “We are present in more than 250 private equity funds around the world, giving us access to a vast database and unique source of deal flows”. With an LP that carries out market intelligence and takes opportunities directly, this approach has become very popular over the past few years, but was much less so 10 years ago... “However, we ensure that we never find ourselves competing against our own funds, and if this ever occurs, we immediately pull out”, states Michel Abouchalache. Out of the 75 direct investment lines

in the portfolio since 2002, around 60 have been carried out as co-investments and a dozen on a lead basis, with tickets under €5 million, especially in mid caps, with a clear focus on the British and French markets. “We have carried out 21 deals in France, representing almost 30% of our direct investments”, he adds. The mid cap focus represents another of Quilvest’s specialities. Once again, the company looks beyond the beaten track covered by private equity giants, which have all gradually realigned around the large cap sector. Becoming the Bain Capital, TPG or Blackstone for start-ups and SMEs is the clear ambition for this investor, working based on the assessment that the small and mid cap top quartile outperforms large caps. Following

an analysis of its own direct business, Quilvest also found that the deals it had invested in with tickets under €5 million offered greater IRR potential than other segments. However, these investments were not syndicated with subscribers on account of the low amounts at stake. True to its principles of aligning interests and above all trying to avoid the temptation of cherry picking, Quilvest decided to move on from its deal-by-deal syndication policy and create an ad hoc vehicle for investments under €5 million. Sponsored for \$50 million by Quilvest, QS Direct has an overall target of \$125 million. “We want to keep to reasonable levels of fundraising in order to continue with our highly selective investment strategy, free from any biological clock constraints”, concludes Michel Abouchalache. ■

**Houda El Boudrari**

## EXITS

### ■ Aqoba (France)

In July 2011, Quilvest invested €0.9 million (alongside Crédit Mutuel Arkéa) for a 19.7% stake in Aqoba, the only non-banking issuer of prepaid cards and debit cards in France. This company, set up in 2006 by Thibault Lanxade and Julien Pagezy, offers payment solutions using the MasterCard and Visa money networks. Having obtained approval from France’s prudential supervisory authority (Autorité de contrôle prudentiel), Aqoba offers brands an innovative range of loyalty and payment card services. After launching two pilots, with Technik’Art magazine and the insurer Generali, this start-up with 20 people is looking to further strengthen its commercial teams and industrialise its payment services platform thanks to Quilvest’s support. In 2010, Aqoba generated €500,000 in revenues and expects to be profitable by the end of 2012.

### ■ Orphan Europe (France)

In December 2007, Quilvest sold its 22.7% interest in Orphan, a pharmaceutical company specialised in the development, trademark filing, marketing and distribution of unique drugs for the treatment of rare and orphan diseases, to Recordati, a pan-European pharmaceutical group listed in Italy. Founded in 1990, Orphan Europe has established itself as the leader on its niche market, with a sales force of over 50 specialists operating in 17 countries. Quilvest had entered its capital in 2000.

### ■ Faceo (France)

In 2010, Quilvest realised its investment in Faceo, in which it had co-invested \$5.9 million for a 4% stake alongside Apax (62.4%). Faceo, present in several countries across Europe, employs 2,500 people and posted revenues of €430 million for 2009, with one third generated internationally. Faceo was created in 2000, following the business combination between Thomson Gestion Immobilière, a Thales subsidiary, and the technical maintenance activities of Alstom Contracting, now Cegelec.