

[DOWNLOAD THIS NEWSLETTER AS A PDF](#)

EDITORIAL

HUMAN CAPITAL AT THE HEART OF COMPANY TRANSFORMATIONS



In the style of Jean Gabin who explained that a good film is first of all a good story, then a good story and finally, a good story, a financial investor could claim that the success of a private equity transaction is first about good management, then good management and, above all, good management. Human capital really is a key element in LBO transactions, perhaps even more when addressing SMEs.

In a world characterised by accelerated change and increasing competition, the ability of investment funds to support management teams at crucial moments in their companies' lives is becoming a major issue: founder succession, internationalisation, integration of an acquisition, digitalisation etc. are both human and managerial challenges to be addressed by the company but also the fund, bearing in mind the potential impacts on the valuation of its investment.

To deal with this issue in our spring edition, we invited two experts in corporate human capital: Martial Papineau, Partner at Dirigeants & Investisseurs [D&I], which specialises in providing operational support to companies in exceptional situations, and Barnaby Noble, Partner at Russell Reynolds [RR], a firm of experts in corporate leadership issues, particularly in the context of LBOs.

Happy reading!

The Sparring Capital team



LATEST NEWS FROM SPARRING CAPITAL



On 12 April 2018, Pragma Capital became Sparring Capital.

This new name reaffirms our commitment to the managers of our portfolio companies - that of being a valuable shareholder, one who is involved in the development of their companies.

You can find [the full release here](#).

The team has grown recently with the arrival of Alexandre Beau as Senior Associate. After 8 years of professional experience, notably at Argos Expansion (Argos Soditic Group) and Apicap, Alexandre joined the investment team in March 2018.



INTERVIEW



Mr Papineau, you regularly work side by side with the management teams of companies that find themselves in exceptional situations.

Dirigeants & Investisseurs is celebrating its 30th anniversary and has carried out more than 650 assignments of this type.

In your experience, what are the key conditions for the successful implementation of a support project?

[D&I] - The first condition for success has to do with formally defining the plan, the issues, the stakeholders and their scope of action and the target schedule. This might seem obvious but, in general, corporate management is devoted, first and foremost, to setting targets. By doing this, the management far too often finds itself ignoring the means required to properly implement the plan as well as the inevitable impact that this will have on the company's day-to-day operations.

Another thing to pay attention to: involving middle management and, more generally, the stakeholders most affected by the project. Individual and joint adoption of the action plan is the pre-requisite for success since personal commitment is synonymous with having clear objectives and taking on challenges, viewing monitoring and control in a positive light, engaging in more natural internal communication, etc.

Once the plan has been properly defined, how do you make sure the project is successful?

[D&I] - The monitoring process needs to be extremely rigorous. The management has to commit to it by actively participating in implementing it, not just overseeing and criticising it. A monitoring committee in which all the key stakeholders take part must be set up. Moreover, the company's staff also have to be kept up to date on a regular basis with the progress of the plan so that everyone is familiar with its content and is participating as best they can in implementing it.

The more the team bonds with the company, the greater the chances of success will be. Another advantage is that the management will quickly be able to identify whether the key stakeholders involved at each stage really are focused on success and whether they know how to manage the project at the same time as their day-to-day duties. The management will also be able to react quickly to any discrepancies found (in terms of time, understanding, implication etc.) so that they can adhere to the schedule set as best they can and achieve the targets defined.



Mr Noble, Russell Reynolds is known around the globe for its work in the recruitment of executives and for the leadership advice it provides to companies. Every year, your firm both carries out a large number of recruitment assignments and assesses executives.

Martial Papineau underlines the importance of identifying the stakeholders that play a key role in the success of the development plan and ensuring that these stakeholders are aligned with the plan. What tools has Russell Reynolds developed to help management teams operate at their most effective?

[RR] - In an increasingly complex world, one in which the decision-making processes are speeding up, the ability of a management team – either as a whole or at a personal level –

to manage problems that are sometimes unclear and contradictory is a deciding factor. The success of individuals and teams is determined by all their personality traits, i.e. comfort zones, "derailment" factors and values.

Our approach consists of measuring the leadership span of each leadership profile, that is to say a person's ability to incorporate seemingly contradictory behaviours into their management style. For example, executives who are particularly effective in the field of strategic direction know how to be both disruptive and pragmatic at the same time, sometimes even in the same meeting. They will push their teams to dream big and overcome all obstacles while at the same time assuring them that their ideas can be implemented.

What's most interesting is when the tool is used by several executives in the same team because this allows managerial synergies to develop. This is a tool that is particularly well-suited to projects aimed at improving the effectiveness of the management team. It is also a very powerful tool in the context of mergers or company integration when it comes to identifying the team's collective and individual conditions for success.

How are these tools used?

[RR] - They're designed to help executives succeed. A lot of companies have a tendency to satisfy themselves with reading a report on the leadership potential of a team or individual but, in reality, the real interest and the real usefulness of these tools lie in the discussions and decisions that come about as a result of them in terms of targeted, measurable development actions, which are inextricably linked to the success of the business plan.

How does that play out in real terms?

[RR] - For the participants, the online part of the test takes around 45 minutes. It is then followed by a two-hour interview with our specialists. The last step is a feedback stage that can span one or more sessions with each participant, lasting an hour or two each. Roughly speaking, a project of this nature will typically take place over three to four weeks for a management team of 10 people, depending on team members' schedules. The results are summed up in the form of a collective report and individual reports.



PORTFOLIO NEWS



NACC sold to the Norwegian group B2Holding

March 16th 2018: Sparring Capital announced the sale of NACC to the Norwegian group B2Holding

Founded in 1993 and headed up by Christian Roche, NACC is a leading French player in the purchase and collection of discounted, essentially corporate, receivables. Sparring

Capital took a majority stake in the company's capital in September 2015 through Pragma III, a professional private equity fund (FPCI).

Since its acquisition, NACC has recorded exceptional growth. Its turnover has nearly tripled - from €17M in 2015 to €45M (projected for 2018), as has its inventory of recoverables, with a nominal value of more than €1.1Bn to date.

With the support of Sparring Capital, the company has benefited from the positive orientation of the non-performing loan (NPL) sector, significantly accelerating the pace of acquisition of debt portfolios. Among the key elements of this success have been the implementation of new financing instruments, improved oversight tools and a stronger Finance function, as well as geographic expansion over all the Overseas territories including the acquisition in 2016 of TES (Tahiti Encaissements Services).

Unsurprisingly, the growth of the NACC Group has attracted the interest of several international players at a time when the debt business has entered a phase of rapid consolidation. At the conclusion of a competitive sale procedure, NACC's shareholder finally accepted the offer of Norway's B2holding, a listed specialist in non-performing loans. Managing a portfolio with a nominal value of €15Bn and present in twenty countries, B2holding wanted to get a foothold in the French market. Now ActoMezz, which had worked with Sparring Capital in achieving its 2015 investment, is seeing the reimbursement of its mezzanine.

Arnaud Leclercq, CEO of Sparring Capital, applauds the success of the investment in NACC: *"NACC's exceptionally large and fast growth has gone well beyond the assumptions in the original business plan. This is not mere happenstance, but rather the result of an ambition shared by management and shareholder to make the company a key player in the non-performing loan sector in France. Congratulations to Christian Roche and his team!"*

This is the second sale for Pragma III, a fund managed by Sparring Capital and dedicated to majority capital investment transactions.



Acquisition of the GSRI Group

Sparring Capital acquires a majority stake in GSRI, alongside the management team

The GSRI Group provides inspection, diagnostic and consulting solutions to optimize the management of infrastructure throughout its life cycle. With over a hundred engineers and technicians based in Paris and Lyon, GSRI is now a leading company in the field of underground infrastructure (drinking water networks, sewage systems, etc.). As ageing structures, they require increasing monitoring and maintenance, which form the core of GSRI's business. The group also recorded strong growth in engineering structures, buildings and major infrastructures (railways, dams, etc.).

Thanks to the support of the group's new majority shareholder Sparring Capital through the Fund III, its founder Idriss Benslimane and the involvement of the management team which has significantly strengthened its presence in the capital, GSRI intends to accelerate its growth in France and internationally.

In addition to strong growth prospects related to large-scale projects such as the "Grand Paris" project or the 2024 Olympics, GSRI intends to expand by strengthening its technological assets and establishing itself in new geographical areas through selective acquisitions.

Idriss Benslimane, Chairman of the GSRI Group, says: "After 20 years of sustained growth, we have chosen Sparring Capital to take a new step forward. With the support and network of our new shareholder, we are confident in our ability to achieve our development goals and our national and international outreach".

Arnaud Leclercq, CEO of Sparring Capital adds: "GSRI has remarkable potential and we are very pleased to be able to support the management in such an ambitious development project. This investment, the sixth in our Fund III, is representative of our strategy and illustrates our desire to support French SMEs to become industry champions".



Ever more global

In 2014, IMX, a company in which Sparring Capital invested in October 2017, launched the platform Coliexpat.com, which allows expats to shop on French websites, even if these sites do not deliver overseas.

It works by sending parcels (colis) to the IMX platform before being forwarded to the expats' country of residence. The solution, which is effective and attractive from an economic angle, quickly attracted a wider market beyond just expats, encompassing all French-speakers and Francophiles.

Building on this success, in 2018, the company opened new local logistical platforms in the main e-commerce markets. At present, ColisExpat is giving its customers the opportunity to purchase items not only on UK, German, Italian and Spanish sites but on US sites too, with ColisExpat opening a platform in New Jersey; e-commerce has (practically) no borders left!

ColisExpat link: <https://www.colisexpat.com/>



An even stronger 2018

A pioneer in online real estate, Proprietes-privees.com has had a great start to 2018 in terms of news, proof of the company's good health and the increasing power of its brand in France.

A national convention in Bordeaux to kick off the year in style

An unmissable start-of-year event for Proprietes-privees.com, the 10th edition of the National Convention brought together network agents from all over France. It was a chance to go over the good results of 2017 and to discuss 2018 and future projects. This was also an edition characterised by a number: 1,000. This new real estate player has achieved the symbolic milestone of having 1,000 estate agents at the start of this year, having doubled its staff in less than 2 years.

New transaction software

Regular innovations, digital tools etc. Since its inception, Proprietes-privees.com has created an image of itself as being a quality, innovative and ambitious company. In order to consolidate its development and to offer even more services and ease of use to its negotiators, at the end of January, Proprietes-privees.com acquired a new transaction software, Iziconnect. This tool, which is vital to an estate agent's work, has been adapted from the Immofacile software, which is used by the biggest real estate networks and has specific improvements and developments.

Online property auction website

On 15 March 2018, the network announced the launch of its own online property auction website. This free and innovative tool is one of a kind in the world of property agency networks and negotiators. "With this new tool, we are able to offer an alternative to the classic transaction. A real asset for our agents that helps their clients with its unique solution", in the words of Michel Le Bras, President of Proprietes-privees.com.

Booster: the new training and support programme aimed at helping everyone who joins the network to succeed

The latest news this quarter concerns the launch of a new training and support programme for people joining the network. From now on, new Proprietes-privees.com estate agents will follow an 8-stage training course, from integrating customers to retaining them. The course takes the form of videos and videoconferences, with the aim being to speed up the mandate signing process and to achieve the agent's first sale in their first few months in the business!



Loxam enters the Italian market with the acquisition of Nacanco SpA, a market leader in the rental of motorised equipment.

Founded in 2001, Nacanco is a leader in the Italian equipment rental market. In 2016, the company achieved a turnover of €27 million via its network of 14 branches located mainly in Northern and Central Italy.

This transaction, which took place in Q3 2017, allowed Loxam to penetrate the Italian market in a position of strength while at the same time consolidating its position in Western Europe and in the motorised equipment rental market. The Giusto family, which founded Nacanco, will continue to support the company's development by remaining a significant shareholder (20%) alongside Loxam.

Gérard Déprez, President of Loxam, said the following in a release: *"We welcome the forthcoming acquisition of Nacanco, which will add to our presence in Western Europe. Nacanco is an established player which has contributed to the development of the Italian equipment rental market through its ambitious growth strategy. We look forward to working with its executives and its teams."*

With this external growth operation, the Loxam Group now has more than 7,900 employees, with revenue of around €1.4 billion in 2017.



[Unsubscribe](#)