

# Managers' view

## EDITORIAL

### “EMANCIPATING ALTRUISM”

Beyond the financial perspective, this expression by Doctor Denis Van de Velde, in the interview devoted to him in this newsletter, seems a good reflection of the human perspective that should be developed for our corporate succession operations. His succession was carried out in an exemplary manner, in terms of the result and the horizons it opens up for his personnel, chiefly due to the care that he took in preparing this final stage.

Profitability, growth, citizenship, environmental conservation: the indicators measuring the success of a company manager are now well known - those measuring the success of a succession less so. And yet this final stage can represent either the positive consecration of a whole work, or a waste entailing serious consequences.

That is why the transactions described in these pages are for us more than just "deals". On each occasion they are real human and psychological adventures, themselves starting with the great adventures of those who make our companies, which themselves start from the great adventure of our Society. Keeping sight of this "Russian doll" view is a help in achieving a successful succession.

Capital & Dirigeants Partenaires therefore advises shareholders and managers who plan to do more than just "deals": Sell, definitely, but sell to whom? To a group, to another manager, to the team, to a child? Hand over control quickly or gradually? Or simply secure part of your assets and continue. Continue, definitely, but differently... By raising capital, but to do what? Recruit a Managing Director? Buy... but buy what? Take advantage of this to reorganise the share ownership structure, with new partners definitely, but with so-called "industrial" partners or with financiers?

We follow all these projects through from the upstream deliberation stage, assessing them based on our experience of the market for corporate transactions, in each sector and in each specific context.

Today more than ever, Capital & Dirigeants Partenaires stays at your side. By expanding its team, by opening up its Place Vendôme "Hub" to all projects. And it is not the ambient haze that changes the situation: the company still has a large cash pile and potential for "emancipation".

**A very Happy New Year 2009 to all!**

Bruno Annequin  
Managing Partner

## HAPPY NEW YEAR 2009

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# Succession operation for a clinic

Clinique du Parc — DOCTOR DENIS VAN DE VELDE



**“... IF YOU ARE A  
CONSCIENTIOUS MANAGER, THE  
OPERATION OF YOUR ORGANISATION  
SHOULD NOT BE DEPENDENT ON  
THE BOSS'S SUCCESSION”**

[you recently sold your 270-bed establishment. What is its history?](#)

**Dr Denis Van de Velde:** Built in 1971, our clinic, at Saint-Saulve – Valenciennes, was originally focused on orthopaedics and maternity. We later grew by setting up a functional re-education centre alongside. In 1999 I decided to seize the opportunity to take over the Hainaut clinic. It was hard to convince the other surgeons, my partners. We lost a lot of money the first year, before building an extension on our site to repatriate all the activities.

We took a lot of risks, but starting from a monocultural establishment focused on orthopaedics, we built a healthcare group of around 300 beds and €30m in revenues, controlling its property, multicultural and forward-looking. And this was something that the group that took us over in 2007 saw clearly.

[Can you describe to us the current activity of your establishment in its health region?](#)

As you know, healthcare organisations, private and public, come under the healthcare programme of the local authorities in their region. Our establishment is an essential operator in orthopaedic surgery, with its re-education centre, but also in varied disciplines such as in vitro fertilisation.

[You and your partner Doctor Joël Létendart appointed Capital & Dirigeants Partenaires in 2006 to assist you in a succession operation which was completed in 2007. When and how did you come to this succession decision and hence choose an adviser?](#)

When we took the decision to organise a succession, close to but not yet completely at the age limit (which seems to us to be the right time...), I wanted above all for us to take pre-emptive action. As chairman, however, I was fully occupied with expanding our clinic. But if you are a conscientious manager, the operation of your organisation should not be dependent on the boss's succession. When we came into contact with Capital & Dirigeants Partenaires, the idea of obtaining support came to me.

[What were the ex-ante criteria for the choice of your adviser?](#)

The presentation and quality of the contact person. Bruno Annequin immediately showed a good understanding of the various issues involved in our operation and its specific complexity (several dozen shareholders, with very different weights and positions, practitioners in the establishment or not, in different legal structures, etc.), while clearly warning us of the potential stumbling blocks.



In a few words, what were those main stumbling blocks you were faced with during the selling process?

In a process like this you have to try to fluctuate as little as possible. The seller should be behind the front line, because the business must keep operating. The manager who is leaving has to continue...

The manager must therefore have two psychological attitudes at the same time, and the divergence of interests between the two can be salient, especially at the step-by-step stage. And the nearer you get to the conclusion, the more the pressure rises and sorely tests these divergences of interests. Paradoxically, the greatest difficulties were on our side, in harmonising viewpoints and positions faced with the issue at stake.

What advice would you give to other managers and shareholders similarly approaching the difficult stage of succession?

First of all, plan ahead for the succession operation to control the time factor. Next, you can speak clearly about what you have thought out properly. I think this is worth remembering when speaking to the counterparties. Apart from that: you should obtain assistance for the negotiations. And clearly accept that the negotiator is the one who negotiates, to focus efforts. The reverse would be viewed as a weakness by the other party. There should be only a single negotiator, with whom the manager should have a close relationship which should not move an inch even when the process is experiencing difficulties.

In the end, how do you assess the assignment carried out by Capital & Dirigeants Partenaires and your relationship with your adviser?

I appreciated the frankness and transparency of our discussions, our numerous phone calls and many long emails exchanged. I think the shareholders also obtained 15% to 20% more for their shares than what they could have obtained by themselves or with a less seasoned adviser. I noted that the technical approach to valuation hits the bull's eye, in a world in which finance speaks its own language. The discussion on the asset and liability guarantee is also significant.

Generally, such operations are complex, and Capital & Dirigeants Partenaires was able to negotiate flexibly and effectively, and of course make us understand, sometimes with the help of time, what was happening or was going to happen.

What, in your opinion, are the main prospects for Clinique du Parc in the coming three years?

The extension of the re-education centre, now finalised, ensures us of promising prospects on which to focus for the coming years. We plan to develop activities in incapacitating lumbago, spinal conditions, etc. and, in research, to arrange agreements with universities.

In general, Clinique du Parc will continue to expand if the patient remains above all else the focus of everyone's concern. Now retired, I think with hindsight that the main feature of any corporate governance, especially nowadays, should be "emancipating altruism": sharing one's thoughts on succession with colleagues, with a firm determination to prepare them to fly with their own wings when you've gone.



#### C&DP's opinion:

Dialogue and trust are everything. Between the adviser and his client, of course. But also by transitivity with the buyer. Dialogue and trust, necessary to complete any deal, are established between the seller and buyer first by the company's presentation memo, then through the quality of the first meeting and the first discussions. This dialogue and trust make everyone keep going, sometimes even at times when discouragement threatens to upset the whole process.



“... IN THE END, THE OPERATION WAS CARRIED OUT BASED ON A FAR LOWER VALUATION THAN WHAT THE INVESTORS PROPOSED TO US, WITH TWO TIMES LESS LEVERAGE ON THE COMPANY'S SHOULDERS, AS MY INCUMBENT SHAREHOLDERS MADE A PARTIAL CASH-OUT, BUT CONTINUED IN RETURN TO BENEFIT FROM OUR WORK AND FROM THE GROWTH OF CUSTOM SOLUTIONS. IN A CALMER, RESTORED RELATIONSHIP WITH US, THE MANAGEMENT.”

# Changing the share ownership structure via an LBO

Custom Solutions — CÉDRIC RENY — CHAIRMAN

You recently took over control of your group, Custom Solutions. Can you describe Custom Solutions to us in a few words?

**Cédric Reny:** The Custom Solutions group, founded ten years ago, has become one of the leaders in promotional marketing services in France, via two subsidiaries: Custom Promo and Custom Licensing. We are positioned in three business areas: comprehensive management of multimedia promotion campaigns for advertisers, marketing logistics, outsourced co-packing and e-logistics, and the buying and selling of multimedia licences and content necessary for some of these campaigns.

Since its founding, Custom Solutions has undergone very strong growth, with revenues doubling in less than two years, to €14m this year. Its growth rate is still above 20% and its prospects are excellent. We have technological expertise developed internally, which is exceptional for the sector, for the benefit of our 200 customers, mostly large accounts. Our two facilities are located in Aix-en-Provence (head office and warehouse) and the Paris region (sales office and warehouse). The group currently has 50 employees.

Were you already a shareholder? Describe to us the origins of the operation you have just arranged...

In 2001, aged 29, I took responsibility for leading this company and I completely repositioned it in the businesses that have made it successful at present. From an initial stake of 4%, I gradually climbed to 30% in several steps, but on each occasion I had to defend my position against shareholders who were friends and family members with whom I had good relations but increasingly divergent interests. These divergences tended to come to the

surface when determining the dividend to be paid, for example.

We therefore naturally considered bringing in a financial investor to arrange a management buy out. For this MBO, we appointed Capital & Dirigeants Partenaires, by agreement with all my shareholders, who nearly all decided to exit. This would also enable me to lodge in a joint holding company the stake of Madjid Rouar, a minority shareholder managing a subsidiary with interesting prospects, and join forces with him to manage the group. An industrial group also approached us at that time, but the valuation, not factoring in the growth potential, soon proved completely out of line for a full buyout.

My incumbent shareholders and myself finally chose to continue the adventure together, they becoming minority shareholders and myself the majority shareholder, with Madjid alongside me.

What work was performed with Capital & Dirigeants Partenaires ahead of the operation?

Capital & Dirigeants Partenaires offered me its services to examine the various options for me to increase my stake - initially with the help of a financial investor, then in the end without one - and enable me to become the majority shareholder, which I hadn't necessarily planned on at the outset. After preparing an objective view of the presentation of my business to investors and refocusing the discussion on my incumbent shareholders, Bruno Annequin helped me negotiate with those shareholders, then with the banks and, finally, in legal and tax arrangements with the lawyer, through to closing.

### Why did you not bring in a financial investor in the end?

We found a better compromise with the remaining shareholders who finally decided to retain their stakes while allowing me to take control. As a result of the negotiations by Capital & Dirigeants Partenaires, the operation was finally carried out based on a far lower valuation than what the investors proposed to us, with two times less leverage on the company's shoulders, as my incumbent shareholders made a partial cash-out, but continued in return to benefit from our work and from the growth of Custom Solutions, in a calmer, restored relationship with us, the management. And both they and we have now won our bet!

### What were the most difficult stages and what advice would you give to other managers in a similar situation?

The most difficult step is starting negotiations with your shareholders. The advice I would give is to not delay this decision: the more the business expands and increases in value, the harder it is to carry out these negotiations, especially when profits are good and growing.

And above all obtain assistance, as this allows you to take a detached view and take into account all viewpoints. Watch out for the valuation, though: investors still have a lot of cash at present and quickly push up the valuation; I came to realise that it is still possible to raise debt for operations of this size and that there are not so many good business plans out there as that. Once again, watch out for the valuation: those who profit the most from it are those who exit, not those who stay, nor the company!

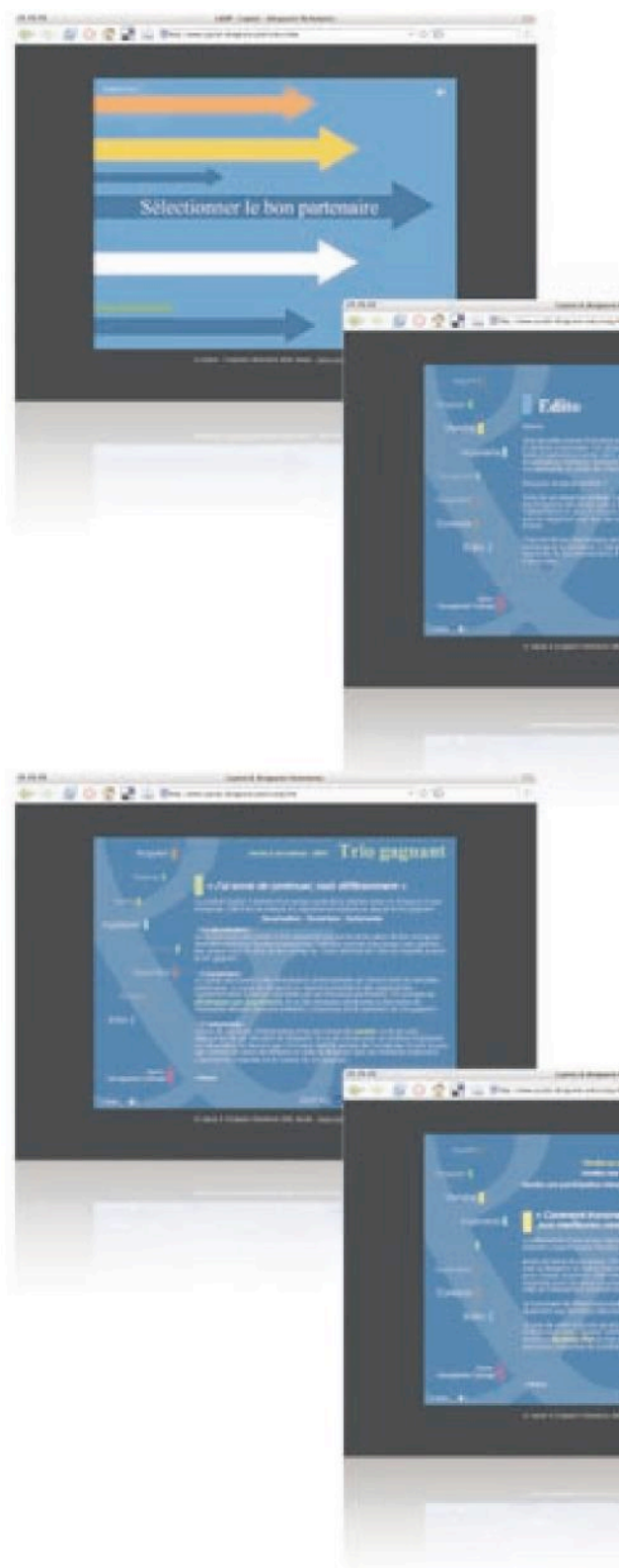
### How do you rate the work carried out by Capital & Dirigeants Partenaires and your relationship with your adviser?

I still take advice from Bruno Annequin today and I allowed him to acquire a stake personally in order to continue to assist me. That's because I consider the work performed together rather positively...

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#### C&DP's opinion:

Cédric Reny is in the category of managers with whom you naturally want to become a partner. Because of his talent, but also for his human qualities. That is no doubt why, at the moment of deciding to sell and separate, his incumbent shareholders, (in particular Patrice Macar, founding chairman of Dreamnexus), showed their gratitude by finally choosing to "cut off their own arm" in order to continue with him. Although this act was not completely disinterested, it's all to their credit. A liberty taken by some individual shareholders... and even some professional investors?.







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# Taking over a company in distress

**Label Print** — OLIVIER LE GRELLE — CHAIRMAN

Three years ago you took over Label Print. What does this company do?

**Olivier Le Grelle:** Label Print is a manufacturer of high-quality technical paper for the white label and digital markets. Label Print provides industry with labels, in all possible forms and on all media, to allow printing of various data, in particular for the traceability market. Label Print also offers another product range for the general public, consisting of visiting cards, CD and DVD jackets, photography paper, calendars, etc.

In what conditions did this takeover take place? What were the obstacles to be overcome to finalise the deal?

I took this company over as part of a disposal plan (assets only) following a bankruptcy. I had to compete against two rival offers from industrial firms, and therefore offer a difference regarding key aspects which in the end were taken into account by the Commercial Court: job protection and guarantees regarding the continued existence of the business.

What were your first actions following the takeover?

I was not at all prepared for this type of takeover of a struggling business. It demands speed. The first thing is to restore confidence.

## C&DP's opinion:

Olivier Le Grelle's experience in the label and packaging sectors was of course an advantage for these two cases studied. But his determination to succeed, by overcoming the unknowns that are always trying in a takeover negotiation for someone for whom this is not their everyday activity, was the key factor in succeeding with his search. In the end, despite fundamentally different financial interests regarding this aspect, we supported his decision to go it alone and take over Label Print via a court procedure, rather than obtain the support of a financial investor to take over a larger and very profitable business, but one on the decline and overpriced.

First of all at the personnel level, by involving them in the takeover and keeping them informed of the various stages. Then at the customer level, by demonstrating to them that the expertise has been maintained. At the supplier level also, by having them support the business plan. And lastly at the banker level, to obtain facilities to restore the working capital.

Did you already have experience of such a corporate takeover; had you already examined other cases? What lessons you share in this area?

I had previously worked for more than six months on the takeover of a solvent company, a label manufacturer for the perfumery market. With the support of Capital & Dirigeants Partenaires, we went through to the final stage after managing to arrange financing. At the last moment, we refused to sign, because the figures and the outlook on which the estimates and my plan had been built proved inflated. I learned a tremendous amount thanks to my discussions with Bruno Annequin.

What are the challenges facing Label Print in the coming months and years, and what are its growth drivers?

Since the takeover in April 2006, we have taken over two other companies, one solvent and the other in receivership. In 2008 Label Print should reach €3.6m in revenues versus €1.6m in 2006. There are several growth drivers at present: the first is to increase the volume of sales and hence production (its production capacity is currently only 60% used). For example, we did a deal in December 2007 which enabled us to increase our production volume by 30%. The second is to come closer to the end customer by buying up distributors. The third is to acquire other expertise in complementary fields.

## Capital & Dirigeants Partenaires welcomes a new partner

Following career experience both in large groups and SMEs, Julien Dert, aged 37, brings us his operational experience of finance roles in an international environment. His knowledge of the challenges involved in fundraising represents an additional asset for our customers.



*A graduate of Institut Commercial de Nancy, Julien began his career at Deloitte in Paris as an auditor in the Industry and Services department, whose main customers were Lafarge, Renault, Air France and Hermès. He then joined Schlumberger Group where he held finance positions in several divisions (gas services, semiconductors and IT service provision) both in France and internationally. In 2004, he became Administrative and Finance Director of SpineVision, a young company developing innovative medical devices for surgery of the spinal column which had raised more than €60 million from major private equity players. There he oversaw the expansion of its subsidiaries in the United States and Singapore in particular.*





HAPPY NEW YEAR 2009

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