

## **ARNAUD LIMAL PUSHES FUND INNOVATION TO NEW HEIGHTS**

**Arnaud Limal is co-manager of the team responsible for Crédit Agricole subsidiary Calyon's relations with investment companies and funds. The bank has developed some innovative structures.**

Major players of the economic life, investment funds have become rich sources of revenues for bankers, lawyers, auditors and other advisors. Starting from the observation that "Calyon did not have sufficient presence with investment funds", Crédit Agricole's corporate and investment bank reorganised last year in order to make its entire product and service range available to financial investors.

Under the leadership of Mr Limal, co-manager with Jacques Villaines of the investment funds team, interaction has been boosted between investment banking activities (raising capital, advisory services, IPOs and even the purchase of controlling interests), leverage finance for LBO debt, and capital markets activities (high-yield bonds, securitisation, hedging, etc.). Funds now have a single point of entry to the bank's full range of business activities. Following the allocation of accounts and a series of recruitments, including the appointment last week of a senior banker for the Scandinavian funds, the team's objectives are clear: according to Mr Limal they plan to "double fee income between 2006 and 2008".

Where it has no historical presence on a market, Calyon focuses on differentiation. As the manager responsible for covering investment funds explained, "mergers and acquisitions is not a loss-leader activity. It is a distinct business line that anchors the bank's other services. We must play on our ability to differentiate." Calyon therefore developed innovative financial structures. It put in place the first asset securitisation transaction of a company under LBO: two years ago, Fraikin obtained the prize for innovative financing by securitising a fleet of 32,000 vehicles, thereby raising €420 million. In May 2006, Calyon financed the takeover of Europcar with a high-yield bond issue for €550 million and a €2.9 billion securitisation. This was a cutting-edge and "extremely complex" structure in Europe, according to the banker. It took "over a year to bring to fruition." More recently, a high-yield issue was also used for the takeover of Genoyer by Caisse des dépôts and, in the words of Mr Limal, "it was the structure that won us the mandate, by providing financing suited to the volatility of the oil-related segment".

### **PRIMARY LBO TRANSACTIONS ARE BECOMING RARE**

Differentiation through innovation also follows the strategic developments of the investment fund industry. Whereas Calyon has already financed a number of P-to-P (public-to-private) delistings of medium-sized companies, "we will undoubtedly see the US trend affecting market giants spreading to Europe." Funds are already making tentative moves on companies such as Iberia and Valeo, as well as Altadis, in connection with which Calyon advised CVC. Nevertheless, notes Mr Limal, "in this type of transactions there have been cases where shareholders chose not to contribute their holdings, despite the premiums offered." In that respect, he believes interest in P-to-P transactions will increase when the markets enter a bear phase.

In the meantime, however, and in a context where primary LBOs (disposals by groups or family holdings) are becoming less frequent, funds need to find another source of deals. Minority interests in listed companies are now seen as just such an opportunity, but this should not be confused with the strategy followed by hedge funds. "This is the contrast between medium-term and short-term. The investment funds' objective is to participate in a trend that will accelerate growth and, therefore, increase valuations, whereas the hedge funds simply want to be a catalyst for extracting hidden value", states Mr Limal. He expects players who until now have been active only in majority LBOs to change their strategy.

Mr Limal estimates that over two-thirds of the rising price of deals is driven by low interest rates, which justify higher debt multiples, and by rising stock market valuation multiples. For that reason, he explains, "we pay close attention to the creation of value through improvements in operating profit in the case of LBOs."

#### Career path

Aged 49, Arnaud Limal has been an investment banker for 25 years. He joined Crédit Agricole Indosuez in 1998, holding various positions in the Investment Banking department until last year. A graduate of ESCP and holder of an MBA from the Harvard Business School, he started his career with Morgan Grenfell before moving to Goldman Sachs.

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