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## Fresh new financing to pursue an active strategy of external growth

Altrad, a family-owned French scaffolding group, will use fresh new financing to pursue an active strategy of external growth, founder and CEO Mohed Altrad said in an interview.

Altrad, which has grown largely through acquisitions since its creation 28 years ago, received last November a EUR 100m seven-year bond from, among others, a French fund aimed at helping midcaps with considerable development potential. The goal of the recently-created Fonds Novo is to better mobilise the huge financial resources of Insurance companies to finance mid-size companies.

Altrad is the first company to receive funding from Novo.

BNP Paribas Investment Partners (BNPPIP) contributed EUR 37m to the bond (with EUR 25m from Fonds Novo); Tikehau contributed EUR 25m (through Fonds Novo), Natixis Assurances contributed EUR 30m, and Federal Gestion (ARKEA) EUR 8m.

Altrad is also negotiating another EUR 150m syndicated loan with a pool of banks led by Natixis. Mohed Altrad hopes the loan will close in 2014.

Altrad acquired in September 2013 UK-based The Trad Group, a specialist in scaffolding and the rental of associated services, with revenues of GBP 45m. The price paid was close to the revenues, Altrad said. "But we do not intend to mark a pause after this deal," he emphasised.

Quite the contrary; the new financing will help the company's growth over the next three years.

Targets will be those that serve the company's diversification strategy in the services sector (renting, assembling and dismantling of scaffolding). "Services bring higher margins," Altrad said. Before the purchase of The Trad Group the company had bought two services firms, France's Poujaud (assembly and renting) in 2012, as well as Croatia's Limex, which also specialises in scaffolding renting, in 2010. Services, Altrad explained, are a good way to escape excessive reliance on the construction market. It allows the company to get contracts in strategic sectors such as nuclear plants, refineries, harbours and airports.

As for priority geographical regions, Altrad thinks there is a lot of potential in the UK market, which is very fragmented, as well as in Germany and Poland. In Asia, he is interested in China and also wants to enter the Latin American market. If he could find a target in Brazil with some EUR 70m in revenues, with a history and good products he would certainly look at it, he said. Typical targets have sales of around EUR 50m, he added.

Although he has his own criteria for acquisitions, he takes above all an "opportunistic" view towards buys, Altrad said. He is open to suggestions from bankers and other financial advisors. Right now, he works with the M&A teams of large accounting firms such as KPMG, PwC and E&Y, and with banks such as Leonardo, Natixis and HSBC.

For the 2012-2013 fiscal year, the company expects to post revenues of EUR 723m and is counting on an increase to about EUR 815m for the 2013-2014 fiscal year. Only one third of revenues are realised in France, the rest abroad. Altrad hopes to reach the EUR 1bn mark by 2016.

The company has a EUR 88m net debt.

A quintessential «self-made man», Mohed Altrad was born in the Syrian desert, moved young to France, learned French and got a doctorate degree in computing. He created a computer company which he sold to Matra, and bought with the funds a scaffolding company close to liquidation.

Aside from being a businessman, he is a rugby fan who bought with EUR 2.4m of his own money the Montpellier Herault Rugby Club in southern France, where he acts as president.

He hopes his club will rise to win the French Top 14 and even win the European championship.

Mohed Altrad owns 80% of the capital of his scaffolding company. Two years ago, the FSI,

the government's Strategic Investment Fund, now part of the BPI (Banque Publique d'Investissement) took a 10% stake. A group of banks, including Arkea, Credit Mutuel de Bretagne, BNP Paribas Developpement and CM CIC Capital Finance took another 10%.

Created last October, 2013, Fonds Novo has been endowed with EUR 1bn.

The fund founders are Thierry Giami, advisor at Caisse des Depots, the financial arm of the French state; and Jean Vecchierini-de-Matra, head of the investment committee of the French Federation of Insurance Companies.

"Altrad's dossier was appreciated because of its sound balance sheet and profitability," said Vecchierini-de-Matra. "The company has a good mix of external and organic growth, and interesting geographic and product diversification. Also, the personality and management skills of Mohed Altrad were a plus."

Pierre Moscovici the French finance minister, will visit Altrad's factory in Montpellier on Thursday, 5 December, to emphasise the initiative's importance.