



Created in October 2017, Idinvest's latest investment vehicle seeks to revolutionise funding of manufacturing companies via an innovative asset-leasing based model.

SIX MONTHS ON FROM ITS INCEPTION, IDINVEST SME INDUSTRIAL ASSETS (ISIA) GOES FROM STRENGTH TO STRENGTH

Conceived as a halfway house between private equity and debt, **Idinvest Industrial Assets (ISIA)** works by leasing cutting-edge manufacturing equipment out to industrial SMEs in a bid to increase production and compete with larger corporations.

ISIA responds in particular to two main issues faced by manufacturing companies who choose to buy their own equipment. First, the high cost involved, which creates a cash-flow problem and serves as a disincentive for further acquisitions. Secondly, banks are becoming increasingly reluctant to fund industrial ventures as a result

of increased regulation; a situation that had left a quarter of Idinvest's industrial portfolio companies needing new equipment.

Back in October, Idinvest raised an initial €150m for the vehicle through the European Investment Bank and the European Investment Fund, alongside a diverse group of French banks, industrials and insurance companies. Whilst the area covered by ISIA is extensive – 15% in Germany, Spanish and Benelux – over half of the fund will be invested in French companies.

"Germany is by no means the only place where Industry 4.0 will be implemented. French SMEs are also in the running"

Christophe Bavière,
CEO of Idinvest



The first beneficiary of the new fund was MBF Aluminium, a Burgundy-based manufacturer of car parts that had seen numerous applications for bank loans rejected, despite counting PSA and Renault amongst their clients and doubling production since 2012. Impressed by the calibre and ambition of their management team, Idinvest stepped in back in January 2018, providing €4.2m in the form of pressurised injection moulding machines and a tribofinishing vibrator.

Helping industrial SMEs upgrade their assets and gain ground in new markets also brings a number of advantages to LPs, argues Christophe Bavière. As well as reducing the average production time by 3 to 4 years, this leaseback agreement guarantees a regular cash-yield since rents are automatically levied onto investors. Idinvest envisages a net internal rate of return above 4% and leases to be repaid within three years, granting investors a quick return on their capital.

Such is the originality of the idea that news of the MBF investment not only reached the upper echelons of the

"Strong industry cannot exist without modern production equipment. Freeing cash flows and giving companies access to more modern industrial equipment will not only help them develop at a greater pace but is at the core of value creation in Europe."

Sylvain Makaya,
Partner in charge of the fund

French press (Les Echos, Le Parisien), but was also featured in British, German and Spanish newspapers. Shortly after, Idinvest reinforced their management team with the appointment of Thierry Legeais as Investment Director end of 2017, and of Damien Boulangeat, as Investment Manager, beginning of 2018.

Early March 2018, Sylvain Makaya represented the fund at the prestigious France Invest Conference on Industry. Mainstream recognition of the fund was then confirmed when it featured in a recent article on Industry 4.0 in The Times.

Idinvest is looking to build on this promising start and ramp up its activity in the years to come. Around 50 million euros will be deployed in 2018, with twice as much planned for the following year. When the fund closes in 2020, Idinvest hopes to have invested some €300m across 50-70 deals.

Sylvain Makaya, Partner

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