« FRANCE IS A VERY ATTRACTIVE AND OPEN DESTINATION, WITH A MARKET THAT ACTIVELY WELCOMES INTERNATIONAL INVESTMENTS »

Interview with Marc Vincent,
Global Head of M&A at Natixis

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How did Natixis develop its multi-boutique model and what is your role as Global Head of M&A at Natixis?

Marc Vincent : First of all, it is worth bearing in mind that Natixis developed its M&A business very recently. Let's go back to 2012, when we gradually started developing this business with a fairly innovative model – our multi-boutique approach. Rather than building up an in-house team, we decided to single out a number of companies in key countries with a view to working with them, and taking a unique approach whereby partners we work with can maintain their stakes in their businesses. Within our group – Groupe BPCE – we were able to leverage Natixis Investment Managers' expertise and draw on its past experience in developing its network of asset management affiliates.

Natixis began growing the M&A business in France with the acquisition of the French team of Leonardo & Co, which operates across France, Spain, Italy, Belgium, the Netherlands and Germany.

We set up Natixis Partners in France, which now houses around a hundred staff and is a significant LBO player on the French market. We subsequently pursued our strategy with the acquisition of 360 Corporate in Spain, which we rebranded Natixis Partners Iberia. We have always strongly believed that it is crucial to operate on the US market, so in 2016 we partnered with independent New York boutique, PJ Solomon, which kept its name as it has a strong brand image on this market. This acted as the foundations to build a platform with a view to developing business vertical activities. Over the past few years, PJ Solomon has notched up stellar growth, with revenues now close to $200 million. So we drew on this strong growth and the arrival of new partners to recently change the name to Solomon Partners.

We then launched a second series of acquisitions, taking a majority stake into Fenchurch Advisory in London, an independent boutique specialized in financial institutions, followed by a highly renowned tech boutique, Clipperton, which specializes in fund-raising as well as M&A. This provides an opportunity to engage with large manufacturing and commercial groups, which are extremely interested in innovative start-ups. China is also a major market for Natixis, so we decided to acquire Vermilion Partners, which boasts a solid local presence in the region. We then also bolstered our business in Asia-Pacific with the acquisition of Azure Capital in Australia, which specializes primarily in infrastructure and natural resources, and enjoys national coverage with offices in Perth and Sydney.

Our multi-boutique model brought in revenues of nearly €400 million in 2021 and is set to post sustained revenues in 2022. Our approach brings together a number of affiliates where Natixis is the main shareholder, while each boutique also maintains a degree of independence.

Our multi-boutique network has continued to expand throughout 2021 and 2022 as we have rolled out a range of initiatives. In September 2021, we launched two non-capitalistic and non-exclusive partnerships – one with bank LBBW in Germany and another with Tyndall in South America. Meanwhile, Solomon Partners continued to grow with the development of a new business vertical in the Business Services sector, and opened new offices in Chicago. In October 2021, Natixis Partners expanded its regional presence and ramped up its operations on the small-cap market with the development of an office in Lyon. In June 2022, Natixis Partners reinforced its M&A expertise in the buy-side market.

As Global Head of M&A at Natixis, my role is to ensure that all our boutiques run seamlessly and support them in coordinating with Natixis and with each other. My job is to ensure that these businesses grow, under the supervision of Nicolas Namias, Natixis' CEO, and in close cooperation with other business lines at Natixis, first and foremost our Corporate & Investment Banking arm.

What type of clients do you work with – public companies, manufacturing corporations, investment funds – and what are your priority sectors?

Marc Vincent : We have a global multi-boutique strategy, which means that we have a highly diversified range of clients, primarily comprising major manufacturing groups, financial institutions, private equity funds, not to mention mandates that we operate for public companies. Our clients are extremely diversified and work across a wide range of sectors.

How important is control of foreign investments in general in your current practices, and in France in particular?

Marc Vincent : There are a number of points worth remembering on the issue of control – or screening – of foreign investments in France. Firstly, France welcomes a huge amount of foreign investment, and the country remains a very attractive and open destination, with a market that actively welcomes foreign investment. By way of example, since I have been at Natixis, very, very few projects or deals have been halted by the French government.

We know right from the outset when any given transaction can turn out to be sensitive. So in our role as banker, and in cooperation with lawyers and the company in question, we are responsible for identifying the various aspects of the deal and discussing with public authorities ahead of time. These various dimensions must be ascertained upstream, and ultimately it is not surprising if there is a reduction in threshold or if public authorities are more attentive to aspects involving jobs or relocations: these are obvious aspects that it is natural to consider.

In practical terms, there is an informal phase where this sensitivity is discussed with the various parties involved. The groundwork is laid beforehand. If the public authorities conclude that the transaction is in a sensitive industry and refuse the transaction, so be it.

Our work involves supporting a client in an M&A deal and ensuring that the transaction proceeds as smoothly as possible. Every time we talk with the French authorities, our discussions are particularly constructive and thorough – their door is always open!

Ultimately, when national sovereignty is involved, it is perfectly natural that the French state would seek to protect a number of key industries. The majority of States also have a foreign investment control mechanism, which everyone finds totally normal.

The scope for control was initially confined to the arms and defense industry, but has widened considerably and now incorporates new sectors and asset types i.e. not just large industrial players but also SMEs, very small-sized firms and start-ups. How do you tackle this change? Is it just a natural extension in the approach or does it herald a paradigm change?

Marc Vincent : I do not think we are seeing a paradigm change. The Covid-19 crisis has obviously had an impact and forced the French government to look more closely at a certain number of issues. The environment has of course changed, but it is important to remember that the French government has considerably supported French companies and safeguarded the country's economic landscape throughout the crisis. So I see the investment control mechanism in some ways as the trade-off for State efforts in supporting companies, with programs like the state-guaranteed loan for example. It is also worth noting that the number of transactions controlled has increased considerably, but there is virtually no change in the number of refusals. Lastly it is important to remember that French companies draw part of their wealth and growth from international M&A transactions. So I see today's situation not so much as a paradigm change, but rather as a certain kind of pragmatism.

Most participants highlight varying degrees of ambiguity on the control scope in France and some aspects of the procedure. The precise details of banned sectors are sometimes fairly nebulous, do you think that French legislation is sufficiently clear?

Marc Vincent : I think that the existing body of legislation is consistent and clear. And in a constantly changing environment, I think it is understandable that the outlines of certain industries can also be changeable. Again, support from the French government for our industrial fabric, along with the State's constant efforts to adapt to the situation warrant these changing profiles.

Looking beyond the French system, it is interesting to note that the European Commission recently looked again at the subject of screening foreign investment and is keen to submit these acquisitions to European financing plans. These plans obviously concern a certain of number of areas deemed to be of sovereign importance by some countries i.e. space, innovation, energy, healthcare, etc.

What advice would you give to your clients internationally? In light of the eventuality of screening by the French government, do you prepare your clients for certain commitments? How do you take on board these difficulties when you work with foreign investors?

Marc Vincent : When a client wants to invest internationally, particularly in France, we have a duty to inform them of these aspects. Our advice is to never force the situation, but rather to embark on talks with the competent authorities well ahead of time. The approach is always the same: broach the issue of control well ahead of time and ensure constructive dialogue with the authorities. Meanwhile, commitments are inherent in any M&A deal and are discussed well ahead of time in the business plan: they make up the economic analysis of the investment, whether in terms of capex commitments, protecting jobs, pledges not to relocate, construction of an additional site, recruitment in a specific geographical region, or R&D for example. These commitments can also be discussed with local authorities. We therefore highlight all these aspects with our clients and all commitments must be taken into account in all work on assessing the target.

Do you adjust your approach depending on investors' countries, nationalities and profiles?

Marc Vincent : Some nationality aspects can raise additional questions. Generally speaking, it's a simple yes/no question as to whether the transaction has a chance of success. We take on board the client's nationality and focus analysis on the transaction's sensitivity. Fundamentally, I would say that that the investor's nationality is taken into account and is admittedly important in the analysis, but not decisive.

Do you draw on your worldwide presence to finetune your knowledge of investor quality – i.e. their reputation, past transactions and geographical origin – and anticipate how their projects will be met?

Marc Vincent : I like the expression "*act local, think global*", which accurately illustrates our M&A set-up. Our international presence obviously affords us clear insight into the local environment and helps us grasp its various dimensions. This helps us better understand our clients and finetune our approach. For example, with our team in Australia, we enjoy greater knowledge of the companies involved, their concerns, their local environment, their history and their reputation – this is absolutely crucial for us.

Our discussions with participants also highlighted the importance of dialogue between the various stakeholders – investors, lawyers, banks, regulators or agencies, investors' home States – in a foreign investment project. How do you work with them in practical terms?

Marc Vincent : We work with all stakeholders and always with a law firm, and also sometimes receive support from communications agencies. When an international investment may fall under the control or screening mechanism, we embark on dialogue with the State, either directly or via our lawyers.

The Covid-19 pandemic has had major repercussions for the M&A market in Europe and worldwide. How do you see the future for M&A against the backdrop of this crisis?

Marc Vincent : After a slight slowdown in activity in 2020 due to the Covid-19 crisis, 2021 was an exceptional year, with some impressive deals. There will not be the same kind of performance in 2022 – we have rarely seen two exceptional years in a row in the past.

The Covid-19 crisis has transformed our practices: more and more transactions are being conducted digitally and due diligence has even been carried out by drone, which would have been unimaginable several years ago. This suggests a very fundamental and wide-reaching change in the way we work. I am convinced that the pandemic has major implications for boards of directors, and it will offer a range of opportunities in terms of external growth and restructurings.