



## EDITORIAL

**Sharing value and accepting change**

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Value sharing: rarely has there been as much talk as recently about this subject, which resonates strongly with the DNA of Andera Partners and its day-to-day work alongside entrepreneurs.

Andera Partners is one of the first signatories of France Invest's Value Sharing Charter. This charter will be implemented on two levels: through the concrete contribution of Andera Partners' teams to increasing in the short term the coverage rate of employees of invested companies by at least one annual value-sharing scheme (value-sharing bonuses, profit-sharing or incentive schemes); and in the long term by promoting the sharing of the shareholder value creation through employee shareholding and the sharing of capital gains in all situations where these two mechanisms are relevant.

Andera Partners is proud and has a great responsibility to fully assume this role of supporting companies in addressing the issues of social dialogue, inclusive growth and employee involvement in the

creation of corporate value.

While the French Parliament started debating a few weeks ago on the government's draft law on "sharing value within the company", the context is marked by social unrest exacerbated by pension reform and by recurring debates on the taxation of super-profits and the fair transition with regards to climate change. The backdrop to these debates is the fear of a polarisation of wealth and growing social inequalities. In our view, this context represents a double threat: on the one hand, the exacerbation of a feeling of declassification; on the other, an excessive tax response that leads to overtaxation and stigmatisation of those who contribute most to the creation of economic and financial value.

Asking the question of how wealth is distributed implies questioning, on a broader scale, the acceptability of the major transformations in our societies and the way in which they are able to absorb the succession of economic, social and environmental shocks. Accelerating climate change, fragile geostrategic balances and macroeconomic uncertainties are all destabilising factors for society. The economic fabric made up of growing SMEs and VSEs and innovative companies in the most buoyant sectors of the economy (tech, health, energy transition) must play its full role in creating value and social cohesion if we are to move towards sustainable growth.

In this latest edition of Andera Insights, we are pleased to share with you insights into the private equity sector in Europe and the success stories of entrepreneurs supported by Andera. Andera's multi-specialist positioning, the diversity of its investment methods (both equity and debt, at different stages of development) and its pan-European footprint give it the capacity to act as close as possible to the challenges that entrepreneurs face in their growth strategy. This month, the "Andera Climate Solutions" support program is in the spotlight, demonstrating the pioneering position of our team and its expertise in understanding the challenges of decarbonisation and taking concrete action to combat climate change. Economic issues, financial value creation, social issues, environmental issues: we are resolutely at the side of entrepreneurs to understand the full complexity of this equation.

**Laurent Tourtois** and **Raphaël Wisniewski**, Managing Partners of Andera Partners





## Decarbonisation of SMEs and mid-cap growth companies: the key role of private equity players

**W**ith the validation of its decarbonisation targets by the Science-Based Targets Initiative and the launching of its Andera Climate Solutions support program, Andera Partners has positioned itself as a pioneer among private equity players.

Andera Partners is one of the leading management companies to have established an ambitious objective of supporting its portfolio companies to concretely reduce their carbon emissions in line with the Paris Agreement.

Investors, management companies and companies are now under increasing

issues in particular, that economic players are relying for their "licence to operate": while carbon assets are losing value, supply chains are changing, and so are the expectations of end consumers; compliance with environmental standards is becoming a decisive criterion for attracting long-term investment.

### Science-Based Targets Initiative

Andera Partners is thus committed to and validated its decarbonisation trajectory in line with the Science-Based Targets Initiative (SBTi), which promotes strategies aligned with the level of decarbonisation necessary

pressure to intensify the fight against climate change and incorporate in their respective roadmaps the decarbonisation requirements. This partly results from a stricter regulatory context:

- Article 29 of the French Law on Energy and Climate (LEC) of 2021 requires financial players to adopt investment strategies coherent with long-term targets relating to climate change.
- The CSRD will enter into force in 2024 and establishes reporting obligations for companies with more than 250 employees, including climate issues, in order to increase the transparency of these companies with regard to their impact and efforts in creating a business model contributing to the limitation of global warming to 1.5°C.

It is also on this ability to take ownership of CSR issues, and climate-related

to maintain the world's temperature increase below 2°C, or even 1.5°C, as compared with the pre-industrial period. The SBTi defines and promotes best practices, and calls on companies to commit themselves by submitting these targets for validation, and independently assesses and approves these decarbonisation targets.

In November 2021, the SBTi formalised the first methodology based on science enabling private equity companies to establish their decarbonisation trajectory, while requiring them to guide the invested companies in establishing their own decarbonisation trajectory.

The SBTi reconciles scientific knowledge with the reality of the economic players. More than just a label, it traces a tangible and credible line of progress for companies and investors.



Andera's targets validated by the SBTi are twofold. They relate to:

- **The reduction of Andera Partners' carbon footprint as a management company (scopes 1 and 2)**

**Target: -50% of emissions by 2030 as compared with 2019 for scopes 1 and 2.**

This action plan is an exemplary approach – 99% of Andera's carbon footprint is generated by its portfolio companies. The target remains nevertheless ambitious. To reach this target, Andera Partners will focus on its energy consumption (consumption reduction and green energy contracts) and on the (already ongoing) conversion of its entire fleet into electrical vehicles.

- **Portfolio companies (scope 3)**

**Target: 50% of SBTi companies by 2028, 100% by 2033**

- For three of the six business activities of Andera Partners (Andera Expansion, Andera Infra, Andera MidCap), the vast majority of its portfolio companies meet the eligibility requirements: company shareholdings of more than 25%, a seat on the board of directors, more than five years in operation...
- For various reasons, the companies held by Andera Acto, Andera Life Sciences and Andera Co-Invest funds are, without exception, beyond the relevant scope: type of financial product (mezzanine debt), stage of maturity of the companies (venture capital) or minority position of the fund (co-invest).

A growing number of companies will receive support each year in order to achieve the target of 100% of eligible companies committed to the SBTi by 2033.

**The Andera Climate Solutions program**

**Beyond the definition of trajectories, companies now require specific and concrete action plans.** However, all do not have – in particular the small-and medium-sized companies – sufficient resources and expertise to address this issue; this is where private equity players play a key role. **Andera**, a leading player in the financing of SMEs and mid-cap growth companies in France and in Europe, **provides us with an example with Andera Climate Solutions, a unique support program.**



*“Our commitment is not limited to seeking the validation of trajectories by the SBTi, explains Noëlla de Bermingham, Director of Corporate Social Responsibility at Andera Partners. We establish coherent action plans for the companies we support to achieve their targets in line with the defined trajectory. Numerous small-and medium-sized and intermediate-sized growth companies often lack internal resources and tools necessary to carry out this transformation: we play a key role in their decarbonisation. Zero net carbon remains the final target, but immediate means must be adopted to decarbonise”.*



**HR Path** was the first portfolio company of Andera Partners to benefit from the

Andera Climate Solutions support program.

A specialist in Information Systems advice for Human Resources, HR Path has operations in 20 countries. Andera Partners provides support to this leader seeking to become a first-rate world player on its market. The program, which contains six support phases and includes the calculation of the scopes 1, 2 and 3 carbon footprint, enabled HR Path to establish an ambitious decarbonisation trajectory, aligned with the Paris Agreement: reducing scopes 1 and 2 emissions by 50% in absolute terms, and scope 3 by 61% per Euro million of turnover generated by 2031. A plan of action was also established including the modelling of the impact of various contemplated initiatives.

### Decarbonisation and investment strategies

A management company like Andera Partners supports companies over a period of several years. However, most of the current companies will no longer be in its portfolio by 2033.

The purpose of the designated target of 2033 is thus twofold:

- It establishes and endorses the support action relating to the transformation of the companies, solidly anchored in Andera Partners' DNA.
- It renders future commitments and the impact on the investment strategy tangible. The future companies in which Andera Partners will invest, regardless of their business sectors, will be strongly involved in the decarbonisation action plan and in the establishment of realistic but ambitious targets.

Andera Partners is a pioneer among private equity players having in-depth knowledge of all of its components, with a solid support and transformation roadmap for its entire portfolio, regardless of the initial investment strategies.

As for the companies, they must increase their efforts, beyond reporting obligations, and establish a trajectory, incorporate SBT methodologies and decarbonise all aspects of their business.

**The support actions such as the Andera Climate Solutions program, together with the Science-Based Targets action, are part of the transformative initiatives which guide all economic players towards a common target, using adapted tools and methodologies.**

The commitment to this action has a very special meaning for Andera Partners, a specialist providing support services to companies seeking to grow and transform; thus, the management company assists its companies to not only become French or European leaders in their fields, but leaders in decarbonisation, by combining both goals.

It is clearly in the interest of the private equity world to quickly adopt this initiative, which facilitates the alignment of the needs and understandings of the various players and secures the indispensable approval of the goals relating to the sustainable transformation of the companies.

This sustainable transformation goes far beyond the carbon issue, which the majority of the current initiatives focus on. Decarbonisation, circular economy, preservation and restoration of biodiversity, sharing in value creation, diversity... All of these environmental and social actions must be solidly integrated in all strategic plans of the companies.



## Belgium, land of investment

Investing in Belgium since 2000, Andera Partners developed over the years sustained business in this country, as well as in the field of general capital investment and life sciences. The arrival in 2019 of Hans Van de Velde as Senior Advisor and in 2022 of Jan Van den Bossche as Partner of Andera Life Sciences strengthened the knowledge and connections of Andera Partners within the Belgian business ecosystem.

What are the particularities of this ecosystem?

- It is largely built around small-and medium-sized companies, with a turnover between 10 and 200 million Euros, much more so than around large listed groups such as in France or Germany.
- The various regions of Belgium host various types of activities: while Brussels hosts the headquarters of the main large Belgian groups as well as the institutional and financial system, more than 70% of the small-and medium-sized companies are located in Flanders. The region of Anvers and Ghent notably hosts companies in the life sciences, transportation, logistics, and chemistry sectors as well as the principal port activities of the country.
- Wallonia is a key region in the life sciences field. It is particularly attractive to entrepreneurs in this sector: financing of R&D financing projects, facilitation of clinical tests, presence of large pharmaceutical laboratories such as GSK, UCB, IBA or Baxter...
- Belgium benefits from its geographical position at the heart of Europe and from a multicultural and multilingual environment open to the world, which makes it a privileged country for a management company with such an international ambition as Andera Partners.

In 2023, the Artemys Group, supported by Andera Expansion, purchased two Belgian companies (ESN Finaxys Belgium and be.wan).

Also in 2023, the Andera MidCap team acquired a minority stake in the Pauwels Consulting group (Ghent), one of Belgium's market leaders in project sourcing and the provision of experts to meet the growing need for highly qualified consultants in the life sciences, IT services and engineering sectors. For 12 consecutive years (2001-2022), Pauwels Consulting has featured in the Trends Gazelle ranking of the fastest-growing companies in Flanders, rewarding the exceptional development that the group intends to pursue with the support of Andera Partners.





Among the other operations carried out by Andera Partners over these last few years in Belgium, let us mention three particularly emblematic ones:



- ELaN Group, one of the Belgian leaders in specialised translation services, with more than 2 000 clients (private companies, governments, European Commission...) and seeking to quadruple its turnover (from 20 to 80 million Euros) over the next 10 years. Andera Partners contributes to accelerating its development in Europe notably through external growth, after two acquisitions carried out in the Netherlands and in Poland in 2020 and 2021.

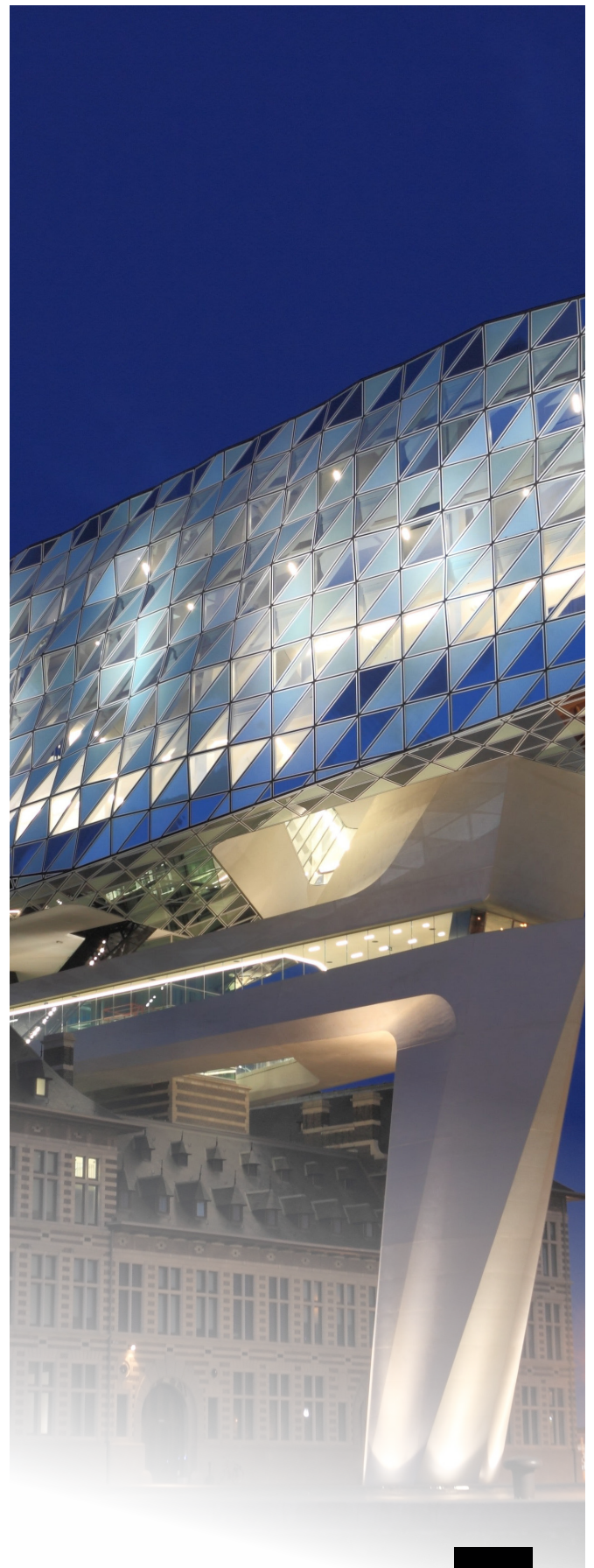


- Infra Group, which established itself over these last few years as one of the leaders in the installation and maintenance of infrastructure networks in Europe, with a strong presence on its historic Belgian market and strategic positions in the Netherlands, France and in Germany. Since Andera Partners acquired a stake in 2019, as a majority shareholder between 2019 and 2021 and, for the past two years, as a minority partner alongside ICG and the management team, the group led by Tom Vendelmans has quadrupled in size to reach sales of around €700m, thanks to a strong organic growth dynamic and around twenty acquisitions. This operation is particularly representative of Andera Partners' ambition to support entrepreneurs seeking to grow in size and in their international development.



- Recently, in the life sciences sector, Andera Life Sciences co-managed an A-series of 40 million Euros for the Ghent company Dualyx NV, a biotechnology company which develops new therapies targeting Tregs (Regulatory T lymphocytes) for the treatment of auto-immune and inflammatory diseases.

Belgium together with Italy and Germany forms the core of the European countries upon which Andera Partners focuses its goals. By developing its detailed knowledge of the economic fabric and creating strategic alliances with local investors, it seeks to identify the best investment opportunities and establish itself over the long-term as a principal private equity player in Europe.



## Mezzanine debt: a key financing opportunity

The quest for financing may seem to be a complex adventure with the multitude of products on offer ranging from debt, capital, and...mezzanine debt. The nature of the relevant products varies depending on the company's life cycle but also on the nature of the contemplated project and its needs.

In the context of a mature financing market, so-called secondary LBO operations give rise to minority management configurations seeking to secure the majority (or even more!) of their company's capital. Sponsorless deals (with no equity partner) are becoming one of the preferred ways of achieving accretion, thus enabling mezzanine debt to establish its reputation.

What are the reasons for this success? How is Andera Acto positioned in this market?

### A flexible financing structure

Mezzanine debt positions itself between bank debt and equity. It is by nature a hybrid instrument with a bond debt component, subordinated to bank debt, and a subscription warrant component that gives access to a (small) part of the capital gain. Mezzanine debt offers flexibility in terms of cash-flow, as it is redeemable at maturity with a theoretical duration of 7 to 9 years, and its remuneration is mainly made up of compounded interests (payable at maturity). Mezzanine debt is therefore not a burden on companies' cash flow.

In practice, mezzanine debt is repaid well before its theoretical maturity by bank debt as part of refinancing operations, in order to optimise the weighted average cost of capital.

Mezzanine debt offers leverage to shareholders to optimise the return on their invested capital, which also benefits from tax leverage due to the deductibility of interest on mezzanine bonds in the context of fiscal integration.

### A formidable Swiss army knife

Mezzanine debt is more than just a financial tool. It can be used to address a range of issues: improving

the **return on invested capital**, enabling the accretion of **shareholders seeking to strengthen their capital ownership**, and financing **external growth** while limiting the dilutive impact on the capital balance during the lifespan of the partnership.

Mezzanine debt is made available to management teams, aligning the geography of capital with the operational involvement of managers, keeping decision-making centres in France or Europe, and giving companies the means to accelerate their development.

In both primary and secondary transactions, the fear of a loss of control can be an obstacle to raising funds and therefore to growth. Mezzanine debt is an alternative to equity capital for those wishing to avoid dilution of their shareholding. By opting for mezzanine financing, companies can benefit from capital to finance value-creation initiatives, while retaining control of the capital.

Mezzanine debt also offers **greater flexibility than equity in terms of governance**. The bond nature of the investment means that management teams can become or remain masters of their own destiny and strategic direction, and of any decision regarding their **future liquidity**, since the mezzanine lender cannot force the sale of the company.

## Popular financing even in a more difficult market context

Higher interest rates increase the overall cost of financing and reduce leverage, resulting in lower valuations. This market context makes mezzanine debt very attractive, as it offers managers the possibility to take or regain control of their company's capital at a lower cost.

Furthermore, these turbulent times may enable family companies to diversify through acquisitions and use mezzanine debt to seize these opportunities while maintaining the capital balance to the benefit of family shareholders.

## ○ andera Acto



Stéphane  
Bergez



Laurent  
Fichter



Arnaud  
Faure



Jean-Baptiste  
Bessières

## Andera Acto, a pioneer and leading player in sponsorless operations

Headed by Stéphane Bergez, Laurent Fichter, Arnaud Faure and Jean-Baptiste Bessières, Andera Acto has positioned itself as a pioneer in the field of mezzanine debt for Sponsorless operations and has become the benchmark player for European SMEs and mid-sized companies.

Andera Acto's in-depth knowledge of its market, its cutting-edge structuring expertise and its caring approach throughout the entirety of the partnership have enabled the team to offer a complete value proposition to help managers, their companies and their growth projects.



## Innovation and investment for a more sustainable world: A look back at the Rencontres Andera Infra

On April 20th, Prune Des Roches and Guy Auger, partners at Andera Infra, welcomed Christian de Perthuis, professor, economist and climate specialist, to the **Rencontres Andera Infra** to discuss the state of the climate and ecological transition and its impact on the economy. His conviction: in the current climate crisis, the major challenge is to transition from **a logic of adding different energy sources to a logic of substitution**.

**It is clear for the economist that “we must move faster and divest from fossil energy sources”.**

Andera Infra has decided to meet the challenge at its own scale by financing and supporting innovative companies in energy transition such as Terr.a, Lhyfe, Groupe WATT & Co, Kyotherm and Qovoltis since 2021. Fast-growing companies active in the production of green hydrogen, the development and operation of photovoltaic solutions, support for renewable heat projects and intelligent charging of electric vehicles.

For **Christian de Perthuis**, *“The scale of costs between fossil and renewable energy has decreased over the last two decades. A major and irreversible revolution! This is evidenced by the fact that public authorities are now generating money off photovoltaic energy”*. The excellent performance of Andera Infra’s holdings shows the very strong economic potential of companies positioned in the energy transition sector.

### Innovation and investment for a more sustainable world

These Meetings provided an opportunity to investors present to discover the advances and innovative research carried out by the players supported by Andera Infra, with a focus on two companies in particular, Lhyfe and the Groupe WATT & Co.

*Lhyfe*

**Lhyfe**, a producer and distributor of renewable hydrogen, presented its ambition to become the number 1 player in green hydrogen production in Europe. From the

modular construction of hydrogen production plants to improve control over the entire industrial chain to its offshore development projects, the young company from Nantes presented its innovative approach based on the transformation of green electricity by electrolysis.

 **Groupe WATT & Co**

**The WATT & Co Group**, a renewable energy developer and producer specialising in solar energy, highlighted the accelerated growth of its portfolio of photovoltaic plant

projects in 2022. In keeping with the Group's values of impact, WATT & Co also announced its participation as a laboratory company in an experimental program launched by France Invest focusing on the biodiversity footprint.



## Biodiversity, the next challenge of the ecological transition

At a time when climatologists and economists are warning of the multiple impacts of the degradation of natural ecosystems, Andera Partners has decided to take concrete action alongside three other asset management companies by overseeing **a program dedicated to biodiversity within France Invest.**

As part of its Corporate Social Responsibility strategy, Andera Partners has set itself the objective of measuring the biodiversity footprint of companies - in the same way as the carbon footprint - and determining the actions needed to minimise it, thereby reducing the impact of its investments on biodiversity. By launching a pilot programme with the WATT & Co Group, Andera Partners has been able to calculate the impact of the company's assets on biodiversity (static), as well as the impact that its future assets will have (dynamic). The analysis of the data obtained revealed, for example, that the majority of impacts were generated upstream of the value chain, particularly in the purchase of construction materials, providing the company with valuable information to adjust its trajectory as part of this initiative.

## Responsible investment

Andera Partners recently announced that its Andera Smart Infra 1 fund, dedicated to the energy and ecological transition, had raised more than 190 million Euros and set its **hard cap at 250 million Euros.** An Article 9 impact fund under the SFDR Regulation, the Andera Smart Infra fund was joined this year by the European Investment Fund under the InvestEU program, demonstrating the strong support of its subscribers and their trust in the team and its socially and environmentally responsible investment approach.





## 4 questions for Dominik Schumacher, CEO of Tubulis



The Tubulis logo, featuring the word "TUBULIS" in a bold, black, sans-serif font with a registered trademark symbol (®) to the upper right of the "S".

### 1. How did the idea of creating Tubulis come about?

During my time at the Leibniz Institute for Molecular Pharmacology, I met our CSO Jonas Helma-Smets and we started working together on the medical application of our research with our research heads, Christian Hackenberger and Heinrich Leonhardt. Our project progressed so well that we decided to turn it into a spin-off company. Tubulis was born with the goal of harnessing the power of antibody-drug-conjugates (ADCs) against cancer. ADCs are a type of targeted cancer therapy consisting of an antibody and a “payload” (a cytotoxic agent - essentially chemotherapy) that are connected via a specific linker. The objective is to deliver the payload directly to cancer cells, destroying them while sparing healthy cells. A big challenge in ADC development is to optimize these factors to achieve maximum efficacy with minimal side effects. We have developed a suite of complementary technology platforms for the discovery and development of a new generation of ADCs that allow us to overcome these challenges and other limitations of current ADC technologies to provide optimal treatment methods for various cancers.

### 2. How do you describe running a biotech in the DACH region?

Germany is very well positioned in the biotech industry, with many highly innovative companies working on a wide range of diseases. Munich in particular has been the birthplace of many companies, including Tubulis, and has become a leader in Europe with more than 200 life science companies, making it a good place with the right infrastructure to launch a new company. We ourselves have significantly benefitted from the Munich ecosystem and the depth of scientific-know-how, experience and resources that are available here. Still, as also observed internationally, there are challenges for young companies when it comes to fundraising, especially in the current financial climate. As a result, they often have to be more creative and look for other options, such as non-dilutive funding from governmental grants or awards. At Tubulis, we have focused from the very beginning on building our network and working with the right advisors to create a strong, long-term development plan, as well as attracting an experienced team to respond to the inherent challenges of drug development, which is vital to achieving success anywhere.

### 3. What makes Tubulis a great company?

While ADCs have been around for some time, they have yet to reach their full potential. This is largely due to inherent problems associated with off-target toxicities (side effects) and inefficient payload delivery (lack of cell-damaging agent), which severely limit the ADC therapeutic window. At Tubulis we are facing these challenges head-on with our broad suite of technologies that allow us to unlock completely novel antibody-payload combinations.



Our team of chemists, biologists, and clinical development experts has put Tubulis in an excellent position in the ADC field which is buzzing with new momentum based on recent drug approvals, encouraging clinical data and a high deal flow over the last year. We at Tubulis are at the forefront of opening up new avenues in the treatment of solid tumors and bringing optimized, safe and effective ADCs to patients, which has been further validated by our recent partnership with BMS, a recognized leader in oncology.

#### 4. What has Andera's involvement brought to Tubulis?

Of course, the financial support from our investors has been undeniably important to our business goals, but from the very beginning we also aimed to find partners that share our vision for the company and provide us with expert insight and advice to build the ADC powerhouse our technology allows us to be. Andera and in particular Sofia Ioannidou have been an important factor here since coming on board in our Series B financing, adding deep expertise and opening their unique network within the pharma and venture scene to us. The security and validation we have gained through both the Series B and our recent deal with BMS allow us to further accelerate the advancement of our innovative pipeline candidates for the treatment of solid tumors and to continue to grow our company.

