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## Word from the President

It is with great pleasure, and not without some pride on behalf of our organisation, that I can present this first edition of the BVA Newsletter in its new "jacket". This new Newsletter is one more achievement of this year's Board of the BVA. We would like to thank Origo Management for its financial and editorial support. Indeed, the BVA is becoming more and more active, and every year its representative power towards various official institutions is growing, as the number of its members steadily increases. Presently the BVA is at an all time high of memberships, which can almost certainly in part be explained by the high level of periodic conferences we have organized over the past year, the successful first version of the BVA Summit which drew the attention of those active in the Private Equity community even more to the important role of "platform builder" which the BVA tries to fulfill, and last but not least, the Belgian Venturing Academy, which already promises to be regarded as a reference for professionals wishing to enhance their knowledge of and skills in the Belgian Private Equity and Venture Capital business, as the market environment becomes more demanding than ever.

Over the past years the Venture Capital and Private Equity industry has proven to be a market dominated by experienced and professional players, that carefully weigh every option and thoroughly investigate each proposal and their alternatives, before embarking into a financial partnership with their investee companies. The investment opportunities are sometimes numerous, yet only a few

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Your suggestions, remarks and questions are more than welcome: please email them to [info@bva.be](mailto:info@bva.be)

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ultimately end up in the closing of a transaction. It is the BVA's mission to contribute to a maximum extent in the creation of an environment that facilitates and stimulates this decision process, by being the platform for lobbying with official authorities, networking among Private Equity industry players, and continued training and information provision on the latest developments in the market.

As for myself and the decision process regarding my personal life, several opportunities were proposed to me in the recent months, and I have been confronted with the difficult task of weighing the options and analysing the alternatives that were offered in my professional career. This led me to move into a different road, away from the Private Equity industry towards the hands-on management of a promising Belgian company with a 20-years' successful track-record and a unique technology, which is in the early stages of its internationalisation. This new challenging position will, understandably, consume my entire availability for other professional occupations, and consequently I have decided to resign as Chairman of the BVA, and to leave this honorable task in the capable hands of the BVA's Past President, Mr. Guy Mampaey of GIMV, until the next BVA's General Assembly decides on my successor. I would like to take this opportunity to thank all those who gave me the confidence and support during the past year to make my BVA Presidentship into a success.

Bart Sonck

## **BVA Website – [www.bva.be](http://www.bva.be)**

The completely redesigned BVA-Website went online last August. At the suggestion of our board member, Michiel Deturck of NetFund Europe, the design was outsourced to a VC-backed company, Anaxis NV of Hasselt, which succeeded in giving a more dynamic and interactive flavor to our e-presentation. One of the new features on the website is this Newsletter that can be consulted via the site by our members and contact persons in- and outside our industry. Your suggestions and contributions are welcome!

## **BVA Press Conference**

Brussels, Hotel Meridien, Brussels 26/6/2002. The press conference related to the results of the EVCA 2001 survey on Venture Capital & Private Equity in Europe and in Belgium, chaired very successfully by our Chairman Bart Sonck, was attended by 7 journalists incl. the business TV channel Kanaal Z to whom Bart Sonck gave an interview for the Flemish and Georges Noël for the French edition. The overall press coverage amounted to 6 articles and/or TV interviews.

## **EVCA**

### ***EVCA Symposium Athens (June, 19-21)***

More than 25 Belgians attended the EVCA Symposium in Athens. Our board member Diego du Monceau chaired the Growth & Expansion Workshop.

For those who are interested in the presentations shown during the Symposium, please feel free to visit [www.evca.com](http://www.evca.com), then go to the Symposium, login: **EVCA** – password: **marathon**

### ***NVCA Meeting Berlin***

Our Secretary-General, G. Noël, attended the NVCA (National Venture Capital Associations Committee) meeting in Berlin on June 28th.

The agenda comprised very important issues:

- EU Commission to adopt the EVCA amended "prudent man rule plus"
- Basle II negative impact on Captive PE-VC Funds
- EU Commission proposal of Merger & Takeover rules ("ECMR") which are very unfavorable to our industry
- EVCA project to set up a professional standard guide for all members
- the dispatching of the Entrepreneurship toolkit to all European (and Belgian) universities
- EVCA surveys to be extended to quarterly figures but for big players only.

The next NVCA meeting will be held in Brussels on October 28th.

### ***EVCA Entrepreneurial Educational Toolkit***

Philippe Deville (CD Technicom) headed the special Task Force.

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# Changing times require novel approaches

Peter Van den Brande & Piet Serrure (1)

**The Venture Capital industry thrives on innovation. Now it is time to be innovative. Research conducted by Cedric de Vicq at the KUL, under supervision of Prof. Dr. Herman Daems, shows that fund raising may remain difficult in 2003. On the other hand, today may offer good investment opportunities. Solving this paradox requires new approaches, different from the ones that have worked previously.**

Venture Capitalists always look at the facts when analyzing entrepreneurs' business plans. With the own planning and budgeting for 2003 coming up (or in progress), we should be no less vigorous in looking at the facts ourselves.

For his graduation paper in Applied Economics (KUL), Cedric de Vicq, supervised by Prof. Dr. Herman Daems, analyzed the relationship between the stock market and the Venture Capital activity (2). His results are very interesting and deserve our attention.

Cedric de Vicq compared US and European data on Venture Capital fund raising, investments and exits since 1984 to the evolution of the Nasdaq stock index over the same period. Although not all available data on Venture Capital are as reliable as we would hope them to be, three clear patterns emerged from this comparison:

- Venture Capital fund raising in Europe generally lags the stock market evolution by 12 to 18 months.
- Venture Capital investments follow fund raising, and show the same time lag.
- Exits by Trade sale are not related to the stock market evolution. Exits by IPO's are highly correlated to the stock market.

We have all seen the stock market evolution over the past year, and can therefore infer from Mr. de Vicq's research that fund raising is unlikely to pick up again before the end of 2003.

On the other hand, one might argue that today is a good time to invest, even though the number of business plans presented to venture capitalists (in Europe) has been reduced by some 30 to 40%. After all, VC's invest now to reap the benefits in 5 to 7 years. And although it is difficult to predict, we can generally assume that the stock markets will be performing well again, by the time today's investments come to maturity. It therefore seems to be a good time to play the VC's favorite game: 'buy low and sell high'. Looking at the high level of acquisition activity by certain experienced funds such as CVC, they certainly seem to think times are good to invest.

Of course, in order to buy, you need money, and, if raising new funds is not an option, what alternatives do fund managers have to capture the opportunities that present themselves?

First of all, let 's not forget that certain VC's still have money to invest, both in Belgium and abroad. While some are repaying funds to investors, others are redefining their scope, both sector wise and geographically. Through our international consulting practice, we increasingly experience an interest from funds to make cross-border alliances, either to get the best possible sector expertise or to tap new geographical markets. In a market that is becoming more and more European, making an (international) alliance, rather than trying to raise funds independently, may just be the solution to the paradox for certain VC's.

Another interesting route is the secondary placement, albeit that this route is only available to Open Ended Funds. A secondary placement allows a VC to turn a substantial part of his portfolio into money, rather than exiting company by company. While secondary placements have been talked about for a while, without really materializing, it now seems that this technique is starting to earn its place in the market. As sellers are getting more realistic about the values of their portfolio companies, and buyers are giving up dreams of obtaining huge price cuts, the market

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## Origo Management

Consultants to the Venture Capital Industry

- Strategy and organisation
- Due diligence
- Investment management
- Fund raising
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(1) The authors are both partners at Origo Management

(2) "De Invloed van het Beursklimaat op de investerings- en exitpoliek van Venture Capital Verstrekkers", eindwerk Cedric de Vicq de Cumptich onder promotie van Prof. Dr. H. Daems, Katholieke Universiteit Leuven, Faculteit Toegepaste Economische Wetenschappen, Juni 2002

### BVA Academy

For the first time in its history, BVA will organize, on the initiative of our Chairman Bart Sonck, an extensive 2 1/2 day learning event "The Belgian Venturing Academy" aimed specifically at training Belgian Investment Managers and VC-professionals. The program will cover all important business aspects of our industry in an interactive manner.

The event will take place on November 20-22 at the Thermae Palace Hotel in Oostende. Price per person (all-inclusive) is € 900 for members and € 1,050 for non-members. For registration and further information, please contact Hilde at our office.

### Venture Capital Summit

The second BVA-Venture Capital Summit will be held on **January 21st, 2003 (has to be confirmed as maybe a date in February is also being considered by the EU)** at the SAS Hotel in Brussels.

Contrary to the 1st VCS which was oriented at early stage and technology investments, the focus of the next VCS will be more on later stage investments, including expansion capital, MBO & MBI as well as Public to Private investments. As in 2001, we anticipate 250-300 PE-professionals and entrepreneurs to attend this event.

The day before and at the same venue (in order to facilitate the attendance of our member and guests to it), the Flemish Minister of Economy will hold a conference during which he will announce the different practical measures to be comprised in the Flemish action plan (Activering risikokapitaal Vlaanderen).

### Casual Day

September 8th, 2002: The traditional Casual Day for our members' families, this year organized by Frank Claeyns in Brugge, was a big success and gathered around 50 people. Photos of this event are posted on our Website.

### BVA Members

As per September 30th, BVA has 34 Full and 15 Associate members. We are proud to announce that for the first time, two foreign-based institutions have become a member of our organization: JP Morgan Plc, London and Bonn Schmitt Steichen, Avocats, Luxembourg.

### Welcome to our new Members!

#### Full members:

- Baekeland-Fonds:  
Sint Pieternieuwstraat 25, 9000 Gent  
Contact: Johan Bil
- Belgacom Multimedia Ventures:  
Kolonel Bourgstraat 105A, 1140 Brussel  
Contact: Philippe Baeten

- Indufin sa:  
Drève Richelle 161, Bâtiment O Bte 43,  
1410 Waterloo  
Contact: Jo Santino
- JP Morgan Plc:  
10 Aldermanbury, London EC2U 7RF  
Contact: Nicholas Hofgren
- Namurinvest sa:  
Avenue des Champs Elysées 160, 5000 Namur  
Contact: Jean-Paul Feldbusch

#### Associate members:

- Bonn Schmitt Steichen, Avocats:  
44 Rue de la Vallée, L-2661 Luxembourg  
Contact: Alex Schmitt
- Ernst & Young:  
Marcel Thirylaan 204, 1200 Brussels  
Contact: Tristan Dhondt
- PricewaterhouseCoopers:  
Woluwe Garden, Woluwedal 18,  
1932 Sint-Stevens-Woluwe  
Contact: Jan Muyltermans
- Van Olmen & Wynant:  
Louisalaan 221, 1050 Brussels  
Contact: Luc Wynant

### BVA Internal Administration

#### New official Seat for the BVA

Thanks to BVA board member **Bernard Peeters**, Partner of Tiberghien Advocaten-Avocats, our official seat is relocated to their very impressive HQ, Gemeenschappenlaan 2 in 1140 Brussels, and this as of June of this year.

#### Secretarial Services

For the first time in BVA's history, the association can count on two fully committed people who will enhance the continuity of all the different BVA activities and projects.

On June 1st 2002, BVA welcomed Hilde Vandermeulen as the new dynamic and professional administrative assistant. As far as secretarial work and desk research is concerned, Hilde works out of her fully equipped home office in Wuustwezel.

Since the beginning of this year, Georges Noël has taken on the new challenge of Secretary-General of the association on a part time basis. His function is primarily to assist the Chairman and the other members of the Board and more specifically to coordinate all the growing BVA activities, lobbying and pluriannual projects.

**Press****COMBINATION ANDERSEN BELGIUM/ DELOITTE & TOUCHE BELGIUM**

In April 2002, Andersen decided to combine with Deloitte & Touche in Belgium as well as in the U.K., Spain, Portugal, Italy, the Netherlands, Sweden, Denmark, Canada, Brazil, Colombia, Guatemala, Korea, Mexico and Taiwan. For Corporate Finance this meant 19 new persons joining our team all with different backgrounds. This combination creates a leading Corporate Finance practice of about 50 people spread over three divisions: Advisory Services, Transaction Support and Real Estate Services.

Some of the recent transactions of the combined team include:

- An international team advised Gilde Investment Management on their £100m acquisition of the Autoplastics Division of Sweden's Sapa AB;
- Corporate Finance has advised the shareholders of Smeets-Hasselt for their sale to the Konings Group;
- The acquisition of DIY stores in France, Portugal and Spain by Leroy Merlin from the Dutch Group Vendex KBB. The Transaction Services Team advised the buyer;
- Corporate Finance acted as advisor to the City of Antwerp with respect to the analysis of optimizing the return on the investment held by the City of Antwerp in Antwerpse Waterwerken;
- Corporate Finance advised and assisted the receiver of Sabena in the sale of DAT to a Group of Investors lead by Mr Davignon and Mr Lippens;
- A syndicate of shareholders (among which GIMV and Trustcapital) sold the shares of Theuma Deurenindustrie, a Belgian interior door manufacturer, to Dutch Doorwin. Corporate Finance acted as advisor to the syndicate of shareholders in the disposal mandate;
- The family Essers bought out minority shareholder GIMV (40% shareholder). Corporate Finance advised the family Essers and the Essers management in arranging the debt to buy out the GIMV;
- The Real Estate Service acted as sole adviser for major organisations such as the European Parliament and the Belgian State for the debt refinancing of the European Parliament and for the disposal of the Finance Tower.

Deloitte & Touche Corporate Finance Belgium is headed by Peter Baldock. Michel Buyschaert and Guy Vanderhaegen are in charge of Advisory Services. Lieven Creten is responsible for the Transaction Support Services team and Jean-Paul Loozen heads up the Real Estate Services team.

For more information: please contact Hans Van de Velde at Deloitte: +32-2-600.62.00

**DEXIA VENTURES**

Dexia Ventures is the private equity arm of Dexia Group, created in 1996.

As a result of the enlargement of the Dexia Group with Artesia, Dexia Ventures' mission was adapted to reflect the overall group profile: Dexia Ventures henceforth supplies development capital to companies with a more mature business profile.

In view of better serving its customers, Dexia Ventures is now active on the Group home market – BeNeLux and France – and its preferred initial stake stands at € 2.5m. With a team of 4 dedicated people, Dexia Ventures plays an active role in the investee companies through active board seats.

In order to encompass all private equity activities of the group (Dexia and Artesia), Dexia Ventures was dissolved mid-2002 and all its assets and liabilities were transferred into N.V. Dexia Bank S.A.

All private equity activities of the Dexia group are thereby pooled within Dexia Bank under the commercial logo "Dexia Ventures".

For more information, please contact Philippe Steverlynck at Dexia Ventures: +32-2-222.82.99

**SOFINDEV: UTOPIA AND POLYFIM GROUPS MERGE**

Cinema exhibition groups Utopia (L) and Polyfilm have decided to merge their companies, in order to be the first ever exhibition group to operate in a coherent and structured way simultaneously in the three Benelux countries.

Utopia Group is currently the third cinema operator on the Belgian-Luxembourg territory, with a total of 2.1 million admissions in 2001. Polyfilm is currently the number 5 theatre operator in the Netherlands, with 980,000 admissions in 2001.

The new and enlarged Utopia Group will put major emphasis on its "corporate identity". Thus, each and every new construction or future theatre project, currently Turnhout in Belgium (projected opening in mid-December 2002), and Emmen in the Netherlands (opening Summer 2003) will be operating under the brand name UTOPOLIS. Also, all existing multiplexes will progressively change their names to the new UTOPOLIS denomination, whereas current and future theatres of the "art house" variety will operate under the name of UTOPIA.

After the merger, management will hold 46.33% of the UTOPIA group. Financial investors Luxempart/Audiolux (L) and SOFINDEV (B) will be holding respecti-

## Changing times require novel approaches

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for secondary placements is starting to develop. The advantages are twofold: (1) it creates liquidity in the fund, and (2) it frees up management time which can be dedicated to new investments.

And if a secondary placement is not considered an option in the short term, bridge financing may be the solution. This solution is – admittedly – only relevant to Open Ended Funds with a solid portfolio, which can be exited over a well defined period of time. A good example is GIMV's commercial paper program that was launched last June, and which allows GIMV to continue to invest while reducing the pressure to sell certain holdings.

VC's are not the only ones concerned by the issues raised here. Institutional investors are faced with the same dilemma. One of the main reasons for the 1-year time lag between the stock market and venture capital fund raising is to be found in the investors' asset allocation. Having invested heavily in the 'hype' years and with stock markets currently down, private equity investments become a relatively more important part of the institutional investors' portfolio, sometimes hitting the limits of what is possible. Others are becoming more cautious about investing, even though they might still have reserves to invest in venture capital.

However, institutional investors could benefit from considering the different dynamics for venture capital investments as compared to investments in the Stock Market. Counter-cyclical investing should work here too. By increasing venture capital allocations or by creating liquidity through secondary placements – on the sell side as well as on the buy side – institutional investors should prepare now for reaping the profits in the next cycle.

If nothing else, the above at least shows that today is not a time to do nothing and wait for times to improve. The financing industry, and especially the Venture Capital industry, is characterized by a high level of constant innovation. Today is no different. As we all know, innovation is nothing more than coming up with new approaches to existing problems. And in the end, innovation pays off.

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vely 27.22% and 8.86%, while 17.09% of the company will remain in the public.

For more information: please contact Ghislain Thijs at SOFINDEV (Advent Management Belgium): +32-2-720.70.07

### People on the move

Lieven Cuvelier has joined Advent Management as Managing Director. Advent is the manager and advisor of the private equity funds Sofindev N.V. and Sofindev II N.V. Before joining Advent, he was Managing Director for Halder Belgium.

Philippe Steverlynck has taken over as Managing Director of Dexia Ventures and will lead the venture capital activities of Dexia.

And finally, 2 new members have joined the GIMB team, Sandrine Evrard en H el ene Kervyn; both are analysts.

### Agenda

- 20-22/11/2002: BVA Academy
- 11/12/2002: Board Meeting + Presidents' Meeting @ De Warande
- 11/12/2002: Ernst & Young conference: Risk/return Management & Management Due Diligence  
Speaker: Tristan Dhondt  
Venue: Offices of Ernst & Young - 9000 Gent, Moutstraat 54
- 20-21/1/2003: Venture Capital Summit (to be confirmed)