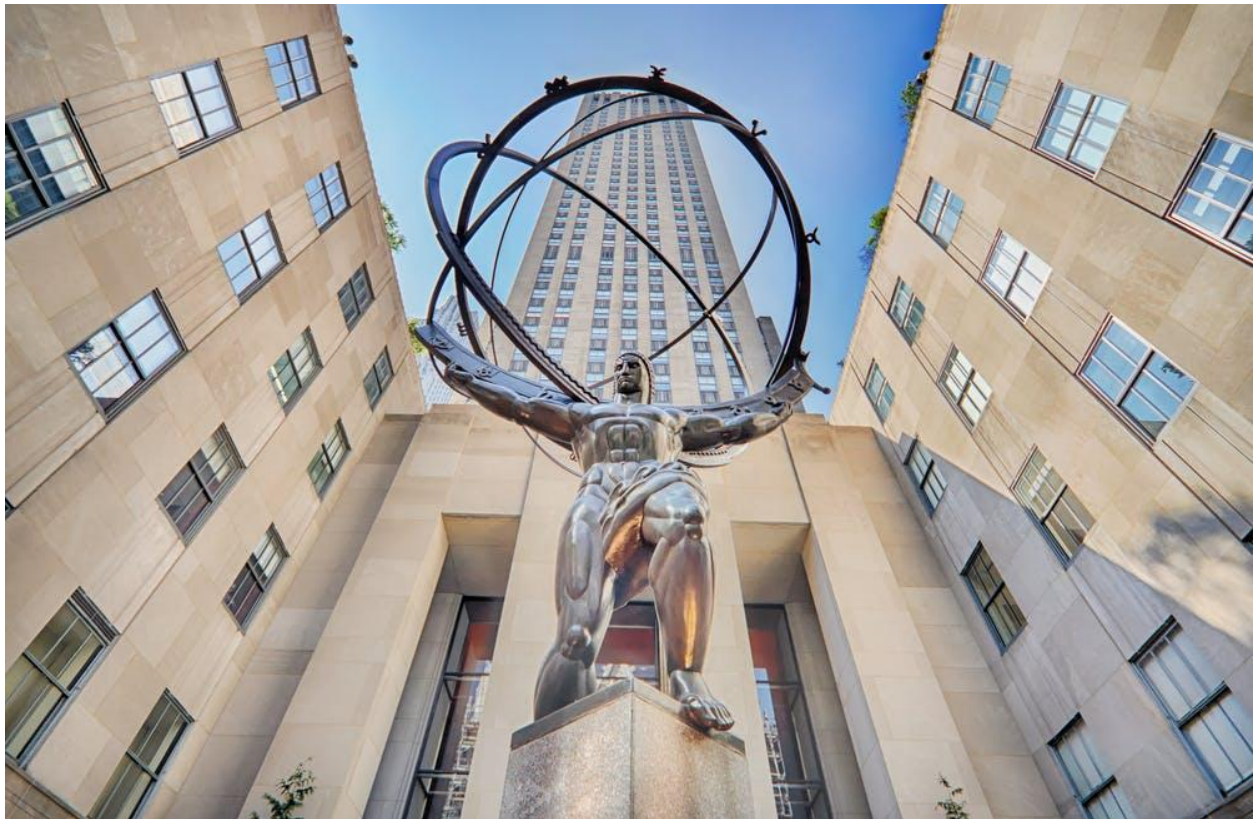


Family Capital

BUSINESS

David-Weill direct investment platform opens its doors to European families



By James Williams

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“We believe we are entering a new age of secondary investments, driven by a maturing technology asset class,” says Pierre Mordacq, partner at The Gate, the private investment vehicle for New York’s David-Weill family, established by Mordacq in 2012.

Michel David-Weill is a legendary former investment banker and former chairman of New York City-based Lazard Frères – based in the iconic Rockefeller Center (pictured above). Michel’s great-grandfather, Alexandre Weill, worked at the investment bank co-founded by his cousins Alexandre, Elie, and Simon Lazard. Michel remained chairman of Lazard until May 2005.

The decision to open The Gate to third party capital was a joint discussion with Michel and the family, “and a way for the family to increase its direct investment capacity in the US”

Established as the family’s primary private investment vehicle, The Gate, (formerly known as Atlanvest) is a direct secondary investment platform, designed to unlock the value potential within US private markets.

The firm pursues three distinct strategies to achieve this: private credit, partnering with best-in-class managers; investing in defensive cash flow-yielding companies; and investing in high-growth, transformational companies in the B2B technology space across the US, Israel and China.

“We remain faithful to the founding principles of Lazard: high-quality assets, excellent access and prices we can understand,” says Mordacq. “This has carried us through over 140 years and remains a perfect philosophy. Practically, we seek to capture growth while protecting capital. This is not a paradox, but a matter of discipline.”

In Mordacq’s view, secondary investments now represent a “huge opportunity” to take a view of proven, high-quality assets.

“We have a strong pipeline, focusing in the mission-critical B2B space, in companies with demonstrated growth and high margins. Buying secondaries offers you a clear view of the performance and helps avoid hot, successive, rounds.”

Atlanvest’s approach to direct investing with management teams compliments its co-investment programme with leading sponsors – a trend that Mordacq is increasingly seeing among US families. Company founders wishing to “graduate away” from venture capital and growth funds are welcoming them, he says.

Over 75% of the investment opportunities Mordacq and his team seek out for the family office are proprietary, non-auction, transactions.

Within B2B, the firm focuses its investment themes around big data, e-commerce infrastructure and fintech, and there’s no lack of interest in continuing to build the family’s exposure to private equity. Mordacq confirms that exposure to the asset class will increase overall in 2022.

“What makes our investments a little bit special is we invest with US families, which means we have a wider deal flow than if we just invested in funds,” he says. “These are founders of tech companies that are doing well and maybe they don’t need money from general partners but rather prefer to have investors who are more aligned with them.

“The market is saying that it doesn’t only want to see growth, it also wants to see cash flow. It’s a good signal from the listed market. We see a lot of value in mid-size, vertically focused US managers, now that prices are finally being adjusted downwards. However, they are not so easy to identify and access from Europe,” he says.

To that end, The Gate has decided to welcome third party investors to help European families improve their access to US private markets.

As a direct investor in secondary opportunities, The Gate looks to buy out existing shareholders in a company; someone who invested on day one and is now looking to exit or partially exit. The companies it targets are mature, and can best be characterised as growth equity scale-ups rather than start-ups.

According to Mordacq, the decision to open The Gate to third party capital was a joint discussion with Michel and the family, “and a way for the family to increase its direct investment capacity in the US”.

“Progress has been swift,” says Mordacq. “We have interest from a number of European families. It’s a mix of families from Luxembourg, Germany, The Netherlands and Belgium. Over the last years, a number of family offices and entrepreneurs approached us, looking for a partner to invest in the US; a geography that is difficult to access from Europe. Also, investing next to a family provides excellent alignment and value-add on both sides.”

He says that Luxembourg was chosen for its high-quality investor base and excellent infrastructure.

“As a country, Luxembourg is very well managed, and it’s always a good idea to have a foot in a well-run geography. We are partnering there with Calista direct investors, founded and run by Rajaa Mekouar (see Family Capital 2 February) They know the environment well and have the talent, so this is the right fit for us,” he confirms.

Aside from direct secondary deals, The Gate seeks out co-investment opportunities with US general partners and other family offices. This too, says Mordacq, remains a very exciting field. In his view, co-investing is “probably the best tool to leverage a specific expertise and tailor a portfolio”.

“It is a very competitive space, but I think the market understands that The Gate brings strategic and financial value-add. Being value-add is key to hard-to-access situations,” he says.

One of its founding shareholders is Eurazeo, a listed French private equity group and a big player in the European scale-up market. Michel is chairman of its supervisory board. Having Eurazeo's M&A expertise to complement Mordacq and his team provides an attractive proposition to US companies with expansion plans. Moreover, it can also offer private credit support as a shareholder in First Eagle Investments.

"That gives us an ecosystem to support the cross-border expansion of companies we invest with," says Mordacq.

The trend towards family offices partnering with platforms like The Gate, or choosing to set up their own direct investment vehicle, is likely to grow over the coming years, particularly where families have developed sufficient experience.

Families that go down this path can potentially make significant economic improvements while circumventing the need to pay management fees in commingled blind pool funds. However, not everybody wants to benchmark themselves. Doing so means that they have to show their track record, their operations and, possibly, their mistakes

As Mordacq concludes: "You have to invest like an institution and think like a family."

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