

COPYING AND DISTRIBUTING ARE PROHIBITED WITHOUT PERMISSION OF THE PUBLISHER.

French IPO revival kicks off with long-awaited Verallia flotation

French glass packaging company Verallia's registration document has been approved by AMF, France's market regulator, paving the way for a €4bn IPO on Euronext Paris.

By Aidan Gregory 05 Sep 2019

The IPO, which is subject to market conditions, is expected to value Verallia at around €4bn. Apollo Global Management is expected to sell a minority stake in the business. There may also be a capital increase to repay debt.

Apollo bought Verallia from Saint-Gobain in 2015 for €2.9bn. BPI France is also a shareholder via Apollo's holding firm which controls the company.

"Verallia can leverage strong assets: glass packaging that benefits from favourable trends and an attractive geographic and end market mix," said Michel Giannuzzi, chairman and chief executive of Verallia, in a statement on Thursday. "The IPO will enable the company to increase its visibility among its customers and partners and provide it with greater flexibility to seize future growth opportunities."

Verallia makes glass bottles and jars for food and beverage companies around the world. It supplies champagne bottles to Dom Perignon and Ruinart, jars and bottles to Heinz, Unilever

and Nestlé, and beer bottles to Heineken — one of its key clients.

In its 2019 financial year, Verallia is targeting adjusted Ebitda of around €610m, and expects to pay a dividend of €100m in 2020. The company is targeting organic revenue growth of 6%-8% this year. Last year, Verallia made revenue of €2.4bn. Lazard is advising Apollo on the IPO.

French IPOs return

If the IPO is priced at more than €1bn, Verallia will be the biggest stock market flotation in France since Société Générale listed ALD, its car leasing business, in 2017.

Last year was one of the most disappointing years for French IPOs since the financial crisis. The overall IPO volume on the Paris bourse slumped 46% from the year before, according to Dealogic data. Neoen, the French renewable energy company, was the only IPO in France last year to raise more than €100m.

However, buoyed by the performance of the CAC 40, which is up more than 17.8% this year and is outperforming the Euro Stoxx 50, the DAX and the FTSE 100, there is cautious optimism among French equity capital markets bankers that the Verallia IPO, alongside the French government's privatisation of Française des Jeux, will lead to a revival in French listings.

“For the first time in years, France is expected to lead the pack in terms of IPOs with the forthcoming transactions from FDJ and Verallia,” said Eric Arnould, global head of equity capital markets at Natixis in Paris. “There is a favourable outlook in terms of primary deals. The question now is to bring more names and convince more issuers and particularly growth companies to come to the public equity markets.”

French equities are seen by many investors at the moment as a safer bet than other European jurisdictions like UK, which is hamstrung by political chaos caused by the country's looming

departure from the European Union, and Germany, which is on the verge of a technical recession and is being hit hard by the US-China trade skirmishes.

“I see a context where you have a number of political discussions, and to some extent instability, in a number of European countries. But in France we have an outlook that is clear, at least until 2022, when the next presidential election process will begin,” said Arnould. “We feel that is a strong factor of support. France is also less dependent on exports than some other large European countries, and this is a factor that supports GDP growth compared to some countries that are threatened by trade tensions.”

“The efforts that have been done in terms of modernising the outlook and environment for growth companies via a number of political initiatives like the PACTE bill [Action Plan for Business Growth and Transformation] which was passed just before the summer is clearly creating an environment which is positive in terms of business confidence,” he added.

The French government gave its final approval to list FDJ earlier this week and the company is already holding preliminary meetings with investors, according to a source close to the transaction. The company’s banks are working to prepare all the listing documents so that the IPO can be formally launched, according to another source close to the transaction.

“FDJ was confirmed by the statement made by the Ministry of the Economy and Finance earlier this week,” said Arnould. “There is a strong political will to proceed and, from an investor standpoint, we feel a lot of interest. The early marketing is just starting, so we need to wait for more but the preparation is underway.”

Verallia is also gaining traction among investors, having already held early look meetings with fund managers. The worry is not that the IPO may not price because the asset is poor, but that Verallia may run a dual-track process and chose to sell itself to

either a trade buyer or another private equity company, and deprive the public markets of the chance to buy into the business.

By Aidan Gregory *05 Sep 2019*