



INTERVIEW / GIANNIS PAPADOPOULOS

“We are continuing to buy Greek SMEs”

Attica Ventures' CEO talks to “b.s.” about new opportunities in the market. He views sectors such as health, biotechnology, renewable energy sources, beverages, cosmetics, organic products, clothing and water technology as the investments of the future.)))

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Sectors such as health, biotechnology, renewable energy sources, organic products, beverages, certain specialised real estate projects, clothing, cosmetics and water technologies continue to be interesting from an investment viewpoint according to the CEO of Attica Ventures, one of the most active venture capital companies in Greece. Mr. Giannis Papadopoulos pointed out that the conditions are ideal for 'smart' investments, demand for investment capital has increased and Greece is the safest choice for investments in companies which in the future will play a leading role in the business life of the wider region.

- INTERVIEW BY STAMATIS ZACHAROS

GIANNIS **PAPADOPOULOS**:

(CEO, Attica Ventures)

**“We are
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“The conditions are ideal for ‘smart’ investments and Greece is the safest choice,” he revealed to ‘b.s.’

“There will be major opportunities thanks to the way the lines will be redrawn over the next two years in Greece, since we expect a concentration of forces in the market”

Over recent times, most businessmen have been saying that the crisis creates opportunities. Despite that, we are not seeing business developments. Why do you think that is happening?

It is true that from the Autumn 2008 and the start of 2009 onwards there has been a great deal of nervousness in the business world, which primarily manifests itself as a drop in the rate of growth and profit margins, an increase in the cost of money and in many cases, a reduction in the ability to access money markets. The markets are experiencing an upheaval and are in crisis. And with them, so are businesses. As a consequence of this, growth forecasts for 2009 were significantly downgraded, something which has a knock-on effect on values and valuations. However, in times of crisis, when money costs more and credit expansion is limited it is true that the conditions do emerge for business moves to be made, especially mergers and acquisitions. As the money markets begin to smooth themselves out, and as the business climate which today continues to be unstable, settles, such moves will begin to be made.

A venture capitalist is clearly looking for opportunities. However, to be able to identify targets, there need to be start-up companies which meet certain specifications. Are there businessmen who are daring to start activities in the middle of a crisis?

Our activities and our constant monitoring of businesses and markets in Greece have shown that demand for venture capital has not declined; on the contrary it has risen. One might say that the current conditions of low liquidity, lower rates of growth and a higher cost of money have increased the possibilities for investments in good businesses which under other circumstances (cheap interest rates, high credit expansion, encouraging rates of growth, etc.) would be more difficult. In that light, 2009 would appear to be a particularly interesting year for us.

What sectors continue to be of interest from an investment viewpoint? Which sectors were more affected and which were less affected by the crisis?

I consider those sectors that are of major interest –irrespective of the wider climate- to be those with a high degree of concentration, with oligopolistic or monopolistic features. The same holds true for sectors with considerable diversification. In both cases, under suitable conditions one can generate major profits. Focusing, though, on specific markets, I would say that those of health and biotechnology, renewable energy sources, organic products, beverages, certain specialist real estate projects, clothing, cosmetics and water technologies continue to be markets with a considerable degree of investment interest for various different reasons. In any event, we believe more in dynamic, developing companies and less so in the overall dynamic of sectors. One can find outstanding examples of companies with amazing performance levels even in saturated sectors.

The Alternative Market is now just over one year old. Do you believe that the companies you advised to list their shares for trading benefited or not?

In my view, the Alternative Market is one of the most important development policies of recent years. It was properly set up along the lines of similar markets abroad, with a flexible regulatory framework, low cost for businesses and strict listing and valuation criteria. The important thing we need to bear in mind is that ATHEX established the framework and put this market into operation in what was a difficult time for stock markets, and succeeded. By participating in the market, our companies were able to raise cheap capital and improved their level of recognition and their corporate profile, especially those with an international focus. Having said that, every new beginning on a new market requires patience and persistence. The fact that investors are gradually getting to know the market and are starting to place their trust in it, coupled with the increase in the number of companies and the trading period, the increase in spread, and the recent development of an index will, with mathematical precision, lead to this market maturing and growing. In conclusion, I believe that all the prospects are there for it to become a major investment and development tool, and in my view, the new, leading businesses of the next decade will emerge from this market.

What new companies have you invested in recently and what criteria were used in making the choice?

We invested significant funds in the first Greek microbrewery 'Craft'. It is well-known that the beer market in Greece has a high degree of concentration, little variety, low quality and little diversification. All those characteristics were very important criteria in making our investment. At the same time, the company and its staff have a very specific vision, realistic objectives, innovative products and something that sets them apart (it is the first Greek company that produces 6 different types of outstanding quality, fresh beer). Thanks to our investment, the company has acquired one of Greece's most state-of-the-art bottling plants and its beers are already being placed in all large supermarket chains and HORECA points and the rate of growth has been significant. In 2008 the company reported its key financials up 25% and the forecast is for that figure to triple by 2011. We also invested in 'Foodlink', a company active in the logistics market. It is the third largest company in the field of 3rd party logistics in Greece and has managed to earn a name for itself in the market thanks to its top quality services, its specialisation in specific niches (food – high-tech), its extensive distribution network, its exceptional staff and its state-of-the-art facilities. Using the funds raised, the company (which has no loans) will seek to grow and develop and is also examining the possibility of acquiring similar or complementary businesses. The 3rd party logistics market has considerable prospects for growth in Greece given the low rate of penetration of such services to date. At the same time, there will be major opportunities from the lines being redrawn over the next two years in Greece. We expect a concentration of forces in the market; a market which is today fragmented.

Internationally, has venture capital undergone major changes because of the crisis, and what sort of changes have occurred?

The changes primarily relate to the private equities market because with the reduction in market liquidity the ability to stage leveraged buyouts has also reduced. This fact will bring about a major change in investment philosophy since it is necessary to use more equity compared to debt capital. That ratio was more the 1:10 at the end of 2007. More equity for the same profits means less return. I think that that is the most important change in terms of funds. On the other hand, with the rapid deterioration in the business climate, we have also noted that funds operating in many markets (such as those of SE Europe) are revising, delaying or postponing their investment plans. That phenomenon is most intense with real estate funds given the rapid drop in market prices, and the inability for demand to be absorbed, at least for the time being. Lastly, it is true for all investments and markets that investment turnaround times have increased due to the unfavourable climate globally.

Attica Ventures' operations to date have been limited to the geographical boundaries of Greece. Is the wider SE Mediterranean region now suitable for investments?

Of all the SE Europe countries, Greece appears to be least affected by the recent financial crisis compared to many of the Balkan countries, which at present are facing many issues with their economies. On the other hand, the funds we manage recently rose to € 40 million and the limit per investment to € 2.5 million per year (up from € 1.5 million). Our priority continues to be to invest our funds in Greek SMEs over the next two years. On the other hand, thanks to our experience of those markets because of the operations of our holdings, we do consider that the markets of SE Europe will over the medium to long term be important markets for investments and business synergies.