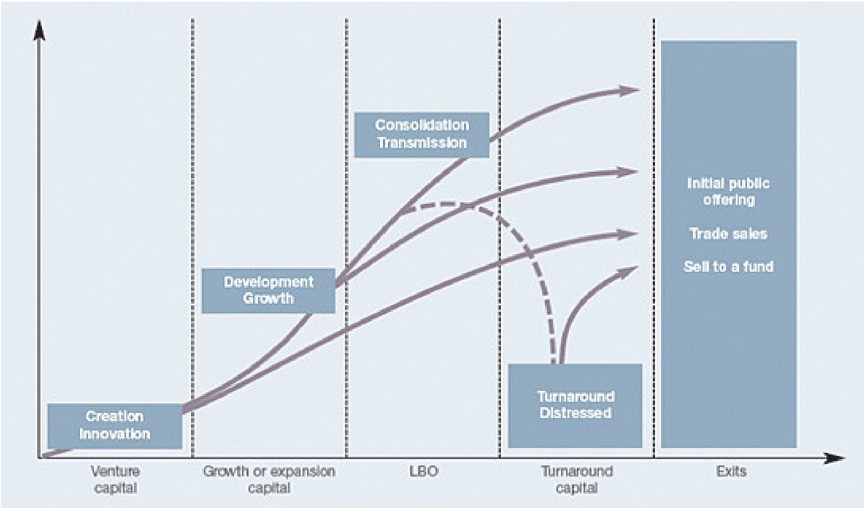
The corporate life cycle



The company life cycle and stage of development can be summarised in the above graph. The company follows the rhythm of a curve that either increases or decreases. The main phases are launch/growth, development and transmission.

Creation and expansion

The start-up phase is the first stage in the business life cycle. It begins with the creation of the business and is characterised by slow growth and often financial losses. Entrepreneurs invest time and resources in developing their product or service, while seeking to establish an initial customer base. The launch phase is characterised by high uncertainty and risk.

At this stage, the company is heavily dependent on the founders and their expertise, and has little visibility in the market. In addition, it is at this stage that the company needs initial capital to get off the ground, which may come from Friends & Family, Business Angel, Accelerators or Venture Capital.

Growth

Having reached break-even point and generated profits, the company reinvests available funds wisely. These funds are allocated to expanding production capacity, developing new projects, financing acquisitions and increasing working capital. This period of development is characterised by a reduced level of risk, which often allows higher amounts to be invested than in venture capital. In this context, the investors concerned are private equity investors. During this phase, when sales and revenues stabilise, the company reaches a level of maturity in the market and consolidates its customer base. Strategic investments focus on building customer loyalty, improving profitability, and seeking out opportunities for innovation in order to maintain a strong competitive position.

Transmission

Buyout capital involves the investment of capital to acquire an existing, unlisted company that is already in a mature phase. This operation may be initiated by the company's internal management or by external investors. It requires the creation of a holding company that takes on debt in order to buy the target company, thereby using a leverage mechanism. Subsequently, the holding company receives dividends from the target company to pay off its debt.

Qui sont les principaux investisseurs ?

- **Friends & Family:** They intervene mainly at the start, during the seed or creation phase of the startup. Although the amount of the investment is generally modest, it represents a valuable boost for the young company.
- **Business angels:** These are people, generally from the business world, ready to invest capital in projects offering real prospects of highly profitable resale of their shareholding. Typically, their investment ticket starts at 15,000 euros.
- **Family Offices:** Family offices are entities that manage the financial and investment affairs of wealthy families. Some family offices allocate funds to private equity to diversify their investments and seek attractive returns.
- **Venture Capital Funds, Private Equity Funds**
- **Sovereign wealth funds:** managed by governments, they invest in private equity to diversify their portfolios and seek long-term returns.
- **Institutional investors:** In addition to pension funds and insurance companies, other institutional investors such as endowment funds, public pension funds and charities can allocate funds.
- **Investment Banks and financial institutions:** Some banks and financial institutions participate in private equity as direct investors or by providing financing to private equity-backed companies.
- **Strategic investors:** Some large companies may invest in unlisted companies through private equity, seeking synergies or supporting companies in the same sector (as part of an M&A deal, for example).