Ilium Partners

ILIUM CONVERSATIONS

François Paulus

Founder of Breega



"In the US, tech buy-out is becoming as big as venture"

breega

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The founder and the company

FRANÇOIS PAULUS

Founder of Breega

After leaving Neuf Cegetel following its sale to SFR, François Paulus spent five years as a business angel and board member. In 2013, he co-founded Breega with the ambition of creating a fund built by entrepreneurs, for entrepreneurs. Breega now manages €700M across three fund families and is currently developing a new tech buy-out activity.



"We try above all not to follow trends"

BREEGA IN BRIEF

2013	Founding year
700M€	Assets under management
Europe and Africa	Geographical presence
3	Fund families

For this first issue of the series, Ilium Partners met François Paulus, co-founder of **Breega**. This Paris-based fund, which currently manages 700 million euros across several vehicles, is known for its early-stage tech DNA. Yet it has just launched a tech buy-out activity, a business at the crossroads of venture capital and private equity, which consists of taking control of profitable technology companies.
François Paulus looks back on the genesis of Breega, the state of his investment thesis, and the reasons that are driving a venture fund to launch into tech buy-out today.

01 What led you to co-found Breega?

François Paulus : I left Neuf Cegetel at the end of 2007, following the announcement of the group's sale to SFR. For the five years that followed, I was mainly a business angel and board member. On the boards I sat on, most investors came from financial backgrounds, comfortable with P&L and budgets, but quite far from the concrete reality. Whether a start-up had ten employees or three hundred didn't change much in the way they supported it.

With my partners, we therefore wanted to set up a fund built by entrepreneurs, for entrepreneurs, with an early-stage DNA, because it is at this stage that this lack of understanding of the business was most felt. This is a positioning that we hear a lot today, but in 2013, when we launched Breega, it hardly existed in France. This translates very concretely: our LPs are still largely entrepreneurs, high-net-worth individuals, or family offices (alongside institutional investors who have joined us in the meantime), and in the investment team, everyone has either started a company or worked in a start-up or scale-up. Right from the start, we also set up a team dedicated to the operational support of our portfolio companies.

02 What is Breega’s investment thesis today?

F. P. : Today, we have three fund families that complement each other by stage and geography. The flagship remains early stage; we are on our third vintage, with a final closing at 130 million euros last December. Two years ago, we also launched a fund dedicated to seed in Africa. And we manage a separate, more late-stage line, focused on fintech and insurtech, currently in its second vintage, whose LPs come almost exclusively from the Crédit Agricole group.

On the sectorial front, we remain generalist. We do real deeptech, Exotec or Alice&Bob are good examples, and B2B SaaS, on this segment we recently sold Trustpair at a very good valuation. Our London office has more of a fintech color, Moneybox being the flagship company. Above all, we try not to follow trends: crypto, tokens, web3, virtual reality, we didn't do it, and on AI we avoid becoming exclusive even if of course we have already invested.

This approach has already borne fruit. Apart from Trustpair, we made a partial exit on Exotec during its last funding round in 2022, on a 52x cash-on-cash multiple. Our very first exit remains the acquisition of FoodChéri by Sodexo several years ago. And on Gymlib, acquired by EGYM, which has itself merged since, we are today shareholders of a group worth several billion dollars.

03 How did you get into this new business, tech buy-out?

F. P. : The starting point is a category of companies that doesn't fit into any box. Companies with around 10 million in ARR, with 20 to 25% growth and an EBITDA close to zero, what is called *"rule of 20"* or *"rule of 25"* in the jargon. It's too little growth for a VC, too small for traditional private equity, and without cash flow, there is no leverage possible for an LBO in the traditional sense.

Between companies that die and those that sell very well, there is a whole range of startups that are not bad, that have de-risked their business, but that reach a moderate growth trajectory. This is where the buy-out takes over. In the United States, this category is becoming as large as venture capital. In Europe, the opportunity is now massive, precisely because venture capital has invested heavily there over the last ten years.

The principle of tech buy-out is to put money back into the machine to build a build-up by buying competitors to consolidate a market that is still fragmented. We buy on an ARR multiple, and in five years, once profitability is established, we sell on an EBITDA multiple.

In this business, our advantage lies in our VC experience; we have seen these target companies pass by for over ten years, we know the numbers, the management, and the market of hundreds of companies supported or seen since the creation of Breega. Generalist buy-out funds moving downmarket in this segment do not have this base or this sector-specific tech expertise.

04 Do you have a concrete example of this type of operation?

F. P. : Didomi, which is in our venture portfolio. Marlin Equity, one of the two main tech buy-out players in Europe, took control of it two years ago when the company was making 12 million in ARR. We remained in the capital with a 100% rollover, which is out of the ordinary, because usually when a buy-out fund takes control, historical VCs exit completely. For the past two years, Didomi has acquired two competitors, including the American company Sourcepoint. ARR has almost tripled and EBITDA is now positive.

Two arguments support this model. First, with the right management and the right acquisitions, we truly create value. Second, it allows founders to do a bit of cash-out while restarting a growth dynamic. This is a discourse that speaks much more to LPs than a classic venture fund, where 35 to 40% of the invested capital ends up lost but which ensures a good ROI with a few “outliers” such as Exotec, Alice & Bob, and Moneybox in our case. In buy-out, family offices immediately understand what we are trying to do.

05 In concrete terms, what are the objectives of this new fund, in terms of both size and geography?

F. P. : We are targeting €300 million. The first closing is planned at €100 million in the first quarter of 2027. Geographically, we are mainly targeting Europe, with two key countries, France and Germany. In the UK, valuations seem too high for our investment thesis.

06 You speak of a pool of companies built up by ten years of venture funding. Do you think this dynamic is sustainable in the long term?

F. P. : I believe this pool will continue to grow. In the long term, it could even expand, with companies reaching €10 million in ARR via bootstrapping rather than raising funds. The other advantage is the pace of capital return for our investors. In venture, five years is typically announced on average, but in reality, it's more like seven to nine years. Here, we can realistically return capital (company by company) within five years.



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