

# LE LOUVRE ADDS VALUE WITH ESG

## A PROVEN ESG BENEFIT

### INVESTEES

Le Louvre

### INVESTMENT MANAGER

Adenia

### SECTOR

Private Equity

FMO is the Dutch development bank. As an investment partner, we bring more to the table than equity alone. FMO works with funds and investees to achieve better Environmental, Social and Governance (ESG) standards and make solid ESG conditions part of their business models. In this way, we move ESG into the heart of investment processes. We firmly believe that managing ESG factors means more than managing risks; it adds value to investments, which eventually leads to financial benefits.

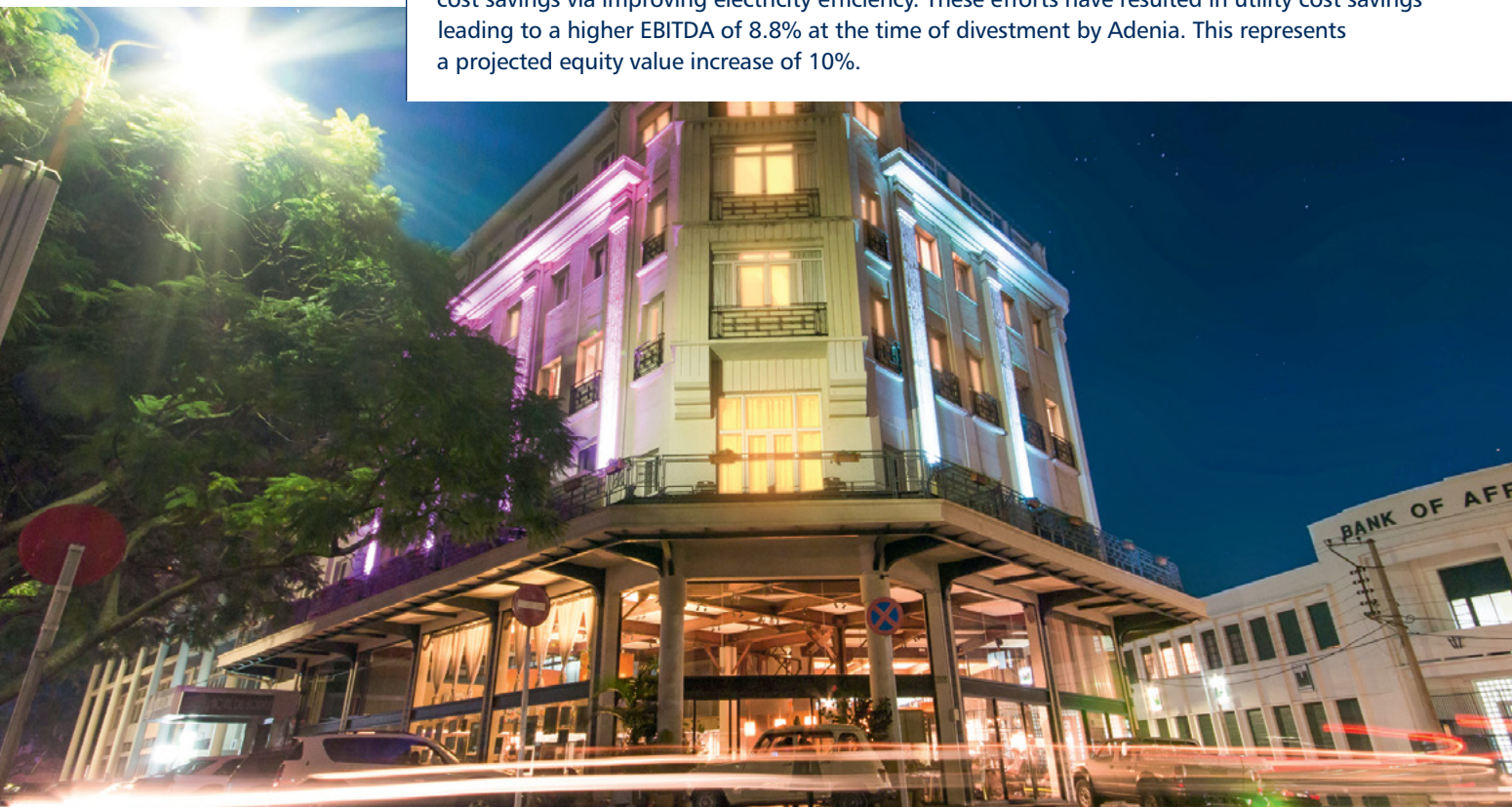
Through extensive experience with a diverse range of funds and investees, we have developed a thorough understanding of how ESG factors positively influence a company's operations. The case of Le Louvre presents how strategic ESG interventions helped a hotel in Madagascar to reduce its utility costs.

### LE LOUVRE: FROM AVERAGE TO LUXURIOUS BY KEEPING ESG CLOSE TO THE HEART

Le Louvre is a boutique hotel based in Antananarivo, Madagascar. Since its establishment in 1998 the hotel has transitioned from a medium sized two-star lodging towards a four-star boutique hotel. Its investment partner since 2006, Adenia Partners (Adenia), supported the hotel to grow towards this profitable niche market. Supported by FMO, Adenia seized the opportunity to create more value for Le Louvre by focusing on ESG factors in its business. Le Louvre decided to focus on cost savings via improving electricity efficiency. These efforts have resulted in utility cost savings leading to a higher EBITDA of 8.8% at the time of divestment by Adenia. This represents a projected equity value increase of 10%.

**"LE LOUVRE'S EFFORTS TO  
REDUCE ENERGY CON-  
SUMPTION TRANSLATED  
INTO SIGNIFICANT COST  
SAVINGS AT THE TIME OF  
POLITICAL CRISIS."**

Investment Manager Adenia



## MADAGASCAR, A CHALLENGING ENVIRONMENT FOR HOTELS

Tourism is a crucial sector in the Malagasy economy. Political and economic crises in 2001 and 2009 have impacted the sector severely. The unstable political situation led to - amongst others - unpredictable demonstrations in the country which had a devastating effect on the number of tourists and the hospitality sector. Furthermore, since the political crisis in 2001 the Government invited newcomers to the hotel market to increase competition, leading to further pressure on income in the sector. Instability in Madagascar's business environment contributed to a challenging operating environment for Le Louvre.

## ESG GUIDANCE FOR INVESTORS

Since 2012, FMO, together with IFC and other development finance institutions, has invested in Adenia and guided the fund to further position ESG factors at the center of its investment process. Adenia supported its investee companies to focus on ESG factors, aiming to minimize operational risks and maximize possible value creation. Adenia's contribution to their investees is not limited to financial support: their focus on and active engagement towards ESG factors have been valuable means to innovate and differentiate investee companies in a viable and sustainable manner. Adenia incorporates ESG by risk categorization for every investment and involving ESG consultants in due diligence resulting in an ESG action plan.

## USING UTILITIES MORE EFFICIENTLY

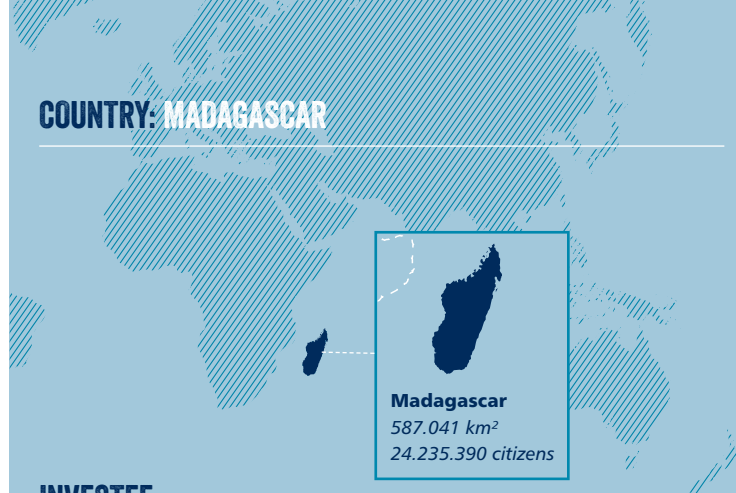
To improve the financial situation of Le Louvre since the economic and financial crises, Adenia guided Le Louvre to take into account ESG factors in its operational strategy. Besides the environmental benefits, the ESG implementations focusing on increasing gas, water and electricity efficiency, led to reduced utility costs.

ESG interventions ranged from installing water and electricity monitoring systems to improving the lighting system and raising awareness among its staff on electricity and water wastage. With these and other renovations, Le Louvre differentiated itself from its competition while reducing its costs.

**As an important driver for Adenia, these savings had impressive impact on the exit value: a profitable hotel with sustainable strategy was exited, supporting job creation and stimulation of local economic activity.**

FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 46 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors. With an investment portfolio of €9.2 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally. [www.fmo.nl](http://www.fmo.nl)

## COUNTRY: MADAGASCAR



## INVESTEES

### NAME

Le Louvre

### SECTOR

Private Equity

## TIMELINE

- 1998 Established as a 2 star hotel (60 rooms under the umbrella of IBIS – increased to 78 rooms)
- 2002 Renamed to Grand Hotel du Louvre
- 2006 Adenia acquires shares and is responsible for the first process and actual completed leverage buy out in Madagascar
- 2012 Implementation of utility savings, reducing energy and water consumption through minor improvements in day-to-day business
- 2015 Exit from Adenia with increased equity value of 10%

## IMPACT

### Cost savings:

€65.800 for year 2015



EBITDA increased: 8.8%

Equity value increased by 10%  
of projected exit value

Electricity consumption reduced by 40%  
(corrected for occupancy growth)



Reduced water and gas consumption



Annual Greenhouse Emissions reduction of  
147.000 tons of CO<sub>2</sub>  
(Corrected for occupancy growth)

