

| 2019 |

ACTIVITY OF PRIVATE DEBT FUNDS IN FRANCE

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May 25th, 2020



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2019

FRENCH PRIVATE DEBT FUNDS: A MARKET THAT KEEPS GROWING

FUNDS RAISED

€4.2bn

Funds raised in 2019.

INVESTMENTS

€7.7bn

financing...

NUMBER OF DEAL

...a number of

178

transactions.



The market for private debt funds in France continued to grow in 2019

- ✓ €4.2bn raised in 2019 by French funds to finance companies through private debt (compared with €3.5bn in 2018).
- ✓ €7.7bn invested in 178 deals in 2019, representing an increase on 2018 (8% rise in terms of amounts invested and a 16% increase in number).
- ✓ 40% of deals were completed to finance buyout transactions.
- ✓ France is the second largest European market in terms of the number of deals, accounting for 14% of European fundraising based on amounts invested.

France Invest and Deloitte report on the French private debt fund market

- ✓ The players covered in this report are:
 - French private debt funds (members of the France Invest Private Debt Committee);
 - international establishments with an office in France or a team specifically assigned to transactions in France.
- ✓ The fundraising statistics cover vehicles managed in France.

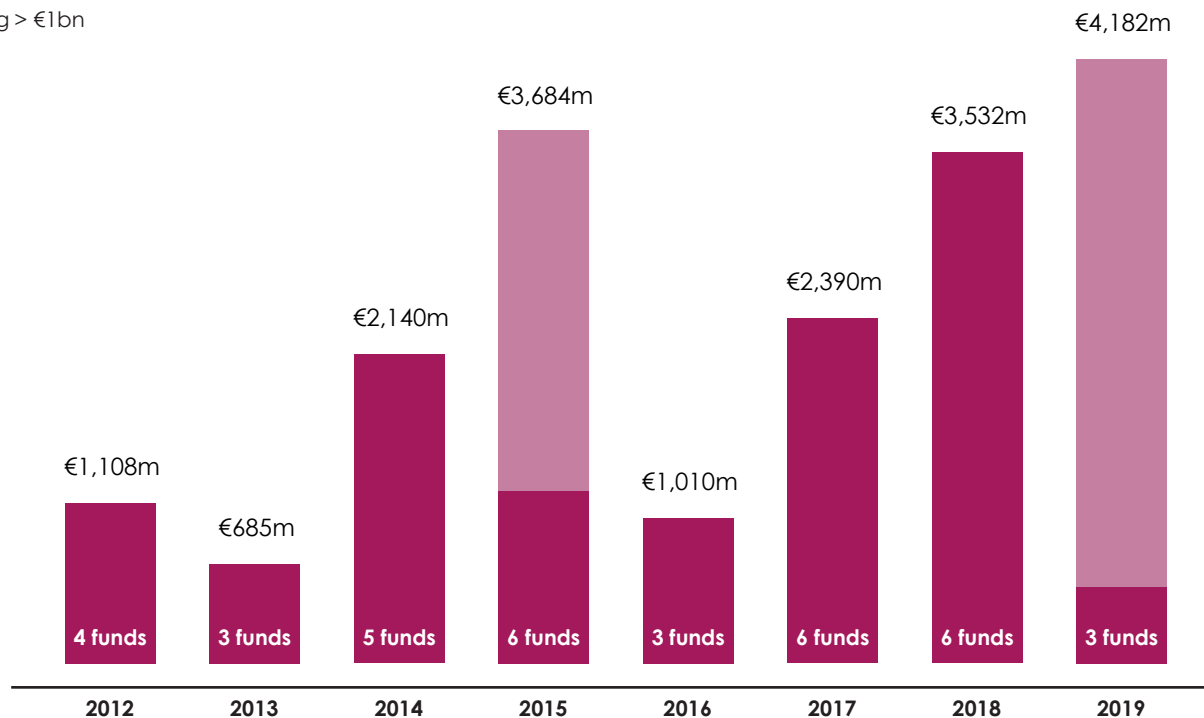


CAPITAL RAISED BY
FRENCH PRIVATE DEBT FUNDS



Fundraising by debt funds continued to grow, driven by large managers.

- Fundraising < €1bn
- Fundraising > €1bn
- In €m -

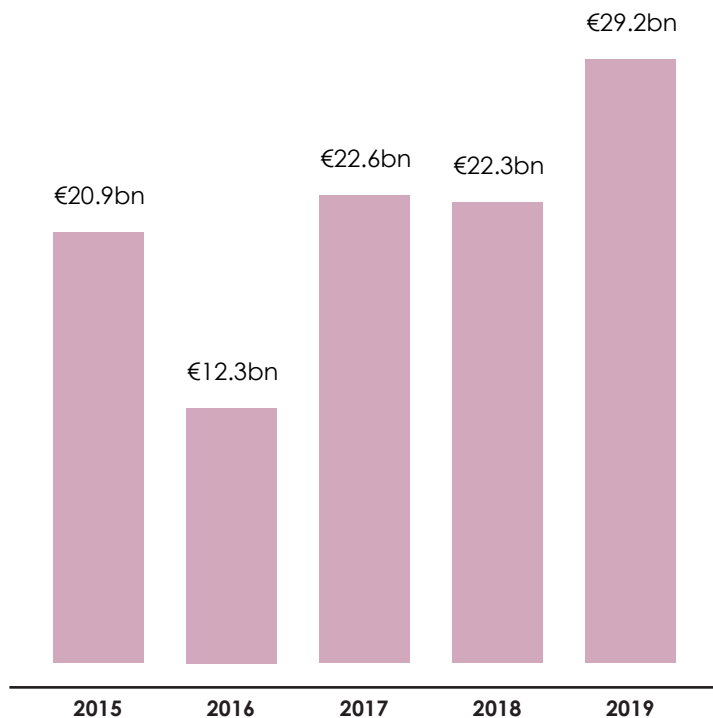


* Capital raised by funds managed in France.

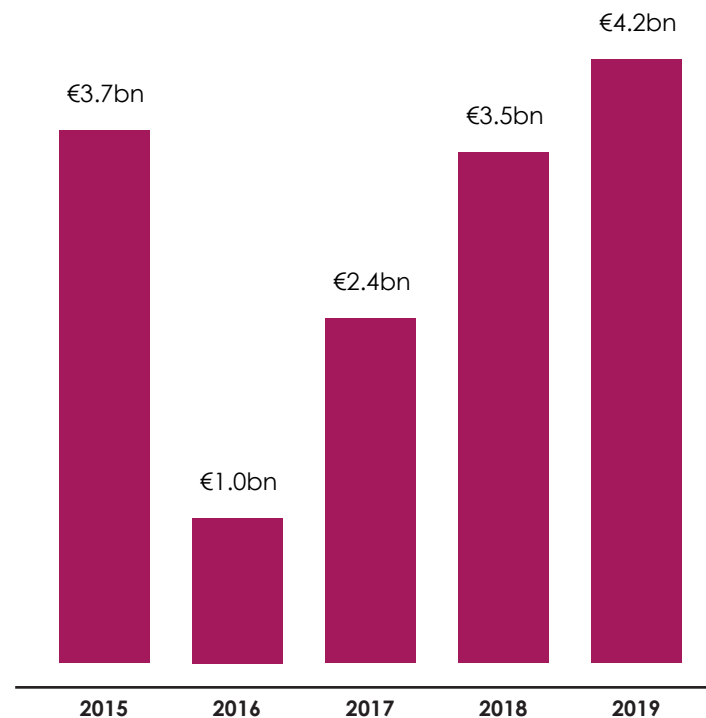


French private debt funds accounted for 14% of European fundraising in 2019.

EUROPE *



FRENCH PLAYERS



* USD/EUR exchange rate as at 31 December each year. The amounts include European and non-European funds that plan to invest in Europe.



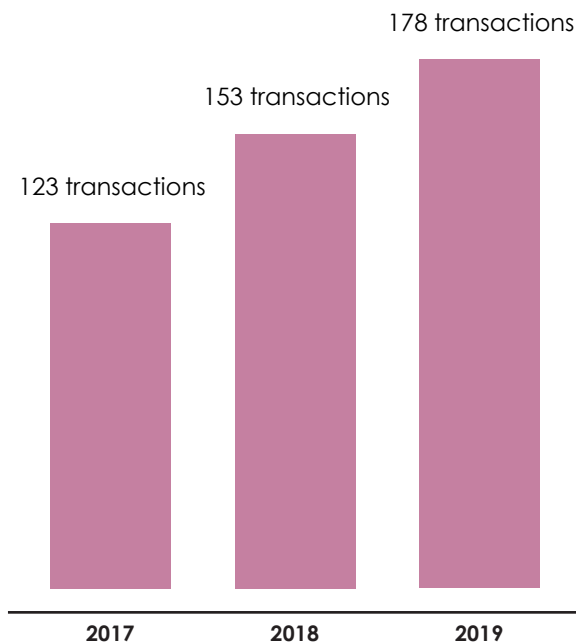
INVESTMENTS IN FRANCE IN 2019*

* Activity in France by French and foreign funds..

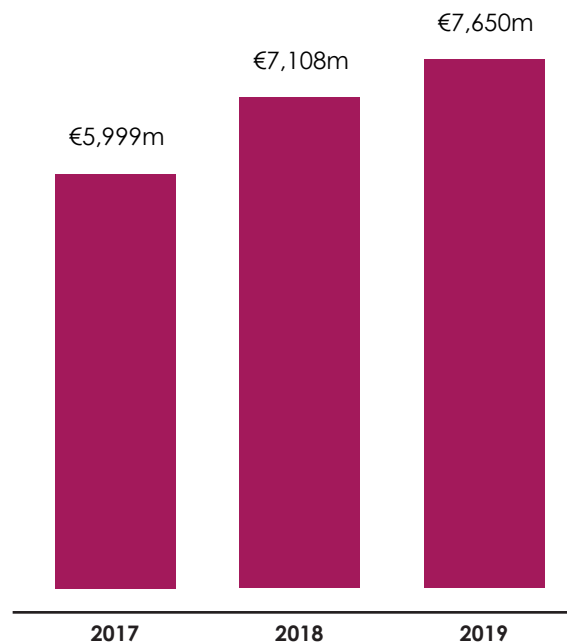


Investment in France continued to increase in amount (up 8% on 2018) and in number (up 16% on 2018).

NUMBER OF TRANSACTIONS



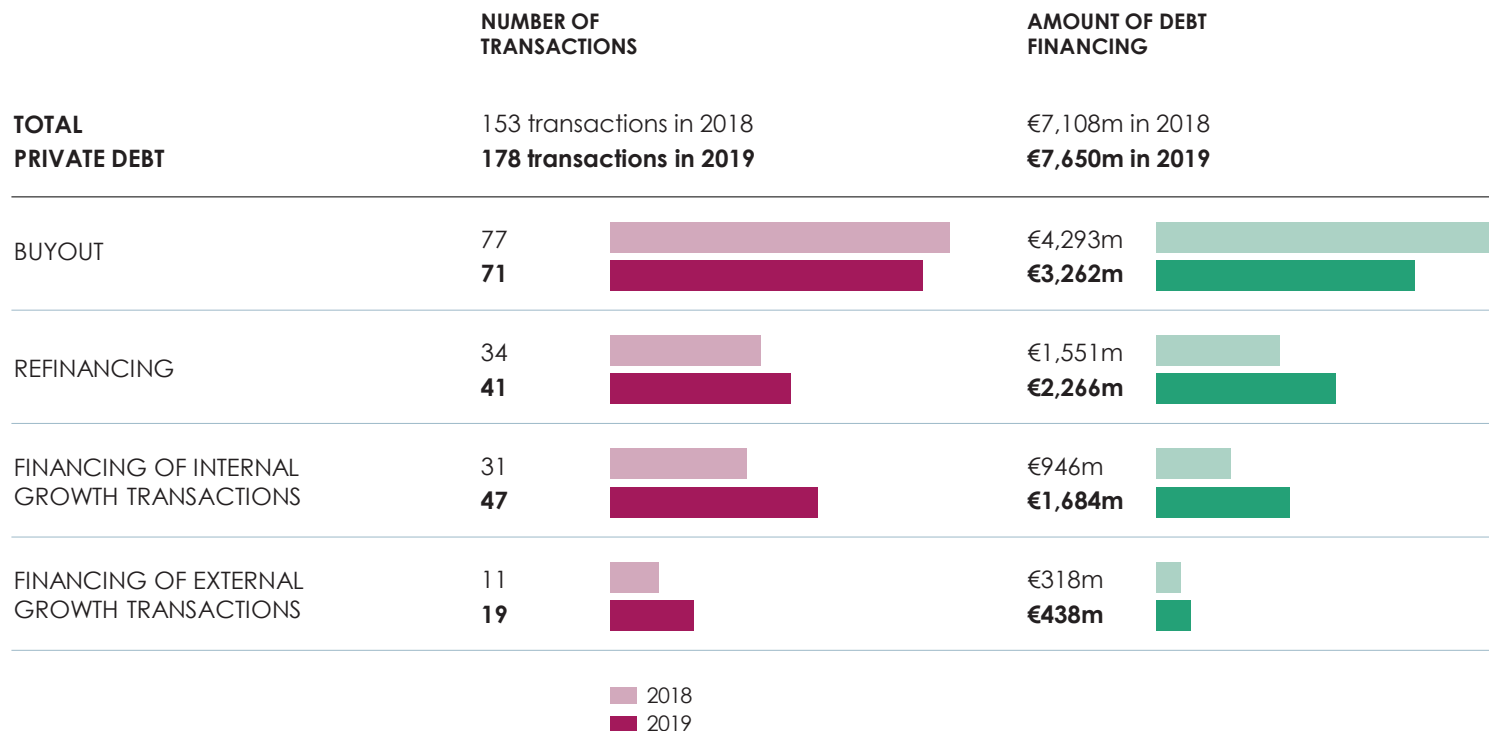
AMOUNT OF DEBT FINANCING IN €M



* Activity in France by French and foreign funds.



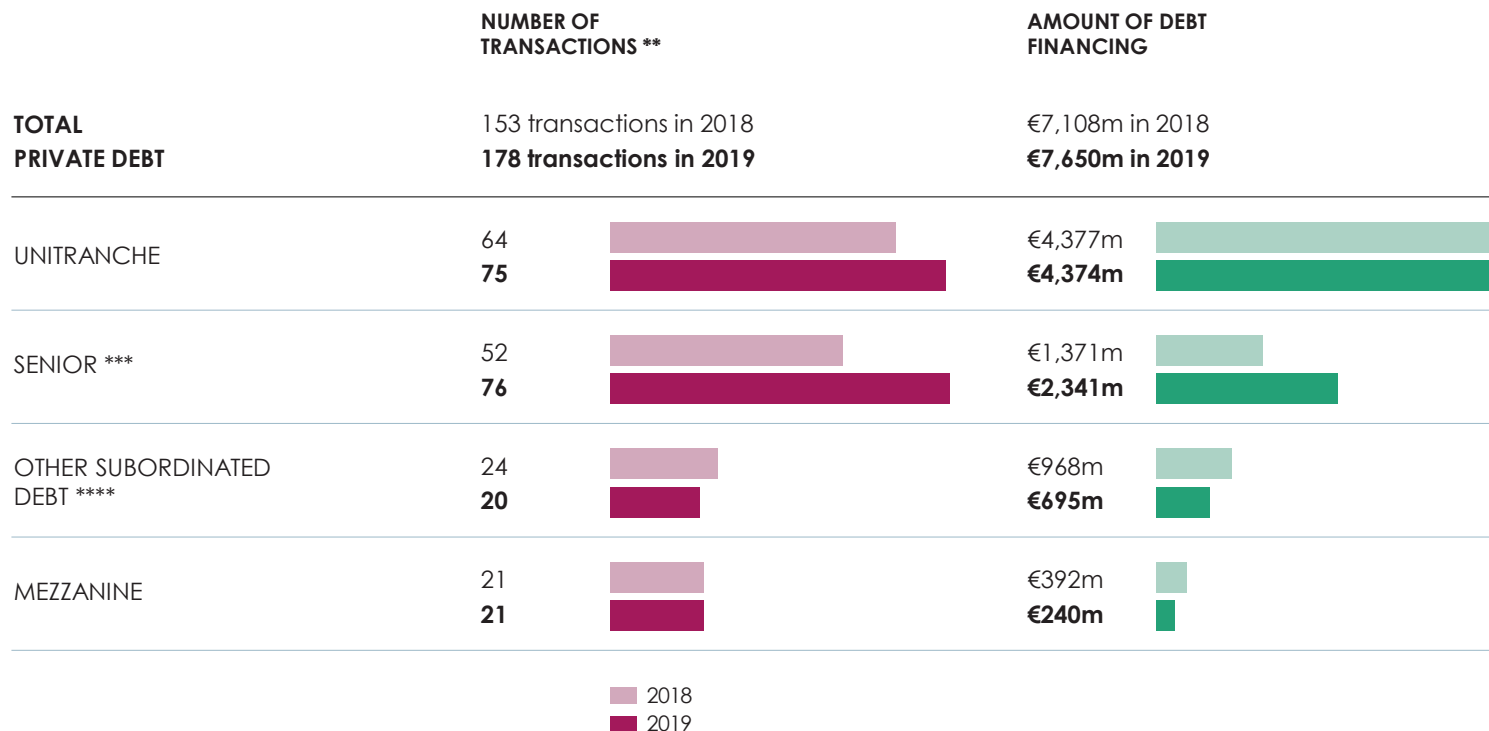
Buyout capital accounted for 43% of the amounts invested (60% in 2018).
Marked increase in refinancing and bolt-on acquisition financing in terms of amounts invested.



* Activity in France by French and foreign funds.



Sharp increase in the number of unitranche and senior debt financing deals in 2019.
Unitranche debt accounted for the largest proportion of amounts invested (57% in 2019 compared with 62% in 2018).



* Activity in France by French and foreign funds.

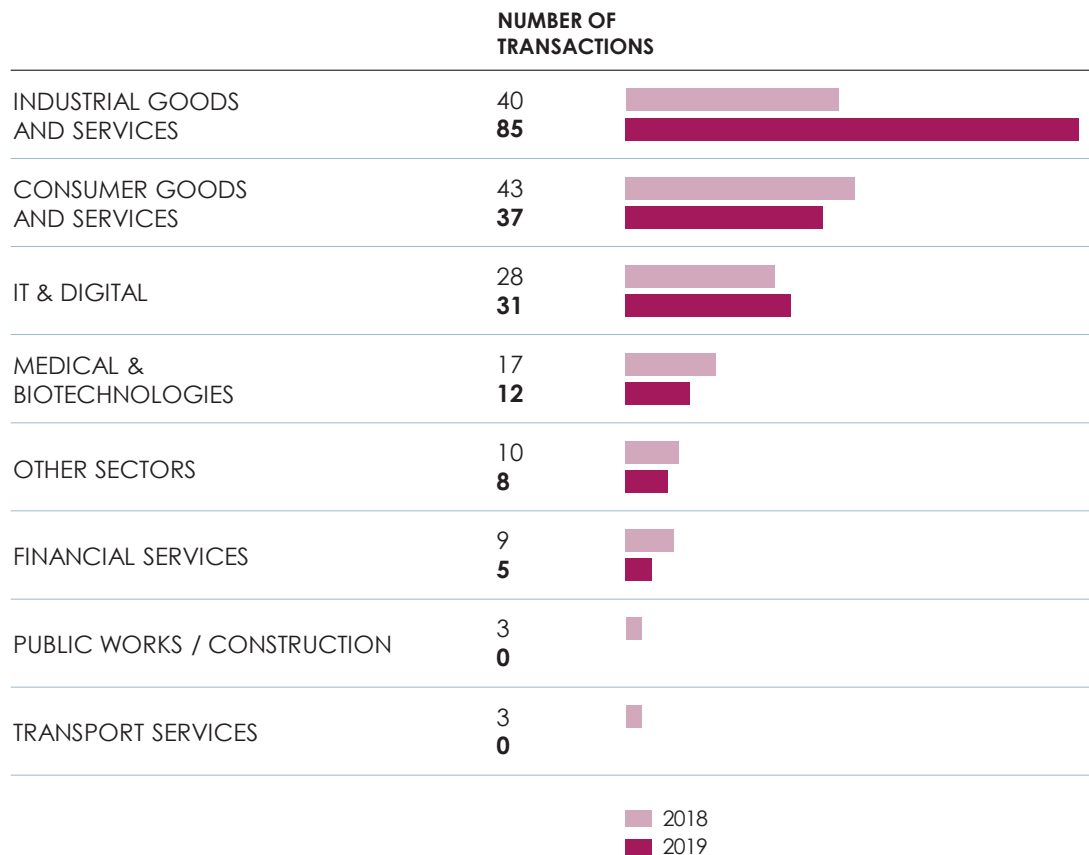
** A transaction may include several types of debt transactions

*** Debt with an interest rate lower than E+6.5% is classified as senior debt

**** Of which 16 PIK transactions in 2019, and 17 in 2018.



Strong increase in the number of deals in the industrial goods and services sector (up 113% on 2018).



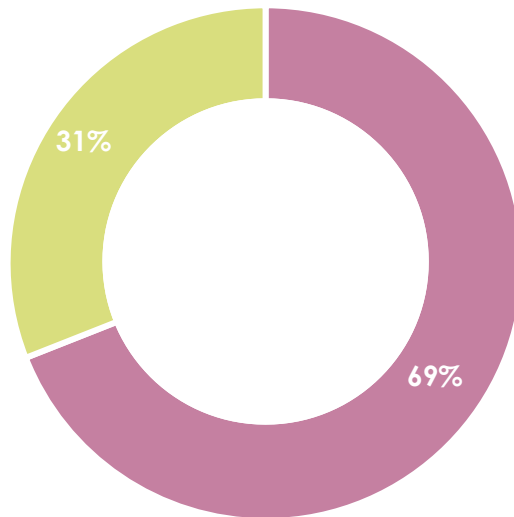
* Activity in France by French and foreign funds.

A PRIVATE EQUITY FUND WAS INVOLVED IN THE TRANSACTION*

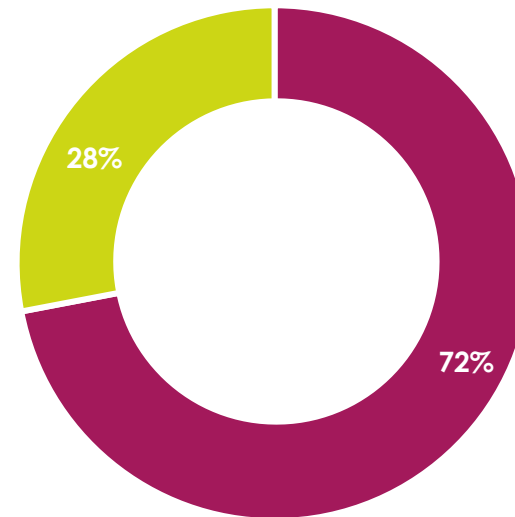


Deals completed alongside an equity investor were stable compared with the 2017/2018 average and accounted for 72% of the market in France in 2019.

- In number of transactions -
**Average
2017/2018**



2019



■ TRANSACTIONS WITHOUT INVOLVEMENT
OF AN EQUITY INVESTOR

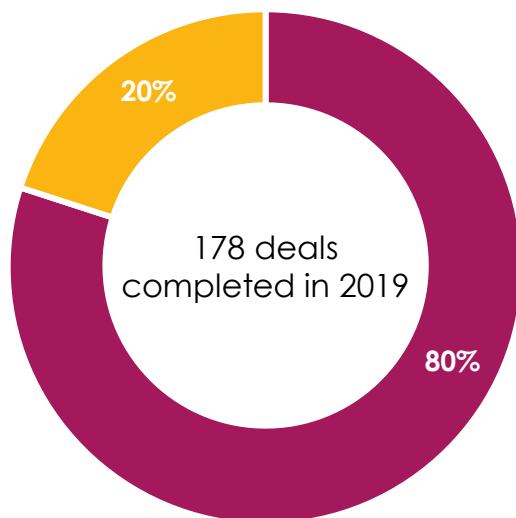
■ TRANSACTIONS WITH INVOLVEMENT
OF AN EQUITY INVESTOR

* Activity in France by French and foreign funds.



Foreign funds in France mainly invest in large-scale transactions (20% of deals representing 51% of the amounts invested in 2019).

In number of deals

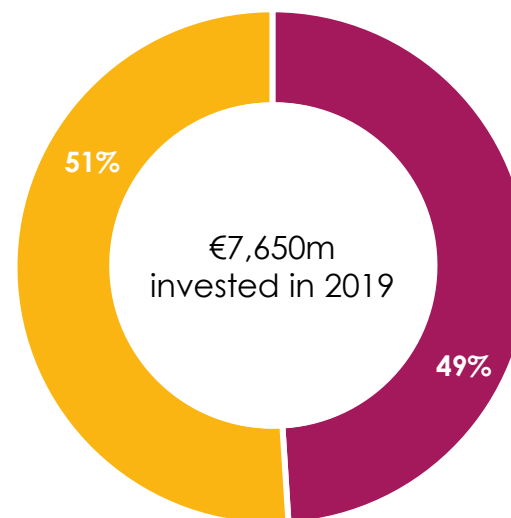


2017/2018 average

Foreign funds: 23% - French funds: 77%

■ DEALS CARRIED OUT BY A FOREIGN FUND*

In amount



Foreign funds: 47% - French funds: 53%

■ DEALS CARRIED OUT BY A FRENCH FUND**

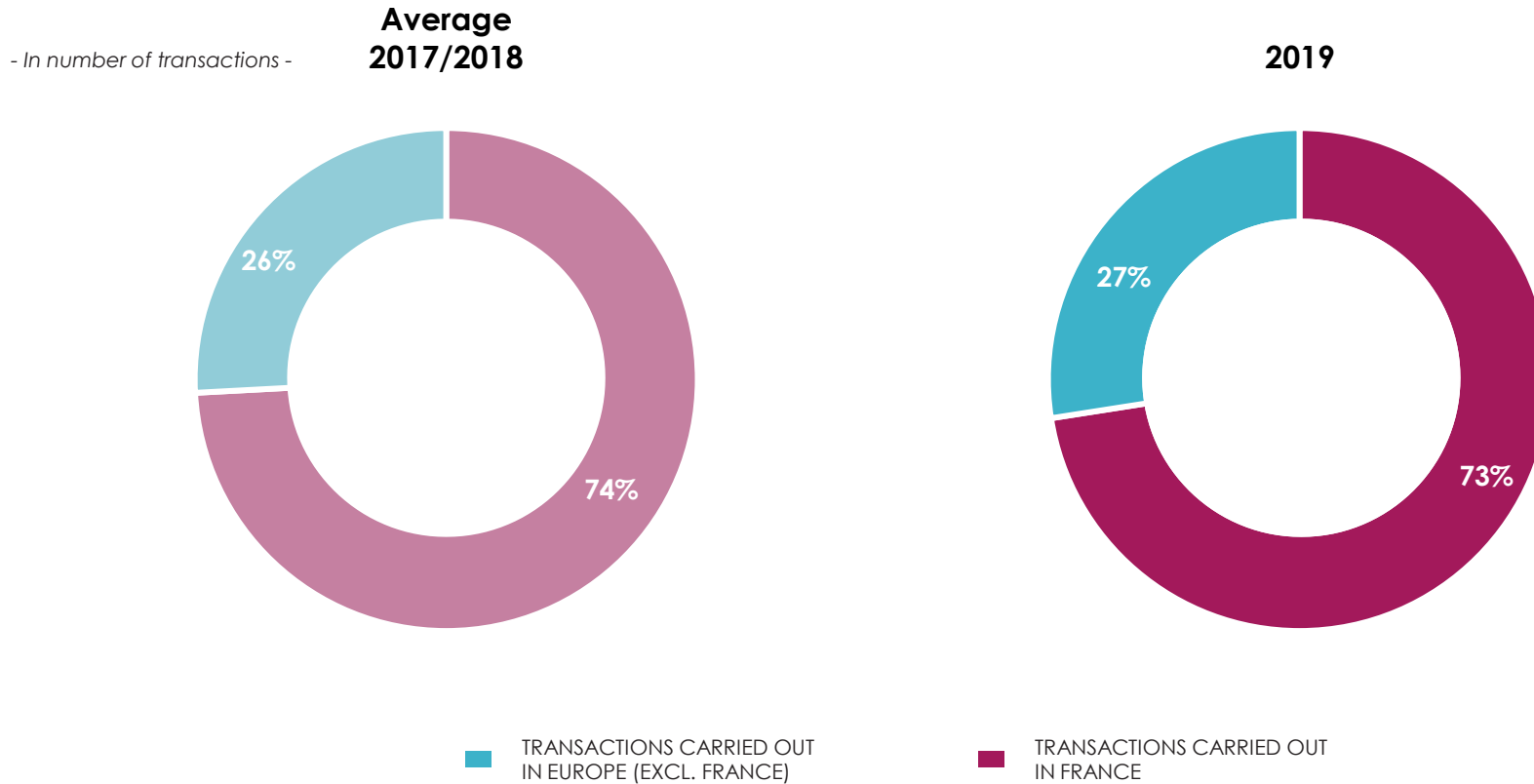
* International establishments with an office in France or a team specifically assigned to deals in France.

** Asset management companies whose parent companies are based in France.

FRENCH MANAGERS' ACTIVITY IN FRANCE AND EUROPE (MANAGEMENT COMPANIES WHOSE PARENT COMPANY IS BASED IN FRANCE)



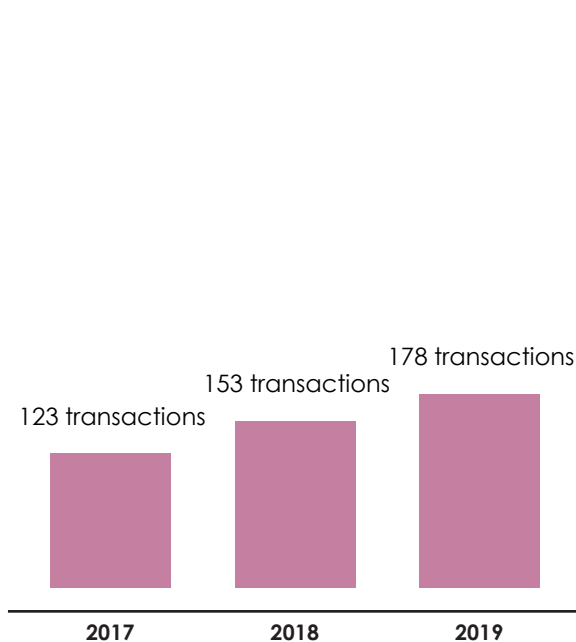
The share of deals completed in France by French managers in 2019 remains high (averaging almost three-quarters in 2017/2018 and 2019).



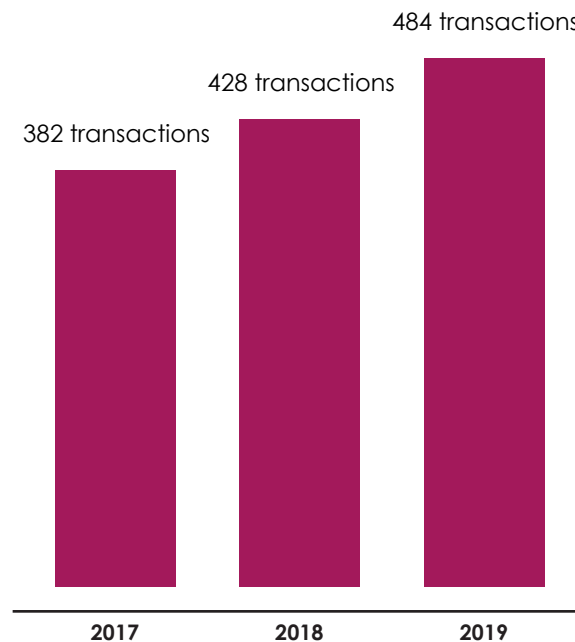


France was the second largest market in Europe in 2019 (37% of deals completed).

NUMBER OF TRANSACTIONS IN FRANCE



NUMBER OF TRANSACTIONS IN EUROPE



Source : France Invest / Deloitte / [Alternative Lender Deal Tracker](#)



DEFINITIONS & METHODOLOGY



Fundraising

- ✓ Fundraising corresponds to funds raised that will be invested in corporate debt.

A financing transaction

- ✓ A transaction is debt financing received by a company from one or more private debt funds. A company may be involved in several transactions during the year.

Types of private debt financing

- ✓ Senior: Senior debt is similar to bank debt. It benefits from specific guarantees and priority repayment compared to other (so-called subordinated) debt. In this study, debt with an interest rate lower than Euribor + 650 basis points is considered senior.
- ✓ Unitranche: Specific to LBO financing, unitranche debt can be substituted for senior and subordinated debt. A bullet loan repayable at maturity, it is provided by investment funds for a cost between that of senior debt and subordinated debt.
- ✓ Mezzanine: This is subordinated debt provided by private debt funds and the repayment of which comes after that of senior debt. Given the risk taken, the return on this debt is higher than on senior debt.
- ✓ Other subordinated debt: Concerns all types of subordinated debt other than mezzanine debt, such as 2nd lien or PIK loans.



Scope

- ✓ The statistics on the activity in France of private debt funds are derived from data collected by Deloitte and France Invest from members of the France Invest Private Debt Committee and from foreign establishments that have a team specialising in France or a representative office in France.
- ✓ **A representativeness rate of 86%** (32 out of 37 respondents surveyed - of which 5 respondents without activity in France in 2019).
- ✓ Investments concern transactions carried out in France by French or foreign private debt funds.

Processing principles

- ✓ Funds raised are recognised at the time of final closing.
- ✓ Co-financings are counted as one transaction.

About France Invest

France Invest comprises almost all the private equity teams operating in France. It has over 310 active members and almost 200 associate members. Through its compliance, control and best practices development mission, it is one of only two associations recognised by the French financial markets authority (AMF), and membership in the association by management companies is one of the conditions for authorisation. It is the only industry association specialising in private equity.

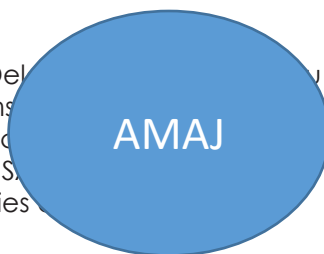
France Invest's priorities include promoting the position and role of private equity, actively participating in its development by serving as a hub for the entire industry and establishing best practices, methods and tools for professional and responsible shareholder conduct. For more information, visit the France Invest website:

www.franceinvest.eu

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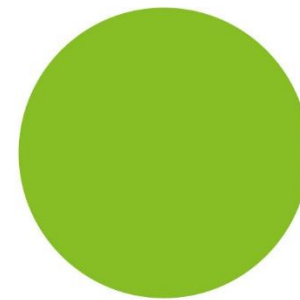
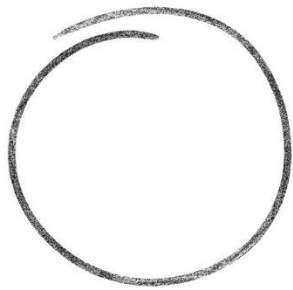
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* Imaginer. Créer. Faire.

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