

29TH EDITION

Net performance of French private equity players

July 2023



Net performance of private equity France Invest x EY

The France Invest / EY study on the performance of French private equity players has been the benchmark for the French market since 1994.

It is based on information reported by France Invest members via a European data collection platform (European Data Cooperative), and reviewed by EY, which ensures the consistency and robustness of the statistics published.

This edition analyses 875 funds, providing unrivalled coverage of the French private equity market.

A few indicators from the study...

875

Number of funds included in the study

1987

Year of the first funds included in the study

88%

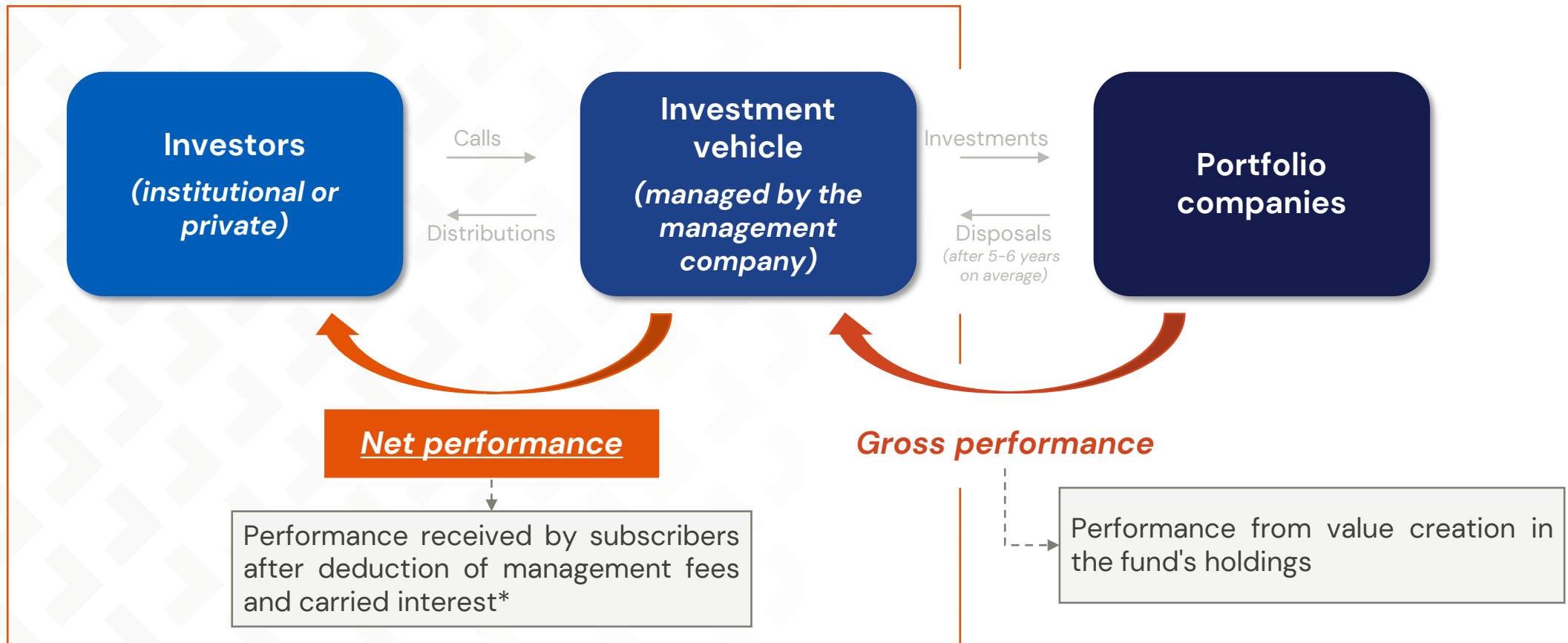
Weight of respondent management companies in fundraising in 2022

All private equity segments are represented

(venture & growth, development capital, buyout capital, mixed vehicles, infrastructures)

The net performance of private equity

The net performance of private equity is the return received by fund subscribers (LPs) after deduction of management fees and carried interest*.



* Excluding any distribution costs

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Key figures





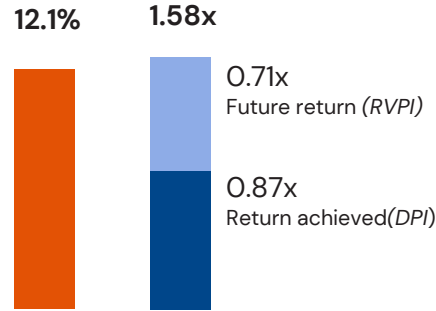
Key figures to end 2022

Over the long term, French private equity yields are high, above 12% net per annum.

Despite a more uncertain economic environment in 2022, short-term performance remains high (15.2% over 3 years).

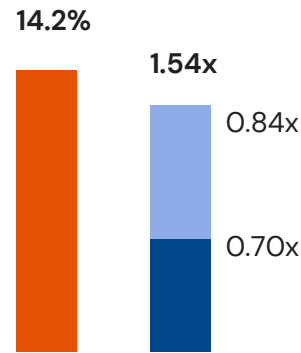
NET PERFORMANCE FROM INCEPTION

(beginning of 1987 - end of 2022)



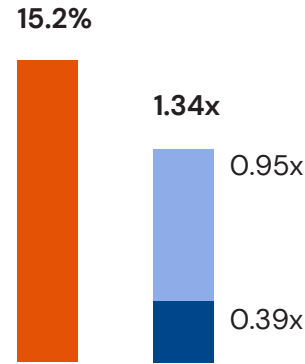
NET PERFORMANCE OVER 10 YEARS

(beginning of 2013 - end of 2022)



NET PERFORMANCE OVER 3 YEARS

(beginning of 2020 - end of 2022)



NET PERFORMANCE CLOSED FUNDS

(2008 AND SUBSEQUENT VINTAGES)



Legend

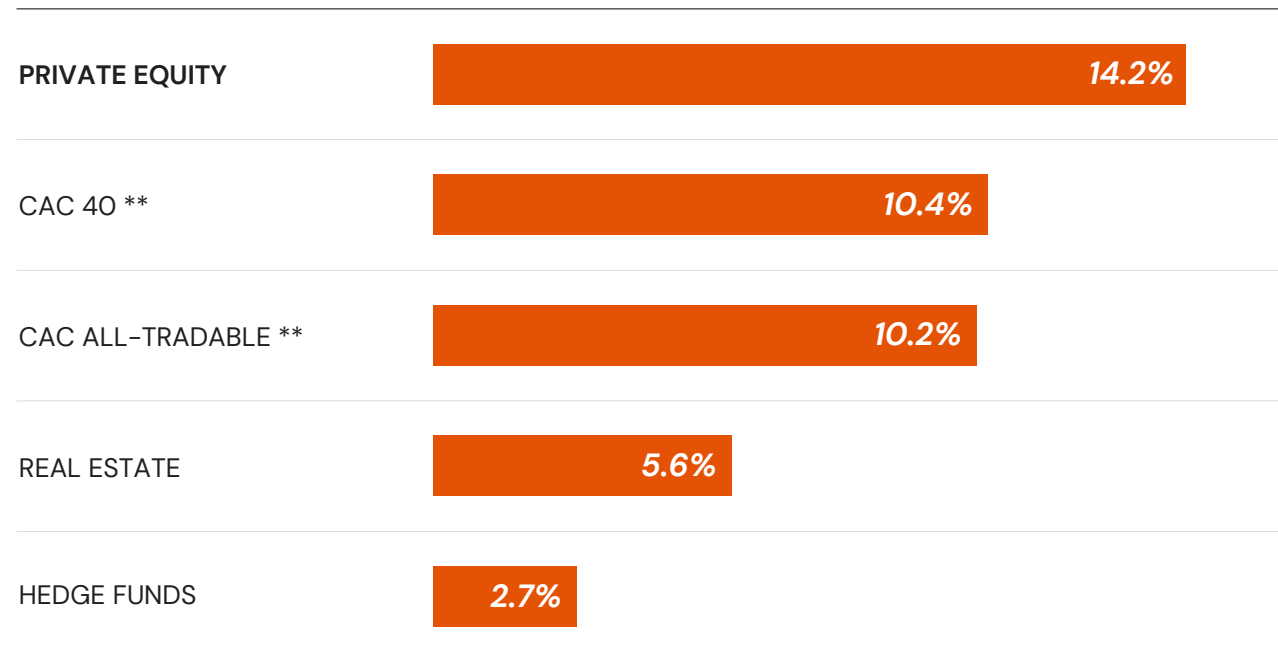
- Future return (RVPI)
the estimated net value of the funds divided by the called-up capital
- Return achieved (DPI)



Comparison with other asset classes

French private equity outperforms other major asset classes over the long term*.

ANNUAL PERFORMANCE OVER 10 YEARS
AT THE END OF 2022, AVERAGED OVER THE PERIOD 2013 - 2022



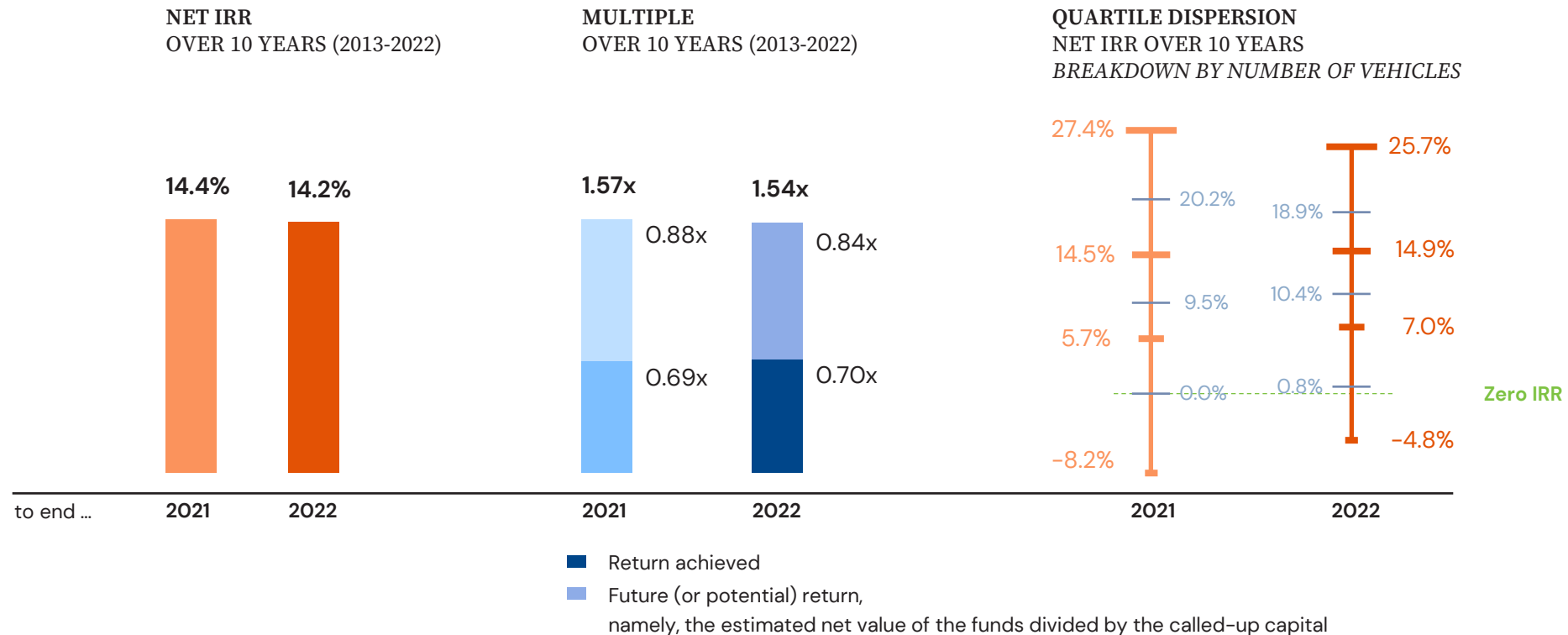
* 10-year performance of CAC indices with dividends reinvested [PME method], Credit Suisse Hedge Funds Index (international scope), EDHEC IEIF Commercial property France

** Comparison made using the PME method (indices used with dividends reinvested - see Definitions on Slide 34)



Net performance - Evolution 2021 / 2022

- At the end of 2022, the 10-year net IRR is slightly down on 2021 but remains at a high level.
- Despite this slight decline, the median IRR is set to rise in 2022 (10.4% vs. 9.5% in 2021).
- This decline is part of a general economic slowdown, particularly on the stock markets (-7.3% for the CAC40 in 2022).

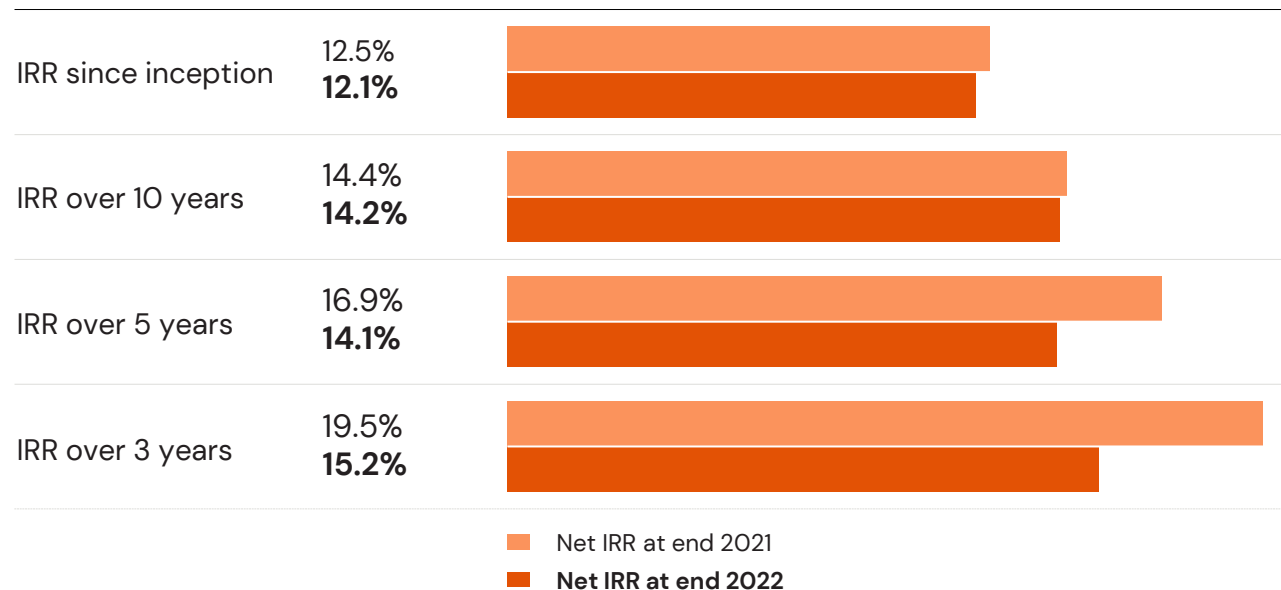




Net IRRs by main investment horizon

After a strong recovery in 2021, in a post-Covid environment, private equity returns at the end of 2022 are down slightly over the medium and long term, and more sharply over the short term (3 years), in an economic environment that has become tighter. However, they remain at a high level.

NET IRRS BY INVESTMENT HORIZON





Performance by segment

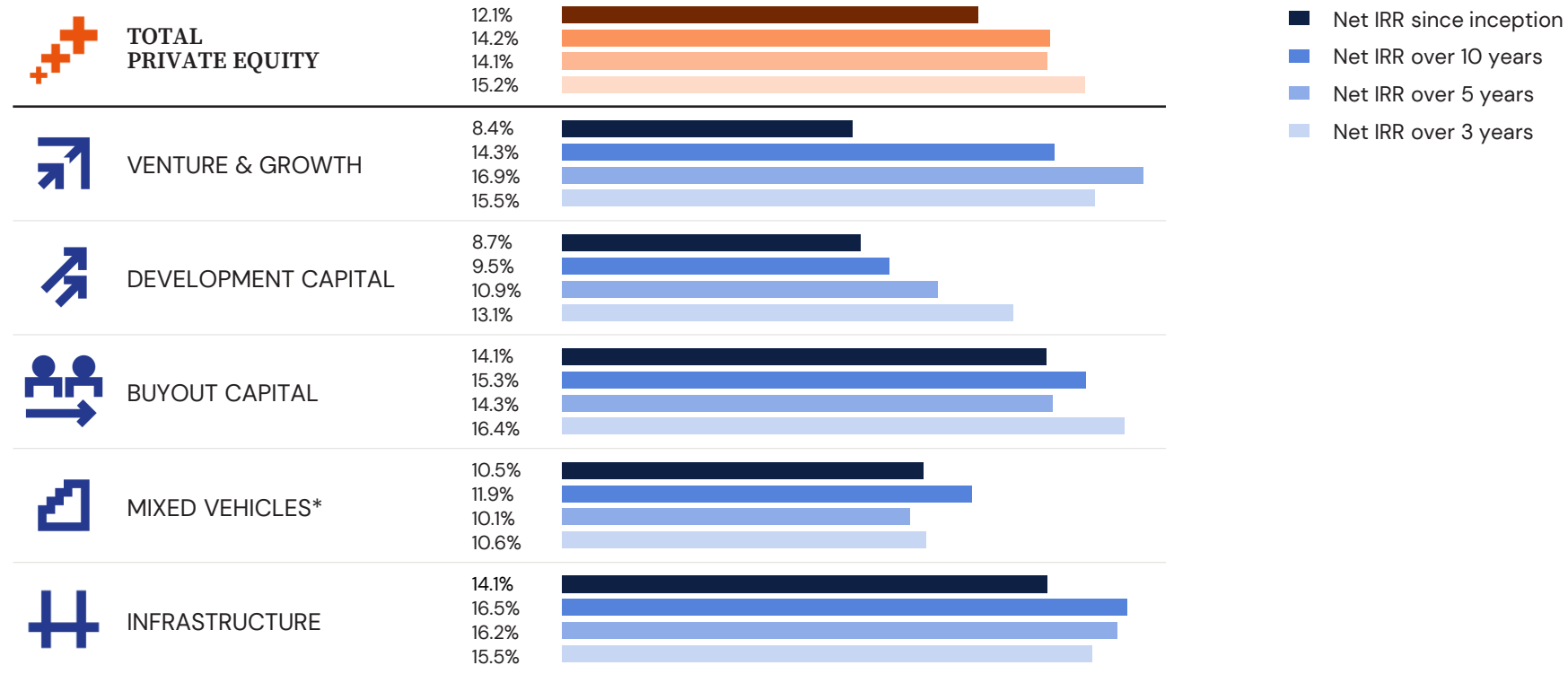




Net IRRs by investment horizon

Performance is high over the long term and improves over shorter horizons.

NET IRRS BY INVESTMENT HORIZON

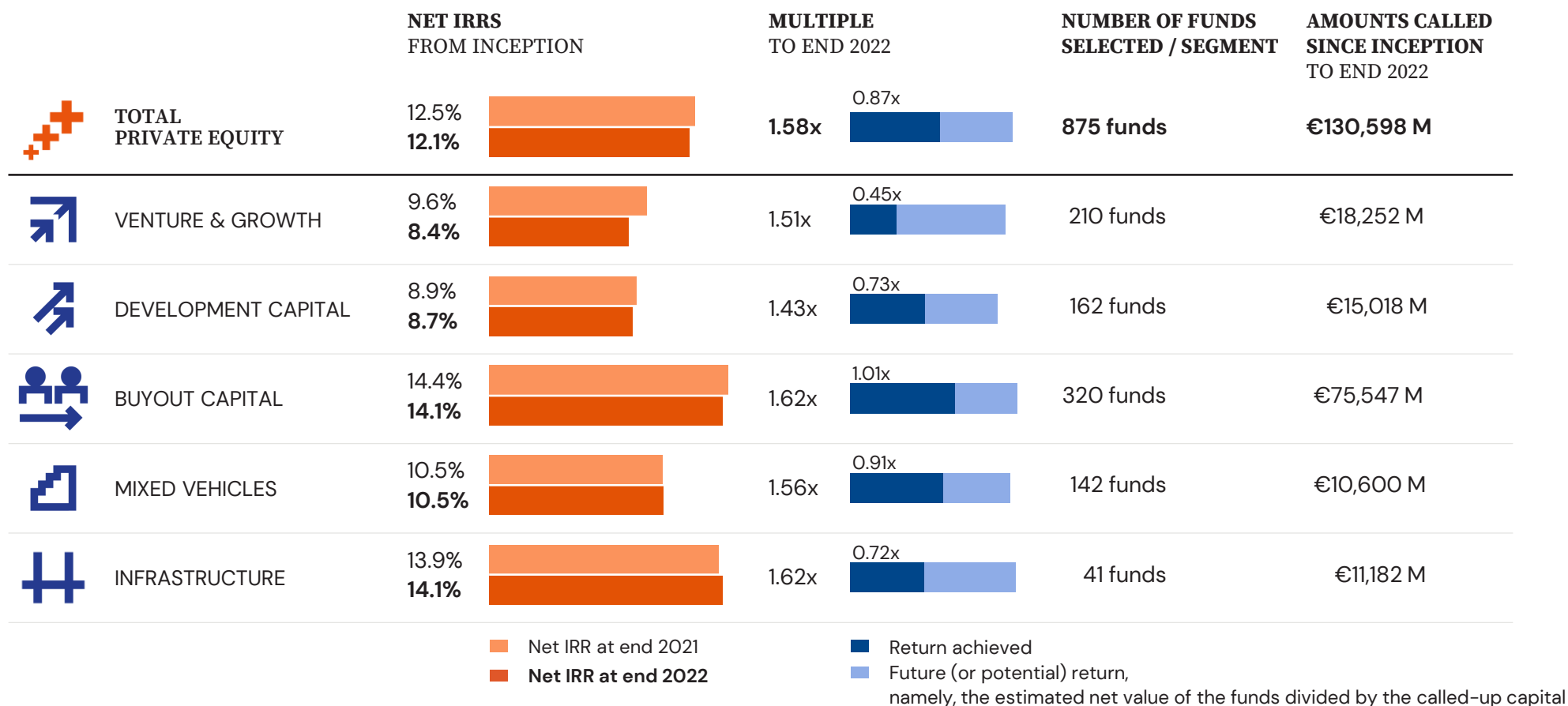


* Mixed vehicles: vehicles operating in several segments.

% Net IRRs and multiples since inception

The net IRR since inception to the end of 2022 is down slightly on most segments compared with the end of 2021.

Infrastructure funds, which were virtually stable over the year, achieved performance levels close to those of buyout capital.

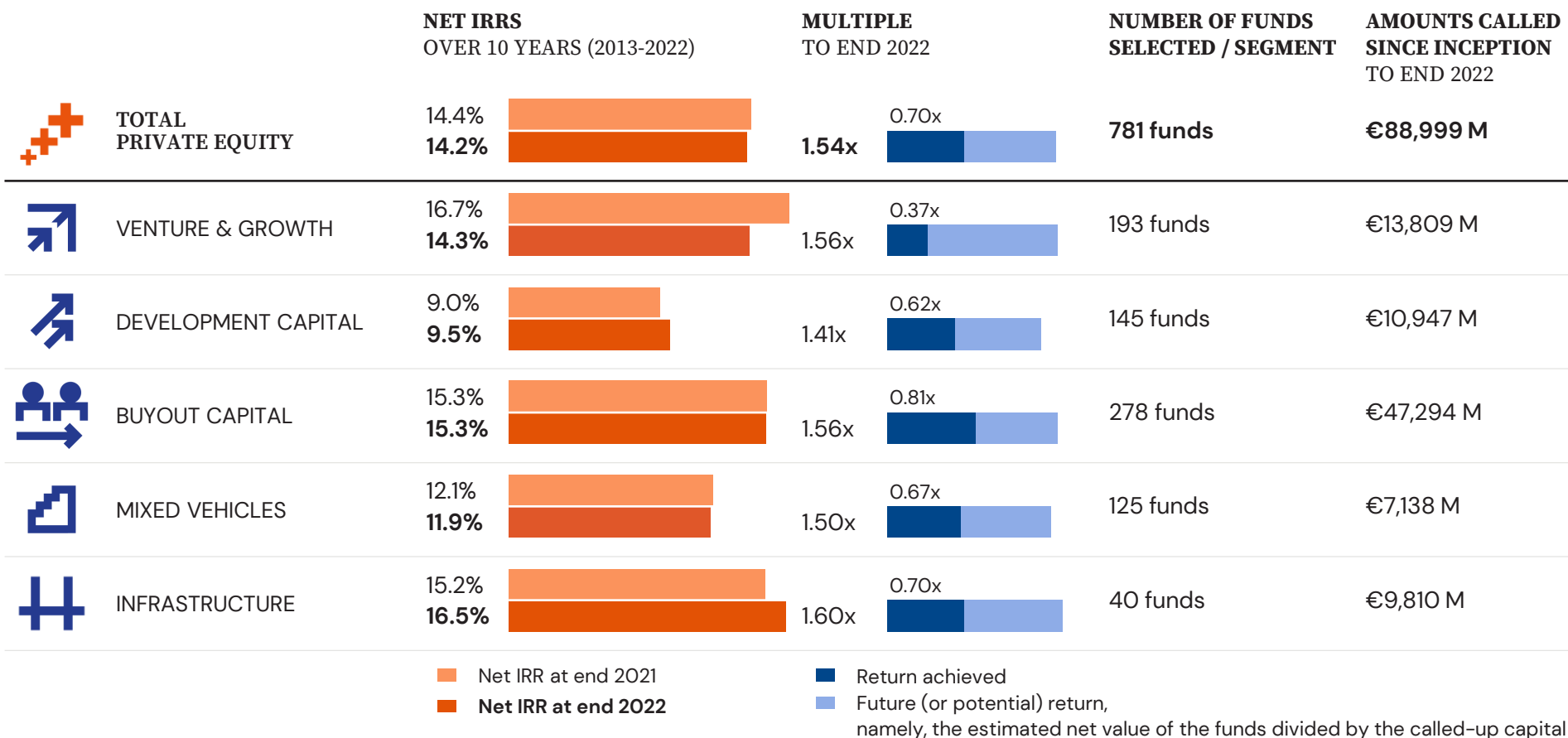




Net IRR and multiples over 10 years (2013-2022)

The 10-year net IRR at the end of 2022 is relatively stable across all segments.

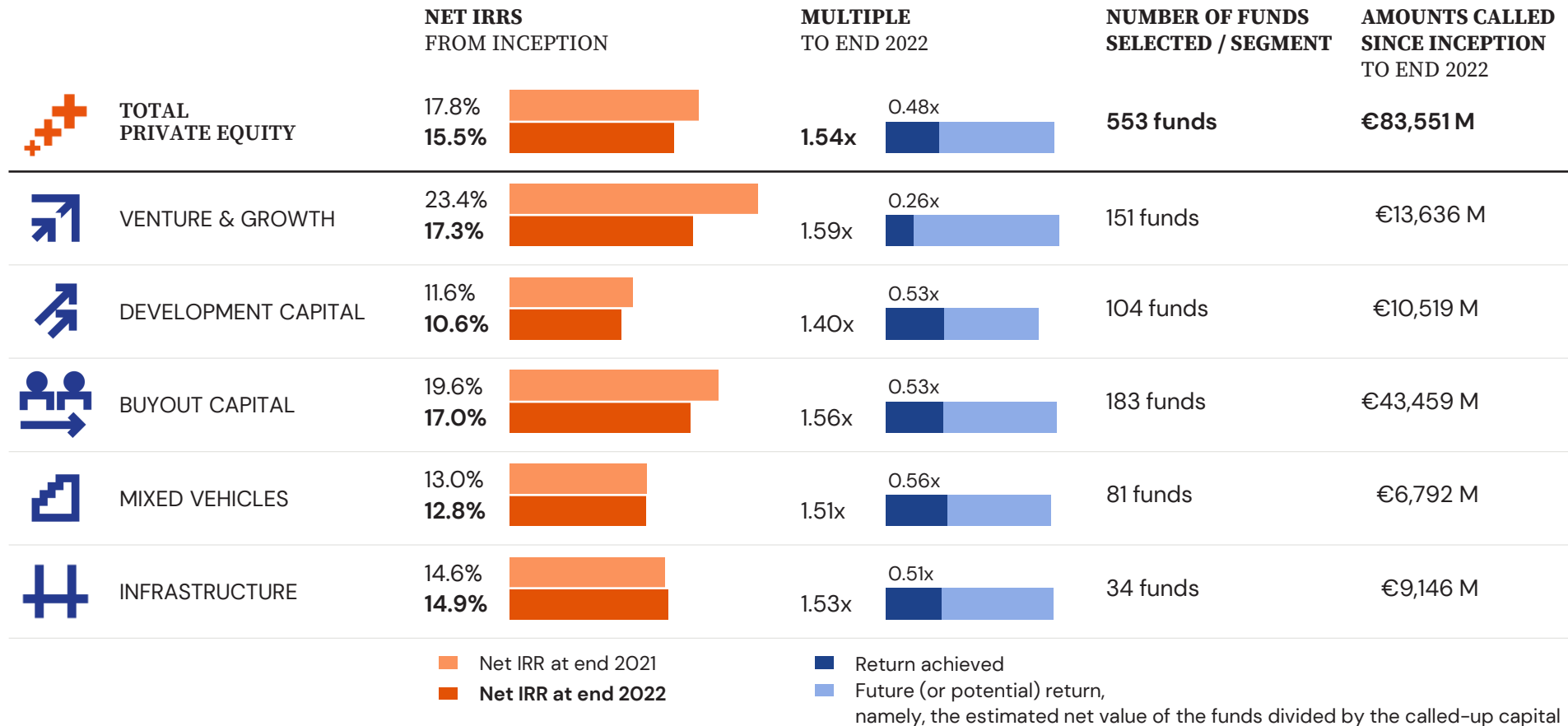
The performance of buyout capital and infrastructure is very high. Despite a fall, the performance of venture & growth also remained at a high level.





Net IRRs and multiples for open-ended funds - 2012 to 2020 vintages

Open-ended funds from the 2012 to 2020 vintages are seeing their returns adjust downwards at the end of 2022 compared with the end of 2021, particularly for *Venture & Growth* (17.3% vs. 23.4%).





Performance by quartile

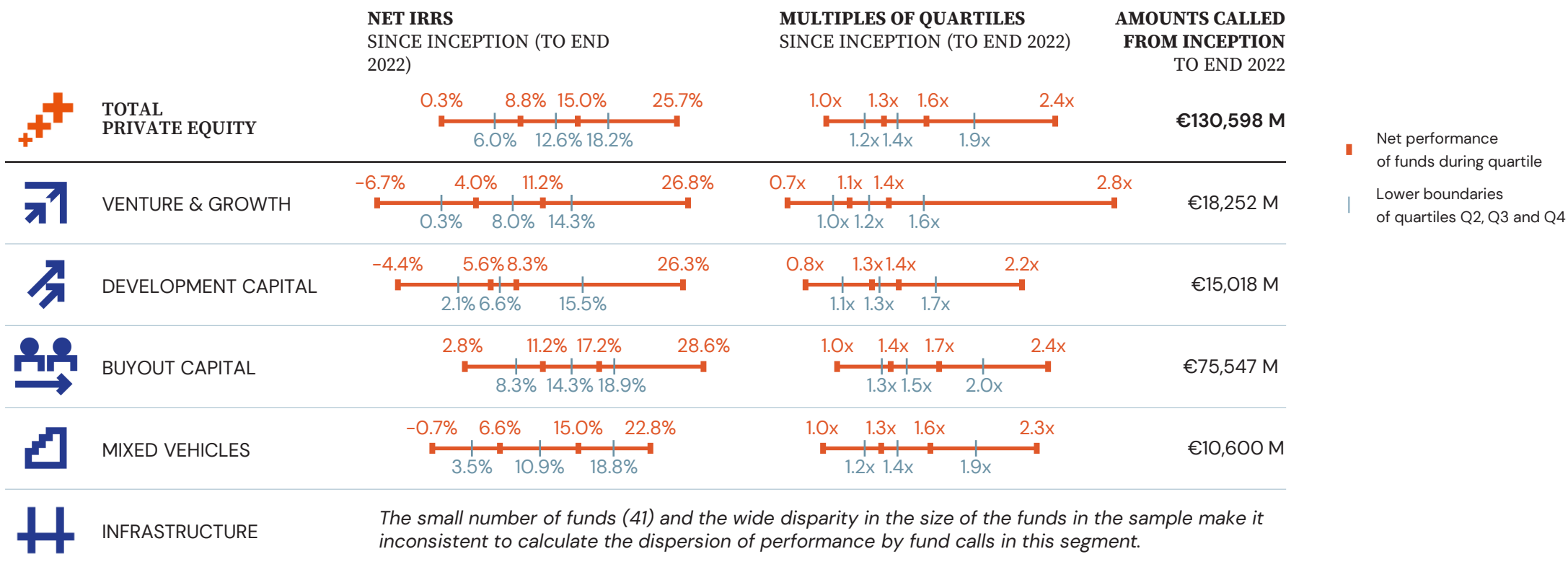




Dispersion of IRRs and multiples since inception

Breakdown by call for funds

75% of the capital called generates a net IRR of more than 6.0% and a multiple of more than 1.2x. The best-performing funds (top quartile) achieve an average IRR of 25.7% and a multiple of 2.4x.



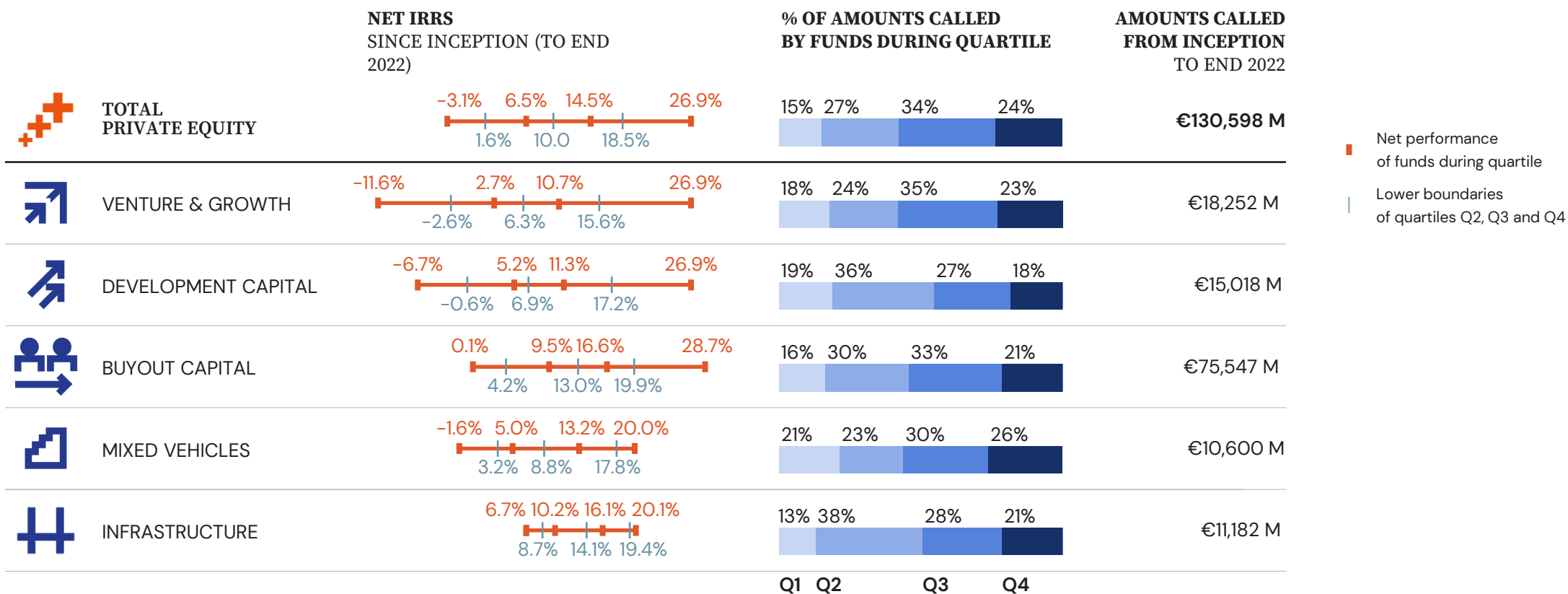
* The vehicles are sorted in order of performance, then each quartile is constituted so that the vehicles making up the quartile represent 25% of the capital calls in the sample.



Dispersion of IRR since inception

Breakdown by number of vehicles*

Returns in the top 2 quartiles are high (above 10.0%) and account for 58% of the amounts raised by private equity.



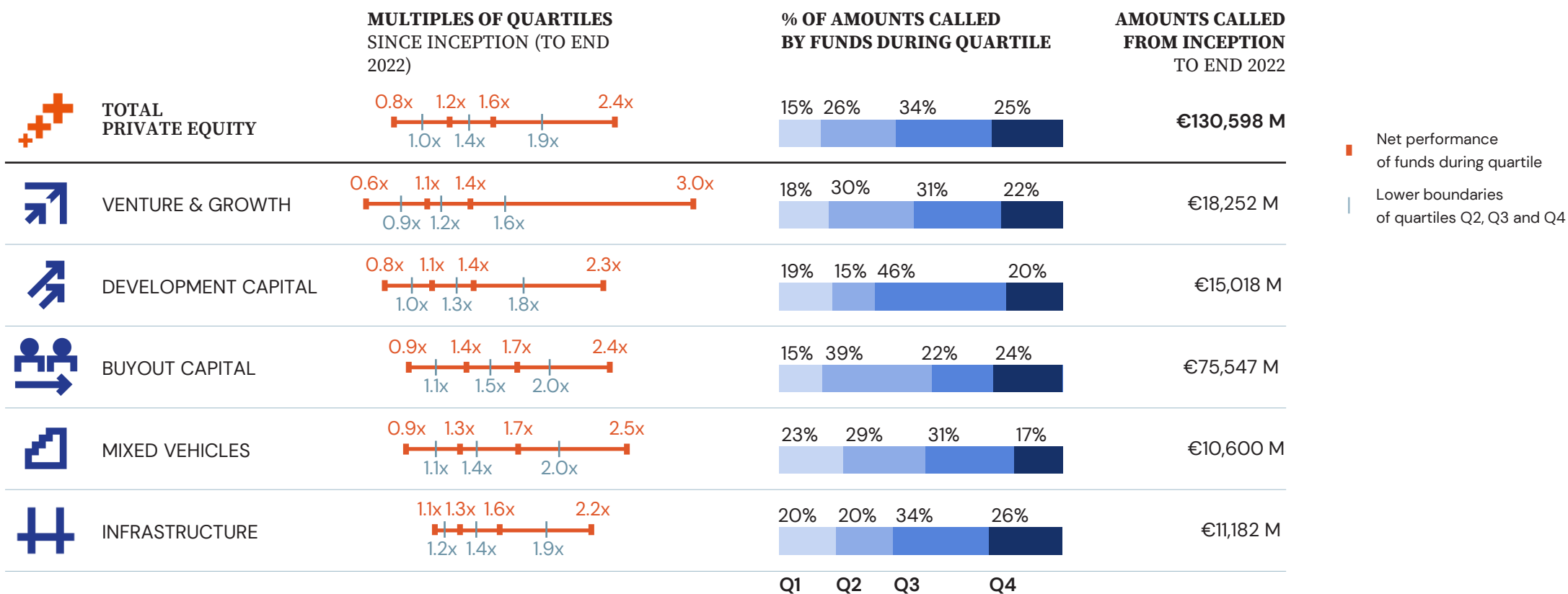
* Each quartile is made up of 25% of the vehicles in the sample, from the lowest-performing to the highest-performing.



Breakdown of multiples since inception

Breakdown by number of vehicles*

50% of capital has a multiple of more than 1.4x.
Funds with a multiple of less than 1.0x account for only 15% of capital raised.



* Each quartile is made up of 25% of the vehicles in the sample, from the lowest-performing to the highest-performing.



Appendices





Net performance by vintage

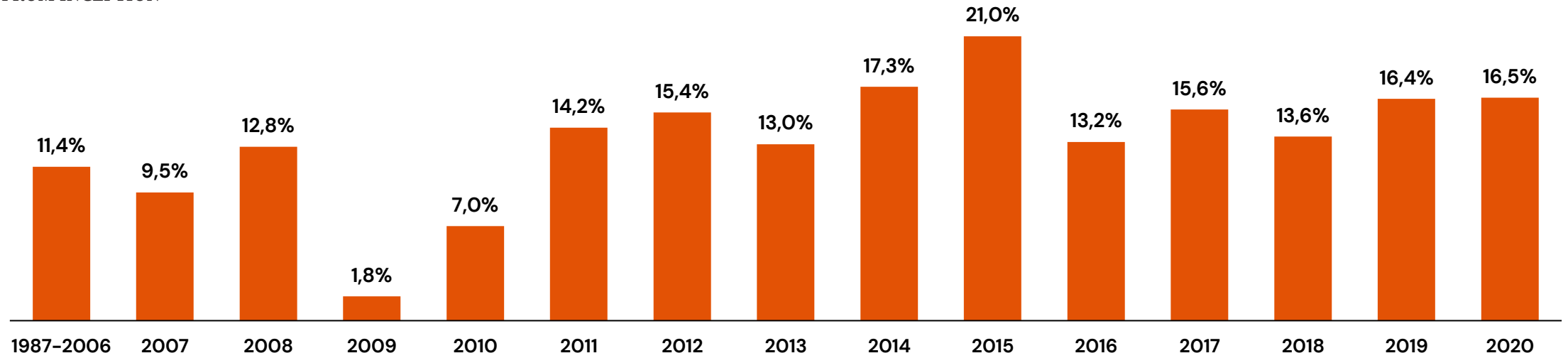




Net private equity performance by vintage



NET IRRS
FROM INCEPTION



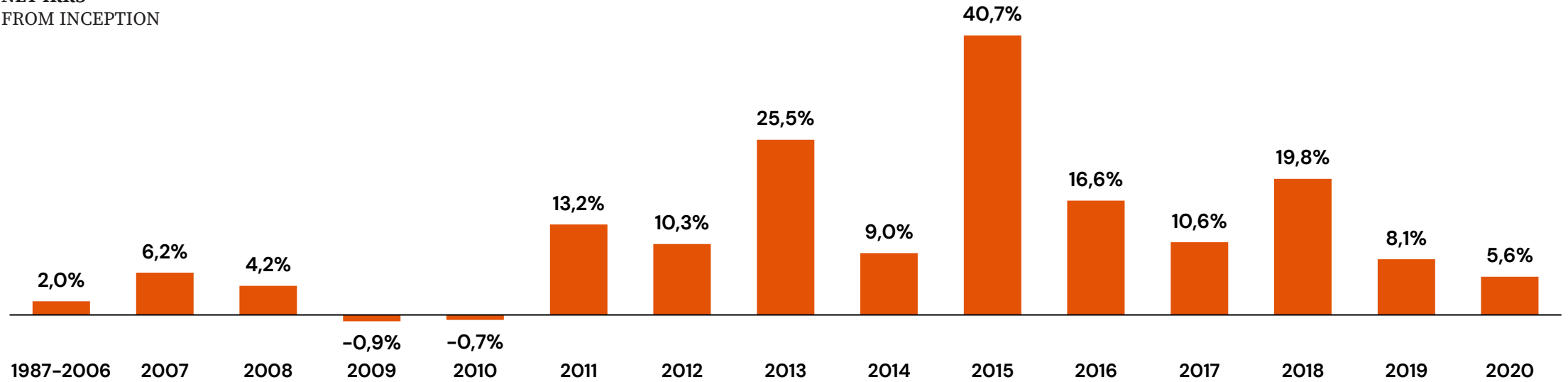
Global multiple	1.63x	1.67x	1.84x	1.11x	1.42x	1.97x	2.01x	1.78x	1.86x	2.14x	1.61x	1.43x	1.33x	1.30x	1.20x
Effective multiple	1.54x	1.63x	1.76x	0.88x	1.22x	1.73x	1.47x	1.02x	1.21x	1.06x	0.57x	0.30x	0.16x	0.04x	0.09x
Potential multiple	0.09x	0.03x	0.08x	0.23x	0.19x	0.24x	0.54x	0.77x	0.65x	1.08x	1.04x	1.13x	1.17x	1.26x	1.12x
Number of funds created per vintage	176	33	25	16	27	25	28	37	36	59	61	89	74	80	109
Amounts called by vintage (€m)	€26,207 M	€8,721 M	€3,706 M	€2,030 M	€2,278 M	€3,235 M	€3,844 M	€5,625 M	€7,166 M	€6,877 M	€13,762 M	€13,396 M	€9,438 M	€15,191 M	€9,122 M



Net performance of *Venture & Growth* by vintage



NET IRRS
FROM INCEPTION



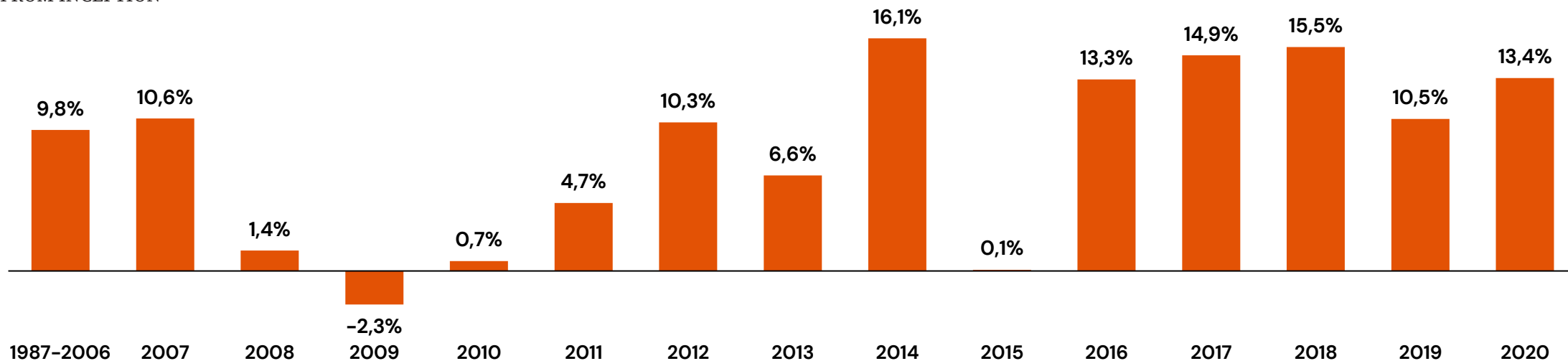
Global multiple	1.15x	1.59x	1.20x	0.94x	0.95x	2.14x	1.78x	3.69x	1.53x	3.54x	1.80x	1.31x	1.47x	1.13x	1.06x
Effective multiple	1.06x	1.19x	1.17x	0.58x	0.44x	1.18x	0.71x	0.86x	0.60x	1.24x	0.24x	0.18x	0.09x	0.03x	0.02x
Potential multiple	0.09x	0.40x	0.03x	0.36x	0.51x	0.96x	1.08x	2.83x	0.93x	2.30x	1.56x	1.12x	1.38x	1.10x	1.04x
Number of funds created per vintage	35	6	3	5	5	5	12	9	2	10	19	25	24	23	27
Amounts called by vintage (€m)	€2,882 M	€310 M	€301 M	€517 M	€82 M	€524 M	€1,039 M	€574 M	€439 M	€748 M	€1,726 M	€1,687 M	€2,541 M	€2,896 M	€1,987 M



Net performance of development capital by vintage



NET IRRS
FROM INCEPTION



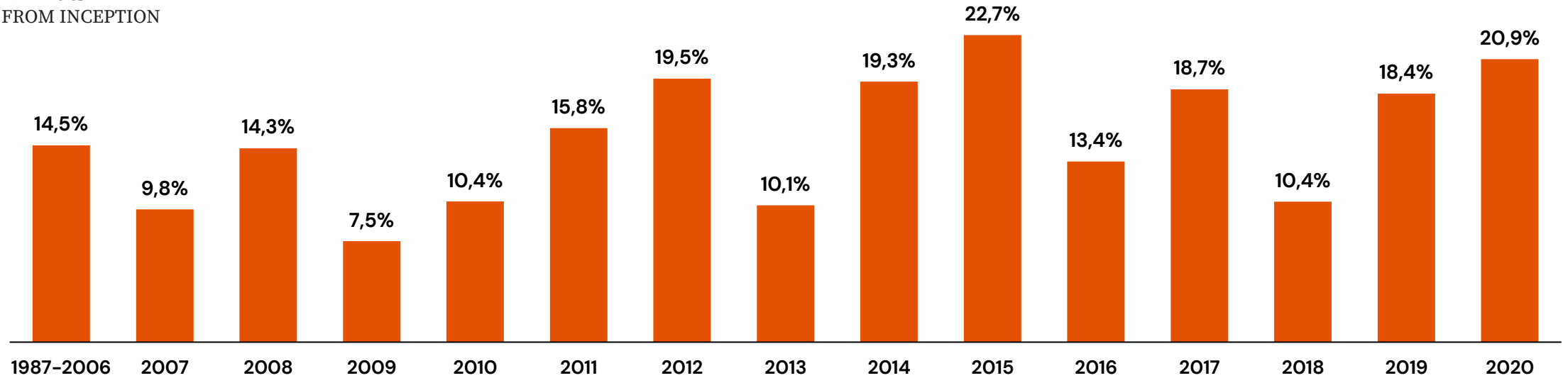
Global multiple	1.92x	1.57x	1.08x	0.87x	1.04x	1.25x	1.67x	1.34x	1.70x	1.00x	1.60x	1.51x	1.35x	1.21x	1.18x
Effective multiple	1.35x	1.34x	1.05x	0.79x	0.86x	1.17x	1.26x	0.60x	1.37x	0.42x	0.26x	0.36x	0.27x	0.01x	0.11x
Potential multiple	0.57x	0.23x	0.03x	0.08x	0.18x	0.08x	0.41x	0.73x	0.33x	0.58x	1.34x	1.15x	1.08x	1.20x	1.07x
Number of funds created per vintage	23	5	4	5	11	5	6	7	13	7	11	16	10	17	22
Amounts called by vintage (€m)	€2,061 M	€471 M	€92 M	€769 M	€668 M	€371 M	€690 M	€2,531 M	€1,341 M	€720 M	€693 M	€1,958 M	€804 M	€728 M	€1,122 M



Net performance of buyout capital by vintage



NET IRRS
FROM INCEPTION

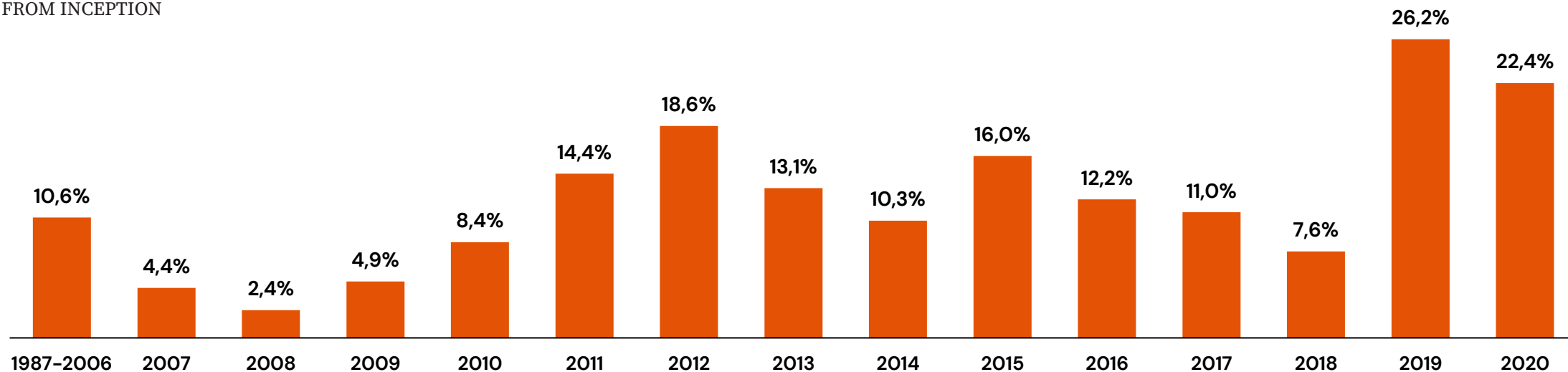


	1987-2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Global multiple	1.65x	1.69x	1.96x	1.48x	1.58x	2.06x	2.20x	1.48x	1.98x	2.42x	1.61x	1.46x	1.29x	1.37x	1.27x
Effective multiple	1.64x	1.68x	1.85x	1.18x	1.42x	1.98x	1.83x	1.39x	1.28x	1.37x	0.75x	0.30x	0.22x	0.04x	0.10x
Potential multiple	0.01x	0.01x	0.11x	0.30x	0.17x	0.09x	0.37x	0.09x	0.70x	1.05x	0.86x	1.16x	1.07x	1.33x	1.16x
Number of funds created per vintage	80	17	9	5	6	11	9	4	13	18	18	24	23	31	52
Amounts called by vintage (€m)	€18,204 M	€7,592 M	€1,672 M	€730 M	€1,163 M	€2,211 M	€1,627 M	€777 M	€4,812 M	€2,327 M	€8,651 M	€7,831 M	€3,332 M	€9,088 M	€5,529 M



Net performance of mixed vehicles by vintage

NET IRRS
FROM INCEPTION



Global multiple	1.75x	1.31x	1.18x	1.43x	1.53x	1.84x	2.13x	1.65x	1.55x	1.81x	1.60x	1.37x	1.17x	1.40x	1.22x
Effective multiple	1.66x	1.30x	0.98x	1.00x	1.14x	1.15x	1.77x	1.09x	1.00x	0.93x	0.67x	0.39x	0.08x	0.01x	0.33x
Potential multiple	0.09x	0.01x	0.20x	0.43x	0.39x	0.69x	0.37x	0.56x	0.55x	0.89x	0.94x	0.98x	1.08x	1.39x	0.89x
Number of funds created per vintage	36	5	7	1	4	3	9	13	7	20	10	20	11	2	3
Amounts called by vintage (€m)	€2,433 M	€349 M	€516 M	€14 M	€231 M	€76 M	€1,626 M	€808 M	€385 M	€2,045 M	€607 M	€1,351 M	€1,007 M	€631 M	€147 M



History of published indicators





History of the main indicators published since 2005

(France Invest / EY study) *

	NET IRRS PUBLISHED FROM INCEPTION		NET IRRS PUBLISHED AT 10 YEAR HORIZON		MULTIPLES PUBLISHED FROM INCEPTION	
YEAR 2005	10.7%		12.1%		1.37x	
YEAR 2006	12.1%		13.9%		1.48x	
YEAR 2007	14.7%		15.2%		1.51x	
YEAR 2008	11.7%		13.3%		1.39x	
YEAR 2009	8.5%		10.1%		1.26x	
YEAR 2010	9.1%		8.6%		1.33x	
YEAR 2011	8.3%		8.5%		1.31x	
YEAR 2012	8.6%		10.7%		1.33x	
YEAR 2013	9.2%		10.7%		1.37x	
YEAR 2014	10.1%		11.3%		1.45x	
YEAR 2015	10.0%		10.0%		1.48x	
YEAR 2016	10.1%		8.7%		1.50x	
YEAR 2017	9.7%		6.3%		1.48x	
YEAR 2018	9.9%		8.8%		1.48x	
YEAR 2019	10.4%		11.3%		1.53x	
YEAR 2020	11.4%		10.1%		1.60x	
YEAR 2021	12.5%		14.5%		1.66x	
YEAR 2022	12.1%		14.2%		1.58x	

* From 2020, infrastructure funds will be included in the calculation of results and local investment funds (FIP) and innovation mutual funds (FCPI) will be excluded.



Definitions





Definitions

Definition of Internal Rate of Return (IRR)

The IRR is the discount rate that cancels out the Present Value at a point in time T of a series of financial flows.

$$\sum_{t=1}^n \frac{Distributions_t}{(1 + TRI)^t} = \sum_{t=1}^n \frac{Appels\ de\ fonds_t}{(1 + TRI)^t}$$

Definition of net IRR

Net IRR is the IRR achieved by a subscriber on his or her investment in a private equity vehicle (venture capital mutual fund (FCPR), venture capital company (SCR), Limited Partnership, etc.). It takes into account negative flows relating to successive calls for funds and positive flows relating to distributions (in cash and sometimes in securities) as well as the net asset value of the units held in the vehicle on the calculation date.

This rate is net of management fees and carried interest.

It includes the impact of cash, the time effect and the estimated value of the portfolio.



Definitions

Net performance since inception (1987)

Corresponds to the net IRR calculated since inception (1987), taking into account all the flows of mature funds built up since 1987. It is calculated over a variable period, starting from a fixed inception (1987 in our study).

Net performance over 10 years

The net IRR over 10 years corresponds to the net IRR calculated over the last 10 years from 31 December 2022, taking into account all the flows of mature funds for which a net asset value (SCR) or estimated value (FCPR) is available at the start of this period, i.e. 31 December 2012. We then consider the assets or estimated value of the fund at 31 December 2012 as the theoretical investment at the start of the period.

It is calculated for a fixed term, over a rolling period (at the end of 2022, the 10-year IRR is calculated over 2013–2022).

Net performance by vintage

The net IRR per vintage in year T, calculated as at 31 December 2022, takes into account all flows since the date of the fund's first investment and not the fund's inception date, which may be earlier. This 1st investment is determined as having taken place on date/year T.



Definitions

Performance dispersion - Quartile analysis

The funds are ranked in ascending order of performance, then divided into four samples, so that each sample represents 25% of the total number of funds for the breakdown by number of vehicles, or 25% of the capital called up for the breakdown by calls for funds. For each quartile, we calculate its average performance.

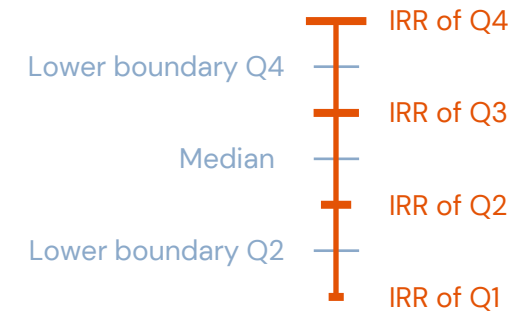
Quartile 4 and Quartile 1

Approach by number of vehicles

Samples made up of 25% of the best performing vehicles (Q4), and 25% of the least well-performing vehicles (Q1) of the total vehicle population.

Call for funds approach

Samples made up of the best-performing vehicles whose sum of calls represents 25% of called-up capital (Q4), and the least well-performing vehicles, the sum of whose calls represents 25% of called-up capital (Q1) by the total population of vehicles.



Average IRR for Q4, Q3, Q2 and Q1

Average overall IRR for vehicles in quartile 4 (Q4), Q3, Q2 and Q1.

Boundaries and median

IRR of the vehicle located at the border between two quartiles (boundary), and performance of the vehicle segmenting the total population into two samples of equal size (median).



Definitions

Net multiple

TVPI (Total Value to Paid-In) = DPI + RVPI

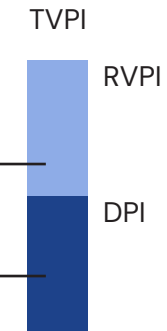
This is the sum of the actual and potential return rates, i.e. the overall multiple

RVPI (Residual Value to Paid-In) – Future return

Estimated value of the vehicle divided by the capital called, i.e. the potential rate of return

DPI (Distribution to Paid-In) – Effective return

Distributions of assets to investors divided by called-up capital, i.e. the effective rate of return



PME method

The PME (Public Market Equivalent) methodology consists of calculating the IRR of a vehicle that would have replicated all the private equity cash flows in a benchmark stock market index (in order to be able to compare the profitability of an investment in a private equity vehicle with that of a similar investment in a stock market index).

The IRR of the PME vehicle modelled in this way therefore represents the level of return that an investor could have obtained if he/she had bought or sold the equivalent of the index each time a private equity vehicle made a capital call (investment) or a distribution (divestment).

NB: The performance measured for an index depends on the investment and divestment sequence and does not reflect the intrinsic performance of the index.

For further information: Jagannathan, Ravi and Morten Sorensen (2014) 'The Public Market Equivalent and Private Equity Performance', Columbia Business School Research Paper No. 13-34.