



# Private Equity in France

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## **Outlook of Private Equity in France**

**Activity of French Private Equity firms in 2007**

**Challenges and Opportunities**

# Outlook of Private Equity in France



## The French Private Equity market in Europe

- Leading Private Equity market in Continental Europe (total investment volume)
- 18% European market share (investment volume) in 2007

## Private Equity in France

- 20% of the mergers and acquisitions market
- €60 billion invested over 10 years (of which more than 50% during the past three years) in more than 10,000 companies
- Seven-fold increase in investment volume over 10 years
- €12.6 billion invested by French PE firms in France and abroad in 2007
- More than 1,550 companies financed in 2007

# Outlook of Private Equity in France



## Companies financed by Private Equity

- Between 4,500 and 5,000 portfolio companies
- Portfolio companies have between 1.2 million and 1.5 million employees in France, and generate revenues in excess of €200 billion in France and €330 billion overall
- In France, from 2005 to 2006, these companies increased their payrolls by 6.6% and revenues by 11.1%

## Private Equity investors, AFIC members

- 260 investment companies and approximately 3,000 professionals
- > 900 firms and investment funds: FCPR, FCPI, FIP, limited partnerships, funds of funds, private equity companies (SCR), etc.



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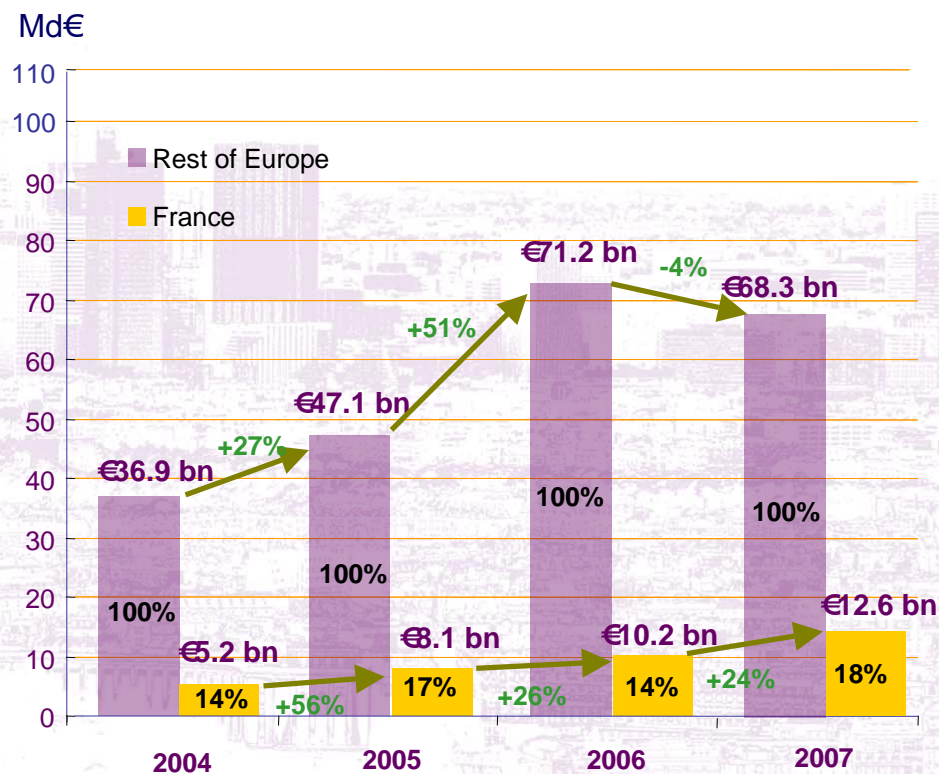
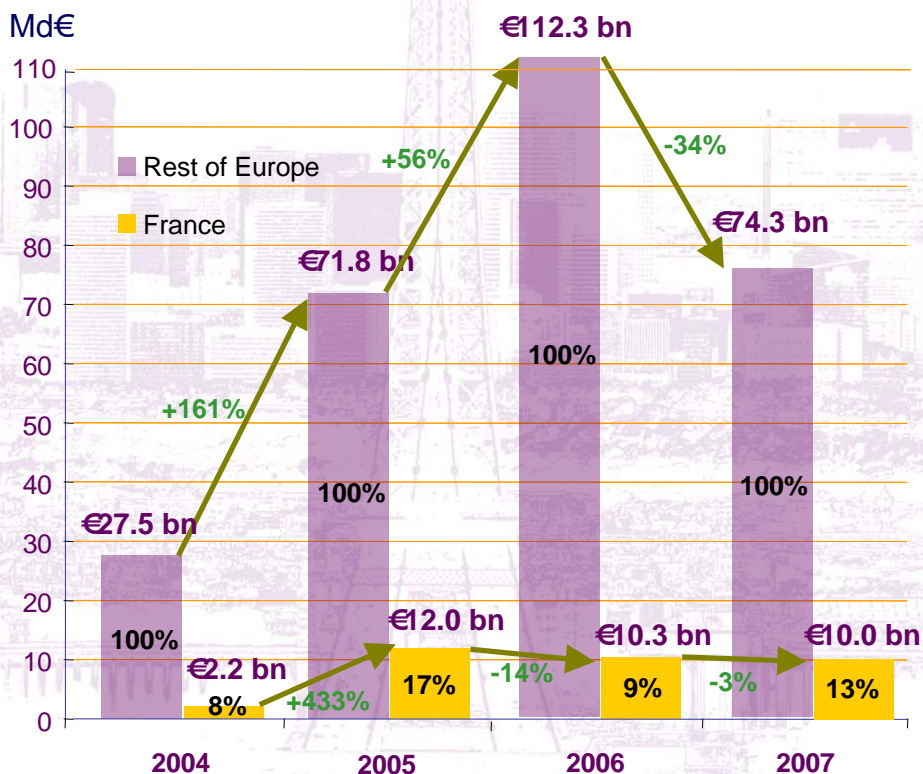
# Private Equity in 2007: France's position in Europe



## France: Leading market in Continental Europe

### Funds raised

### Investments



\* Preliminary data for Europe

Sources: AFIC – PricewaterhouseCoopers – PEREP Analytics

# Private Equity in 2007: Key figures for French PE firms



Sustained fund-raising at a high level and steady growth in investment volume

€billions*	2003	2004	2005	2006	2007
<b>Funds raised</b>	2.4	2.2	12.0	10.3	<b>10.0</b>
<b>Investments</b>	3.6	5.2	8.1	10.2	<b>12.6</b>
<b>Exits (at cost)</b>	2.2	3.1	4.3	3.8	<b>5.7</b>

\* Includes French firms that are AFIC members, investing in France and abroad

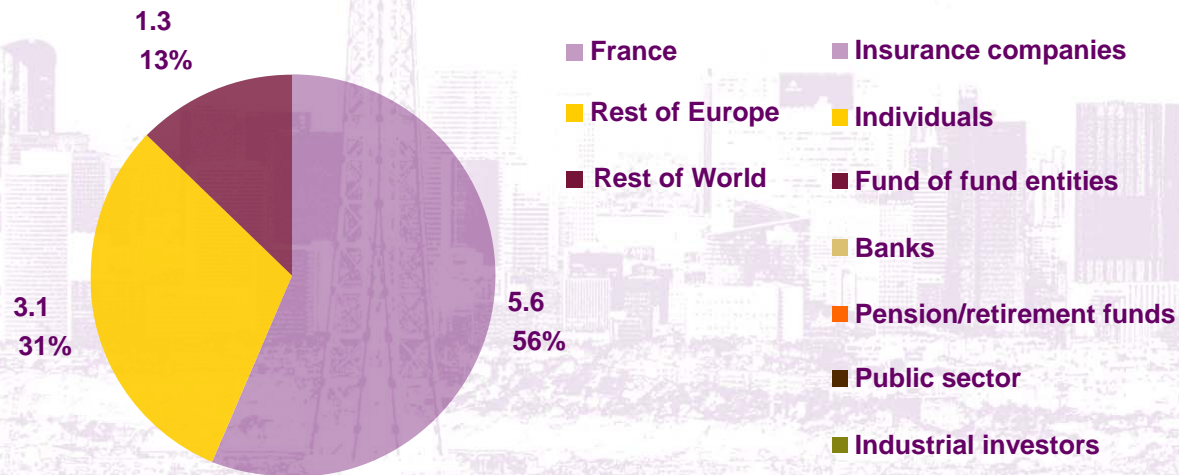
Source: AFIC – PricewaterhouseCoopers

# Private Equity in 2007: Investor profiles



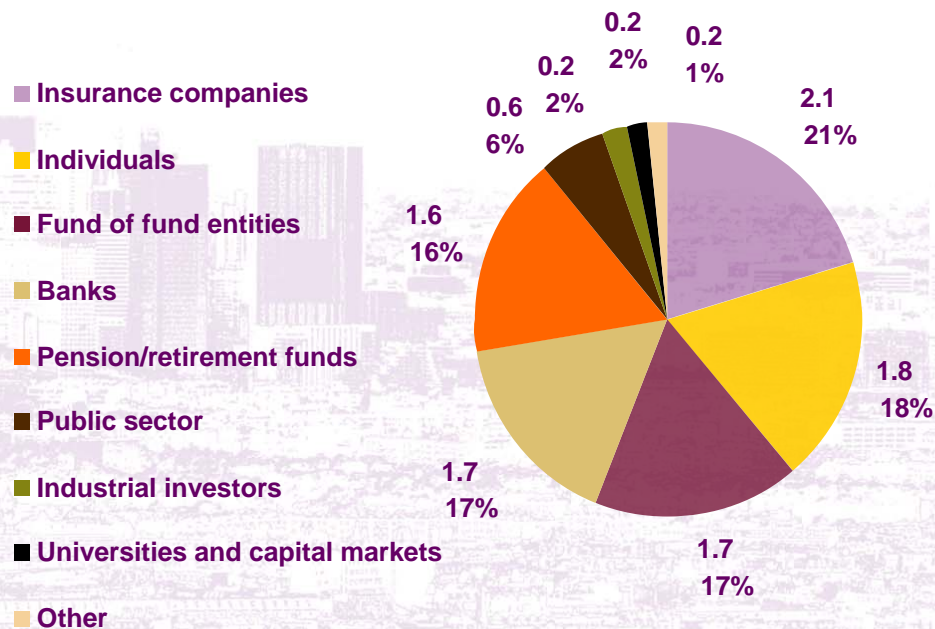
Fund-raising is well balanced among a diverse range of investor categories

Funds raised by region (\*)



Total: €10.0 bn (\*)

Funds raised by investor category (\*)



Total: €10.0 bn (\*)

\* Includes French firms that are AFIC members, investing in France and abroad

# Private Equity in 2007: Investments by segment



## Growth in activity across all segments

€billions*	2006	2007	change
- Venture	0.5	0.7	+ 26%
- Expansion	1.1	1.3	+ 24%
- Transmission (under €100 m)	4.1	4.9	+ 22%
- Large-scale LBO (over €100 m)	4.0	5.4	+ 35%
- Turnaround	0.09	0.08	NA
- Other	0.4	0.1	

\* Includes French firms that are AFIC members, investing in France and abroad

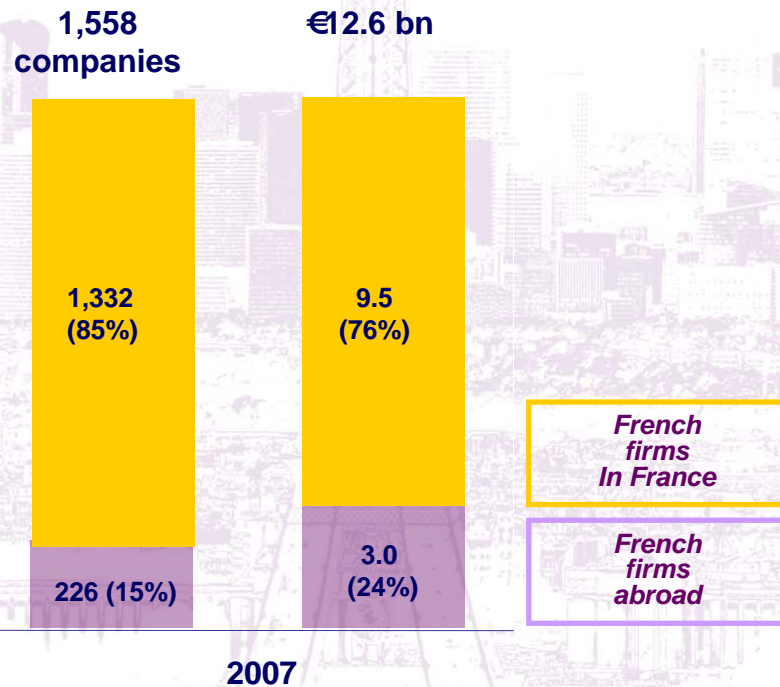
Source: AFIC – PricewaterhouseCoopers

# Private Equity in 2007: Types of investments

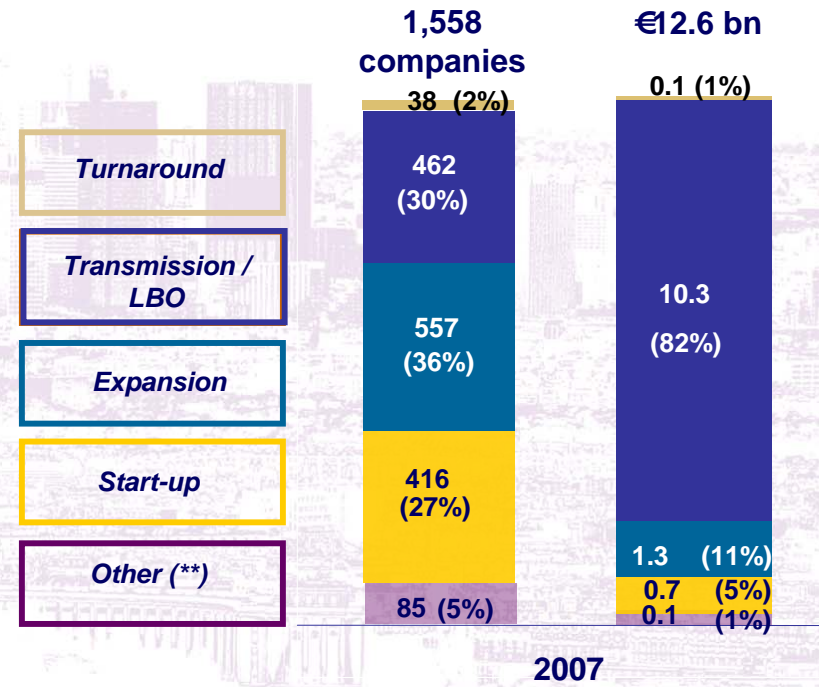


## Growth in activity across all segments

### Investments by region



### Investments by segment



\* Includes French firms that are AFIC members, investing in France and abroad

\*\* Of which, 34 share purchases for €61 million and 30 other listed share purchases for €55 million in 2007

# Private Equity in 2007: Portfolio company profiles



**More than 80% of the companies receiving financing are SMEs with fewer than 250 employees and revenues of less than €50 million**

**More than one-third of companies receiving financing are active in innovative and technological business segments**

**The bulk of the investments are allocated to French companies located in regions with a high concentration of SMEs**

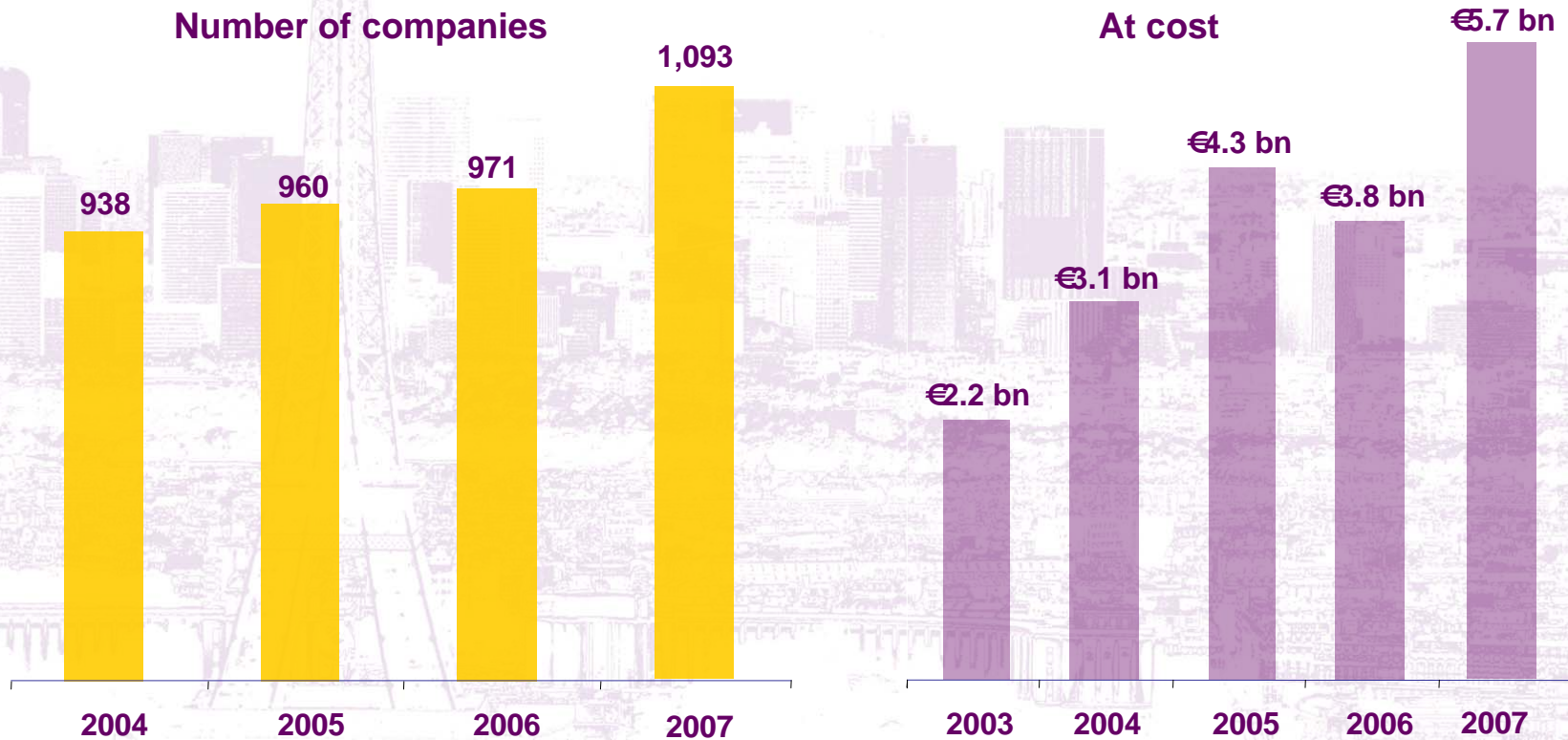
*\* Includes French firms that are AFIC members, investing in France and abroad*

**Source: AFIC – PricewaterhouseCoopers**

# Private Equity in 2007: Exits



Acceleration in the pace of exits



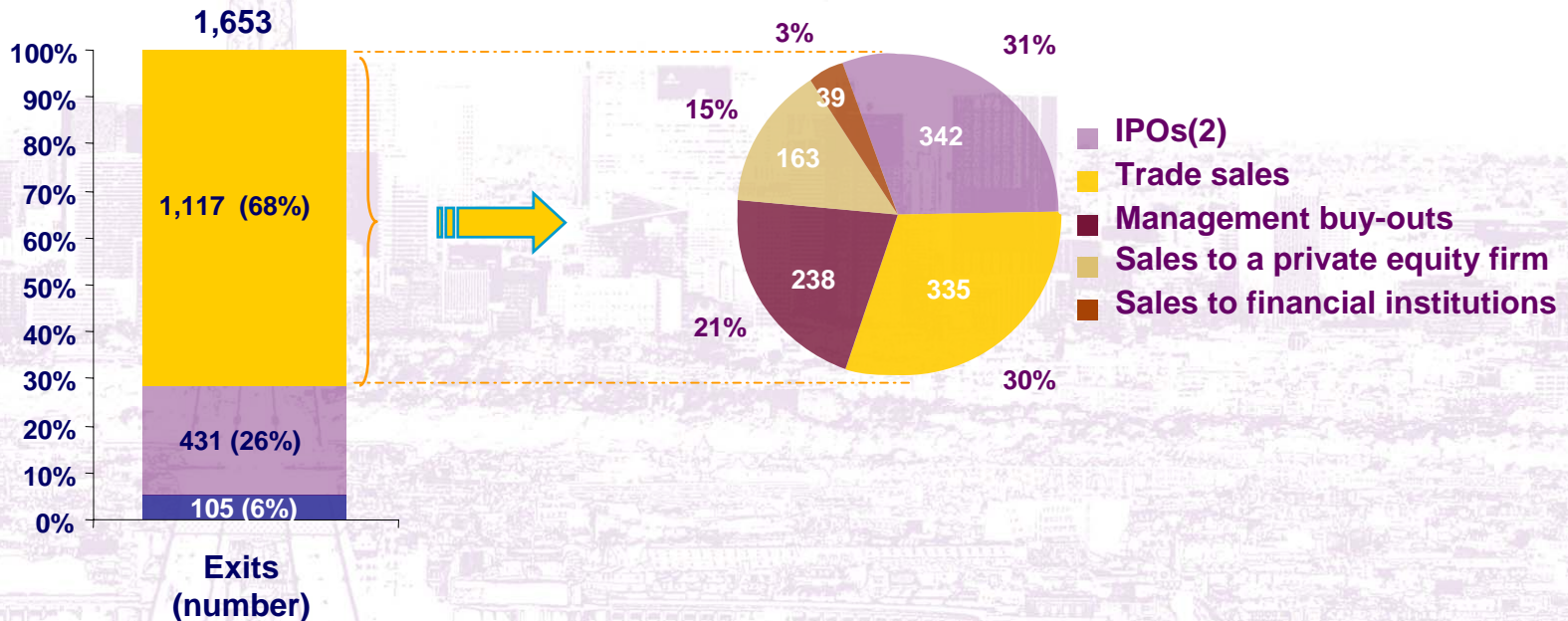
\* Includes French firms that are AFIC members, investing in France and abroad

Source: AFIC – PricewaterhouseCoopers

# Private Equity in 2007: Types of exits



More than 80% of all exits comprise trade sales, initial public offerings or management buyouts



■ Exits   
 ■ Divestment cash flows (1)   
 ■ Write-offs

*Includes French firms that are AFIC members, investing in France and abroad*

*(1) Includes reimbursements of convertible bonds, current accounts and loans as well as recapitalizations, capital decreases and other divestment cash flows.*

*(2) Includes initial public offerings and post-IPO sales of listed shares.*

**Sources: AFIC – PricewaterhouseCoopers**

# Private Equity in 2007: Net performance



French Private Equity has outperformed the European average

NET IRR	France 10 years		Europe 10 years	
	Net IRR 2006	Annual performance	Net IRR 2006	Annual performance
Venture / Early stage	- 0.8%	+ 4.4%	- 1.1%	- 0.7%
Expansion	18.5%	+ 3.4%	7.1%	- 3.2%
Transmission / LBO	20.8%	+ 3.8%	14.3%	+ 0.0%
Private Equity	<b>13.9%</b>	+ 1.8%	<b>11.0%</b>	- 0.4%



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# Challenges and Opportunities: Status of the French market



An economic and industrial environment showing higher demand for capital in order to maintain growth levels

Number of employees	Number of companies	% of companies receiving Private Equity financing
More than 250 employees	4,900	25.0%
> 20 employees	65,000	6.5%
> 10 employees	180,000	Less than 2.0%
-	2,650,000	Less than 0.2%

# Challenges and Opportunities: Status of the French market



## Exceptional market depth and potential

### 320,000 new company start-ups per year

- 233,000 new companies
- 11,500 qualifying as “innovative”
- 400 companies receiving Venture Capital financing each year

### 50,000 “growth” SMEs

- 27,000 growth SMEs, including more than 10% qualifying as “gazelles”
- 550 companies receiving Development Capital financing each year

### 60,000 companies transferred each year

- 6,000 companies with more than 10 employees
- 450 companies receiving Transfer Capital financing each year

# Challenges and Opportunities for Private Equity in France



## A stand-alone asset class across all segments

- **Robust and recurring performance**
- **Real needs and structural demand**
- **Market depth and potential**
- **Governance (regulatory framework, compliance, valuation and reporting guidelines)**
- **Responsible investment and sustainable development (environmental and social)**



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