

The French Private Equity market: what is the outcome for 2018?

Market trends – July 15th 2019

1



Jean-Yves Lagache
Managing Director - Fund Investments
jyl@essling.com

Following the 2018 report on French Private Equity players, published in the first quarter, France Invest has just presented the performance statistics for the sector over the same period. An opportunity to look at the previous year and observe the progress made over the past ten years.

Key Points

- Capital raised continues to grow at a sustained pace in 2018;
- Investments are increasing, both in number and amount, in all significant market segments;
- The performances recorded over the last 10 years are robust.

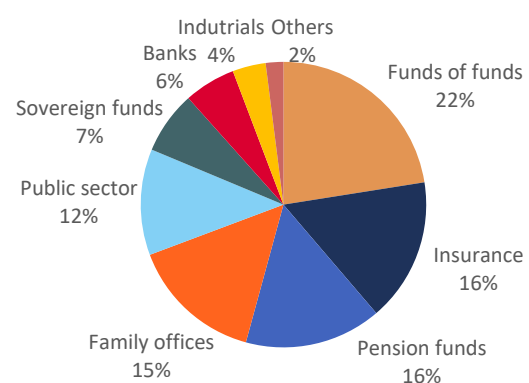
Sustained growth on fundraising

Capital raised reached €18.7 billion, up 13% compared to 2017, which was already a record year.

Pension funds, sovereign funds, public funds, but also individual investors and families have significantly increased their commitments. While insurers' commitment is slightly down, they remain largely active.

These figures reflect the interest of a wide variety of investors in the asset class. **This diversity provides a solid foundation on which Private Equity players can build.**

Capital raised by subscribers (2018)



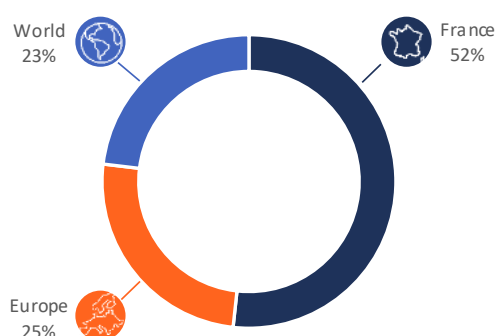
Source: France Invest, Grant Thornton, March 2019

High attractiveness for foreign investors

French Private Equity remains an attractive market for domestic investors but also outside our borders.

International capital raised reached 48% of total commitments in 2018. A high and significantly increasing proportion over the last 10 years, driven by funds of funds, pension funds and sovereign funds.

Capital raised by geographical origin (2018)



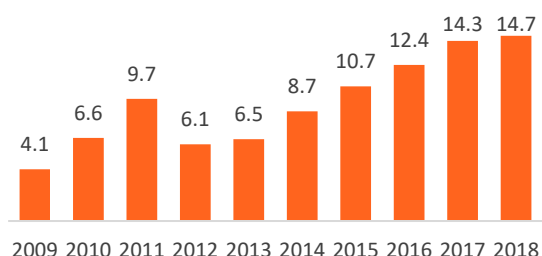
Source: France Invest, Grant Thornton, March 2019

As in previous years, buyout drains most of the capital (53%) followed by growth capital (32%). Venture capital is stagnating (14%) and turnaround capital (1%) is not yet emerging as a significant segment despite public sector support.

Increasing investment

Investment was also very dynamic in 2018. €14.8 billion have been deployed in 2,200 companies. The numbers have been steadily increasing since 2012, a year that had been impacted by the economic slowdown.

Investment amounts over 10 years (€ billion)



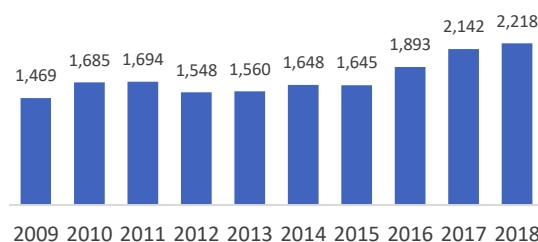
Source: France Invest, Grant Thornton, March 2019

SME financing (investments between €5m and €100m) increased significantly in number of transactions (425 in 2018 vs. 352 in 2017) and is at the heart of the market (€8.2 billion invested).

The financing of start-ups was maintained in terms of number of operations (1,769) and amount (€2.0 billion).

investments of more than €100 million concerned 24 operations and totaled €4.5 billion.

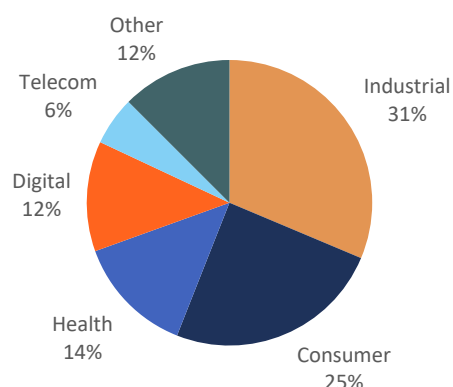
Number of companies supported over 10 years



Source: France Invest, Grant Thornton, March 2019

French Private Equity players were very active in 2018 in the different sectors of the economy (industry, consumer, health, digital and services).

Number of companies supported (2018)



Source: France Invest, Grant Thornton, March 2019

It should also be noted that **more than one out of two transactions involves companies that have opened their capital to an investment fund for the first time**, a sign of increasing penetration of Private Equity in the economy.

Very positive net performances over a long period

In a context marked by a decline in publicly traded comparables, the performance of French investment funds was generally good in 2018 with a 1-year net IRR of 8.8% (11.6% in 2017).

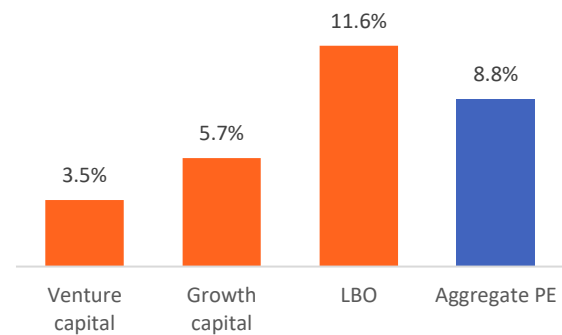
Over the long term, which is more significant for assessing the performance of the asset class, the results are also satisfactory: 8.8% over 10 years.

It should be noted, however, that there are large differences between the different segments.

Over 10 years, the buyout has a net IRR of 11.6%, growth capital 5.7% and venture capital 3.5%.

This same hierarchy of performance is observed regardless of the duration of the analysis (since 1987, over 15 years, 10 years, 5 years).

10-year net performance at the end of 2018



Source: France Invest, EY, june 2019

Conclusion

In 2018, the French Private Equity market confirmed its success in terms of fundraising, investment dynamic and performance.

Biography



Jean-Yves Lagache
Managing Director – Fund Investments
jyl@essling.com

Jean-Yves, 56, joined Essling Capital in 2017 after 22 years at Amundi, including as head of the Private Equity fund selection team since 2007.

He began his career with the Sodexo Group, then the Suez Group.

A graduate of ESSEC, Jean-Yves holds a DESCF and a Master's degree in law and is a financial analyst.

This document is a viewpoint of Essling Capital. It is intended to inform its readers in general and does not constitute investment advice or solicitation.

For further information, please contact us at the following address: ir@essling.com



About Essling Capital – www.esslingcapital.com

Founded in 2017 and headed by Michele Mezzarobba, Essling Capital is an independent Private Equity management company. Essling Capital manages and advises more than €1 billion in Europe and internationally. Through its international network, Essling Capital offers its investors innovative and leading investment solutions. Essling Capital is approved by the AMF, approval n°GP – 17000016. Essling Capital is intended for professional investors only. Please refer to the legal notices on the website for more details on the risks inherent to investments and the policies implemented by the company.