

FRANCE

# Private Capital Breakdown



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# Introduction

## Private equity

**Private equity (PE) activity in France bounced back in 2023 with a strong first quarter.** Q1 saw 309 PE deals worth €25.3 billion, representing an 11.9% increase in deal count quarter-over-quarter (QoQ) and a 43.9% increase in deal value QoQ. Seemingly avoiding a recession, the French economy showed signs of resilience and is forecast to have the second-highest growth among the major European economies in 2023. France accounted for two of the three megadeals in Europe and saw a surge in the €25-€100 million deal bucket, which goes hand in hand with the trend of higher add-ons, which represented one in every two deals in Q1. Buy-and-build strategies seem to be engrained in business ideology in France, with some of the country's largest companies—including LVMH—building empires based on the strategy.

**In Q1 2023, PE exit value reached a quarterly record in France, totalling €21.3 billion across 69 exits.** Q1 closed almost half of 2022's total exit value, thanks to a few mega-exits. Public listings were nonexistent in France in Q1 following a very quiet 2022. Given the shift in markets with monetary policy tightening, sponsors have preferred to avoid public listings in favour of mergers & acquisitions (M&A) and secondary buyouts. We saw a shift in the preferred exit route, as 72.5% of exit value in France was from acquisitions as opposed to buyouts, which accounted for 27.5% of exit value.

**Only a single fund closed in Q1 2023 in France, echoing the difficult fundraising environment we have seen across geographies.** The decline began in 2022, which marked the lowest fundraising year since 2015. However, we are encouraged to see moves to democratise and improve accessibility to private markets, notably to retail investors, thanks to new regulation in Europe and new platforms.

## Venture capital

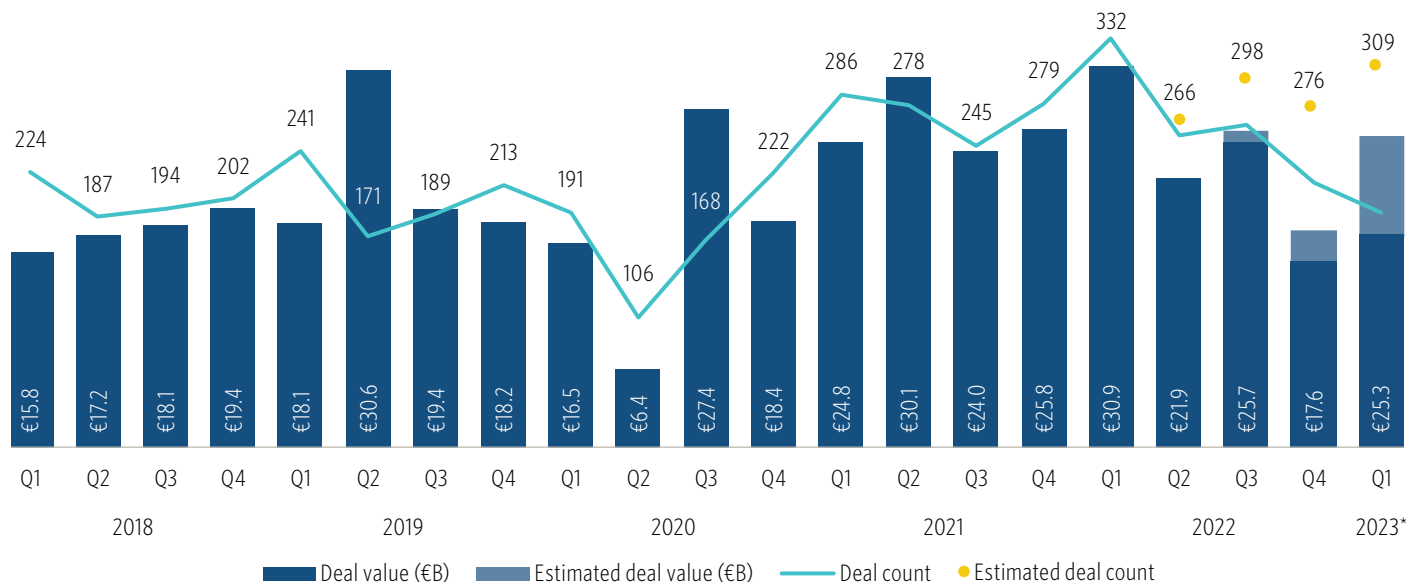
**Venture capital (VC) deal activity in France showed some signs of an uptick in Q1 2023.** VC deal value displayed resilience despite wider macroeconomic headwinds in Europe, with France's underlying economy appearing more resilient too. Paris continues to defend its second-place position as a top VC hub in terms of deal value, with other French regions appearing in our top 15 hubs in Europe for the first time. VC-backed companies were able to close rounds, with deal value increasing sequentially and the most resilience seen in the information technology (IT) hardware and energy sectors. Late-stage deals continued to drive activity, taking share of deal value in the quarter. Venture-growth deals declined the most year-over-year (YoY).

**Dynamics were similar for exit activity in the quarter, where marked YoY declines were met with improved sequential growth in activity.** Within this data, the picture is mixed per exit type, with robust M&A markets taking share from continued depressed public listing activity. Whilst volatility in public markets has somewhat stabilised from 2022, lower valuations and an uncertain outlook are likely to keep listing activity muted, although the quarter did see France's first IPO of 2023.

**The weakest spot in the VC landscape appears to be fundraising, and government support is key.** Only one large fund closed in Q1 2023, taking more than 22 months to do so. The French government appears to be addressing the stretched financing environment, with new initiatives announced this quarter. The response has also been wider, with the European Investment Bank's new European Tech Champions Initiative (ETCI) to support investment in unicorns. Amid continued pressures and overindexation of limited partner (LP) capital to private markets, such support will be key, especially for late-stage companies.

# PE deals

## PE deal activity by quarter



Source: PitchBook • Geography: France  
\*As of March 31, 2023

## Resilient French economy

PE activity in France has bounced back with a very strong first quarter to the year. In Q1 2023, France saw 309 PE deals worth €25.3 billion, representing an 11.9% increase in deal count QoQ and a 43.9% increase in deal value QoQ. Both figures were down YoY, as Q1 2022 was the strongest quarter on record and marked the peak of the bull market for private markets across several geographies. The strong bounceback can be linked to the ongoing resilience of the French economy, which seemingly is on course to avoid a recession despite inflation peaking at 6.3% in February 2023.<sup>1</sup> France's economy grew 0.1% in Q4 2022 and then 0.2% in Q1 2023.<sup>2, 3</sup> Among the other G7 economies, only Italy and the UK had higher growth rates in 2022. The IMF forecasts that France will have the second most resilient growth of the major European economies in 2023 at 0.7%, trailing Spain only, while Germany and the UK will contract.<sup>4</sup> With the European Central Bank (ECB) showing no signs of monetary easing—unlike the Federal Reserve in the US, which may have hiked for the final time this year—it is encouraging to see the levels of inflation in

## GDP growth for G7 economies\*

	2022	2023	2024
France	2.6%	0.7%	1.3%
Germany	1.8%	-0.1%	1.1%
United Kingdom	4.0%	-0.3%	1.0%
Italy	3.7%	0.7%	0.8%
United States	2.1%	1.6%	1.1%
Japan	1.1%	1.3%	1.0%
Canada	3.4%	1.5%	1.5%
G7 average	2.2%	1.5%	1.2%

Source: IMF, April 2023 World Economic Outlook • Geography: Global  
\*As of April 2023

France below that of the rest of the eurozone. These various macroeconomic indicators point towards a strong recovery in the French PE market in 2023, which we already began seeing in Q1.

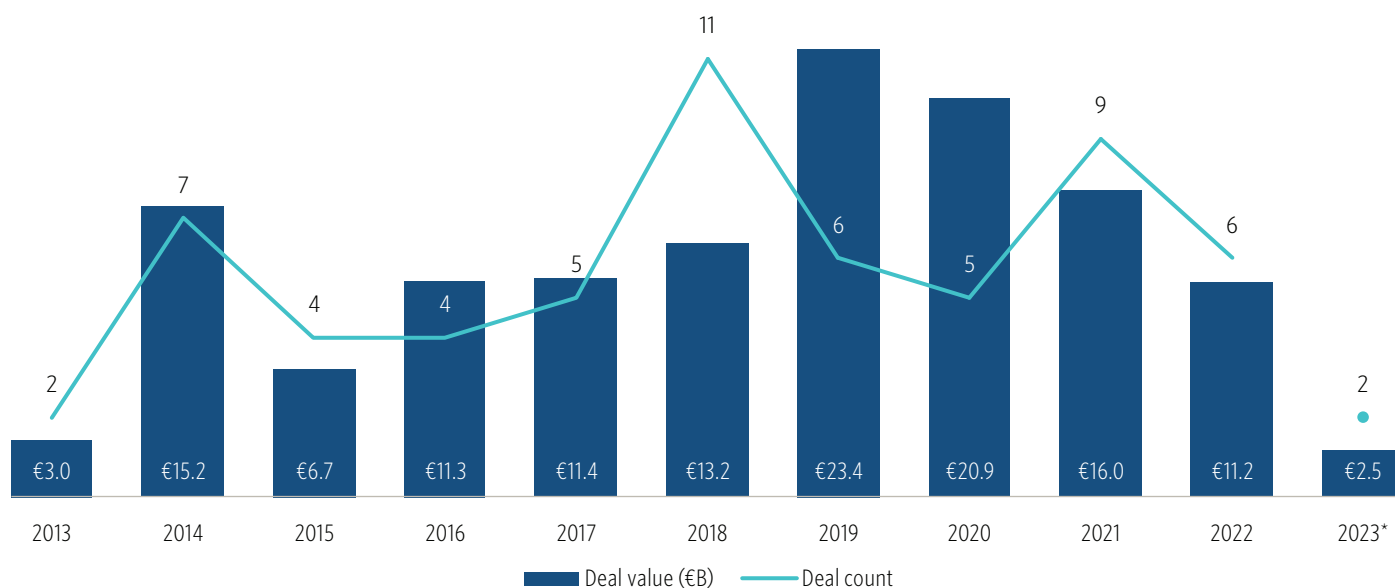
1: "France Inflation Rate," Trading Economics, April 2023.

2: "Quarterly National Accounts - Detailed Figures - Fourth Quarter 2022," INSEE, February 28, 2023.

3: "French Central Bank Nudges Up Q1 Economic Growth Forecast to Around 0.2%," Reuters, Dominique Vidalon, April 11, 2023.

4: "GDP - International Comparisons: Key Economic Indicators," House of Commons Library, May 19, 2023.

## PE megadeal activity



Source: PitchBook • Geography: France  
\*As of March 31, 2023

### Leading European megadeals

The bullish sentiment in dealmaking can be illustrated by France accounting for two of the three megadeals closed in Europe in Q1. French automotive data firm A2Mac1 was bought out by Providence for €1.4 billion from its previous PE owner Five Arrows. Sponsors are on the lookout for recession-proof businesses such as A2Mac1 that are able to pass inflation costs onto their customers or scale up their business whilst improving margins. The second megadeal saw the rescue acquisition of French nursing home group Orpea by the country's public lender Caisse des Dépôts Group for €1.1 billion. Historically, France accounts for 11.8% of PE megadeals in Europe,<sup>5</sup> but we expect this figure to be higher in 2023 given the strong start to the year and the supportive macroeconomic horizon. Having said this, the megadeal volume in Europe as a whole remains low given the shifts in the macroeconomic landscape.

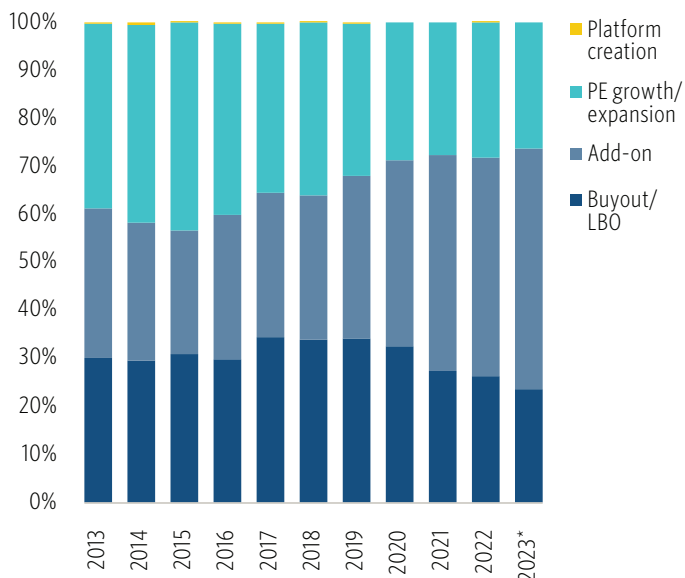
### Midsize tickets increase through add-ons

Megadeals aside, France saw a surge in the €25-€100 million deal bucket. In 2022, €17.8 billion in deals was executed in this bucket, up 28.3% YoY and accounting for roughly one in every five PE deals in France. This trend continued in Q1 2023, as 27.1% of deals were between €25 million and €100 million, totalling €4.6 billion in the quarter,

significantly higher than the 10-year quarterly average of €2.6 billion. The midsize deals go hand in hand with the trend of add-ons in France. With all the uncertainty around interest rates, the war in Ukraine, the COVID-19 pandemic, the French presidential election in 2022, and inflation, it comes as no surprise that sponsors have preferred the smaller add-on type of acquisition to complement their existing portfolios rather than more expensive, larger, and riskier buyouts. Add-ons have been rising as a percentage of deal count, growing from 44.8% in 2021, to 45.7% in 2022, to a record 50.0% in Q1 2023. With buy-and-build representing one in every two deals, it is clear that French PE dealmaking has a preference for the strategy. In fact, we could argue that buy-and-build is part of the core of doing business in France. Some of the largest companies in France have grown through add-ons and M&A to build empires that compete on a global scale, including LVMH, L'Oréal, and Pernod Ricard.

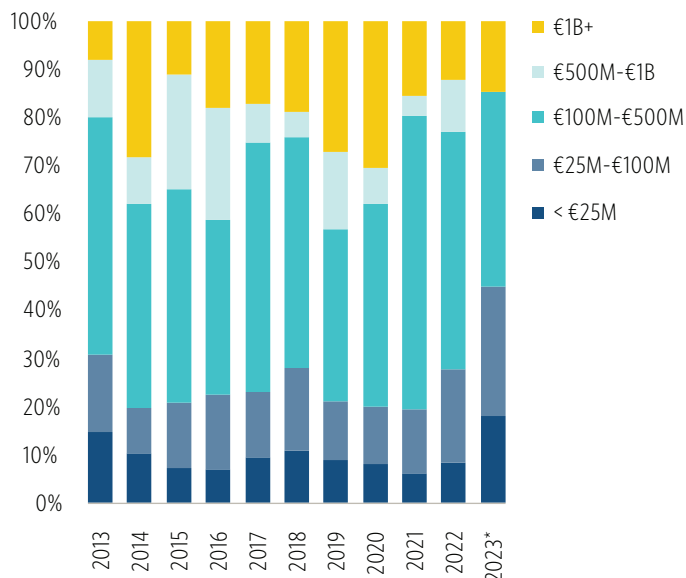
5: Based on an average of the last 10 years.

## Share of PE deal count by type



Source: PitchBook • Geography: France  
\*As of March 31, 2023

## Share of PE deal value by size bucket



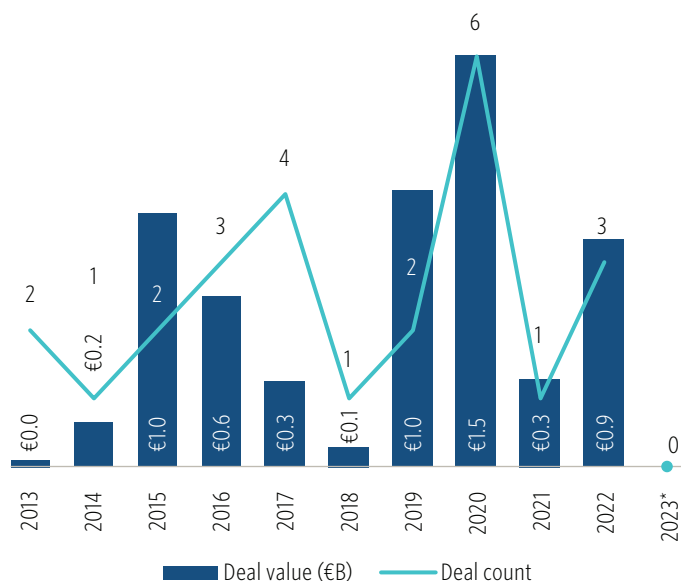
Source: PitchBook • Geography: France  
\*As of March 31, 2023

## An economy heavy in the B2B sector and light on tech

The French market has historically been wired towards consumer discretionary and industrials as opposed to tech and healthcare in the US or financials and energy in the UK. In our data, this translates to a higher share of business-to-business (B2B) and business-to-consumer (B2C) deals in France compared with Europe. In fact, we have seen the B2B sector increase in market share in recent years, rising from 34.1% of deal count in 2020 to 41.1% in Q1 2023. Indeed, half of the top 10 largest deals in Q1 were in the B2B sector.

The IT sector, on the other hand, remains relatively small in France, representing less than 5% of the MSCI France index.<sup>6</sup> This helps explain why we saw no public-to-private deals in France in Q1 2023 and only three in 2022. For context, there were 37 in Europe and 48 in the US in 2022. Take-privates were a popular trend in 2022 and into 2023 as public market valuations fell and PE sponsors were able to buy businesses at a discounted valuation, most notably within tech, where valuations corrected the most. Given France does not have many businesses operating within tech, take-privates are not very popular. However, the strong VC presence in Paris may help correct this in the future. Another possible explanation is that France is very protective of its assets, which are often concentrated with a handful of shareholders reluctant to cede control. Such

## PE public-to-private deal activity

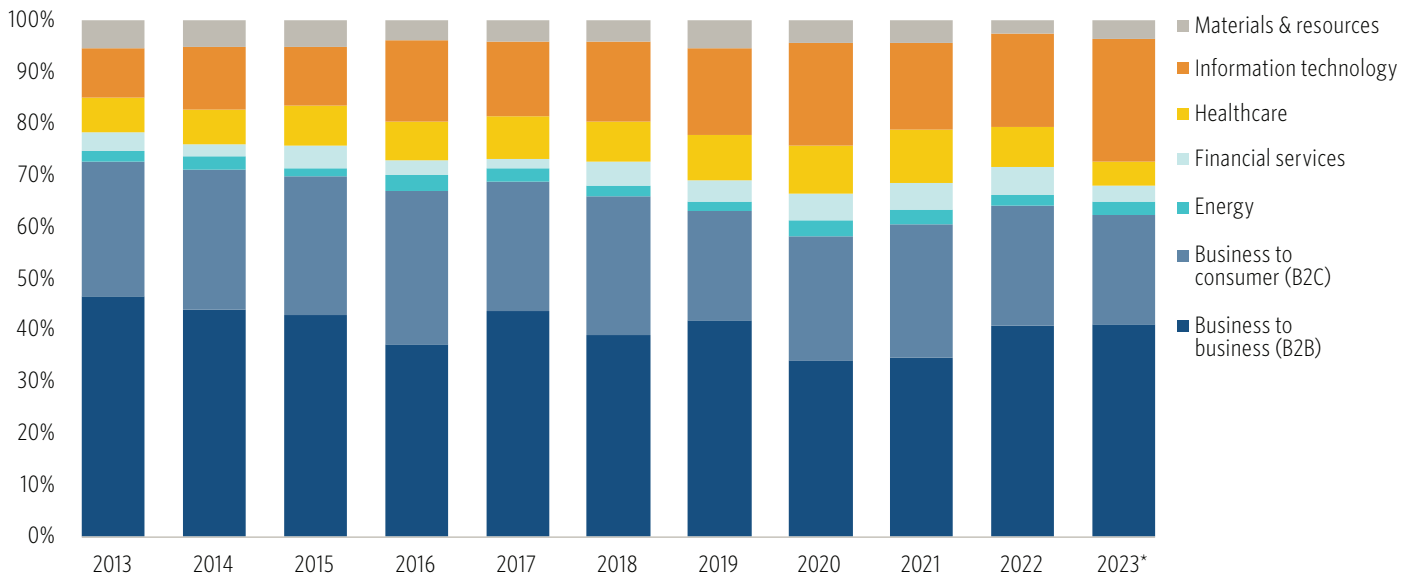


Source: PitchBook • Geography: France  
\*As of March 31, 2023

examples include the giant gaming company Ubisoft, which has been family run since its inception and refused multiple takeover bids. Similarly, the luxury brand Hermès has been family owned for the past 186 years.

6: "iShares MSCI France UCITS ETF EUR: April Factsheet," iShares by BlackRock, May 4, 2023.

## Share of PE deal count by sector

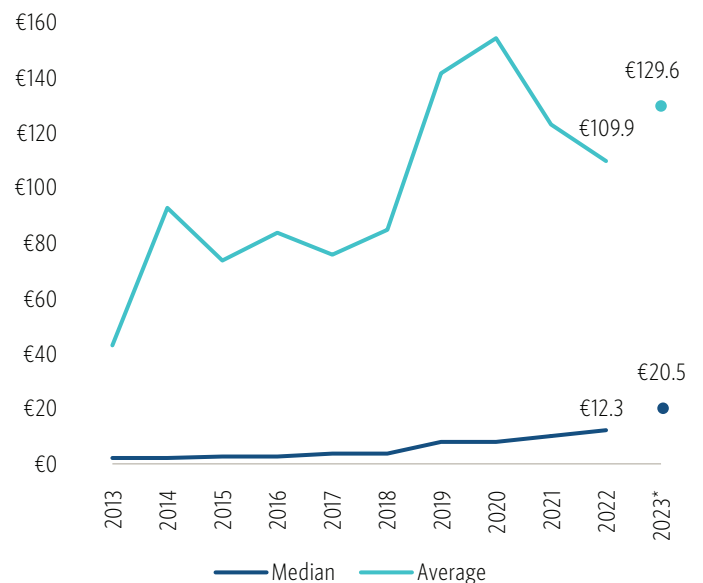


Source: PitchBook • Geography: France  
\*As of March 31, 2023

## France avoids foreign capital

This protectionism of industries can make it difficult at times to do business in France and attract foreign capital, especially from outside the European Union. France deal activity with non-European investor participation has been falling in recent years, representing 40.6% of deal value in 2020 but only 19.2% in Q1 2023. Comparing this with the rest of the continent, we notice that France's PE deal activity from non-European investors is much lower than for the rest of Europe, averaging 10.8% of deal count compared with 21.1% for Europe. A multitude of reasons could explain this, from protectionism to regulations. However, in periods of uncertainty and market downturns, we often see investors retreat and focus on their core geography. This is most likely the prime reason for the fall in non-European investors' appetite for French assets.

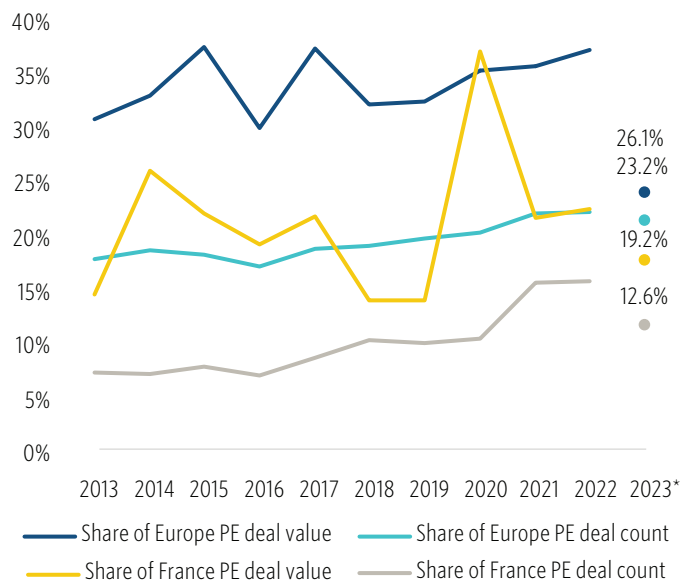
## Median and average PE deal value (€M)



Source: PitchBook • Geography: France  
\*As of March 31, 2023

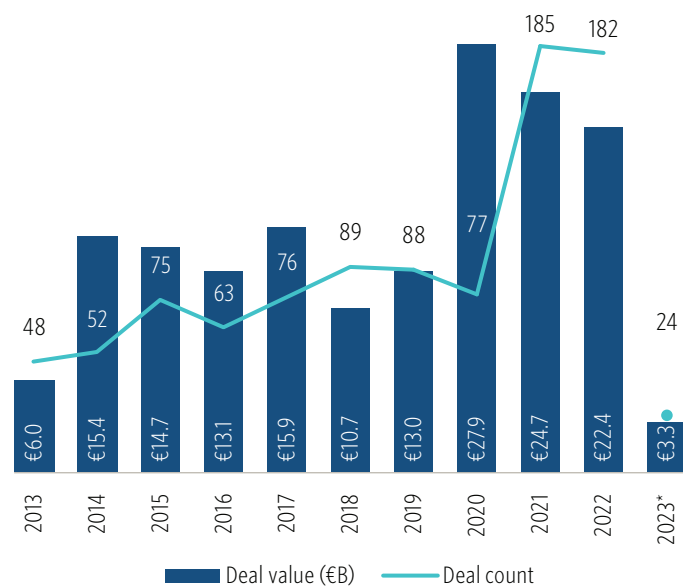


## Deals with non-European investor participation as a share of all PE deals for France and Europe



Source: PitchBook • Geography: Europe  
\*As of March 31, 2023

## PE deal activity with non-European investor participation



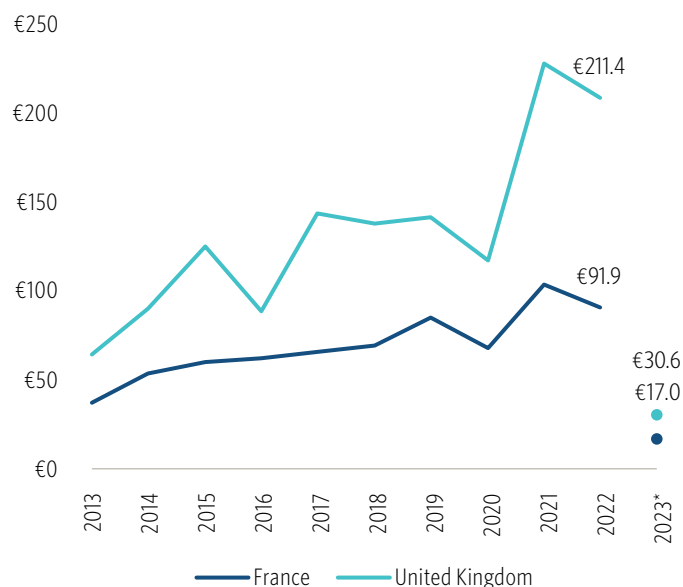
Source: PitchBook • Geography: France  
\*As of March 31, 2023

## UK still bigger than France for PE

Historically, France has been the second-largest market for PE in Europe after the UK. There is constant noise in the press whether France has been taking market share from the UK following the island's decision to exit the European Union in 2016. Just this month, the Financial Times reported that there had been an aggregate of 7,000 finance jobs moved from the UK to the continent since Brexit, 2,800 of which moved to Paris. By another metric, Choose Paris Region, a government-backed lobby group, stated that Paris had added 5,500 positions as a result of Brexit.<sup>7</sup>

Looking at deal value, the reality within PE is that there is still a large gap between the two countries, with the UK even extending its dominance in the past two years. This comes despite the economic and political outlook appearing more dire for the UK. France re-elected President Macron in May 2022 for his second term, and despite some heavy protests around the decision to increase the retirement age in France from 62 to 64, the economy is recovering. Whether France can take more market share from the UK is yet to be seen, but so far it is not the case. The UK remains the heart of PE in Europe, accounting for roughly 30% of European PE deals.

## PE deal value (€B) by country



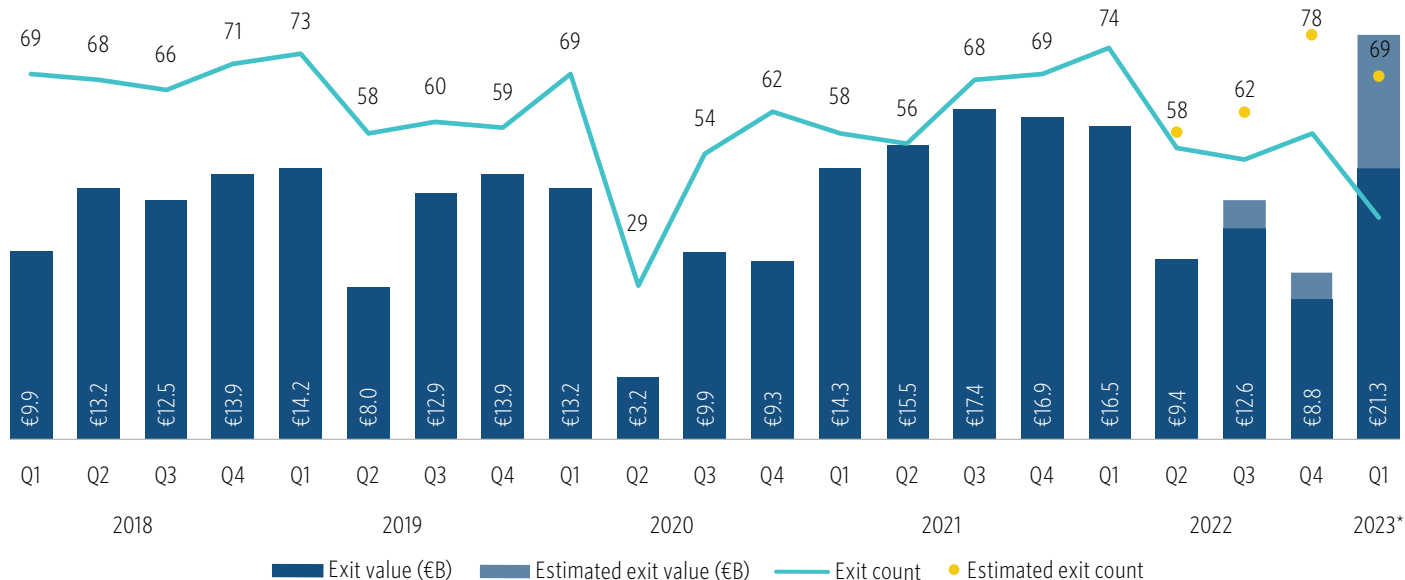
Source: PitchBook • Geography: Europe  
\*As of March 31, 2023

7: "Paris Shaking Off 'Backwater' Tag as International Banks Expand," Financial Times, Sarah White, May 3, 2023.



# PE exits

## PE exit activity by quarter



Source: PitchBook • Geography: France  
\*As of March 31, 2023

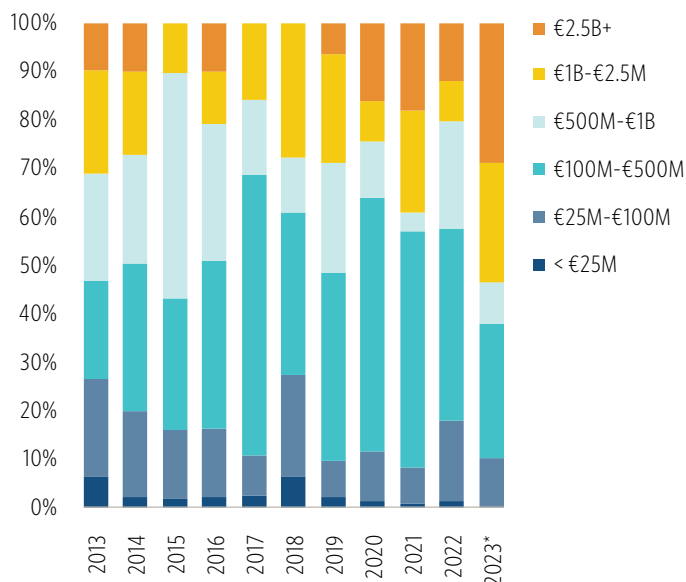
## Record quarterly exits, thanks to mega-exits

In Q1 2023, PE exit value reached a quarterly record in France, totalling €21.3 billion across 69 exits.<sup>8</sup> This represents a 142.5% QoQ jump and 29.3% YoY increase, with Q1 closing almost half of 2022's total exits. In the beginning of this report, we noted the resilience of the French economy compared with other developed economies, and exits have bounced back, ignoring any macroeconomic fears and surpassing the five-year quarterly average of €12.2 billion across 61 exits. Exit value increased substantially more than exit count, meaning that the total exit value was skewed by a high number of mega-exits. Indeed, Q1 saw three exits exceeding €1 billion, which never happened in any given quarter of 2022. In Q1's largest exit, PE firm Groupe Bruxelles Lambert sold French outsourcing and consultancy firm Webhelp to publicly listed Concentrix for €4.5 billion in March. Groupe Bruxelles Lambert acquired Webhelp from KKR in 2019.

## Exit route switches from buyouts to acquisitions

Despite Q1 picking up in terms of record exit value, public listing exits were nonexistent in France following a very quiet 2022, which saw five PE-backed public listings. Given the shift in markets with climbing interest rates, PE sponsors have preferred to avoid public listings in favour of M&A and

## Share of PE exit value by size bucket

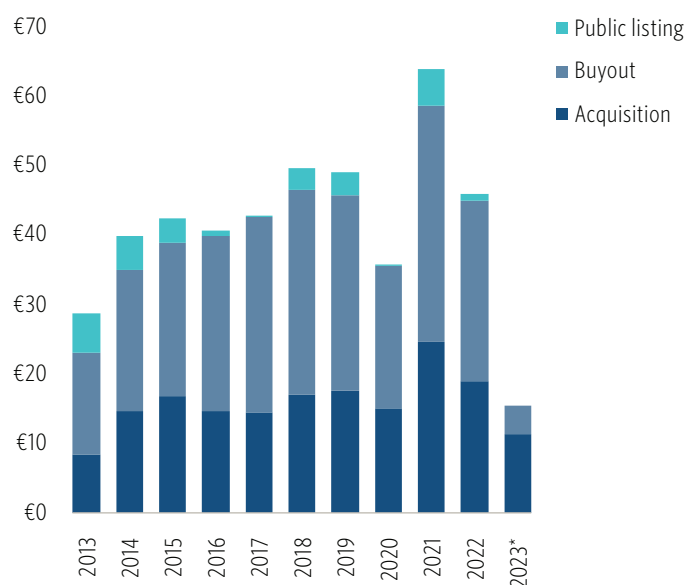


Source: PitchBook • Geography: France  
\*As of March 31, 2023

secondary buyouts, as they often fetch higher price tags than those they would get with a costly and lengthy IPO process. PE-backed exits in France were dominated by acquisitions, which accounted for 72.5% of exit value, as opposed buyouts,

8: Methodology note: We have estimated exits from the past four quarters that have not yet been recorded due to a delay in collecting private market data. To determine the percentage increase, we calculated the historical average of deals added over a trailing eight quarters.

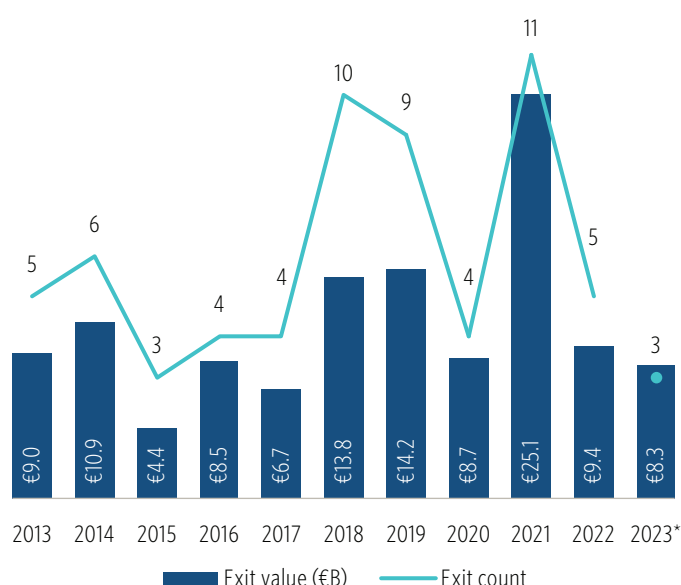
## PE exit value (€B) by type



Source: PitchBook • Geography: France  
\*As of March 31, 2023

which accounted for 27.5% of exit value. This is a trend reversal, as buyouts have historically been the predominant exit route for PE firms, averaging 56.1% of exit value in the past 10 years. This reversal, which already started showing towards the end of 2022, can be explained by the rise in interest rates. As rates increased, it became costlier for PE sponsors to borrow and leverage expensive leveraged buyouts. In a [recent analyst note](#), we explained how lower purchase price multiples

## PE mega-exit activity



Source: PitchBook • Geography: France  
\*As of March 31, 2023

have forced sponsors to focus their efforts on revenue and growth expansion rather than leverage and multiple expansion. It is still difficult to say whether this rotation in exits will persevere through 2023 or whether it was characteristic of Q1 given the skew from mega-exits. The answer might depend on the ECB's course of action on rate hikes in the coming months. What is certain is that until the rate cycle stabilises, we are unlikely to see a significant pickup in public listings.

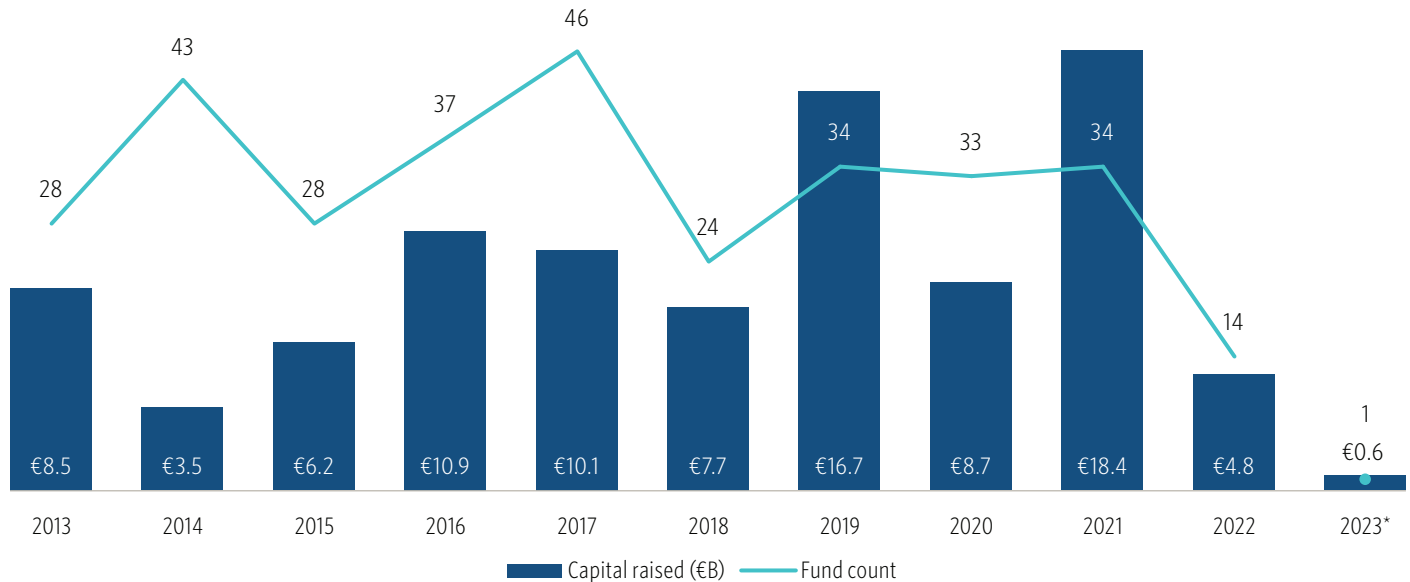
## Top five PE exits by exit value in Q1 2023\*

Company	Announced exit date (2023)	Exit value (€M)	Exit type	Industry sector
Webhelp	March 29	€4,490.0	Acquisition	Business to business (B2B)
Polyplus-transfection	March 31	€2,400.0	Acquisition	Healthcare
A2Mac1	January 11	€1,400.0	Buyout	Business to business (B2B)
Westin Paris-Vendôme Hotel	February 27	€650.0	Acquisition	Business to consumer (B2C)
Cenexi	January 6	€120.0	Acquisition	Healthcare

Source: PitchBook • Geography: France  
\*As of March 31, 2023

# PE fundraising

## PE fundraising activity



Source: PitchBook • Geography: France  
\*As of March 31, 2023

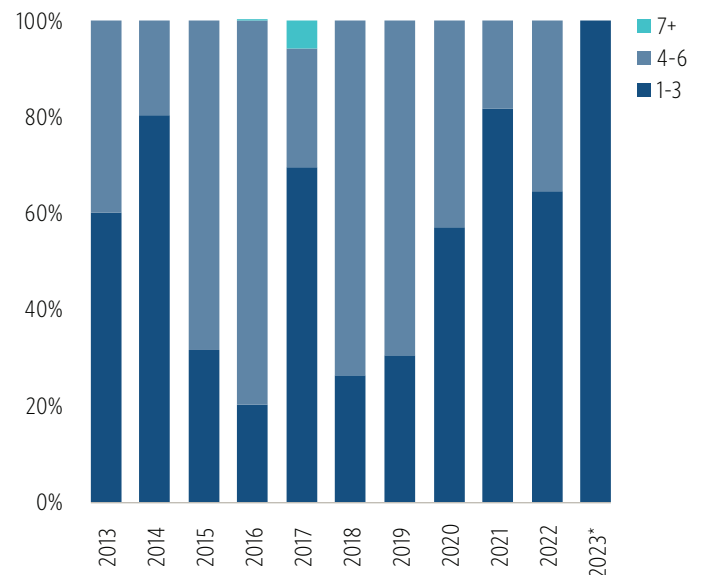
## Fundraising paused

In Q1 2023, only a single fund closed in France: Andera Partners closed its fifth mid-cap fund for €600.0 million. PE fundraising in France has echoed that of the rest of the world, where it has been tough to raise funds in the current environment. In 2022, fundraising was at its lowest level since 2015. Some firms have even opted for strategic partnerships: In Q1 2023, French PE firm PAI Partners announced a minority investment stake from US PE giant Blue Owl. This strategic partnership is designed to increase Blue Owl's European footprint and help PAI boost its assets under management and ultimately help it fundraise. When we spoke with Karim Boussetta, country head for France for Moonfare, he explained that "fundraising is currently slower than over the previous two years, and frothy market conditions have made large fund managers turn their attention to the ever-growing retail market as institutional actors have less liquidity given market dislocations." 2022 already saw fundraising drop from the highs of 2021, raising roughly a quarter of 2021's €18.4 billion.

## Private markets for all

Recently, we have seen moves to democratise and improve accessibility to private markets across the world, notably to retail investors. Within the EU, Q1 2023 saw the emergence of the European long-term investment funds 2.0 (ELTIF 2.0) regulation, which will be available starting in 2024. ELTIF 1.0

## Share of PE capital raised by family bucket



Source: PitchBook • Geography: France  
\*As of March 31, 2023

funds raised a combined €2.4 billion since debuting in 2015 but failed to live up to expectations. The second iteration aims to pave the way for retail investors to invest in such funds, which would be exposed to private equity, among other asset classes.<sup>9</sup>

France has made a substantial push to remove some of the tax burden associated with investing in the country. France has one of the harshest capital gains taxes among the countries in the Organisation for Economic Co-operation and Development (OECD), with only Norway and Denmark having higher rates.<sup>10</sup> However, there are ways for private investors and PE funds to lessen the tax burden. In 2015, PE funds were introduced to a new structure called Société de libre partenariat (SLP), which is similar to limited partnerships in the UK. This allows SLPs to be subject to personal income taxes rather than corporate taxes. There are also personal income tax incentive schemes for investors to reduce their tax by 18% under certain circumstances, according to the Fonds Commun de Placement dans l'Innovation (FCPI), which covers VC investments, and the Fonds Commun de Placement à Risque (FCPR), which covers PE investments for retail funds.

Finally, Bpifrance, which is funded by the state to promote innovation and entrepreneurship in France, announced its third retail fund aimed at everyday French citizens investing in private markets. For context, Bpifrance was the most active PE investor in the world in Q1 2023 with 37 investments, ahead of Ares, Carlyle, and KKR.<sup>11</sup> Investments for the fund, called Bpifrance Entreprises Avenir 1, start at as little as €1,000.<sup>12</sup> This third fund is also different in nature from the previous two, as it will invest in primary funds of funds as opposed to secondary ones. The democratisation of private markets to retail investors has not been solely the responsibility of the state through Bpifrance; it has seen major PE companies work with third parties to enable retail investments. One such company is Moonfare, which takes minimum investments of €50,000 and bundles them together to invest in mainstream PE funds, such as Ardian. Moonfare, which is Berlin-based, opened its Paris office in 2022, offering French retail investors a new way into private equity. Other such companies include Private Corner, Altaroc, and Peqan in France. As accessibility to private markets improves, we expect more companies and brokers to open up to offer private market investment solutions to retail investors.

## All closed PE funds in 2022 by fund value\*

Fund name	Fund value (€M)	Close date (2022)	Fund type
Astorg Midcap	€1,300.0	February 17	Buyout
Eurazeo PME IV	€1,070.0	July 19	Buyout
Cathay Capital Health Tech Fund	€500.0	May 23	PE growth/expansion
Siparex ETI 5	€450.0	June 18	Buyout
Argos Wityu Mid-Market VIII	€401.0	December 31	Buyout
Hivest II	€300.0	September 1	Buyout
Lauxera Growth I	€262.0	February 9	PE growth/expansion
Capagro Agri Food Innovation Fund II	€200.0	September 8	Buyout
Amethis Mena Fund II	€120.0	August 31	Buyout
Albacap 1 Fund	€114.0	July 20	Buyout
SLP Extens e-Health Fund 3	€106.0	July 15	Buyout
Mpi-Coi-Suan	€11.2	December 31	Buyout
I&P Digital Energy Fund	€4.0	July 22	PE growth/expansion
Entrepreneurs & Yield N6	N/A	February 2	Buyout

Source: PitchBook • Geography: France  
\*As of March 31, 2023

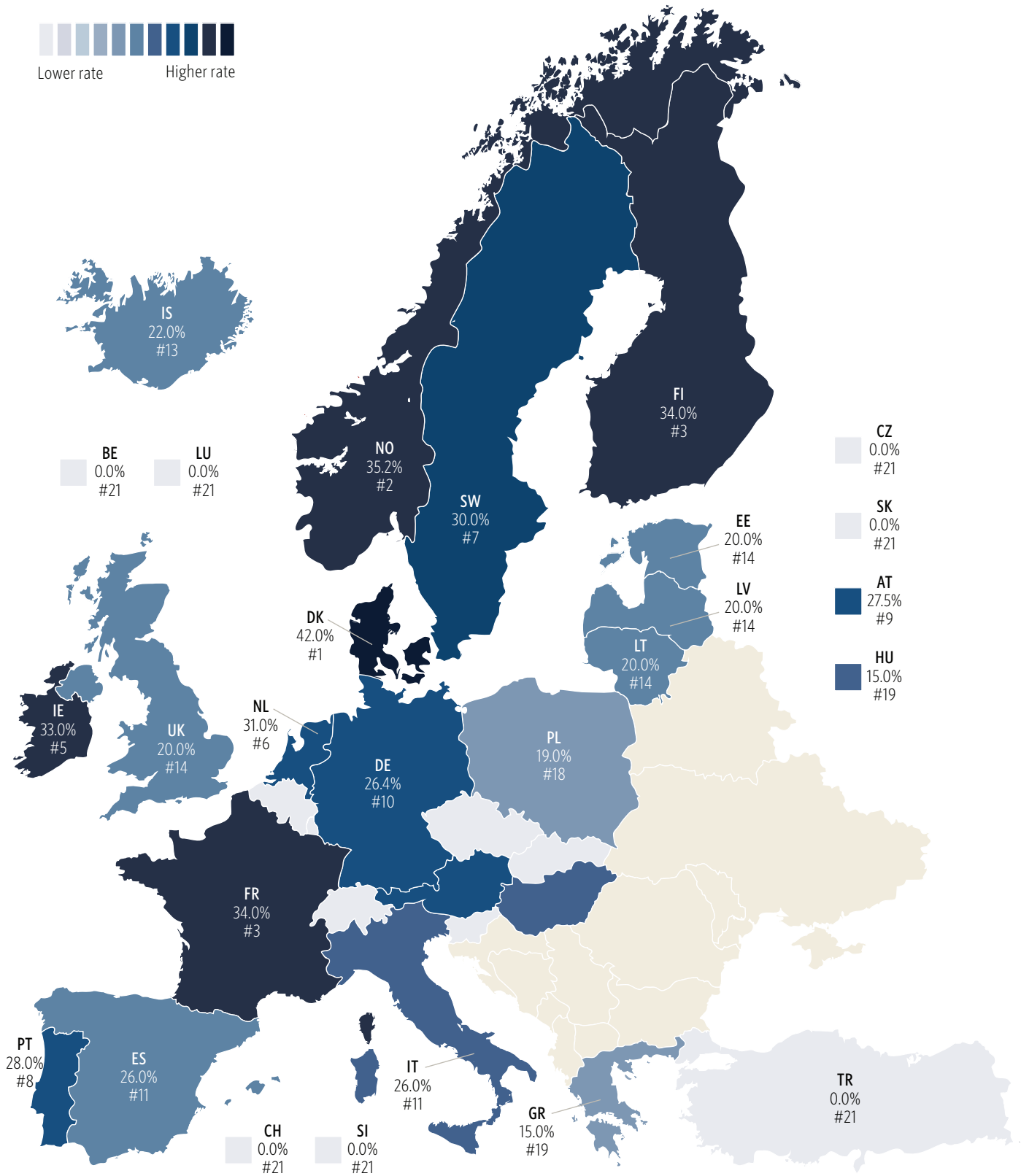
9: "Elitif 2.0 Gets January 2024 Go-Ahead," Funds Europe, Nick Fitzpatrick, March 20, 2023.

10: "Capital Gains Tax Rates in Europe," Tax Foundation, Cristina Enache, March 8, 2022.

11: "Bpifrance Est l'Investisseur le Plus Actif en Private Equity à l'Échelle Mondiale," L'AGEFI, Virginie Deneuille, May 22, 2023.

12: "Private Equity: Lancement d'un Troisième Fonds Grand Public par Bpifrance," Les Echos Investir, Sandra Mathorel, April 19, 2023.

Capital gains tax rates in European OECD countries\*



Sources: The Tax Foundation, Bloomberg Tax, and PwC • Geography: Europe  
\*As of February 23, 2023

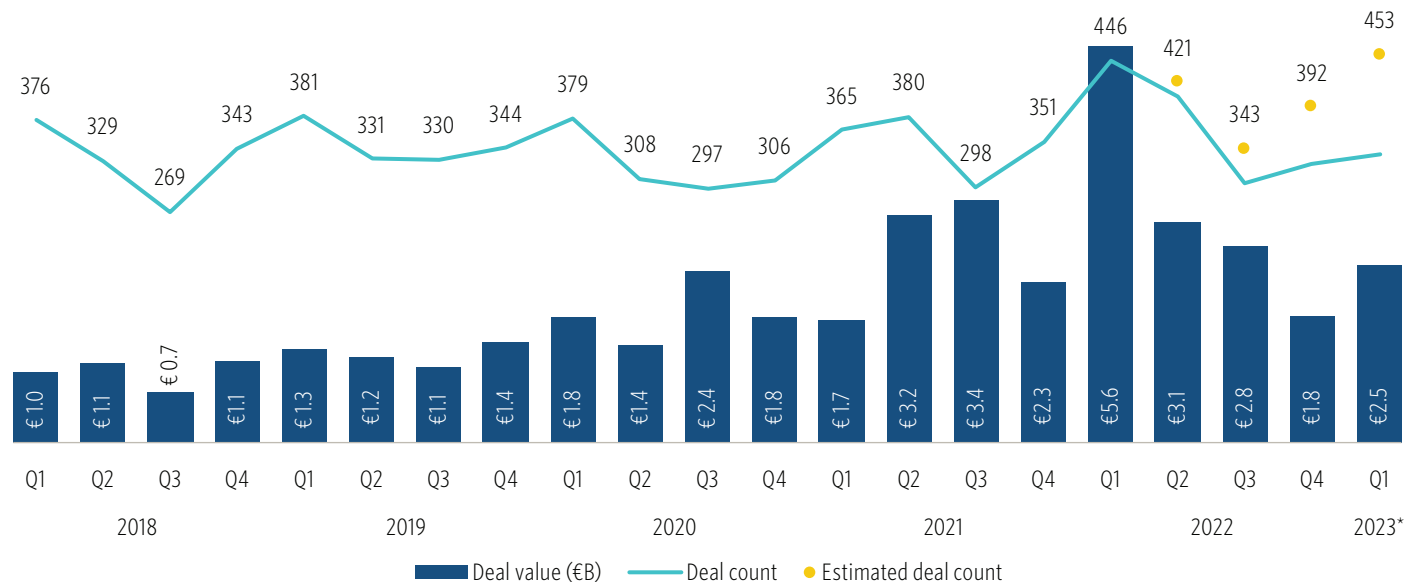
## Top 10 open PE funds by fund value\*

Fund name	Fund value (€M)	Open date	Fund type
CAPZA Flex Equity Mid-Market II	€1,300.0	January 1, 2022	Buyout
Merieux Participations 4	€530.0	May 21, 2021	Buyout
Regenerative Agriculture Fund	€300.0	May 12, 2022	Buyout
Sagard Private Equity Canada	€256.8	N/A	Diversified PE
CAPZA Growth Tech	€250.0	January 1, 2021	PE growth/expansion
Kurma Growth Opportunities Fund	€200.0	November 29, 2021	PE growth/expansion
RB Capital France 2	€200.0	January 1, 2022	Buyout
CAPZA Growth Tech5	€200.0	N/A	PE growth/expansion
Motion Equity Partners IV	€175.0	April 22, 2021	Buyout
TiLT Capital Fund I	€170.0	June 25, 2019	PE growth/expansion

Source: PitchBook • Geography: France  
\*As of March 31, 2023

# VC deals

## VC deal activity by quarter



Source: PitchBook • Geography: France  
\*As of March 31, 2023

## Top 15 European cities by VC deal value (€B)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
London (€1.4)	London (€1.9)	London (€3.5)	London (€3.4)	London (€7.5)	London (€7.0)	London (€8.0)	London (€10.1)	London (€22.4)	London (€26.6)	London (€2.7)
Berlin (€0.9)	Berlin (€1.2)	Berlin (€2.3)	Paris (€1.5)	Berlin (€1.9)	Paris (€2.3)	Paris (€3.0)	Paris (€4.6)	Berlin (€9.3)	Paris (€8.2)	Paris (€1.5)
Moscow (€0.6)	Paris (€0.6)	Stockholm (€0.8)	Stockholm (€1.2)	Paris (€1.5)	Berlin (€2.2)	Berlin (€2.6)	Berlin (€3.5)	Paris (€6.6)	Berlin (€6.1)	Berlin (€1.0)
Paris (€0.4)	Amsterdam (€0.5)	Paris (€0.7)	Berlin (€1.1)	Stockholm (€1.1)	Tel Aviv (€1.3)	Stockholm (€2.3)	Stockholm (€2.4)	Stockholm (€6.1)	Tel Aviv (€5.6)	Tel Aviv (€0.5)
Dublin (€0.3)	Tübingen (€0.5)	Tel Aviv (€0.6)	Cambridge (€0.6)	Tel Aviv (€0.8)	Dublin (€0.9)	Tel Aviv (€2.0)	Tel Aviv (€2.4)	Tel Aviv (€5.7)	Stockholm (€4.7)	Munich (€0.3)
Stockholm (€0.3)	Tel Aviv (€0.4)	Abingdon (€0.4)	Tel Aviv (€0.5)	Dublin (€0.4)	Cambridge (€0.7)	Munich (€1.3)	Barcelona (€0.9)	Amsterdam (€4.3)	Munich (€4.0)	Copenhagen (€0.3)
Cambridge (€0.2)	Moscow (€0.4)	Saint Helier (€0.4)	Dublin (€0.5)	Cambridge (€0.4)	Stockholm (€0.6)	Cambridge (€0.9)	Munich (€0.9)	Lisbon (€3.5)	Milan (€1.8)	Amsterdam (€0.2)
Tel Aviv (€0.2)	Stockholm (€0.3)	Dublin (€0.4)	Barcelona (€0.4)	Amsterdam (€0.4)	Harrogate (€0.6)	Amsterdam (€0.8)	Dublin (€0.8)	Munich (€2.5)	Zurich (€1.6)	Madrid (€0.2)
Leuven (€0.1)	Dublin (€0.3)	Cambridge (€0.3)	Munich (€0.4)	Barcelona (€0.4)	Munich (€0.6)	Mainz (€0.7)	Zurich (€0.7)	Cambridge (€2.0)	Tallinn (€1.4)	Oxford (€0.2)
Ballerup (€0.1)	Munich (€0.2)	Oss (€0.3)	Senningerberg (€0.3)	Petah Tikva (€0.3)	Zurich (€0.5)	Barcelona (€0.6)	Utrecht (€0.7)	Copenhagen (€1.6)	Amsterdam (€1.4)	Barcelona (€0.2)
Barcelona (€0.1)	Cambridge (€0.2)	Petah Tikva (€0.2)	Oxford (€0.3)	Munich (€0.3)	Amsterdam (€0.5)	Helsinki (€0.6)	Amsterdam (€0.6)	Madrid (€1.6)	Barcelona (€1.3)	Lyon (€0.2)
Amsterdam (€0.1)	Barcelona (€0.2)	Munich (€0.2)	Lausanne (€0.3)	Manchester (€0.3)	Hamburg (€0.5)	Manchester (€0.6)	Oxford (€0.6)	Barcelona (€1.5)	Helsinki (€1.2)	Cambridge (€0.2)
Herzliya (€0.1)	Herzliya (€0.2)	Amsterdam (€0.2)	Amsterdam (€0.3)	Roubaix (€0.3)	Oxford (€0.4)	Zurich (€0.6)	Helsinki (€0.6)	Dublin (€1.4)	Madrid (€1.1)	Ottobrunn (€0.2)
North Yorkshire (€0.1)	Abingdon (€0.1)	Moscow (€0.2)	Madrid (€0.2)	Madrid (€0.3)	Barcelona (€0.4)	Copenhagen (€0.5)	Tübingen (€0.6)	Oxford (€1.3)	Cambridge (€1.1)	Zurich (€0.1)
Zurich (€0.1)	Edinburgh (€0.1)	Barcelona (€0.2)	Herzliya (€0.2)	Zug (€0.2)	Madrid (€0.4)	Paloznak (€0.5)	Cambridge (€0.5)	Moscow (€1.3)	Oslo (€1.0)	Dublin (€1.1)

■ UK & Ireland ■ France & Benelux ■ DACH ■ Israel ■ Southern Europe ■ Nordic region ■ Central & Eastern Europe

Source: PitchBook • Geography: Europe  
\*As of March 31, 2023



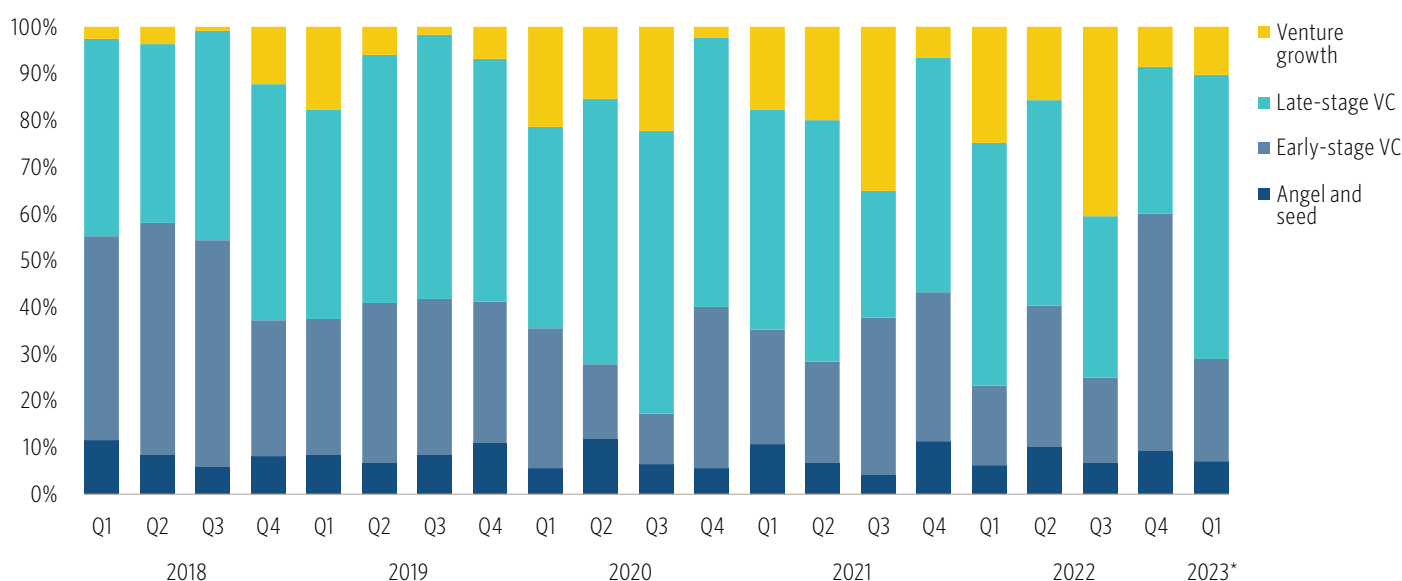
## VC deal activity and macro conditions resilient in France

In Q1 2023, VC deal activity in France showed signs of resilience, with €2.5 billion logged across 453 deals. Paris maintained its second-place position amid the top European cities by VC deal value. Year-over-year, comps were the toughest this quarter, with France seeing peak dealmaking activity totalling €5.6 billion in Q1 2022. However, Q1 2023 saw a sequential uptick in both deal value and count, which increased 40.1% and 15.6%, respectively, from Q4 2022. This is the first uptick in activity since Q1 2022, showing that some glimmers of recovery may be on the horizon for the country. Regional figures show that the Q1 2023 deal value for Paris alone amounted to €1.5 billion. Lyon also appeared in the top 15 cities for the first time, demonstrating growing activity in regional hubs outside of Paris.

From a macro perspective, France appears resilient compared with other European countries, but the

outlook is uncertain. Within the region, higher rates, high government debt (which was recently downgraded by Fitch), and potentially more political unrest are likely to cloud economic gains. However, despite weak consumer confidence alongside political protests and strikes, underlying economic growth appears to still be resilient, up 0.2% in Q1 2023, ahead of Germany. Macro pressures linger, with more rate hikes by the ECB expected in 2023. However, inflation in France is responding relatively well so far, sitting below the European average. Therefore, relative resilient underlying economics, alongside a favourable VC deal environment, could mean the region emerges as a bright spot for deal activity in Europe. Beyond Q1 2023, a recovery in deal activity growth will also be supported by lower prior-year comparable quarters, as deal activity peaked in Q1 2022. A lower base mathematically leads to higher growth rates alongside any absolute improvements in activity.

## Quarterly share of VC deal value by stage



Source: PitchBook • Geography: France  
\*As of March 31, 2023

## Deal activity driven by the late stage, including the top three deals

Q1 2023 deal activity was driven by the late stage, which took share of the total deal value. The late stage constituted 60.8% of the Q1 2023 deal value, up from 43.7% in 2022. The venture-growth stage saw the largest YoY decline in share, with €0.3 billion in deal value in Q1 2023 versus €1.4 billion in Q1 2022. This is in line with trends seen in broader markets, where nontraditional involvement, particularly from non-European investors, bolstered venture-growth activity in 2022. Since then, there has been a reduction in

US investor involvement, with 15.1% of VC deals in France involving US investors in Q1 2023, down from 19.3% in 2022.

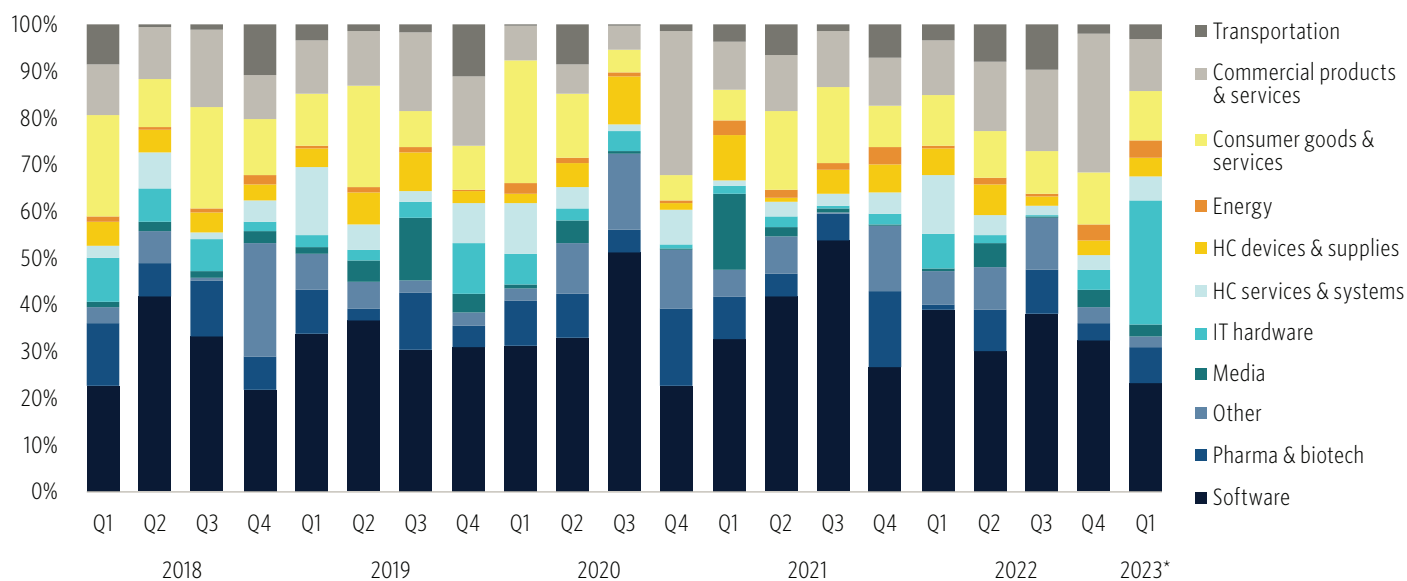
On a company-specific level, the most notable rounds in Q1 2023 were for companies in IT, healthcare, and B2B. All late-stage deals, the top three deals were Verteego's €140.6 million round, Amolyt Pharma's €130.0 million round, and Ledger's €460 million deal. The latter deal is the total deal value, made up of a previous round in July 2021 of €360 million and a €100 million extension round that closed in March 2023. Early-stage deals made up half of the top 10 deals in the quarter, with one venture-growth round

## Top 10 VC deals by deal value in Q1 2023\*

Company name	Close date (2023)	Deal size (€M)	Deal type	Industry sector
Ledger	March 30	€460.8	Late-stage VC	Information technology
Verteego	March 1	€140.6	Late-stage VC	Information technology
Amolyt Pharma	January 6	€130.0	Late-stage VC	Healthcare
Pasqal	January 17	€96.7	Early-stage VC	Information technology
Companion Spine	March 23	€56.4	Early-stage VC	Healthcare
Exotrail	February 7	€53.5	Late-stage VC	Information technology
Masteos	March 7	€52.0	Early-stage VC	Business to consumer (B2C)
Welcome to the Jungle	January 26	€50.0	Venture growth	Business to business (B2B)
Lithium de France	March 14	€44.0	Early-stage VC	Energy
The Exploration Company	January 2	€40.0	Early-stage VC	Business to business (B2B)

Source: PitchBook • Geography: France  
\*As of March 31, 2023

## Quarterly share of VC deal value by sector



Source: PitchBook • Geography: France  
\*As of March 31, 2023

by Welcome to the Jungle at €50.0 million. Because the angel and seed stages are conventionally more protected in economic uncertainty, we would expect earlier-stage deals to gain more share through the year as financing environments become harder.

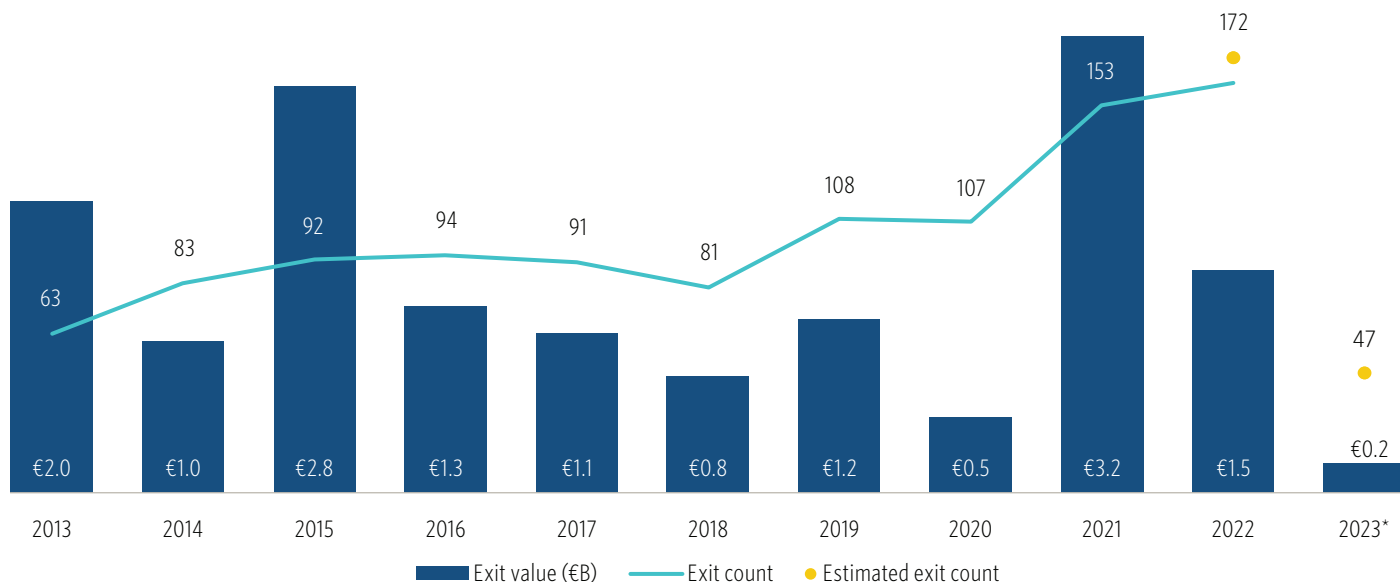
### IT and energy sectors show resilience

Deal value in Q1 2023 was most resilient in the IT hardware and energy sectors. At €657.3 million, the quarterly deal value for IT hardware is already 20.3% above the full-year

2022 level of €564.4 million. This was driven by notable rounds for Pasqal, which raised €96.7 million, and Ledger's aforementioned deal. Similarly, VC deal value in the energy sector sat at €90.1 million. This quarterly run rate implies that the 2023 deal value will exceed 2022's deal value on a full-year basis. All but one of the deals within energy pertained to cleantech, supporting the demand for solutions to long-term issues of climate change. This included Lithium de France's €44.0 million round, which took the company to a post-money valuation of €480.1 million.

# VC exits

## VC exit activity



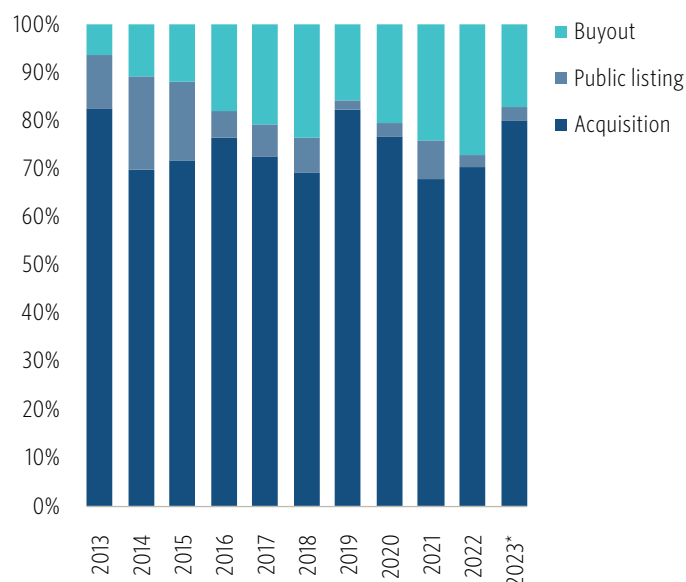
Source: PitchBook • Geography: France  
\*As of March 31, 2023

### France exit activity shows signs of recovery, but trends diverge by exit type

Exit value and count continued to fall YoY with some sequential recovery. In Q1 2023, exit value amounted to €199.3 million over 47 transactions. Whilst this was lower YoY, both measures increased QoQ, with deal value and count up 19.0% and 20.5%, respectively. This is notable, as Q4 2022 marked a new trough in value and count since 2021, meaning the uptick in Q1 activity could evidence some recovery in exit activity in the region. However, we note both measures still pace well below full-year figures for 2022, so on a full-year basis, activity will remain weaker YoY.

When broken down by type, exit activity remains a tale of two halves, in line with broader trends. Acquisition activity in the quarter remained robust, offset by more tepid public listing markets. In Q1 2023, 80.0% of exits were acquisitions, with only one public listing and the rest buyouts. Within this, acquisition value in Q1 amounted to €161.4 million, a quarterly run rate that implies value for the full year will increase 31.6% YoY (from €490.6 million in 2022). On the other hand, public listing value in the quarter sat at €37.9 million, pacing well below the 2022 level of €575.7 million. Within this, we note public benchmark valuations in France have somewhat improved, with the CAC 40 up 11.0% in Q1, outperforming other global indices.

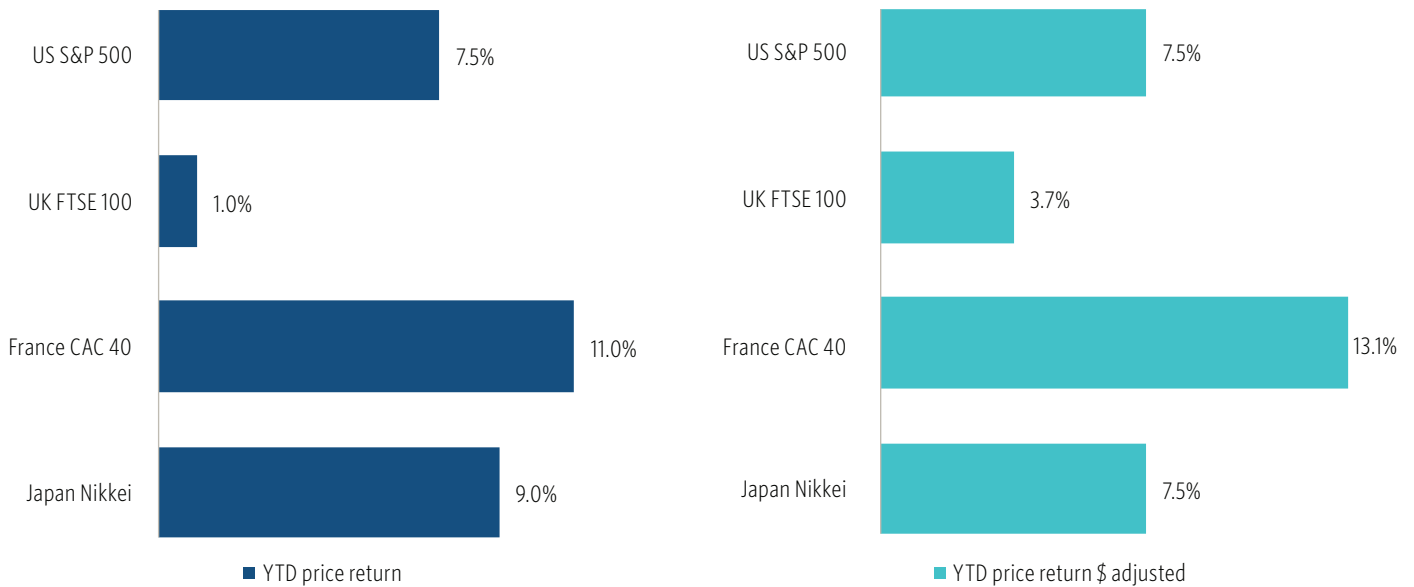
### Share of VC exit count by type



Source: PitchBook • Geography: France  
\*As of March 31, 2023

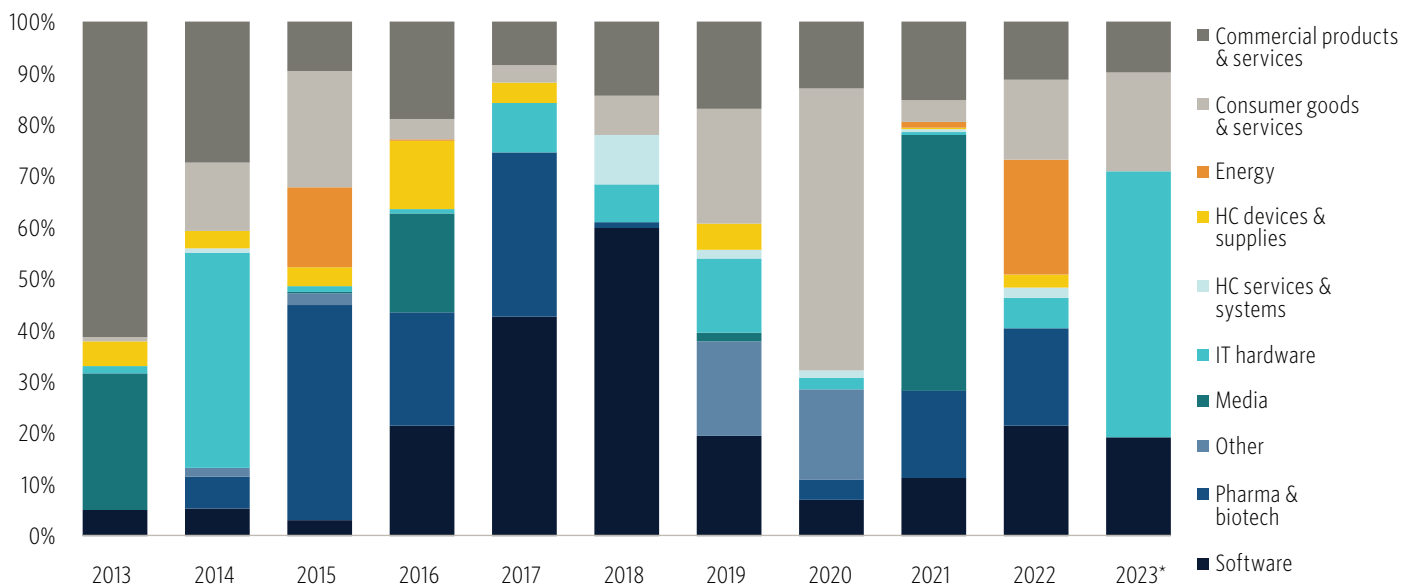
However, a significant portion of the outperformance has been driven by luxury-good stocks, such as LVMH, instead of more favourable wider regional economics, such as dovish rates. We also note that more recently, in May, equity markets in France have in fact come under pressure due to a softening of underlying US macro data. Therefore, with underlying fundamentals still challenging,

## Q1 2023 returns of global indices\*



Source: PitchBook • Geography: Global  
\*As of March 31, 2023

## Share of VC exit value by sector



Source: PitchBook • Geography: France  
\*As of March 31, 2023

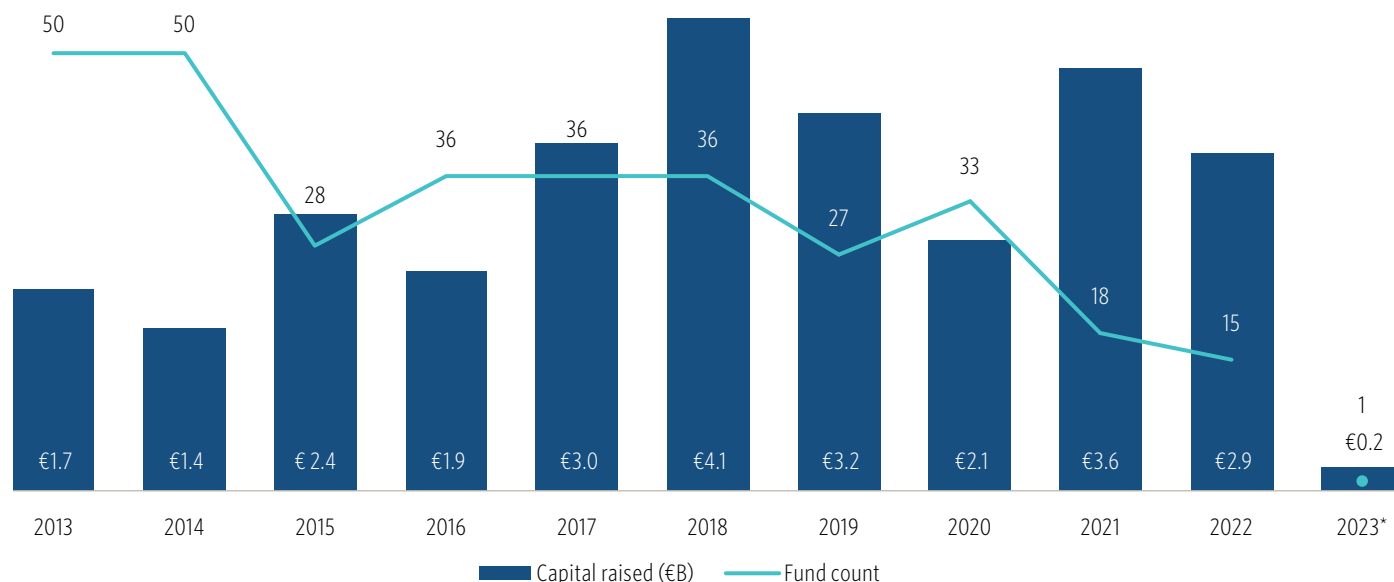
we would expect a growing dislocation between public and private market valuations in France, along with muted listing activity.

Within the quarter, notable exits spanned a variety of sectors. This included the acquisition of computer hardware company Augmenta for €103.4 million, the acquisition of software provider Untie Nots for €38.0 million, and education technology player Lepermislibre's IPO valued at €37.9 million (pre-money) in February. The latter marked France's first IPO in the year. By sector, software has the

largest number of exits, representing 35.3% of exits in the quarter, followed by commercial products & services at 23.5% and then consumer goods & services and IT hardware at 11.8% each. We would expect a continuation of such trends, where demand for more resilient, profitable business models, such as software, increases amid market uncertainty. Furthermore, with valuations still markedly depressed compared to recent history, acquirers are even likely to take advantage of buying opportunities. For instance, the exit value for the software sector was €38.0 million in Q1 2023, 74.5% lower than it was in Q1 2022.

# VC fundraising

## VC fundraising activity



Source: PitchBook • Geography: France  
\*As of March 31, 2023

### Significantly weaker VC fundraising environment in France

Fundraising is typically lumpy through the year because large funds can skew totals in a short period such as a quarter. That being said, the environment in France looks muted, with only one large fund closing in Q1 2023, signalling that even larger funds have found the environment difficult and that the rate of closed funds should markedly slow. The closed fund, Elaia Digital Ventures 4, was the early-stage vehicle that closed at €200.0 million, but it took 22.3 months to close, evidencing scarcer LP allocations to VC. We believe fundraising conditions will remain tougher this year. Q1 2023 run rates imply that the total capital raised and the closed fund count for the full year will decrease by 72.4% and 73.3% YoY, assuming no further deterioration.

### French government's support for VC remains solid alongside wider EU initiatives

Government intervention will subsequently be key to bolster activity, and it is on the agenda. French state support for VC investment has historically been prolific, from long-standing involvement in the space via the French public investment bank Bpifrance to various tax reforms and initiatives to encourage activity. These initiatives have been at the forefront of the political agenda, with Macron's government

outlining more measures in Q1 2023. These have included plans for an additional €5 billion of investment for the second phase of the France 2030 program, which aims to fund the development of technologically driven sectors. The government has also been considering a French version of the UK's Seed Enterprise Investment Scheme, which offers tax breaks to startup investors.

French initiatives also fall under wider efforts by the EU, such as the new ETICI. Historically, EU-led initiatives have aimed to harmonise legislation around taxation, talent attraction, and supportive investment in European VC. Notably, the recently announced ETICI, a fund of funds, aims to support unicorns leveraging €10 billion of investment across involved countries. The European Investment Bank will contribute €500 million to the new scheme, alongside investments from Spain, Germany, and France at €1 billion each, as well as investments from Italy and Belgium. This is the first type of growth-centred fund of funds in Europe, with the aim to increase European tech's global competitiveness. We believe such initiatives will be vital not only to boost such long-term infrastructure but also to support funding challenges in the near term, especially for late-stage companies. Indeed, of the top funds that remain open in France, the majority are early-stage funds, evidencing the lack of late-stage funding in the region.

# Additional research

European private markets



## Q1 2023 European PE Breakdown

Download the report [here](#)



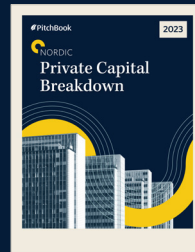
## Q1 2023 European Venture Report

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## Q1 2023 European VC Valuations Report

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## 2023 Nordic Private Capital Breakdown

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