



FRANCE

Private Capital Breakdown



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Introduction

Venture capital

Venture capital (VC) deal activity had a mixed start to the year, pacing below 2023. However, there were sequential signs of improvement as deal value increased quarter over quarter (QoQ). The early stage has seen the most resilience, while venture growth has lagged. Deal sizes showed strength across all stages as a tougher financing environment led to fewer deals at higher valuations. Other factors are at play, such as the prevalence of the artificial intelligence & machine learning (AI & ML) industry within France. US investor participation in France has grown as the skew to the AI & ML vertical has drawn in nondomestic investors. Overall, improvements in activity through the year are pivotal for the country to see a recovery in dealmaking from 2023.

VC exit activity is down but more resilient than in greater Europe. The resilience seen last year can be attributed to the higher weighting to buyouts in the country, which saw steadier valuations. There is less diversity in the share of exit count by verticals. For exit value, there is a greater concentration in software-as-a-service (SaaS) businesses, with the vertical holding the highest share in 2023. AI & ML holds the second-highest share. Despite the nascent nature of the AI & ML industry, there appears to be more liquidity, with several exits taking place in recent years. This is unlike other newer verticals such as cleantech, where exit activity has significantly lagged despite resilient deal value.

VC fundraising has declined in line with the rest of Europe. Most French fund closes sat between €50 million and €250 million in size. The median fund size has decreased as weak exit markets and returns within venture caused strains on limited partner (LP) allocations. With the downturn in French-domiciled funds, investment in the country will be supported by non-European funds that participate in European markets. We have also seen partnerships within Europe, with investment bank Lazard partnering with French VC firm Elaia this year. Despite the retreat of nontraditional investors, such partnerships are evidence that private markets provide investment opportunities for more mature financial firms, and we may see more of these structures emerge in Europe.

Private equity

France private equity (PE) activity has been on the decline in the past three quarters, with Q1 2024 bottoming at €10.6 billion in deal value, a 17.1% year-over-year (YoY) decline from what had already been a depressed Q1 in 2023. Slowing growth, high public deficit, and tightening monetary policy all contributed to lower deal activity. Deal activity from non-European investors also dropped from 51.1% of France's PE deal value in 2020 to 24.7% as of the end of Q1 2024, highlighting France's more protectionist stance towards its businesses.

France's PE exit value has been declining for four consecutive quarters as the bid and ask prices on transactions have widened following elevated valuations in 2021. Q1 2024's reduced exit activity was more pronounced in France than elsewhere in Europe, with exit value down 74.8% YoY compared with a 22.8% decline for Europe. The wider question becomes whether we have reached a bottom for exits. With monetary easing fast approaching and multiples bottoming, we expect exits to slowly pick up in the next few quarters.

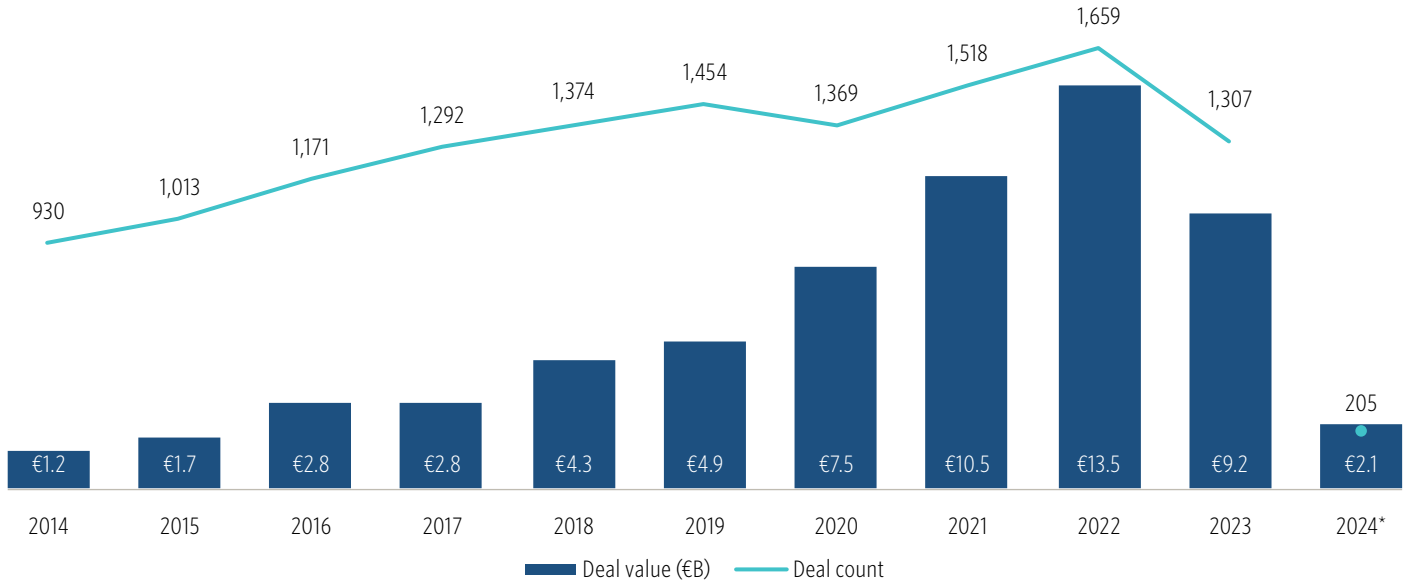
Fundraising in France looks well balanced, and the pipeline remains healthy. 2023 saw a 27.8% increase in capital raised in France, with 21 funds closing an aggregate of €14.4 billion. Unlike other countries, France is much more balanced when it comes to fundraising characteristics: We see higher proportions of growth funds, first-time funds, and younger fund families and a good mix of small funds, middle-market funds, and megafunds.

January 2024 saw the introduction of the new European Long-Term Investment Fund (ELTIF) 2.0, which is set to change the regulatory landscape in the European Union (EU) by removing a number of hurdles. These changes are part of a move to democratise investing and allow for more retail capital. As of May, there are 101 ELTIFs 2.0 listed on the European Securities and Markets Authority's register.¹

¹: "Register of Authorised European Long-Term Investment Funds (ELTIFs)," European Securities and Markets Authority, n.d., accessed May 8, 2024.

VC deals

VC deal activity



Source: PitchBook • Geography: France • *As of March 31, 2024

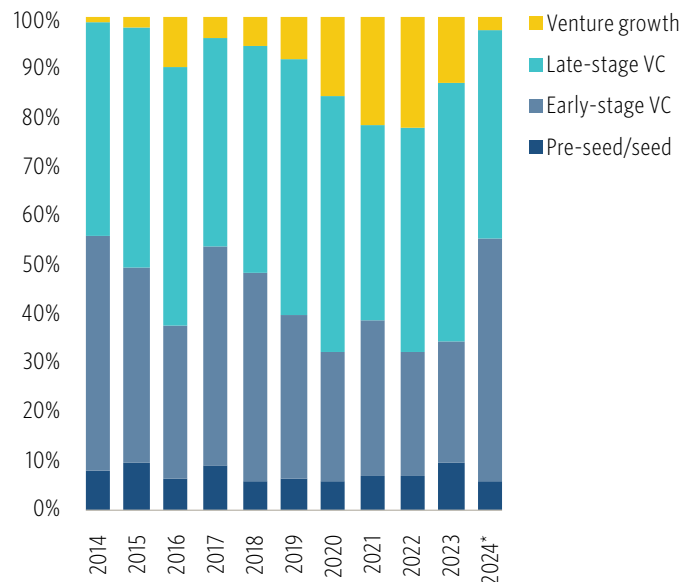
VC deal activity in France had a mixed start to the year

VC deal activity in France had a mixed start to the year, pacing below 2023. The Q1 2024 deal value of €2.1 billion sat 17.0% below the same period last year; however, there were sequential signs of improvement as deal value increased 14.8% QoQ. Deal volumes continued to decline from Q1 2023, in line with broader trends in Europe. Furthermore, the Q1 run rate of activity paces below 2023 levels, implying that value and volumes could come in below 2023 if activity does not recover through 2024.

The early stage has seen the most resilience at the start of the year, while venture growth has lagged, also in line with the greater European market. The early stage has made notable gains since 2023, doubling its share of deal value in Q1 2024 to 49.2%. Deal sizes within France showed resilience across all stages, with medians increasing in Q1 2024 from full-year 2023. The largest gainer was the late stage, where the median round sat at €8.0 million compared with €3.2 million in 2023.

Despite some positive signs, improvements in activity through the year are pivotal for the country to see a recovery in dealmaking from 2023. 2023 deal activity still came in above pre-hype levels in 2020, sitting at €9.2 billion

Share of VC deal value by stage



Source: PitchBook • Geography: France • *As of March 31, 2024

but declining YoY. Given the improved macroeconomic environment expected in the second half of the year and the skew to high-growth industries, such as AI & ML, where startups are receiving favourable valuations, we expect recovery to continue during the year.

Move to quality and AI skew driving resilience

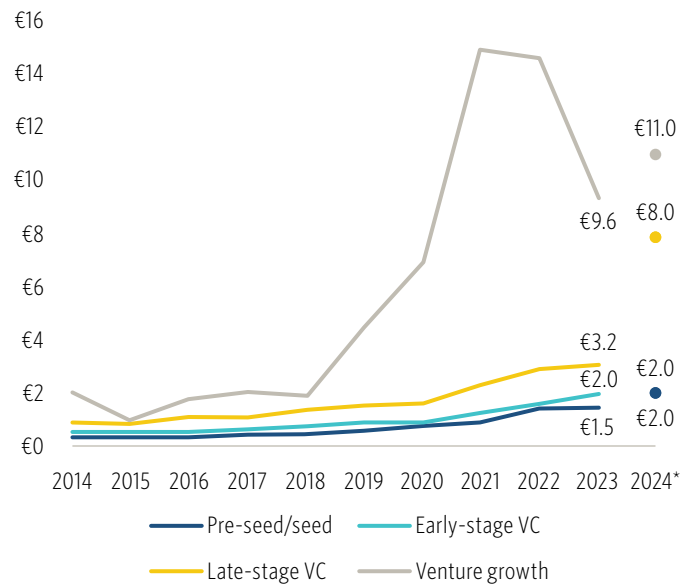
In Europe, a tougher financing environment has led to a pool of higher quality startups, which means that although fewer deals are taking place, the ones that do take place exhibit more favourable valuations. Other country-specific factors are at play, too, including a prevalence of high-growth and high-demand technologies such as AI & ML within France. With several engineering universities, the country's strong academic background can drive homegrown talent, which fosters the development of the industry. Furthermore, the French government has emphasised "digital sovereignty" and aims to encourage the development of a domestic AI industry, especially through startups developing and using innovative AI technology. Currently, France does not have regulation for the AI industry; however, the government and regulatory authorities have been participating in the EU's discussions about AI regulation, including the legislative process of the EU AI Act.²

US participation increases

US investors have increased their participation in French deals, representing nearly half of total value in the quarter at €1.1 billion and 21.0% of deal volume. This proportion is near peak levels as US investors participated in several of the quarter's top deals. The aforementioned skew towards AI has drawn non-European investors, particularly several US players, to the French market. Other verticals also had US participation, such as cryptocurrency, financial technology, and advertising technology. Following an overall retreat of US investors in European markets, several players have stayed while others re-enter as market volatility and valuation write-downs in the continent subside. As we note later in this report, larger US funds with the capital bandwidth to make cross-border investments, such as General Catalyst, are examples of this.

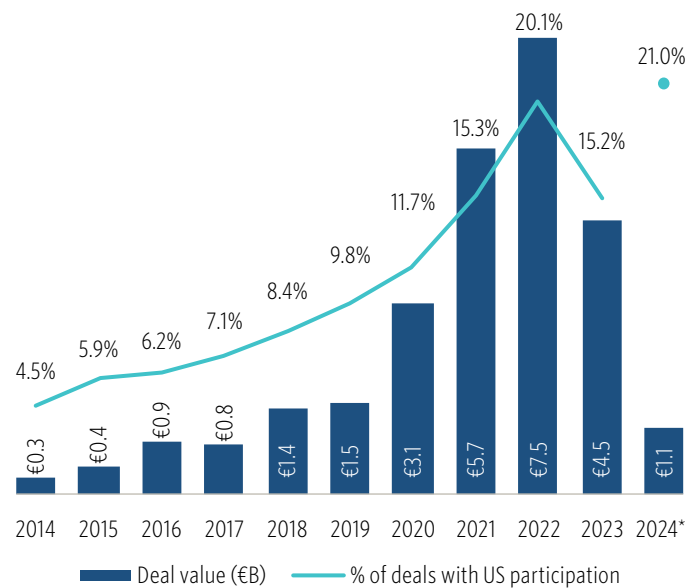
Of the top 10 deals in the quarter, four were AI related, with the largest being the well-documented €309.0 million round raised by Mistral AI. The company's 2023 round was also a top-10 deal for the year, closing €105.0 million and demonstrating the significant funding the company has received despite being in the seed stage. Other AI deals in the top 10 included late-stage startups Zama, Photoroom, and Greenly, albeit at much smaller sizes than Mistral AI's round. Overall, we are seeing larger deals gain share of deal count in France, with 13.4% of deals in the quarter being over €25.0 million in size—more than double the share the size bracket had in 2023.

Median VC deal value (€M) by stage



Source: PitchBook • Geography: France • *As of March 31, 2024

VC deal activity with US investor participation



Source: PitchBook • Geography: France • *As of March 31, 2024

Sector-based trends in the country supported by the government

Regarding sector-based trends, France follows the broader market. Software held the largest share of deals in Q1 at 32.7%, followed by commercial products & services and then

²: "In-Depth: Artificial Intelligence Law," Lexology, Jean-Luc Juhan, et al., January 17, 2024.

Top 10 VC deals by deal value in Q1 2024*

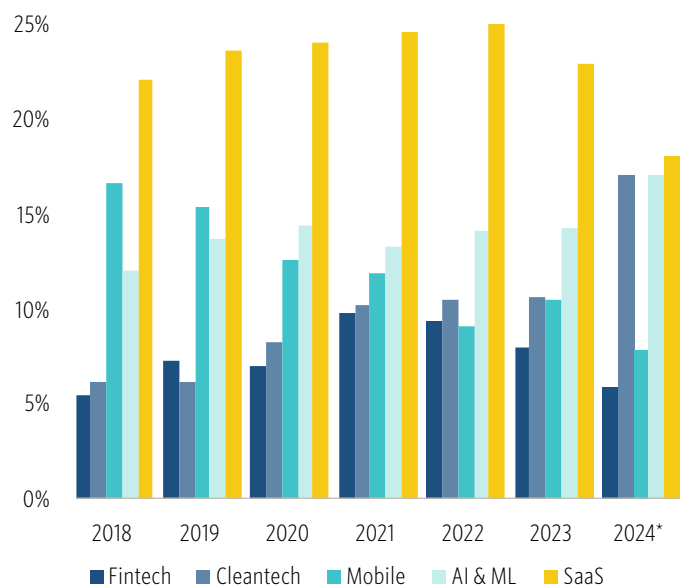
Company	Close date	Deal value (€M)	Post-money valuation (€M)	Deal type	Industry sector
Mistral AI	February 26	€399.6	€1,852.8	Early-stage VC	Information technology (IT)
Electra	January 15	€304.0	N/A	Early-stage VC	Energy
Unseenlabs	February 27	€85.0	N/A	Late-stage VC	Business products & services (B2B)
Zama	March 7	€67.6	N/A	Late-stage VC	IT
Inocel	March 22	€64.0	N/A	Early-stage VC	B2B
Photoroom	March 1	€51.0	€514.2	Late-stage VC	IT
Greenly	March 21	€47.8	N/A	Late-stage VC	B2B
Planity	January 9	€45.6	N/A	Venture growth	Consumer products & services (B2C)
Flowdesk	January 18	€45.5	N/A	Early-stage VC	IT
Pennylane	February 8	€40.0	N/A	Late-stage VC	IT

Source: PitchBook • Geography: France • *As of March 31, 2024

consumer goods & services. Within commercial products, we have seen a wider variety of industries represented in the quarter's activity, with cleantech deals especially prevalent.

Looking at more specific verticals, the skew to SaaS, cleantech, and AI is clear. Cleantech deals have shown more resilience than the overall market in France, being one of the few verticals to increase its deal value in 2023. So far this year, cleantech has also shown resilience with its deal value of €0.6 billion increasing 35.9% QoQ and nearly twofold YoY. As mentioned earlier, deal volume is skewed to AI. Outside of SaaS, AI & ML held the largest share of deal count in 2023, sitting at 14.3% of deals, and also increased its share in Q1 2024.

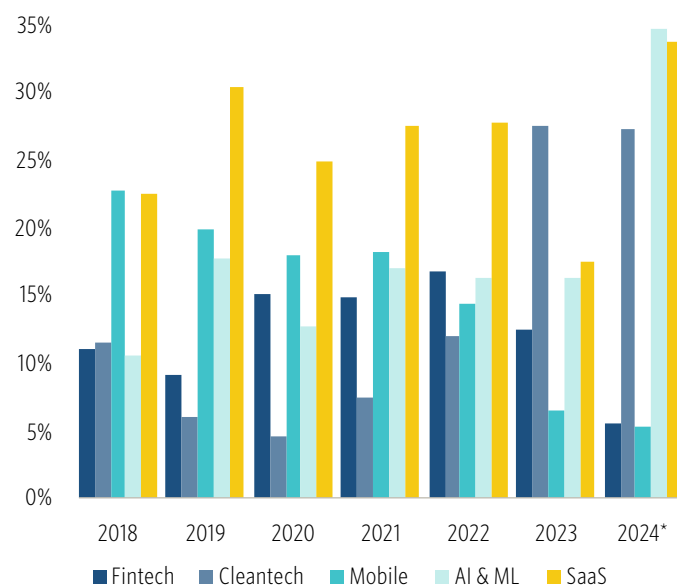
Share of VC deal count by select verticals



Source: PitchBook • Geography: France • *As of March 31, 2024

Several of the AI deals over the past year have had participation from France's largest VC firm, Bpifrance, which is government owned. Bpifrance invests in startups either directly through one of its specialised funds or indirectly by acting as an LP for French VC funds. Its presence shows the government's continual focus on fostering homegrown industries, especially within sectors that need regulatory support, such as climate tech and clean energy. More broadly, it also shows the need for state intervention in larger funding rounds in some industries. Bpifrance has participated in large rounds such as Mistral AI, Unseenlabs, and Zama. In Q1 2024, Bpifrance participated in 16.6% of deals.

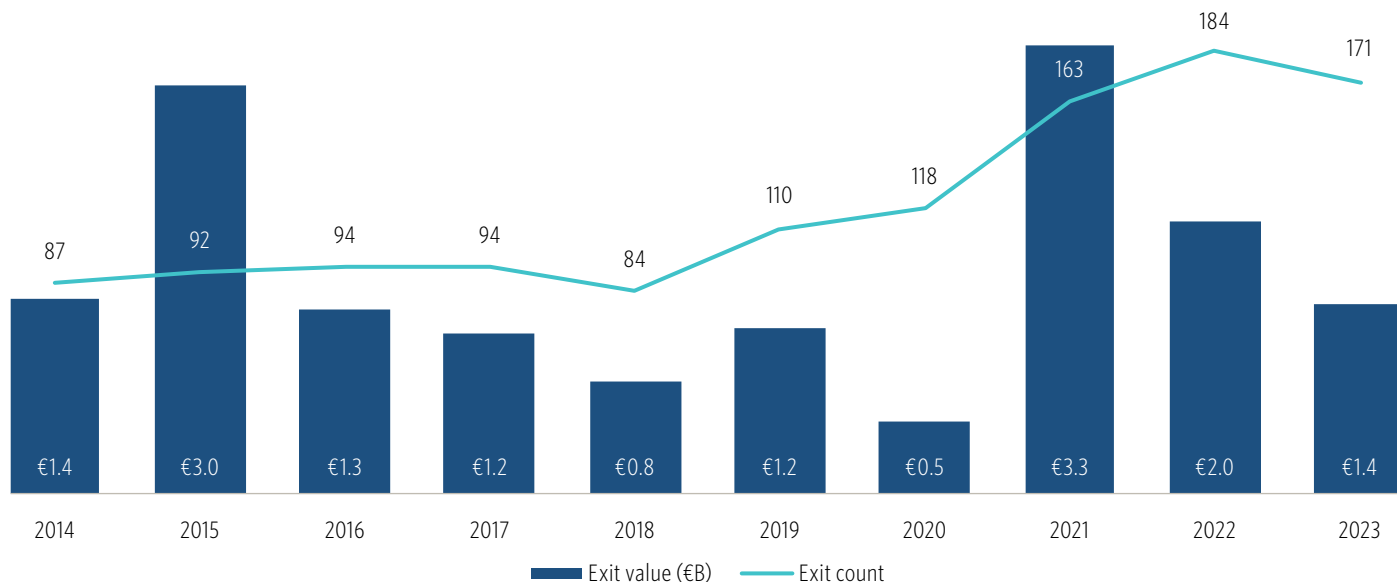
Share of VC deal value by select verticals



Source: PitchBook • Geography: France • *As of March 31, 2024

VC exits

VC exit activity*



Source: PitchBook • Geography: France • *As of March 31, 2024

Note: There are no known exit values for the exits recorded in Q1 2024, so we have omitted 2024 from this chart.

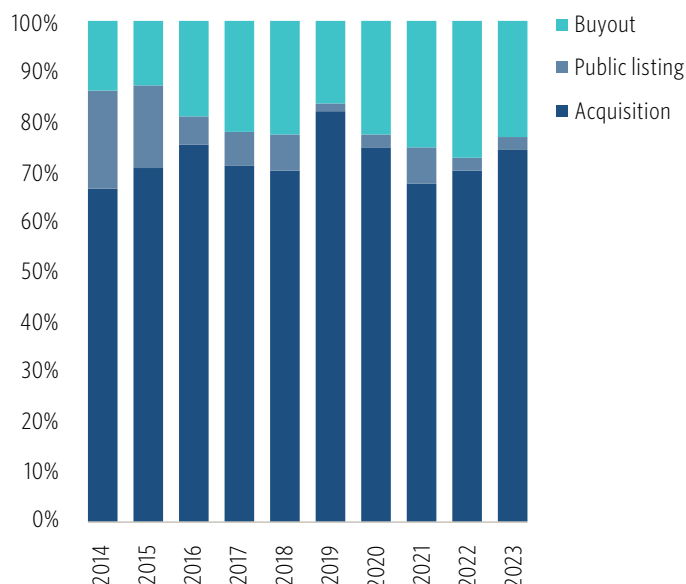
France exit activity is down but more resilient than Europe

In 2023, exit value in France sat at €1.4 billion, 31.2% lower than 2022. Deal volumes also declined 7.1% YoY in 2023. For Europe, the correction in value and volume has been greater, with 2023 deal value and volume 65.2% and 76.7% lower YoY, respectively. The resilience in France seen last year can be attributed to the higher weighting to buyouts in the country, which held 29.1% of 2023 exit value, nearly double the share found in the broader continent. Valuations for buyouts were more resilient last year. Given the historical presence of PE in the region, this has supported more mergers & acquisitions (M&A) activity in the country, as nearly all exits in France since 2022 have been corporate acquisitions or buyouts.

M&A activity continues to dominate

In 2023, the top 10 exits in France were mostly acquisitions, with two buyouts and one public listing. The initial public offering (IPO) was online driving school business lePERMISLIBRE, which listed in February 2023. Since then, listings in the region have been muted. Whilst this is in line with Europe and tepid listing markets globally, other markets in the continent did see more IPOs emerge through 2023. The two buyouts in France were of restaurant group Big

Share of VC exit count by type*



Source: PitchBook • Geography: France • *As of March 31, 2024

Mamma by McWin Capital Partners for €270.0 million and legal tech startup Doctrine for €100.0 million. The largest exit in France last year was the acquisition of healthcare tech company LimFlow, which was acquired by Inari Medical for €392.7 million (including a contingent payout).

Top 10 VC exits by exit value in 2023*

Company	Close date	Exit value (€M)	Exit type	Industry sector
LimFlow	November 15	€392.7	Acquisition	Healthcare
Big Mamma	September 19	€270.0	Buyout	B2C
Scibids Technology	August 14	€113.0	Acquisition	IT
Augmenta	March 13	€103.4	Acquisition	IT
Doctrine	April 11	€100.0	Buyout	IT
SlimPay	August 30	€70.0	Acquisition	IT
ITK	October 31	€45.0	Acquisition	IT
UntieNots	January 3	€38.8	Acquisition	IT
lePERMISLIBRE	February 8	€37.9	Public listing	B2C
PhysioAssist	September 14	€32.4	Acquisition	Healthcare

Source: PitchBook • Geography: France • *As of March 31, 2024

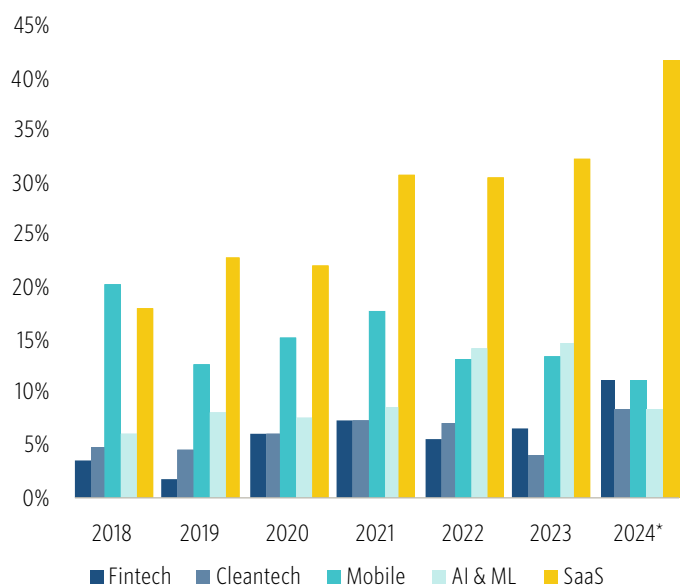
Outside of SaaS, other verticals show exit liquidity

There is less diversity among verticals in the share of exits in France. As mentioned earlier, several verticals drove deal activity in France last year, with SaaS, cleantech, and AI & ML holding similar shares of both count and value. In exit value, there is a greater concentration in SaaS businesses, with the vertical holding the highest share in 2023 of 32.2%. This increased to 41.7% in Q1 2024 as more investors crystallised the value of investments following the valuation correction in the sector, which saw one of the largest write-downs amongst sectors in VC last year. The fintech and mobile verticals held the largest share of exit count, both sitting at 11.1%. However, both hold a small share of value, as

valuations in both areas clearly sit lower than those in other sectors in the region.

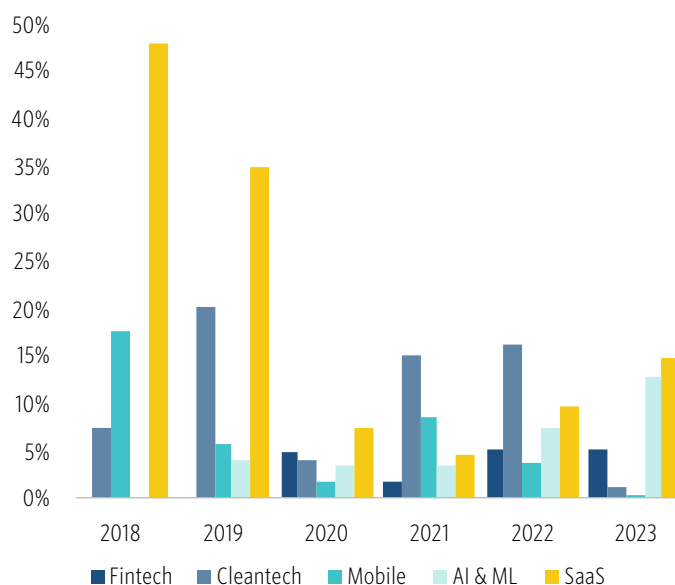
AI & ML held the second-largest share of exit value in 2023 at 12.9%. There appears to be more liquidity despite the nascent nature of the industry, as several exits have taken place in recent years. This contrasts with other verticals such as cleantech, where despite resilient deal value, exit activity has significantly lagged. This could be due to the longer time horizon needed to develop and scale green energy technologies and the smaller number of cleantech companies in Europe. As of May 7, 2024, our platform lists 3,339 VC-backed cleantech companies in Europe, compared with 5,459 companies in Europe that fall within the AI & ML vertical.

Share of VC exit count by select verticals



Source: PitchBook • Geography: France • *As of March 31, 2024

Share of VC exit value by select verticals*

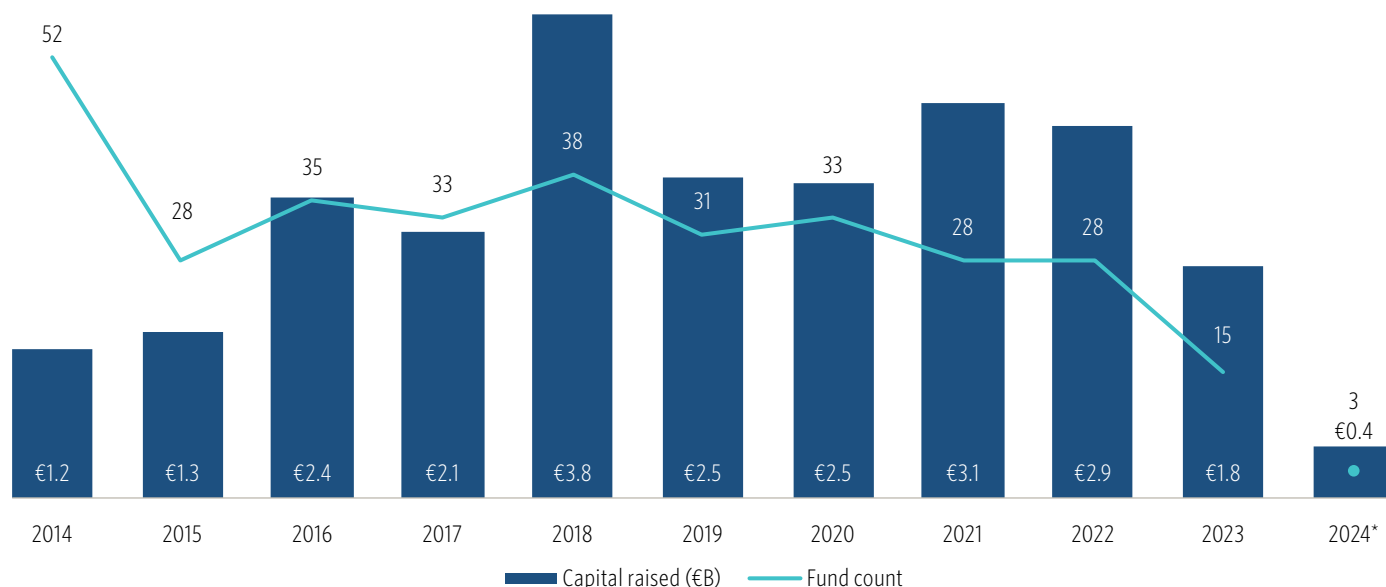


Source: PitchBook • Geography: France • *As of March 31, 2024

Note: There are no known exit values for the exits recorded in Q1 2024, so we have omitted 2024 from this chart.

VC fundraising

VC fundraising activity



Source: PitchBook • Geography: France • *As of March 31, 2024

VC fundraising in France has declined in line with the rest of Europe

In 2023, VC capital raised in France amounted to €1.8 billion across only 15 vehicles. The decrease in 2023 and the run rate of fundraising in Q1 2024 is in line with trends seen for Europe as a whole. Since 2022, the largest closes in France have been Singular Ventures II and Smart City II Venture Fund, both €400.0 million in size. Both generalist and specialist vehicles had large closes, with Elaia closing its fourth fund at €200.0 million and Sofinnova Partners raising €190.0 million with a focus on early-stage digital medicine technology.

Smaller vehicles dominate share

Most fund closes in France last year sat in the smaller size brackets, with funds between €50 million and €250 million making up 60.0% of closes. In recent years, weak exit markets, lower returns within venture, and tougher financing conditions have caused strains on LP allocations in the strategy. As a result, fund target sizes across the space have decreased as general partners (GPs) rebased their expectations for capital raised. The median fund size declined 15.0% to €76.5 million in 2023, having also declined in 2022. However, the split between emerging and experienced managers is relatively equal, with each manager type accounting for roughly half of the closes and the capital raised.

European VC still gains interest; more partnerships could emerge

With the downturn in French-domiciled funds, investment in Europe and the region will also be supported by non-European funds that participate in European markets. General Catalyst raised \$6.0 billion in April to invest in various tech sectors and regions, including Europe.³ Last year, the firm merged with German VC firm La Famiglia, showing its commitment to the region and the ability of larger, more experienced firms to raise and deploy capital in less familiar regions.

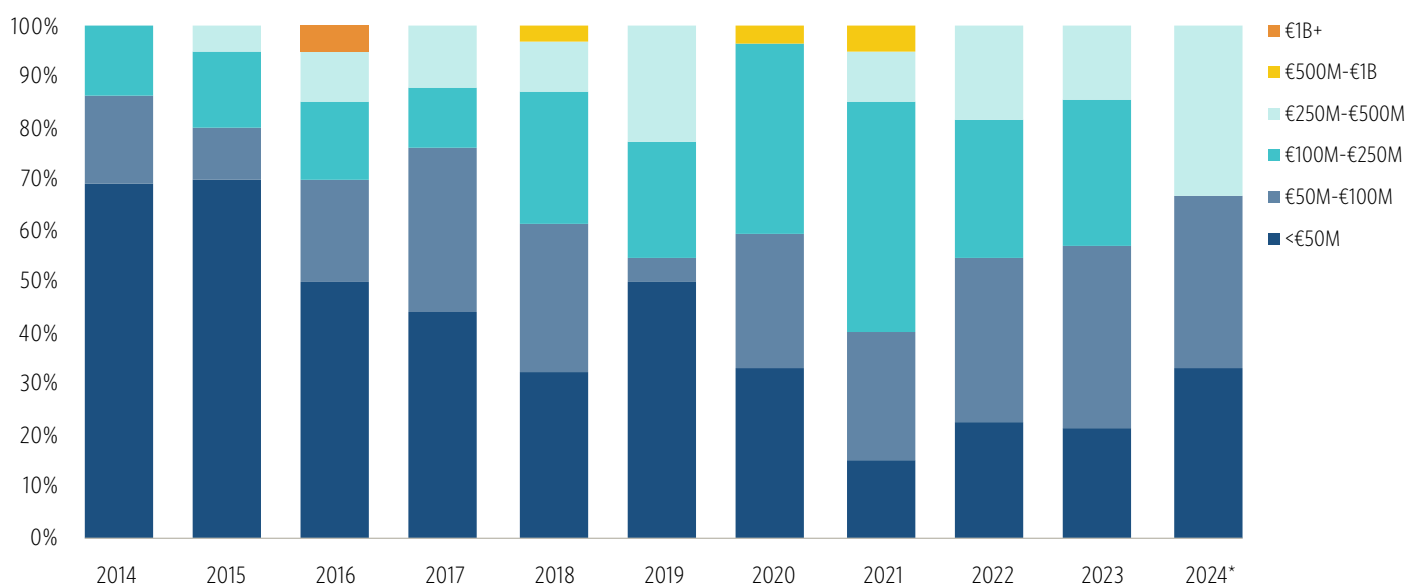
We have also seen partnerships within Europe, with investment bank Lazard partnering with French VC firm Elaia this year to form a growth deep tech fund.⁴ Details are not finalized, but the potential target of €1.0 billion would be one of the largest VC funds in Europe, with the aim to write checks of €30 million to €40 million. Despite the retreat of nontraditional investors within the space, such partnerships are evidence that private markets continue to offer untapped investment opportunities for more mature financial firms, and we could see more similar structures emerge in Europe as fundraising challenges continue. We will watch to see how the fundraising target is achieved and if other players follow suit.

All closed VC funds by fund value since 2023*

Fund	Close date	Fund value (€M)	Fund type	Fund status
Singular Ventures II	December 14, 2023	€400.0	Early-stage VC	Closed
Smart City II Venture Fund	July 18, 2023	€400.0	VC	Closed
Partech Venture Fund	January 9, 2024	€360.0	VC	Closed
Elaia Digital Ventures 4	March 30, 2023	€200.0	Early-stage VC	Closed
Digital Medicine Venture Fund	October 26, 2023	€190.0	Early-stage VC	Closed
Educapital Fund II	April 14, 2023	€150.0	VC	Closed
Brighteye Ventures Fund II	June 19, 2023	€100.0	VC	Closed
ISAI Build Venture	March 31, 2023	€80.0	Late-stage VC	Closed
AXC2 Fund	December 12, 2023	€73.0	Early-stage VC	Closed
Ring Mission impact VC Fund	June 28, 2023	€70.0	Early-stage VC	Closed
Regional Avenir Industrie Auvergne-Rhône-Alpes fund	November 23, 2023	€50.0	VC	Closed
Orano Venture Fund	March 26, 2024	€50.0	VC	Closed
Elevation Early Growth II	March 31, 2023	€50.0	VC	Closed
Xplore II	March 31, 2023	€46.0	Early-stage VC	Closed
OSS Fund	August 25, 2023	€15.0	Early-stage VC	Closed
Vinci HiTech	March 26, 2024	€2.8	Early-stage VC	Closed
France Evolution 2	December 31, 2023	€2.0	VC	Closed
Founders Future Continuation Fund	July 20, 2023	N/A	Early-stage VC	Fully invested

Source: PitchBook • Geography: France • *As of March 31, 2024

Share of VC fund count by size bucket



Source: PitchBook • Geography: France • *As of March 31, 2024

3: "Silicon Valley's General Catalyst Closes In on \$6bn Fund for Tech Start-Ups," Financial Times, George Hammond, April 28, 2024.

4: "Private Investment Bank Lazard Set to Partner With French VC Elaia to Launch a European Growth Fund," Sifted, Daphné Leprince-Ringuet, April 17, 2024.

PE deals

PE deal activity by quarter



Source: PitchBook • Geography: France • *As of March 31, 2024

Low growth and high debt are issues for France's investor profile

France PE activity has been on the decline in the past three quarters, with Q1 2024 bottoming at €10.6 billion in deal value, a 17.1% YoY decline from what had already been a depressed Q1 in 2023. Just like most developed European nations, France has experienced issues with slowing growth. The country saw a mere 0.9% growth in gross domestic product (GDP) in 2023 and is projected a 0.7% increase in 2024 by the IMF.⁵ Another element that does not bode well for France's growth is its growing public deficit, which reached 5.5% of GDP in 2023, missing the government's 4.9% target.⁶ France has the third-highest debt/GDP ratio in Europe after Greece and Italy, which led to Fitch downgrading France's rating in April 2023. However, both Moody's and Fitch have maintained their ratings this year despite the gloomier outlook. "Higher for longer" interest rates will make it harder for the French government to lower public deficit and reach its target of 3.0% of GDP by 2027. Higher borrowing costs stemming from the European Central Bank's tightening monetary policy also help explain the depressed deal activity seen in France over the past few quarters.

5: "Steady But Slow: Resilience Amid Divergence," World Economic Outlook, April 2024.

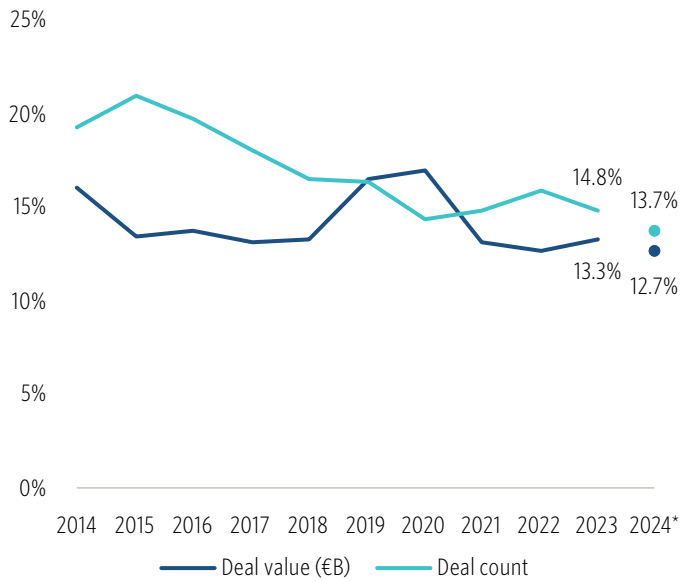
6: "Moody's and Fitch Keep France's Ratings Unchanged," Le Monde, April 27, 2024.

7: "Capital Gains Tax Rates in Europe, 2024," The Tax Foundation, Alex Mengden, March 12, 2024.

Non-European investor participation declining in France

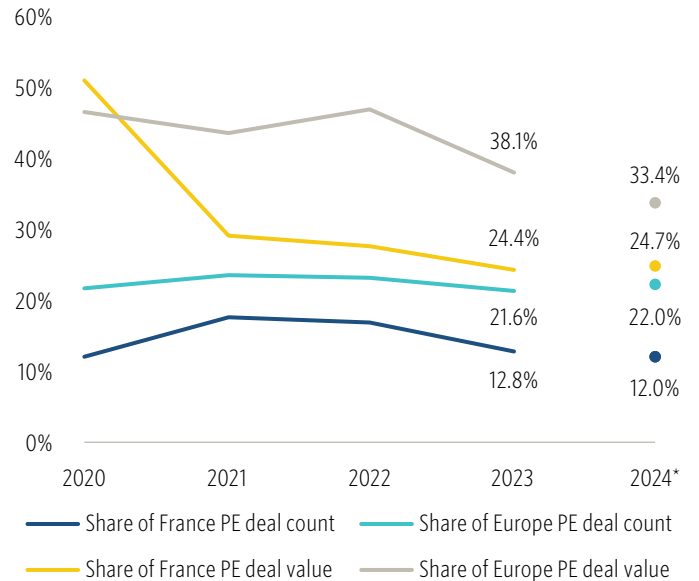
France has always been the second-largest PE market in Europe after the UK, accounting for 17.1% of European deal count on average for the past 10 years. That share has been on the decline since 2015 as other European markets have been rising, such as the DACH (Germany, Austria, and Switzerland) and Nordic regions. This can be explained in part by the lack of deal activity from non-European investors, which dropped from 51.1% of France's PE deal value in 2020 to 24.7% as of the end of Q1 2024. For comparison, the European figure stands at 33.4% as of the end of Q1 2024, pointing to France being more protectionist of its businesses than other countries in Europe. France is known for heavier regulation when it comes to labour laws and takeovers. In addition to this, France has the third-highest capital gains tax and fifth-highest corporate tax rate in Europe, according to the Tax Foundation,⁷ which can make France less attractive for dealmaking for non-European sponsors.

France PE deal activity as a share of all Europe PE deal activity



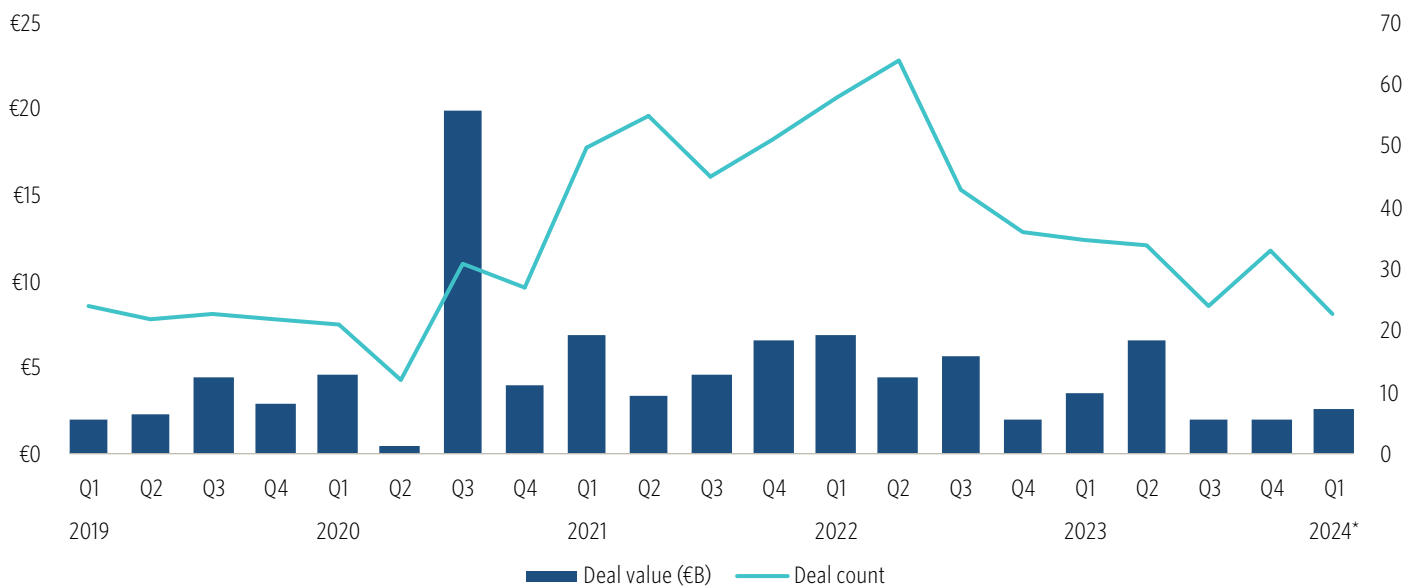
Source: PitchBook • Geography: France • *As of March 31, 2024

PE deal activity with non-European investor participation as a share of all France and Europe PE deal activity



Source: PitchBook • Geography: France • *As of March 31, 2024

PE deal activity with non-European investor participation by quarter



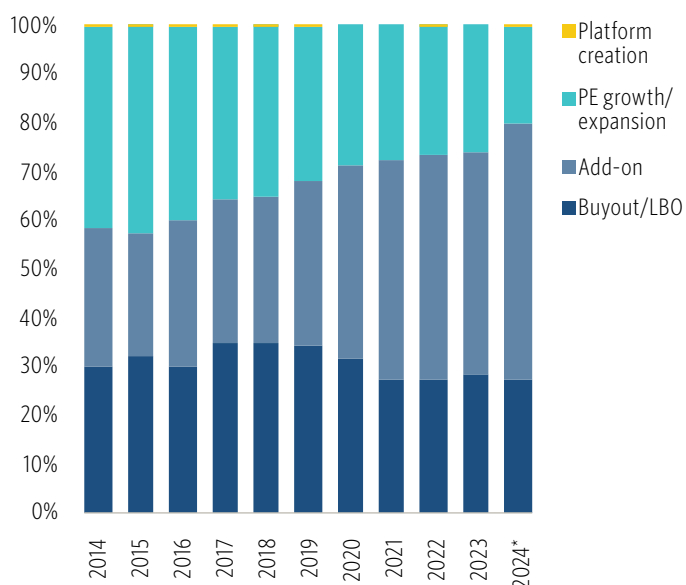
Source: PitchBook • Geography: France • *As of March 31, 2024

Small deals, add-on deals

France's deal environment echoes what we have been seeing elsewhere in Europe over the past 18 months: a decline in PE dealmaking with a shift towards smaller add-on deals, which can be complementary in a buy-and-build PE strategy. A good proxy for dealmaking appetite is the number of megadeal transactions. France went from a peak of €24.6 billion in megadeal value in 2020 to €11.5 billion in 2023 and only one megadeal so far in 2024, worth €1.7

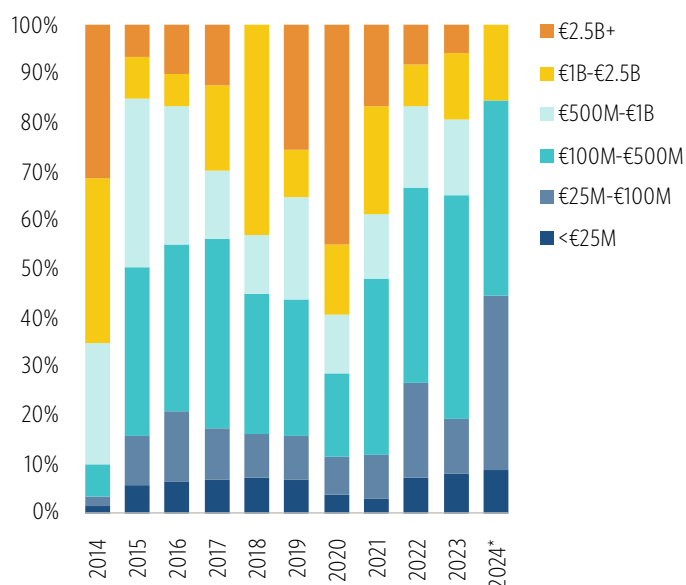
billion. Looking at the top 10 deals since 2023, only two deals have occurred since the start of H2 2023. The take-private of Believe in Q1 2024 saw a consortium of PE firms partner with the founder to take the digital music company private for less than its IPO price less than three years after its public debut. In 2023, we saw the €100 million to €500 million size bucket show the most resilience, with its share of deal count increasing 5.8% YoY. This has come hand in hand with the growth of add-ons, which have grown from representing roughly one in three deals to one in two deals.

Share of PE deal value by size bucket



Source: PitchBook • Geography: France • *As of March 31, 2024

Share of PE deal count by type



Source: PitchBook • Geography: France • *As of March 31, 2024

Top 10 PE deals by deal value since 2023*

Company	Announced date	Deal value (€M)	Deal type	Industry group
DATA4	April 11, 2023	€3,500.0	Buyout/LBO	IT services
Infopro Digital	May 23, 2023	€2,365.7	Buyout/LBO	Commercial services
Believe	February 11, 2024	€1,660.0	Buyout/LBO	Media
Coriance	June 5, 2023	€1,600.0	Buyout/LBO	Energy services
Lisi	May 10, 2023	€1,400.0	Buyout/LBO	Commercial services
Casino Guichard-Perrachon	June 14, 2023	€1,200.0	Buyout/LBO	Retail
Scalian	April 17, 2023	€965.0	Buyout/LBO	IT services
ECF	June 14, 2023	€895.6	Buyout/LBO	Commercial products
Groupe Premium	July 31, 2023	€835.0	PE growth/expansion	Capital markets/institutions
UltraEdge	November 21, 2023	€764.0	Buyout/LBO	IT services

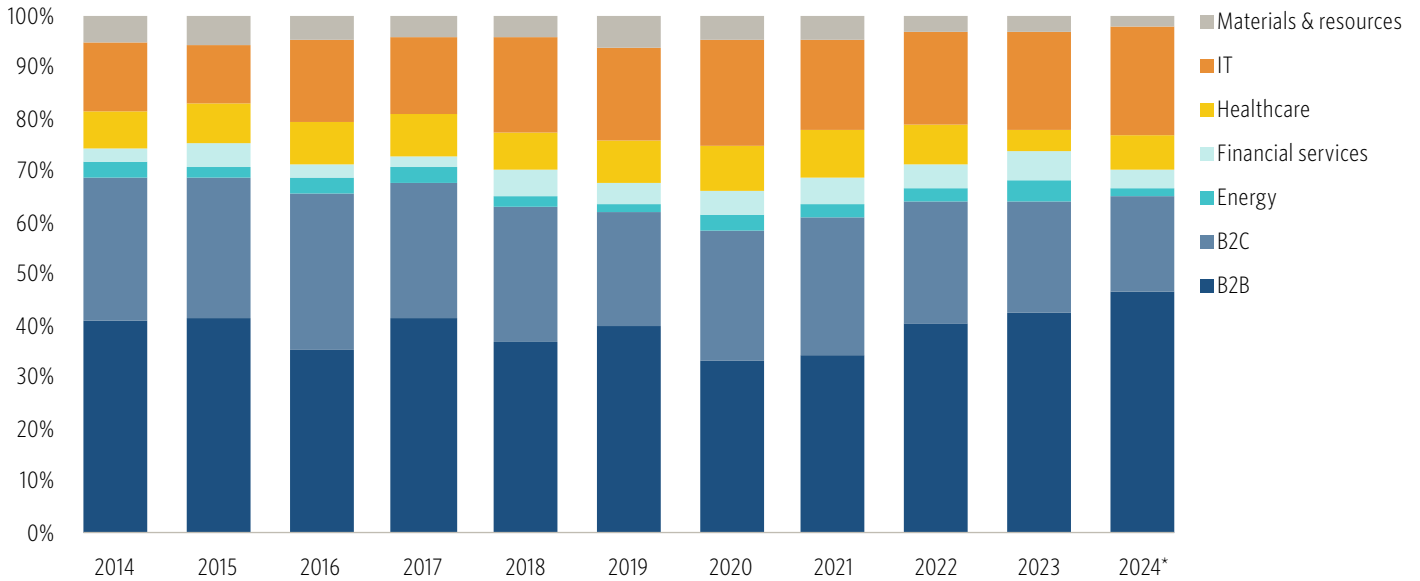
Source: PitchBook • Geography: France • *As of March 31, 2024

B2B on the rise

France's B2B sector has grown its proportion of deal count in the past few years, going from 33.3% in 2020 to 46.9% in Q1 2024. Given the macroeconomic environment of the past few years characterised by high inflation in Europe, we have seen sponsors look for businesses that can pass on inflation to their customers. A good example was the 2023 secondaries

deal of Infopro Digital, which was rolled into a continuation fund by TowerBrook Capital Partners, allowing for Ardian to co-invest at the same time. Infopro Digital is a subscription-based business that provides information to B2B companies and exhibits price elasticity in its product offering, which gives it resilience in periods of high inflation. Looking within B2B, media & information services contributed the most in 2023 with 35 deals and €4.0 billion in deal value.

Share of PE deal count by sector



Source: PitchBook • Geography: France • *As of March 31, 2024

PE exits

PE exit activity by quarter

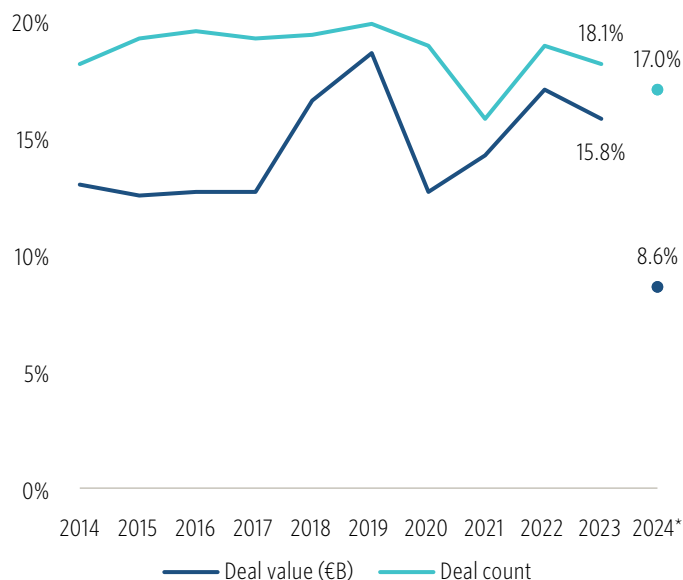


Source: PitchBook • Geography: France • *As of March 31, 2024

Was Q1 2024 the bottom for exit activity?

France PE exit value has been declining for four consecutive quarters as the bid and ask prices on transactions have widened following elevated valuations in 2021. Having said this, 2023 was still a resilient year in terms of exit value, albeit skewed by a strong level of exit activity in H1. Since H2 2023, however, we have seen a dearth in exit activity across the asset class in most geographies, and France is no exception. Q1 2024's reduced exit activity was more pronounced in France than elsewhere in Europe, with exit value down 74.8% YoY in Q1 2024 versus a 22.8% decline for Europe. France dropped its share of European exit value from 15.8% in 2023 to 8.6% in Q1 2024. The wider question then becomes whether we have reached a bottom for exit activity. First, at the time of this writing, the European Central Bank has signaled it is ready to start cutting interest rates, with three rate cuts expected by year-end. This would facilitate capital availability and offset interest expense burdens currently seen in the market. Second, we have already seen multiples pick up, as noted in our [Q1 2024 European PE Breakdown](#). The TTM EV/EBITDA multiple for Europe has leaped over the 2023 figure as of the end of Q1. Multiples have been declining since 2021, falling by over 20%. The uptick points to a correction in valuations and demonstrates that the bid-ask spread is slowly narrowing again and will continue to do so in subsequent quarters. These two factors combined will help boost exit activity and unplug the current exit pipeline.

France PE exit activity as a share of all Europe PE exit activity

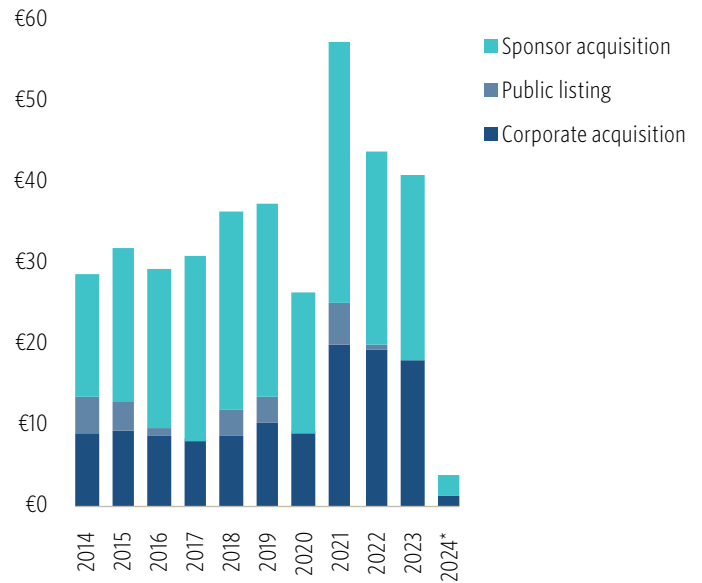


Source: PitchBook • Geography: France • *As of March 31, 2024

Are IPOs still a thing in France? What is next?

The last PE-backed IPO in France dates back to Q3 2022, when small-cap Smart Good Things listed for €102.5 million. The reason for this is that public markets have declined over the past two years, with many businesses experiencing a re-rating, especially those that were highly valued or that publicly listed around 2021. With market conditions unfavourable, we have seen sponsors turn towards sponsor-to-sponsor and corporate acquisitions. The largest corporate acquisition in France in the past 12 months saw Carlyle sell Saverglass to Australian bottle distributor Orora for €1.3 billion. Well-capitalized firms with low debt levels in their capital structure have been able to weather the higher-interest-rate environment better than others. Their competitive advantage lies in their deep pockets and long-term strategy that often end up outbidding PE firms. On the other hand, 2023 saw a 10.6% rise in sponsor-to-sponsor exit value. These types of transactions can be popular because they often do not change much in the day-to-day of management teams of the underlying businesses and do not involve a merger, which can be difficult and lengthy for large corporates. The rise of sponsor-to-sponsor exits has come hand in hand with the rise in secondary transactions, which can be either GP led or LP led. Secondary transactions create liquidity events for their stakeholders. For example, the aforementioned Infopro Digital secondary transaction allowed TowerBrook Capital Partners to sell down some of its stake while retaining control of the company and shifting the investment into a continuation fund. The partial sale also allowed France’s largest PE player, Ardian, to buy a stake. In fact, Ardian has reportedly raised over \$20 billion from investors for a new secondaries fund, which it aims to close at \$25 billion with the Abu Dhabi

PE exit value (€B) by type

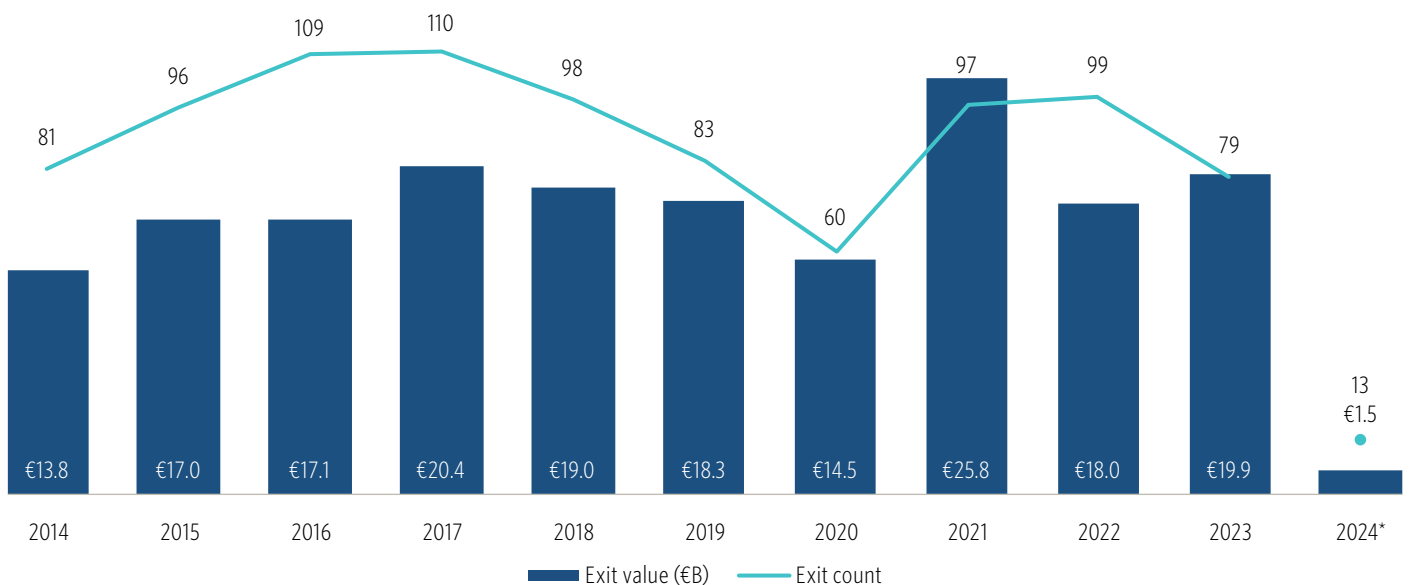


Source: PitchBook • Geography: France • *As of March 31, 2024

Investment Authority committing \$6 billion, as stated in our [Q4 2023 France Market Snapshot](#). 2023 was a record year for secondaries, and Ardian’s fund follows record closes from Blackstone and Lexington.

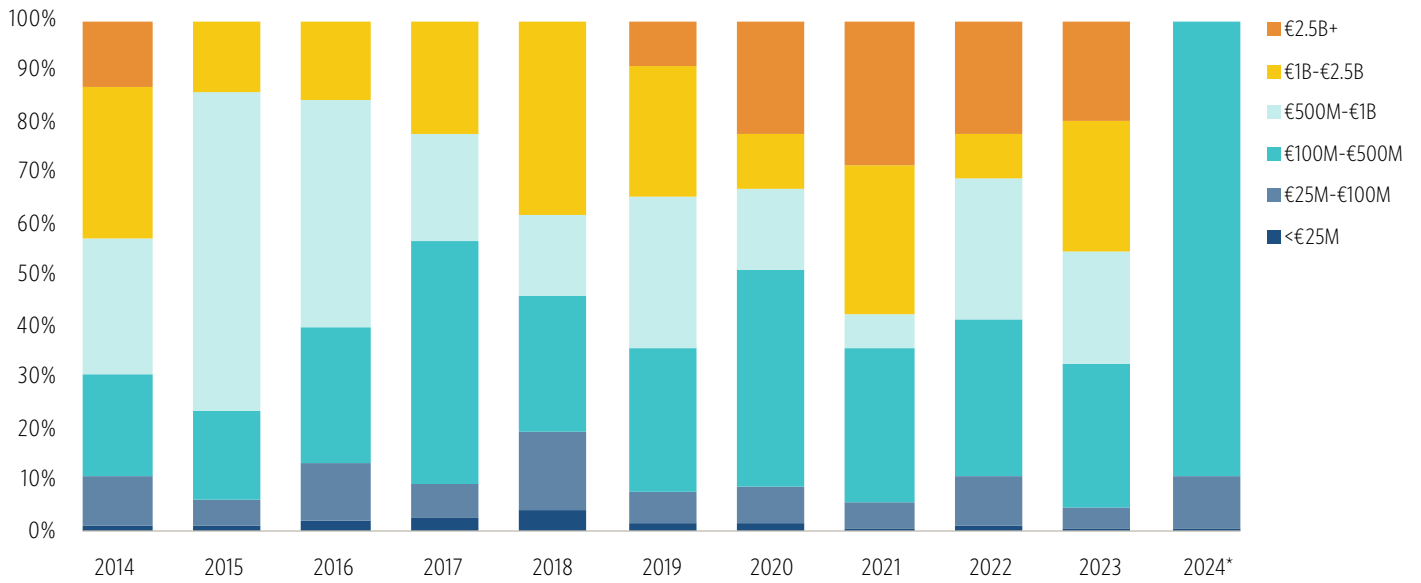
Although we have seen some public listings come to market in 2024, most notably in the Nordics, we do not expect a full recovery in public listings this year, as explained in our analyst note [Year of the IPO Window or Vent?](#) Instead, we expect to continue to see sponsor exits via corporates or secondary buyouts, with secondary transactions playing a pivotal role in creating liquidity for investors.

PE secondary buyout activity



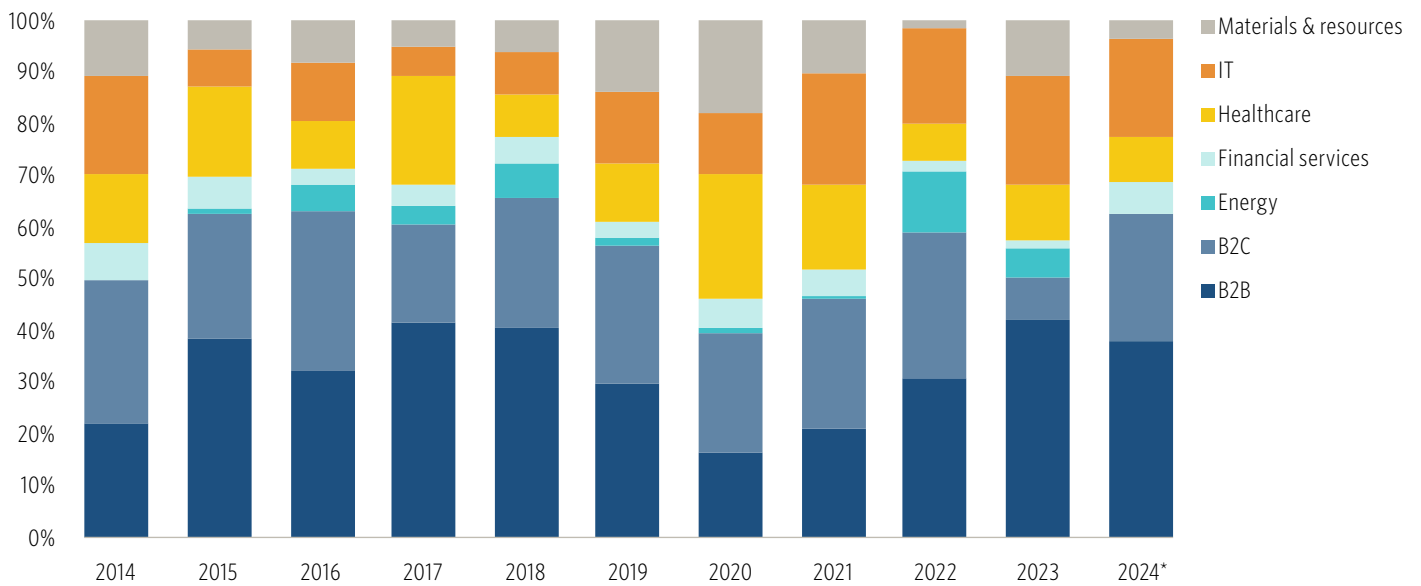
Source: PitchBook • Geography: France • *As of March 31, 2024

Share of PE exit value by size bucket



Source: PitchBook • Geography: France • *As of March 31, 2024

Share of PE exit value by sector



Source: PitchBook • Geography: France • *As of March 31, 2024

PE fundraising

Healthy fundraising in France

2023 saw a 27.8% increase in capital raised in France, with 21 funds closing an aggregate of €14.4 billion, or 11.7% of the European capital raised in 2023. Although capital increased, fund count was lower than in 2022, pointing to a tougher fundraising environment characterised by lower levels of capital availability due to fewer exits and higher interest rates. This also means that the average PE fund is getting larger. The largest fund closed in 2023 was ARCHIMED's MED Platform II, which raised €3.5 billion over 18 months—over twice as much as its first fund. MED Platform II, which specialises in healthcare, is targeting 14 investments compared with the seven that MED Platform I invested in.

When it comes to fundraising, France is not as dominated by a handful of PE firms as other European countries are. In the absence of any closed funds from PE giant Ardian, France's fundraising landscape is well balanced between small funds, middle-market funds, and megafunds. Since 2023, only four megafunds have closed in France. Another key difference with French fundraising is the balance between traditional buyout funds and growth/expansion funds. 10 out of the 24 funds that have closed since 2023 have been growth/expansion funds.

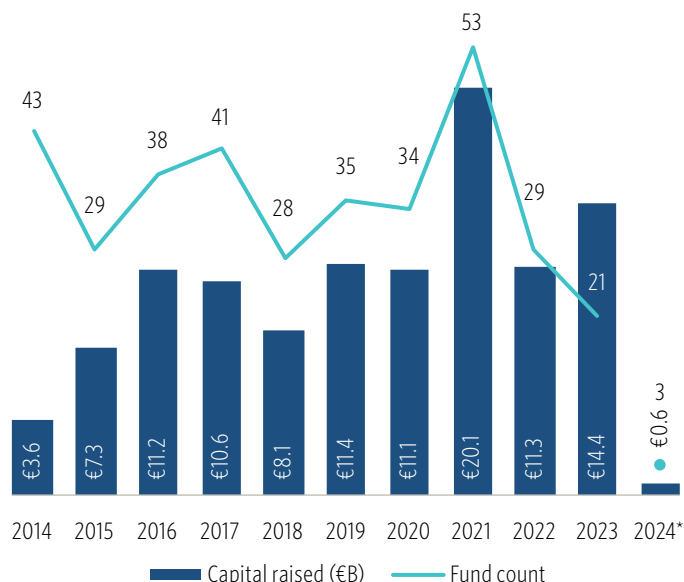
We note that Q1 2024 is off to a slow start in French fundraising, but given the ample pipeline of open funds, we expect stronger fundraising as the year develops. For instance, Astorg VIII reached an interim close last summer, raising €4 billion, while Eurazeo Capital V has raised €2.3 billion as of November 2023.

ELTIF 2.0

January 2024 saw the introduction of the new ELTIF 2.0. The first iteration of ELTIF came in 2015 but was not deemed groundbreaking, with only 53 launched products.⁸ However, ELTIF 2.0 is set to change the regulatory landscape in the EU, removing a number of hurdles, such as the minimum and maximum amounts for eligible assets, restrictions around fund concentration, the minimum investment requirement of €10,000, and the barring of

early fund redemptions. These changes are part of a move to democratise investing and allow for more retail capital to flow into such structures. When we spoke with Karim Boussetta, Regional Head for France/BeNeLux at Moonfare, he explained, "We think the European Commission's ELTIF 2.0 is a significant step forward in opening the performance and diversification benefits of private markets to retail investors. ELTIF 2.0 offers retail investors access to unlisted asset classes, including private equity, private debt, and infrastructure, which had historically only been available to institutional investors, such as pension funds. The 'ELTIF 2.0' regulation has removed some of the challenges that have prevented the structure from becoming more popular, increasing the potential benefits to both fund managers and investors." As of May 2024, there are 101 ELTIF 2.0 listed on the European Securities and Markets Authority's register of authorised European long-term investment funds as momentum is already picking up for this revamped structure.⁹ Of those 101 funds, 21 are registered in France. Only time will tell if this new structure proves to be successful, but the early appetite suggests it might. Regardless, it is a step towards democratising private markets for retail investors.

PE fundraising activity

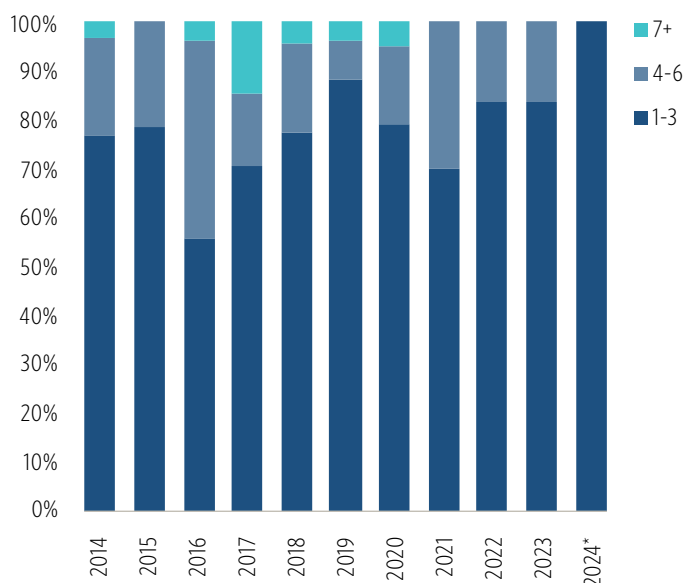


Source: PitchBook • Geography: France • *As of March 31, 2024

8: "ELTIF 2.0: What Does It Mean for Investors?" Schroders, Jen Appleton, November 6, 2023.

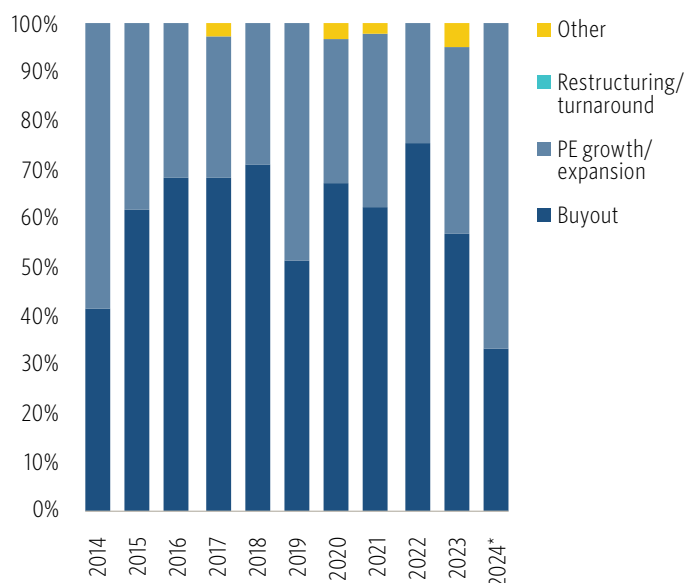
9: "Register of Authorised European Long-Term Investment Funds (ELTIFs)," European Securities and Markets Authority, n.d., accessed May 8, 2024.

Share of PE fund count by family size bucket



Source: PitchBook • Geography: France • *As of March 31, 2024

Share of PE fund count by type



Source: PitchBook • Geography: France • *As of March 31, 2024

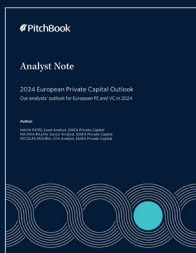
Top closed PE funds by fund value since 2023*

Fund	Fund value (€M)	Close date	Fund type
ARCHIMED MED Platform II	€3,500.0	June 5, 2023	Buyout
Keensight European Growth Buyout Fund	€2,800.0	September 22, 2023	Buyout
Keensight VI	€2,800.0	September 30, 2023	PE growth/expansion
Adagia Capital Europe	€1,100.0	September 19, 2023	Buyout
Andera Midcap 5	€750.0	September 18, 2023	PE growth/expansion
Merieux Participations 4	€570.0	September 22, 2023	Buyout
Qualium Fund III	€500.0	May 30, 2023	Buyout
Montefiore Investment Expansion	€450.0	September 13, 2023	Buyout
Jolt Capital IV	€371.0	June 1, 2023	PE growth/expansion
TiLT Capital Fund I	€320.0	February 9, 2024	PE growth/expansion
Sagard Private Equity Canada	€277.2	January 1, 2023	Diversified PE
FCDE Independent Fund II	€277.0	April 1, 2023	PE growth/expansion
Cathay Capital Small Cap IV	€240.0	June 29, 2023	PE growth/expansion
Cerea Capital III	€180.0	May 10, 2023	Buyout
Five Arrows Sustainable Investments	€177.0	January 1, 2023	PE growth/expansion
Capital Export Fund III	€160.0	March 17, 2024	PE growth/expansion
Momentum Invest II	€158.0	November 16, 2023	Buyout
Calcium Capital Partners II	€120.0	March 9, 2023	Buyout
Tikehau Green Diamond CFO Equity	€102.9	January 1, 2023	Buyout
Axio Environnement	€100.0	March 18, 2024	Buyout
Banijay UK Growth Fund	€56.6	February 8, 2023	PE growth/expansion
W PME Valorisation	€3.8	December 31, 2023	PE growth/expansion
SLAM Fund	N/A	December 20, 2023	Buyout
Meanings Private Equity Fund IV	N/A	June 21, 2023	Buyout

Source: PitchBook • Geography: France • *As of March 31, 2024

Additional research

European private capital



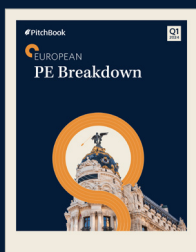
2024 European Private Capital Outlook

Download the report [here](#)



Q1 2024 European Venture Report

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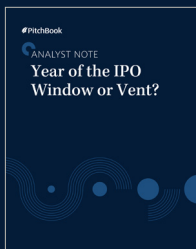
Q1 2024 European PE Breakdown

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Q4 2023 France Market Snapshot

Download the report [here](#)



Q2 2024 Analyst Note: Year of the IPO Window or Vent?

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Q2 2024 Analyst Note: The Rise of European Megafunds: Part I

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