

Talk & Networking Breakfast

Finance in France and Europe: Outlook and New Trends

with François Villeroy de Galhau,
Governor of the Banque de France, ECB Council Member

April 16, 2024

8:00 am EST

Harvard Club of New York City



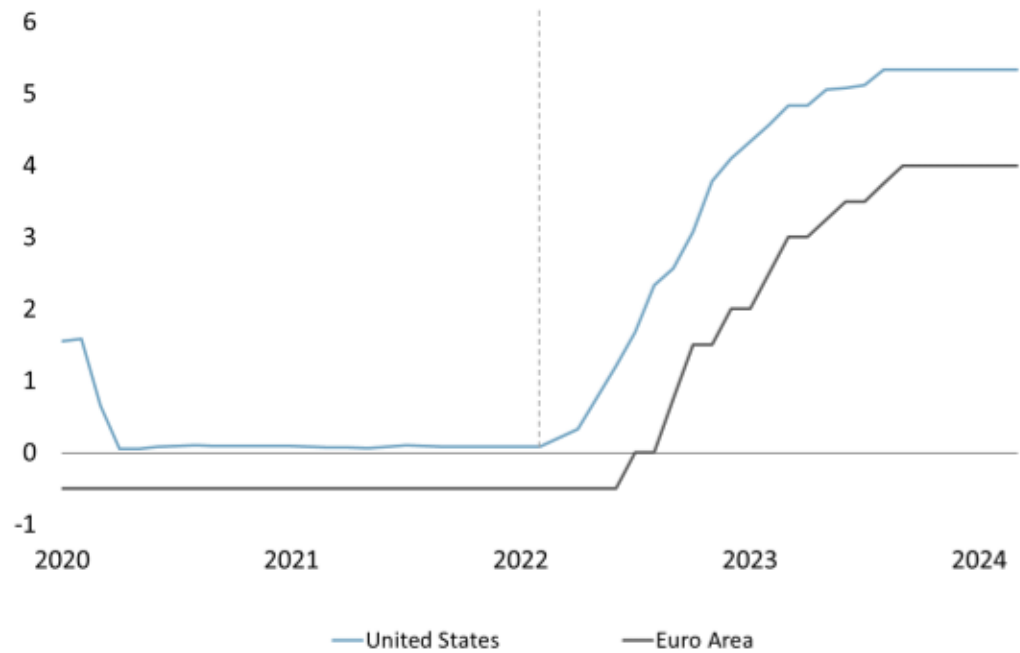
François Villeroy de Galhau

Governor of the Banque de France



Monetary tightening, and the decrease in core inflation

Key ECB and FED interest rates



For the euro area, deposit facility rate

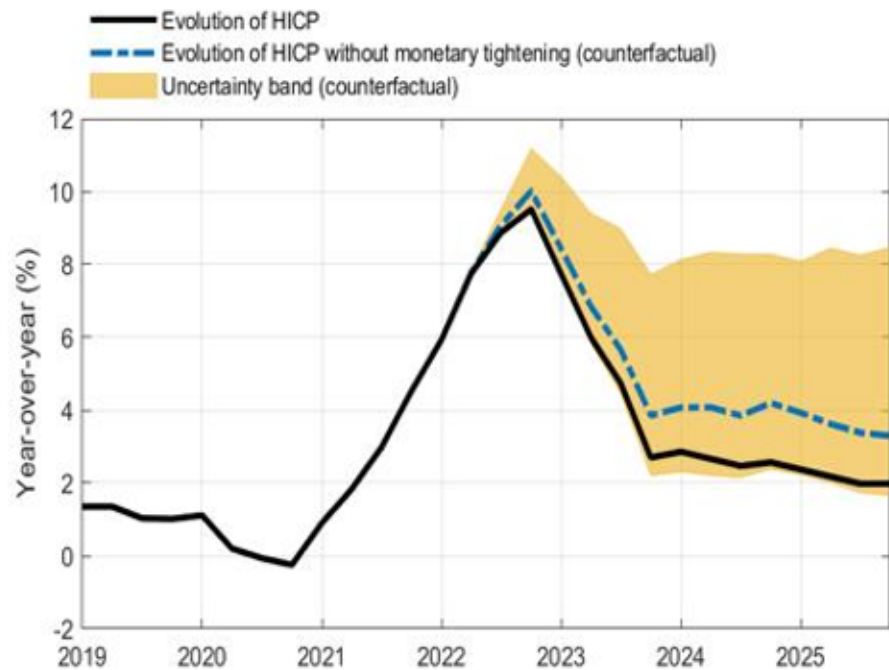
For the United States, effective federal funds rate (EFFR)

Core inflation in the euro area

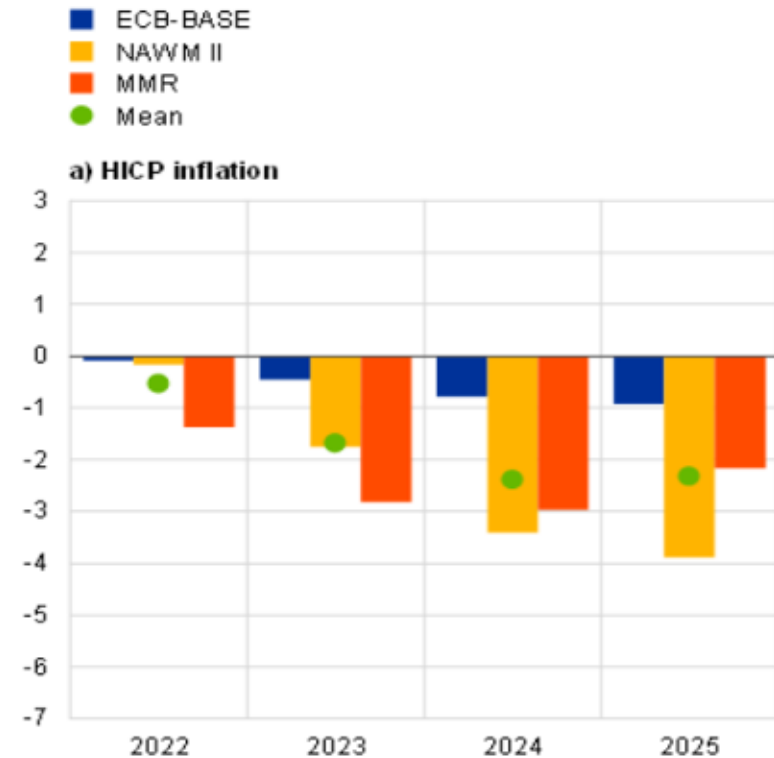


Monetary policy's contribution to lower inflation

Banque de France estimates



ECB estimates



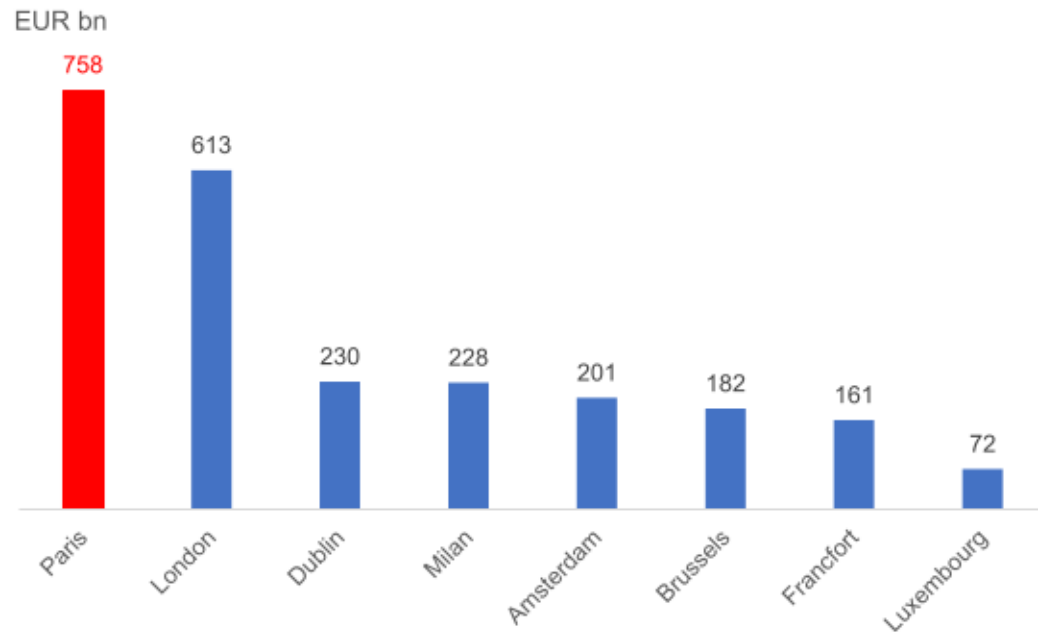
Paris, Main Financial Hub of the EU

Jean-Charles Simon
CEO, Paris Europlace

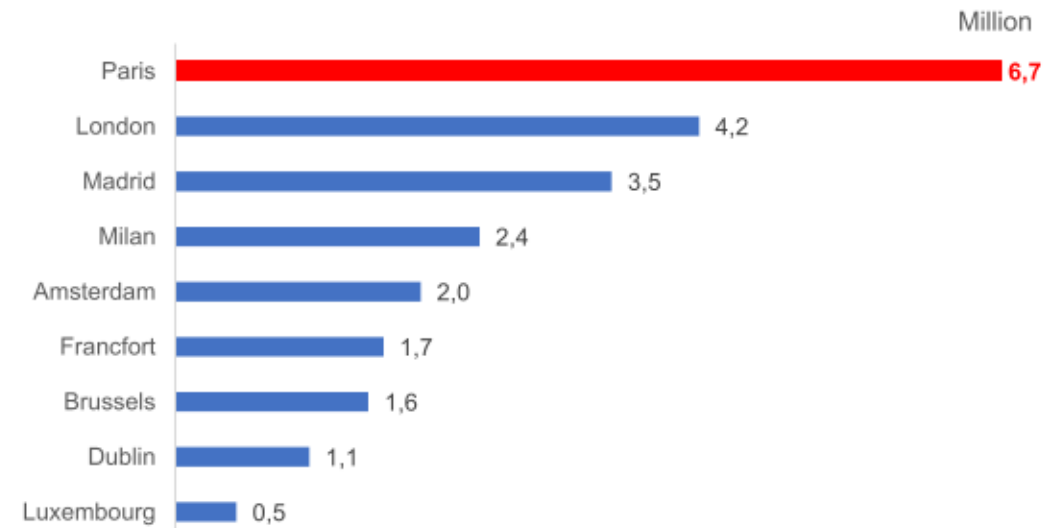


Paris Area, Main Economic Region in Europe

Gross Domestic Product



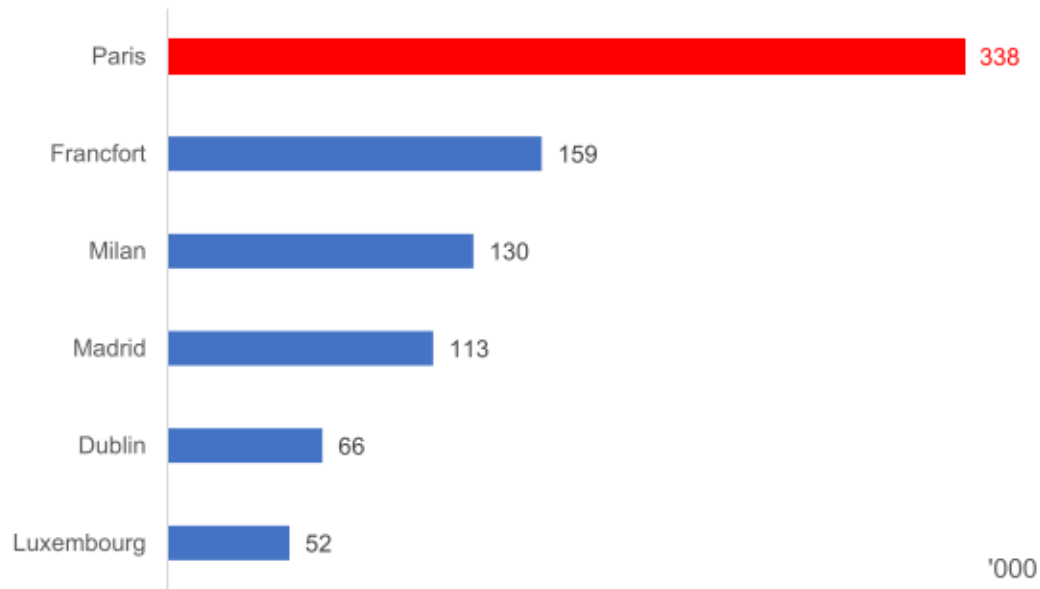
Employment, total



Sources: Eurostat, ONS (2021 data)

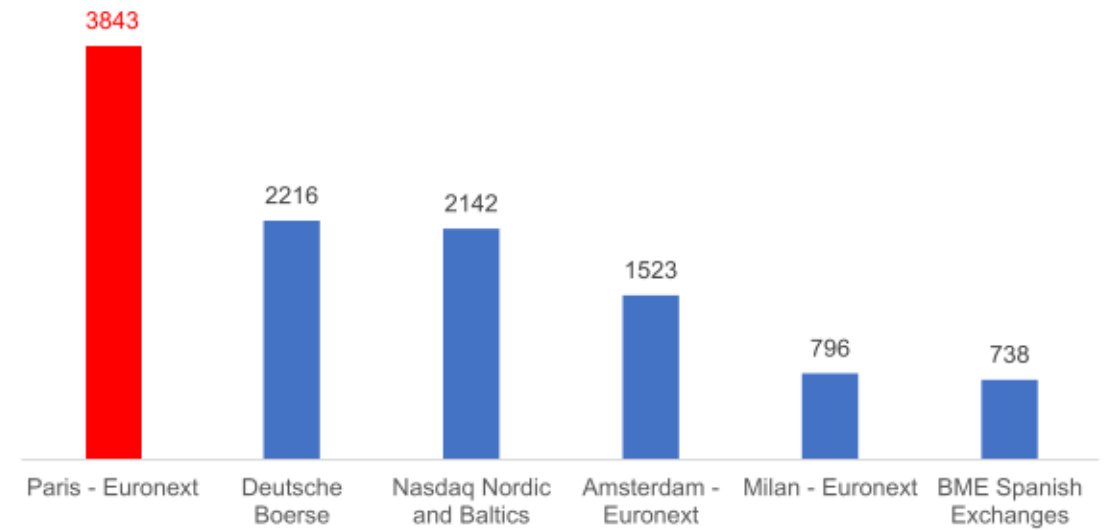
Paris, Main Financial Center in the EU (1/3)

Jobs in finance (thousands)



Sources: national statistical institutes, latest data

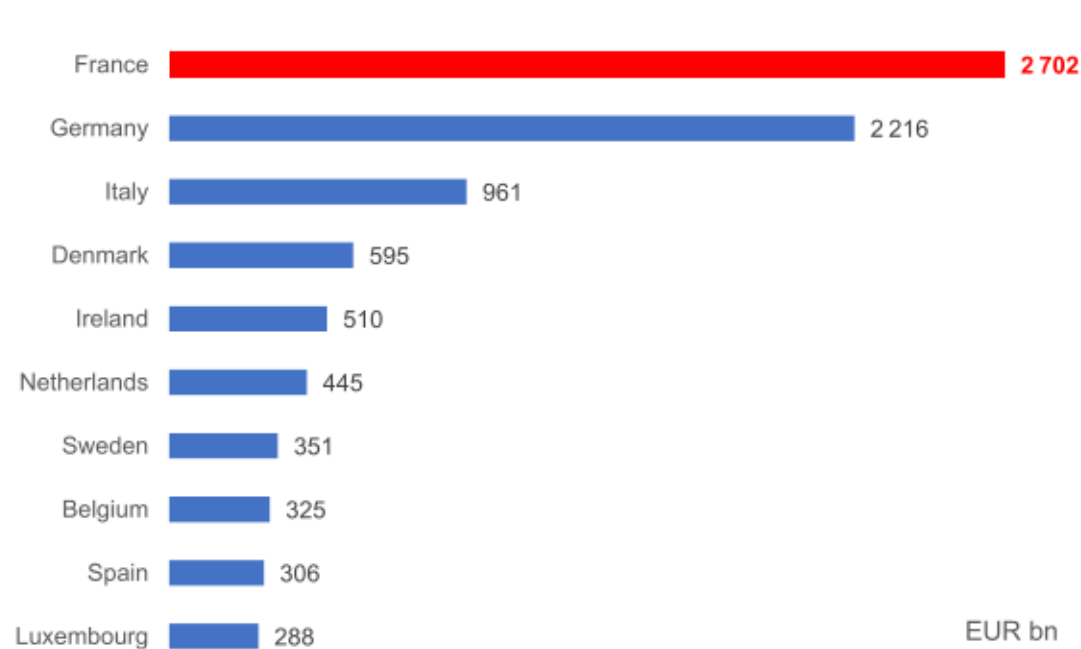
Equity markets capitalization (EUR bn)



Sources: WFE, Euronext, February 2024

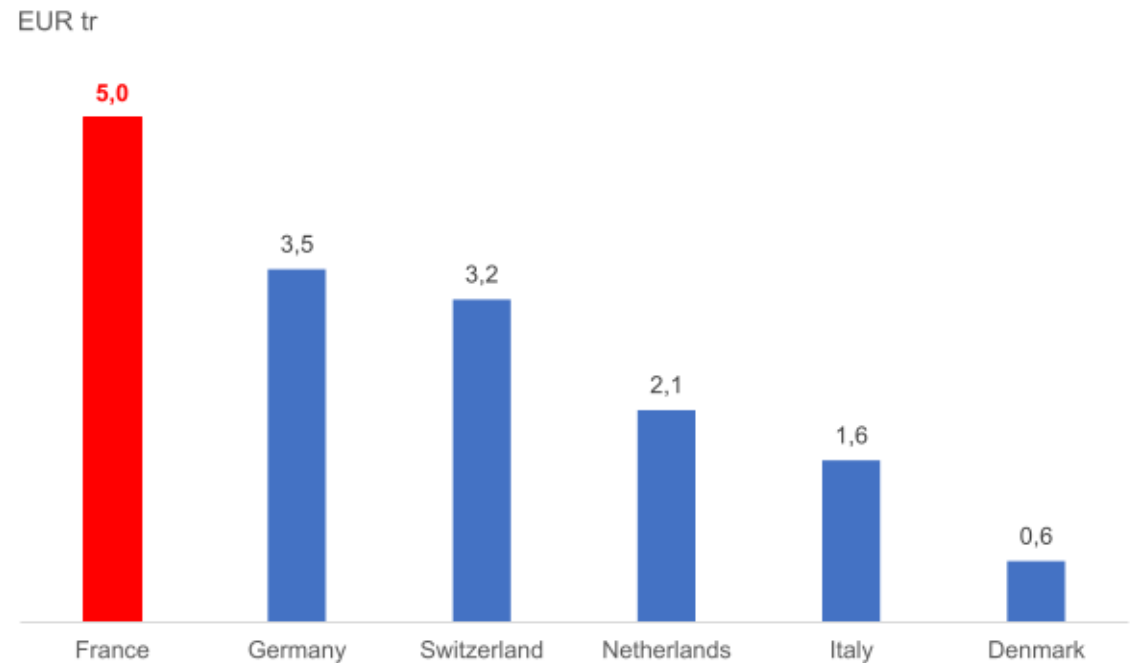
Paris, Main Financial Center in the EU (2/3)

Insurance companies' total assets



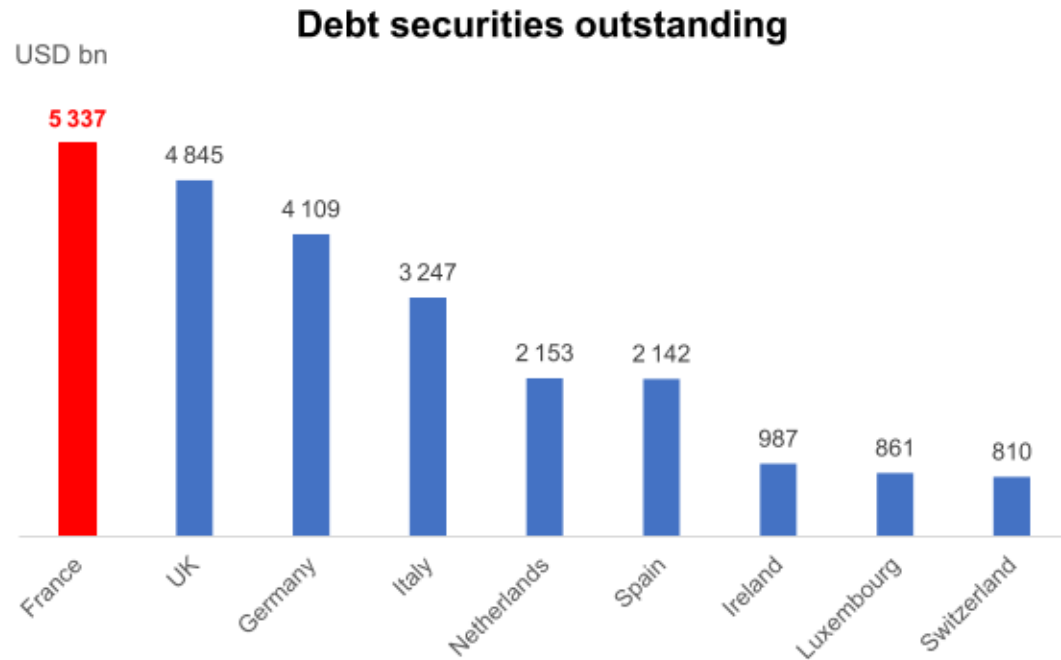
Source: EIOPA, June 2023

Assets under management in continental Europe

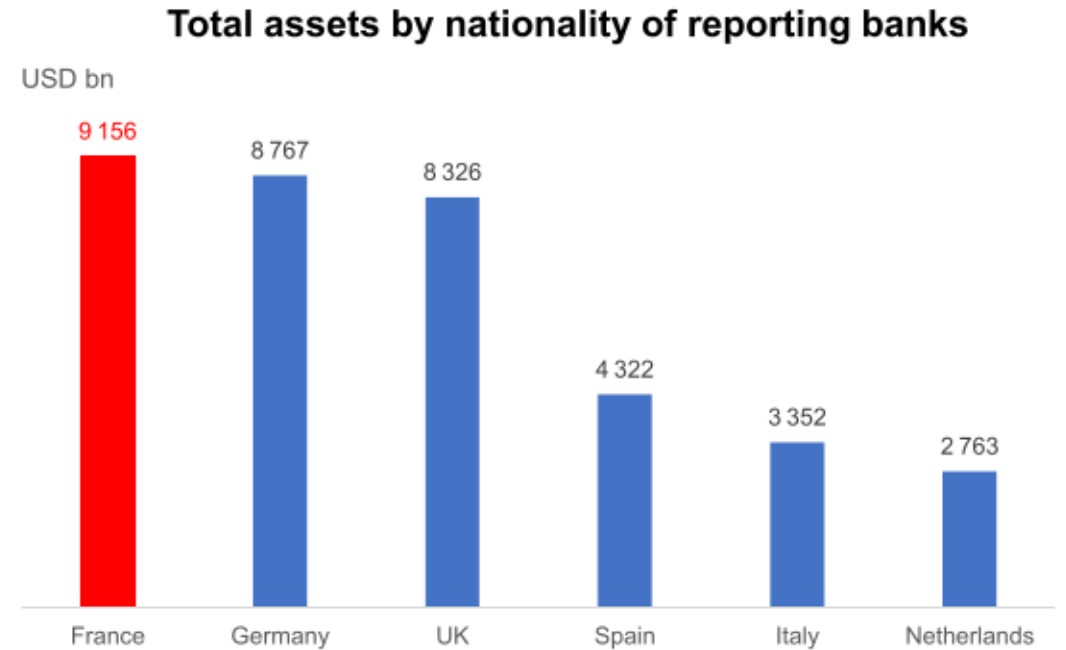


Source: Efama, 2022

Paris, Main Financial Center in the EU (3/3)



Source: BIS, 2023 Q3



Source: BIS, end of 2022

Paris, An Unbeatable Pool of Talents in the EU

2023 Shanghai Ranking
the EU Top 3 Universities are French

université
PARIS-SACLAY

PSL
UNIVERSITÉ PARIS

SORBONNE
UNIVERSITÉ

2023 Masters in Finance FT Ranking
the first 4 Business Schools are French

HEC
PARIS

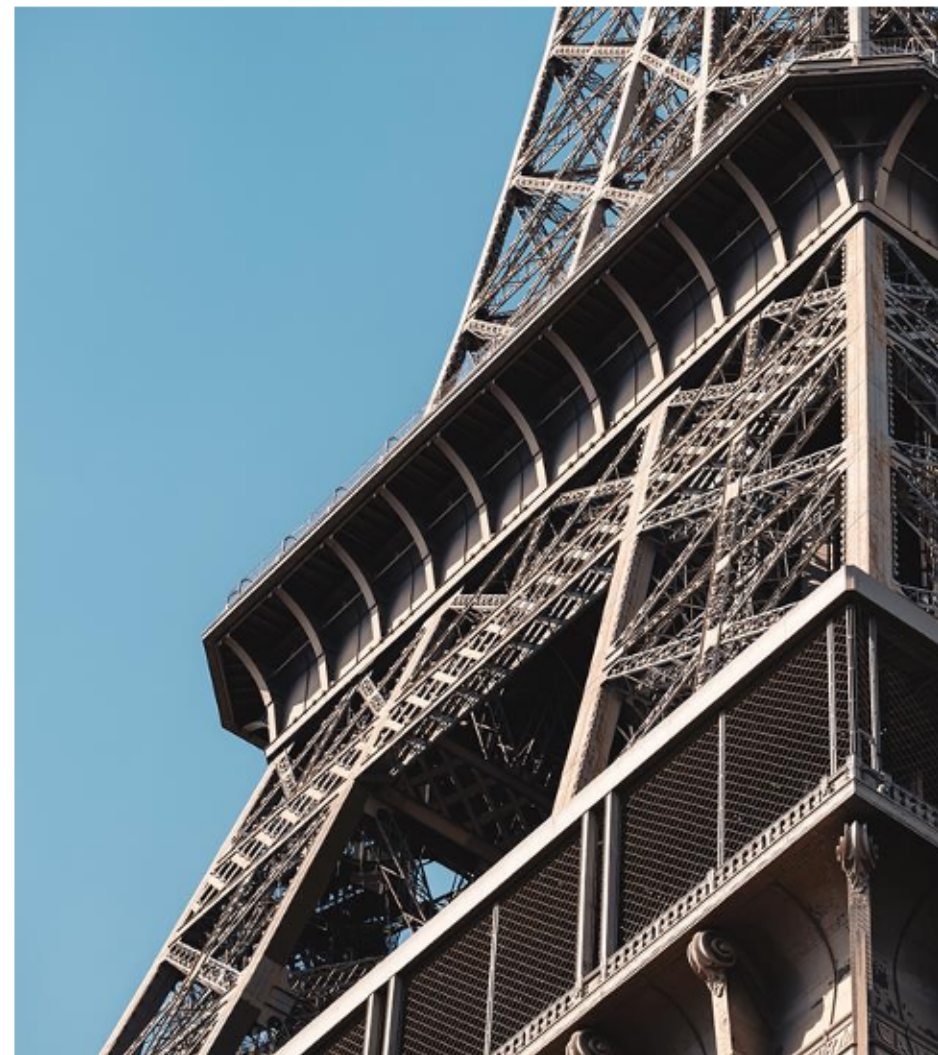
ESSEC
BUSINESS SCHOOL

ESCP
BUSINESS SCHOOL

skema
BUSINESS SCHOOL

Different schemes to help your business in France

- Social contributions in France may seem higher than in other countries (but more retirement benefits than elsewhere – even for short-term residence in France –, strong level of health expenses support, perks for families...)
- Three mechanisms to mitigate these labor costs:
 - If you're eligible to the « **impatriate** » **tax regime**
 - Using **qualified share plans**
 - Thanks to the **research tax credit**



« Impatriates » Regime

- People non-domiciliated in France for tax purposes the last 5 years
- **Up to 9 years of rebates** on taxable income
- Premium equal to the difference of your package compared to same jobs in France – up to 30% of your fixed salary, or even higher if you're able to account for the gap
- Wages related to your time spent abroad, capped at 20% of your global package minus the premium
- The two rebates may represent 50% of your global package, or the premium payment plus 20% of the global package minus the premium if this is higher



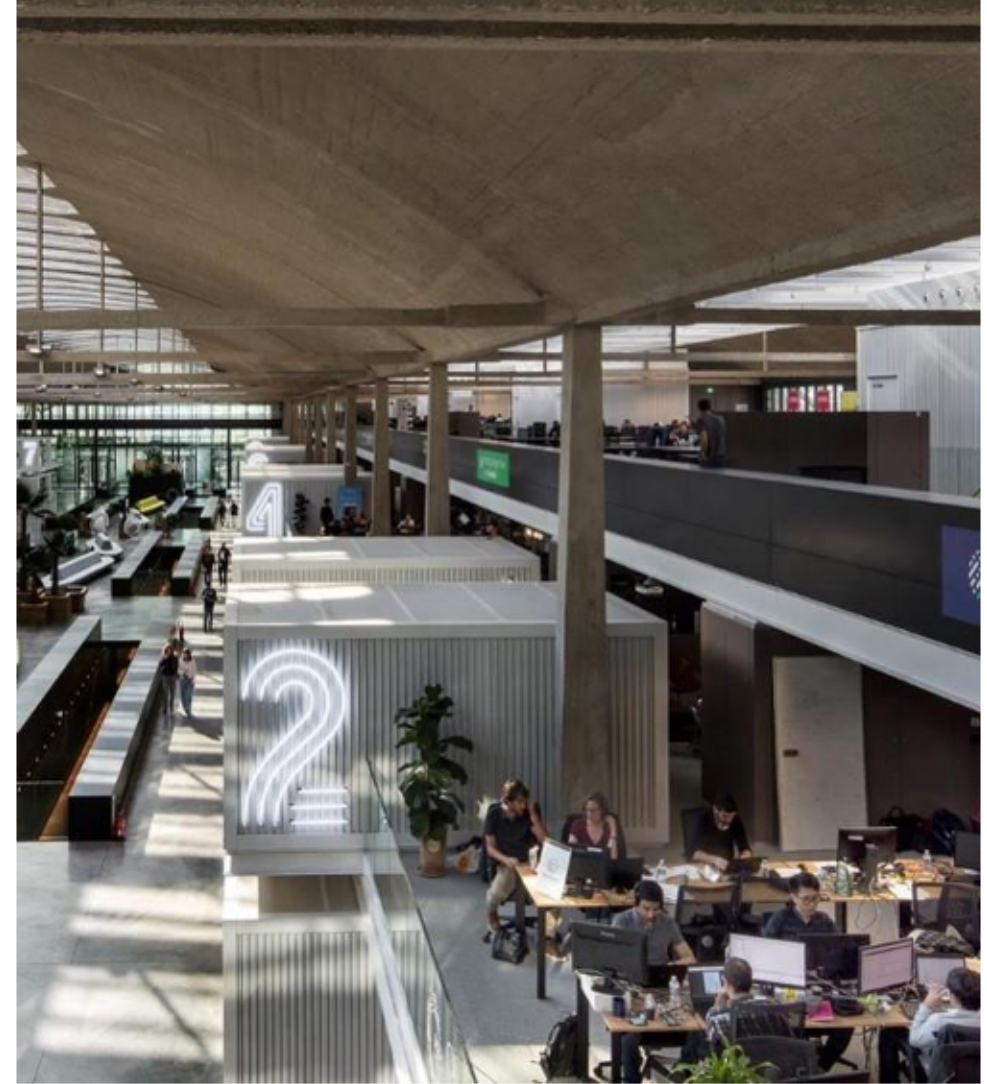
Qualified Share Plans

- Specific tax and social contribution scheme for shares granted to employees
- Under certain conditions in order to qualify (including 2 years before disposal)
- Capital gain from the sale of the shares taxed at a 30% flat rate, no social contributions, no ceiling
- Capital gain from the share value when acquired taxed below 40% up to circa 330,000 USD / year, no social contributions



Research Tax Credit

- **Fundamental or applied research, experimental development**
- Eligible expenses:
 - wages, social contributions
 - new buildings amortization
 - technological intelligence
 - operating costs
 - subcontracting by approved establishments
- **30% tax credit** for expenses up to 100 millions euros per year, 5% above
- Tax refund after three years if not used to offset corporation tax



Authorization procedures in France: A one-stop shop with ACPR/AMF

Geoffroy Goffinet

Director of Authorization, ACPR



Authorisation decision making process: who does what?

Credit Institutions → ECB (ACPR entry point for FR)

The ECB is responsible for granting licences for credit institution of all supervised credit institutions

Investments firms → ACPR & AMF

Payment institutions

Electronic money institutions → ACPR

Insurance companies

New Future MICAR e-money and
Asset reference tokens

Crypto-assets service providers → AMF

Asset managers

Principles of the licensing procedure

- ❑ A dedicated **English-speaking case handler**
- ❑ **A single-entry point**, even for Investment firms with a single-entry point @ ACPR ensuring the coordination with AMF (approval of the program of operations), as well for crypto-related projects where both authorities may be involved
- ❑ Kick-off meeting
- ❑ Submission of a first draft application form (“v0”) and follow-up exchanges
- ❑ Possibility to **submit documents in English**
- ❑ Timeframe for the licensing depends on the quality of the application !

Keys points for granting the authorization

- ❑ Governance:
 - ✓ French corporate entity
 - ✓ 2 effective managers (at least one living in France) + supervision body.
 - ✓ “Fit and Proper” : Competence, Reputation, Time Commitment, No conflicts of Interests, collective competence of the managing body.
- ❑ Stakeholders and business plan;
- ❑ Risk management procedures;
- ❑ Internal models;
- ❑ Adequate AML internal procedure;
- ❑ Number of employees: depends on the suggested organisation with possibility to increase the number of employees depending on the development of the activities in Europe.

Benefit of French licensing

- ❑ One license to operate in all EU countries via right of establishment and freedom to provide services across all EU + EEA,
- ❑ Possibility to obtain a license as a branch of a third country to provide banking or investment services but valid only in France.

They chose France among many others



National Australia Bank



Royal Bank of Canada



Sumitomo Mitsui



**Alexis Dupont,
Managing Director, France Invest**



A photograph of the Louvre Museum in Paris, France, featuring the iconic glass pyramid in the foreground and the historic stone building in the background. The scene is reflected in a body of water in the foreground.

France Invest: your privileged access to French Private Capital

Discover, Grow & Create Value in France and Europe

France Invest: it's all key players of French Private Capital in one organization



IN A NUTSHELL

France Invest is a **non-profit trade organization representing all key players of Private Capital market (private equity, venture, debt, infrastructure) in France.**

France Invest gathers a community of **7,000 private equity professionals** who **support nearly 10,000 companies** including 8,000 in France

OUR KEY ASSETS



Knowledge & Experience



Network & Access



Tools & Teams

WHO WE WORK WITH

400+ Private Equity firms including:

- **10+ Mega PE Firms**
- **70+ Mid-sized PE Firms**
- **20+ Infrastructure Firms**
- **30+ Debt Capital Firms**
- **180+ Venture Capital firms**

Plus

- **180+ Consulting firms**

Key takeaways

YOU SHOULD INVEST IN FRANCE

France is a thriving destination to invest via Private Capital.

France Invest can support you in understanding the ecosystem and making your way into France.

THERE ARE UNIQUE OPPORTUNITIES

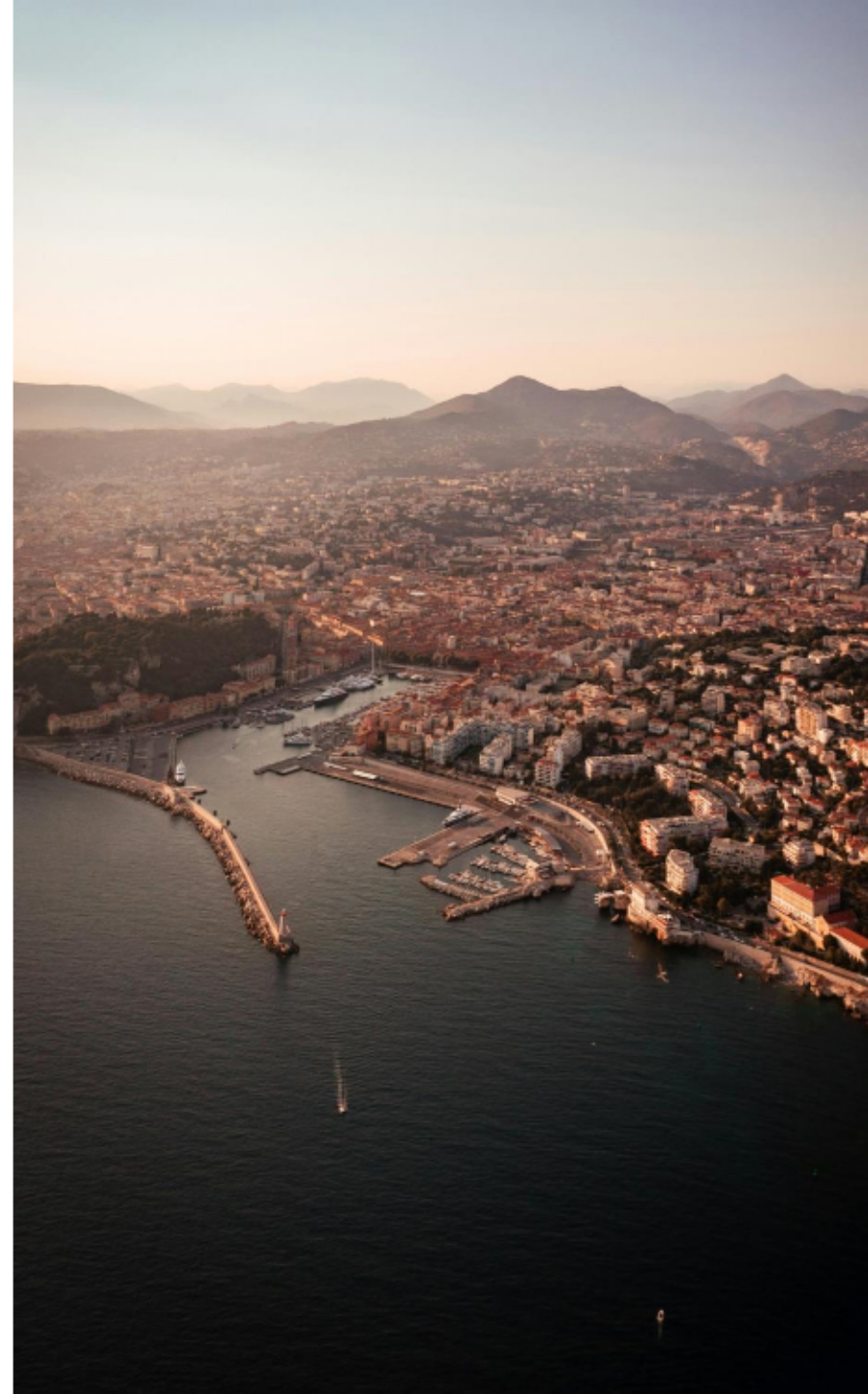
A dynamic and performing Private Capital industry.

France Invest can connect with all key stakeholders to help you navigate local specificities and get hold of best opportunities.

WE CAN HELP YOU

France Invest – a unique network to guide you within the French Private Capital ecosystem

France Invest helps you navigate local specificities to take advantage of opportunities



Why you should invest in Private Capital in France

The major financial hub
in the EU

Performing Private Equity

Positive cycle of attractiveness



An ecosystem built to
foster growth

A great environment to go
international

Gateway to Europe and
search for resilience

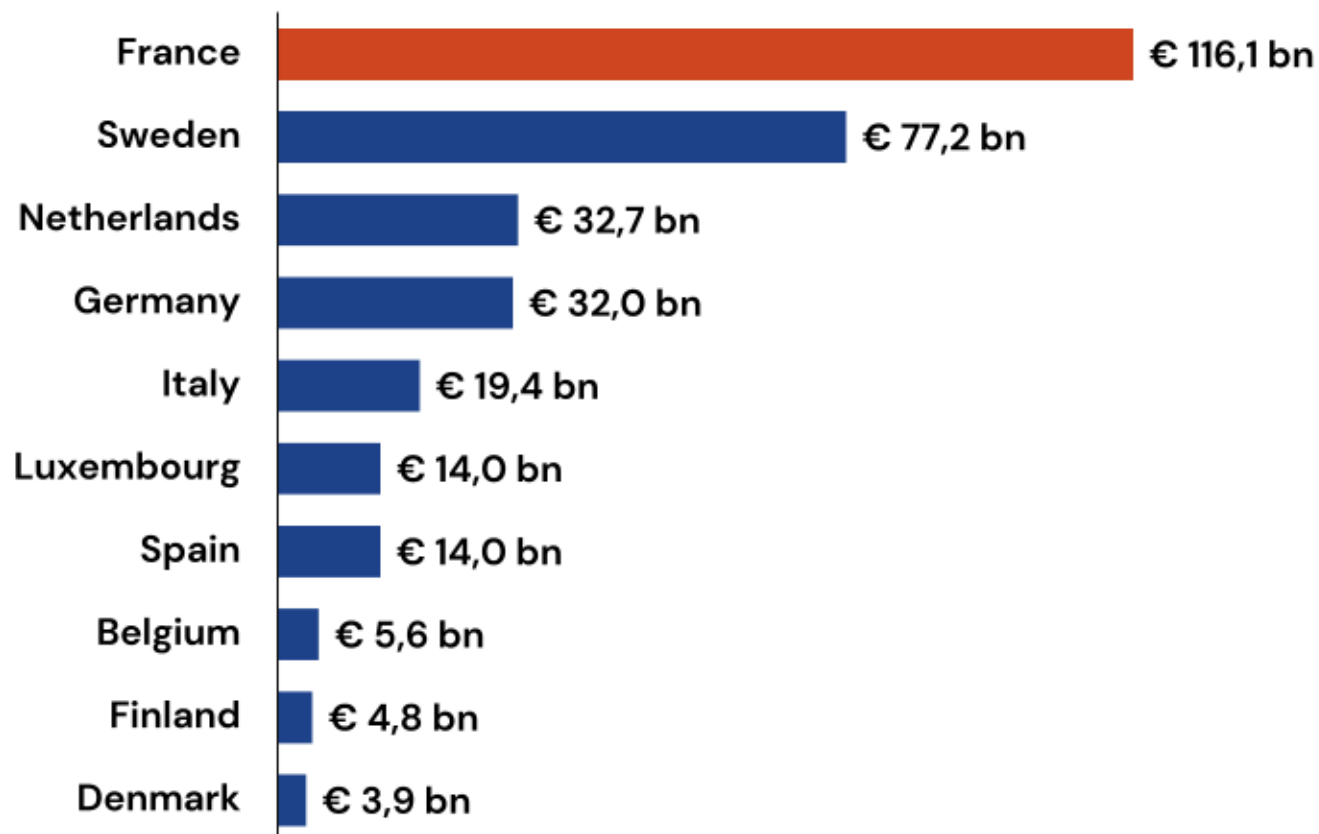
France is the champion of PE in the European Union - by far



France represents 17% of EU GDP, but **38%** of its PE market

French private equity accounts for €116 billion of the €307 billion raised by private equity in the European Union between 2018 and H1 2023.

Amount invested from (2018-H1 2023)



Private Capital is the best vehicle to seize high-potential opportunities in France



PERFORM & SECURE LONG-TERM VISIBILITY

High and stable through various market cycles.

Returns that materialize over the long term.

Facilitate exit strategies.



BET ON THE RIGHT ECOSYSTEM

Very large midcap ecosystem

Companies that will eventually expand at international level and tie connections with other markets.

A network of expert consulting firms



SUPPORT & CO- CONSTRUCT

Partnership to increase transparency around decision-making and value of your investment.

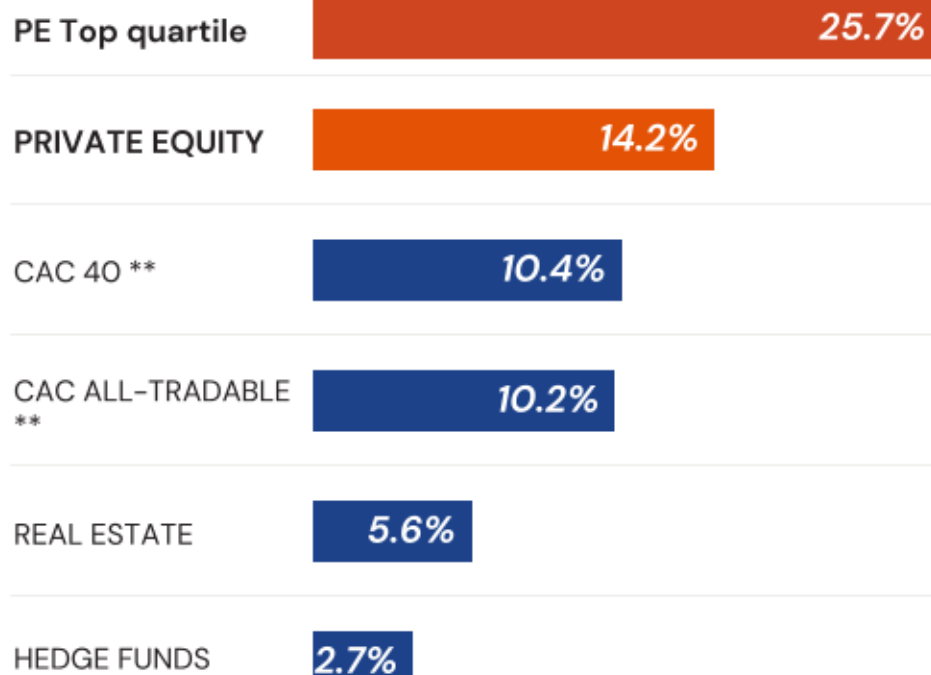
Political willingness for an "Industry Renaissance"

High Demand for Quality Investments:

French PE offers superior value creation over other investment vehicles

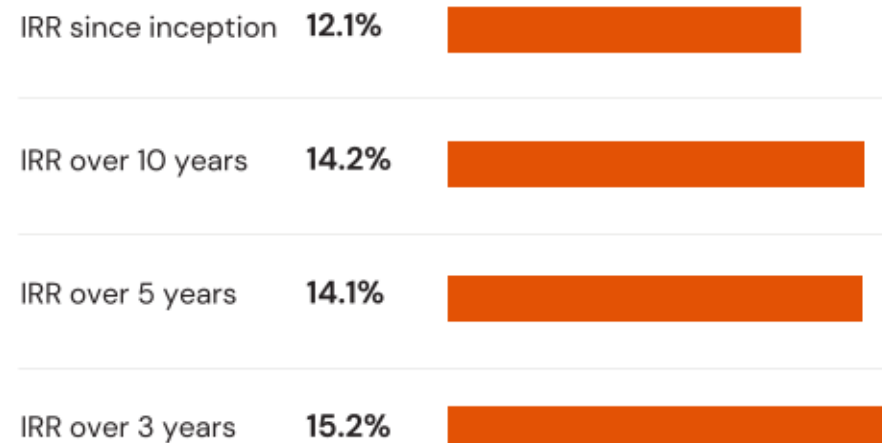
ANNUAL PERFORMANCE OVER 10 YEARS

AT THE END OF 2022, AVERAGED OVER THE PERIOD 2013 - 2022



NET IRRS BY INVESTMENT HORIZON

AT END 2022



The French market has exceptional depth and strong track record of value creation

At the end of 2022, **10,007** companies were supported by French private equity of which 7,963 were French.

› **+52% in turnover**

Between the acquisition and the exit in average among 407 operations studied in 2022. this equal to **a CAGR of 8%**

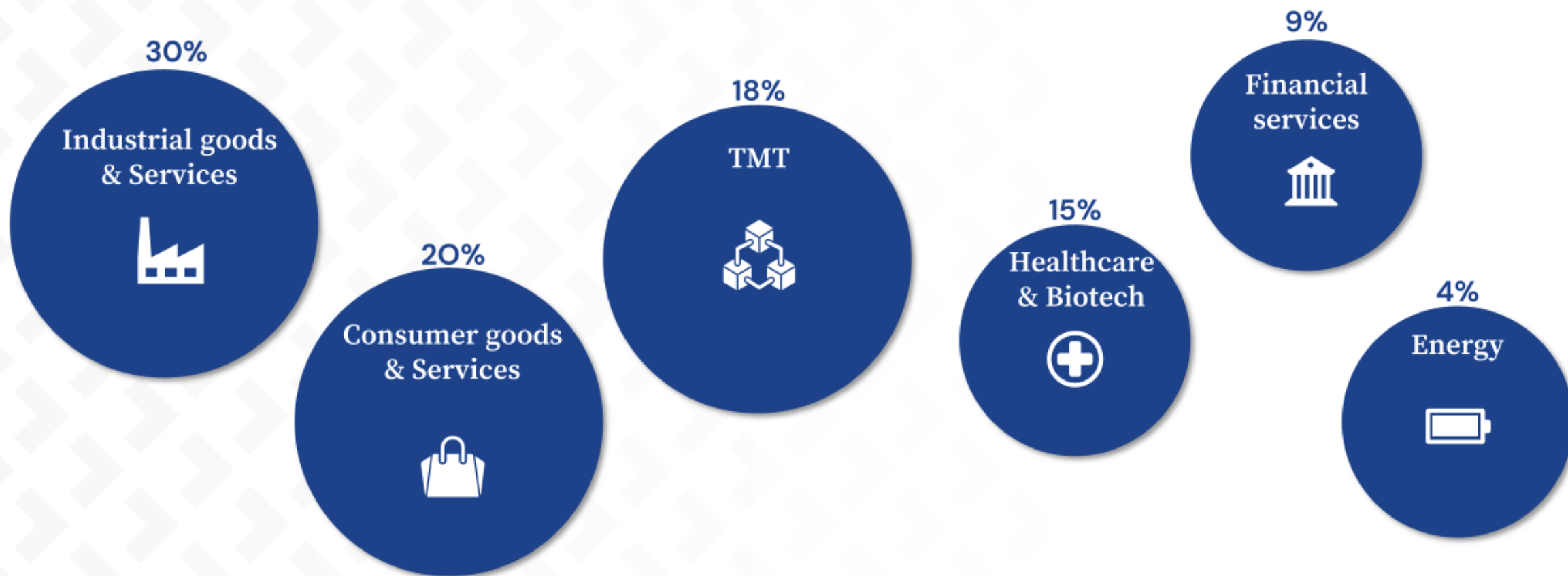
› **+59% in EBITDA**

Between the acquisition and the exit in average among 407 operations studied in 2022. this equal to **a CAGR of 9%**

Among the 407 deals considered in the panel, the average holding period in the portfolio was 5.4 years

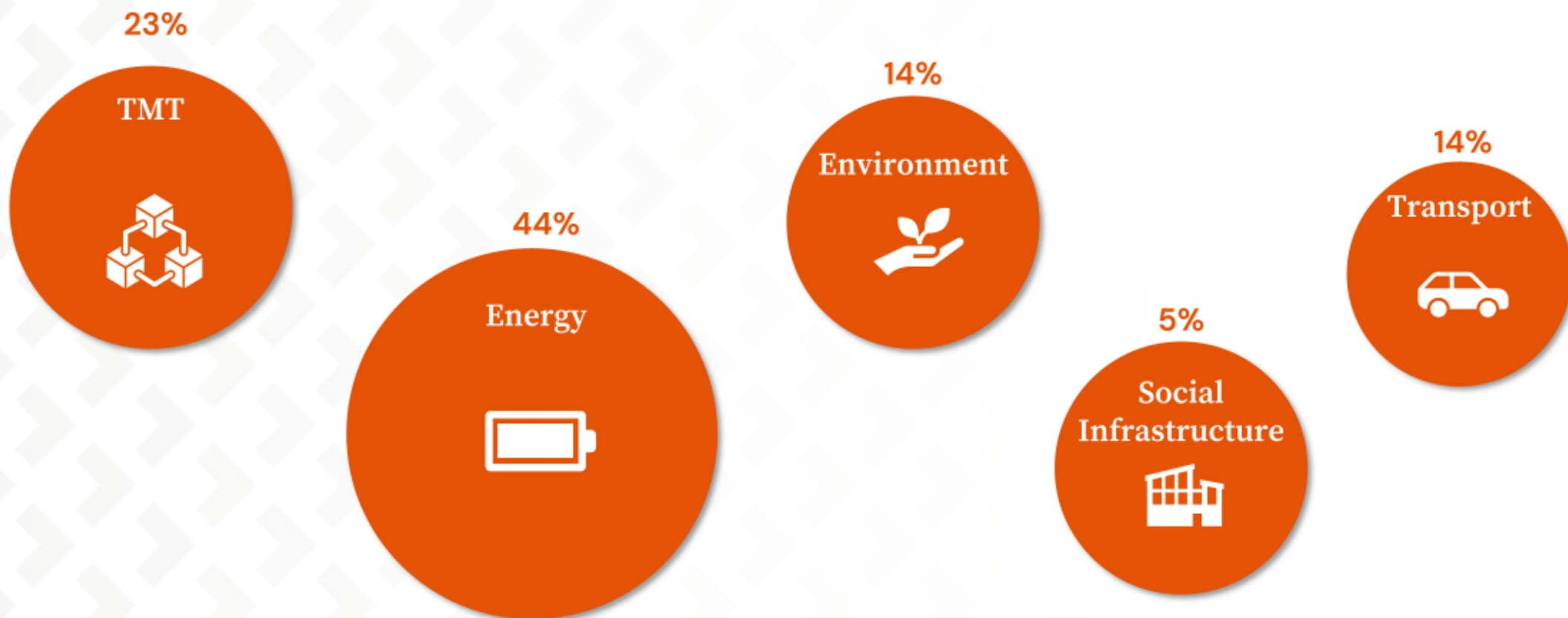
Strategic sector champions supported by French Private Equity

Percentage of the average 21,058m invested in 2023



Strategic sector champions supported by French Infrastructure

Percentage of the average 10,121 m invested in 2023





Frederic Rossi

CEO,

Business France North America



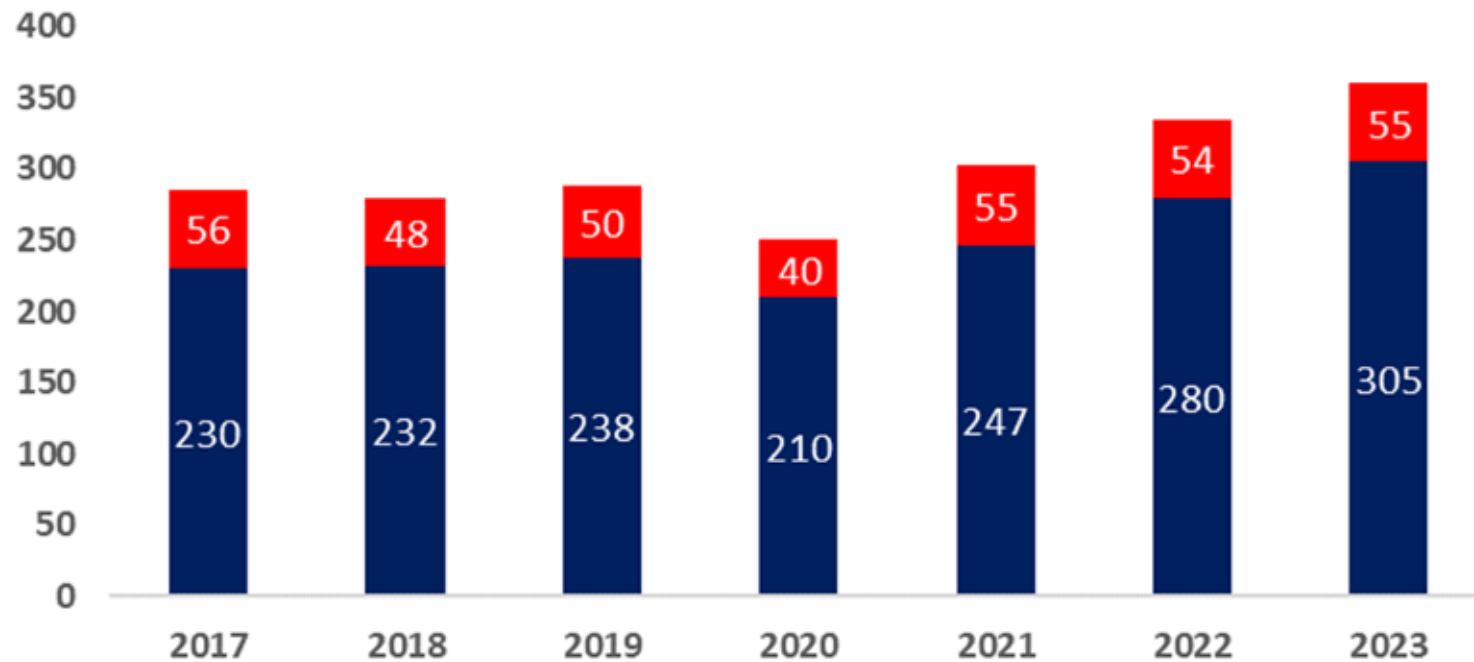
Cecile Jupin

Investment Projects Manager,

Choose Paris Region

Your points of contact in North America

Each Day, one American Company locates or expands in France



Capex Location decisions, no retail, USA & Canada

40% in
manufacturing or
R&D

1,500 US companies
employing 460,000
people in France



Told You

EASTMAN

\$1b
capex
2023-2025

MARS

\$130M
Industrial
capex
2023-2024



MegaFab
\$5,7b
capex
2023-2025



\$400M
capex
2023-2025

FedEx

+1200p
Logistics
2022-2023



High
Growth in
Green
Hydrogen
production

Lilly

€200M
capex in
2022-2024



European
R&D Hub
+1000p
2024-2034

Cargill

Innovation
Center
€50M capex
in
2022-2024

Pfizer

Up to
\$1,5b
capex and
R&D
2023-2026



M\$200
capex
2023-
2025



\$1b
capex
2022-2027

Being # 1 in Europe Four years in a Row



Clear strategy (France 2030)

Persistent & Consistent reforms since 2017

Attractive costs

Green transition to reach Net-Zero targets

Solid Talents Pool

Business France Location Services

Soft Landing procedures

France 2030

A total investment of

€54 billion

“France 2030” takes a share of the risk and failure of investments that will be carried out

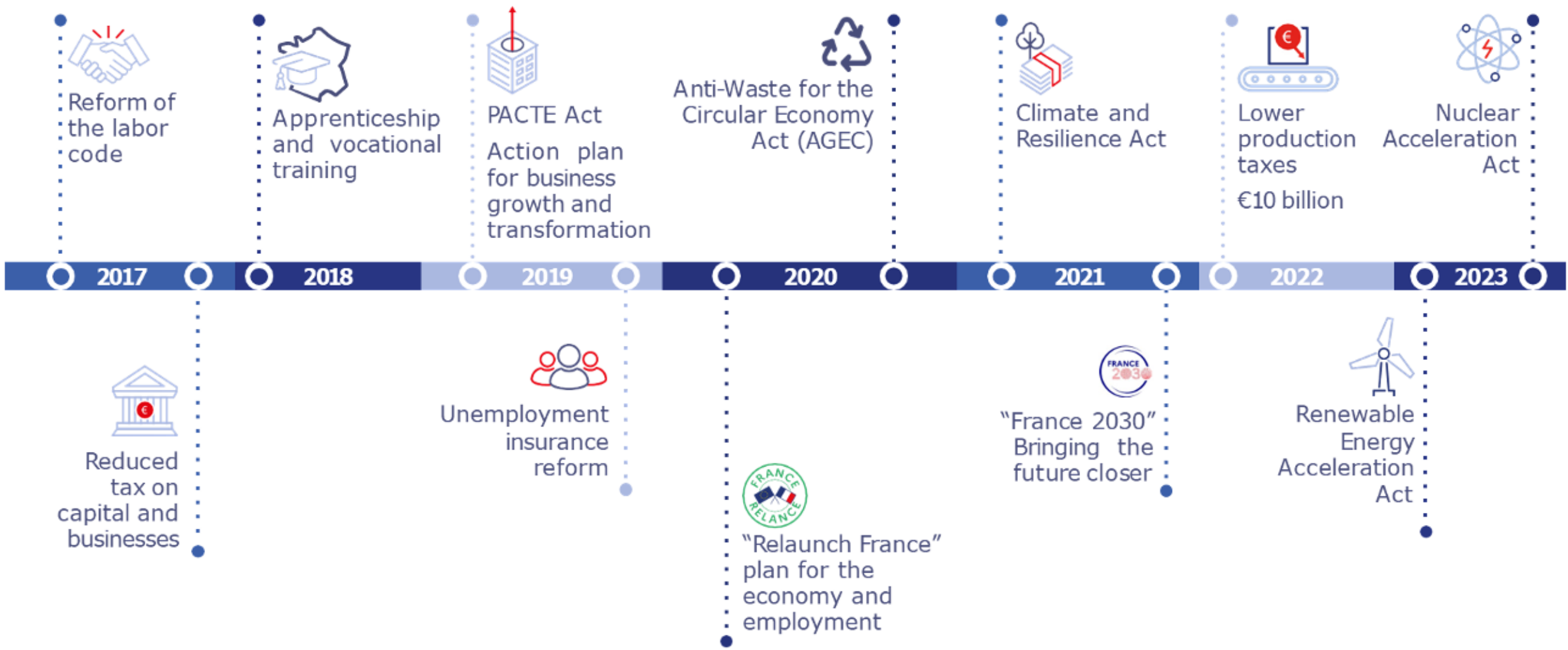


50% for decarbonization of industry to meet the aims of the European Green Pact



50% for emerging players driving innovation to capitalize on the exceptional dynamism of the French innovation system

Pro Business Reforms



Business France *As a Service*

The location process is demanding. We act as a Facilitator and a Promoter. Market, supply-chain, real estate, talents, legal frame, utilities – issues must be cleared.

Prospection

We **talk** to 1,300 north American companies every year about Europe & France as a business location.

Support

We detect and **nurture** 500 new projects every year from acquisition to brown and green fields. Any size, any sector.

Aftercare

We **help** 200 projects to locate in France and take good care of the 1,500 North American companies in France.

Soft Landing



Business France works closely with all Regions of France (and overseas Territories) which Development Agencies take good care of inward investments. Services stretch from site selection to staff & talents acquisition, brown-field options to green-field strategies.

Choose Paris Region: Who we are / Our mission



Invest – Work & Live

- **Choose Paris Region is a nonprofit agency promoting the attractiveness of the Paris Region**
- We attract and support international **investments projects**, international **talents** and their **families**
- Over **1,500** International companies supported every year
- **The United States** is our “main investor”
- **Financial Services** : Top 3 supported projects

Why Paris Region

Business

23 Global Fortune 500 HQs

1st Tech & Business pole in Europe



ChristianDior



Location

3 international airports

Eurostar to London

500M
Consumers
in the Heart
of Europe



Quality of Life

Cultural Life

Cosmopolitan

International Schools



Let's Connect



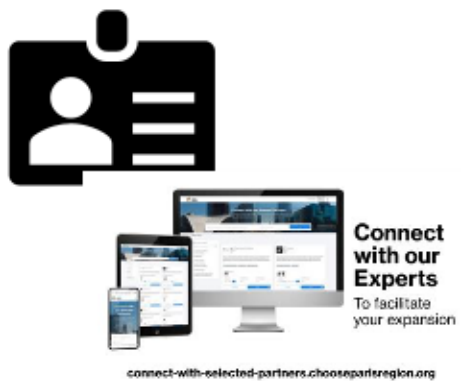
Industry insights

Publications
Newsletters
Guides



Invitations to Events

Connect with peers, clusters,
regulators, R&D ecosystem



Setup

Real Estate
Hire Talents
International mobility
Relocation



Dedicated Support

Financial Services Industry Expert
Dedicated Team in Paris
Getting access to financial aid &
investment solutions

Thank you!