



INDEX AETHER FS UNITRANCHE FRANCE

FIRST QUARTER 2023
EDITION

THE FIRST
BENCHMARK
PRIVATE DEBT INDEX
IN FRANCE

APRIL 2023



AETHER
FINANCIAL SERVICES

AETHER FS UNITRANCHE FRANCE

I N D E X

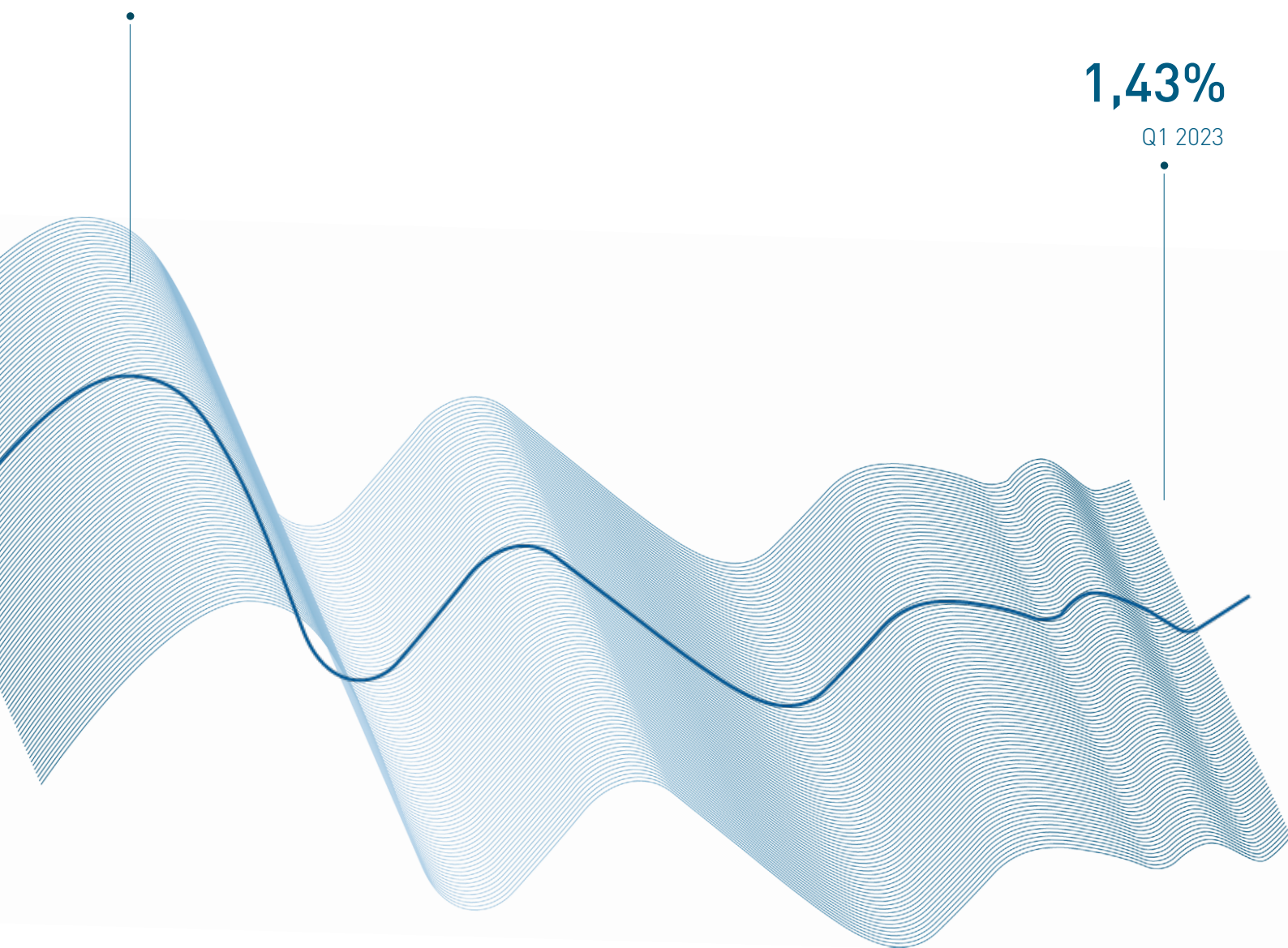
Source : Aether Financial Services

1,85%

Q2 2018

1,43%

Q1 2023



METHODOLOGY AND CONTRIBUTORS

The Aether FS Unitranche France index is calculated on the basis of the ratio between interest margin and leverage at a deal's closing on a six-month rolling average (see formula below):

$$\text{Aether FS Unitranche France Index} = \text{6-month moving average} \left(\frac{\text{interest margin}}{\text{leverage}} \text{ closing data} \right)$$

For the fourth publication of Private Debt benchmark focused on French market, Aether Financial Services is pleased to work once again on with **Kerius Finance**¹ and welcomes the contribution of this independent player to enrich Aether FS's database.



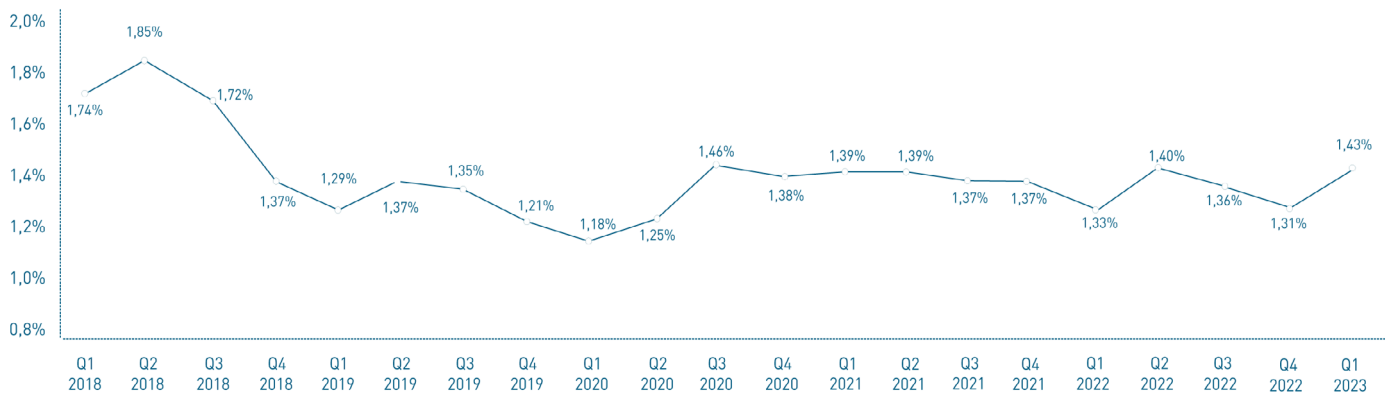
¹ Kerius Finance (www.kerius-finance.com) is an independent consulting firm specialising in managing and hedging interest-rate, currency and commodity risks.

INDEX AS OF Q1 2023

Chart 1

AETHER FS UNITRANCHE FRANCE INDEX

Source : Aether Financial Services



In Q1 2023, the Aether FS Unitranche France index showed an increase, with a leveraged total margin of 1.43%. The index's rise resulted from a scissor effect between a further decrease in the leverage observed at closing and a sharply increased average margin at closing.

The index reflects a particularly conservative second half of 2022 in terms of fundraising and investment amounts. The study published by France Invest in partnership with Grant Thornton shows that fundraising amounts in H2 were half those in H1 (EUR 8.5bn vs. EUR 17bn), the lowest level since H1 2021. The amounts invested, meanwhile, fell by 9% in 2022 vs. 2021 (EUR 24.7bn vs. EUR 27.1bn) in private equity, a decline tempered by a strong H1 2022.

The analysis of the 17 transactions in the Q1 2023 index reflects this slowdown in activity and increased caution among investors towards new opportunities. Investors continue to look at deals with conservative leverage and a more attractive average yield than the previous quarter.



INDEX COMPONENTS

Chart 2

CLOSING LEVERAGE RATIOS

Source : Aether Financial Services

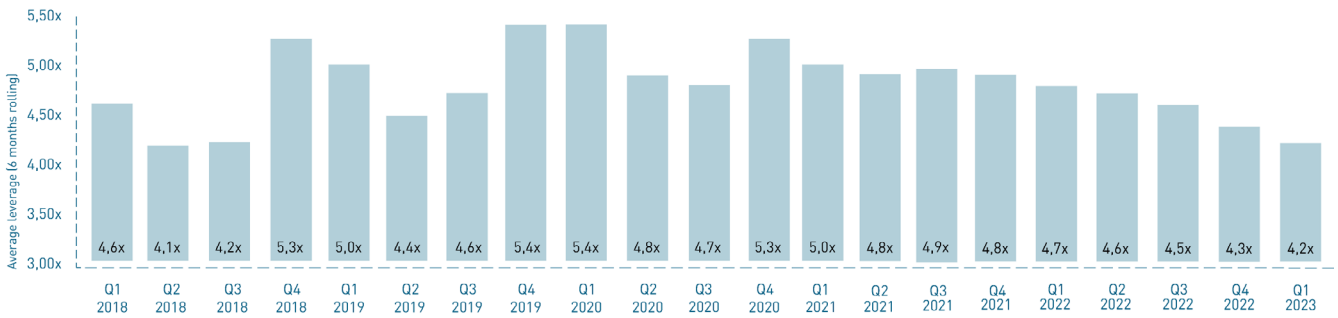
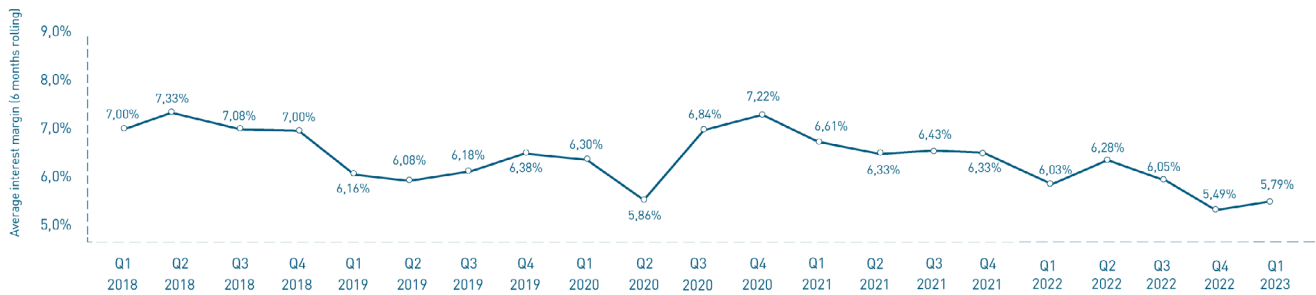


Chart 3

CLOSING SPREADS

Source : Aether Financial Services



Since Q3 2021, when private debt activity was at its peak, the average leverage at closing has continued to decline. Q1 2023 continues this trend, showing an average leverage at closing of 4.22x (-3% vs. Q4 2022).

However, the average margins at closing have risen again after a very low Q4 2022 for this type of financing. With a renewed increase of +0.3% compared to the previous quarter, the average margin at closing reached 5.79%.



FUND FLOW MANAGEMENT

Since 2020 and the ever-increasing fundraising, the number of participants in financing has increased significantly, resulting in a growing number of subscribers (vehicles managed by asset management companies). Managing cash flow in the context of closings and drawdowns has become a significant issue.

A closing is a series of steps that must be well-oiled. Managing money transfers is a source of stress for all parties involved. Will the cash flow out on time? Will it be blocked by an intermediary bank? Will fees be charged? Can we pass the flows before the cut-off time? These are just some of the questions that arise during the execution of a closing.

As many questions as there are subjects that can jam up the closing process. While it is a source of stress for all parties, the flow manager is also not immune because they are responsible for the proper execution of the funds flow without being able to control the entire interbank chain.

Nevertheless, there are ways to limit risks. Using a single provider for managing all flows with all accounts opened within the same institution is a way to ensure greater efficiency when the cash flow comes down from the various acquisition holdings and the debt funds arrive in the pivot account. As all these flows are internal to the bank, they are guaranteed to be instantaneous. Only flows to the outside (refinancing of the existing debt, payment of sellers and commissions) remain.

The repayment of existing debt raises the issue of the release of liens. Should the liens be released upon receipt of the swifts or upon verification of the arrival of funds for each subscriber? Again, the availability of a pivot account held by a third party would allow for monitoring the arrival of a single flow and releasing liens on behalf of the refinanced lenders.

Finally, when an additional currency is involved, the flow execution chain becomes more complex with the involvement of intermediary and corresponding banks that can lengthen the time it takes for counterparties to receive funds. In addition, the cut-off times may vary from one currency to another. Only the management of euros remains relatively straightforward.

This is a complex system that is currently receiving a makeover. The Target 2 system is in full ISO 20022 migration to harmonize swift messages and simplify flow management. Time will tell if practice confirms the theory.

PRESENTATION OF AETHER FINANCIAL SERVICES

An independent French leader in execution services for financial transactions, Aether Financial Services was founded in 2015 by Edouard Narboux and Henri-Pierre Jeancard.

Based in Paris and London, Aether Financial Services consists of a 20-person-plus multi-cultural team, who are experts in three business lines.



Agency

Aether Financial Services works in the private debt and capital markets, covering all agency roles, including loan agent, bond agent, administrative agent, calculation agent, and security agent.



Valuation & Calculation

Aether Financial Services runs valuations on all types of financial instruments and securities, from the most vanilla to the most highly structured for recurring, specific or one-off needs.



Corporate and Issuer Services

Aether Financial Services offers an entire range of digital solutions for administrative management of corporate actions, such as recapitalisations, AGMs, and account-keeping.



Aether Financial Services' solidarity commitment

For several years now, Aether Financial Services has been involved in associations via Social-Impact Contracts, including **Cravate Solidaire**, the **Fondation Auteuil** and **Article 1**.

In 2021, Aether Financial Services pledged to help protecting the environment through reforestation and preservation of forests, alongside **Reforest'Action**. This partnership reflects Aether Financial Services' environmental commitment and its determination to take part in combating climate change.

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