



INDICE AETHER FS UNITRANCHE FRANCE

2024
ANNUAL EDITION

THE FIRST INDEX
BENCHMARK FOR
PRIVATE DEBT
IN FRANCE



AETHER
FINANCIAL SERVICES

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EDITO

Aether FS: A Year of Revolution and Expansion

2024 marks a pivotal year for Aether FS, with our first full year under ACPR regulation. Since obtaining our license in August 2023, we have made significant strides, allowing us to manage third-party flows in France and across Europe thanks to our European passport.

This first year has allowed us to demonstrate the added value of our license, now integrating the payment agent service. This advancement has propelled our growth in the private debt sector, solidifying our position as the leader in Unitranche in France.

Despite an uncertain economic and political context impacting the M&A market, Aether FS has capitalized on its status as a licensed payment institution to serve all market players in France and lay the groundwork for 2025.

The arrival of Capital Croissance in July 2024 strengthens our local presence while expanding our horizons. While our London office continues to shine in Northern and Eastern Europe, we plan to open new branches south of Paris.

Private debt knows no borders. We aim to become the key player in Direct Lending in Spain and Italy, as these markets gradually open up to private debt.

Dear readers and clients, with our continued dedication to offering you an excellent service, we are constantly looking for new talent. If you know of any interesting profiles, please direct them to us

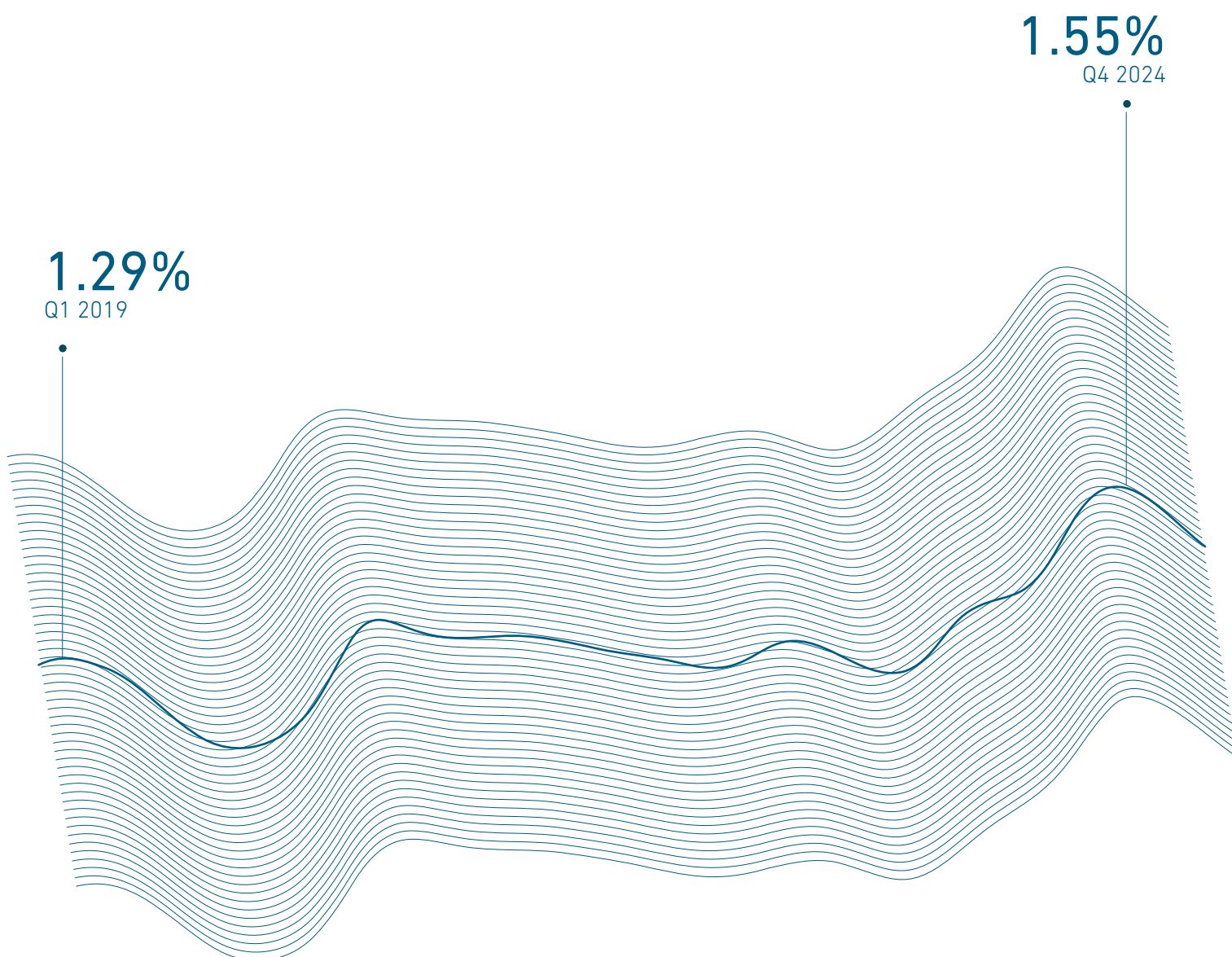
Edouard Narboux
Co-founder & CEO



I N D E X

AETHER FS UNITRANCHE FRANCE INDEX

Source: Aether Financial Services



METHOD AND CONTRIBUTORS

The Aether FS Unitranche France Index is calculated using the ratio between the interest margin and the leverage at the close of a transaction, on a rolling six-month basis (formula below):

$$\text{Aether FS Unitranche France index} = \frac{\text{6-month rolling average interest margin}}{\text{leverage}} \text{ at closing}$$

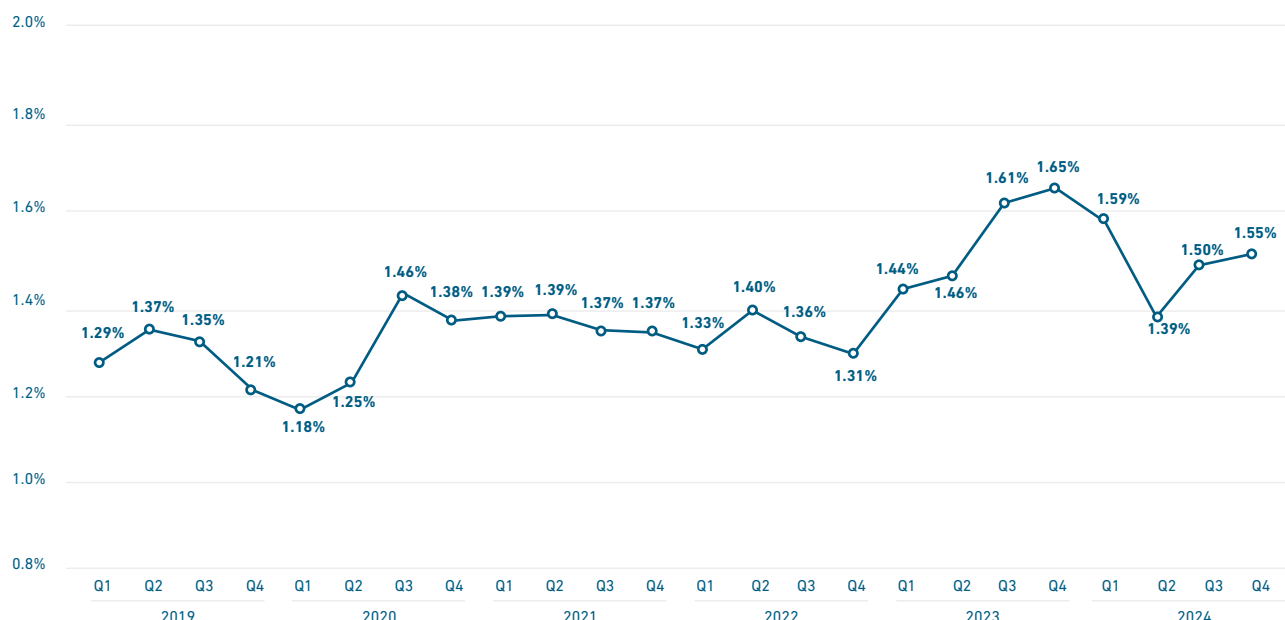
For this latest publication of its French Private Debt Benchmark Index, Aether Financial Services is pleased to be able to count once again on the participation of **Kerius Finance**¹ and is delighted that this independent player is helping to enrich its database.



¹ KERIUS Finance (www.kerius-finance.com) is an independent consultancy specialising in the management and hedging of interest rate, currency, and commodity risks.

Q4 2024 INDEX

6-month rolling average interest margin/leverage ratio



The Aether FS Unitranche France index continued its upward trend at the end of 2024, reaching 1.55% per leverage turn, an increase of 3.4% compared to the end of September.

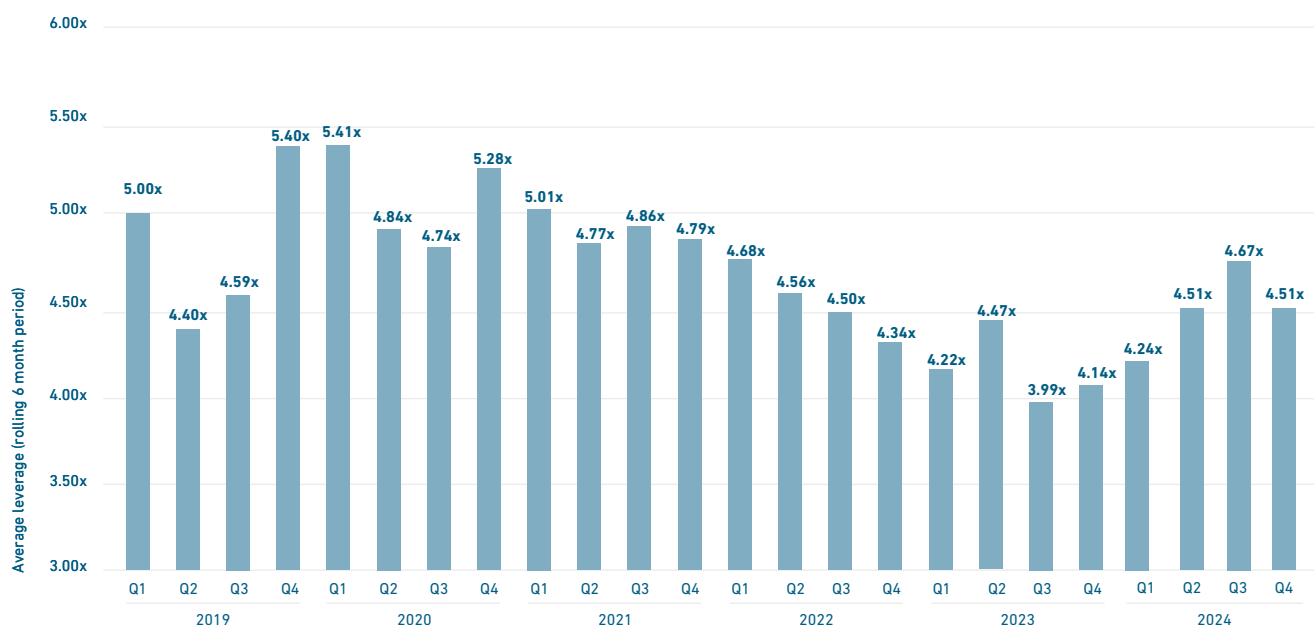
The year's results are mixed. While M&A transactions picked up in 2024 in Europe, this was only based on transaction amounts (up 21%) and driven by large-cap operations. The number of transactions, however, declined compared to 2023 (down 20%), failing to reassure industry players (source: LSEG). The hope generated by the appointment of a government in the summer of 2024 was dashed by a vote of no confidence, leading to renewed political uncertainty.

Banks also responded to the call from private equity funds to support their LBO transactions, hindering private debt players in their deployment. In 2024, banks demonstrated their ability to offer leveraged structures. Private debt must therefore constantly push boundaries and offer tailored structures.

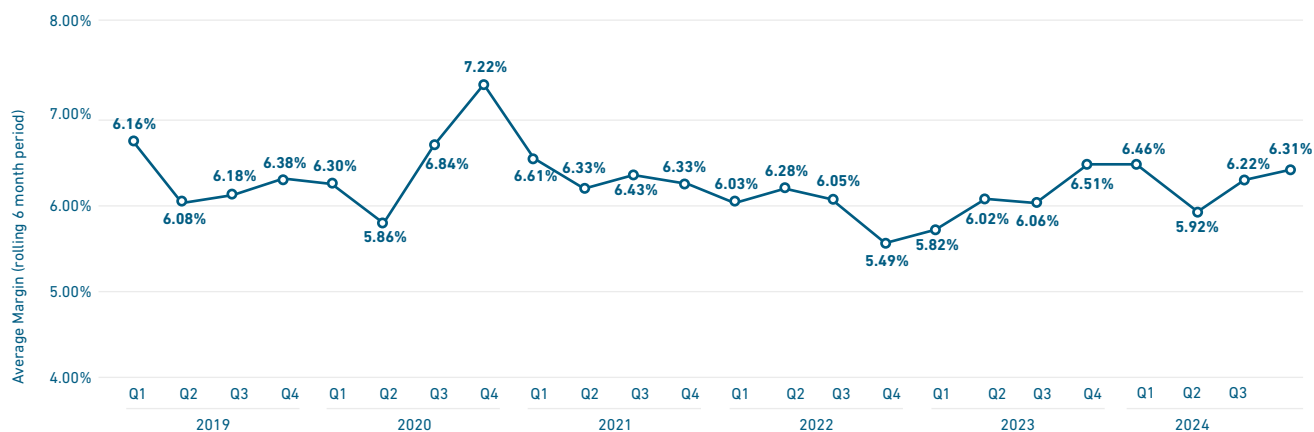
These structures include unitranche club deals to support upper mid-cap or large-cap operations. They also involve offering stretch senior structures in the low mid-cap segment to remain attractive in terms of pricing and not leave the field open to banks.

INDEX COMPONENTS

Leverage at closing



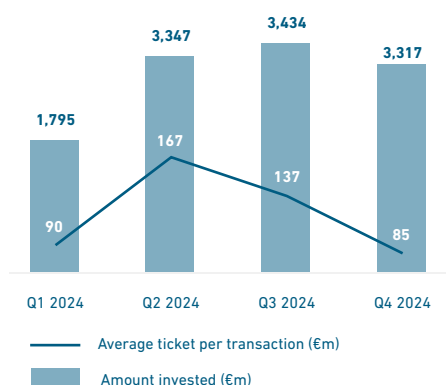
Margin at closing



This last quarter, leverage slightly contracted by 3%, returning to the end of June level, at 4.51x at closing.

Average closing margins, on the other hand, increased by 1.5% in Q4 2024 compared to Q3 2024, resulting in an average margin of 6.31% in Q4 2024. Consequently, with the increase in average closing margins and the contraction of leverage at closing, the index naturally rose this quarter.

On an LTM basis, the Aether FS Unitranche France index shows the following data:



This last quarter favored lower mid-cap deals with lower transaction amounts and a higher number of deals. The average debt amount at closing decreased by 38% compared to Q3 2024, settling at €85 million on average by the end of December. Apart from one SmallCap transaction (€3 million - lower bound), this quarter's index is a representative snapshot of the MidMarket. The average ticket is €85 million. The sample of analyzed operations represents €3.3 billion invested.

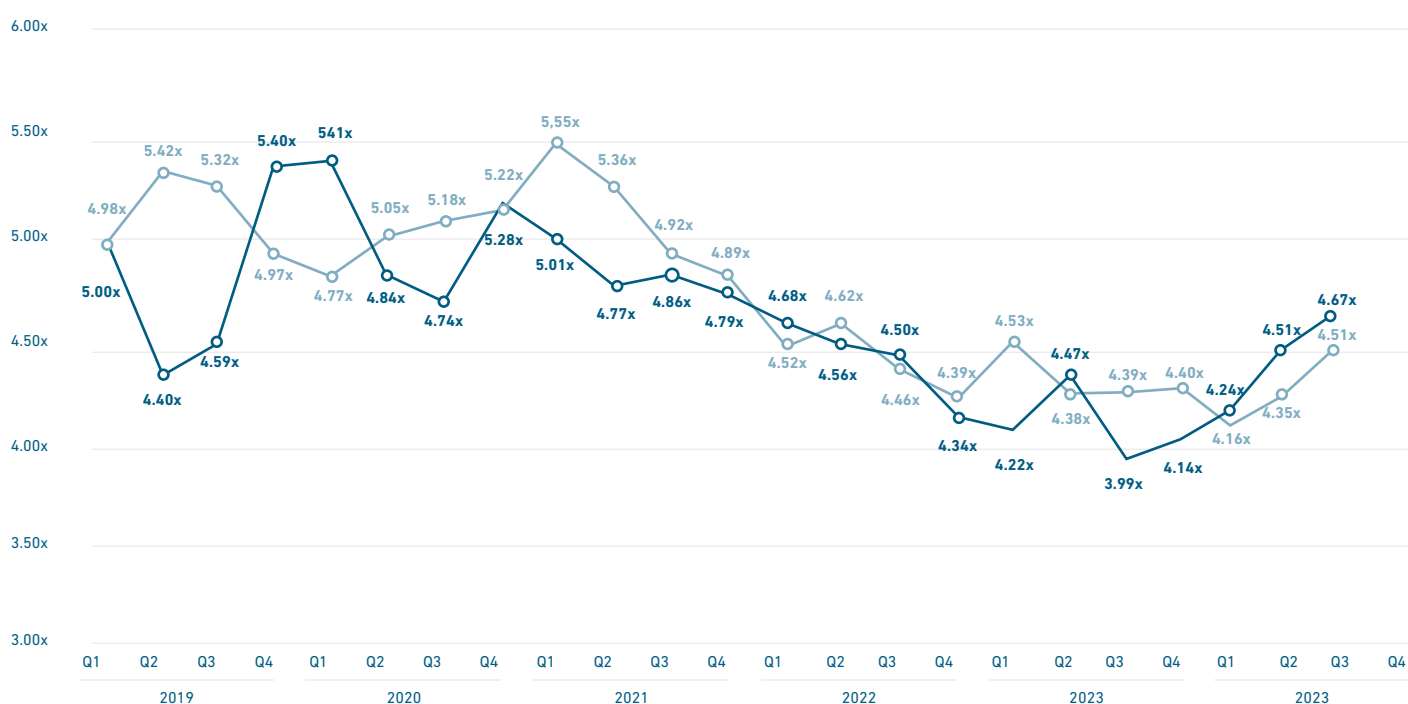
Data for Q4 2024	Amount (€M)
Amount invested	3,317
Average ticket per transaction	85
Max amount transaction	396
Minimum amount transaction	3

AETHER FS UNITRANCHE FRANCE INDEX VS PORTFOLIO INDEX

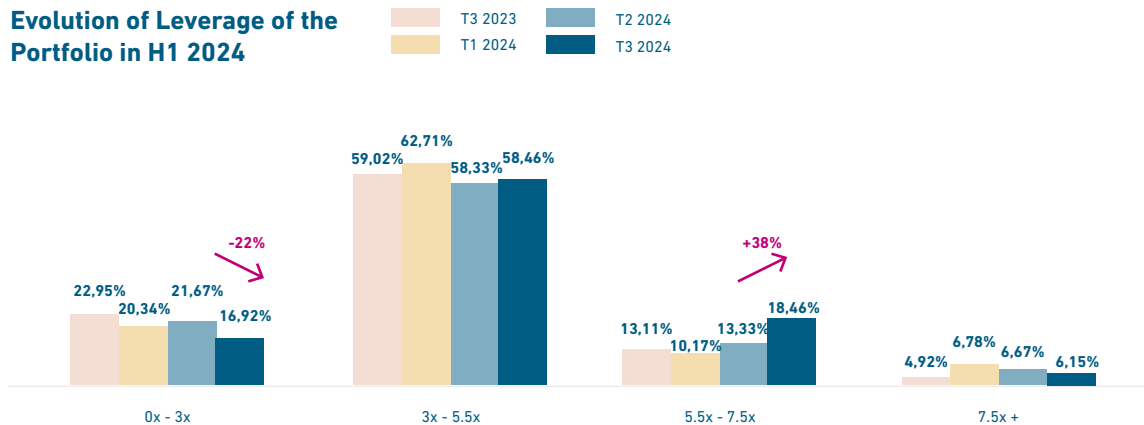
The Unitranche portfolio of Aether FS shows an increase in leverage for the second consecutive semester. While the average leverage of the portfolio remains below the 5.00x mark, its strong progression (+3.6% this quarter and +8.3% over the last six months) is a warning signal for the coming months.

**Average portfolio Margin to
index ration evolution**

— Index Margin
— Portfolio Margin

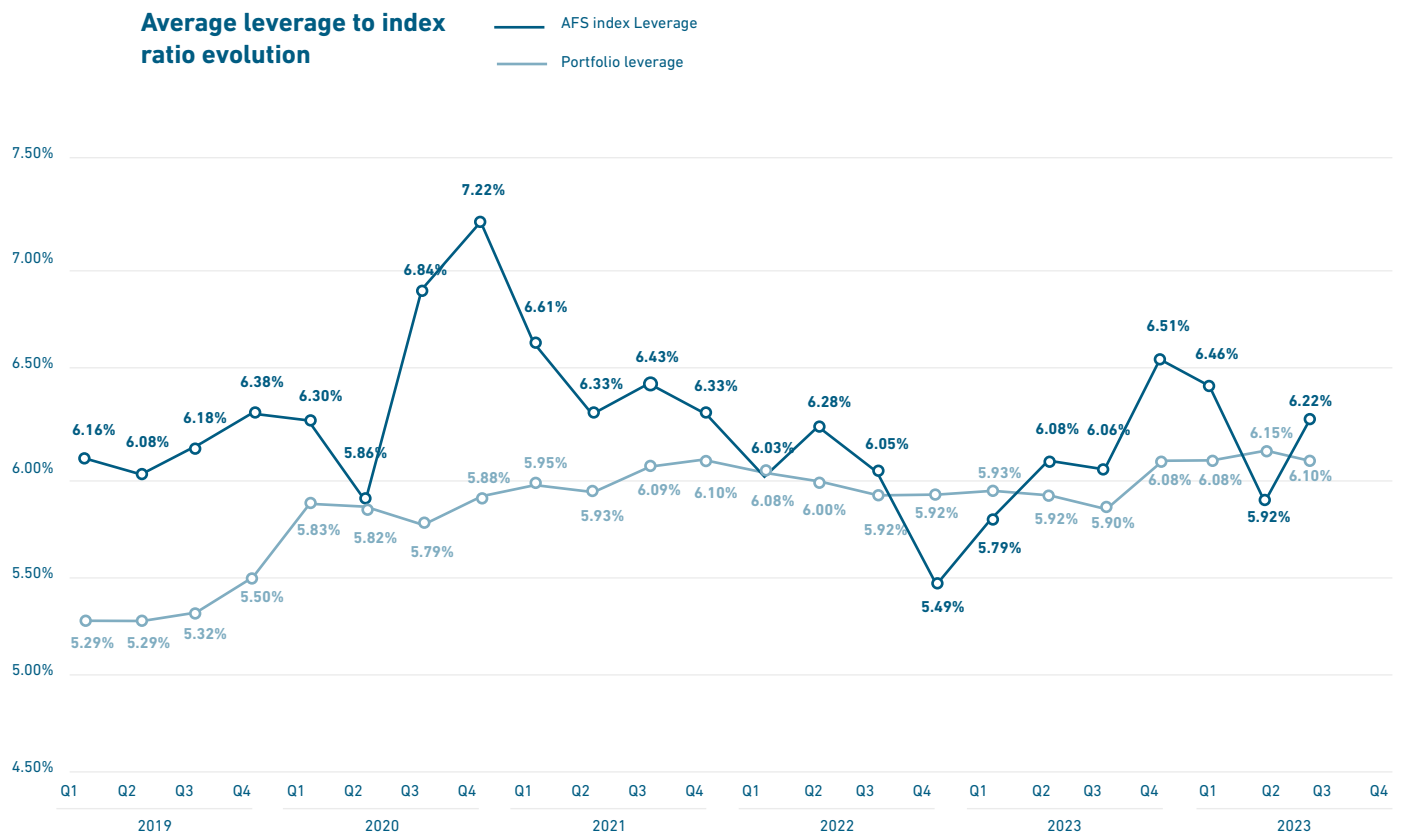


Evolution of Leverage of the Portfolio in H1 2024



The portfolio thus sees the number of transactions with a leverage level between 5.50x and 7.50x explode (+38% in one quarter) and the number of files with leverage below 3.00x significantly decrease (-22% in one quarter). While add-on or refinancing operations can explain part of this balancing act, the number of files on the watch list has also increased. 2025 started under the sign of standstills, trying to find high exits.

Average leverage to index ratio evolution



The average margins of the portfolio remain relatively stable. These margins have not yet been impacted by the outcome of ongoing negotiations on files presenting tension

Q1 2024 INDEX

The Aether FS Unitranche France index fell slightly in the first quarter 2024. The margin per round of leverage stood at 1.59%, confirming the trend over the last two-quarters of a gradual increase in leverage at closing.

After a year dominated by bank financing in 2023, debt funds have confirmed their return, with a desire to play a part in the resumption of LBO financing. The Deloitte Private Debt Deal Tracker Spring 2024 study confirms that, at the European level, France maintains its leading position, followed by the UK (in terms of the number of deals in H2 2023).

While the M&A market is still slow to pick up (down 8% over the quarter in mid-market value terms, according to the Argos index), the percentage of LBO deals is rising. The still tentative positive signs are since base rates have tightened less than expected, impacting valuations which have to take account of the leverage applied and the resulting cost of debt.

The first quarter of 2024 follows on from the end of 2023. The Unitranchers are playing with their shoulders to confirm their return to the French market in the face of banks still present but in a smaller cap segment.

Leverage at closing rose slightly to 4.24x, up 2.6% on the previous quarter and similar to the first quarter of 2023.

Closing margins remained stable at an average of 6.46%. These margins remain high against a backdrop of high base rates.

Q2 2024 INDEX

The Aether FS Unitranche France index fell sharply at the end of the first half of 2024. The margin per leveraged turn stood at 1.41%, down 11% on the previous quarter and down 15% on the end of 2023. This decline is confirmed when adding transactions completed in July 2024 to the calculation, with a margin per leverage turn settling at 1.39%.

In the first half of 2024, the private equity market in France is showing signs of recovery after a period of turbulence in 2022 and 2023. Investment and M&A activity had reached historically low levels in recent years due to global economic instability. However, the general election affected the end of the first half of the year, with considerable uncertainty over the outcome of the election and the government to come. We saw a wait-and-see attitude in some transactions, with closings postponed.

The small and mid-cap segments showed notable resilience despite the aforementioned geopolitical uncertainties. The technology (representing 14 transactions in our index sample in H1 2024), healthcare (representing 7 transactions in the H1 2024 index) and energy transition sectors were particularly attractive to investors, who were more selective and attentive to ESG criteria.

With asset prices adjusting and interest rates expected to fall slightly (a view corroborated by the index), the mid-cap market should continue its gradual recovery.

After two consecutive years of declining M&A transactions, the first half of 2024 marks a return to transaction values at 2019 levels. This improvement is driven by larger transactions, although the number of deals remains below previous years (USD 82.5 billion in the first half of 2024, 20.7% higher than the first half of 2023 according to LSE, with 37% fewer deals in terms of volume over the same period).

The first half of 2024 ended on a positive note for PE funds and issuers. The competitive market continues to drive pricings down, while maintaining reasonable levels with rising leverage at closing.

The index for the first half of the year includes 34 Unitranche transactions analysed, with a total value deployed of €4.4 billion.

Leverage at closing increased slightly to 4.44x, (and 4.51x when including transactions completed in July 2024) up 4.7% on the previous quarter.

Closing margins fell by 5.6% to an average of 6.10% (and 5.92 when including transactions completed in July 2024). These margins remain coherent in a context of equally high base rates and given the type of financing, with more aggressive leverage than senior financing.

Q3 2024 INDEX

Following the sharp fall in the Aether FS Unitranche France index in Q2 2024, the combined upturn in margins and leverage has resulted in a new index of 1.50% per leveraged round at the end of September 2024. This quarter's 7.8% rise confirms that the market has not stabilised and is highly reactive to the political instabilities of summer 2024.

The dissolution of the French National Assembly at the end of Q1 2024 reshuffled the cards in an environment that had previously been favourable to the recovery of the M&A and Private Equity market in France. Mistrust then set in throughout July (until the elections and the end of the Olympic Games). Transactions that were in the pipeline at the time slowed down in order to gain more visibility on the composition of the new Assembly. As a result, the recovery in September was slower than in previous years.

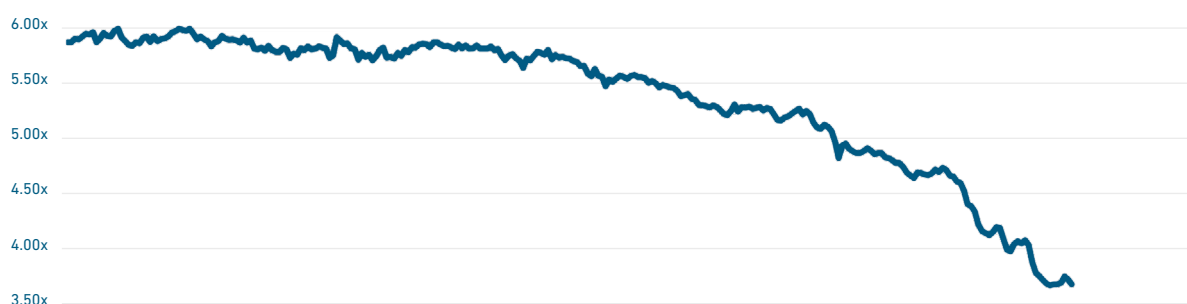
Nonetheless, a situation currently weighing on banks could generate an opportunity effect for debt funds towards the end of the year. The ECB and several European banks (twelve banks) have been in discussions since the autumn. The supervisor is criticising certain banks (including French banks) for having an overexposure to the leveraged market. The ECB would then impose an additional provision of €13 billion on the banks.

As the discussions failed, it is possible that the ECB will reduce the amount of the provision (to €7bn). Even so, this will have the effect of slowing down the granting of LBO loans by banks, at least between now and the end of the year.

Private debt investors are showing greater confidence in the credit risk of companies, and are applying more leverage at closing. This increase in leverage at closing (+3.6% in one quarter and +17% vs Q3 2023) to 4.67x at closing is also a direct consequence of the fall in base rates.

The 3-month Euribor at end-September continued to fall, settling at around 3.28%, down 11.6% compared with June end and down 17% compared with September end 2024. This downward trend is continuing, favouring a return to leverage and an increase in closing margins.

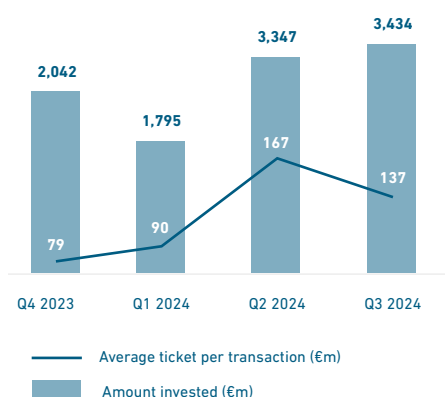
Euribor 3M (in %) - 29 sept. 2023/5 nov.2024



The representative market of the Index is anchored in the Mid-market, with an average closing debt of €137m and a total amount invested of €3.4bn in Q3 2024. This compares with an average closing debt of €167m in the second quarter.

Average closing margins rose by 5.1% in Q3 2024 compared with Q2 2024, to reach an average margin of 6.22% in Q3 2024. As a result, with the increase in average margins at closing higher than the increase in leverage at closing, the index has risen.

On a LTM basis, the Aether FS Unitranche France index shows the following data:



While the Mid-market is the most represented in the index and forms the core of the analysis, the high and low bounds of the tickets per transaction is representative of a disparate market between both small cap and large cap issues.

Data for Q3 2024

	Amount (€M)
Amount invested	3,434
Average ticket per transaction	137
Max amount transaction	1,026
Minimum amount transaction	8

PRESENTATION OF AETHER FINANCIAL SERVICES

France's leading independent provider of financial transaction execution services, Aether Financial Services was founded in 2015 by Edouard Narboux and Henri-Pierre Jeancard. Based in Paris and London, Aether Financial Services is made up of a multicultural team of more than 40 people, experts in 3 business lines.



AGENCY

Active in Private Debt and Capital Markets, Aether Financial Services covers all financing agent roles (Loan agent, Bond agent, Administrative agent, Calculation agent, Security agent, etc).



VALUATION AND CALCULATION

Aether Financial Services values all types of financial instruments or securities, from the most «vanilla» to the most structured, for recurring, specific or one-off requirements.



CORPORATE AND ISSUER SERVICES

Aether Financial Services offers a range of digital solutions dedicated to the administrative management of functions relating to securities transactions (capital increases, general meetings, record keeping, etc.).

AETHER FINANCIAL SERVICES' COMMITMENT TO SOLIDARITY

For several years, Aether Financial Services has been involved with associations through Social Impact Contracts (la Cravate Solidaire, the Auteuil Foundation and the Article 1 association). In 2021, Aether Financial Services committed to protecting the environment through reforestation and forest preservation alongside Reforest'Action. This partnership demonstrates Aether Financial Services' commitment to the environment and its desire to help combat global warming.

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