

Global Insolvency:

Restructuring trends in France

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- *who is selling distressed assets?*

Non-diversified, small, industrial companies without a global customer base and large groups (with French subsidiary close to insolvency).

- *what are the drivers for sale?*

Tough economic conditions mean that French consumers and businesses haven't the money to buy products. French companies have to look to overseas markets eg Far East and China.

Cost of workforce in France – often costs much less to sell a “struggling” French subsidiary to a trade or PE buyer for a reverse premium than fund the significant cost of a closure/redundancy plan (assuming that the French business is not yet insolvent).

The French government's driver is still to keep businesses trading and to preserve jobs at all costs. They have just introduced a new law that if a solvent small company with less than 250 employees wants to sell its business, it must first offer the employees the chance to buy. (Doesn't apply to distressed sales and the company is not obligated to accept an offer (if any) made by employees)

- *are there “hot spots” across Europe?*

France is not busier than anywhere else in Europe, Spain seems very active currently.

- *any particular sector trends?*

Renegotiation of debts (preventative action) and small industrial companies are selling their shares (solvent) or business and assets (insolvent).

- *are there any regulatory or legislative changes that will drive the market in the future?*

1 July 2014 - new law changed 1/3 of insolvency laws (prevention / new safeguard proceedings / new liquidation proceedings to be more efficient).

It may be possible to remove shareholders in the future but we can't yet.

- *how are due diligence process of sales being run?*

Data rooms (physical and electronic) and by talking to the administrators and local management.

- *what is the present trend in your market?*

Selling assets / distressed companies to Chinese and Japanese investors. They are buying minority interests in French and Italian companies (typically 10-40%). The European companies have the products and the Chinese have the customers. The yen has been strong over recent years.

- *how do you see the next 12 months progressing?*

Level of insolvency should remain relatively high and there are a lot of good assets / companies to buy in France at a reasonable price. Employment law could be an obstacle, but insolvency law is very favorable to the buyer (same for local subsidies).