



cutting through complexity

Family matters

**Financing Family
Business growth
through individual
investors**

COUNTRY COMMENTARY:
FRANCE

kpmgfamilybusiness.com

France



Family businesses in France reveal existing experience of sourcing financing from HNWIs, with almost half of all respondents have previously raised funding through this channel. In general, respondents said they needed financing for upgrades or infrastructure improvement, and also were upbeat about their experiences with HNWIs.

The CEO of one family business, a Paris-based supplier of interior furnishings, says: "We needed financing for new technology and IT infrastructure. We approached three HNWIs that were known to us, and they agreed to put a fund together by approaching other investors to match the amount they put in." The CEO also explains why they chose to seek financing via this route rather than banks: "In previous transactions, our needs were not considered and we were not given a chance to explain our strategy. This has made us uncomfortable approaching banks as they do not seem to show much interest in our plans."

Similarly, the Managing Director of a Bordeaux-based winery reveals why HNWIs were a good fit for them: "We needed to update our facilities, so we approached HNWIs for funding to improve our wineries. The experience has been generally positive as they have been understanding and have not demanded short-term returns."

HNWIs in France are enthusiastic about investing in family businesses and the survey reveals that this is an established trend, with six of the ten French HNWIs surveyed having previously invested in one or more family business. One of the keys to their involvement, according to HNWI respondents, is the expertise that they can offer to family businesses. One such investor explains the attraction:

"The business was explained in a personal way, and I met the family members and was given a brief review of the business plans. They were not pushy and explained that they appreciate my expert involvement in the business. These were the points that made it a good fit for me." Another HNWI echoes this view: "With the help of my friend, I have invested in five family businesses and I enjoy being able to offer my views. When looking at possible investments, I look for a board that seems bright and is driven to succeed."

In France this year, 67% of family businesses have expressed financing needs and 75% noted the recent implementation of at least one measure of tightening conditions to access bank loans, according to our May 2014 CGPME barometer (General Confederation of Small and Medium sized Enterprises). In these conditions, the use of HNWI who share the same values of patient capital over the long term and low risk-taking is a real opportunity to develop.

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