



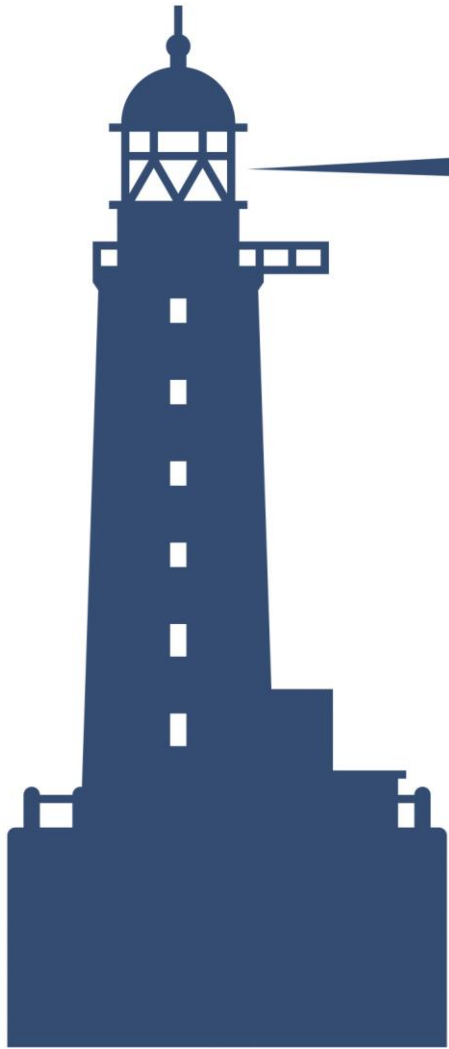
A R M E N



**ARMEN HEC
VALUE SHARING INDEX**

1st edition

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FOREWORD



Dominique GAILLARD
Executive Chairman

“We strongly believe that GPs that combine performance with well-being and value sharing will be the most successful over time.

As Armen’s mission is defined by three objectives, one of which is sharing economic value creation internally and amongst our portfolio GPs, we wanted to develop a study that looks at the progression of this theme across Europe.”

Armen, a purpose driven company with ambitious and sustainable objectives

Armen is the first purpose-driven GP stake investor worldwide. We chose its name in reference to the famous lighthouse on the Brittany coast, which embodies foresight, resilience and trust.

Our **mission** is to contribute as a trusted partner to a **positive transformation** of the private capital ecosystem and steer GPs and their portfolio companies towards a sustainable future in a responsible manner.

Our mission is defined by three objectives, which are translated into concrete goals, and we have set ourselves ambitious internal targets to be achieved:

- **Foster equal opportunities**
- **Share economic value** created internally, among GPs and their portfolio companies
- **Mitigate climate change and protect biodiversity**, by offering strategic support to GPs

Our **vision** is that responsible entrepreneurs and companies are powerful levers of change in a world with a growing need for purpose. As shareholders, the General Partners (GPs) are instrumental stakeholders.

As one of the initiatives discussed with our Mission Committee, we have decided to create the **Armen HEC Value Sharing Index**, in partnership with HEC Junior Conseil, to promote the concept of value sharing and encourage progress and accountability throughout our European ecosystem.

The Index is a tool to help to **set objectives and measure performance** backed by data on value sharing practices by GPs across Europe. We hope the Index will help to educate the market and have an impact on the governance of GPs while showcasing best-in-class performers.

The large number of participants for this first edition of the survey underlines the willingness of GPs to communicate on this increasingly important topic.

We look forward to continuing our work building a long-lasting Index!

ARMEN HEC VALUE SHARING INDEX - CONVICTIONS AND OBJECTIVES

Armen, a purpose driven company (« société à mission ») at the forefront of value sharing

Conviction

Responsible entrepreneurs and companies are powerful levers of change in a world with a growing quest for purpose

Armen founders' seasoned experience tends to demonstrate a **strong link between economic success and value sharing mechanisms**

Europe market seeking **transparency** and **best practices**

Armen Mission

ARMEN is a native purpose driven company according to a strong set of values and the following mission:

“Contribute as a trusted partner to a positive transformation of the private capital ecosystem and steer GPs and their portfolio companies towards a sustainable future in a responsible manner”

Values

Foresight - there is no planet B and investment decision should be taken with sustainability acumen

Trust - shared strong values and alignment of interest are prerequisites for creating value and better collective outcomes

Resilience - Long-term game requiring patience, fortitude and integrity

Index objectives

A R M E N

HEC
PARIS
HEC JUNIOR CONSEIL

A first edition to **set the scene and create a strong dataset**

To create a **recognized and long-lasting yearly index** to define market practices, set objectives and monitor its evolution over time

To **improve market awareness** and have an impact on GPs' governance

INDEX METHODOLOGY

A diversified and representative sample for our first edition

A successful data collection campaign

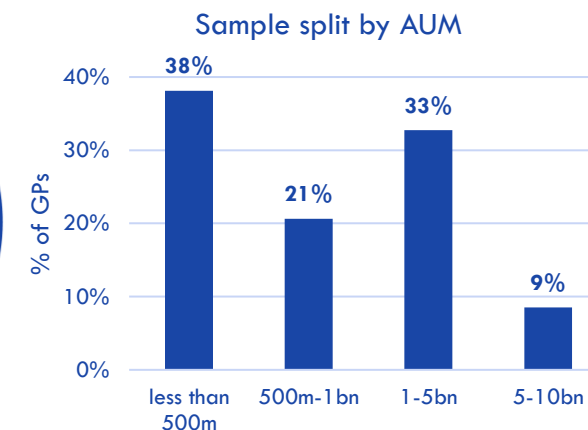
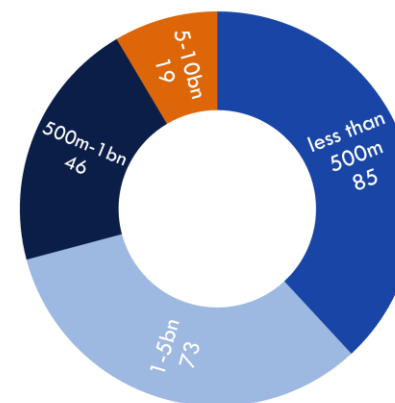
Over 800 GPs contacted in Q4 2023 (below €10bn AUM)

269 answers, of which 223 qualified

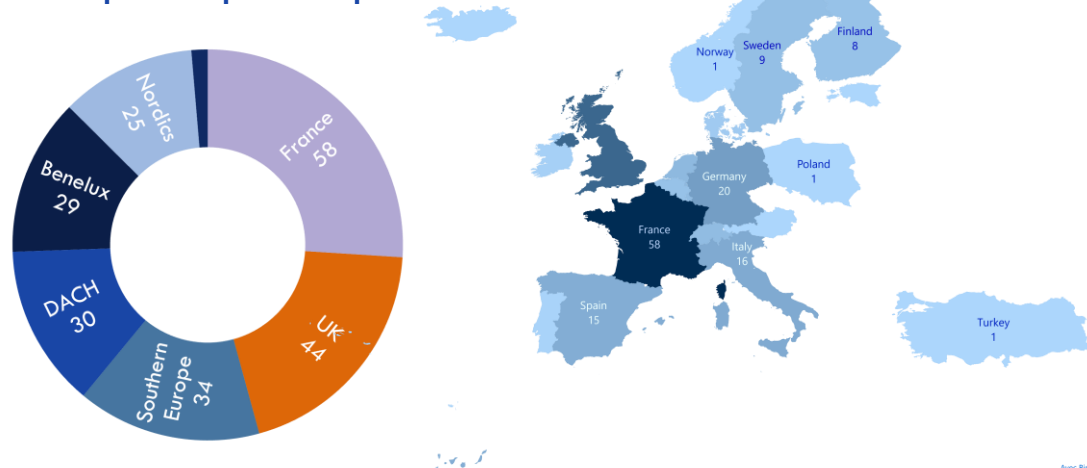
→ Impressive 33% response ratio for a first edition

Strong validation that the market is ready to discuss about the topic!

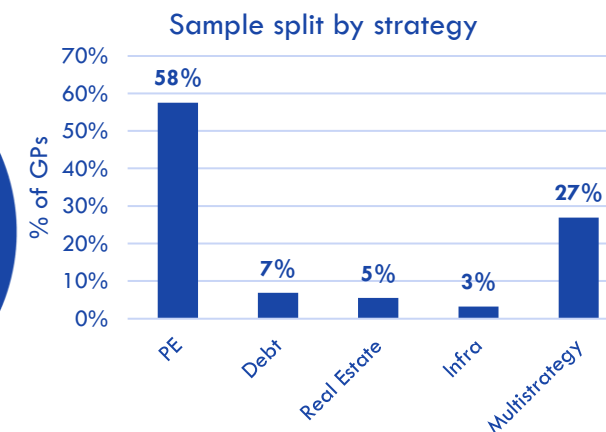
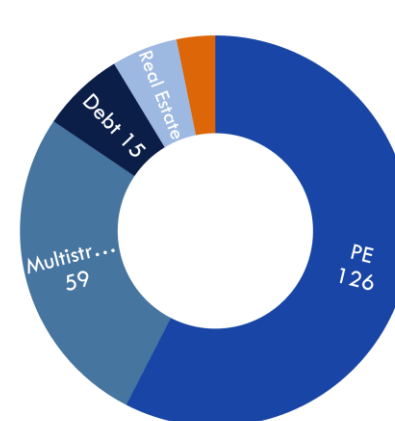
A balanced mix of Small / Mid sized GPs up to €10bn of AUM



A true pan European sample

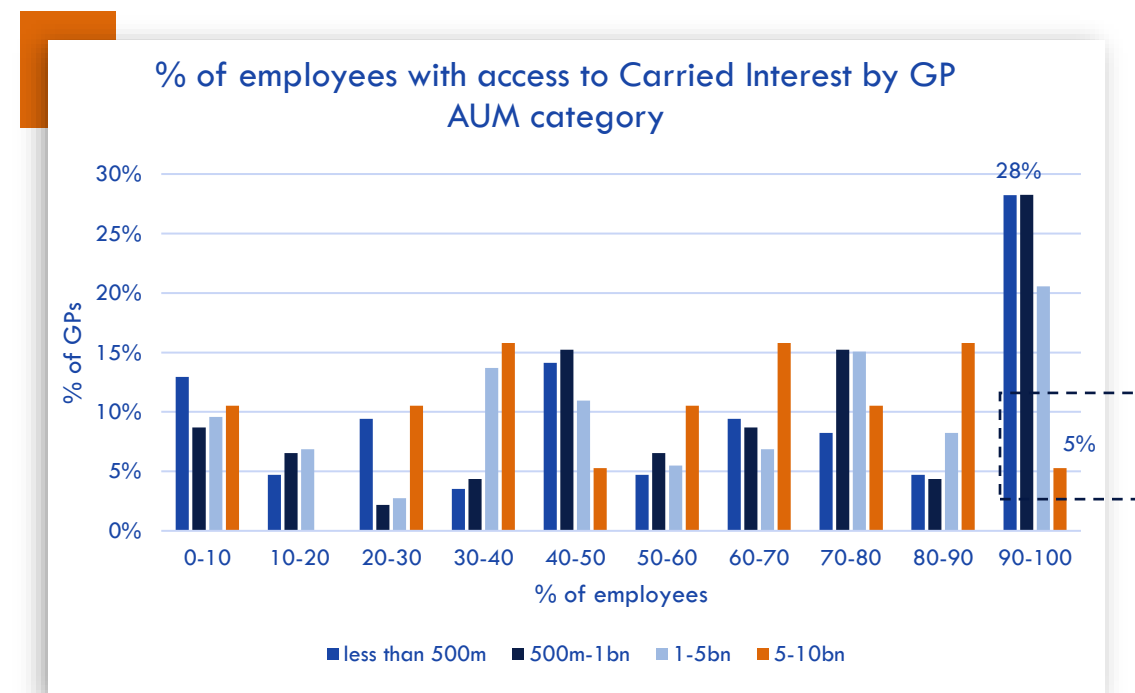
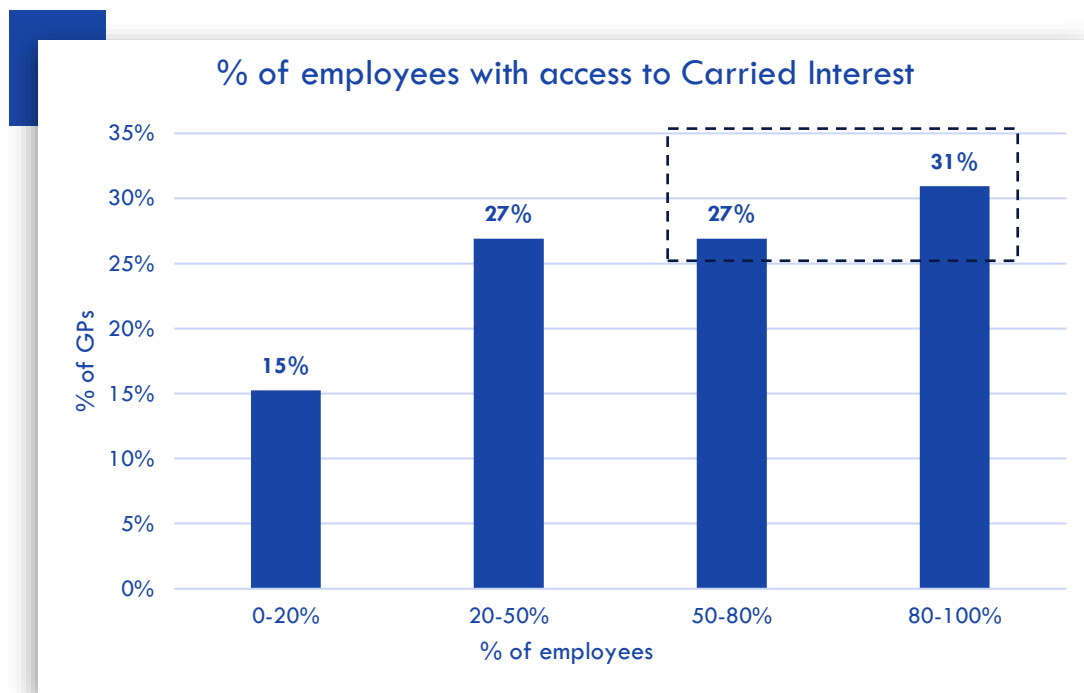


Strong colour towards Private Equity and Multistrategy



INDEX KEY FINDINGS

Carried Interest – the most preferred tool used by GP to share value

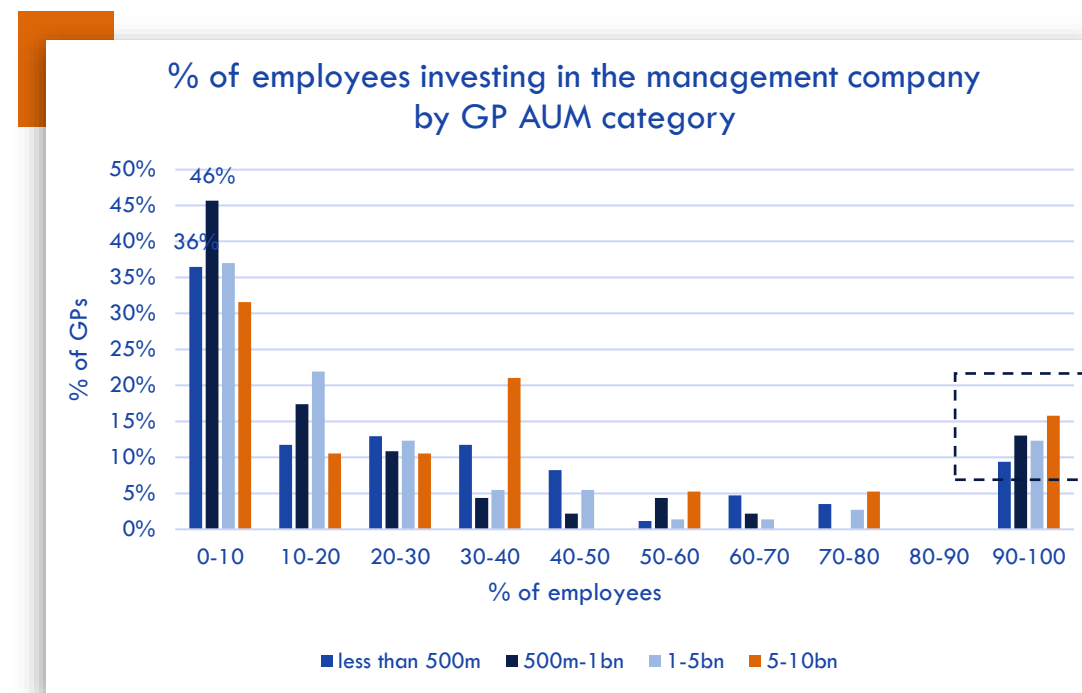
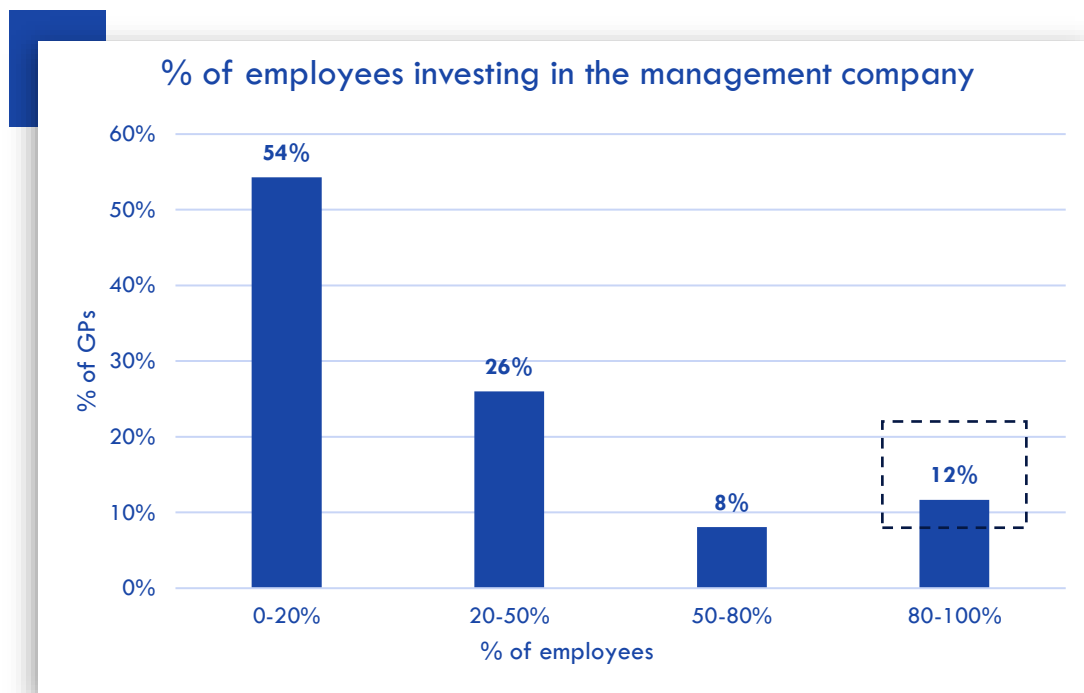


- Carried Interest is the most used mechanism, with 58% of GPs offering it to more than 50% of their staff and 31% offering it to more than 80% of their staff.
- Larger GPs tend to offer Carried Interest to a smaller part of their team, although they might offer larger cash compensations.

➔ Carried interest sharing is a great tool already accessible to many employees. Funds lagging in terms of carried interest could be struggling at employee retention. We therefore believe that the market will evolve towards sharing more.

INDEX KEY FINDINGS

Equity – Still a lot of room to grow?

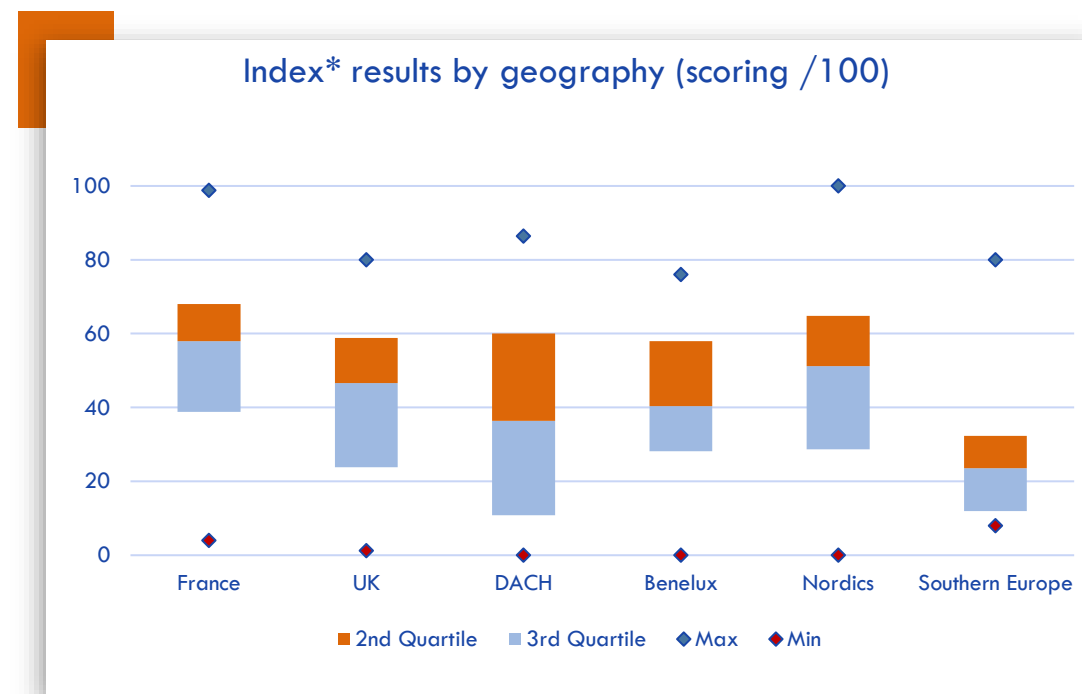
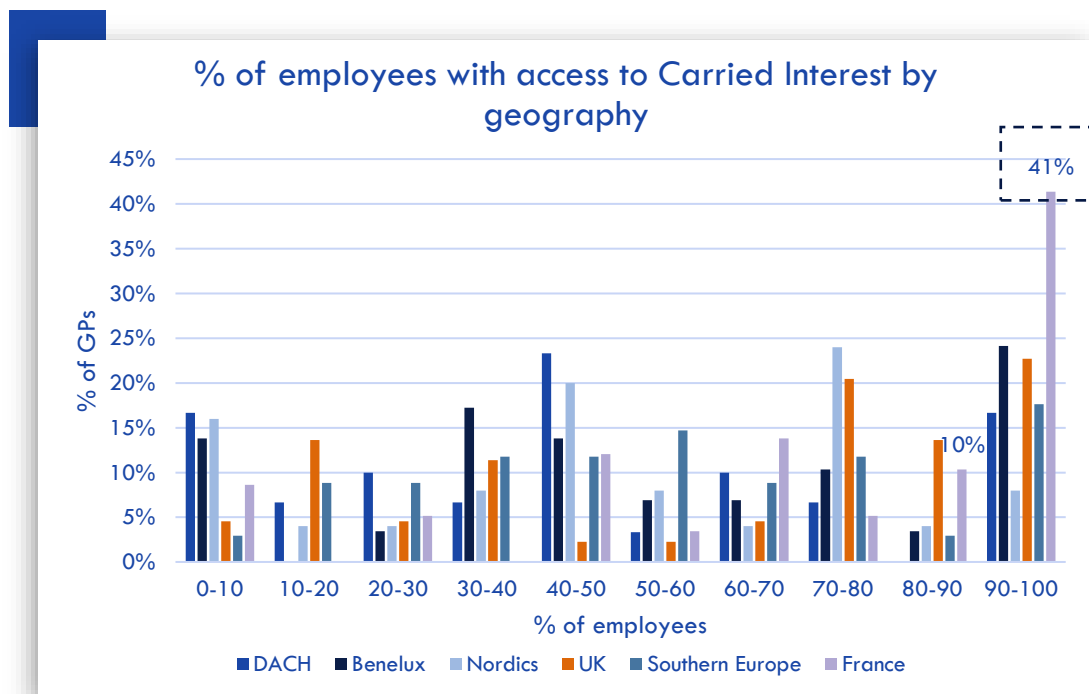


- Compared to Carried Interest, fewer FTE have access to investment in the GP regardless of the GP size.
- Our sample shows that most of the GPs are sharing their equity to few employees and that only a few GPs are sharing to their whole team.

➔ Sharing Equity to many employee is an uncommon decision. We encourage the approach, not only to share value but to create transparency and awareness within teams. It sets common goals that are beneficial for organizations.

INDEX KEY FINDINGS

Comparing results by geography – France and the Nordics standing out as the most advanced



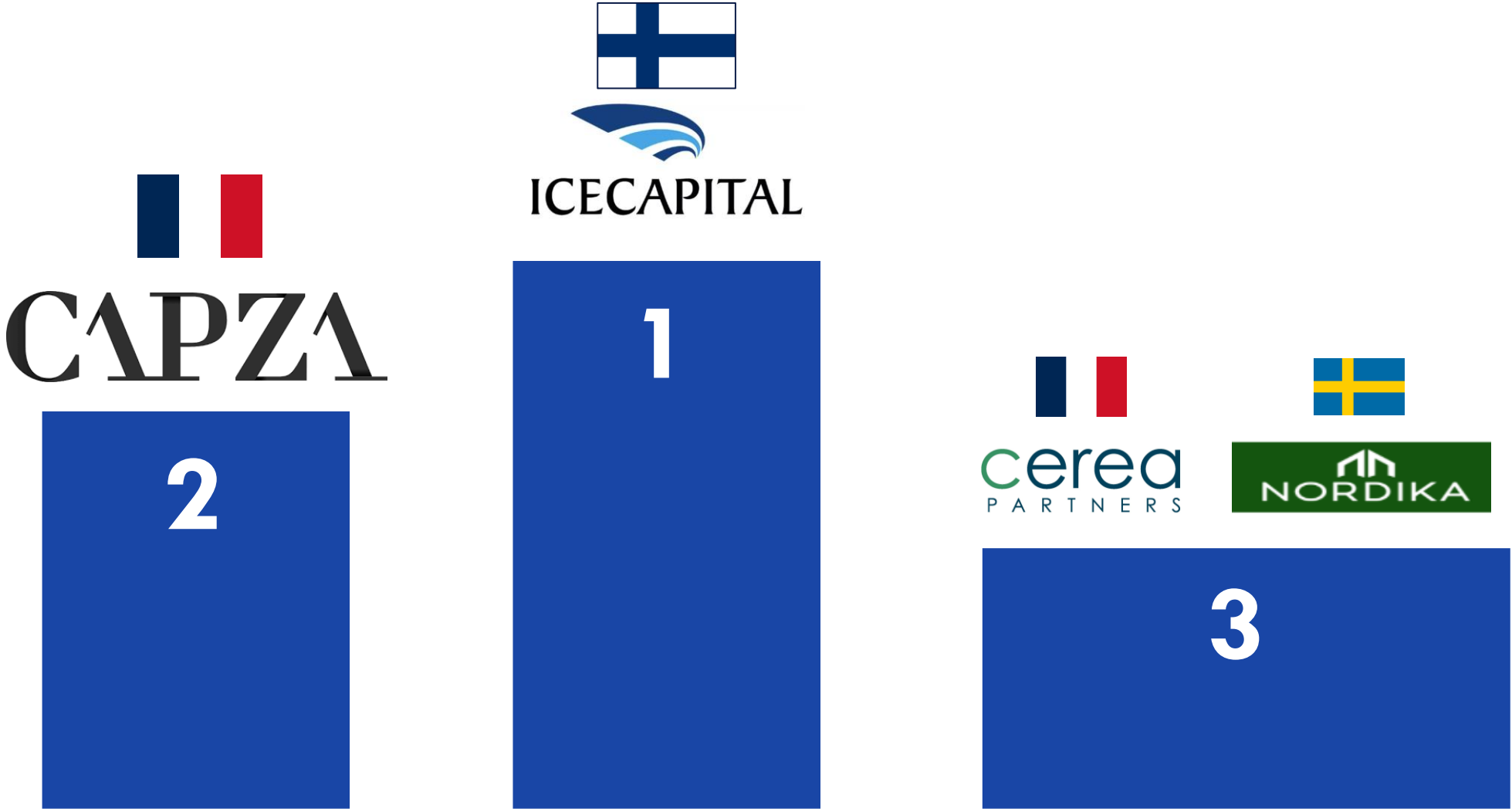
- France is overperforming our sample with more than 50% of French GPs offering Carried Interest to at least 80% of their team.
- At Index level, France and the Nordics are standing out, showing high and concentrated index scores.
- At Index level, Southern Europe GPs have lower scores.

➔ We believe that geographical differences will tend to disappear with market consolidation and nascent markets gaining maturity.

* Index scoring is computed based on gathered data for each GP. It is a 100 points scoring system based on 40% on Carry Interest, 40% on giving access to equity and 20% on other mechanisms. This scoring methodology is arbitrary and has been defined by Armen.

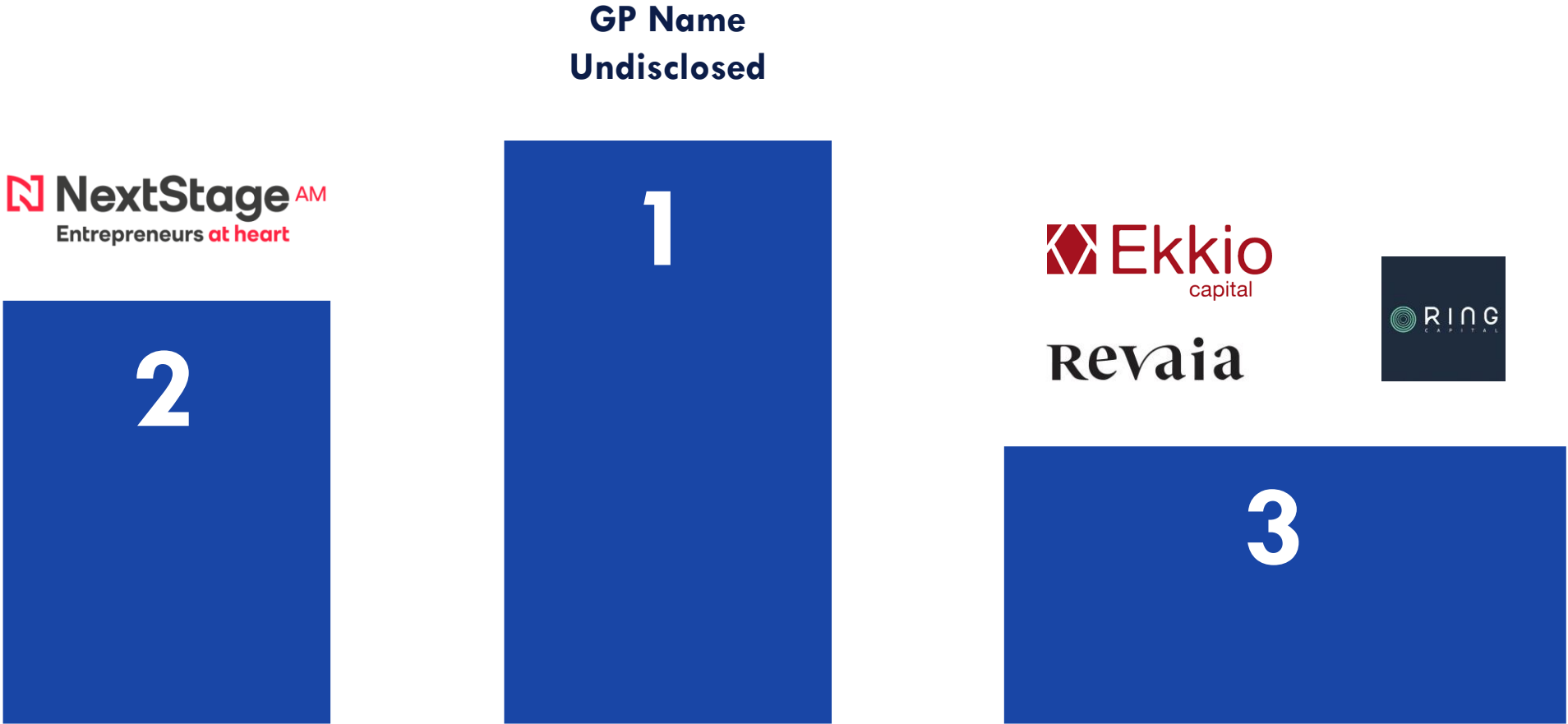
INDEX RANKINGS

Global Sample



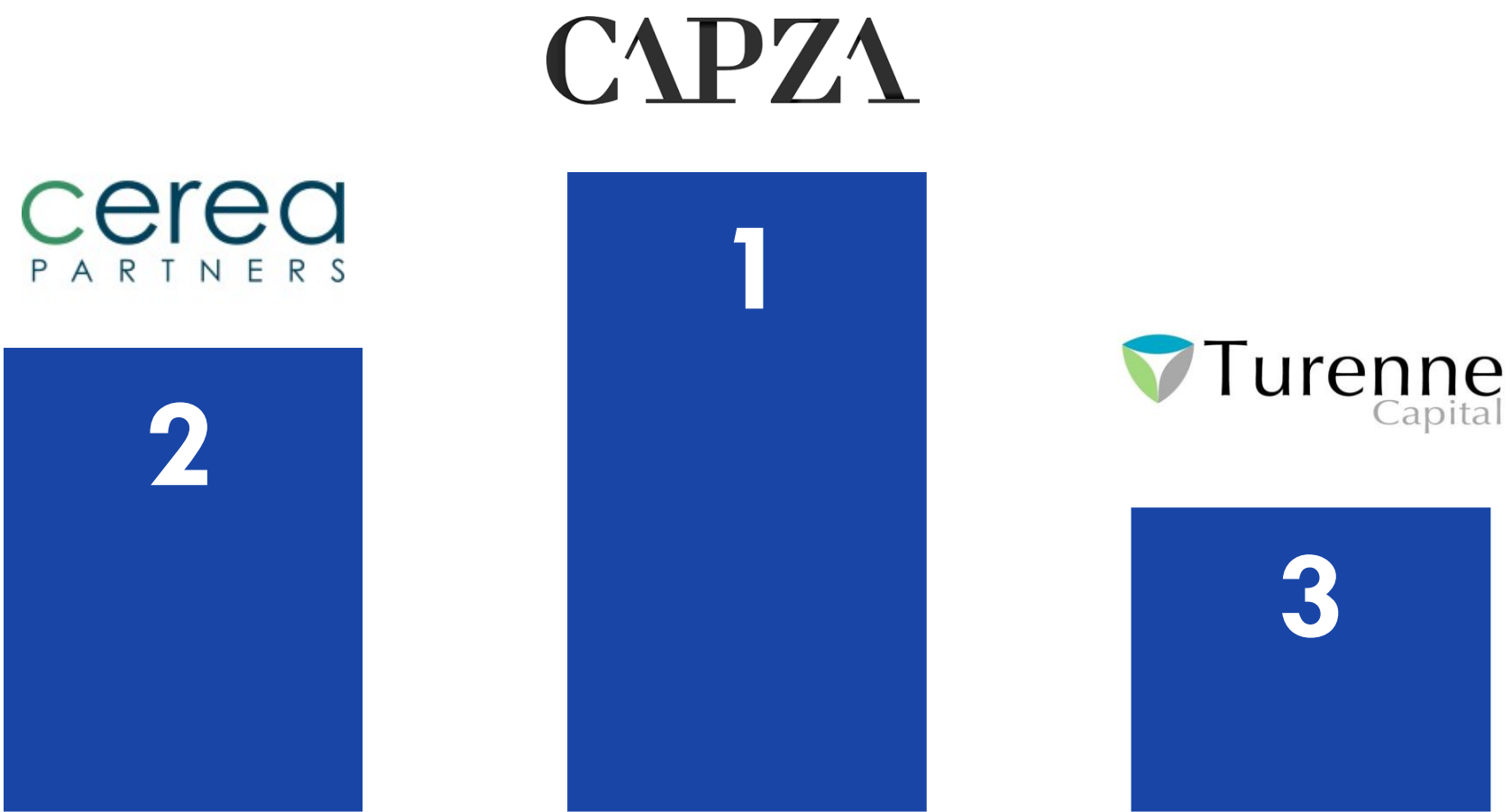
INDEX RANKINGS

Private Equity



INDEX RANKINGS

Multistrategy



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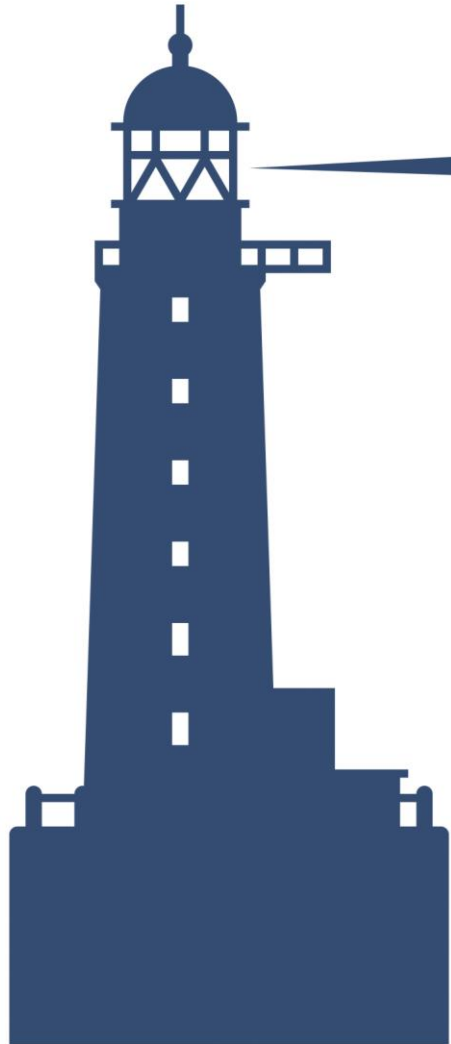
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**JUNIOR
CONSEIL**

Armen HEC Value Sharing Index

1st edition findings - longform

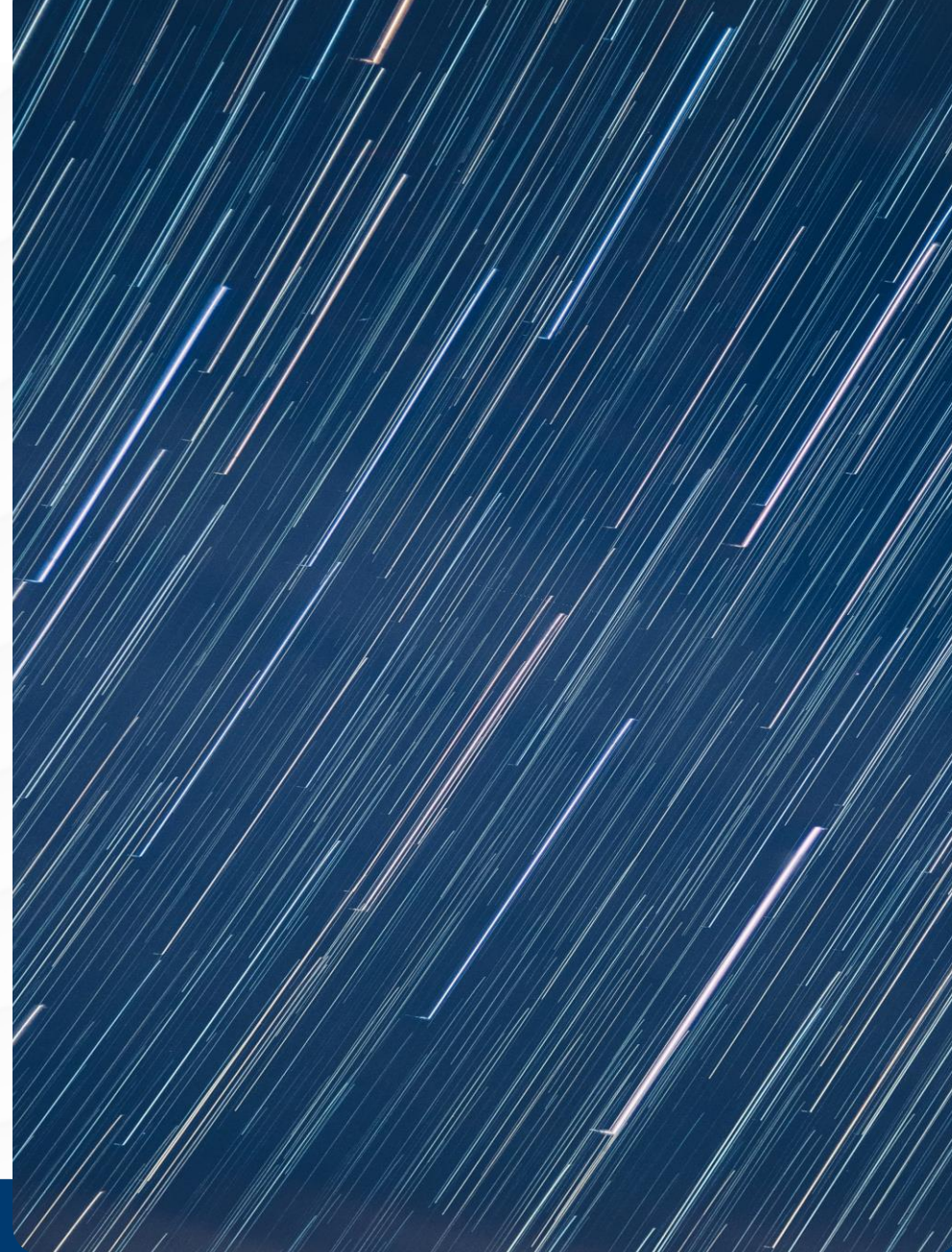
JANUARY 2024



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ORANGE



– SUMMARY.

01 –

**Presentation and
classification** of
responding GPs

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02 –

Data analysis

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03 –

Rankings

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04 –

Conclusion

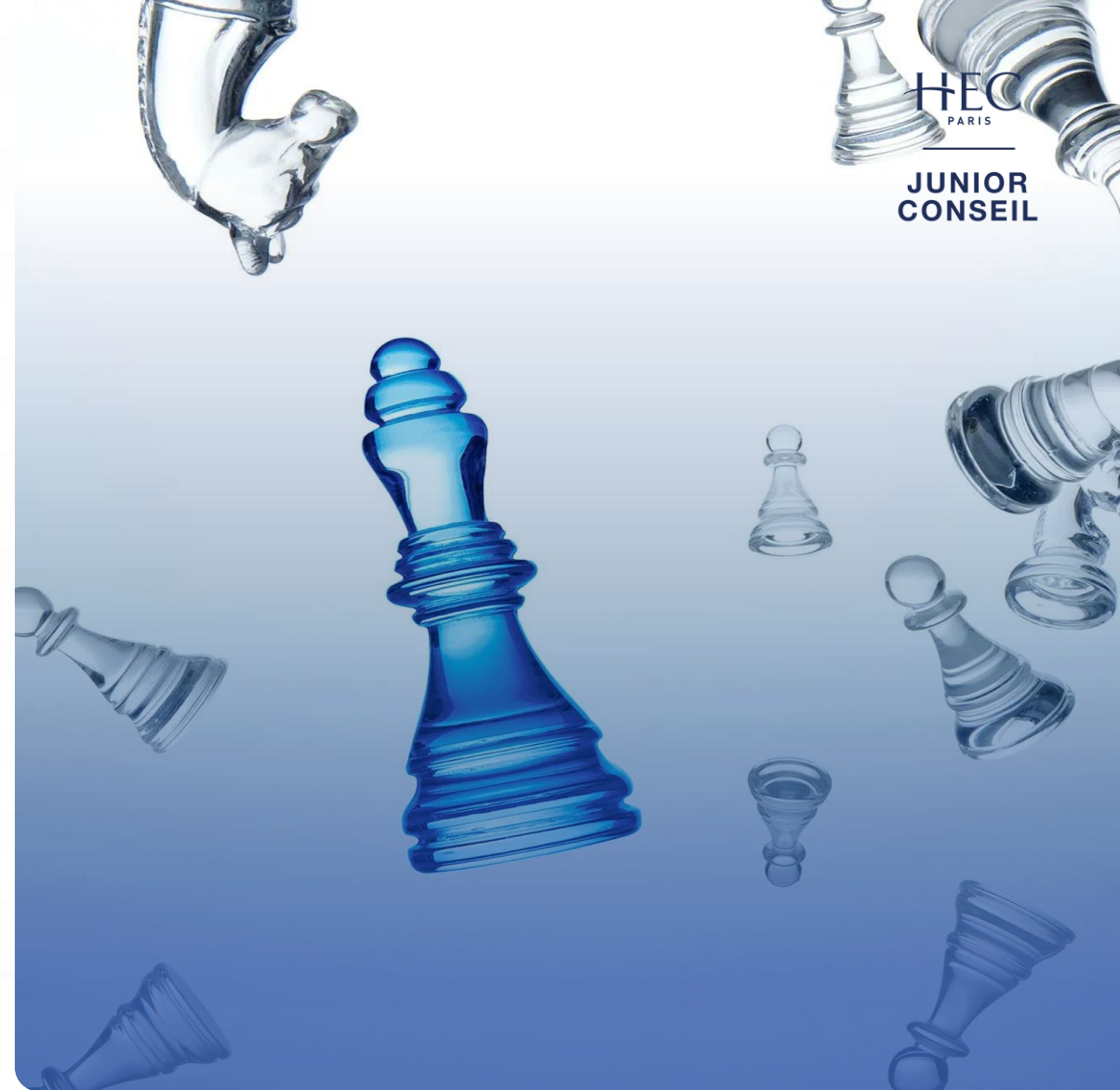
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01.

— PRESENTATION AND CLASSIFICATION OF RESPONDING GPs

A/ Global sample
B/ GPs by criteria



_01. PRESENTATION AND CLASSIFICATION OF RESPONDING GPs

→ A/ Global sample

OUR SAMPLE (1 / 2)

KEY FIGURES



**Over 800 GPs
contacted**



6 weeks
spent contacting GPs



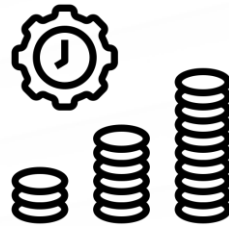
223 responding GPs
and 269 answers

A 33% response ratio

OUR SAMPLE (2/2) IN DETAILS

	AUM (€)	EMPLOYEES	CARRIED (% of employees)	INVESTING (% of employees)
MEDIAN	750m	22	65%	20%
MEAN	1,675m	35	61%	31%

€ 1.7bn
average AUM of
responding GPs



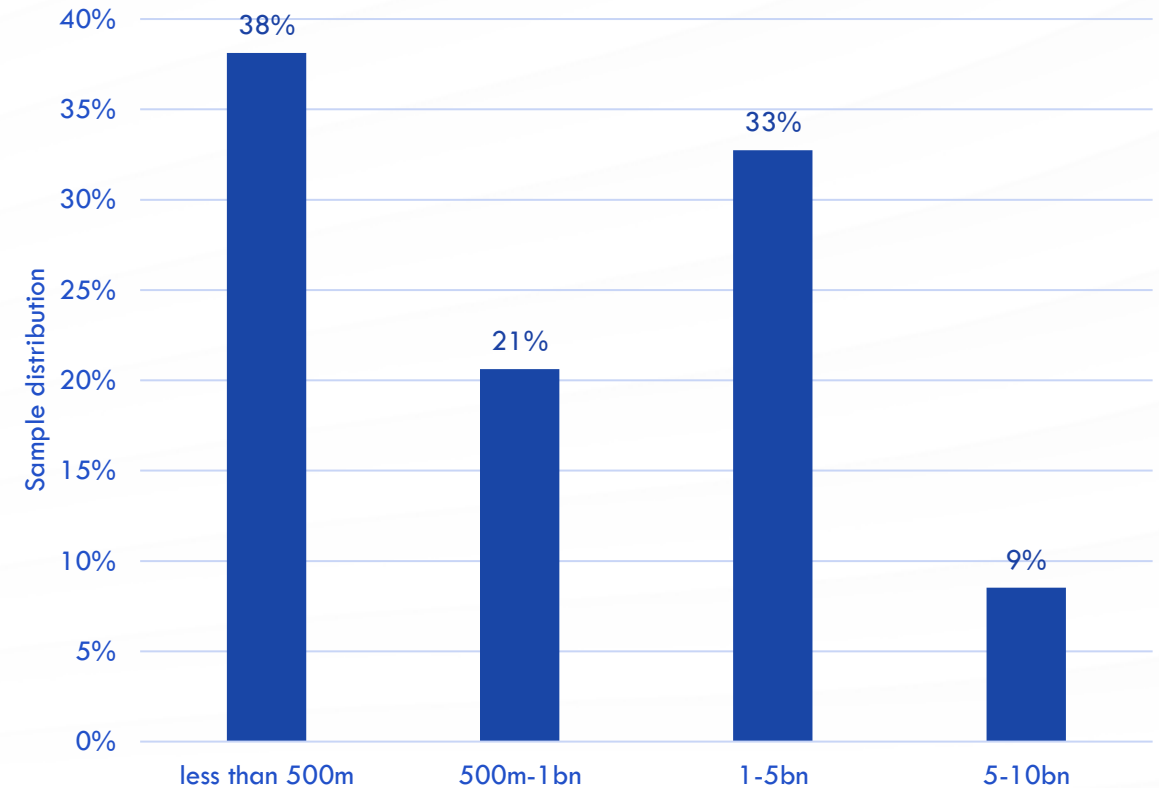
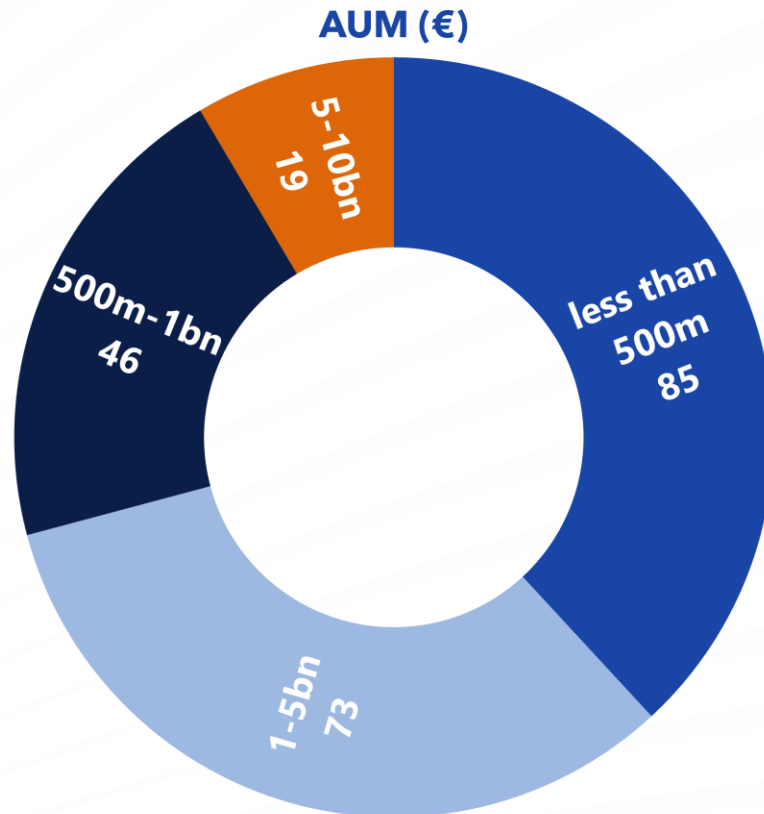
21
different European
countries

_01. PRESENTATION AND CLASSIFICATION OF RESPONDING GPs

→ B/ GPs by criteria

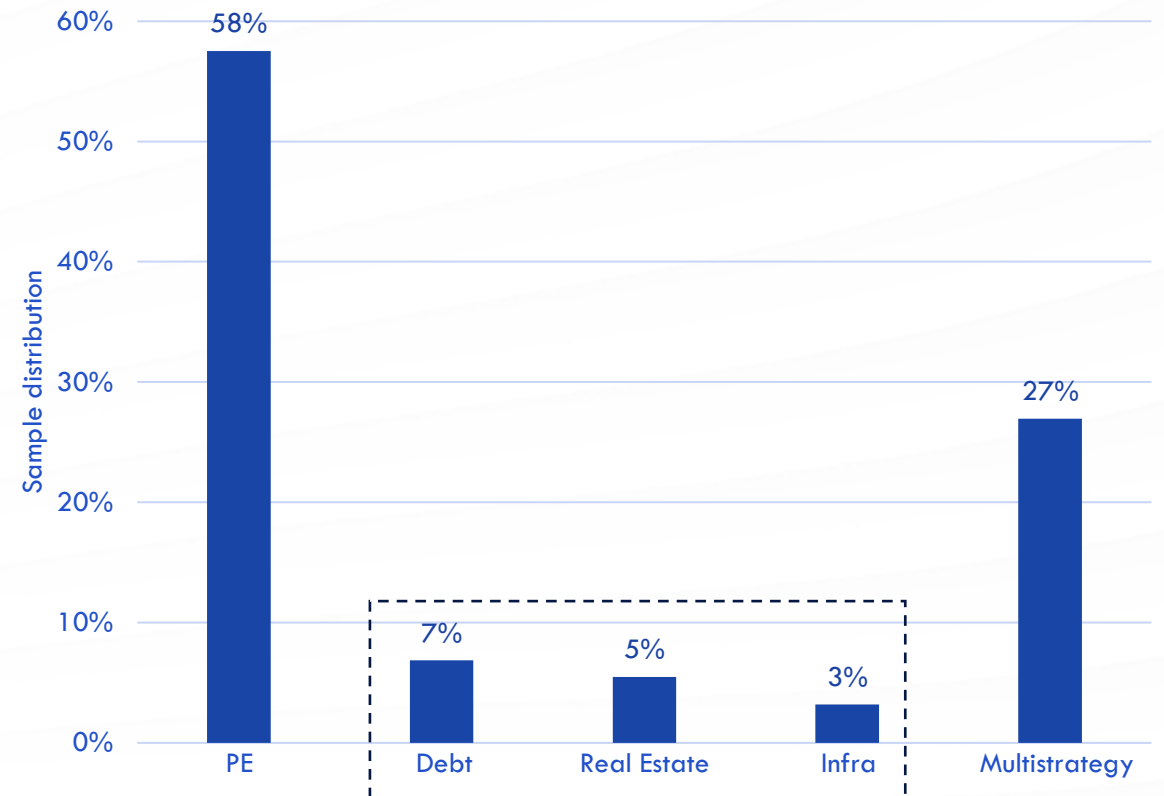
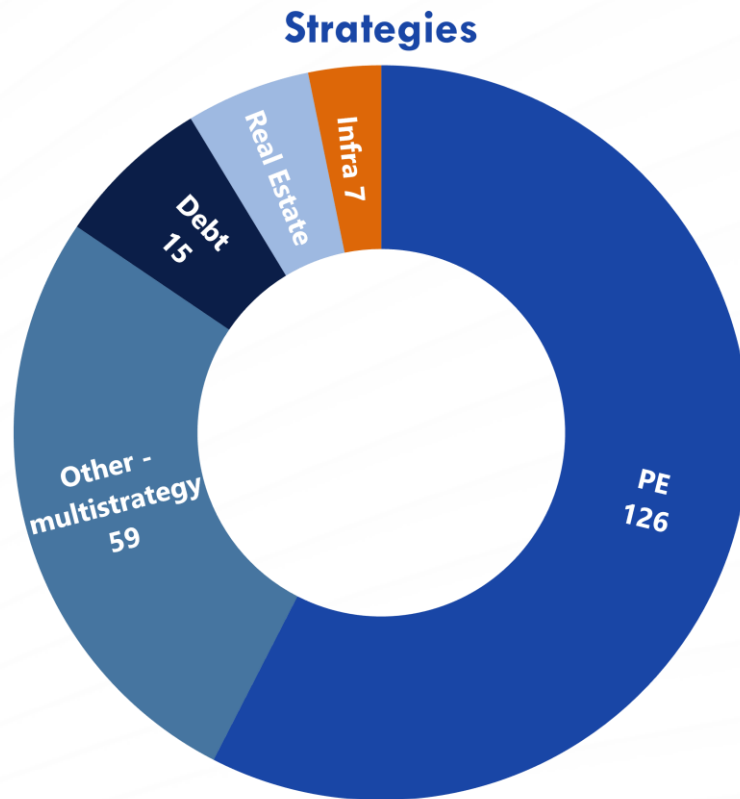
OUR SAMPLE (1/4)

AUM – AGGREGATED SAMPLE: € 374B AUM



OUR SAMPLE (2/4)

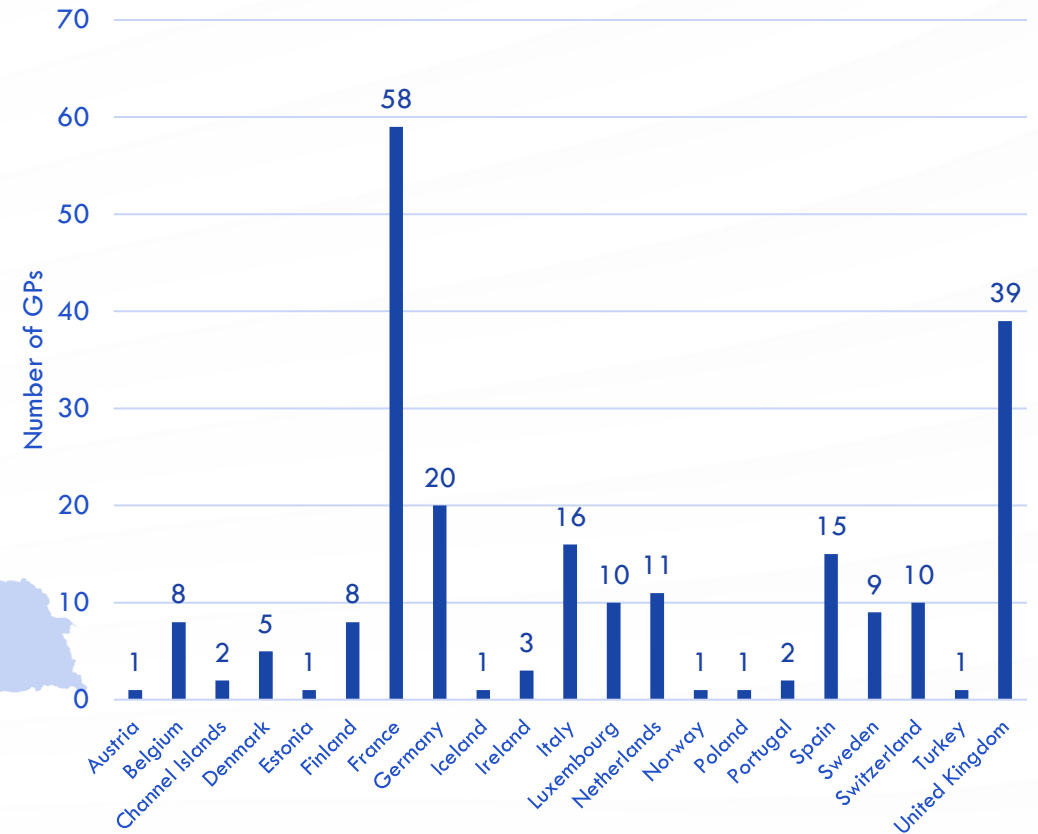
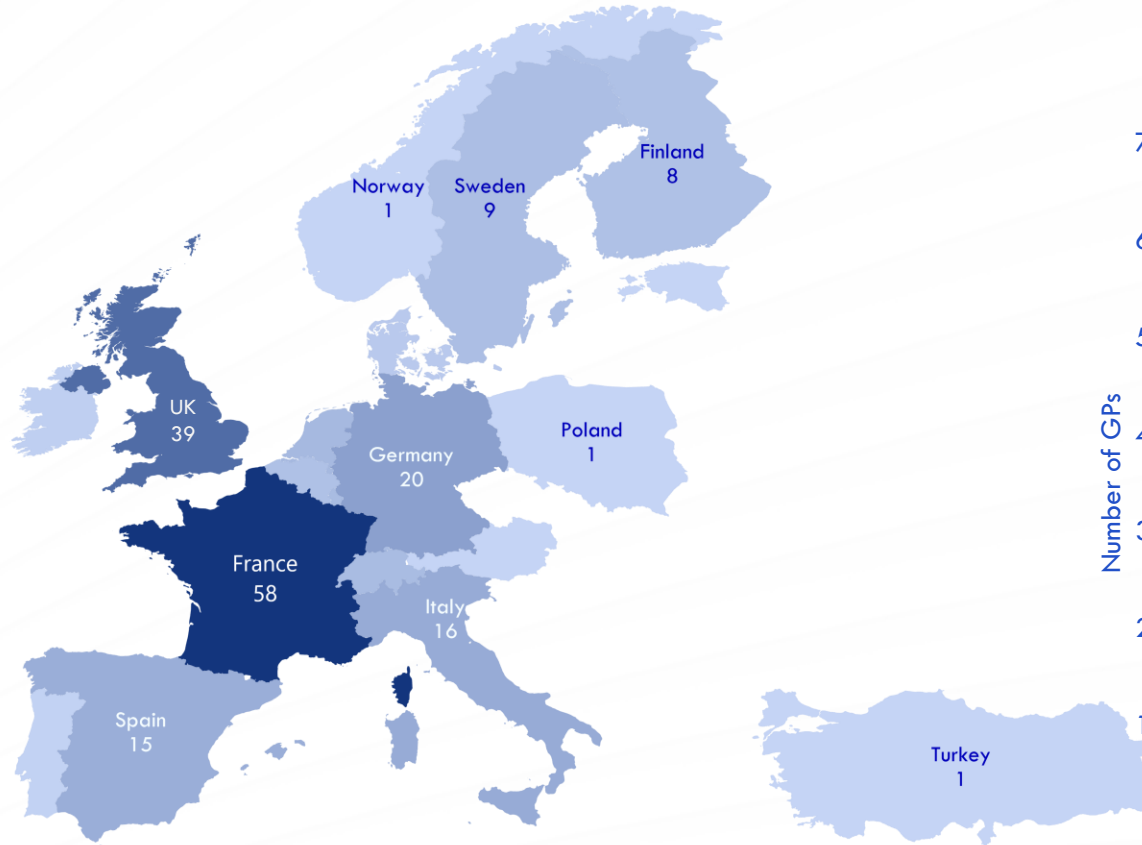
INVESTMENT STRATEGIES



Our sample for Private Debt, Real Estate and Infrastructure GPs is too small to be representative. Therefore, we will exclude these 3 strategies in the rest of our findings.

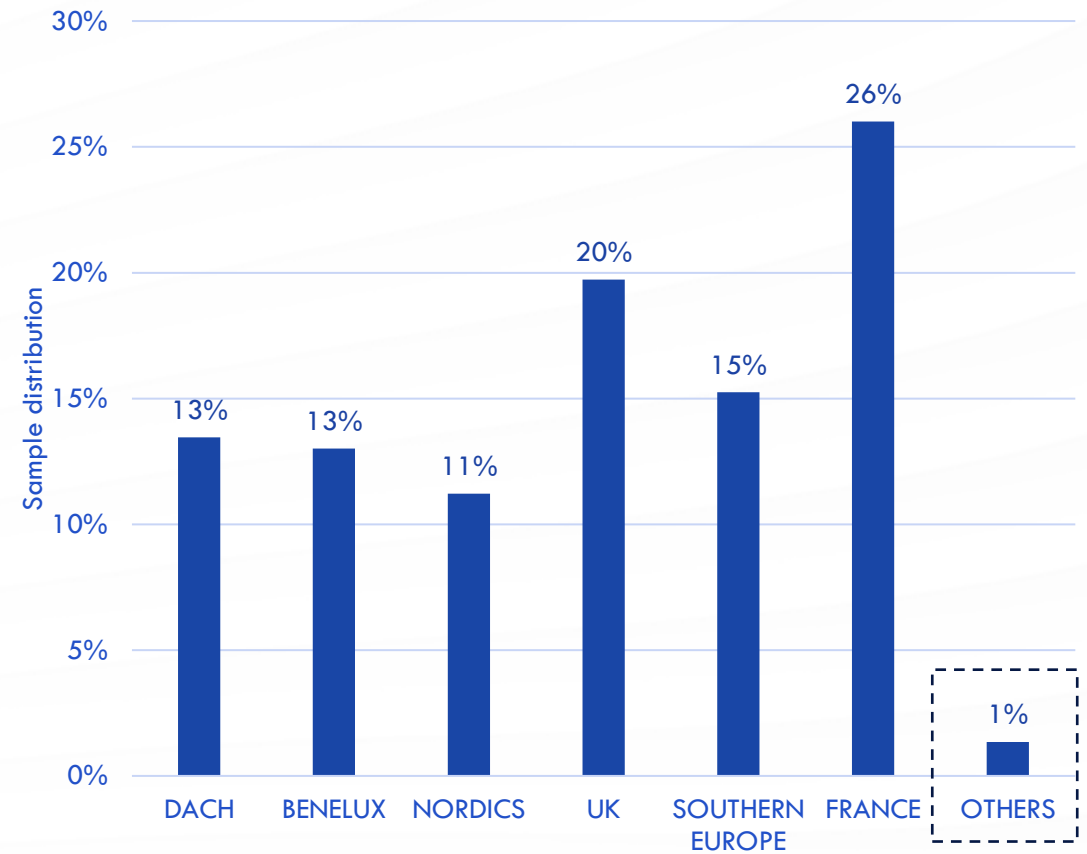
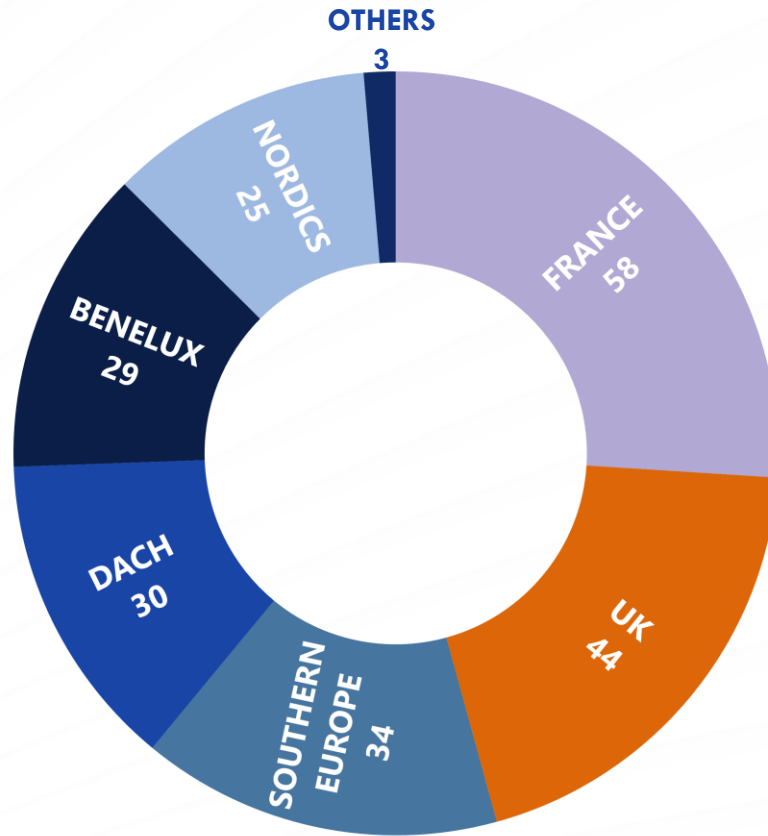
OUR SAMPLE (3/4)

GEOGRAPHY – BY COUNTRY



OUR SAMPLE (3/4)

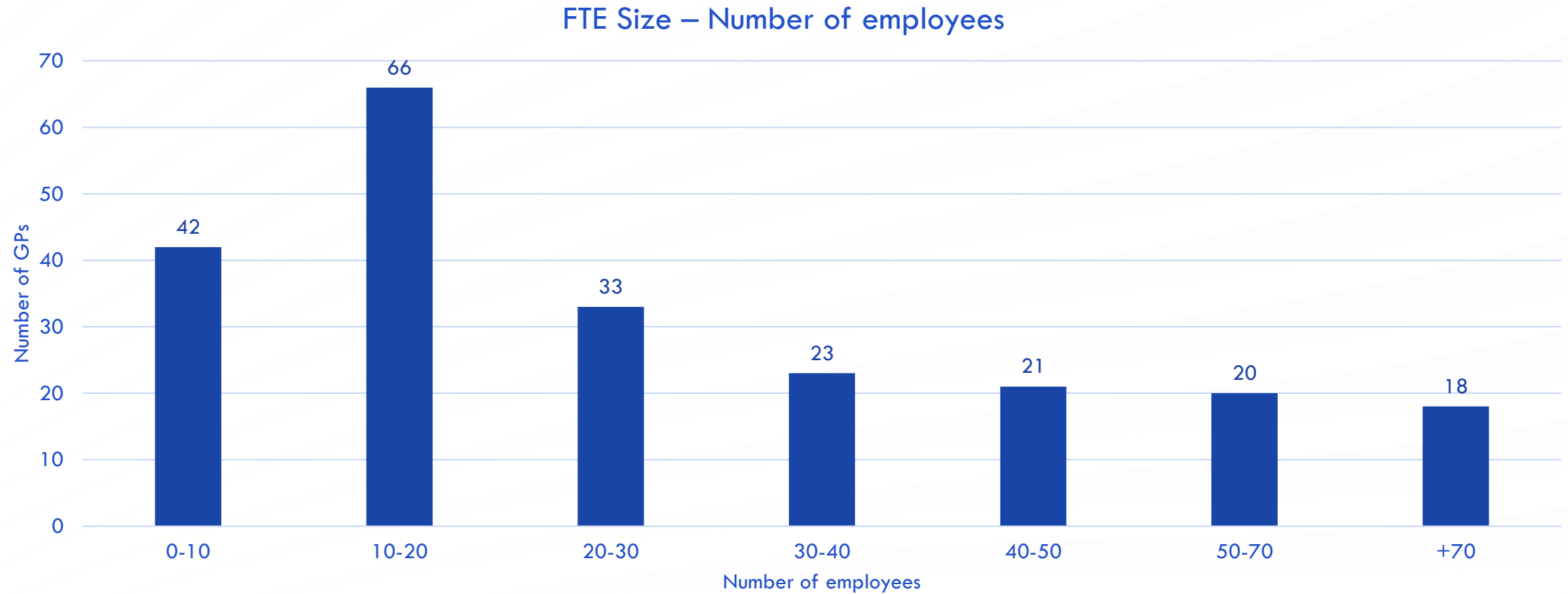
GEOGRAPHY – BY REGION



In the following analyses, we will exclude the "Others" area (Estonia, Poland, Turkey).

OUR SAMPLE (4/4)

FTE SIZE



02.

– DATA ANALYSIS

A/ Global Analysis

B/ Analysis by AUM

C/ Analysis by Strategy

D/ Analysis by Geography



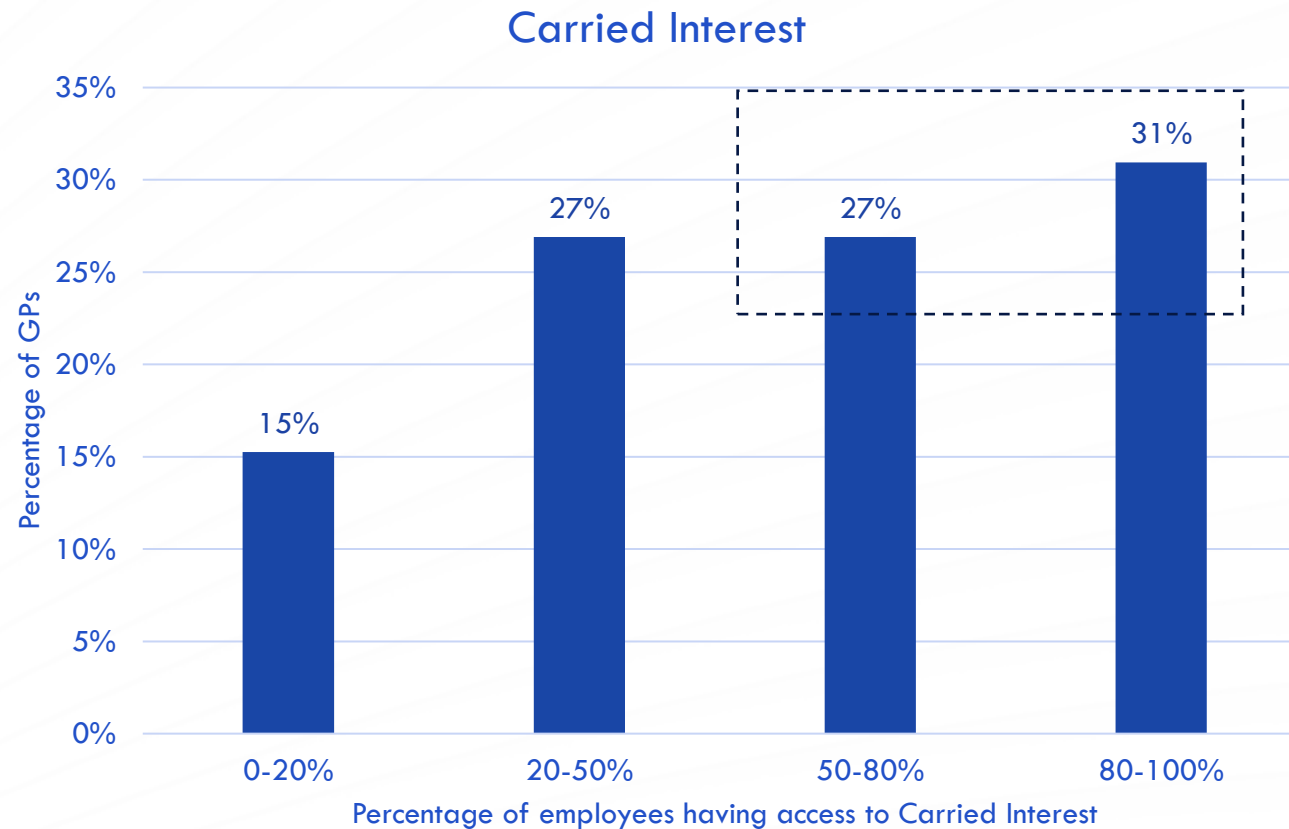
— 02. DATA ANALYSIS.

→ A/ Global Analysis

GLOBAL ANALYSIS

CARRIED INTEREST

Question asked: What percentage of employees have access to carried interest?



What to remember?

58% of GPs allow more than half their employees access to carried interest.

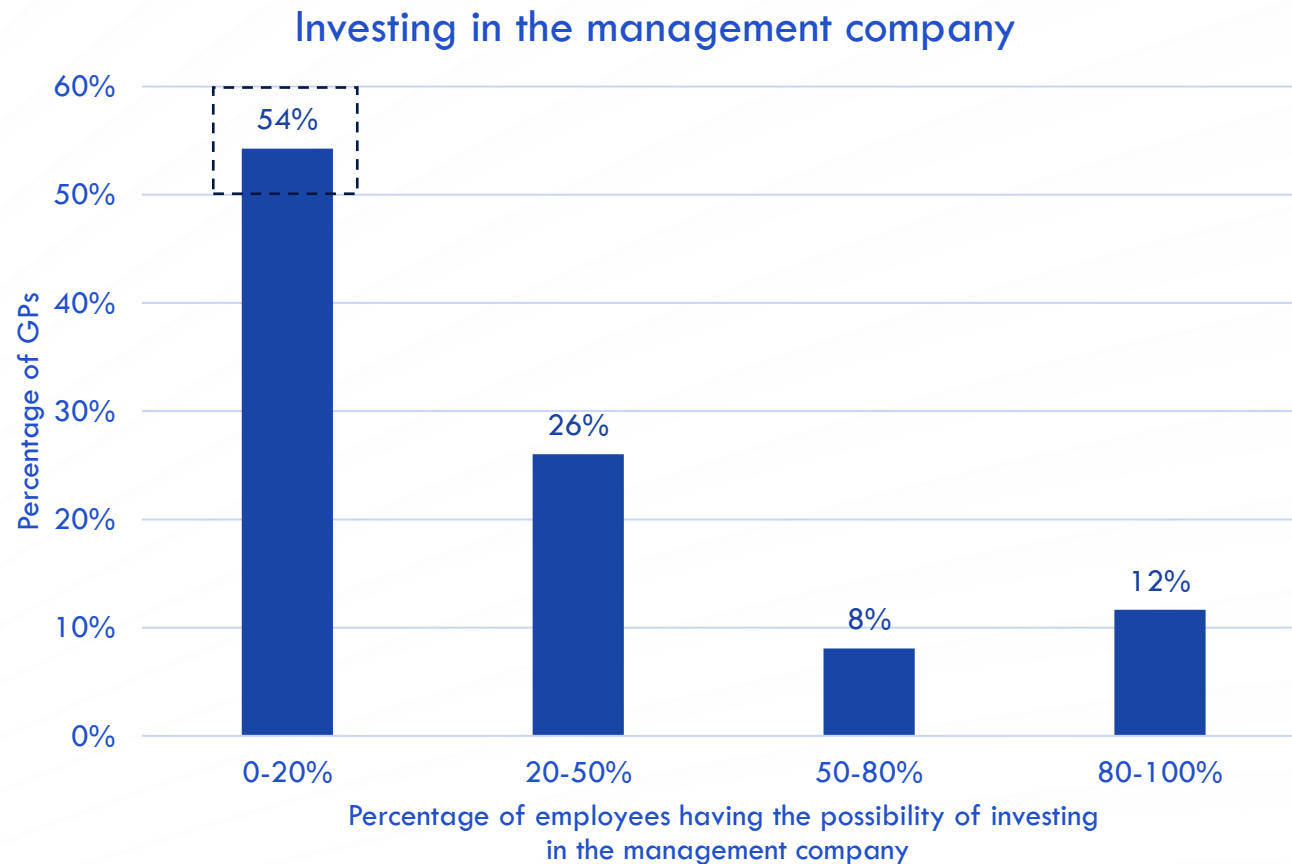
Conversely, only **15% of GPs** open carried interest to less than **20% of their employees**.

➤ **Carried interest** is therefore a mechanism that is generally **well established among GPs**.

GLOBAL ANALYSIS

INVESTING IN THE MANAGEMENT COMPANY

Question asked: *What percentage of employees have the possibility to invest in the management company?*



What to remember?

54% of GPs only allow less than **20%** of their **employees** to invest in the management company.

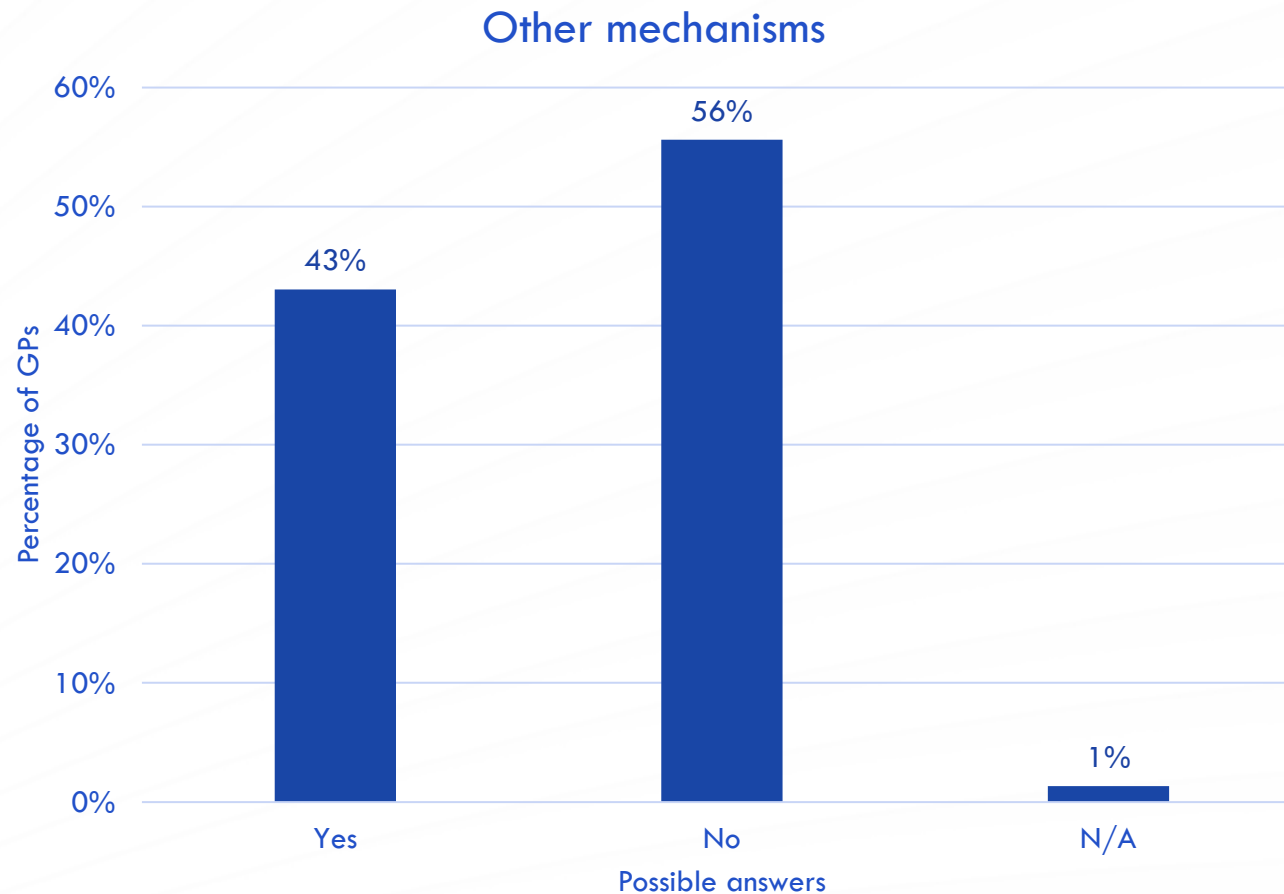
Conversely, **only 12%** of GPs open it up to **more than 80%** of their employees.

➤ **Investing in the management company** is therefore a mechanism that is **very little present in GPs** overall.

GLOBAL ANALYSIS

OTHER MECHANISMS

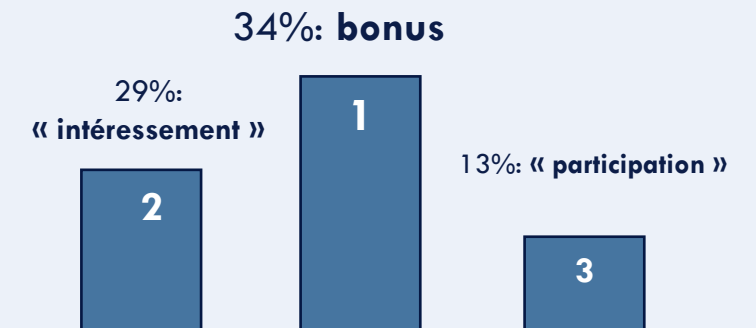
Question asked: *Do you have another profit-sharing mechanism for employees?*



What to remember?

Almost as many GPs offer value-sharing mechanisms other than carried and investing in the management company.

The most frequently cited mechanisms are:



GLOBAL ANALYSIS

OTHER MECHANISMS – IN DETAIL

In detail:

Bonus (34%)

- Annual performance bonus
- ESG bonus
- Exit bonus
- *“Treasury, all the bonuses received from investments goals into one pool which is shared at the end of the year”*

“Intéressement” (29%)

Others (24%)

- A point based long term incentive program based on the seniority of your role and the length you are in the company.”
- “SPV linked with carry linked returns”
- Aga and BSPCE
- Profit margin share
- Dividends
- PEE and PER

“Participation” (13%)

— 02. DATA ANALYSIS.

→ B/ Analysis by AUM

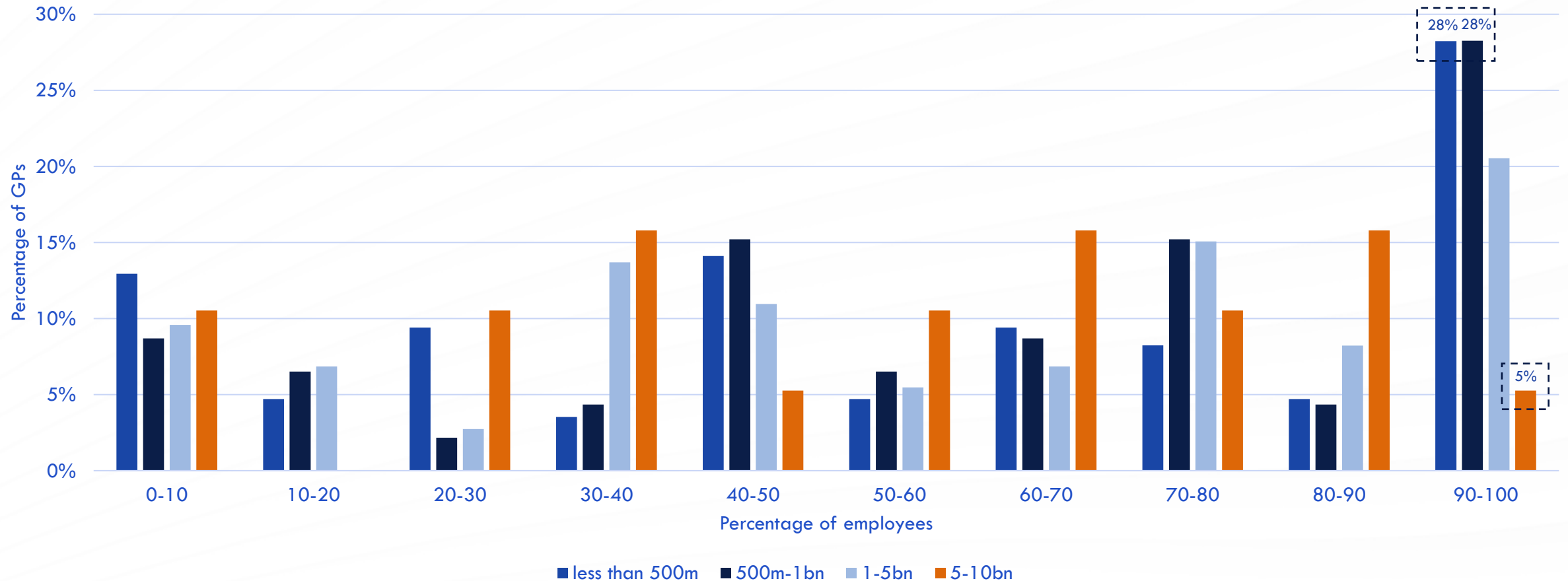
B.1 – BY AUM

CARRIED INTEREST

ANALYSIS BY AUM

CARRIED INTEREST – GLOBAL ANALYSIS

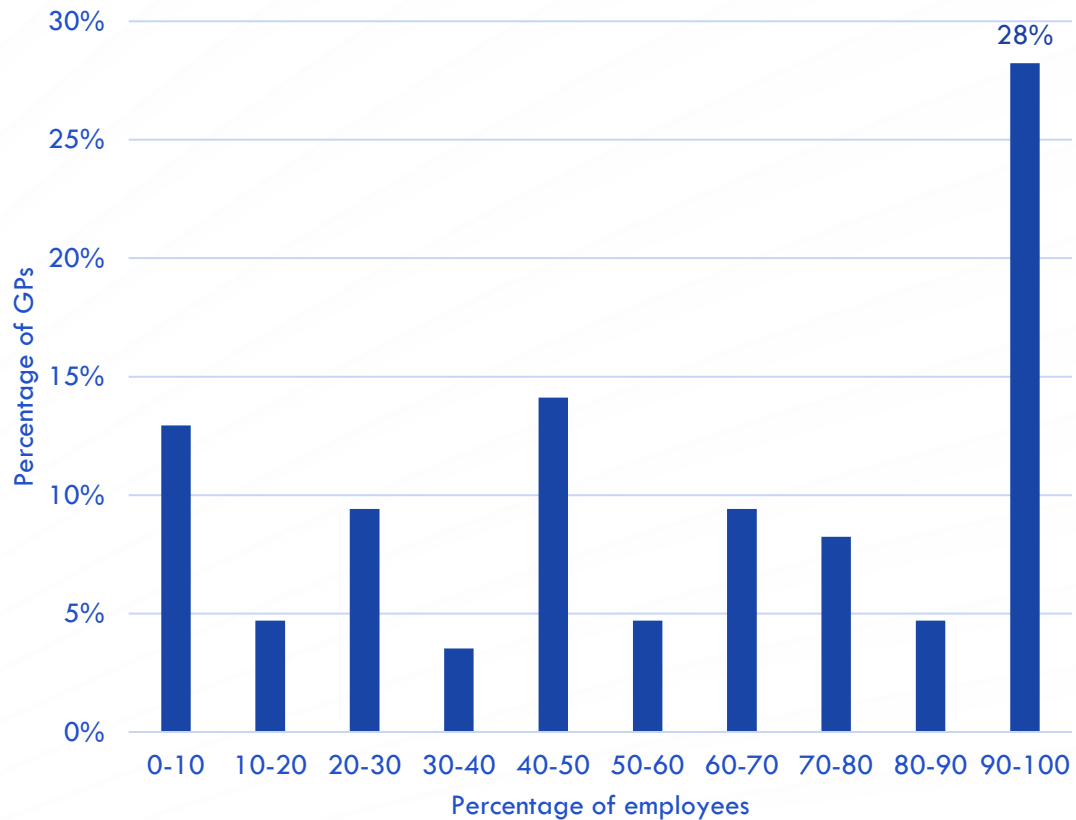
Percentage of employees with access to carried interest by AUM in all GPs



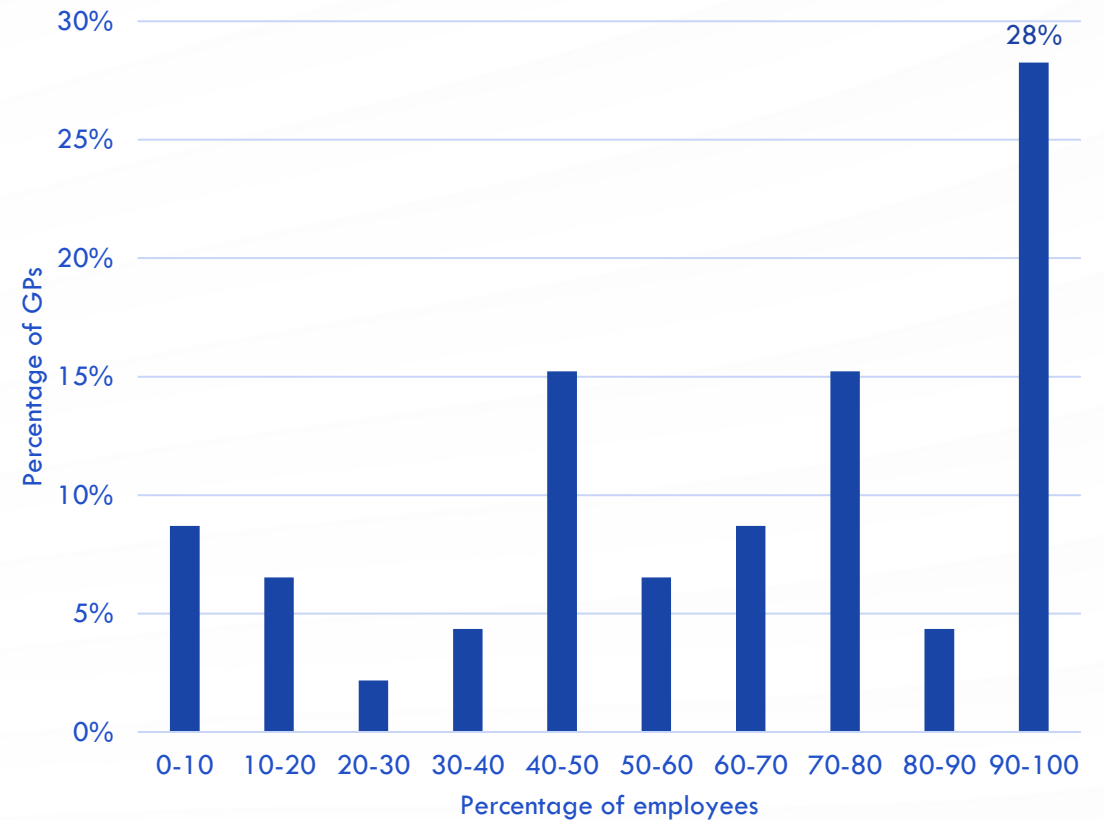
ANALYSIS BY AUM

CARRIED INTEREST – GPs WITH LESS THAN €1BN IN AUM

Percentage of employees with access to carried interest by AUM for GPs with **less than €500m** in AUM



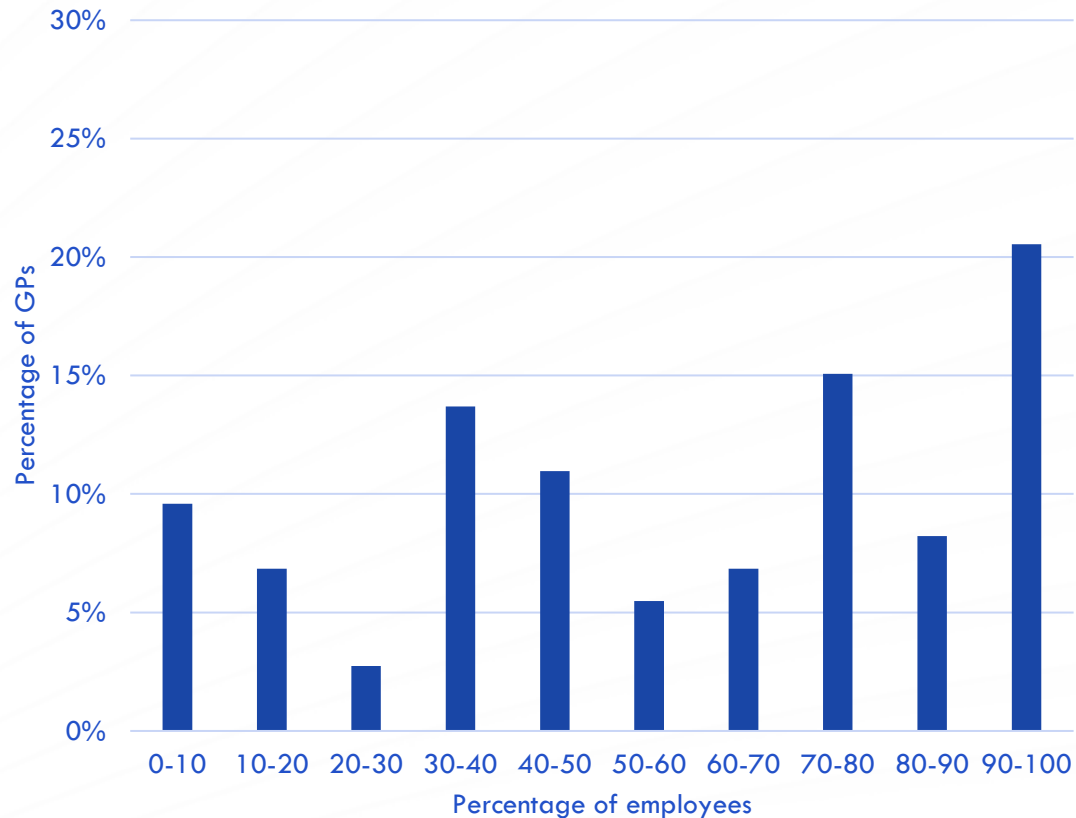
Percentage of employees with access to carried interest by AUM for GPs with **€500m-1bn** in AUM



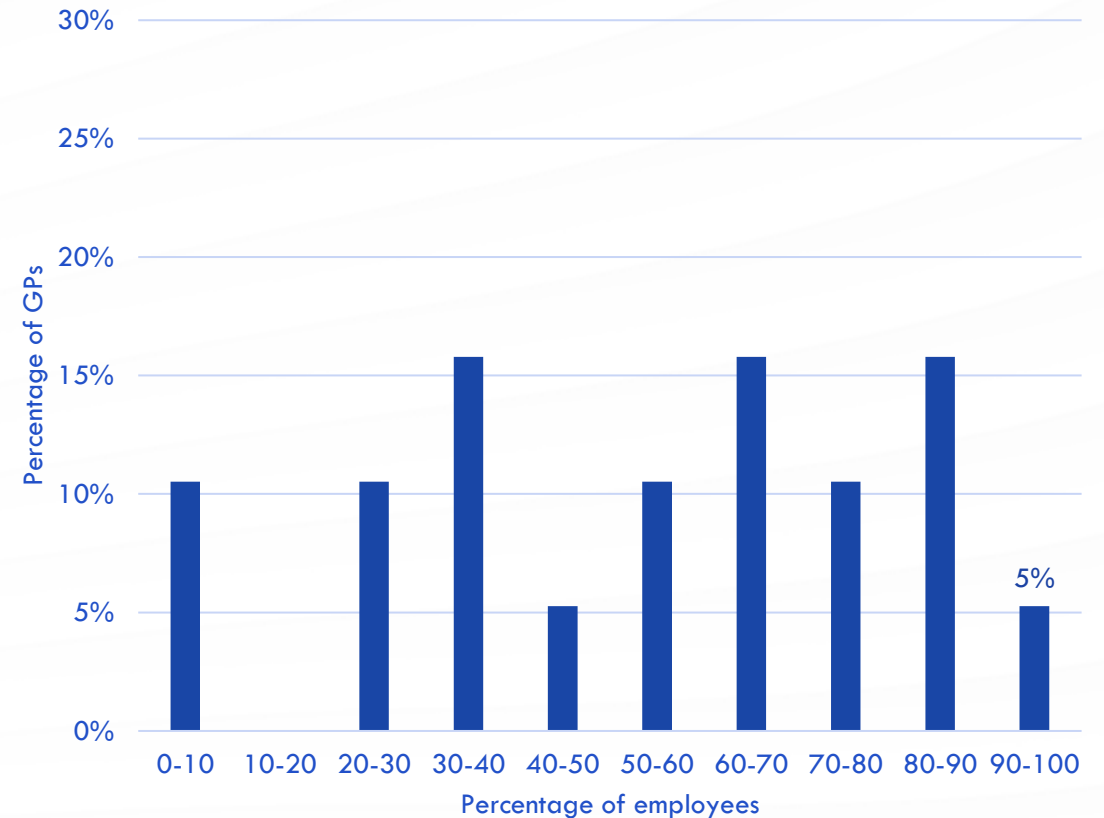
ANALYSIS BY AUM

CARRIED INTEREST – GPs BETWEEN €1BN AND €10BN IN AUM

Percentage of employees with access to carried interest by AUM for GPs with €1-5bn in AUM



Percentage of employees with access to carried interest by AUM for GPs with €5-10bn in AUM



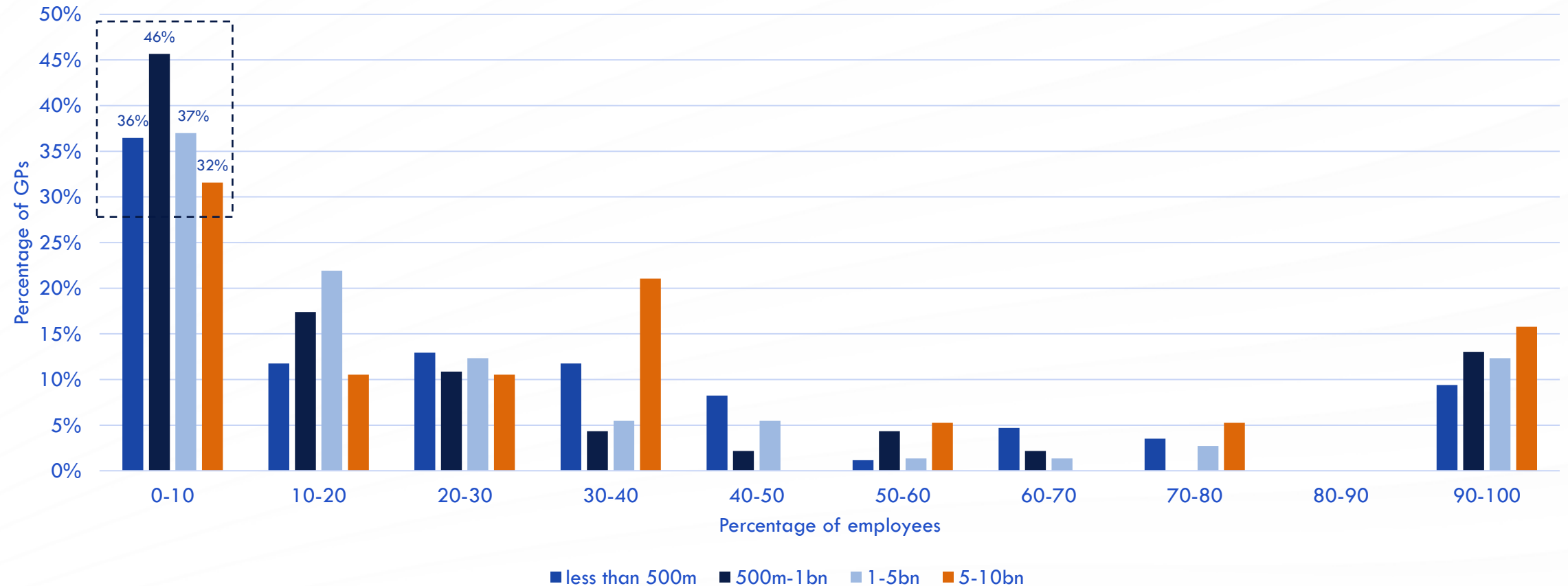
B.2 – BY AUM

INVESTING IN THE MANAGEMENT COMPANY

ANALYSIS BY AUM

INVESTING IN THE MANAGEMENT COMPANY – GLOBAL ANALYSIS

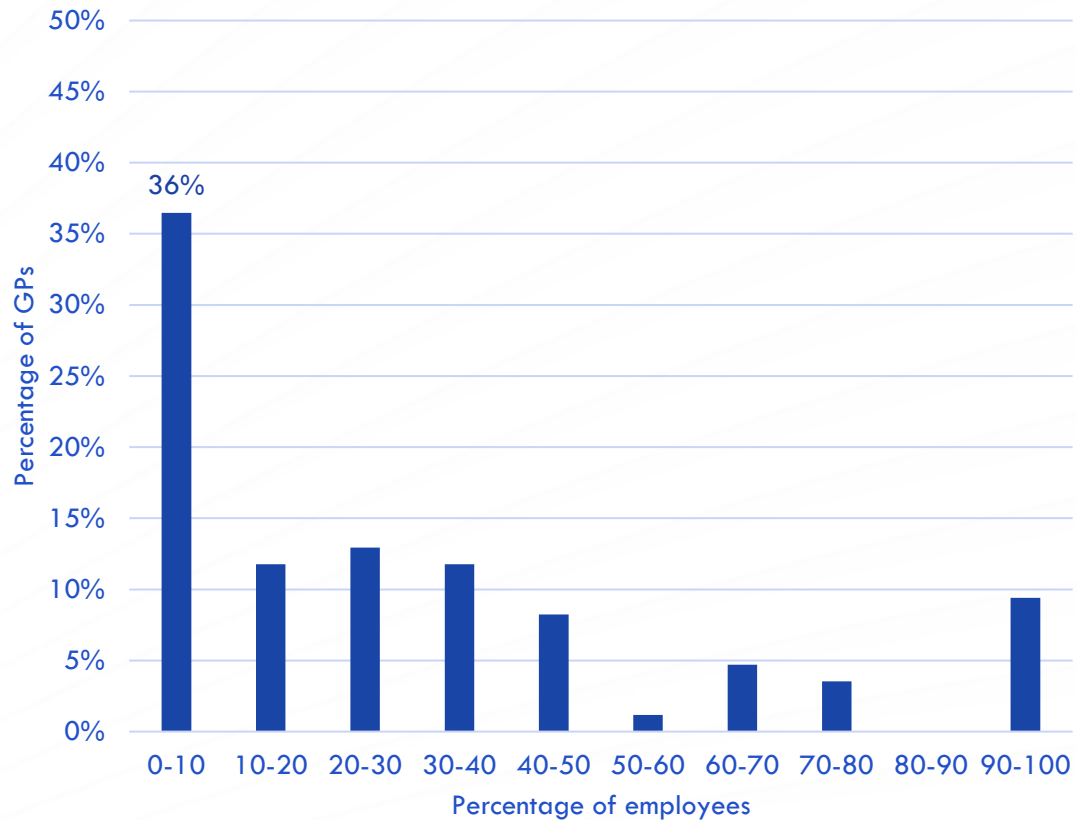
Percentage of employees investing in the management company by AUM in all GPs



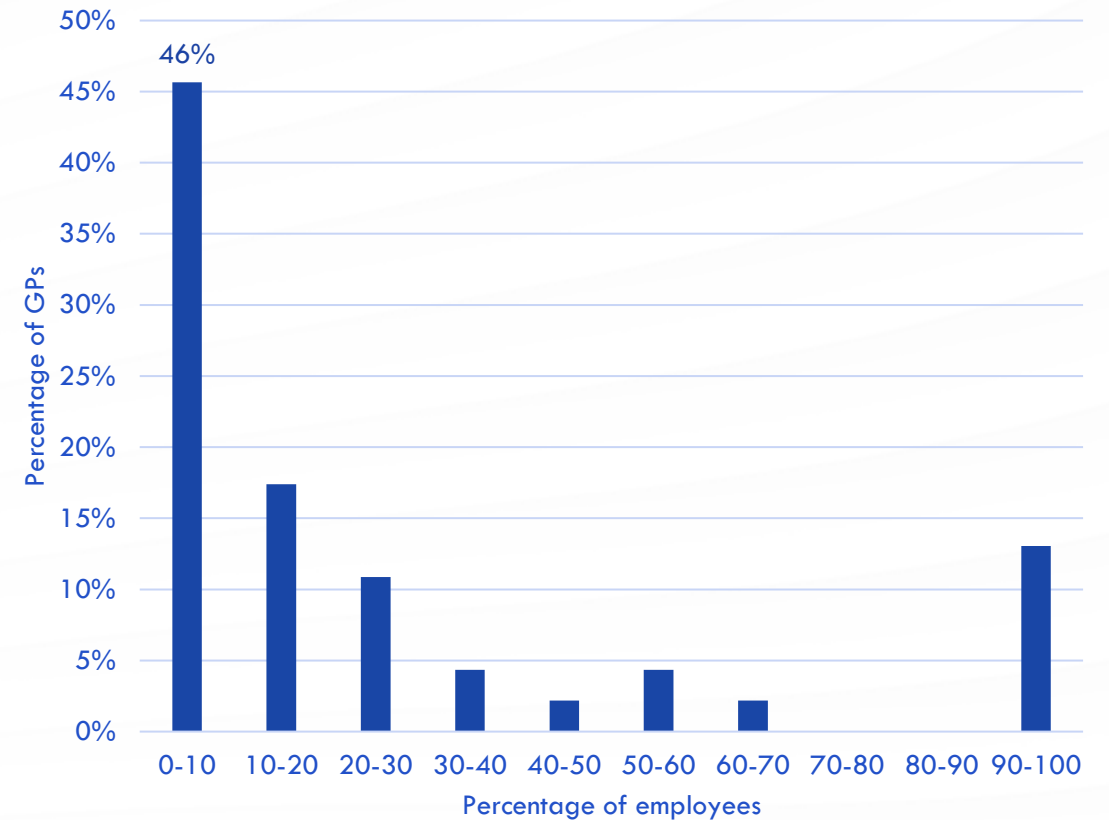
ANALYSIS BY AUM

INVESTING IN THE MANAGEMENT COMPANY – GPs WITH LESS THAN €1BN IN AUM

Percentage of employees investing in the management company by AUM for GPs with **less than €500m** in AUM



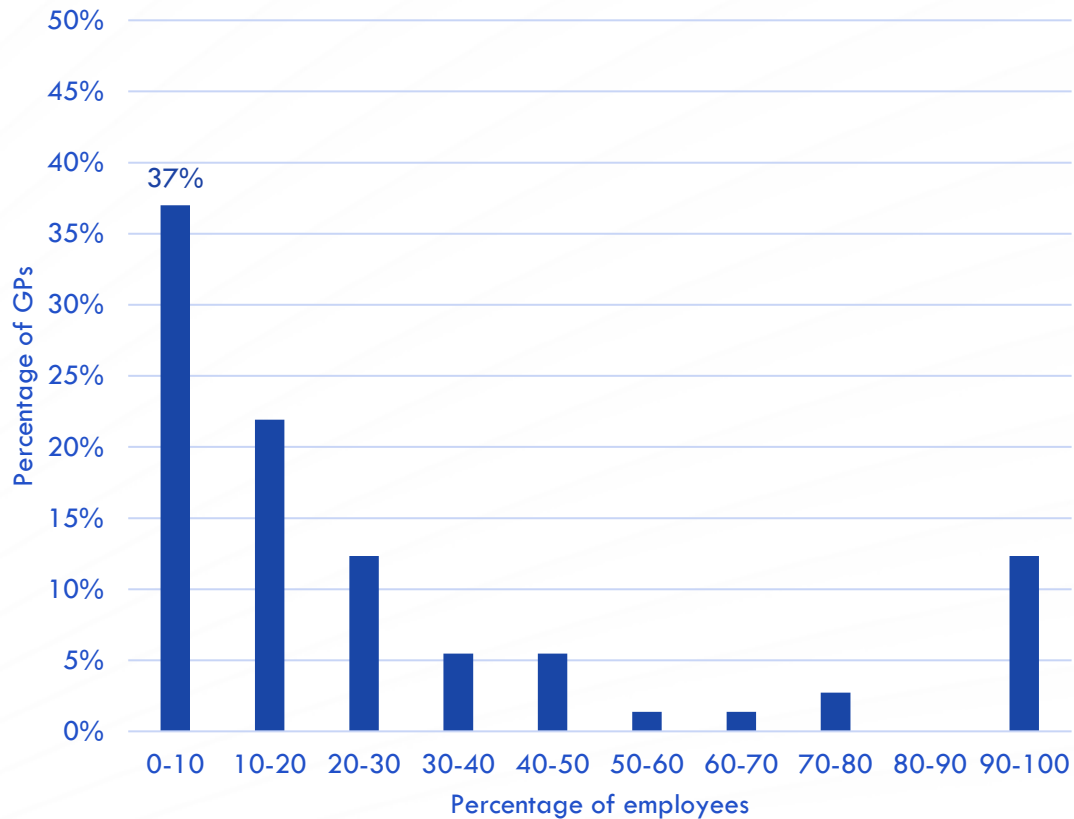
Percentage of employees investing in the management company for GPs with **€500m-1bn** in AUM



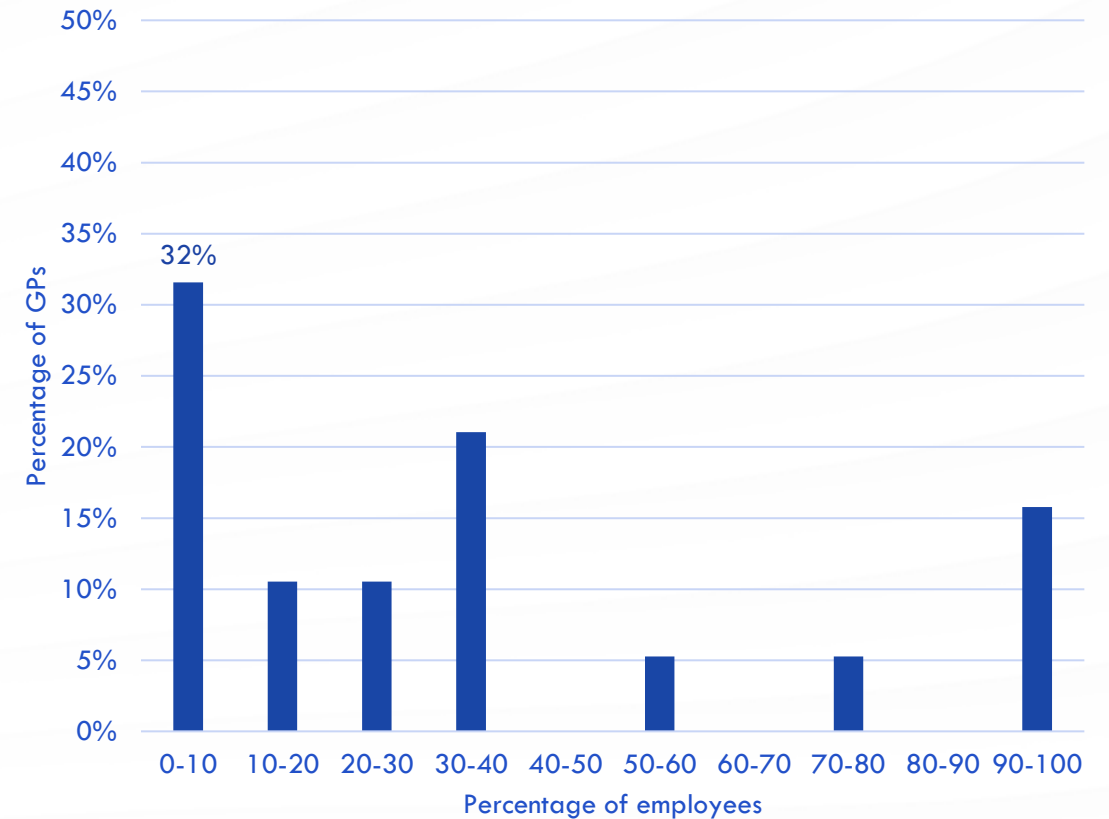
ANALYSIS BY AUM

INVESTING IN THE MANAGEMENT COMPANY – GPs BETWEEN €1BN AND €10BN IN AUM

Percentage of employees investing in the management company for GPs with €1-5bn in AUM



Percentage of employees investing in the management company by AUM for GPs with €5-10bn in AUM



— 02. DATA ANALYSIS.

→ C/ Analysis by Strategy

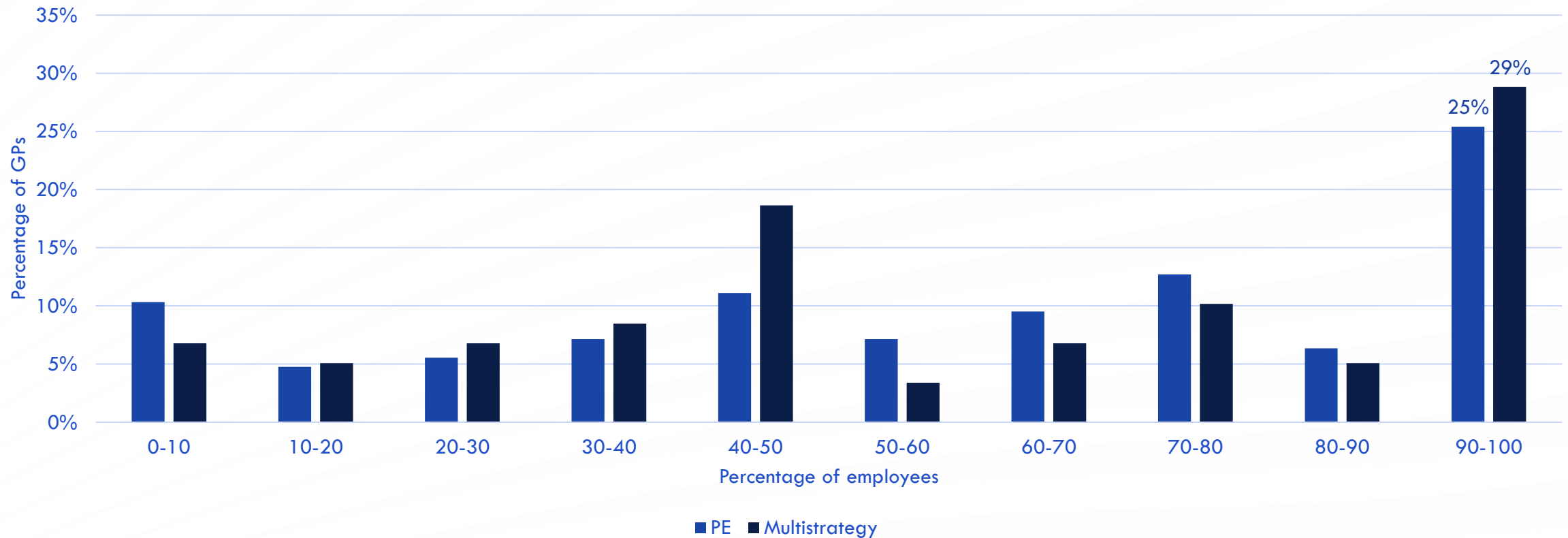
C.1 – BY STRATEGY

CARRIED INTEREST

ANALYSIS BY STRATEGY — PE AND MULTISTRATEGY

CARRIED INTEREST

Percentage of employees with access to carried interest in PE and Multistrategy



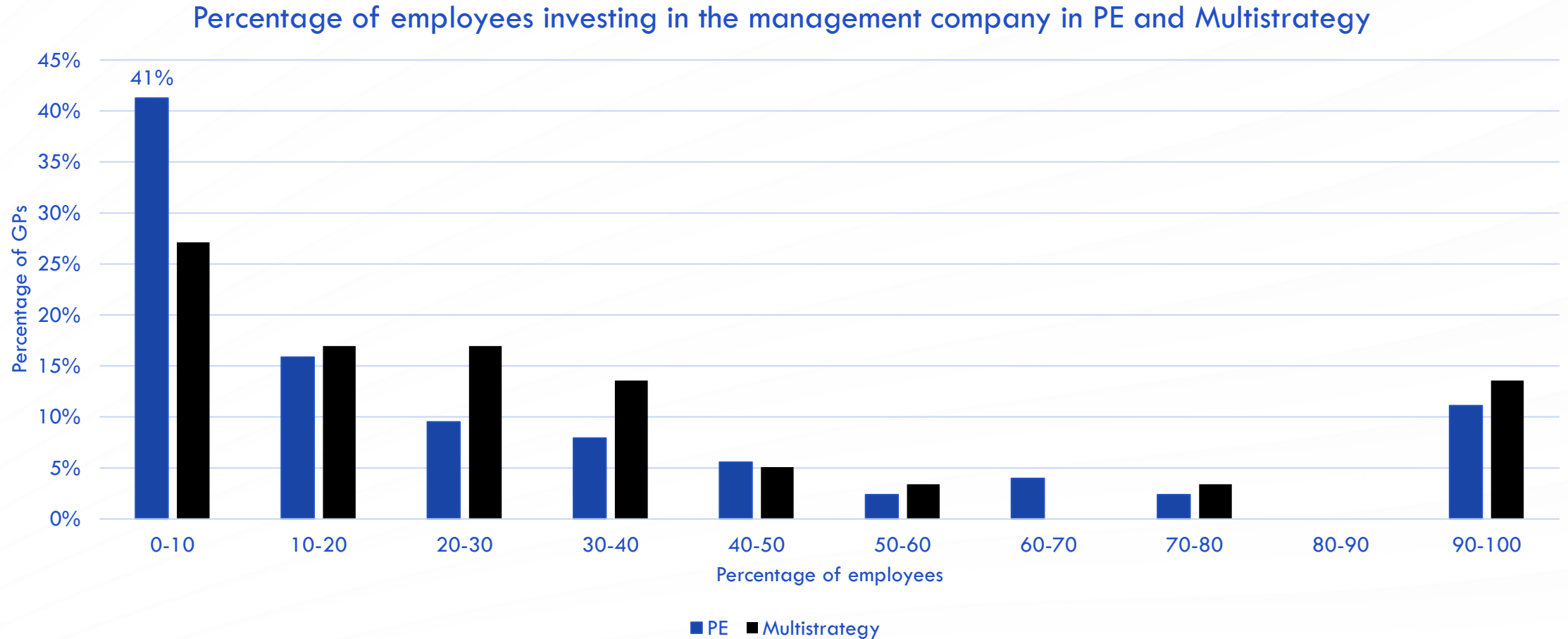
As explained, we exclude analyses relating to Private Debt, Real Estate and Infrastructure due to the non-representative sample size

C.2 – BY STRATEGY

INVESTING IN THE MANAGEMENT COMPANY

ANALYSIS BY STRATEGY — PE AND MULTISTRATEGY

INVESTING IN THE MANAGEMENT COMPANY



As explained, we exclude analyses relating to Private Debt, Real Estate and Infrastructure due to the non-representative sample size

— 02. DATA ANALYSIS.

➔ D/ Analysis by Geography

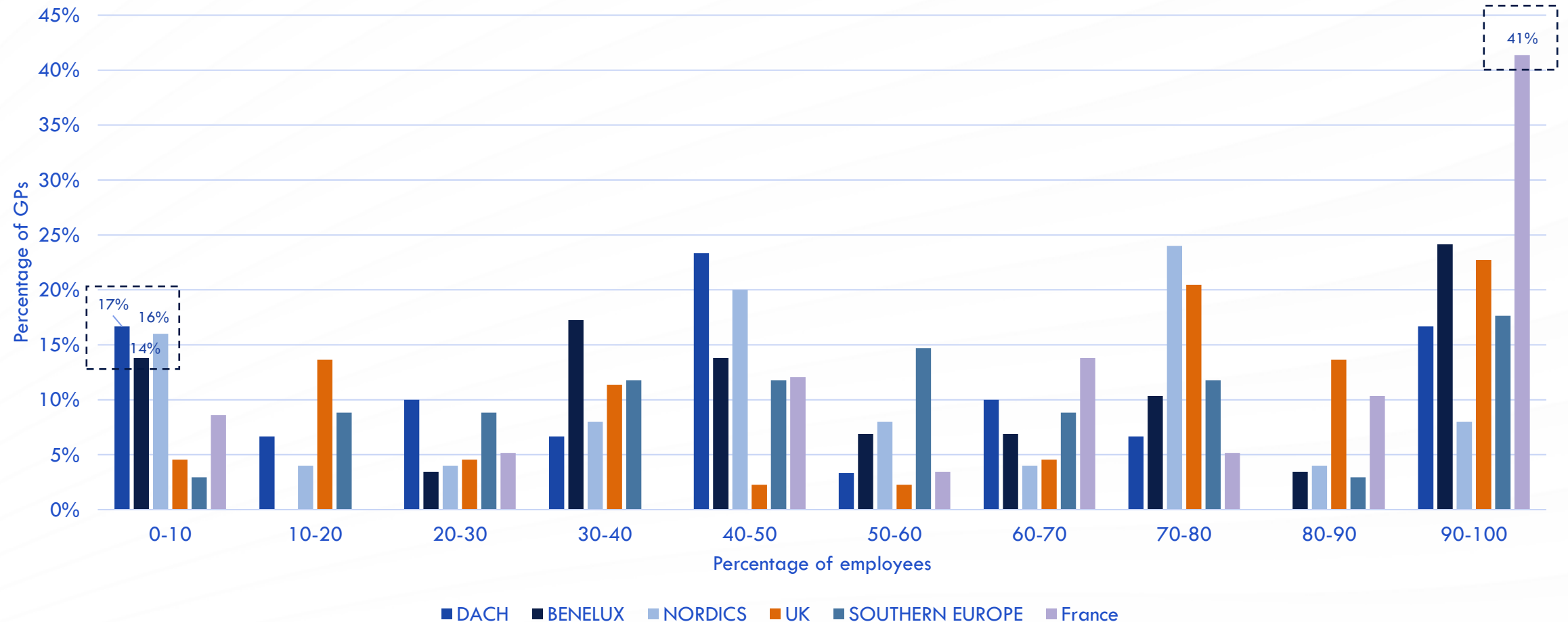
D.1 – BY GEOGRAPHY

CARRIED INTEREST

ANALYSIS BY GEOGRAPHY

CARRIED INTEREST – GLOBAL ANALYSIS

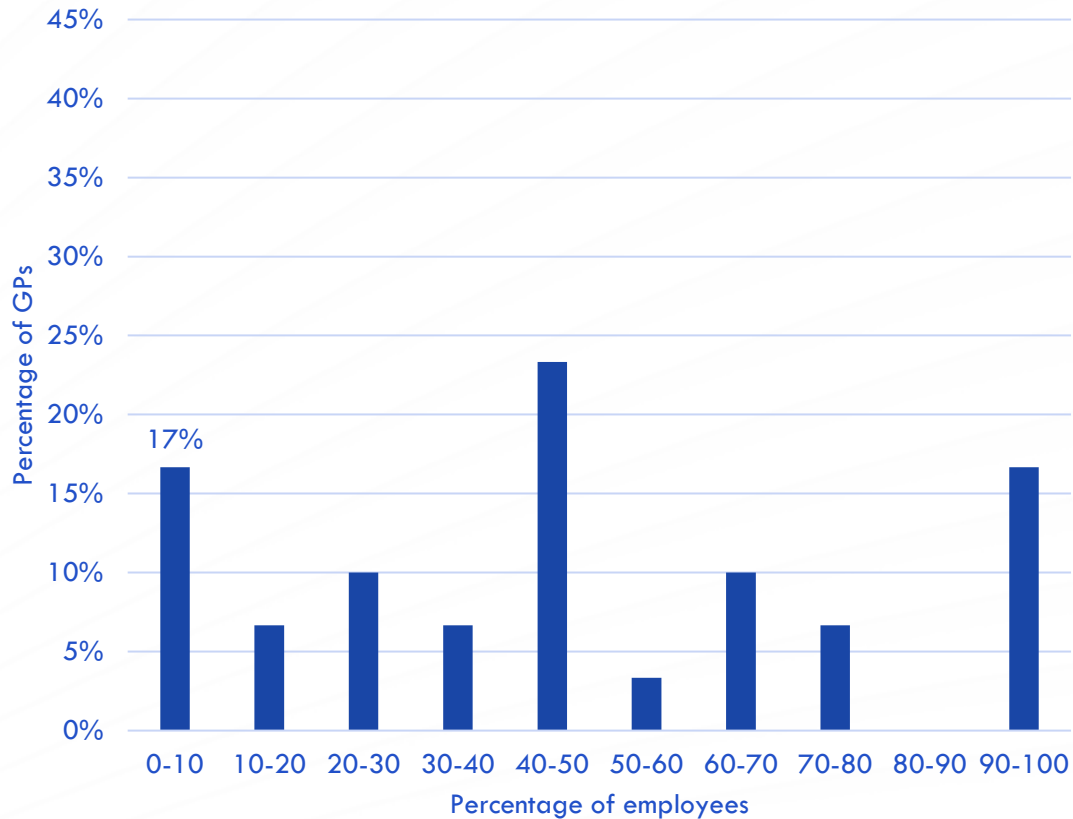
Percentage of employees with access to carried interest by **geography** in all GPs



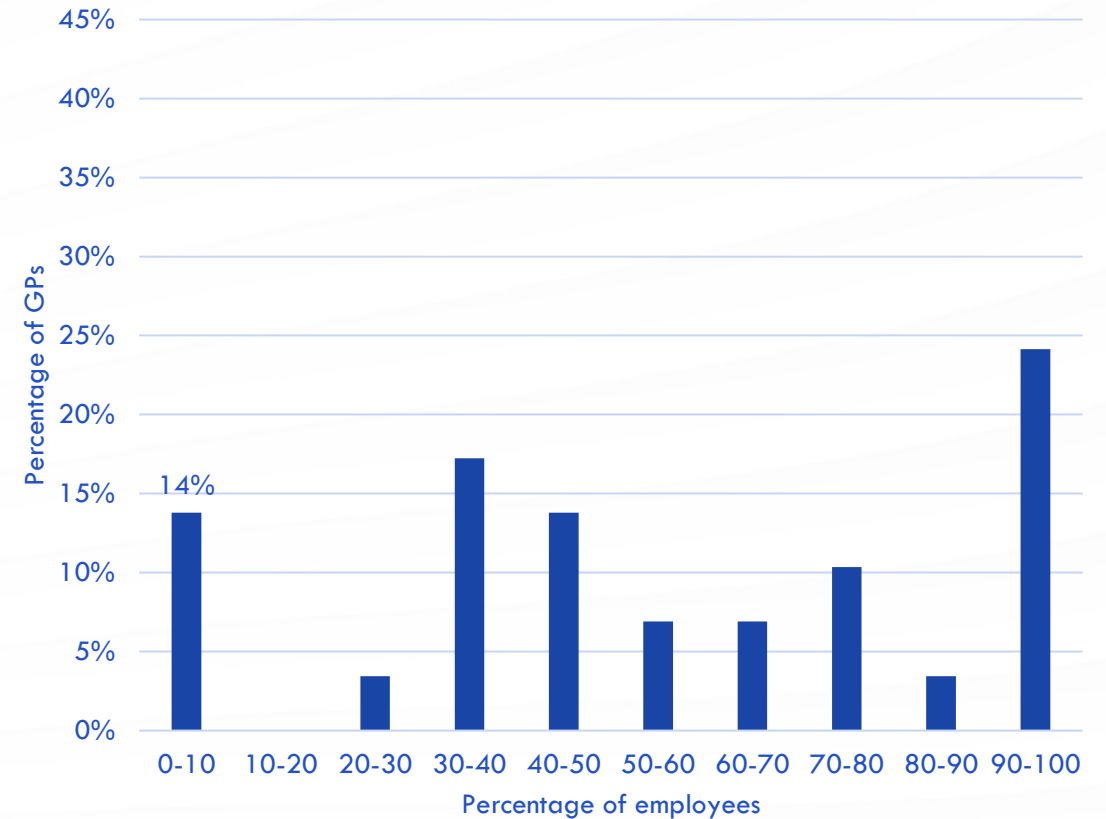
ANALYSIS BY GEOGRAPHY

CARRIED INTEREST – DACH AND BENELUX

Percentage of employees with access to carried interest by geography in **DACH**



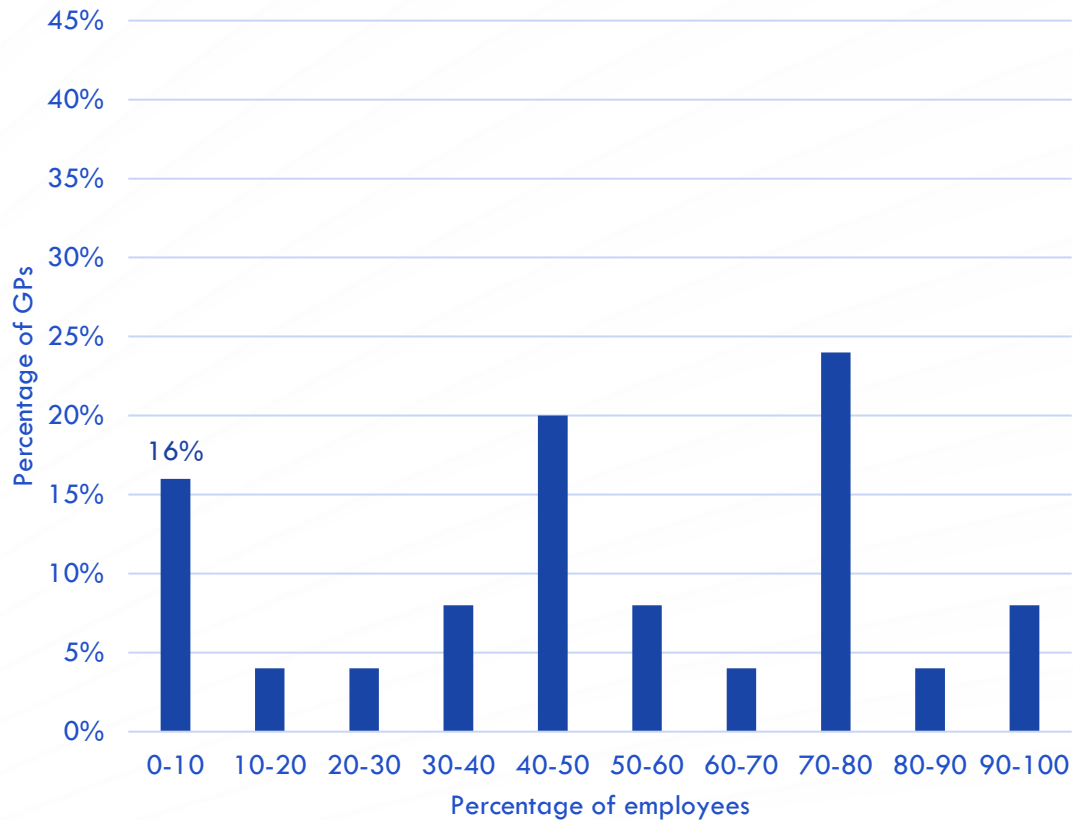
Percentage of employees with access to carried interest by geography in **BENELUX**



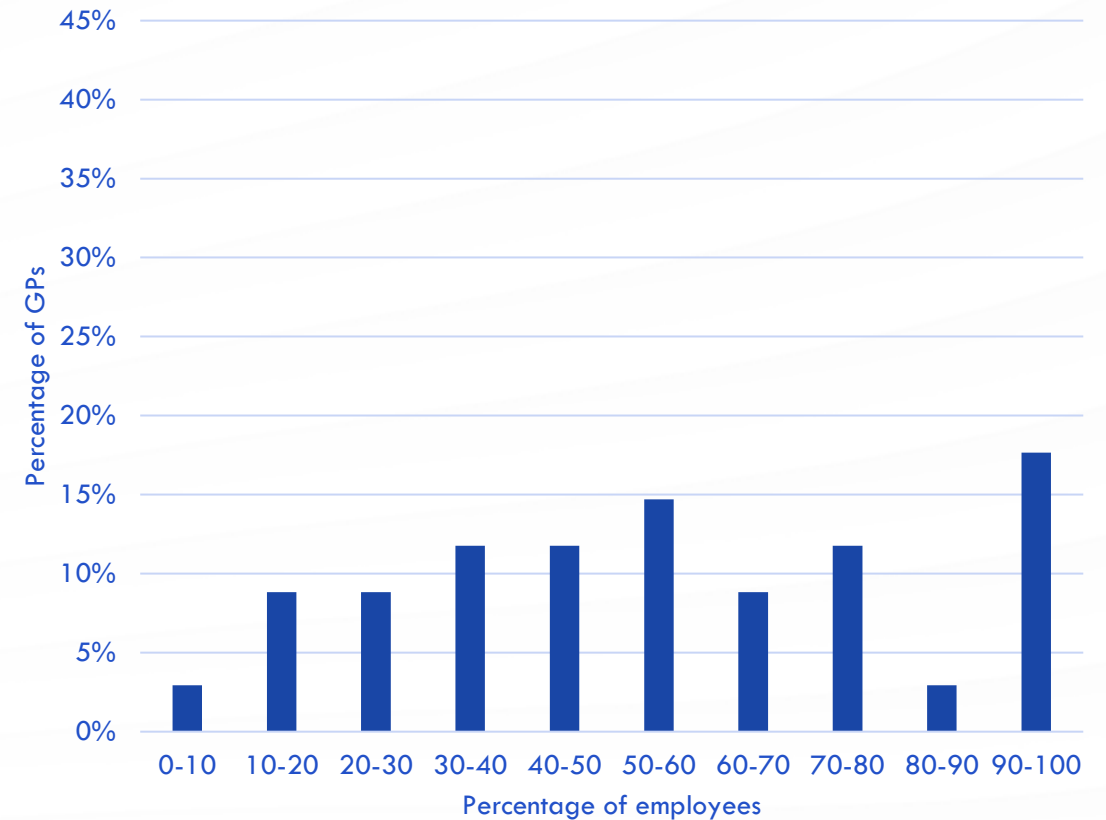
ANALYSIS BY GEOGRAPHY

CARRIED INTEREST – NORDICS AND SOUTHERN EUROPE

Percentage of employees with access to carried interest by geography in **NORDICS**



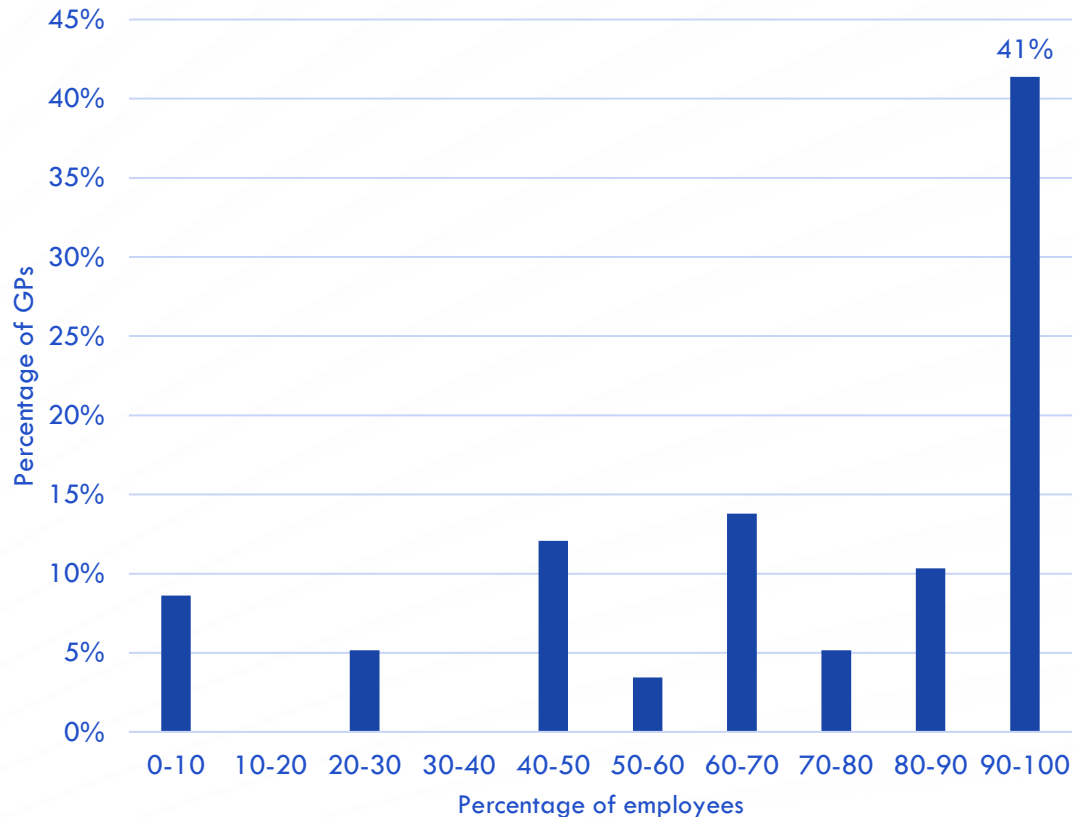
Percentage of employees with access to carried interest by geography in **SOUTHERN EUROPE**



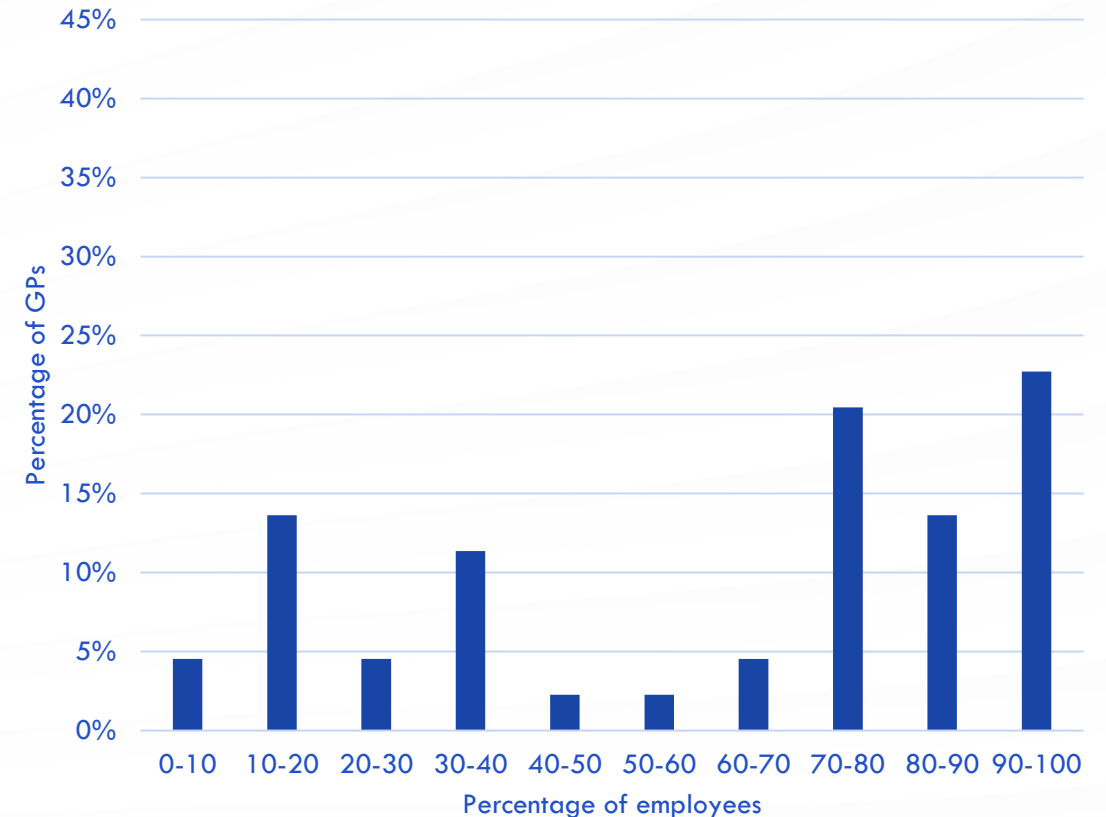
ANALYSIS BY GEOGRAPHY

CARRIED INTEREST – FRANCE AND UK

Percentage of employees with access to carried interest by geography in **FRANCE**



Percentage of employees with access to carried interest by geography in **UK**



QUICK SUMMARY

The areas whose GPs allow the most people to benefit from carried interest are:

1. FRANCE
2. BENELUX
3. DACH
4. UK
5. NORDICS
6. SOUTHERN EUROPE

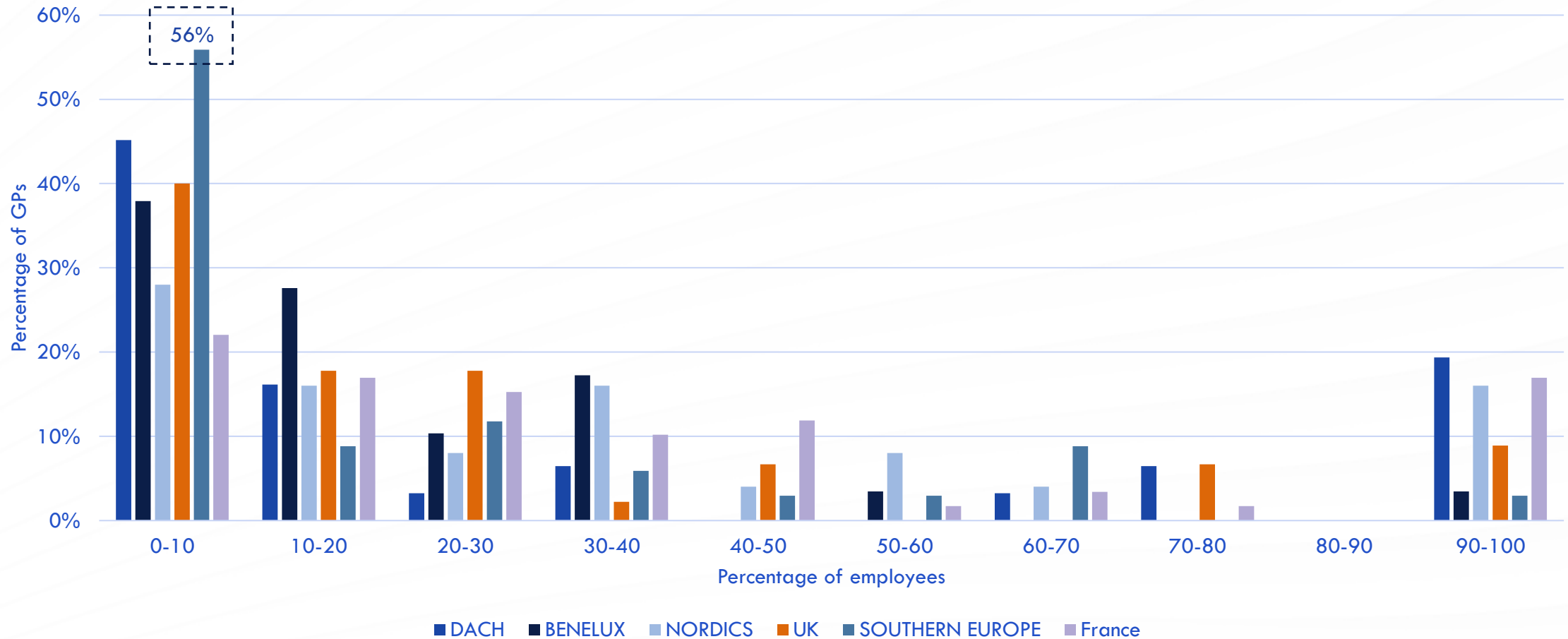
D.2 – BY GEOGRAPHY

INVESTING IN THE MANAGEMENT COMPANY

ANALYSIS BY GEOGRAPHY

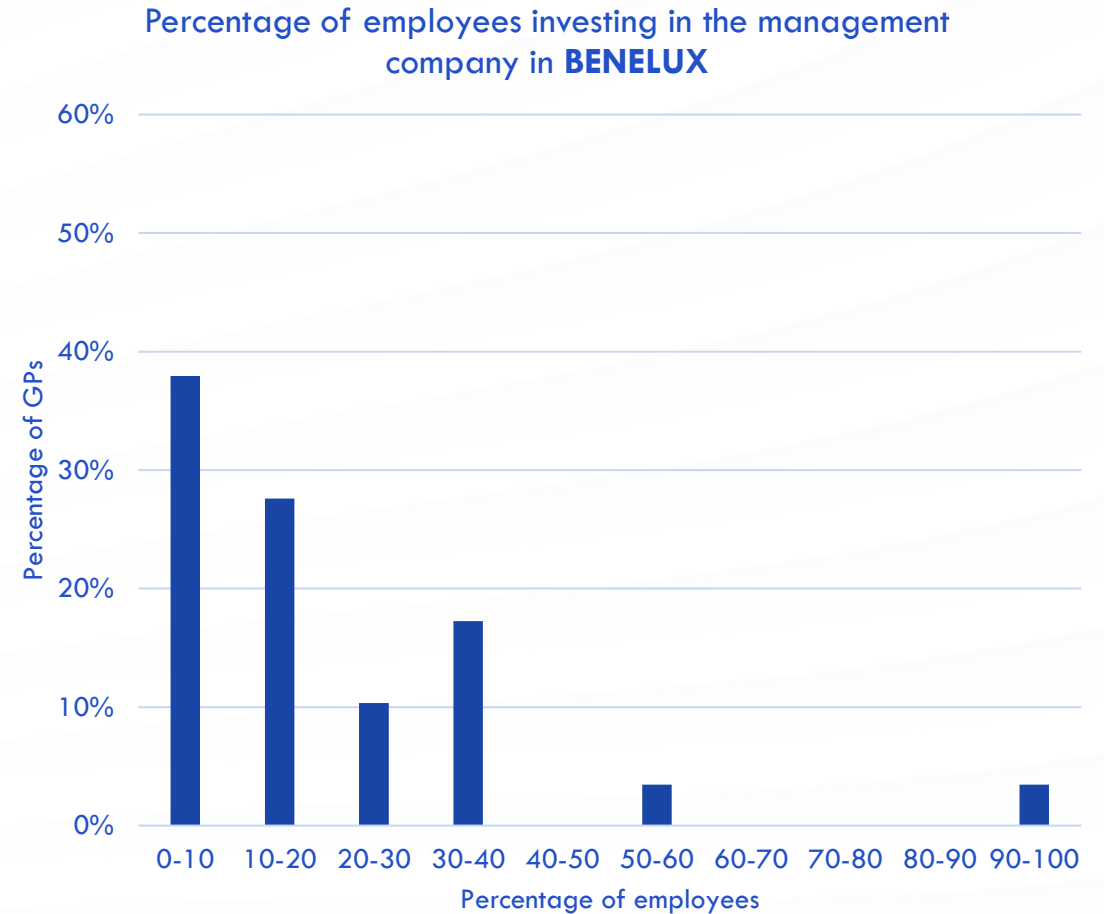
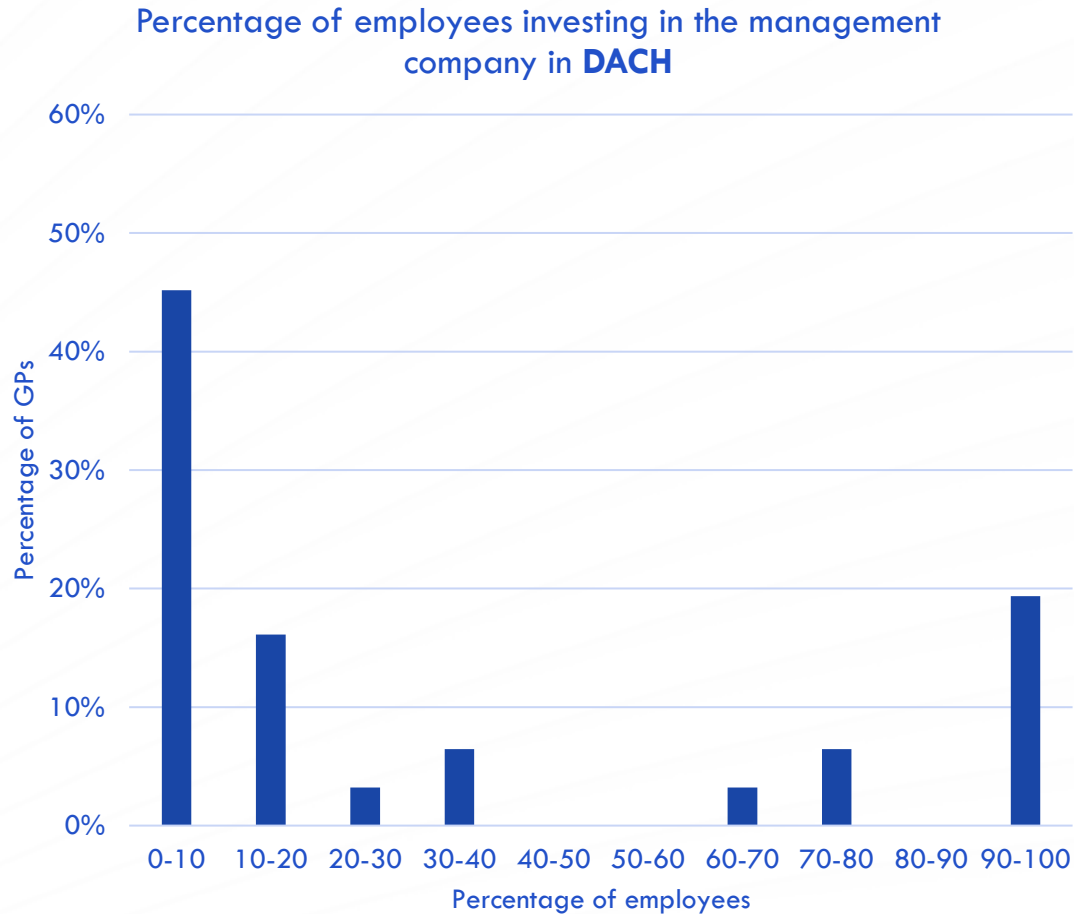
INVESTING IN THE MANAGEMENT COMPANY – GLOBAL ANALYSIS

Percentage of employees investing in the management company by **geography** in all GPs



ANALYSIS BY GEOGRAPHY

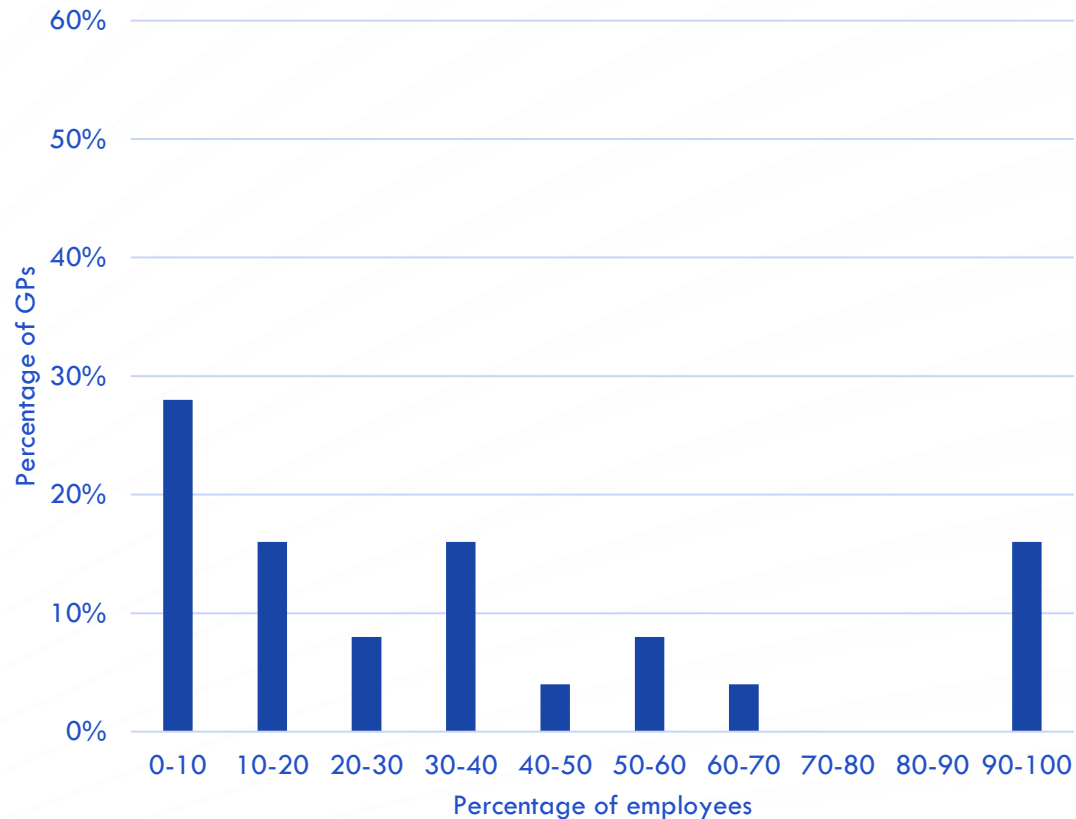
INVESTING IN THE MANAGEMENT COMPANY – DACH AND BENELUX



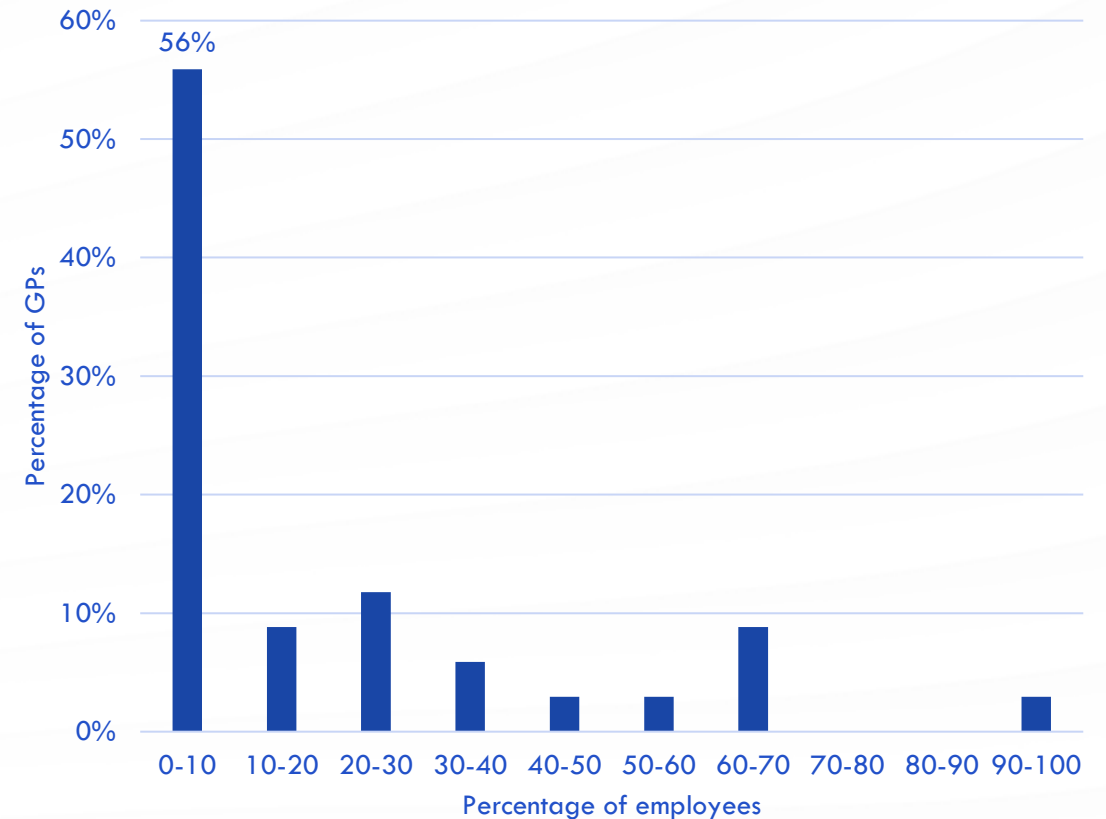
ANALYSIS BY GEOGRAPHY

INVESTING IN THE MANAGEMENT COMPANY – NORDICS AND SOUTHERN EUROPE

Percentage of employees investing in the management company in **NORDICS**



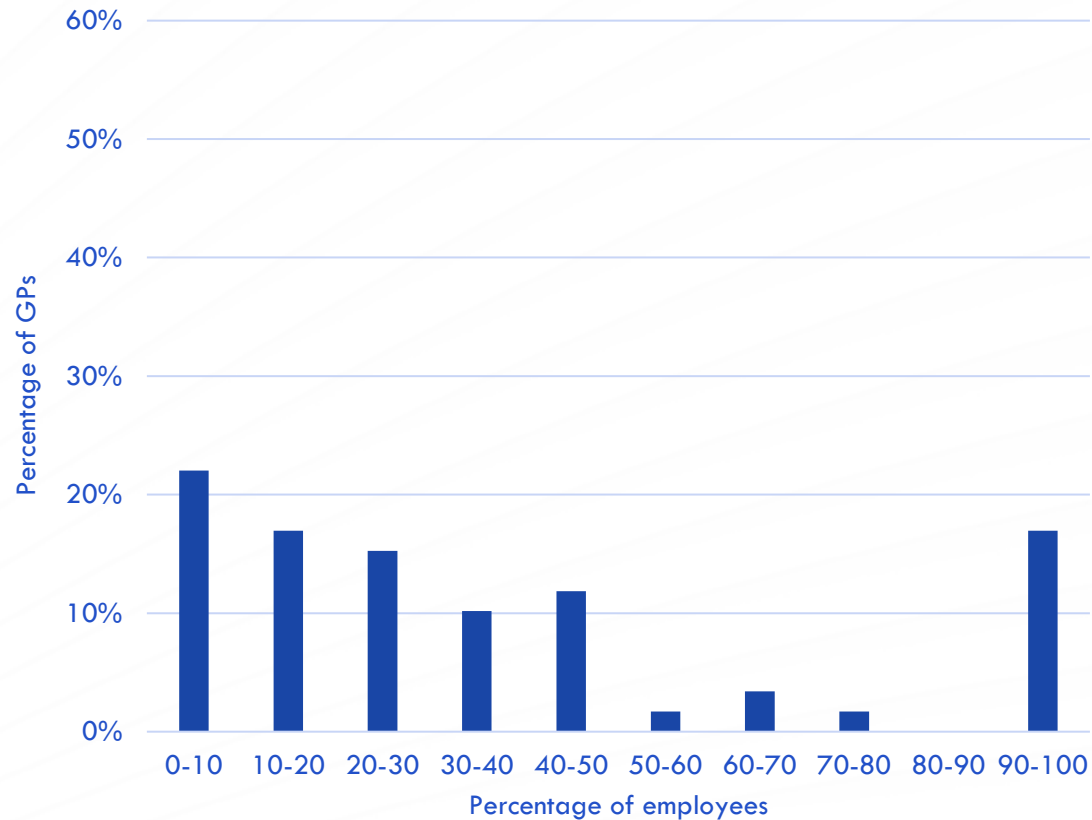
Percentage of employees investing in the management company in **SOUTHERN EUROPE**



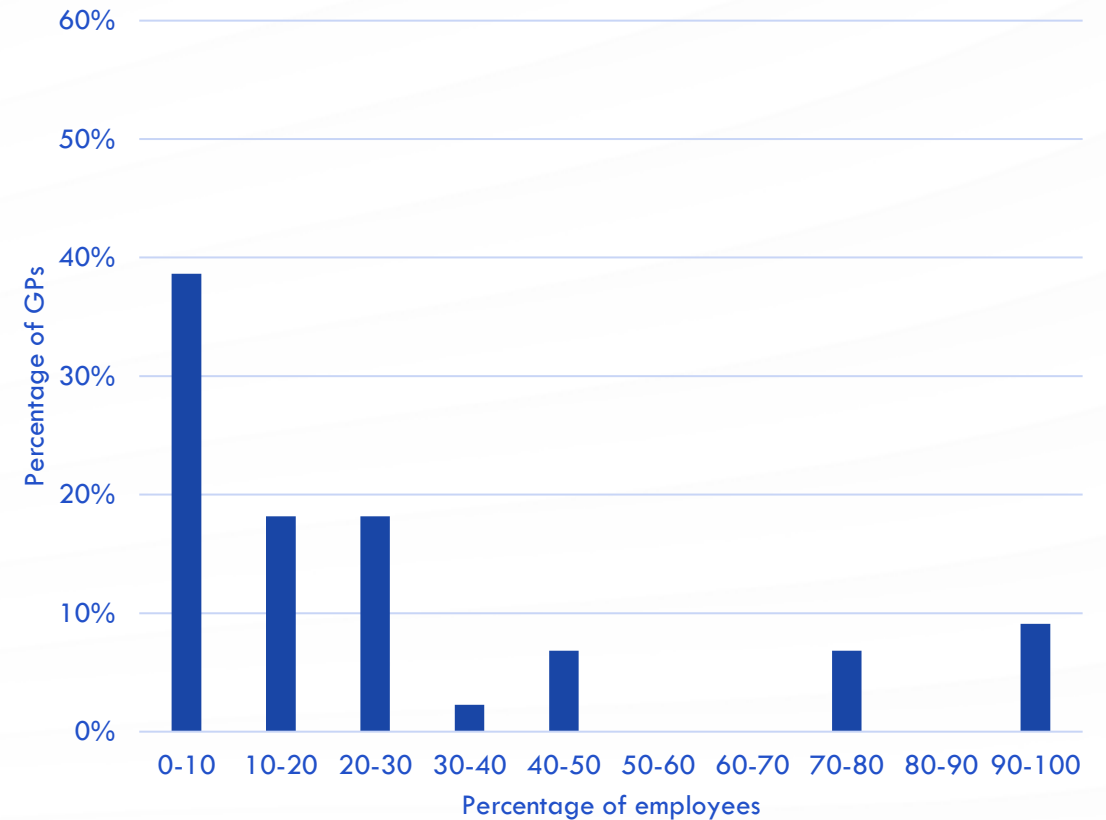
ANALYSIS BY GEOGRAPHY

INVESTING IN THE MANAGEMENT COMPANY – FRANCE AND UK

Percentage of employees investing in the management company in **France**



Percentage of employees investing in the management company in **UK**



QUICK SUMMARY

The areas whose GPs allow the most people to invest in the management company are:

1. DACH
2. NORDICS
3. FRANCE
4. BENELUX
5. UK
6. SOUTHERN EUROPE

03. _RANKINGS

A/ General Ranking

B/ By Strategy

C/ By Geography

METHODOLOGY

For these rankings, we defined a score for each GP based on 3 parameters:*

- *The % of employees having access to carried interest (/40)*
- *The % of employees investing in management company (/40)*
- *If the GP has another mechanism of value sharing (bonus, intéressement, participation,...) (/20)*

*Index scoring is computed based on gathered data for each GP. This scoring methodology is arbitrary and has been defined by Armen.

RANKINGS

TOP 3 – GENERAL



RANKINGS

TOP 3 – PRIVATE EQUITY

GP Name
Undisclosed

1

 **NextStage** AM
Entrepreneurs **at heart**

2

 **Ekkio**
capital

Revaia



3

RANKINGS

TOP 3 – MULTISTRATEGY

CAPZA

cerea
PARTNERS

2

1

Turenne
Capital

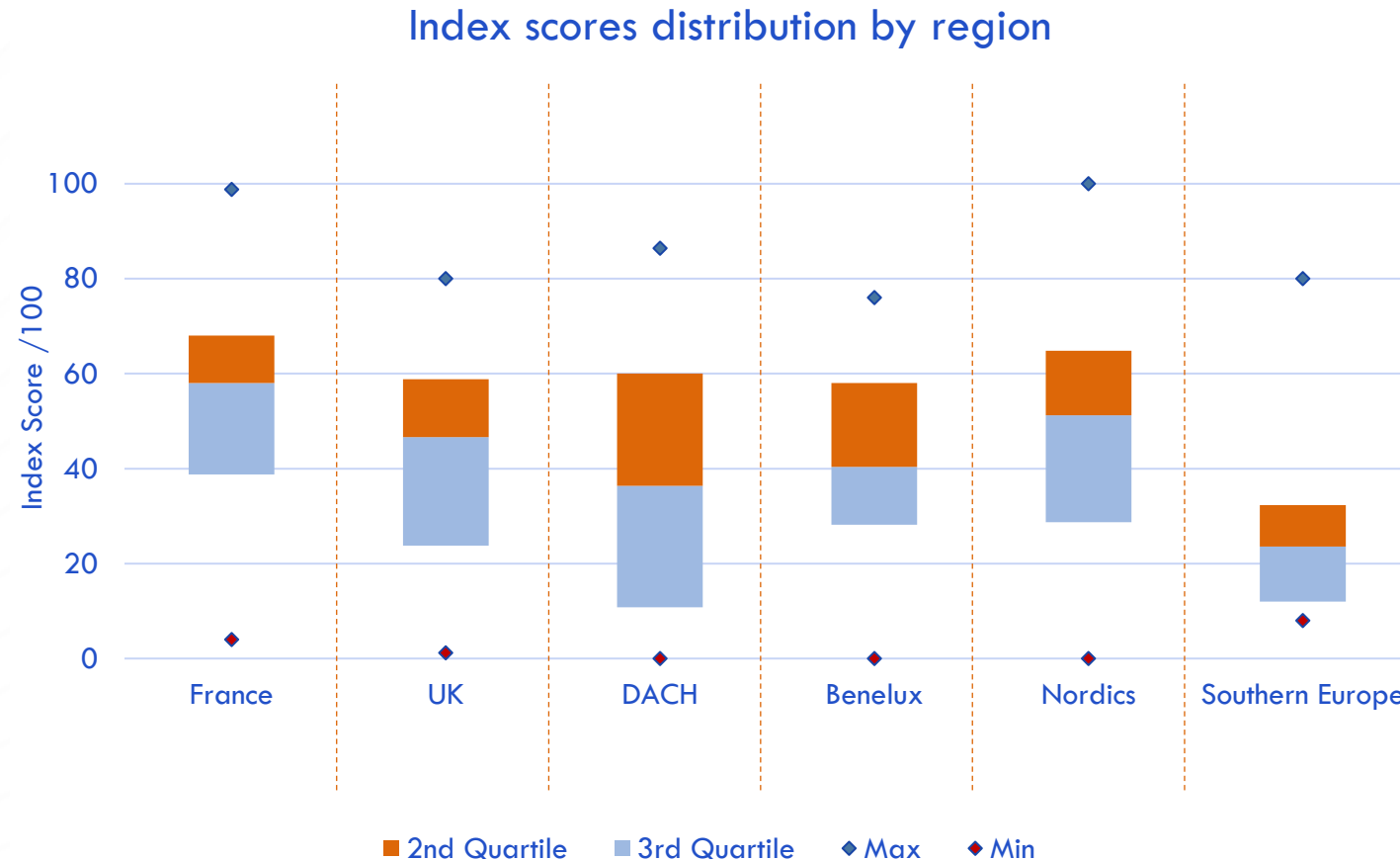
3

— 03. RANKINGS.

→ C/ Specific Rankings – *By Region*

SPECIFIC RANKINGS – *BY REGION*

STATISTICS OF SCORES /100



Conclusion

The most advanced regions on Value Sharing are:

1. FRANCE
2. NORDICS
3. UK / BENELUX / DACH
4. SOUTHERN EUROPE

– 04. CONCLUSION

CONCLUSION (1/3)



With this study, the trends in the various share value segments of European GPs are now clearer.



The results give a general idea of how value-added is managed in European GPs: **carried interest is a widespread mechanism, investing in the management company is less common.**

CARRIED
INTEREST



INVESTING IN THE
MANAGEMENT COMPANY



But even more interestingly, we can break this down according to the 3 criteria selected for this summary: AUM size, Investment strategy and Geography.

CONCLUSION (2/3)

1

The **relation between AUM and share value is clear for carried interest, but much less so for access to equity.**

For carried interest, **the more AUM there is, the fewer people have access to carried interest**, whereas there are no real trends for investing in the management company, (since there is very little access to investment in the management company overall.) Pretty much the same for other mechanisms.

BY
AUM

2

For investment strategy, **the relations were less easy to establish, as the sample was largely made up of PE and Multistrategy.**

This segment should not be included in the study, as it could lead to misinterpretation.

BY
**STRAT
EGY**

CONCLUSION (3/3)

3

It is **the segment where the trends are clearest**: we can identify a **ranking of areas** that applies to all the mechanisms studied:

FRANCE

1

DACH /
NORDICS /
BENELUX

2

UK

3

SOUTHERN
EUROPE

4

BY
**GEOGR
APHY**

4

For FTE Size, we see **clear trends**: the more employees there are, the fewer people have access to share **value mechanisms (carried, invest, other)**. However, we note that the smallest GPs (less than 10 employees) offer fewer such mechanisms than the average.

BY
**FTE
Size**



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