



Inaugural Armen HEC Value Sharing Index highlights European GPs approach to value sharing

- Whilst sharing value is common using carried interest, GPs have yet to leverage the engagement that comes with management shares
 - Smaller GPs share more carried interest than larger GPs

Thursday 25 January 2024 / Paris – Armen, the purpose driven investment firm focused on acquiring stakes in private equity firms to support their growth, today announces the findings of its Armen HEC Value Sharing Index. The Index was developed in conjunction with the HEC Junior Conseil, the consulting group managed by students of the Grande Ecole Programme at one of the world's premier business schools, HEC Paris. The aim of the research behind the Index is to chart over time attitudes to sharing value amongst GPs and monitoring how it is being achieved.

Dominique Gaillard, President of Armen, said: *"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."*

The Armen HEC Value Sharing Index

To build the Armen HEC Value Sharing Index, HEC Junior Conseil and Armen developed a diversified and robust sample. Over 800 GPs were contacted and they elicited a total of 223 responses (33% of the GPs contacted) with an average 1,7Bn in AUM across Europe. The Index comprises a true pan-European base involving some 21 countries with significant number of respondents in the main geographies of France, the UK, Dach, Benelux, the Nordics and Southern Europe. The GPs' investment focus ranged across private equity, private debt, infrastructure, real estate and multistrategy.

2023 Results and First Conclusions

- Close to 60% of participating GPs are sharing carried interest to more than 50% of their team while sharing equity is less common (only 20% of GPs have opened their equity to more than 50% of their team).
 - Smaller GPs are sharing more carried interest than the bigger ones.
 - France is better placed than other countries on this topic alongside the Nordics.
1. **Value matters:** The participation rate of the European GPs contacted reflects the growing appreciation of the importance of value sharing for long-term success.
 2. **Carried interest is the preferred value sharing mechanism:** Close to 60% of participating GPs provide carried interest to at least 50% of their team. Larger GPs which can rely on other retention mechanisms share less of the carried interest, while smaller GPs use carried interest as a long-term retention tool. France is a leader in sharing carried interest with more than 40% of GPs sharing with 90-100% of the team.

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- Room for improvement:** The data indicates there is much room for growth in sharing equity capital. Fewer employees have access to share capital in management companies regardless of the size. Only 20% of participating GPs have opened their equity to more than 50% of their team. The study shows extreme values prevail with wide sharing of capital or almost none at all.

It is likely that carried interest will remain the most prevalent mechanism for sharing value. Armen believes that it will gradually be offered to all employees because otherwise, GPs will struggle to retain talent. Access to equity may remain scarce with GPs citing difficulties including valuations, liquidity, entry and exit mechanisms but it should remain a great tool for attracting talent.

Renaud Tourmente, Deputy CEO and COO of Armen, said: *“As one of the initiatives discussed with our Mission Committee, we decided to create the Armen HEC Value Sharing Index to promote the concept of value sharing and encourage progress and accountability throughout our ecosystem. The large number of participants for this first edition of the survey underlines the willingness of GPs to communicate on this increasingly important topic for asset managers. The Index is also 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 the best-in-class performers.”*

[Click here to download the survey](#)

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About Armen – www.armen.eu :

Armen is a mission-driven company which aims to contribute to a positive change in the private equity ecosystem and to responsibly steer management companies and their holdings,- according to ESG-Criteria, towards a sustainable future. Armen's first fund invests as a minority shareholder in European alternative investment companies through transactions called GP Stakes.

Armen is regulated by the French financial regulator Autorité des Marchés Financiers (AMF), as a portfolio management company since 07/09/2022 under the number GP-202222.

Currently, Armen has Exempt Reporting Advisor status with the SEC under registration No. 802128669 in the USA.

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