



After two years of health crisis, French companies were still resilient at the end of 2021

After the shock of the health crisis in 2020, the performance of French companies clearly improved in 2021: activity picked up, cash balances strengthened, profitability increased, debt remained under control, and companies' repayment capacity was preserved. These signs of resilience, which can be observed across all company sizes, are valuable assets for facing the current challenges: the war in Ukraine, soaring energy prices, supply chain tensions, recruitment difficulties, etc.

However, the positive trend observed in 2021 masks diverse individual situations. For example, only 23% of companies in the accommodation and food services sector returned to a level of activity equal to or greater than their pre-crisis level, compared with 62% for all companies. Two years after the start of the Covid crisis, the share of ailing companies – as measured by the Banque de France rating – does not appear to have increased.

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62%

share of companies with a turnover equal to or greater than their pre-crisis level at the end of 2021

51%

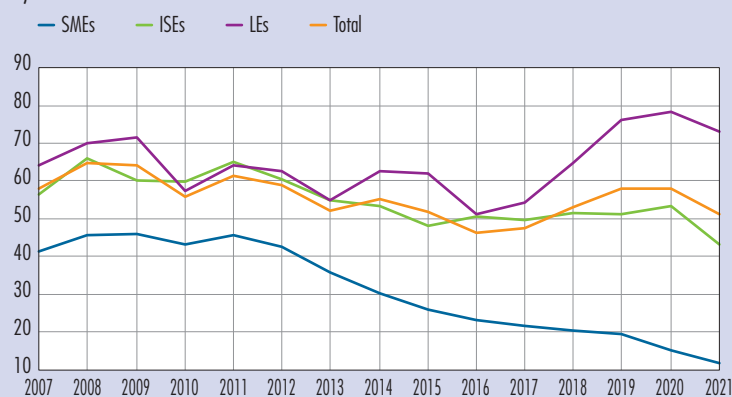
net debt ratio of companies in 2021, after 58% in 2019 and 2020

3 out of 4 companies

in the accommodation and food services sector bolstered their cash balances in 2021

Net debt ratio

(in %)



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the French Law on the Modernisation of the Economy (LME).

Notes: Net debt ratio = (financial debt – cash)/shareholders' equity.

SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.



This article analyses companies' economic and financial situation in 2021, using the corporate financial statements contained in the Banque de France's *Fichier bancaire des entreprises* (FIBEN) (see methodological appendix). The scope of the study covers companies based in France, which are subject to corporate income tax, generate a turnover of over EUR 750,000 and do not belong to the financial sector. The study is based on the annual accounts of more than 360,000 legal units, which are grouped into 240,000 companies defined according to the Law on the Modernisation of the Economy (LME), i.e., small and medium-sized enterprises (SMEs), intermediate-sized enterprises (ISEs) and large enterprises (LEs).^{1, 2}

1 Activity picked up significantly in 2021

The majority of companies returned to their pre-crisis level of turnover

Activity picked up significantly in 2021, after the slump in 2020 caused by the outbreak of the health crisis. Turnover thus increased by 12.3% in 2021 compared to 2020, after a 7.3% drop in 2020 (see Table 1). This rise concerned not only SMEs (+12.4%) but also ISEs (+10.0%) and LEs (+14.1%).

Overall, turnover even exceeded its pre-crisis level: it was up by 2.9% in 2021 compared to 2019. However, while most of the major sectors returned to turnover levels close to or above pre-crisis levels (up 5.0% in trade or down 1.5% in manufacturing, for example), the accommodation and food services sector recovered only slowly, with turnover still 23% below its pre-crisis level. In this context,

T1 Changes in annual turnover

(in %)

	Turnover			
	2019/2018	2020/2019	2021/2020	2021/2019
SMEs	5.0	-3.3	12.4	8.2
ISEs	2.8	-6.7	10.0	2.9
LEs	1.7	-10.3	14.1	-0.3
Total	2.9	-7.3	12.3	2.9

Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: Changes are calculated on a sample of companies whose balance sheets are recorded in the FIBEN database for two consecutive years (balanced population). The company size used is that of year N-1, regardless of the company's situation in year N (for example, the size in 2020 is used when comparing 2021 to 2020).

SMEs – small and medium-sized enterprises;

ISEs – intermediate-sized enterprises; LEs – large enterprises.

only 23% of companies in the accommodation and food services sector had returned to a level of activity equal to or greater than their pre-crisis level³ by 2021, compared to 62% for all French companies.⁴

Value added and EBITDA posted a particularly strong rebound in 2021

Value added picked up markedly across all company sizes: +13.1% for SMEs, +10.1% for ISEs and +16.4% for LEs (see Table 2). As in 2020, the change in value added is strongly correlated with that of turnover. This suggests that, on average, companies were able to adjust their intermediate consumption – both downwards in 2020, at the height of the crisis, and upwards in 2021 despite the tensions observed in supply chains.

1 In addition to the elements presented in the text, Appendices 1 and 2 detail the scope of the study, the definition of company sizes and the data used. Appendix 1 also refers to a comprehensive methodological appendix available online.

2 The analysis presented here complements that of Gonzalez and Rieu-Foucault (2022) on major French non-financial groups. This other study, based on the FIBEN consolidated accounts, covers their entire scope of consolidation, including the activity of entities located abroad, unlike this article, which focuses on entities based in France.

3 Or 27% if we reason in terms of legal units, rather than in terms of LME companies as in this article (the figure of 62% for all companies is, however, stable whether we look at legal units or LME companies).

4 Strictly speaking, these figures should be compared to those observed before the crisis. Thus, if we compare 2019 to 2017 (in the same way that we compared 2021 to 2019), around 2/3 of companies posted an increase in their turnover between 2017 and 2019 (69% in the accommodation and food services sector), which is higher than what we observe in 2021.



Unsurprisingly, personnel costs rose significantly in 2021 (+7.6%). Several effects contributed to this increase: (i) less recourse to the job retention scheme from the summer of 2021,⁵ (ii) a significant headcount increase, in particular for SMEs (+6.8%, compared with +4.1% for ISEs and +2.3% for LEs), and (iii) a rebound in external personnel costs (+12.2%, after -9.2% in 2020), which echoes the rebound in temporary employment highlighted by the DARES.⁶

Companies also benefited from the reform of production taxes, i.e., a fall in the business value added tax (CVAE – *cotisation sur la valeur ajoutée des entreprises*) and the corporate real estate tax (CFE – *cotisation foncière des entreprises*), as of the instalment of 15 June 2021. Production taxes thus fell by 2.8% in 2021, after a 3.6% drop in 2020 due to the deterioration in the economic situation. For 2021, the drop was significantly more pronounced for ISEs (-6.1%) than for SMEs (-2.1%) and LEs (-1.3%). The smaller fall recorded by LEs can be partly explained by the lower weight of the CVAE and the CFE in large enterprises' total production taxes. The moderate decline recorded by SMEs is due

in particular to the fact that legal units with a turnover of less than EUR 500,000 – which are more numerous among SMEs – were exempt from the CVAE prior to 2021 and therefore did not benefit from the reform.

Finally, earnings before interest, taxes, depreciation and amortisation (EBITDA) posted a strong rise in 2021: it was up by 38.5% on average for all companies, and by up to 54.6% for large enterprises. Several factors can explain these favourable results: a particularly strong increase in value added (especially in comparison with the growth in personnel costs), and a decline in production taxes. For SMEs, this can also be explained by the build-up of the solidarity fund from the end of 2020.⁷ For large enterprises, the increase in EBITDA can be attributed to the exceptional results of a large French group which took full advantage of the international economic situation at the end of the crisis.⁸

These average trends nevertheless mask contrasting individual developments. Thus, irrespective of the size of the company, more than a third of legal units recorded a fall in EBITDA in 2021 compared with 2020.

T2 From value added to EBITDA: annual changes

(in %)

	Value added			Personnel costs			Production taxes			EBITDA		
	2019/2018	2020/2019	2021/2020	2019/2018	2020/2019	2021/2020	2019/2018	2020/2019	2021/2020	2019/2018	2020/2019	2021/2020
SMEs	4.7	-4.2	13.1	4.5	-3.3	9.9	-0.6	0.2	-2.1	6.0	-5.8	32.5
ISEs	2.8	-6.4	10.1	3.0	-4.5	7.4	0.3	-1.4	-6.1	2.9	-13.7	25.9
LEs	3.4	-10.6	16.4	1.5	-5.1	5.7	-0.2	-5.6	-1.3	9.3	-23.8	54.6
Total	3.6	-7.4	13.4	2.9	-4.4	7.6	-0.1	-3.6	-2.8	6.4	-15.8	38.5

Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: See Table 1.

EBITDA – earnings before interest, taxes, depreciation and amortisation.

⁵ On a monthly average, fewer than 400,000 employees were in short-time work in the second half of 2021, compared to about 2 million in the first half of 2021, and 3.6 million from March to December 2020 (with a peak of 8.4 million in April during the first lockdown). See July 2022 Dares figures at <https://dares.travail-emploi.gouv.fr/donnees/le-chomage-partiel>.

⁶ The number of temporary workers in France had notably collapsed in the first and second quarters of 2020 (down 40% and down 27% year-on-year), so that the first two quarters of 2021 saw a major rebound (up 58% and 33%). See July 2022 Dares figures at <https://dares.travail-emploi.gouv.fr/donnees/le-chomage-partiel>.

⁷ This aid is recorded as "operating subsidies" (FO item in the French tax return) and therefore included as income in our calculations of EBITDA. While EUR 11.3 billion in aid were distributed in 2020, close to EUR 20 billion more had already been distributed in the first half of 2021 (source: Ministry of the Economy, Finance and Industry, and see France Stratégie and Inspection générale des Finances, 2021).

⁸ If this company were taken out of the study sample, the increase in EBITDA would average 38.6% for large companies (compared with 54.6% for the entire sample) and 32.6% for all companies (compared with 38.5%).

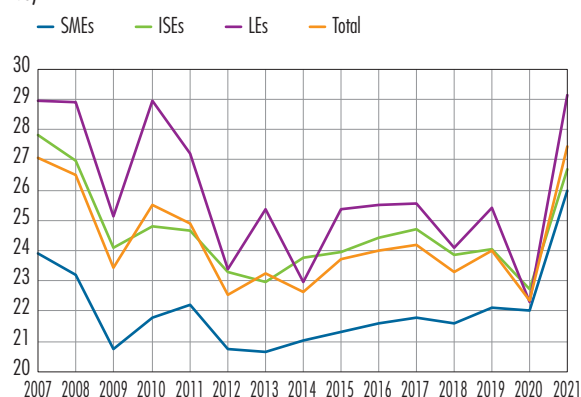


The profit share reached a historically high level

In total, the profit share, measured as the ratio of EBITDA to value added, increased sharply to stand at 27.4% in 2021 (see Chart 1), its highest level since our statistical series began in 1996. This peak is all the more remarkable as it follows the rate of 22.4% in 2020, which was the lowest value since 1996.

C1 Profit share

(in %)



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: The profit share is defined as the ratio of EBITDA to value added.

SMEs – small and medium-sized enterprises;

ISEs – intermediate-sized enterprises; LEs – large enterprises.

2 Corporate debt growth was largely under control

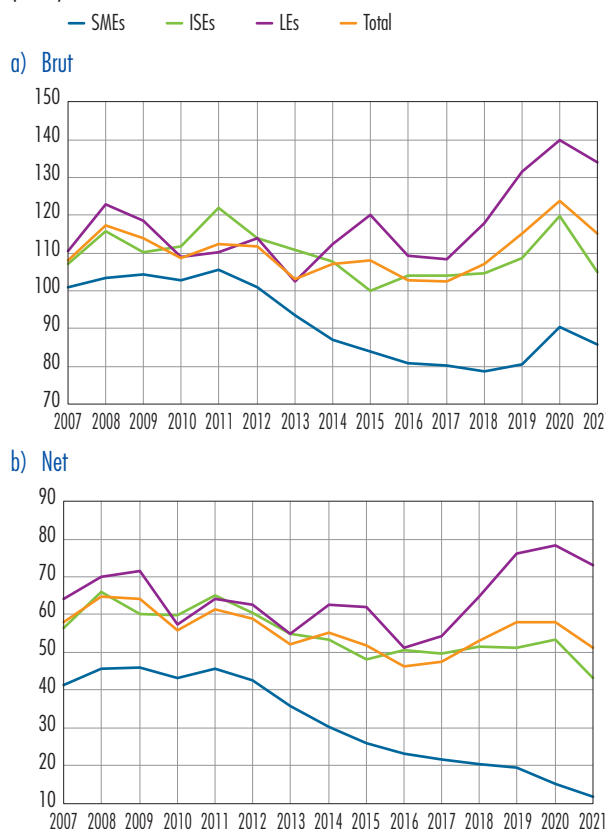
The debt ratio decreased across all company sizes in 2021

Corporate debt dynamics can be assessed by looking at the changes in the leverage ratio, or debt ratio. This is the ratio of financial debt to shareholders' equity. Debt is analysed first on a gross basis (see Chart 2a) and then net of cash (see Chart 2b).

As a result of a rise in shareholders' equity and a slight increase in debt, the gross leverage ratio decreased across all company sizes. However, it remains higher than its pre-crisis level for SMEs (86% in 2021, compared with 80% in 2017-2019) and for LEs (134%, compared with 119%), while that of ISEs returned to its 2017-2019 level (105%, compared with 106%). The gross debt ratio

C2 Debt ratio

(in %)



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: Gross debt ratio = financial debt/shareholders' equity.

Net debt ratio = (financial debt – cash)/shareholders' equity.

SMEs – small and medium-sized enterprises;

ISEs – intermediate-sized enterprises; LEs – large enterprises.

also decreased across almost all sectors, with the notable exception of the "energy, water and waste" sector.

The dynamics are similar if we look at the debt ratio net of cash: the net leverage ratio declined across all company sizes and across the majority of sectors, with the exception of the "construction" and "education, health and social work" sectors.

However, these aggregate trends mask significant heterogeneity across companies

Chart 3a shows the share of companies whose gross leverage ratio deteriorated in 2021. Within each company size, individual situations are highly diverse: over one-third of SMEs and ISEs recorded a deterioration



in their gross leverage in 2021, while the other two-thirds saw an improvement. As regards LEs, the ratio dropped for 42% of companies, and improved for 58%.⁹

However, the dynamics are the same across all company sizes: as expected, the share of companies posting a deteriorated leverage ratio was higher in 2020 than in 2019 (54%, compared with 36% for SMEs, for example), but the situation improved significantly in 2021, and even compared with the pre-crisis period (in particular for ISEs and LEs).

The trends in individual net leverage ratios also differ significantly from one company to another (see Chart 3b). In 2021, despite a more favourable economic climate, one SME in five recorded a deterioration in its net leverage ratio. In addition, the distribution between improvements and deteriorations has been relatively stable over time for SMEs, at around 20%. The share of companies experiencing a deterioration in their net leverage ratio has even tended to decrease slightly for ISEs and LEs.

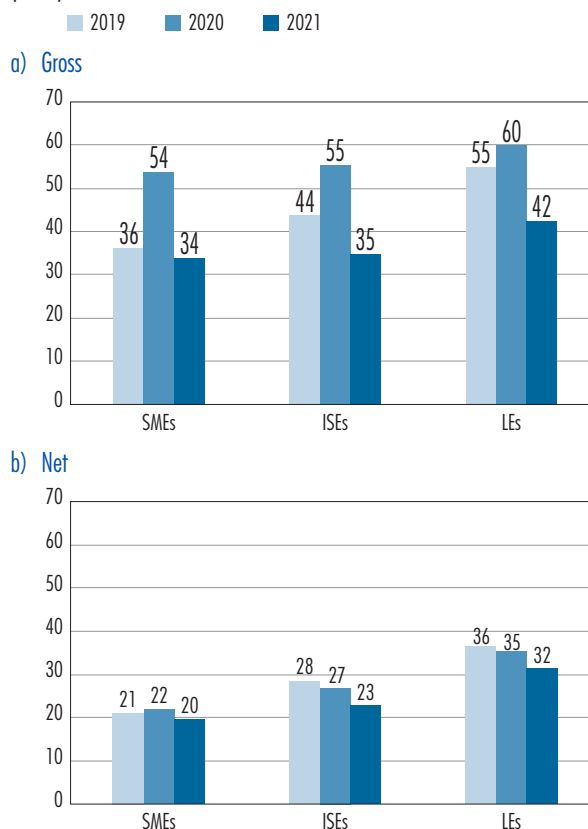
Finally, individual situations are highly heterogeneous, but overall, two years after the start of the Covid-19 crisis, the majority of French companies have held up rather well in terms of gross and net debt.

3 Companies continued to bolster their cash balances in 2021

Cash balances continued to increase in 2021 for all company sizes, albeit at a more moderate pace than in 2020 (see Chart 4). SMEs' median cash balance,¹⁰ expressed in days of 2019 turnover, rose from 38 days in 2019 to 62 days in 2020 (up 65%), then to 67 days in 2021 (up 7%). ISEs' median cash balance increased by 9% in 2021 (after climbing by 46% in 2020), and that of large enterprises rose by 11% (after a 35% hike). In total, more than one in two companies

C3 Share of companies whose debt ratio has deteriorated

(in %)



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: With E^Y denoted as shareholders' equity in year Y (2019, 2020, or 2021), there is a "deterioration" in the gross leverage ratio when: (i) $E^{Y-1} > 0$ and $E^Y > 0$ and the ratio increases; or (ii) $E^{Y-1} > 0$ and $E^Y < 0$; or (iii) $E^{Y-1} < 0$ and $E^Y < 0$, with either $E^Y < E^{Y-1}$, or $\text{debt}^Y > \text{debt}^{Y-1}$. In the case of net leverage, there is a deterioration when: (i) $E^{Y-1} > 0$ and $E^Y > 0$ and net debt $^{Y-1} > 0$ and the ratio increases; or (ii) $E^{Y-1} > 0$ and $E^Y > 0$ and net debt $^{Y-1} < 0$ and net debt $^Y > 0$; or (iii) $E^{Y-1} > 0$ and $E^Y < 0$; or (iv) $E^{Y-1} < 0$ and $E^Y < 0$, with either $E^Y < E^{Y-1}$, or net debt $^Y > \text{net debt}^{Y-1}$.

SMEs – small and medium-sized enterprises;

ISEs – intermediate-sized enterprises; LEs – large enterprises.

(57%) strengthened their cash balances in 2021, a level close to the pre-crisis level (59% in 2019), but lower than the record year of 2020 (76%).

⁹ This heterogeneity is not a simple reflection of sectoral differences. Within each company size, individual situations differ clearly across sectors. For example, among intermediate-sized enterprises, all sectors display considerable heterogeneity: it is the highest in the accommodation and food services sector, with 46% deterioration and 54% improvement; and the lowest in construction, with 31% deterioration and 69% improvement.

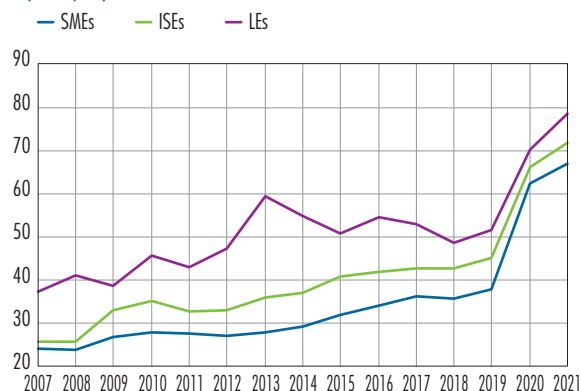
¹⁰ The median cash balance is the level of cash that divides the population of companies under consideration into two equal sub-populations. For example, a median cash balance for SMEs of 67 days of turnover in 2021 means that 50% of the SMEs in our sample had a cash balance of 67 days or less, and 50% had a cash balance of more than 67 days.



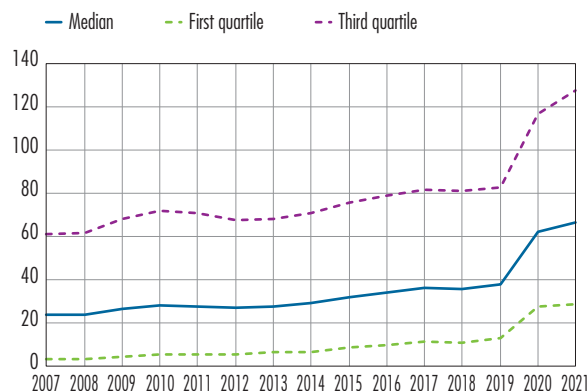
C4 Cash in days of turnover

(in %)

a) By company size



b) For SMEs



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: Chart a) shows the median cash in days of turnover for the year. For the years 2020 and 2021 only, cash is expressed in relation to 2019 turnover so as to not artificially overestimate (in 2019) or underestimate (in 2020) the increase in cash expressed in days of turnover. Cash is defined as (i) the sum of cash and cash equivalents, marketable securities and the balance of short-term receivables and payables with the group and its associates, minus (ii) non-matured discounted bills and short-term bank liabilities. The trends remain the same with alternative definitions of cash.

SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.

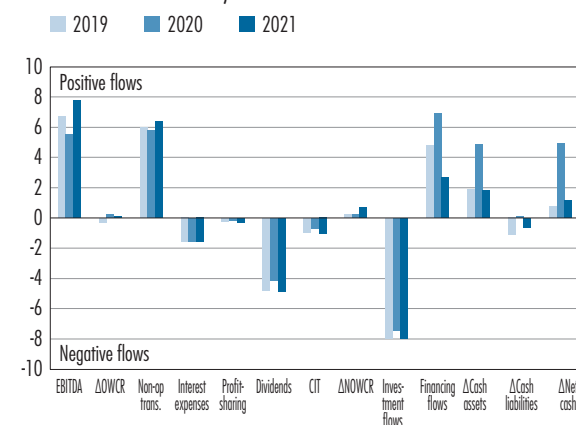
The mechanisms that led to the strong cash accumulation in 2020 are detailed in the previous version of this study (see Bureau and Py, 2021), in particular: spending adjustments, government assistance and precautionary borrowing. Chart 5 provides an insight into what happened afterwards, in 2021, through a stylised representation of companies' cash flow statement.¹¹ The cash flow statement first highlights the major rebound in EBITDA in 2021, mentioned above, which underpins the final cash increase. In contrast, we observe a significant rebound in dividends (+18%) and capital expenditure (+7%), which mitigates the final cash increase. Unsurprisingly, financing flows post a marked slowdown, which is linked in particular to the sharp slowdown in the amounts of State-guaranteed loans (SGL).¹² In the end, net cash flows in 2021 are relatively comparable to those of 2019, but significantly lower than those of 2020.

Cash balances rose across all company sizes, but also across almost all sectors (see Table 3). Only the transport sector posted a slight decline in 2021 (-1%). In contrast, the accommodation and food services showed a particularly marked increase (+40%, compared with

+7% for all sectors), which notably reflects greater recourse to aid from the solidarity fund (see box).

C5 Main cash flows (positive and negative) in 2019, 2020 and 2021

(as a % of 2019 turnover)



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: The chart is a stylised representation of the cash flow table presented in Appendix 3.

EBITDA – earnings before interest, taxes, depreciation and amortisation; Non-op trans. – non-operating transactions; ΔOWCR – change in operating working capital requirements; profit-sharing: employee profit sharing in company profits; CIT – corporate income tax; ΔNOWCR – change in non-operating working capital requirements.

¹¹ Appendix 3 provides a more detailed table by company size.

¹² Approximately EUR 19 billion worth of State-guaranteed loans were extended in 2021, compared to approximately EUR 129 billion in 2020 (source: Ministry of the Economy, Finance and Industry).



T3 Cash by sector of activity

(in days of turnover; % change)

	2019	2020	2021	Change	
				2020/2019	2021/2020
Agriculture, forestry and fishing	42	61	67	46	10
Manufacturing industry	45	72	76	60	6
Energy, water, waste	67	90	102	35	13
Construction	40	64	65	59	3
Trade	26	43	48	69	11
Transportation and storage	36	60	59	67	-1
Accommodation and food services	55	85	119	55	40
Information and communication	66	111	118	67	6
Real estate	177	220	234	25	6
Consultancy and business services	61	97	103	59	5
Education and health	54	91	95	69	4
Other service activities	58	92	108	59	18
Total	38	63	67	64	7

Source: Banque de France, FIBEN database, October 2022.

Scope and notes: See Chart 4.

BOX

A particularly strong rise in companies' cash balances in the accommodation and food services sector

Companies' median cash balance¹ in the accommodation and food services sector had already risen sharply in 2020, climbing from 55 to 85 days (up 55%). It increased again significantly in 2021, rising from 85 to 119 days (up 40%, see Table 3 in the main text). In other words, the size of the median company's cash cushion in the accommodation and food services sector has more than doubled in two years. Moreover, this development can be observed across the accommodation and food services sector, since more than three quarters of companies recorded an increase in their cash balance, compared with 57% for all sectors. These results are robust, irrespective of the indicators (median, average, etc.), the data balancing procedures (2020-2021 or 2019-2020-2021) and the definition of cash used (more or less broad).

Without seeking to be exhaustive, this development can largely be explained by the fact that companies in the accommodation and food services sector are the main recipients of aid from the solidarity fund, which gained momentum in 2021.² This is clearly visible in companies' income statements: the "operating subsidies" item (where this aid is accounted for) increased fivefold between 2020 and 2021 for companies in this sector, whereas it rose by less than 30% for all sectors. In this context, in the absence of aid from the solidarity fund (and any other operating subsidies), the increase in the median cash balance in the accommodation and food services sector would have been 15%, not 40%.³

At the end of 2021, companies in the accommodation and food services sector as a whole had therefore a much stronger cash balance, at a time when they were facing challenges such as recruitment difficulties,⁴ rising food prices, and the end of access to the solidarity fund from the beginning of 2022.

1 The median cash balance is the level of cash that divides the population of companies under consideration into two equal sub-populations. For example, in 2021, a median cash balance of 119 days of turnover for companies in the accommodation and food services sector means that 50% of these companies had a cash balance of 119 days or less, and 50% had a cash balance of more than 119 days.

2 As an indication, the accommodation and food services sector accounts for 37% of the amounts paid under the solidarity fund (from March 2020 to May 2021, see *France Stratégie and Inspection générale des Finances*, 2021), while it represents only 4% of the value added of French companies (Insee figure for 2019 for companies in the mainly non-agricultural and non-financial market sectors).

3 As an indication, for all sectors, the increase in the cash balance would have been only 5%, not 7%. This confirms that the other sectors benefited relatively less from the solidarity fund.

4 On the issue of recruitment difficulties, see for example Bergeaud et al (2022).



4 Profitability picked up for most companies in 2021

Measures of profitability seek to assess companies' ability to create wealth from invested capital. Two indicators are used to measure profitability here: economic profitability (ROCE – return on capital employed) and financial profitability (ROE – return on equity). Irrespective of which indicator is considered, company profitability rebounded in 2021 across all company sizes (see Chart 6) and almost all sectors of activity.

However, these aggregate trends mask highly heterogeneous situations. Thus, in 2021, 58% of companies recorded an increase in their economic profitability.¹³ This is significantly higher than before the crisis (49% in 2019), but it nevertheless means that, in 2021, more than two out of five companies saw their economic profitability stagnate or drop despite the economic recovery.

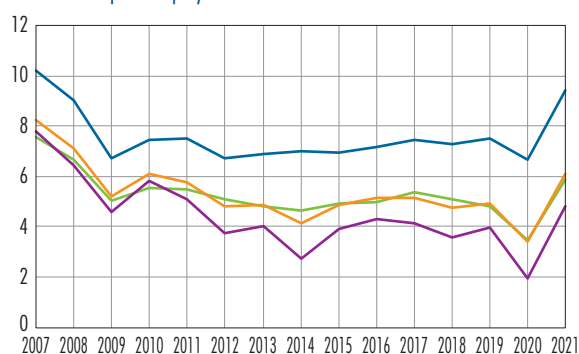
More broadly, if we consider companies with a five-year track record in FIBEN, from 2017 to 2021, 30% of them achieved their best results in terms of economic profitability in 2021, but, at the same time, 19% put in their worst performance in 2021.¹⁴

C6 Profitability

(in %)

— SMEs — ISEs — LEs — Total

a) Return on capital employed



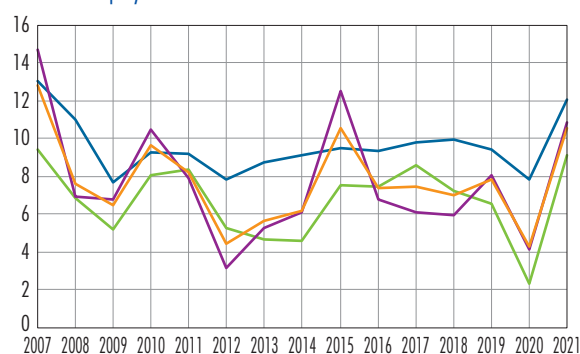
5 French companies once again maintained their repayment capacity

Following the shock of the Covid crisis in 2020, French companies overall rebounded significantly in 2021: business activity picked up, cash balances strengthened, profitability increased, etc. However, this positive trend is likely to mask very different individual situations, which may be better or worse than the overall picture would suggest. In particular, some companies' level of debt rose significantly during the crisis, even though it is generally under control.

The Banque de France rating is used to assess the changes in companies' repayment capacity. The Banque de France rating measures a company's ability to meet its financial commitments over a three-year horizon.¹⁵

Chart 7 below shows the changes in the weight of the most ailing companies (rated from 5+, i.e., a "fairly poor" ability to honour its commitments, to 9, i.e., a "compromised" ability)¹⁶ in the total number of companies rated by the Banque de France. Overall, the share of ailing companies does not seem to have increased significantly in 2021. In the case of SMEs, despite a slight rise to 42% at the end of 2020, this share

b) Return on equity



Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME).

Notes: Return on capital employed is defined as the ratio of net operating profit to operating capital. Return on equity is defined as the ratio of net earnings to shareholders' equity.

SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.

¹³ 54% in terms of financial profitability.

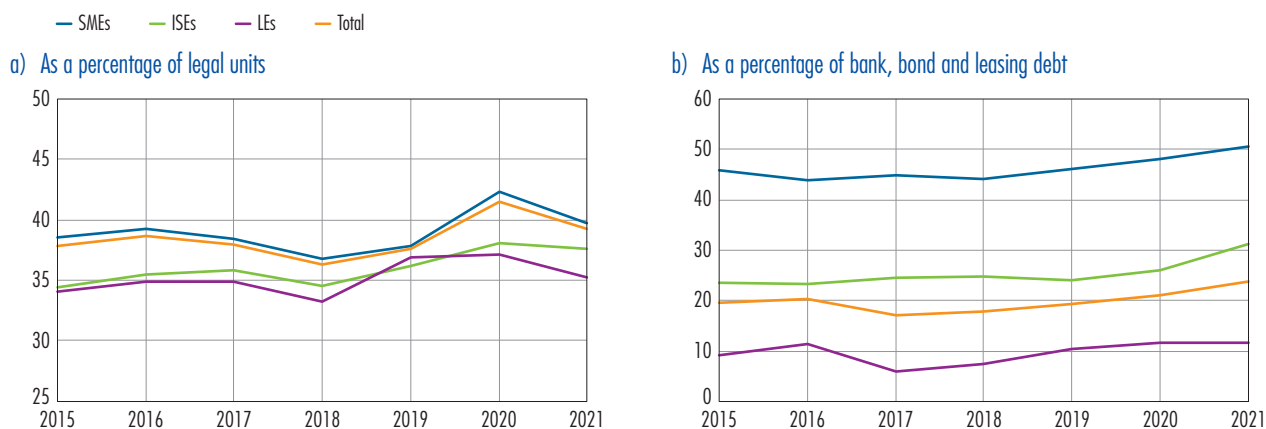
¹⁴ The figures are 26% and 22% when considering financial profitability.

¹⁵ For a detailed presentation of the Banque de France rating, see <https://entreprises.banque-france.fr/page-sommaire/comprendre-la-cotation-banque-de-france>.

¹⁶ A new 22-position rating scale was introduced by the Banque de France in January 2022. However, we will use the old 13-position rating scale in order to analyse developments over the period 2015-2021.



C7 Weight of legal units rated 5+ to 9 in the total number of legal units rated by the Banque de France



Source: Banque de France, FIBEN database, October 2022.

Key: At the end of 2021, 38% of legal units owned by an intermediate-sized enterprise as defined by the LME had a rating between 5+ and 9; and the debt (bank, bond, and leasing) of entities owned by an intermediate-sized enterprise as defined by the LME and rated between 5+ and 9 accounted for 31% of the debt of all ISEs.

Notes: Company sizes defined according to the Law on the Modernisation of the Economy (LME).

Ratings 0 ("no unfavourable information") and P ("bankruptcy") are not taken into account.

SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.

fell back below the 40% threshold by the end of 2021 (Chart 7a), a level close to the pre-Covid years. Similarly, the share of the lowest-rated large companies fell back to 35% from 37% in 2020. The decline was slower for ISEs (down 0.5 percentage points), which remained at around 38% in 2021.

The picture differs slightly if we take into account the weight of debt carried by the weakest entities (see Chart 7b). In this case, the weight of companies

rated 5+ to 9 increases across all company sizes between 2019 and 2021. In particular, this weight rises by 4.6 percentage points for SMEs, reaching 51% in 2021, compared with 31% for ISEs and 12% for LEs. This increase reflects in particular the impact of state-guaranteed loans: companies rated 5+ to 9 account for around 40% of the amounts of SGLs granted (excluding 0-rated companies),¹⁷ whereas they accounted for only 27% of outstanding bank loans in 2019. Their weight in total bank debt thus mechanically increased.

¹⁷ Source: Ministry of the Economy, Finance and Recovery, SGL management charts. Average of the situations as at 12 March 2021 (43%) and 31 March 2022 (37%).



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Appendix 1

Method, FIBEN data and scope of the study

Methodology

The financial analysis methodology and the definition of the ratios used are presented in the document “La situation des entreprises en France en 2021 – Méthodologie”, available online at: <https://www.banque-france.fr/statistiques/acces-aux-series/methodologies>.

FIBEN data

Unless otherwise stated, the data used in this study are drawn from the Banque de France’s FIBEN company database. More specifically, the following elements are used.

- **Corporate financial statements:** the Banque de France gathers the financial statements of companies with a turnover of over EUR 0.75 million. Until 2012, companies meeting at least one of the following criteria were also included: bank debt over EUR 0.38 million, a decline of more than 50% in equity, turnover below the

EUR 0.75 million threshold for the first time. The scope only includes companies residing in France. In 2020, in terms of headcount, the coverage rate was close to 88% for companies subject to corporate income tax.

- **Financial ties:** the Banque de France records financial ties and analyses the share of equity held by other companies, distinguishing whether the holder is a non-financial corporation (including a holding company), a financial institution (bank, mutual fund, insurance company), a natural person (private individual or employee), the government, or a non-resident company. Independent companies are to be distinguished from those belonging to a group.

Scope of the study

The study covers companies subject to corporate income tax and included in the FIBEN database. Sectors KZ (financial activities, excluding holding companies) and O (government activities) are excluded.



Appendix 2

Company sizes and sectors of activity

Implementing Decree No. 2008-1354 of the French law on the modernisation of the economy (LME), which defines the statistical concept of a company, specifies, in line with the European Commission's definitions, company size categories and the criteria for determining them. There are four criteria: headcount, turnover, total assets and, implicitly, the financial ties linking legal units. A legal unit is a legal entity identified by a Siren number.

The first three criteria are assessed at the level of each company, which is considered as the smallest grouping of legal units making up an organisational unit for the production of goods and services and enjoying a certain degree of decision-making autonomy (defined on the basis of financial ties). A financial tie is considered as a holding of at least 50% of the equity of a legal unit.

Companies may therefore be a single legal unit or a set of legal units. When a company is composed of several legal units, the financial statements of the constituent legal units are aggregated to define the "company". This approach is not the same as account consolidation and may lead to double-counting between units of the same company. Some variables are, however, statistically restated for double-counting (see the methodological note in Appendix 1).

Company sizes are defined as follows:

- **Small and medium-sized enterprises (SMEs)** are companies which, on the one hand, employ fewer than 250 people and, on the other, have an annual turnover not exceeding EUR 50 million or total assets not exceeding EUR 43 million;
- **Intermediate-sized companies (ISEs)** are companies that do not belong to the SME category and that, on the one hand, employ fewer than 5,000 people and, on the other, have an annual turnover not exceeding EUR 1.5 billion or total assets not exceeding EUR 2 billion;
- **Large enterprises (LEs)** are companies not classified in the previous categories.

The **sector of activity** is based on the 2008 aggregated nomenclature, itself derived from the French nomenclature of activities, revision 2 (NAF rev. 2, 2008).

In the case of a company with several legal units, the sector is determined by grouping the legal units into sectors. The sector used is that in which the legal units have the largest weight in the company in terms of turnover, provided that it exceeds 50%. Otherwise, the classification by sector of the various "groupings" of legal units is carried out on the basis of the number of employees, still provided that its weight exceeds 50%. Failing this, we revert to the classification by turnover, using the sector in which the legal units have the largest weight.



TA1 Average size of each company category in 2021

(number of employees in units; turnover, value added, financial debt, bank debt and shareholders' equity in millions of euros)

	Number of companies	Number of balance sheets	Average permanent workforce	Average turnover	Average value added	Average financial debt	Average bank debt	Average shareholders' equity
Total	240,947	362,917	50	16	4	9	3	8
SMEs	234,239	309,907	18	4	1	1	1	2
ISEs	6,425	40,233	559	195	50	103	46	98
LEs	283	12,777	14,681	5,428	1,429	4,452	634	3,320

Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME); all market activities excluding sectors KZ (financial activities excluding holding companies) and O (government activities).

Note: SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.

TA2 Economic weight of non-financial corporations in 2021

(number of employees in thousands; turnover, value added, financial debt, bank debt and shareholders' equity in billions of euros)

	Number of companies	Number of balance sheets	Permanent workforce	Turnover	Value added	Financial debt	Bank debt	Shareholders' equity
Total	240,947	362,917	11,965	3,804	1,045	2,251	689	1 954
By size								
SMEs	234,239	309,907	4,219	1,014	321	329	216	384
<i>of which subsidiaries of foreign companies</i>	7,888	10,549	280	104	30	39	16	32
ISEs	6,425	40,233	3,591	1,255	320	662	293	630
<i>of which subsidiaries of foreign companies</i>	1,689	7,323	1,038	451	110	151	43	164
LEs	283	12,777	4,155	1,536	404	1,260	179	940
By sector								
Agriculture, forestry and fishing	4,592	5,454	74	17	6	14	9	14
Manufacturing	29,968	52,213	2,384	955	242	481	110	543
Energy, water, waste	2,712	6,433	417	211	57	318	41	131
Construction	39,486	54,214	1,088	245	91	125	50	116
Trade	91,468	130,166	2,969	1,558	253	410	129	507
Transportation and storage	9,455	15,998	937	209	80	198	52	158
Accommodation and food services	9,081	15,898	441	41	17	53	25	28
Information and communication	8,395	12,885	696	198	97	186	43	135
Real estate	5,404	8,016	129	42	24	222	129	132
Consultancy and business services	30,004	45,664	2 162	253	136	174	72	131
Education, health	7,804	12,065	531	57	34	52	23	43
Household services	2 578	3,911	137	18	8	17	6	17

Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME); all market activities excluding sectors KZ (financial activities excluding holding companies) and O (government activities).

Note: SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.



TA3 Economic weight of non-financial corporations in 2021

(breakdown in %)

	Number of companies	Number of balance sheets	Permanent workforce (in thousands)	Turnover	Value added	Financial debt	Bank debt	Shareholders' equity
By size								
SMEs	97.2	85.4	35.3	26.6	30.7	14.6	31.4	19.6
<i>of which subsidiaries of foreign companies</i>	3.3	2.9	2.3	2.7	2.8	1.7	2.3	1.6
ISEs	2.7	11.1	30.0	33.0	30.6	29.4	42.5	32.3
<i>of which subsidiaries of foreign companies</i>	0.7	2.0	8.7	11.8	10.6	6.7	6.3	8.4
LEs	0.1	3.5	34.7	40.4	38.7	56.0	26.1	48.1
By sector								
Agriculture, forestry and fishing	1.9	1.5	0.6	0.4	0.6	0.6	1.2	0.7
Manufacturing	12.4	14.4	19.9	25.1	23.2	21.4	16.0	27.8
Energy, water, waste	1.1	1.8	3.5	5.5	5.5	14.1	5.9	6.7
Construction	16.4	14.9	9.1	6.4	8.7	5.6	7.2	5.9
Trade	38.0	35.9	24.8	41.0	24.2	18.2	18.8	25.9
Transportation and storage	3.9	4.4	7.8	5.5	7.7	8.8	7.5	8.1
Accommodation and food services	3.8	4.4	3.7	1.1	1.6	2.4	3.6	1.4
Information and communication	3.5	3.6	5.8	5.2	9.3	8.3	6.3	6.9
Real estate	2.2	2.2	1.1	1.1	2.3	9.9	18.8	6.8
Consultancy and business services	12.5	12.6	18.1	6.7	13.0	7.7	10.4	6.7
Education, health	3.2	3.3	4.4	1.5	3.2	2.3	3.3	2.2
Household services	1.1	1.1	1.1	0.5	0.8	0.8	0.8	0.9

Source: Banque de France, FIBEN database, October 2022.

Scope: Companies defined according to the Law on the Modernisation of the Economy (LME); all market activities excluding sectors KZ (financial activities excluding holding companies) and O (government activities).

Note: SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.



Appendix 3

Cash flow statement for French companies in 2019, 2020 and 2021

Cash flow statement

(as a % of 2019 turnover)

	SMEs			ISEs			LEs			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Earnings before interest, taxes, depreciation and amortisation	6.9	6.8	8.5	6.2	5.7	6.8	6.9	5.9	8.0	6.7	5.6	7.7
(-) Change in OWCR	0.4	-0.4	0.7	0.5	-0.4	-0.2	0.1	0.0	-0.4	0.3	-0.2	-0.1
(=) Cash flow from operating activities	6.5	7.2	7.8	5.7	6.2	7.0	6.8	5.9	8.4	6.4	5.8	7.8
(+) Other non-operating transactions	2.2	2.3	2.4	4.7	5.0	4.9	9.1	9.7	9.7	6.0	5.8	6.4
(-) Interest expense	0.7	0.7	0.7	1.4	1.5	1.4	2.2	2.4	2.2	1.6	1.6	1.6
(-) Profit-sharing	0.1	0.1	0.2	0.3	0.3	0.4	0.2	0.2	0.3	0.2	0.2	0.3
(-) Dividends paid	2.6	2.7	3.0	4.0	3.3	3.9	6.7	6.5	6.7	4.8	4.1	4.9
(-) Corporate income tax	1.1	1.2	1.5	0.9	0.8	1.0	0.9	0.4	0.9	1.0	0.7	1.1
(-) Change in NOWCR	-0.3	-0.2	-0.3	-0.1	-0.1	-0.5	-0.3	-0.5	-1.0	-0.3	-0.3	-0.7
(=) Total cash flow	4.5	5.0	5.2	3.9	5.4	5.8	6.3	6.5	9.1	5.1	5.3	7.1
Net cash flow from investment	4.3	4.0	4.4	5.9	6.3	6.0	11.6	11.8	11.4	8.0	7.4	8.0
Change in equity financing	0.5	0.5	0.8	1.6	1.5	1.9	-2.0	4.0	1.6	-0.2	2.1	1.5
(+) Change in long-term debt	0.7	4.8	0.1	1.9	3.9	-0.5	7.1	6.8	1.5	3.9	4.9	0.5
(+) Change in cash liabilities	0.0	-0.4	0.0	0.6	0.2	0.0	2.1	-0.2	1.5	1.1	-0.1	0.6
(=) Net cash flow from financing	1.3	4.9	1.0	4.1	5.6	1.4	7.2	10.6	4.6	4.8	6.9	2.7
Change in cash assets^{a)}	1.4	5.9	1.8	2.2	4.7	1.1	1.8	5.3	2.3	1.9	4.8	1.8
Change in net cash^{b)}	1.4	6.3	1.8	1.5	4.5	1.1	-0.2	5.5	0.8	0.7	4.9	1.2

a) Change in cash assets = total cash flow + net cash flow from financing – net cash flow from investment.

b) Change in net cash = change in cash assets – change in cash liabilities.

Source: Banque de France, FIBEN database, October 2022.

Note: SMEs – small and medium-sized enterprises; ISEs – intermediate-sized enterprises; LEs – large enterprises.

OWCR – operating working capital requirement; NOWCR – non-operating working capital requirement.

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