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Companies

Health crisis: French companies maintained their repayment capacity in 2020

The Covid-19 health crisis unleashed a major activity shock in 2020, as turnover shrank by 4.0% in the small and medium-sized enterprise segment, 6.8% among intermediate-sized enterprises and 10.7% for large enterprises. Despite adjusting intermediate consumption and tapping into government support schemes, businesses recorded a pronounced decline in earnings before interest, taxes, depreciation and amortisation (EBITDA), which fell by 16.7% overall.

Companies took on debt to cope with the crisis, but also bolstered their cash balances. This was true even among firms in the hardest hit sectors. Hence, on the whole, French companies were able to maintain their debt repayment capacity.

However, the overall trends conceal starkly contrasting individual situations. For example, in terms of return on equity, while more than one-third of companies recorded their worst year in five years in 2020, 17% posted their best performances.

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JEL Codes
E22, G30,
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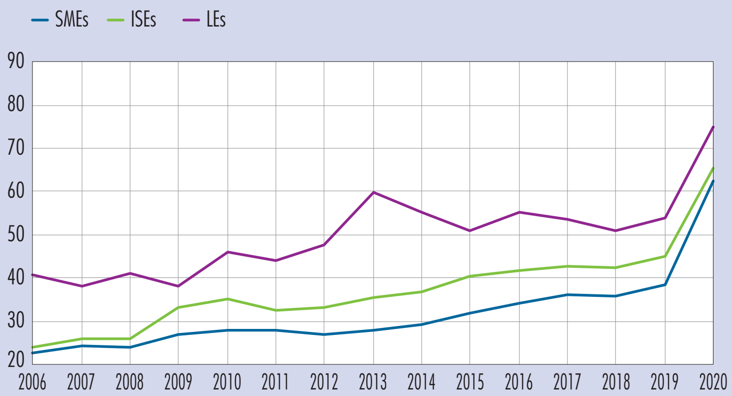
–10.7%
the decrease in the turnover of large enterprises in 2020

56%
the share of SMEs whose gross debt ratio increased

3 out of 4
companies bolstered their cash balances in 2020

Corporate cash balances
(in days of turnover)



Source: Banque de France, FIBEN database, October 2021.
Note: SME: small and medium-sized enterprise; ISE: intermediate-sized enterprise; LE: large enterprise.

This article analyses the economic and financial situation of French companies in 2020 using the set of corporate financial statements in FIBEN, a database maintained by the Banque de France. The scope of the study encompasses companies based in France that are liable for company income tax, that generate turnover of more than EUR 750,000 and that do not belong to the financial sector. The study considers the annual accounts of more than 330,000 legal units, which are grouped into 220,800 companies based on the definitions provided by France's Economic Modernisation Act, i.e. small and medium-sized enterprises (SMEs), intermediate-sized enterprises (ISEs) and large enterprises (LEs).[1]

The analysis presented here supplements a study of large French groups, published in the *Bulletin de la Banque de France*.[2] This second study, which focuses on large private non-financial groups, is based on the set of consolidated financial statements in the FIBEN database and thus covers the entire scope of consolidation for these firms, i.e. including the activities of international units, unlike this paper, which is concentrated on units based in France.[3]

1 The health crisis unleashed a major activity shock in 2020

Turnover shrank across all company size categories and in most industries

At the end of 2020, following the emergence of the Covid 19 crisis, the roll-out of support measures and behavioural adjustments by companies in response to these developments, corporate turnover fell by 7.8% relative to 2019 (see Table 1). This was the first such fall since 2009, when turnover tumbled by 8.3%. Although all sizes of companies were affected, LEs experienced the biggest shock (–10.7%), while ISEs (–6.8%) and SMEs (–4.0%) were relatively less affected. Contributing factors to these differences are discussed in the box below.

Turnover also fell in most industries, although there were significant cross-sector differences, with extremely pronounced declines in accommodation-food services (–31%) and transportation (–12%). Both of these sectors were particularly exposed to health-related restrictions during the first lockdown and, to a lesser extent, the second.

T1 Change in annual turnover

(%)

	Turnover			O/w exports		
	2018/2017	2019/2018	2020/2019	2018/2017	2019/2018	2020/2019
SMEs	5.3	5.1	-4.0	4.9	3.4	-8.0
ISEs	4.4	2.7	-6.8	3.4	0.3	-9.0
LEs	3.9	1.8	-10.7	7.0	0.2	-15.1
Total	4.4	2.9	-7.8	5.2	0.6	-11.9

Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Notes: Variations are calculated for a sample of companies whose balance sheets are included in the FIBEN database for two consecutive financial years (balanced population). The selected size is that of year *N–1*, irrespective of the situation of the company in year N (for example, we use the 2019 size when comparing 2020 to 2019). Appendices 1 and 2 provide more details on the FIBEN database and the definition of company sizes according to LME criteria.
SME: small and medium-sized enterprise; ISE: intermediate-sized enterprise; LE: large enterprise.

1 As a supplement to the discussion in this paper, Appendices 1 and 2 present the scope of the study, company size definitions and the data used. Appendix 1 also refers the reader to a complete methodological appendix available online.

2 See Gonzalez and Rieu-Foucault (2021).

3 This article also supplements the study by Graignon and Mérébier (2021), which focuses more closely on SMEs using data available to June 2021 (compared with October 2021 here).

BOX

Turnover fell by more among LEs than among ISEs and SMEs

The relative turnover decrease was significantly larger for LEs than for ISEs and SMEs (see Table 1). This ranking contrasts with that seen during the 2009 crisis, when SMEs again recorded a relatively smaller decline in turnover (–5.4%), but ISEs and LEs experienced virtually identical falls (–9.3% and –9.4% respectively). Even so, the ranking looks to be robust, holding when we consider different statistical indicators (mean, median or percentage of negative turnover) and irrespective of the company definition used (legal unit or company according to the LME definition).[1]

Analysing the potential causal dimension of this correlation between company size and turnover shock goes well beyond the scope of this study, which is essentially intended to be descriptive. Yet we may make a few observations regarding this striking correlation.

First, we could assume that the largest companies are more positioned in industries hardest hit by the crisis. For 2020, while we cannot rule out a sector composition effect of this kind without a deeper analysis, the size of the effect is arguably limited. The LE-ISE-SME ranking is clearly verified in each of the main sectors of the economy.

We could also make the assumption that large enterprises were more severely affected by the global economic slowdown since they generate a larger share of their turnover from exports.[2] But, similarly, the ranking holds for sub-groups of exporting and non-exporting companies, as well as for sub-groups of companies based in the Île de France region or in the rest of country.[3]

In this environment, how might company size have affected the size of turnover shocks? Various assumptions, which remain to be verified, are possible. For example: (i) smaller structures were inherently more agile when reorganising to deal with health restrictions, which allowed them to absorb the shock more effectively, and (ii) larger groups may have found it easier (or more beneficial) to voluntarily shut down certain operations or sales outlets pending a more pronounced economic recovery. More broadly, our data suggest that turnover changes are usually more volatile among the largest companies. The reasons for this remain to be explored.[4]

1 It is likewise found in a different conceptual framework based on VAT data in Bureau et al. (2021a), who show that ISEs-LEs suffer larger shocks than SMEs (excluding microcompanies). Conversely, they find that microcompanies are affected by the most severe shocks. This is not shown in our data, which do not cover entities with turnover of less than EUR 750,000.
2 According to Bureau et al. (2021a), having an exporting business before the start of the crisis is associated with a greater probability of belonging to a group of companies whose activity collapsed during the first lockdown without recovering in the summer. We find that exporters in our sample suffer more pronounced shocks on average: –8.8%, compared with –5.8% for companies that did not export in 2019. Bricongne et al. (2021) also show that the sharp decrease in French exports in April 2020 was primarily the consequence of a stronger response to the shock among large exporters, which contributed more than proportionally to the decrease relative to their share of pre-crisis exports.
3 Epaulard et al. (2021) find that the “COVID shock was stronger in this [Île de France] region, which is not surprising given the weight of foreign tourists in this region’s economic activity”. We find that Île de France-based companies in our sample experience larger shocks on average (–10.8%, compared with –4.9% for the rest of the country).
4 Since we are using balanced samples of legal units, the explanation is not due to more frequent modifications in the scope of large enterprises. Furthermore, we find that the LE-ISE-SME ranking is unchanged if we standardise variation rates using the standard deviation of annual changes in turnover in each company category over the 2006-2019 period. Under this approach, turnover decreases in 2020 by 1.2 standard deviations for SMEs, 1.6 standard deviations for ISEs and 2.6 standard deviations for LEs.

Conversely, real estate (–3.4%), information and communication (–2.7%), agriculture (–0.1%), and education-health-social work (+3.9%) held up better.[4]

However, these statistics, which cover entire company size categories and industries, conceal widely varying individual situations. For one thing, only 59% of legal units that closed their financial statements at end-December 2020 recorded a turnover decrease compared with 2019. In other words, about two out of five companies managed to maintain or increase their turnover during the crisis. The distribution of shocks (increase or decrease) also varied within size categories and industries. For example, 64% of LEs experienced a negative turnover shock, compared with only 57% of SMEs. And while turnover shrank at 86% of companies in the accommodation-food services sector, the same was true for only 51% of companies in the energy-water-waste sector.

Companies adjusted their operating expenditures significantly in response to the crisis

Across all company sizes, the relative decrease in value added was on a par with the decline in turnover (see Table 2), reflecting the fact that, on average, companies were able to adjust intermediate consumption in a more or less proportional manner.

However, EBITDA, which contracted by 16.7% overall (see Table 2), fell more steeply than turnover and value added, which declined by 7.8%. This was essentially because personnel costs (–4.6%) and production taxes (–3.9%) decreased less sharply than value added. Relative differences between company sizes were also more pronounced in EBITDA than in value added. One reason for these gaps is that assistance provided through the solidarity fund set up to help businesses get through Covid-19 is booked under "operating subsidies" and thus counts as income in our EBITDA measurement. The bulk of this aid went to SMEs.

Personnel costs fell in 2020 after a decade of successive increases. Several factors contributed to the decrease: (i) use of the partial activity (PA) job retention scheme;[5] (ii) a small headcount reduction (–1.6% overall compared with 2019); and (iii) a sharp decrease in external personnel costs (–9.2%). Changes to the CICE competitiveness and employment tax credit, meanwhile, had the opposite effect: the CICE was phased out in 2020, but in 2019 companies were able to benefit simultaneously from the CICE as well as from the charge reductions that replaced it.

Personnel costs fell by more among large enterprises (–5.2%, compared with –4.5% for ISEs and –3.9% for SMEs). A number of factors may account for this: (i) SME headcounts edged up by 0.8%, while those of ISEs and LEs declined by 1.5% and 3.9% respectively; (ii) the Cœuré Report (France Stratégie – IGF, 2021) found that non-use of government support schemes (including the

T2 From value added to EBITDA: annual changes

(%)

	Value added			Personnel costs			Production taxes			EBITDA		
	2018/2017	2019/2018	2020/2019	2018/2017	2019/2018	2020/2019	2018/2017	2019/2018	2020/2019	2018/2017	2019/2018	2020/2019
SMEs	4.8	4.7	-4.7	5.4	4.5	-3.9	7.0	-0.6	-0.3	2.3	6.1	-6.5
ISEs	3.0	2.8	-6.4	4.3	2.9	-4.5	5.4	0.3	-1.7	0.0	3.2	-13.5
LEs	1.6	3.6	-11.0	2.7	1.6	-5.2	5.0	-0.1	-5.8	-4.3	9.8	-25.0
Total	2.9	3.7	-7.8	4.0	2.9	-4.6	5.4	-0.1	-3.9	-1.2	6.7	-16.7

Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Note: See Table 1.

4 Data on all industries are available online at: *https://webstat.banque-france.fr/fr/home.do*

5 The *Autorité des normes comptables* (ANC – National Accounting Standards Board) recommends deducting PA benefits from personnel costs. In addition, PA benefits are lower than pre-crisis wages (although they may not be lower than the hourly minimum wage), and employers do not always pay wage top-ups.

PA furlough scheme) was highest among smaller firms; and (iii) since SMEs had greater exposure to the CICE (in terms of eligible wage bill), they were more affected by the tax credit's phase-out.

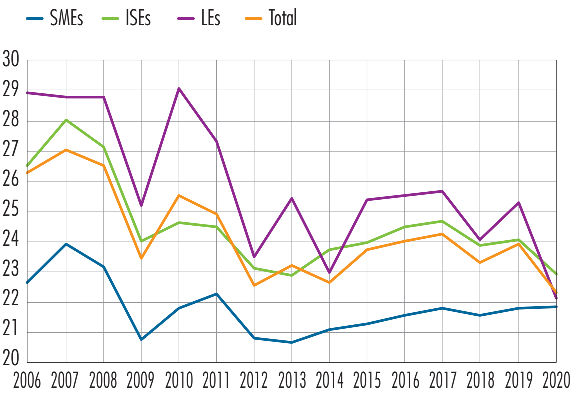
Even before the reduction in production taxes starting in 2021 announced by the government, the health crisis led to a 3.9% decrease in the tax paid by companies in 2020. The fall, which was more pronounced among LEs (–5.8%) and ISEs (–1.7%) than among SMEs (–0.3%), particularly reflects the impact of the CVAE business value added tax (which is proportional to value added).

Profit shares contracted

The overall profit share, measured as the ratio of EBITDA to value added, fell sharply to reach 22.3% in 2020 (see Chart 1), or the lowest level since our statistical series began in 1996.[6]

C1 Profit share

(%)



Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Note: The profit share is defined as the ratio of EBITDA to value added.

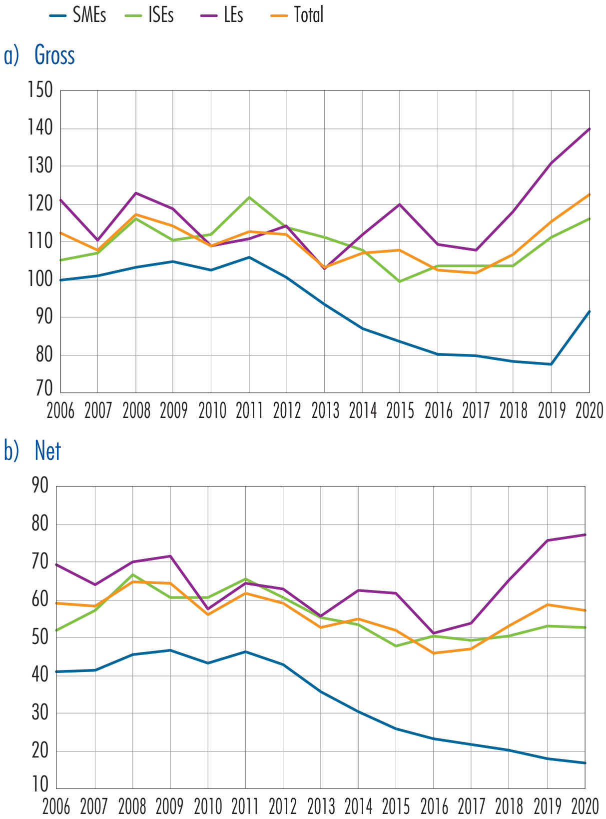
2 Companies took on debt to cope with the crisis

The gross debt ratio increased, while the ratio net of cash was steady

Changes in the leverage ratio – or debt ratio – offer a way to assess corporate debt trends. This is the ratio of financial debt to shareholders' equity. Debt is considered first on a gross basis (see Chart 2a) and then net of cash (see Chart 2b).

C2 Debt ratio

(%)



Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Note: Gross debt ratio = financial debt / shareholders' equity.
Net debt ratio = (financial debt – cash) / shareholders' equity.

6 While there was an extremely pronounced decrease among ISEs and LEs, the picture is less clear for SMEs. Chart 1 indicates that the profit share remained more or less stable, rising by 0.1 of a percentage point, but Table 2 suggests that it decreased, insofar as EBITDA fell relatively more than value added. The difference stems from the fact that Table 2 was built using balanced data, while Chart 1 uses non-balanced data.

The gross leverage ratio rose across all company sizes. The increase was driven primarily by growth in gross debt in the numerator, which went up by approximately 8% for the overall sample. Shareholders' equity increased by around 3% on aggregate in 2020. On this last point, the proportion of legal units reporting a net loss (which reduces shareholders' equity) was relatively contained, at 19.9% in 2020, compared with 16.5% on average over the previous five years (2015-2019) and 21.8% in 2009 in the aftermath of the financial crisis.

The trend is markedly different if we consider the debt ratio net of cash. In this case, we observe that net leverage decreased slightly among SMEs (–1.4 percentage points, pp), was relatively steady among ISEs (–0.5 pp) and rose moderately for LEs (1.2 pp). Across all companies in the sample, the net leverage ratio went down by 1.6 pp. For information purposes, aggregate net debt rose by just 0.4% in 2020. This virtual stability points to a substantial increase in cash that we analyse in detail in Section 3.

From a sector perspective, gross leverage increased in most industries while net leverage patterns were less uniform. Manufacturing, which accounted for 24% of value added in our sample in 2019, recorded a decrease in net leverage in 2020 (–5 pp), while trade (23% of VA) saw a moderate increase (2 pp). Outside these two major sectors, two industries stand out: construction, whose net leverage decreased substantially (–13 pp) and accommodation-food services, which recorded a sharp increase in its net debt ratio (21 pp).

However, these aggregate trends conceal considerable disparities between companies

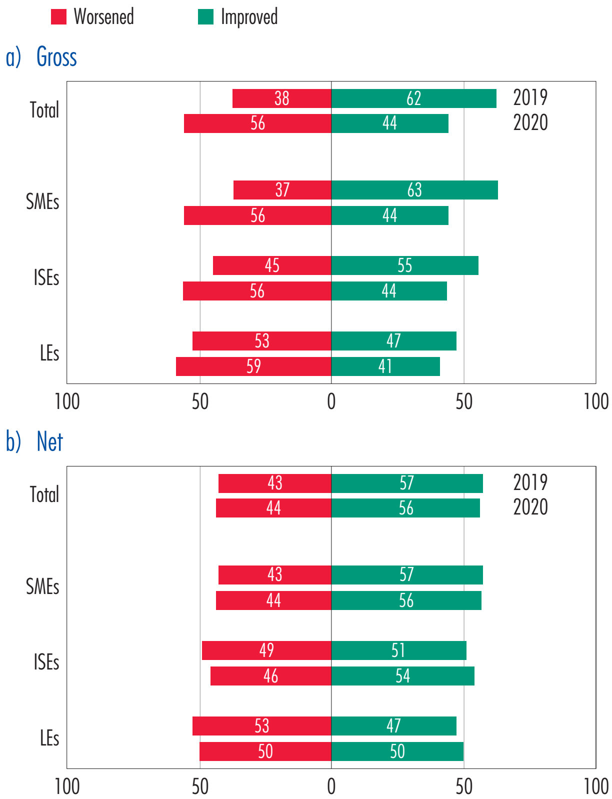
These aggregate numbers need to be interpreted with care, insofar as they conceal extremely different individual situations. To illustrate this point, Chart 3a shows the percentage of companies whose gross leverage ratio improved or worsened in 2020 compared with 2019 and in 2019 compared with 2018. Unsurprisingly, the share of companies whose leverage deteriorated was higher in 2020 than in 2019 (56%, compared with 38%). But the percentage of companies whose gross leverage improved was still substantial in 2020 (44%); moreover, this holds true for all company sizes.

There are likewise pronounced disparities when considering the net leverage ratio (see Chart 3b). In 2020, 56% of companies saw their situation improve, while 44% recorded a deterioration. The other striking point is that the distribution between improvements/deteriorations was virtually the same in 2019 (43%, compared with 57%) and in 2020 (44%, compared with 56%). This finding holds true for all sizes of company.

This echoes the results of the microsimulation exercise by Bureau et al. (2021b), who found that government support schemes made it possible to revert to a distribution

C3 Share of companies whose debt ratios improved or worsened

(%)



Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Note: By denoting CP^Y shareholders' equity in year Y (with Y = 2019 or Y = 2020), we consider that the gross leverage ratio "worsens" when: (i) $CP^{Y-1} > 0$ and $CP^Y > 0$ and the ratio increases; or (ii) $CP^{Y-1} > 0$ and $CP^Y < 0$; or (iii) $CP^{Y-1} < 0$ and $CP^Y < 0$, where $CP^Y < CP^{Y-1}$, or $debt^Y > debt^{Y-1}$. In the case of net leverage, we consider that the ratio "worsens" when: (i) $CP^{Y-1} > 0$ and $CP^Y > 0$ and net $debt^Y >$ net $debt^{Y-1}$; or (ii) $CP^{Y-1} > 0$ and $CP^Y > 0$ and net $debt^{Y-1} < 0$ and net $debt^Y < 0$, with either $CP^Y < CP^{Y-1}$, or net $debt^Y >$ net $debt^{Y-1}$; or (iii) $CP^{Y-1} > 0$ and $CP^Y < 0$.

of changes in net debt (percentage of increases and percentage of decreases) that was more or less identical to the pre-crisis distribution. Ultimately, these factors suggest that government support measures (PA, solidarity fund, government-backed loans, etc.) enabled companies of all sizes to show basically good resilience in terms of debt.

3 Corporate cash balances increased sharply

Three out of four companies strengthened their cash balances in 2020

The close of the 2020 accounting year featured a substantial increase in corporate cash. This was true across all size categories and industries (see Chart 4 and Table 3). For example, the median cash balances of SMEs, expressed in days of turnover in 2019, rose from 38 days in 2019 to 62 days in 2020, an increase of 62%, compared with 45% for ISEs and 39% for LEs. Median cash balances climbed by 49% in accommodation-food services, despite the severe impact of health-related restrictions on that sector. Overall, the vast majority of firms increased their cash in 2020: 76% of firms in the sample had more cash at end-2020 than they did at end-2019, compared with 56% in 2019 relative to 2018.

T3 Cash in days of turnover in 2019 and 2020, by industry

	2019	2020	Change (%)
Trade	26	43	67
Education, health	55	91	66
Transportation and storage	37	60	62
Manufacturing	46	73	58
Other service activities	58	91	58
Information and communication	71	111	57
Construction	41	65	56
Consultancy and business services	63	97	54
Accommodation and food services	56	84	49
Agriculture, forestry and fishing	39	58	46
Energy, water, waste	67	92	36
Real estate activities	201	236	17
Total	39	63	62

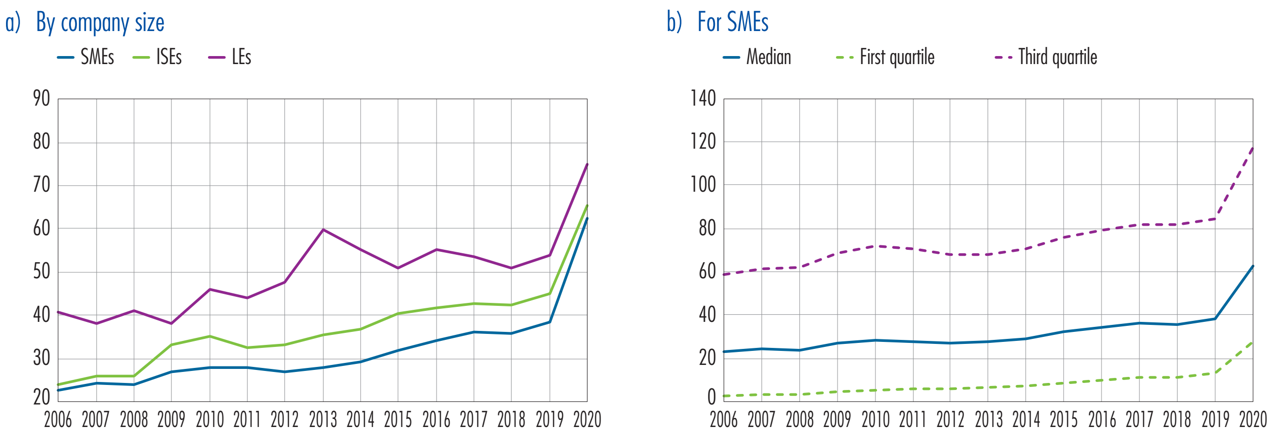
Source: Banque de France, FIBEN database, October 2021.
Scope and notes: See Chart 4.

Spending adjustments, government assistance and precautionary borrowing

The increase in cash may seem surprising given the scale of the activity shock experienced by companies in 2020. Several factors account for the change:

C4 Cash in days of turnover

(%)

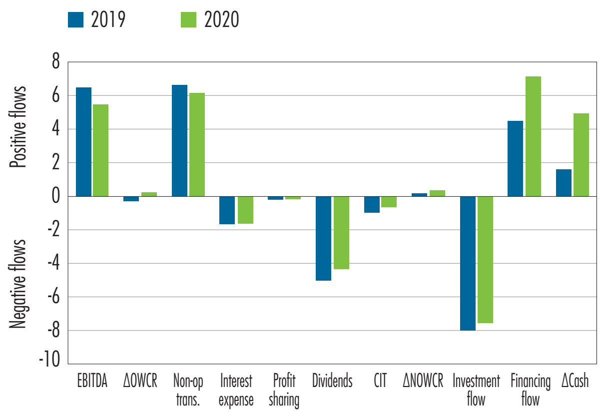


Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Notes: Chart 4a shows median cash in days of turnover for the year. For 2020 only, cash is divided by 2019 turnover to avoid artificially overestimating the increase in cash expressed in days of turnover. Cash is defined as (i) the sum of cash and cash equivalents, and net current receivables and payables within a corporate group, minus (ii) unmatured discounted bills of exchange and short-term bank liabilities. The trends remain the same when alternative cash definitions are used.

- In the first place, activity shocks as well as the ability to adapt varied considerably across companies, even within the same industry (see above and Bureau et al., 2021a). Some companies thrived in growth industries (e-commerce, bicycle repair, and so on), while others moved quickly to reorganise their manufacturing or sales structures through remote working arrangements, takeaway sales and other adjustments;

- Companies also modified their spending. As mentioned above, on average, they scaled back their intermediate consumption more or less in proportion to the turnover decline. What about other spending items? Chart 5 shows a stylised cash flow statement for French companies in 2019 and 2020.[7] It shows that the change in cash at end-2020 was partly due to a contraction in dividend payouts (around 14%) and a reduction in investment-related cash flows (–5.5%). The fact that investment held up on a relative basis is surely partly due to crisis-related spending (on equipment needed for remote working, digitalisation, etc.), to government support measures (see below), but also to the fact that the crisis had a health-based, rather than economic, origin, such that medium-term prospects, and hence investment, were not called into question. The change in working capital requirement (WCR) played a marginal role. Especially in the case of operating WCR (OWCR), the slight downturn in inventories was offset by an equivalent increase in intercompany loans, such that the small reduction in OWCR was primarily driven by an increase in non-bank debt;

C5 Main cash flows (positive and negative) in 2019 and 2020
(as a % of 2019 turnover)



Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (LME).
Notes: The chart shows a stylised representation of the cash flow statement from Appendix 3.
EBITDA: Earnings before interest, taxes, depreciation and amortisation; Non-op trans: non-operating transactions; ΔOWCR: change in operational working capital requirement; Profit sharing: employee profit sharing in company profits; CIT: company income tax; ΔNOWCR: change in non-operating working capital requirement.

- The cash balances of struggling companies were also supported more or less directly by government assistance schemes, including the PA job retention scheme, the solidarity fund, tax and social security deferrals/relief, and government-backed loans. In this regard, some economists have raised the question of potential overcompensation effects (see for example Epaulard et al., 2021);

- Finally, in an uncertain environment, precautionary loans obtained for example via government-backed loans or by tapping undrawn credit lines (see Vinas, 2020) were a key vector in the increase in corporate cash balances. In April 2021, the French Banking Federation said that about one-half of all companies held 100% of their government-backed loans in their bank accounts. Our data likewise show signs of significant hoarding: among companies whose bank debt increased in 2020, 46% of firms reported a year-end increase in cash equal to or greater than the increase in bank debt. Chart 5 shows, more generally, that net financing flows over the year accounted for much of the increase in cash holdings.

4 Profitability slipped overall, but this masked starkly contrasting situations

Measures of profitability seek to assess the ability of companies to create wealth from invested capital. Two indicators are used to measure profitability here:

7 Appendix 3 provides a table with more details, by size category.

economic profitability (return on capital employed or ROCE) and financial profitability (return on equity or ROE). Irrespective of which is considered, corporate profitability shrank in 2020 across all size categories (see Chart 6) and all industries.

However, this finding should be treated with care. If we consider, for example, companies with a five-year track record in FIBEN, from 2016 to 2020, "just" 35% of them had their worst ROE year in 2020, while 17% put in their best performance in 2020.

If we compare top-performing firms against those that had their worst year in 2020, several facts emerge: (i) SMEs are slightly over-represented (84% of companies in the first group, compared with 81% in the second); (ii) trade is over-represented (42%, compared with 34%) while accommodation-food services is under-represented (2%, compared with 5%); and (iii) the highest-rated companies are also under-represented (63% of companies with a score of 3++ to 4, compared with 70%). However, beyond these few significant differences, disparities between the two groups are limited, once again underlining the wide range of individual situations.

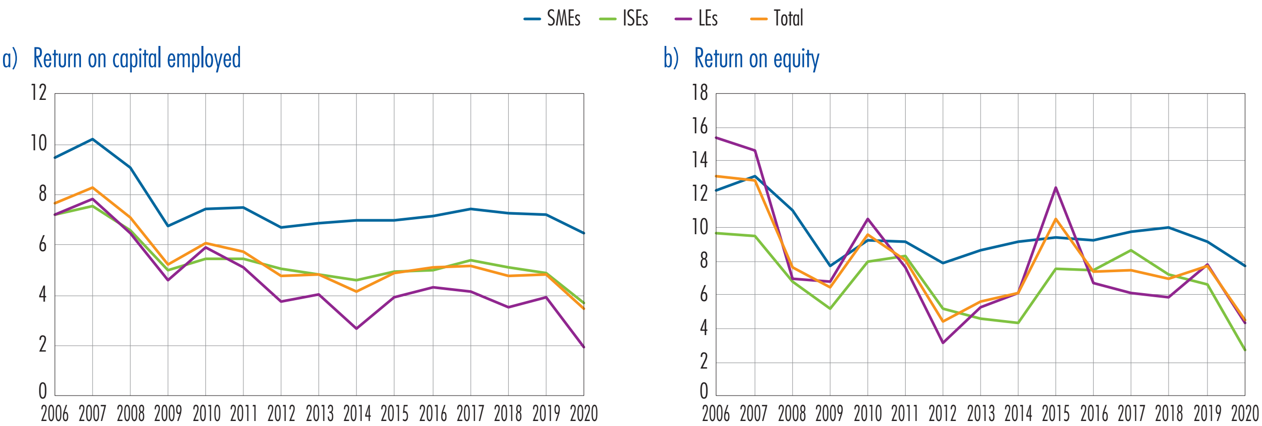
5 The health crisis did not disrupt the repayment capacity of companies

As indicated above, French firms had to cope with a major activity shock that severely impacted their profit shares, gross debt and profitability. However, spending adjustments, support mechanisms and precautionary behaviour enabled them to carry unprecedented levels of cash at the close of the 2020 financial year. In the light of these contrasting elements, the Banque de France rating is a valuable tool in determining whether the health crisis affected the repayment capacity of companies.

The Banque de France rating assesses the ability of a company to meet its financial commitments on a three-year horizon.[8] It has two major advantages over the indicators that are typically used to measure repayment capacity, such as debt / EBITDA, the interest coverage ratio[9] or financial leverage. For one thing, the rating combines several aspects of financial analysis, rather than relying on just one aspect. For another, the Banque de France supplements its quantitative analysis with qualitative data collected during interviews with business leaders.

C6 Profitability

(%)



Source: Banque de France, FIBEN database, October 2021.
Scope: Companies defined according to the Economic Modernisation Act (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.

8 For a detailed description of the Banque de France rating, see *https://entreprises.banque-france.fr/cotation*
9 The interest coverage ratio (ICR) is equal to operating earnings divided by interest expense net of interest income.

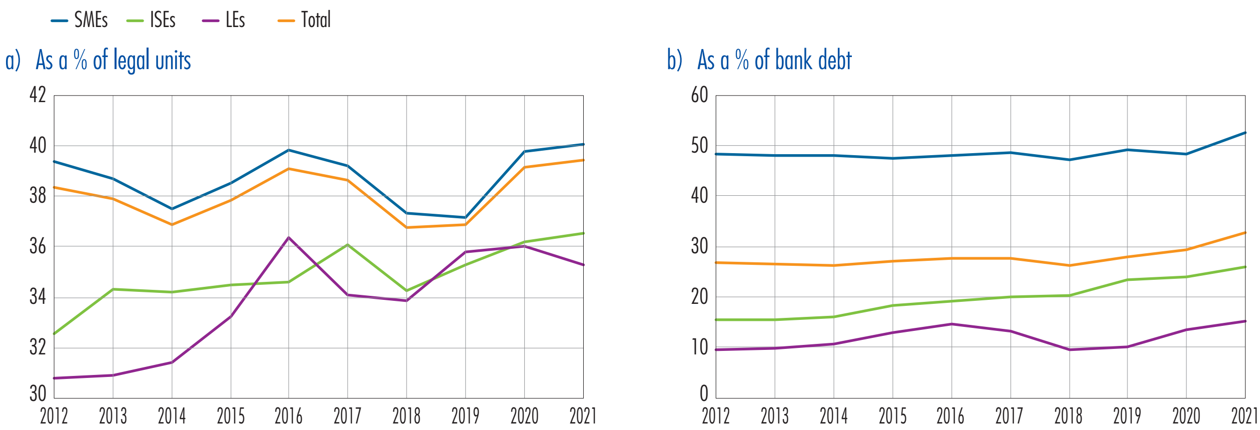
Chart 7 shows the change in the relative weight of companies rated 5+ (fairly poor ability to meet commitments) to 9 (ability is compromised) out of all companies rated by the Banque de France. The final point in the chart considers the rating at 1 October 2021, such that the impact of 2020 balance sheets is fully recognised.

The health crisis is not found to have disrupted the repayment capacity of companies. The share of the lowest-rated companies was more or less stable among SMEs (about 40%, see Chart 7a), increased slightly for ISEs (36.6% in 2021, up from 36.2% in 2020) and edged down for LEs (35.0%, after 35.9%). These variations are actually smaller than the average annual changes observed in the pre-crisis years.

The picture changes slightly if we consider the share of bank debt carried by the weakest entities (see Chart 7b). In this case, the relative weight of companies rated 5+ to 9 increases across all size categories. The increase is more pronounced for SMEs (from 48.4% to 52.6%, or 4.2 pp), than for ISEs (2.0 pp increase) and LEs (1.8 pp). These results reflect the impact of government-backed loans. Companies rated 5+ to 9 account for over 40% of the total amount of government-backed loan allocations (excluding 0-rated firms), whereas they accounted for just 27% of outstanding bank loans in 2019. Their share of total bank debt thus increased. Further, SMEs were beneficiaries of over three-quarters of the total amount of government-backed loan allocations, accounting for the sharper increase among SMEs in Chart 7b.

All in all, while companies basically held up well on the whole, some were nonetheless severely weakened by the crisis. Accordingly, the Banque de France is playing an active part in supporting businesses as they work to exit the crisis.

C7 Relative weight of legal units rated 5+ to 9 among all legal units rated by the Banque de France



Source: Banque de France, FIBEN database, October 2021.
Guide: In autumn 2021, 37% of legal units belonging to an ISE as defined by the LME had a rating of between 5+ and 9; the bank debt of entities belonging to an ISE as defined by the LME and rated between 5+ and 9 accounted for 26% of all ISE debt.
Notes: Sizes defined according to the Economic Modernisation Act (LME). Chart 7a considers the rating as at 1 October of the year. Chart 7b considers outstanding bank debt and the rating in August of the year. Companies rated 0 ("No unfavourable information") and P ("Bankruptcy") are not considered.

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Appendix 1
Method, FIBEN data and scope of the study

Method

The financial analysis methodology and definitions of the ratios used are given in "La situation des entreprises en France en 2020 – Méthodologie" (The position of businesses in France in 2020 – methodology), available online at: *https://www.banque-france.fr/en/statistics/access-series/methodologies*

FIBEN data

Unless stated otherwise, the data used in this study come from the Banque de France's FIBEN database. More specifically, the following datasets are used.

- **Corporate financial statements:** the Banque de France collects the financial statements of companies whose turnover exceeds EUR 0.75 million. Until 2012, the scope of collection also included companies meeting at least one of the following criteria: bank debt greater than EUR 0.38 million, loss of more than one-half of equity, turnover under EUR 0.75 million for the first time. The scope includes companies resident in France. In 2019, the coverage ratio stood at almost 85% of the total workforce of firms liable for company income tax. By turnover, coverage was close to 90%;
- **Financial ties:** the Banque de France records financial ties and analyses the percentage of equity owned by other companies, distinguishing whether the owner is itself a non-financial corporation (including holding companies), a financial institution (bank, mutual fund or insurance corporation), a natural person (private individual or employee), the government, or a non-resident company. Independent companies are distinguished from those that are part of a corporate group.

Scope

The study covers firms liable for company income tax that are included in FIBEN. Sectors KZ (financial activities excluding holding companies) and O (governmental activities) were excluded.

Appendix 2
Company size and industry

Implementing Decree No. 2008-1354 of the French Economic Modernisation Act, which deals with the classification of enterprises for the purposes of statistical and economic analysis, builds on European Commission definitions to specify company size categories and the criteria for determining them. There are four criteria in total: headcount, turnover, total assets and, implicitly, the financial ties linking legal units. Note that a legal unit is considered to be a legal entity with a legal identification number (Siren).

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

Companies may therefore comprise a single legal unit or be made up of a set of legal units. Where a company comprises a set of 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 result in double-counting between units in the same company, although some variables are statistically restated for double-counting (see note on methodology).

Company sizes are defined as follows:

- **Small and medium-sized enterprises (SMEs)** include firms that employ fewer than 250 people and have annual turnover not exceeding EUR 50 million or total assets not exceeding EUR 43 million;

- **Intermediate-sized enterprises (ISEs)** include firms that are not counted as SMEs, that employ fewer than 5,000 people and have annual turnover not exceeding EUR 1.5 billion or total assets not exceeding EUR 2 billion;

- **Large enterprises (LEs)** are companies that are not included in the previous categories.

Industry nomenclature derives from the French industry nomenclature, second revision (NAF, rev. 2, 2008).

In the case of a company with multiple legal units, the industry designation is determined based on industry groupings of the legal units. The selected industry designation is the one whose legal units make up the company's largest turnover share, provided that this percentage exceeds 50%. Otherwise, the industry designation is decided on the basis of the headcount criterion, again provided that the share exceeds 50%. Failing that, we return to a turnover-based classification, selecting the industry whose units make up the largest share.

TA1 Average size of each company category in 2020

(number of employees, turnover, value added, financial debt, bank debt and shareholders' equity in EUR million)

	Number of companies	Number of legal units[a)]	Number of balance sheets[b)]	Average permanent workforce	Average turnover	Average value added	Average financial debt	Average bank debt	Average shareholders' equity
Total	220,836	482,688	331,622	52	15	4	10	3	8
SMEs	214,527	387,372	282,765	19	4	1	1	1	2
ISEs	6,044	70,097	37,028	582	189	49	112	50	96
LEs	265	25,219	11,829	14,177	4,933	1,257	4,428	629	3,167

Source: Banque de France, FIBEN database, October 2021.
Scope: Companies as defined by the LME; all market activities excluding sectors KZ (financial activities excluding holding companies) and O (governmental activities).
Note: SME: small and medium-sized enterprise; ISE: intermediate-sized enterprise; LE: large enterprise.
a) Number of units included in the scope of the company as defined by France's Economic Modernisation Act (LME), whether or not the balance sheet appears in the FIBEN database.
b) Number of balance sheets in the FIBEN database and used in the study.

TA2 Economic weight of companies in 2020

(number of employees in thousands, turnover, value added, financial debt, bank debt and shareholders' equity in EUR billion)

	Number of companies	Number of legal units[a)]	Number of balance sheets[b)]	Permanent workforce	Turnover	Value added	Financial debt	Bank debt	Shareholders' equity
Total	220,836	482,688	331,622	11,293	3,366	910	2,166	684	1,767
By size									
SMEs	214,527	387,372	282,765	4,022	916	284	316	214	345
o/w subsidiaries of foreign companies	*8,071*	*21,728*	*10,660*	*294*	*100*	*28*	*38*	*15*	*32*
ISEs	6,044	70,097	37,028	3,514	1,143	293	676	303	583
o/w subsidiaries of foreign companies	*1,645*	*13,246*	*6,872*	*1,047*	*423*	*105*	*156*	*44*	*153*
LEs	265	25,219	11,829	3,757	1,307	333	1,173	167	839
By industry									
Agriculture, forestry and fishing	4,085	6,089	4,813	70	16	6	14	8	12
Manufacturing	28,352	72,870	49,032	2,385	874	218	468	109	476
Energy, water, waste	2,447	11,076	5,846	390	167	52	317	38	135
Construction	35,508	65,794	48,668	1,016	213	79	122	49	114
Trade	84,938	160,481	120,130	2,787	1,404	221	410	133	470
Transportation and storage	9,043	20,765	15,251	840	156	55	176	52	116
Accommodation and food services	8,729	23,700	14,912	432	37	15	53	23	24
Information and communication	7,303	18,173	11,309	665	181	90	173	41	145
Real estate activities	4,765	17,534	7,136	127	42	24	224	134	127
Consultancy and business services	26,853	64,410	40,615	2,027	217	116	150	70	99
Education, health	6,419	15,539	10,239	422	45	27	44	23	34
Household services	2,394	6,257	3,671	130	16	8	16	4	14

Source: Banque de France, FIBEN database, October 2021.
Scope: Companies as defined by the LME; all market activities excluding sectors KZ (financial activities excluding holding companies) and O (governmental activities).
Note: SME: small and medium-sized enterprise; ISE: intermediate-sized enterprise; LE: large enterprise.
a) Number of units included in the scope of the company as defined by France's Economic Modernisation Act (LME), whether or not the balance sheet appears in the FIBEN database.
b) Number of balance sheets in the FIBEN database and used in the study.

TA3 Economic weight of companies in 2020

(distribution as a %)

	Number of companies	Number of legal units[a)]	Number of balance sheets[b)]	Permanent workforce	Turnover	Value added	Financial debt	Bank debt	Shareholders' equity
By size									
SMEs	97.1	80.3	85.3	35.6	27.2	31.2	14.6	31.3	19.5
o/w subsidiaries of foreign companies	*3.7*	*4.5*	*3.2*	*2.6*	*3.0*	*3.1*	*1.7*	*2.2*	*1.8*
ISEs	2.7	14.5	11.2	31.1	34.0	32.2	31.2	44.3	33.0
o/w subsidiaries of foreign companies	*0.7*	*2.7*	*2.1*	*9.3*	*12.6*	*11.6*	*7.2*	*6.4*	*8.7*
LEs	0.1	5.2	3.6	33.3	38.8	36.6	54.2	24.4	47.5
By industry									
Agriculture, forestry and fishing	1.8	1.3	1.5	0.6	0.5	0.6	0.6	1.2	0.7
Manufacturing	12.8	15.1	14.8	21.1	26.0	24.0	21.6	16.0	26.9
Energy, water, waste	1.1	2.3	1.8	3.5	5.0	5.8	14.6	5.5	7.7
Construction	16.1	13.6	14.7	9.0	6.3	8.6	5.6	7.2	6.5
Trade	38.5	33.2	36.2	24.7	41.7	24.3	18.9	19.4	26.6
Transportation and storage	4.1	4.3	4.6	7.4	4.6	6.0	8.1	7.5	6.6
Accommodation and food services	4.0	4.9	4.5	3.8	1.1	1.6	2.4	3.3	1.3
Information and communication	3.3	3.8	3.4	5.9	5.4	9.9	8.0	6.0	8.2
Real estate activities	2.2	3.6	2.2	1.1	1.2	2.6	10.3	19.6	7.2
Consultancy and business services	12.2	13.3	12.2	17.9	6.4	12.8	6.9	10.3	5.6
Education, health	2.9	3.2	3.1	3.7	1.4	2.9	2.1	3.3	1.9
Household services	1.1	1.3	1.1	1.2	0.5	0.8	0.7	0.7	0.8

Source: Banque de France, FIBEN database, October 2021.
Scope: Companies as defined by the LME; all market activities excluding sectors KZ (financial activities excluding holding companies) and O (governmental activities).
Note: SME: small and medium-sized enterprise; ISE: intermediate-sized enterprise; LE: large enterprise.
a) Number of units included in the scope of the company as defined by France's Economic Modernisation Act (LME), whether or not the balance sheet appears in the FIBEN database.
b) Number of balance sheets in the FIBEN database and used in the study.

Appendix 3

Cash flow statement for French companies in 2019 and 2020

Cash flow statement

(as a % of 2019 turnover)

	SMEs		ISEs		LEs		Total	
	2019	2020	2019	2020	2019	2020	2019	2020
Earnings before interest, taxes, depreciation and amortisation	**6.8**	**6.4**	**6.1**	**5.3**	**6.7**	**5.0**	**6.5**	**5.5**
(–) Change in OWCR	0.3	-0.4	0.4	-0.4	0.2	0.0	0.3	-0.2
(=) Cash flow from operating activities	**6.5**	**6.8**	**5.6**	**5.7**	**6.5**	**5.0**	**6.2**	**5.7**
(+) Other non-operating transactions	2.3	2.4	5.9	5.0	9.8	9.3	6.6	6.2
(–) Interest expense	0.8	0.7	1.6	1.6	2.2	2.2	1.7	1.6
(–) Profit-sharing	0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.2
(–) Dividends paid	2.6	2.6	4.3	3.2	7.0	6.2	5.0	4.3
(–) Company income tax	1.1	1.1	0.9	0.7	0.9	0.3	1.0	0.6
(–) Change in NOWCR	-0.4	-0.2	-0.2	0.1	0.0	-0.8	-0.2	-0.4
(=) Total cash flow	**4.5**	**4.9**	**4.6**	**4.9**	**5.9**	**6.2**	**5.1**	**5.4**
Net cash flow from investment	**4.1**	**4.0**	**6.3**	**6.4**	**11.7**	**10.6**	**8.0**	**7.6**
Change in equity financing	0.5	0.7	1.4	1.7	-1.8	3.4	-0.1	2.1
(+) Change in long-term debt	0.9	4.7	0.9	4.2	7.1	6.3	3.5	5.2
(+) Change in cash liabilities	0.0	-0.4	0.7	-0.1	2.1	-0.2	1.1	-0.2
(=) Net cash flow from financing	**1.4**	**5.0**	**3.0**	**5.8**	**7.4**	**9.4**	**4.5**	**7.1**
Change in cash assets[a]	**1.8**	**5.8**	**1.3**	**4.3**	**1.7**	**5.0**	**1.6**	**5.0**
Change in net cash[b]	**1.8**	**6.2**	**0.7**	**4.4**	**-0.4**	**5.2**	**0.5**	**5.2**

Source: Banque de France, FIBEN database, October 2021.
Note: SME: small and medium-sized enterprise; ISE: intermediate-sized enterprise; LE: large enterprise.
OWCR: operating working capital requirement; NOWCR: non-operating working capital requirement.
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.

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