



Country Report
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ESF+ Study on Workers' Buyout FRANCE



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Abbreviations

Abbreviation	Full Name
ADEME	Environmental and energy agency (Agence de la transition écologique)
CEA	Alternative energy and atomic energy commission (Commissariat à l'énergie atomique et aux énergies alternatives)
CEO	Chief executive officer
CECOP	European Confederation of industrial and service cooperatives
CGSCOP	National Confederation of the Cooperatives (Confédération générale des SCOP)
CRA	Company Sales and Acquisitions (Cédants et Repreneurs d'Affaires)
EaSI	Employment and Social Innovation
EDF	Public French electricity company (Électricité de France)
EIF	European Investment Fund
ERDF	European Regional Development Fund
ESF+	European Social Fund Plus
EU	European Union
INSEE	National Statistics Office (Institut National de la Statistique et des Études Économiques)
LMBO	Leveraged Management Buyout
NUTS	Nomenclature of territorial units for statistics
SA	Public limited company (Société Anonyme)
SARL	Limited company (Société à responsabilité limitée en France)
SAS	Simplified joint-stock company (Société par actions simplifiée)
SCOP	Cooperative production company (Société coopérative de production)
SCIC	Cooperative Company of Collective Interest (Société coopérative d'intérêt collectif)
SOCODEN	Cooperative society for development and mutual aid (Société coopérative de développement et d'entraide)
SME	Small and medium-sized enterprise
URSCOP	Regional branch of the National Confederation of Cooperatives (Union Régionale des SCOP)
VSE	Very small enterprise
WBO(s)	Workers' Buyout(s)

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In France, workers' buyout (WBO) takes the form either of a leveraged management buyout (LMBO) or the establishment of a specific type of cooperative, what is known as a cooperative production company (Société coopérative de production, SCOP) – hereafter referred to as cooperative, in which employees are also associates (or shareholders). The French legal framework has evolved to facilitate business transfers through a cooperative. Different instruments and actors are present in the ecosystem to finance, support and advise enterprises that are looking into the possibility of a WBO.

This country report is part of the fi-compass ESF+ Study on Worker's Buyout¹ undertaken at EU level with a focus on mapping the WBO frameworks in France, Spain, Italy and Slovenia and aimed at enhancing ESF+ managing authorities' capacities to assess use of their programme resources in support of workers buyouts (WBOs).

This document firstly outlines the current situation with regards to WBO in France, which is followed by a presentation of solutions and challenges on both the demand and supply side of finance to support WBO. There is an analysis of market gaps and three company case studies to look in-depth at ways in which workers have bought out their companies through a cooperative. The report ends with the potential use of European Social Fund Plus (ESF+) and European Union (EU) funding resources and recommendations.

¹ fi-compass, 2025, ESF+ Study on Worker's Buyout, available at: <https://demo.fi-compass.eu/esfplus/workers-buyout>.

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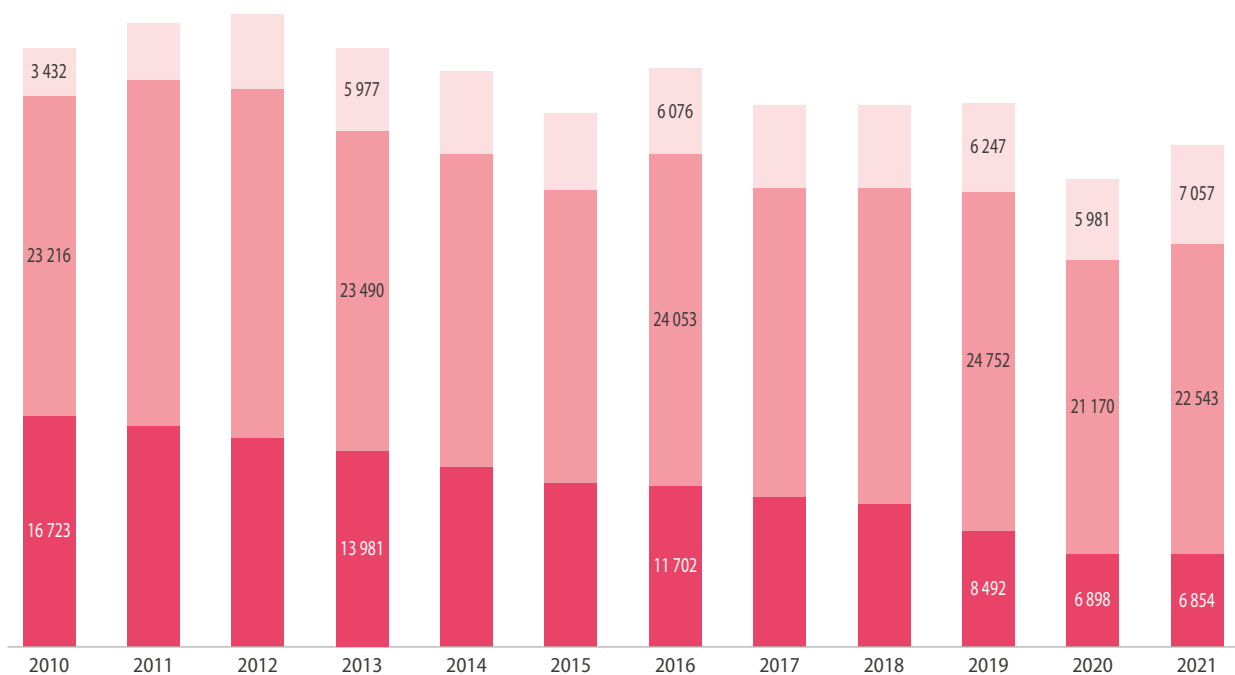
Current situation of the WBO

There is **no harmonised and publicly available statistical data on business transfers in France**, defined as the transfer of the ownership of a company to external investor(s), family member(s) of the owner, manager(s) or company workers. The National Statistics Office (Institut National de la Statistique et des Études Économiques, INSEE) stopped monitoring business transfers in 2007. The most reliable figures on the matter are those produced by BPCE L'Observatoire².

Its latest available report (July 2022) notes that **the number of business transfers has fallen steadily in recent years³**:

- Between 2010 and 2019, -19%, then -16% between 2019 and 2021.
- In 2021, there was a slight upturn for small and medium-sized enterprises (SMEs) and mid-caps. In 2021, around 35 000 businesses were sold.

Figure 1: Evolution of the number of business transfers in France by year and type of enterprise.



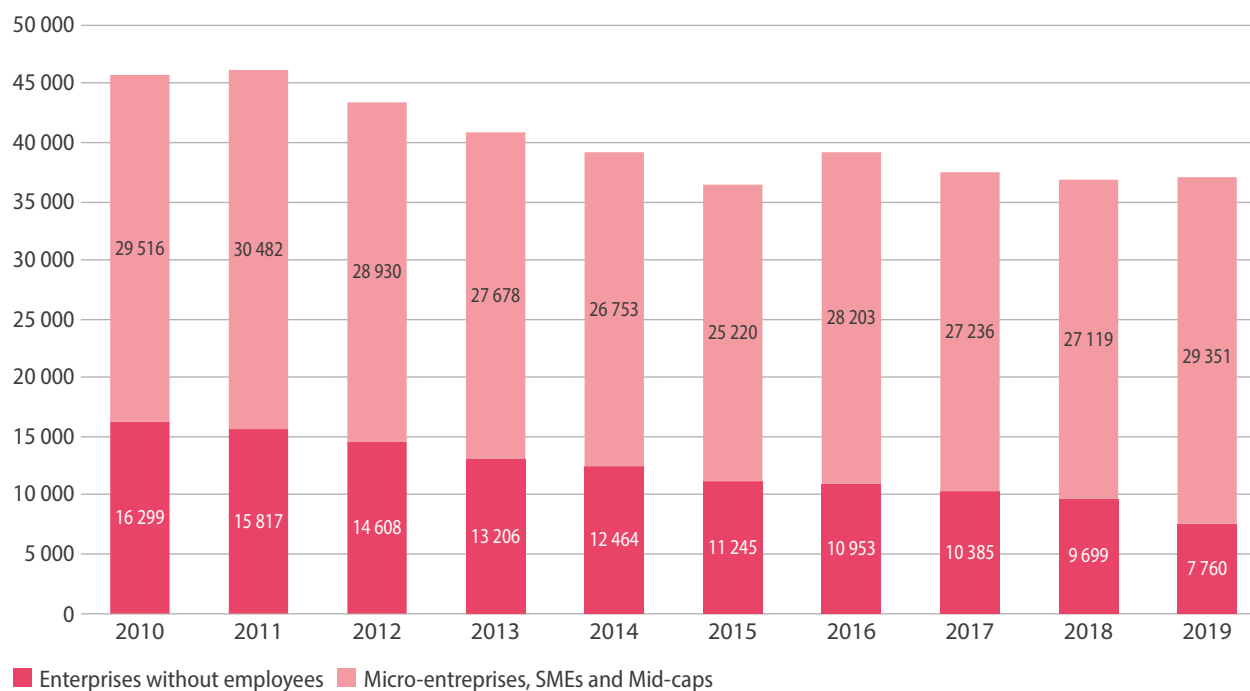
Source: Bodacc, estimations by BPCE, July 2022. Response to survey questionnaire of the French Senate.

² BPCE Observatoire is the research and economics department of the Banque Populaire Caisse d'Épargne Group.

³ Senate report 2022-2023/33 of 7 October 2022 drawn up on behalf of the Enterprise Delegation by the follow-up mission on business transfers. Accessed on 17 May 2023, available at: <https://www.senat.fr/rap/r22-033/r22-033.html>.

This overall declining trend is not homogenous and varies considerably according to company size⁴. Notably, the fall in the number of business transfers, from 16 723 in 2010 to 6 854 in 2021, was mainly attributable to companies without employees. Conversely, business transfers of companies with less than 10 employees (micro-enterprises) remained relatively stable over the decade from 23 216 in 2010 to 22 543 in 2021, while those of SMEs and mid-caps rose from 3 432 in 2010 to 7 057 in 2021, Most of this growth occurred in the period to 2016, since when the number of transfers has been stable. This relatively gloomy position for transfers is largely the result of a negative trend in sales of companies without employees, which accounted for three out of 10 transactions on average over the period.

Figure 2: Evolution of business transfers by type of enterprise: Enterprises without employees vs. Micro-enterprises, SMEs and mid-caps, 2010-2019.



Source: Tourdjman, A., Laugier, J., BPCE Group (2021). Buyouts of SMEs and Mid-Caps in 2019.

Paradoxically, the ageing of company founders and managers – in 2020, 25% of founders and managers were over 60 and 11% were over 66 – did not lead to a large wave of business transfers. When managers over 60 indicated their intention to sell, they did so in less than half the cases. The reasons for this include being unprepared, lack of time, asking prices for sales being too high, and difficulties in finding a trustworthy buyer.

The issue of business transfers in France remains a major challenge. There is a structural ageing of the business community, with baby boomers coming to the end of their careers. In addition, the post-COVID-19 pandemic economic slowdown could lead many business owners to pass on their business sooner than expected. According to the report of the French Senate (October 2022)⁵, the estimated number of businesses to be sold over the next 10 years varies from 250 000 (according to the Ministry of Economy, Directorate of Economy) to 700 000 (according to the French Federation of Chambers of Commerce).

⁴ Tourdjman, A., Laugier, J., BPCE Group (2021) Buyouts of SMEs and Mid-Caps in 2019.

⁵ Senate report 2022-2023/33 of 7 October 2022 drawn up on behalf of the Enterprise Delegation by the follow-up mission on business transfers. Accessed on 9 November 2023, available at: <https://www.senat.fr/rap/r22-033/r22-033.html>.



Business transfers are generally carried out by:

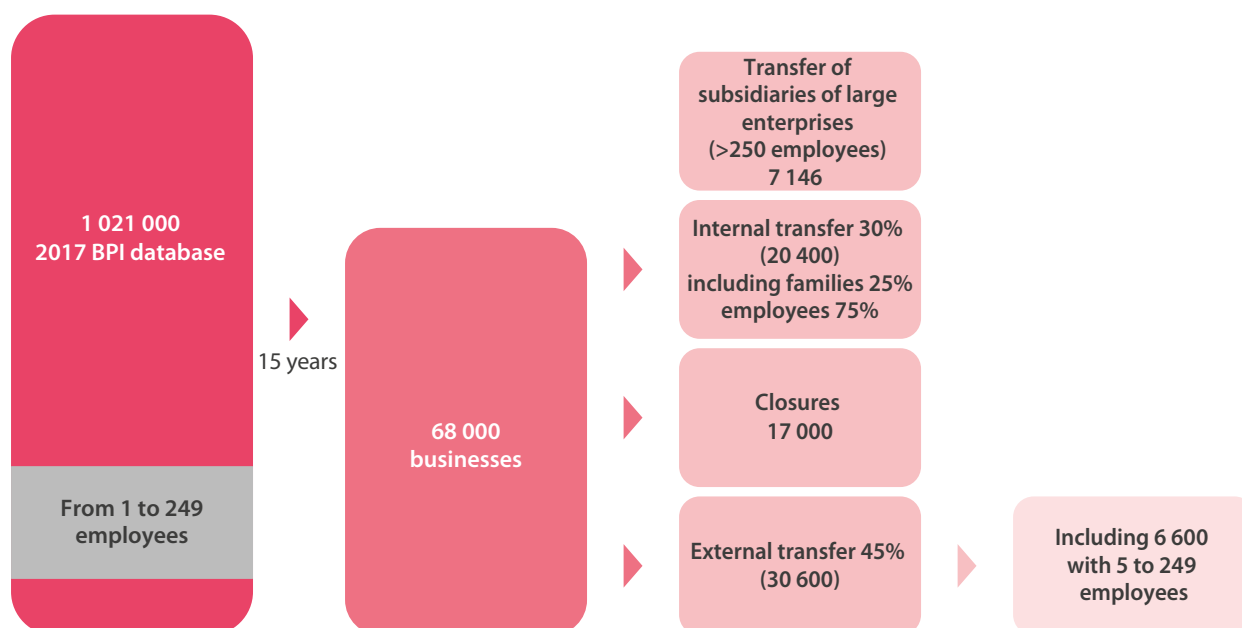
- External investors/buyers.
- Family of the company directors.
- Employees/workers.

WBOs account for a secondary share of all business transfers^{6,7}, although they are not measured statistically.

In 2019, the Company Sales and Acquisitions observatory (Cédants et Repreneurs d'Affaires, CRA) estimated the annual potential market for business transfers at 68 000 businesses (with between 1 and 249 employees). This excludes commercial property or business capital, agricultural businesses. Of the 68 000, an estimated 20 400 (30%) will be sold internally (families and employees), including 15 000 businesses sold to employees; 17 000 will disappear, and 30 600 will be sold to an external third party⁸.

In addition, according to the National Confederation of Cooperatives (Confédération générale des SCOP, CGSCOP), **about 200 cooperatives** are created each year; **half of them (circa 100) result from a business transfer** and the other half are created from scratch. **These numbers seem to be stable over time.**

Figure 3: Potential market for business transfers, including WBO.



Source: The National Observatory for Business Buyers and Transferors of very small enterprises (VSEs) and SMEs, 2019.

6 Aubry, C., Wolff, D. (2016) 'Business transfer: A complex object of study, between management sciences, anthropology and psychology (La transmission d'entreprise : Un objet d'étude complexe, entre sciences de gestion, anthropologie et psychologie)', *Vie et sciences de l'entreprise*, Vol. 2016/1, No 201, pp. 32 -50.

7 Senate report 2016-2017/440 of 23 February 2017 on Modernising business transfers in France: urgency for employment in our territories (Moderniser la transmission d'entreprise en France: une urgence pour l'emploi dans nos territoires), pp. 121, available at: <https://www.senat.fr/rap/r16-440/r16-440.html>.

8 The National Observatory for Business Buyers and Transferors of very small enterprises (VSEs) and small and medium-sized enterprises (SMEs) (L'Observatoire national cra de la transmission des TPE/PME)(2019). Accessed on 16 December 2023, available at: <https://www.cra.asso.fr/uploads/Observatoire-CRA-2019-maj21-06-19.pdf>.



A WBO is generally considered high risk, because if it fails, workers lose both their jobs and their assets. In addition, it appears that an employee shareholding in a company, when it is significant, may be an obstacle to a potential future sale to external investors.

However, WBOs are regularly cited as one of the most effective solutions for avoiding the closure or dismantling of businesses in cases of succession or financial difficulties. Studies on business transfers emphasise the benefits of internal takeovers in terms of both business survival and long-term job preservation: “Employee takeovers are estimated to increase the lifespan of businesses by between 11% and 19%, and to have no significant impact on the dynamism of long-lasting businesses”⁹.

2.1 Applicable legal framework

Since the early 2000s, the applicable legal framework for WBO has been reviewed and new incentives have been put in place to facilitate business transfers to workers.

Firstly, the WBO regime benefits from enabling conditions that have been set out in the Labour Code¹⁰. Employees willing to set up or take over a business can temporarily leave their job to concentrate on their new activity, either as part of the ‘leave for setting up or taking over a business, or as part-time work for setting up or taking over a business. If the employee starts or takes over a business, they can also benefit from a waiver of the exclusivity clause during the first year of activity (and in some cases beyond)¹¹.

Secondly, the Law 2014/856 on social and solidarity economy (Law on social economy)¹² obliges business owners “to inform employees of their intention to sell no later than two months before the sale, to enable them to submit a purchase offer”. The rationale is to facilitate the WBO by disclosing the information about the sale and offering workers the opportunity to propose a company buyout. Since then, this provision of the law has been heavily criticised by the employers’ confederation, which says that the obligation to inform employees can destabilise the running of a company and be detrimental to its financial performance (see chapter Volumes of WBO). The French Senate has twice introduced amendments to cancel this provision.

Beyond this general framework, there are two main ways to make a sale transfer of a business to employees or workers in France: **LMBO** and **WBO through the creation of a cooperative** under French law¹³. In the following sections, we highlight the specific regulations and tax incentives that apply in each case.

9 Ferrero, G., and de Loubens. A. (2013), Should we encourage business transfers to family or employees? DG Trésor, Vol. 2013, No 6.

10 Labour Code (Code du travail), Art. L122-32-12 approved by the Law 2008/67 of January 21 2008 ratifying Ordinance No. 2007-329 of March 12, 2007 relating to the Labour Code (legislative part) (Loi n° 2008-67 du 21 janvier 2008 ratifiant l'ordonnance n° 2007-329 du 12 mars 2007 relative au code du travail (partie législative). Accessed on 20 October 2023, available at: https://www.legifrance.gouv.fr/codes/texte_lc/LEGITEXT000006072050.

11 An exclusivity clause is a working contract clause which prohibits an employee from carrying out another complementary professional activity in parallel.

12 Law 2014/856 of 31 July 2014 on the social and solidarity economy (Loi 2014/856 du 31 juillet 2014 relative à l'économie sociale et solidaire), Art. 18-20. Accessed on 19 July 2023, available at: <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000029313296>.

13 In this chapter, we exclude the donation of the business to the employees.



WBOs through a holding company (LMBO)

The company director offers to sell his company to his employees. The employees form a holding company (buyout holding), which (usually) takes out a loan with a bank to acquire the shares in the company to be bought. The loan is repaid through dividends paid out by the operating company. These dividends will be subject to low corporation tax at the holding company level (effective rate limited to 1.25% under the parent company/ subsidiary regime).

French law provides for two tax incentives to encourage WBOs in the form of LMBOs, which were due to expire on 31 December 2023, but which were extended for another year in the Law 2023/1322 on finances for 2024 (1) (Finance Law)^{14,15}:

- The buyout holding company subject to corporation tax and set up by employees to buy out all or part of their employer company is entitled to a tax credit equal to the amount of corporation tax payable by the operating company for the previous financial year (before deducting tax reductions and credits), in proportion to the voting rights attached to the shares in the operating company held indirectly by the employees via the buyout holding company. This tax credit is capped at the amount of interest payable by the buyout holding company in respect of loans taken out to buy back the shares (General Taxation Code¹⁶, Art. 220-9). Only 45 companies benefitted from the tax credit in 2018 for a public expenditure of less than EUR 500 000¹⁷.
- The second specific tax advantage granted to these buyout holding companies is the exemption from registration duties payable by the holding company created by the employees to buy out their company before 31 December 2022 (General Taxation Code, Art. 732 bis).

In addition, a measure to incentivise WBOs is linked to the vendor, when it grants the employees a 'vendor loan' ('credit vendeur'). In principle, from the vendor side, the tax on the capital gains is due in the year of the sale (in September $n + 1$, taking into account the deadline for filing the income tax application), notwithstanding the payment period granted to the transferee, which complicates the vendor's cash management. Nevertheless, in the event of a majority sale, the income tax relating to the capital gain realised by the vendor may be deferred for a maximum of five years, without exceeding the payment period granted to the transferee (General Taxation Code, Art. 1681). This scheme is not specific to WBOs and is reserved for small businesses with less than 50 employees and a balance sheet total or turnover not exceeding EUR 10 million for the financial year in which the sale takes place.

14 Law 2023/1322 of 29 December 2023 on finances for 2024 (1) (Loi n° 2023-1322 du 29 décembre 2023 de finances pour 2024 (1)). Accessed on 18 October 2023, available at: <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000048727345>.

15 The Finance Act sets the state budget for the next fiscal year. Adopted by Parliament before 31 December for the year to come.

16 General Taxation Code (Code général des Impôts), Art. 220-9 approved by the Law 2008/776 of 4 August 2008 on the modernisation of the economy (Loi n° 2008-776 du 4 août 2008 de modernisation de l'économie (1)), Article 732bis; Modified by Law 2019-1479 of 28 December 2019 on finances for 2020 (Loi n° 2019-1479 du 28 décembre 2019 de finances pour 2020 (1)) - art. 29 (V) Accessed on 18 October 2023, available at: https://www.legifrance.gouv.fr/codes/texte_lc/LEGITEXT000006069577/.

17 Senate report 2022-2023/33 of 7 October 2022 drawn up on behalf of the Enterprise Delegation by the follow-up mission on business transfers. Accessed on 18 October 2023, available at: <https://www.senat.fr/rap/r22-033/r22-033.html>.



WBOs through a cooperative

The term 'cooperative' refers to companies with **SCOP status** or **Cooperative Company of Collective Interest (Société coopérative d'intérêt collectif, SCIC) status**. Subject to the same profitability imperatives as any other company, both types of cooperative benefit from democratic governance and a distribution of profits that gives priority to the long-term protection of jobs and the company's survival. In 2022, 76% of cooperatives had a five-year survival rate, outperforming the 61% rate for typical French businesses¹⁸. This rate has increased by three points since 2021 according to the cooperative movement.

The most common form of cooperative is the SCOP. The least common, but growing in number, is the SCIC. **In 2022, there were 4 406 cooperatives** (2 606 SCOP and 1 359 SCIC), providing 82 000 jobs and generating a turnover of EUR 8.4 billion. 15% of which originated from WBO¹⁹.

Each type of cooperative (SCOP or SCIC) can opt for three different legal forms:

- SARL - limited company (Société à responsabilité limitée en France) or Ltd.
- Public limited company (Société Anonyme, SA) - public limited company.
- SAS (Société par actions simplifiée) is a sort of limited company but more flexible and less regulated in terms of governance, decision making, and number of shareholders.

SCOP status was introduced in France in 1947. A SCOP is "formed by workers of all categories or professional qualifications, associated to exercise their professions in common in an enterprise which they manage directly or through the intermediary of agents appointed by them and within the enterprise" (Law 78/763 on the Statute of Producer Cooperative Societies (Law on Cooperative Societies))²⁰. They can take the form of a SARL (limited company or Ltd.), SA (public limited company), or SAS with variable capital (Law on Cooperative Societies, Art. 3).

Main features of a SCOP:

- In a SCOP, workers hold at least 51% of the share capital and 65% of the voting rights. External third-party investors may also become shareholders, but their voting rights are capped at 35%.
- Each shareholder has equal voting rights, regardless of the capital held, on the principle of one person = one vote. At the Annual Shareholder Meeting, the shareholders decide on the company's strategic direction, major investments, and the distribution of profits.
- Manager(s) run(s) the company on a day-to-day basis, but they are elected at general meetings, where the associated workers also take part. The management of a SCOP is treated in the same way as an employee, and benefit(s) from social security cover.
- Profits are shared fairly. These profits are distributed between the employees (profit-sharing and incentive schemes) (minimum 25%), the SCOP's reserves (minimum 15% for the legal reserve, plus an additional minimum of 1%), and the workers' shareholders (dividends).
- The share of profits placed in reserves helps to consolidate the company's equity and secure future investments.

Source: Author, based on information from CGSCOP²¹.

¹⁸ *Les Scop coop.* [Online]. Accessed on 16 December 2023, available at: <https://www.les-scop.coop/chiffres-cles-2022#:~:text=Le%20taux%20de%20p%C3%A9rennit%C3%A9%20%20%20C3%A0,illustrer%20la%20solidit%C3%A9%20des%20coop%C3%A9ratives.>

¹⁹ Ibid.

²⁰ Law 78/763 of 19 July 1978 on the Statute of Producer Cooperative Societies (Loi 78/763 du 19 juillet 1978 portant statut des sociétés coopératives de production), Art. 1. Accessed on 23 September 2023, available at: <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000000339242/>.

²¹ CGSCOP, *Your first steps towards taking over businesses by employees (Vos premiers pas pour la reprise d'entreprises par les salariés)*. Accessed on 20 October 2023, available at: <https://www.les-scop-idf.coop/system/files/inline-files/GUIDE%20SCOP%20reprise%20entreprise.pdf>.



SCICs were created by Law 2001/624 on various social, educational and cultural provisions (Law on various social provisions)²², as a 'hybrid' form of company at the crossroads of a non-profit association and a commercial company. Their legal status was revised in 2014 by the Law on social economy to encourage the development of this form of enterprise.

Main features of SCICs:

- SCICs obey principles shared with other cooperative societies, such as democratic governance and limits on the remuneration of members' shares.
- However, they differ from SCOPs in certain ways: their purpose is to produce or supply goods and services of collective interest, with a social utility character; they are multi-stakeholder, associating co-operators of different kinds; and surplus reserves are strictly non-distributable. Anchored in a geographical territory, or within a professional community, or dedicated to a specific public, the SCIC can cover any type of activity that provides services to organisations or individuals, without any restriction. It enables any individual or legal entity under private or public law to be associated around a common project.
- To set up a SCIC, it is essential to include:
 - employees;
 - beneficiaries (customers, suppliers, volunteers, collectives of all kinds, etc.); and
 - a third type of partner, depending on the company's ambitions (private enterprise, financiers, non-profit association, etc.).
- Local authorities, and other territorial public organisations can become associates and hold up to 50% of the capital.

Source: Author.

The WBO in the form of a cooperative (SCOP or SCIC) benefits from specific tax incentives²³. For employees, the cooperative will deduct from the taxable result of the company the share of the profit distributed to the employees (25%), reducing the amount of corporation tax paid by the company. For the vendor, it will benefit from a reduction or exoneration of tax on the capital gains proportionate to the numbers of years the share capital of the business transferred is held.

22 Law 2001/624 of 17 July 2001 on various social, educational and cultural provisions (Loi 2001/624 du 17 juillet 2001 portant diverses dispositions d'ordre social, éducatif et culturel). Accessed on 21 August 2023, available at: <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000000757800>.

23 Leyrat, H., Schneider, P.M. (2022) 'The transfer of the company to employees (La transmission de l'entreprise aux salariés)', *Revue française de compatibilité*, Vol. 2022/6, No 566. Accessed on 16 December 2023, available at: <https://revuefrancaisedecomptabilite.fr/la-transmission-de-lentreprise-aux-salaries/>.



In 2014, the Law on social economy introduced the status of 'early-stage SCOP' (SCOP d'amorçage) to facilitate WBO through the creation of a SCOP. In a difference from the general framework regulating SCOP, the non-cooperative associates (third investors) can own more than 50% of the capital of the SCOP for seven years from the company takeover. They commit to selling their shares at the end of the seven-year period. In the meantime, the workers have the majority of the voting rights and have seven years to acquire progressively the majority of the capital of the SCOP (+50%). The SCOP may also decide to use its legal and statutory reserves to acquire investors' shares, which are then allocated to employees or cancelled. The SCOP d'amorçage model was designed to enable a company to be gradually handed over to its employees. However, according to CGSCOP, only five such SCOPs have been created since introduction in 2014. Although the scheme remains little-known, even to CGSCOP and the Regional branch of the National Confederation of Cooperatives (Union Régionale des SCOP, URSCOP), it has been well received by those who have used it, even if employees sometimes fear that they will not be able to increase their shareholding sufficiently, and that the seller will retain a majority stake. It is relevant for takeovers of industrial enterprises but has its limits: while it gives employees seven years to buy back their company, it remains unattractive for sellers, who must wait seven years to receive all the money for their shares.

Governance

WBOs through a cooperative are supported both by public and private organisations that aim to provide financial support as well as technical assistance. Chapter 4 gives a detailed overview of the main actors in the ecosystem. Using a mixture of desk research and case studies, Chapter 5 maps those actors and the role they play in WBO.

The key actors providing technical assistance and funding support to cooperatives, and notably to WBO through establishment of a cooperative are CGSCOP and its regional branches, the URSCOP. France Active, Initiative France and Enterprise Network (Réseau Entreprendre) are also active although SCOPs are not their main target. Cooperative banks (e.g. Crédit Coopératif) are particularly active. Among public sector bodies, Bpifrance, the state-owned National Promotional Development Bank for SMEs, provides financial support. Some French regional councils (regional authorities at NUTS II level²⁴), provide grants for SCOP regional unions to support technical assistance services and dissemination activities, or grants to cooperatives or WBO through a cooperative.

²⁴ Nomenclature of territorial units for statistics.



03

Demand-side analysis

3.1. Volumes of WBO

As set out in the introduction to Chapter 2, WBOs account for a small share of all business transfers. The most popular option is sale to a third-party investor, and the second most popular is to keep the business within the family of the owners. It is worth noting that in the three company case studies in this report, the cooperative form of transfer was not the preferred route for the seller in one case (You) and not the favoured route for employees in another (Terra).

In total, WBO accounts for an estimated 15 000 out of 68 000 annual business transfers²⁵. The share of WBO through a cooperative is relatively modest and stable over the years; CGSCOP data shows around 100 WBOs resulting in the set-up of a cooperative each year.

However, French business transfer experts reported to the French Senate that the ageing of the business community combined with the COVID-19 pandemic economic slowdown should lead to an increasing number of business transfers within the next two or three years, including through the cooperative model.

3.2. Reasons for WBO

The main reason for a WBO, including through a cooperative, is **retirement of the founder(s)** of the company. This was the case in our three company case studies. Another reason may be linked to **financial difficulties or bankruptcy** of the company. In the French media, WBOs through a cooperative are often associated with bankruptcy. These are the most high-profile cases, but the fewest in number, according to CGSCOP.

As previously mentioned, while WBOs are incentivised by the regulator, this is not the preferred transfer option for business owners. However, there are some advantages to a WBO for sellers, employees, and the general public. The WBO usually guarantees against the risk of delocalisation, job losses or company failures. Internal buyers (employees) have a better knowledge of the company, its market, operations, culture and products or services. They are by principle more capable of managing a smooth transition (no 'shock'). The business owner may take sufficient time to prepare employees to take over management of the company. Last but not least, for employees assuming managerial responsibilities, being shareholders of the company can offer greater motivation (promotion, career progression, etc.).

²⁵ The National Observatory for Business Buyers and Transferers of very small enterprises (VSEs) and small and medium-sized enterprises (SMEs) (L'Observatoire national cra de la transmission des TPE/PME) (2019). Accessed on 16 December 2023, available at: <https://www.cra.asso.fr/uploads/Observatoire-CRA-2019-maj21-06-19.pdf>.



Specific characteristics of companies

Cooperatives are predominantly active in the following **sectors**: services (39% of cooperatives), construction (13%), industry (11%), and retail (10%)²⁶. However, it may be observed that businesses operating in the service sector are less capital intensive and are more accessible for buyout by employees. Furthermore, in knowledge-intensive service sectors (e.g. Terra), employees tend to have a degree or higher qualification (bachelor's, master's or PhD) and salaries are on average higher, which makes it more likely that employees can raise the funds needed for equity investment.

WBO, and notably through a cooperative, is not particularly dependant on the legal form of the company (SARL, SAS, or SA) or its **governance**. However, our interviews with CGSCOP and company case studies indicate that a collegiate culture of management may exist before a buyout in a cooperative format. In addition, the buyout is driven by a small group of employees, usually already in managerial positions and/or working for the company for a long time, such as employees already sitting on the board, or with operational and managerial/sales responsibilities in the company, or senior key people in the organisation.

3.3. Constraints for WBOs

Financing the WBO remains a key constraint. Usually, an owner transferring a business to employees wants to maintain jobs and ensure the sustainability of the company. This comes with a major constraint: the seller cannot ask for a high price. **Workers usually have less cash to invest than external investors**. This is **even more challenging when the business to transfer is in good shape**. This was the situation in the three case studies analysed.

From a worker's perspective, the first financing need is **to raise the capital required to buy out the shares of the vendor** at the valuation price. This is why the number of associates / shareholders involved in the deal matters: the more associated workers there are, the greater the capacity to raise equity capital to leverage a bank loan, and the lower the contribution per shareholder. In France, company buyouts are usually financed by buyers' own cash or equity funds combined with a bank loan with the support of a guarantee scheme. In 2017, a French Senate Report²⁷ noted that *"buyers invest first their own cash on average between EUR 100 000 and EUR 500 000. Bank credit and love money [funding from friends and family] are the second main sources of finance"*. However, the conditions to access credit vary depending primarily on the level of equity fund collected by the workers. This is why access to an equity support scheme is so important when the capital collected by the workers is not sufficient to trigger a bank loan.

From a bank's perspective, a WBO brings some risks, as the business will be managed by a team of people that do not necessarily have a proven track record of managing businesses. In the case of a cooperative, the limitation regarding the use of profits is also seen as a constraint in terms of return on investment. This is why, to mitigate the risk, banks usually ask for a minimum cash investment from the workers before lending money. Interviews for this report indicate that in 80% of company takeovers, the cash injection from workers' finances is on average between 25% and 30% of the total price of the company buyout. In the three company case studies, the proportion of equity capital provided by employees varied between 25% and 36%.

²⁶ CGSCOP, Activity Report 2022. Accessed on 12 December 2023, available at: <https://rapport-activite.les-scop.coop/2022/#page=2>.

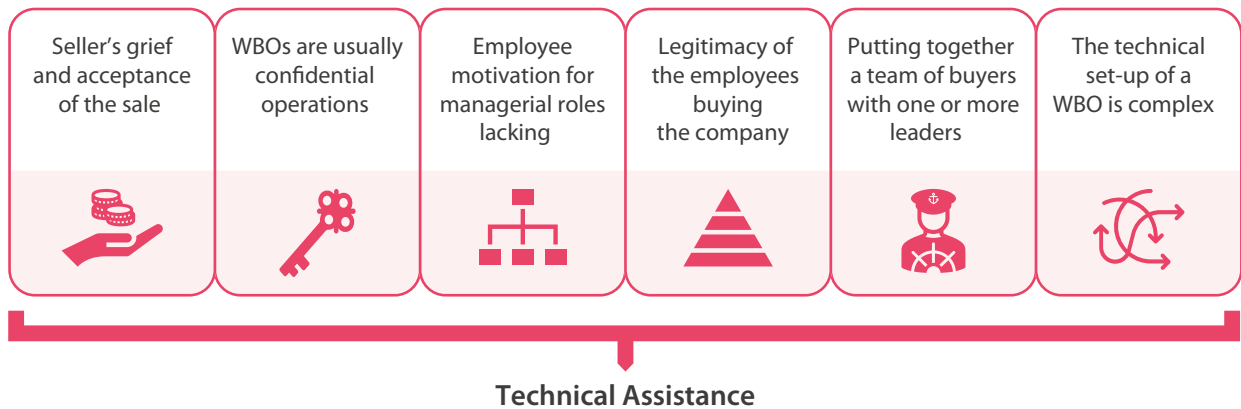
²⁷ Senate report 2016-2017/440 of 23 February 2017 on Modernising business transfers in France: urgency for employment in our territories (Moderniser la transmission d'entreprise en France: une urgence pour l'emploi dans nos territoires), pp. 121. Accessed on 2 June 2023, available at: <https://www.senat.fr/rap/r16-440/r16-440.html>.

In addition, banks may also look for **collateral** (e.g. Neodyme provided a pledge on its business capital to trigger the loan from the Crédit Mutuel), and more usually for a **guarantee scheme**. In the three case studies, all bank loans benefitted from a public (Bpifrance) or private guarantee scheme (Cooperative society for development and mutual aid (Société coopérative de développement et d'entraide, SOCODEN)), France Active – see Chapter 4.2.

Transaction costs of WBO through a cooperative are not a significant barrier to the conclusion of the deal. The main reason is that URSCOP provide technical advisory support at a reasonable cost (around EUR 20 000), thanks to the membership fees of the cooperatives (+4 000 members) and public grant support.

WBOs bring some non-financial risks and challenges. There are cultural, psychological and technical obstacles – analysed in the literature²⁸ on the topic and presented in Figure 4 below that limit the potential for WBO.

Figure 4: Non-financial constraints to WBO.



Source: Author.

- The difficulty for the seller to grieve and accept the sale, whether to a third-party investor or to its employees. For many company owners, selling their company means parting with what was their life. There is therefore a form of resistance on the part of the seller to leaving the business ('mourning' for the manager).
- **Company takeovers are often highly confidential.** Employees usually learn about a company's sale at the point when the law requires them to be told: only two months before the deal is signed with the new buyers. Although this obligation to inform workers in advance is an improvement, proposing a counteroffer within two months can be challenging. The rationale for keeping business transfers confidential is to ensure the stability of the company and reassure its clients, creditors and staff. To keep strict confidentiality, owners often prefer to sell to a third-party investor. In addition, selling a company requires the disclosure of confidential financial information, including managers' remuneration, which can have a negative impact on the relationship between the firm and its employees. The confidentiality challenge is a major constraint to WBO.

28 Bah, T. (2012), 'Vers une compréhension des freins à la transmission des PME aux salariés', Le Grand Livre de l'Economie PME 2012, pp. 547-567.
Aubry, C., Wolff, D. (2016), 'Business transfer: A complex object of study, between management sciences, anthropology and psychology (La transmission d'entreprise: Un objet d'étude complexe, entre sciences de gestion, anthropologie et psychologie)', Vie et sciences de l'entreprise, Vol. 2016/1, No 201, pp. 32 -50.
Boumedjaoud, D., Cloutier, L., Messeghem, K. (2019), 'Regards des repreneurs sur la reprise d'entreprise: le cas des lauréats de Réseau Entreprendre', Rapport de recherche. Labex Entreprendre; Montpellier Research in Management (MRM); MontpellierManagement (MOMA). Labex Entreprendre. [Online]. Accessed on 16 December 2023, available at: <https://labex-entreprendre.fr/>.
Montpellier Research in Management (MRM). [Online]. Accessed on 16 December 2023, available at: <https://mrm.edu.umontpellier.fr/>.



- The **lack of motivation of employees to take managerial and entrepreneurial responsibilities** can also be a constraint, or at least the lack of managerial skills of the buyers (employees) to manage the company effectively after the buyout. It is particularly challenging in small companies where there is usually a centralisation of managerial responsibilities ('single-man or woman company') and a limited number of line managers supporting the company owners to run the business. Technical assistance both from the seller and from external coaches, education providers or an enterprise support organisation is instrumental to address this challenge.
- The **legitimacy of the employees buying the company**, particularly in an LMBO, where former employees take over and start managing their ex-colleagues. This issue is particularly challenging when there is also a difference in age and years of professional experience between the new buyers (employees) and those that remain employees of the new company.
- Another obstacle to WBO is the **difficulty of putting together a team of buyers with one or more leaders to drive the takeover**, in which everyone can find their place. This is a tricky task because most business transfers involve small structures. The greater the number of buyers, the greater the risk that managing the business is likely to be complicated. In such cases, complementarity of experience and training does not compensate for the management difficulties associated with the deal.
- The **technical set-up of a workers' buyout is complex** by principle; it involves fiscal incentives and financial engineering usually requiring debt financing. This is not necessarily easy to understand either from a seller's and or buyer's perspective. Employees and owners perceive the process as complex and burdensome, not suited to small companies, and requiring external professional advice (accountants, lawyers, etc.).

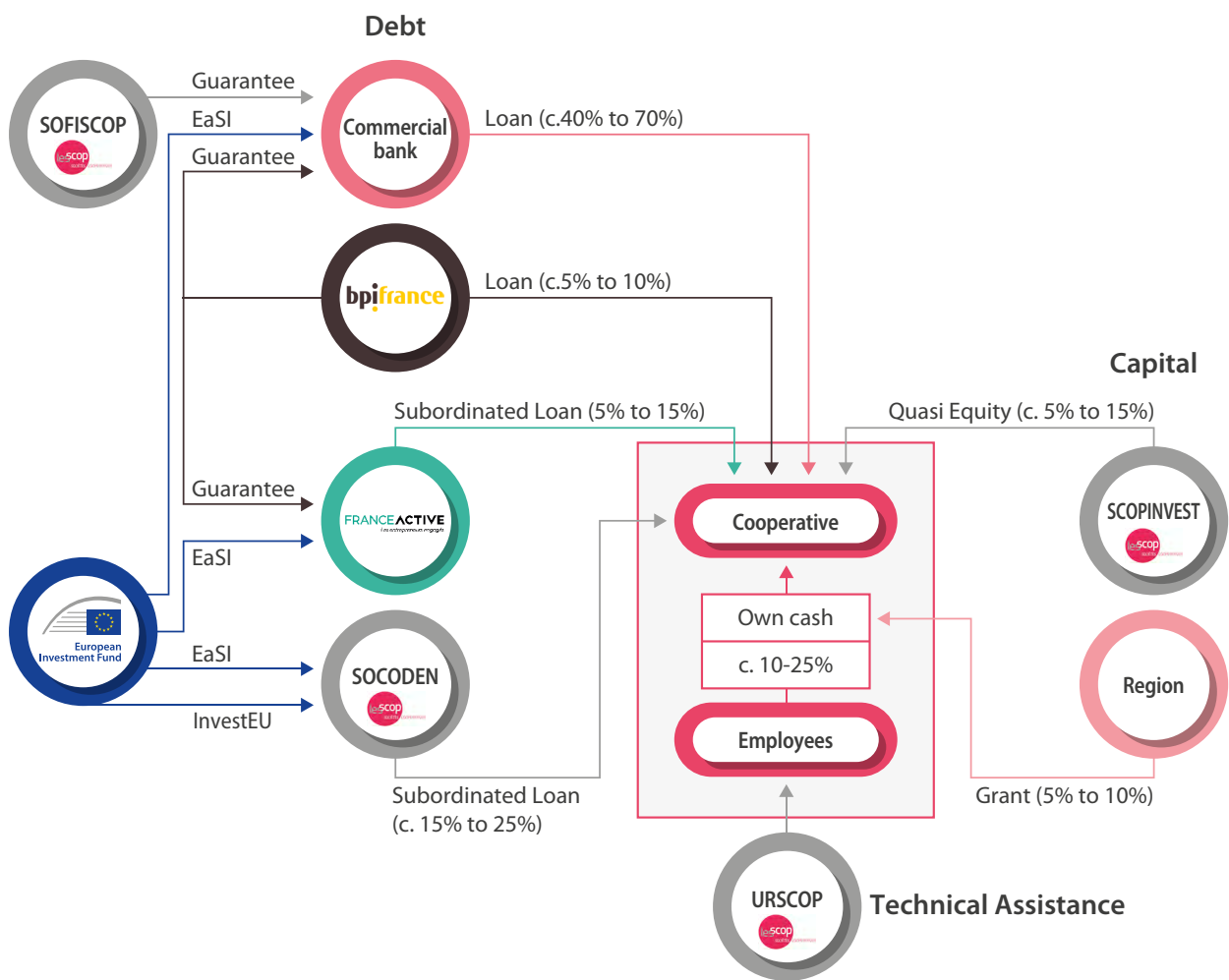
To overcome these barriers, several actors in the ecosystem give technical assistance. The aim is to provide support to sellers, buyers and cooperatives to ensure that the WBO takes place smoothly and that the right choices are made. Types of technical assistance and actors providing such support are detailed in Chapter 4.3 Technical assistance.

04

Supply-side analysis

The different instruments mentioned above are provided by public and private actors at regional and national levels. Some of these actors provide both financial and technical support before, during, and after the business transfer.

Figure 5: Existing financial products available to cover financing needs of WBO.



Source: Author, based on interviews and case study.

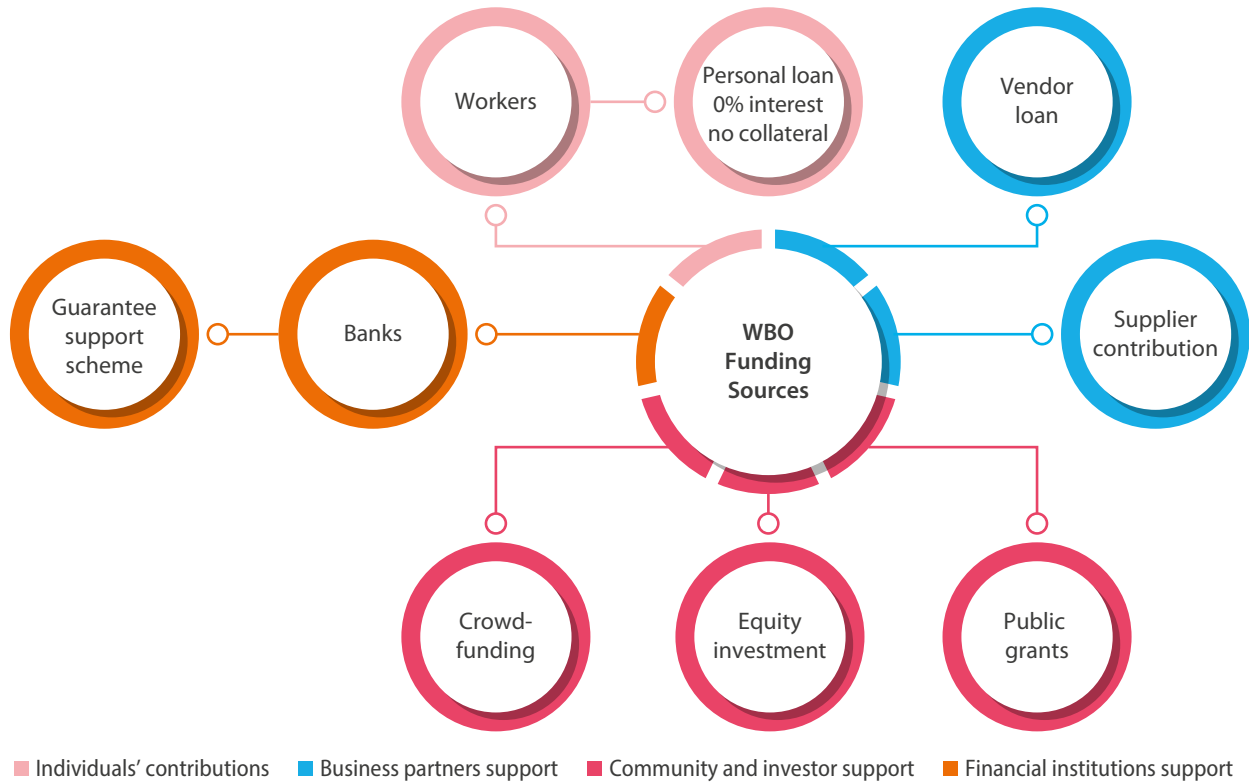


In France, WBOs (not specifically in the form of a cooperative) can turn to one of **nine main sources of funding – the first three of which are the most common:**

- **Bank loans.**
- **Personal cash reserve or equity funds** from the buyers: in 80% of company takeovers, this finances on average 25% to 30% of the total price of the company buyout (corresponding to the minimum cash required by banks to lend money to buyers).
- **Guarantee proposed by mutual guarantee companies and guarantee funds**, such as the SIAGI guarantee provided exclusively by the Chamber of Trade and Craft Industry²⁹ (Artisans), or Bpifrance and its national guarantee fund and regional guarantee funds (see Chapter 4.1 Analysis of the supply of public finance), or SOFISCOPE for cooperatives (see Chapter 4.2).
- A **'Vendor loan'** is used in 2% to 9% of business transfers on average, but in up to 20% in the construction sector. Seller credit enables the buyer to pay the sale price in instalments. This facilitates the takeover because it allows a degree of flexibility in how it is financed. Another advantage over traditional financing is that it strengthens the link between the buyer and the seller, as the seller may continue to provide assistance and support to the buyer. This is all the more important as it is in the seller's financial interest for the business to continue to prosper beyond the sale date. The risks of failure are therefore potentially reduced. Seller's credit is also used to compensate for a lack of commitment on the part of the banks: although it transfers the risk from bank to seller, it is often the only means available to the seller to secure a sale threatened by a refused bank loan. In general, the seller loan is for an amount not exceeding 50% of the total amount of the transaction for a period of one to three years, enabling the buyer to finance the purchase by taking over the business.
- **Suppliers' contributions.** This is particularly the case in certain craft sectors. Bakeries, cafés and hairdressing salons can receive support from their suppliers. This support traditionally takes the form of advances.
- **'Prêt d'honneur'** or an individual loan without interest and collateral lent individually to the buyers and provided by a national network such as Réseau Entreprendre or Initiative France. On average, used in 3% to 6% of company takeovers - 'Prêt d'Honneur' are considered by bankers as personal equity. Accessing a 'Prêt d'Honneur' increases the credibility of the buyers and facilitates access to bank loans.
- **Public grants** provided by regional authorities (e.g. grants supporting job seekers to take over a business).
- **Equity Funds**, generally well suited for larger SMEs and mid-caps.
- **Crowdfunding** remains limited (in 2017, crowdfunding platforms were investing in profitable businesses with a turnover above EUR 400 000).

²⁹ Majority-owned by the national association of chambers of trade and craft industries, SIAGI gives craft businesses and small businesses easier access to credit, thanks to its many partners. SIAGI gives its guarantee to a network of partners' banks (Crédit agricole, LCL, Société générale, BNP Paribas, Crédit mutuel, La banque postale, BPCE, Bpifrance, etc.) in order to share the risk and facilitate the granting of the loan. SIAGI provides a guarantee covering between 15% and 80% of the bank risk.

Figure 6: WBO funding sources.



Source: Author.

In the case of WBO in the form of a cooperative, the main instruments are bank loans (1) combined with guarantee support (3), and personal cash reserve (2) combined with quasi-equity funds³⁰ provided by CGSCOP (8), and, in some regions, regional public grants (7) as well as 'prêts d'honneur' (6).

The following chapters provide insights into the financial instruments available for cooperatives in France. Furthermore, Chapter 5 presents a map of the main financial instruments available to cooperatives.

4.1. Analysis of supply of public finance

There are two main public sector actors: Bpifrance, the state-owned National Promotional Development Bank for SMEs; and the regional authorities³¹.

Bpifrance provides guarantees to banking institutions³² and direct loans in all regions to support business transfers. While these may include WBOs, it prioritises business transfers in the broad sense.

30 'Titre participatif' is a French term that translates to "participatory security" or "participatory share" in English. This is a type of financial instrument, generally issued by cooperative companies, that gives the holder a right to participate in the profits of the company. These securities usually do not confer voting rights but do have a priority claim on assets and earnings over common stock in the event of a company's liquidation. See chapter 4.2 Analysis of supply of private finance for further details on quasi-equity funds provided by CGSCOP.

31 There are 17 Regions (Regional Authorities) in France covering mainland and French overseas regions (Guadeloupe, Martinique, Guyane, Réunion, Mayotte).

32 Senate report 2022-2023/33 of 7 October 2022 drawn up on behalf of the Enterprise Delegation by the follow-up mission on business transfers. Accessed on 2 June 2023, available at: <https://www.senat.fr/rap/r22-033/r22-033.html>.



Bpifrance provides two types of guarantee for business transfers in general. The first is called a '**creation guarantee**' and aims to facilitate access to bank loans for investment and working capital for new enterprises or existing entrepreneurs willing to develop new activities or products. This guarantee covers 50% to 60% of the value of the loan and is available to individuals as well as to SMEs established for less than three years. These takeovers represent 27% of the operations guaranteed, in total, and on average 9 300 enterprises benefit from this guarantee each year.

Secondly, Bpifrance offers a '**business transfer guarantee**' to natural and legal persons to cover the acquisition of shares. The aim is to facilitate the development of enterprises that have been transferred and to help existing companies grow. The scheme covers 50% to 70% of the value of the bank loan. Each year, about 5 200 enterprises benefit from this guarantee, of which 90% are micro-enterprises. Between 2020 and 2021, activities related to the creation guarantees grew 34.2% and to the transmission guarantees by 20.8%³³.

Bpifrance also provides a '**business transfer loan**'³⁴ for micro-enterprises and SMEs created at least three years ago and located in France. The loan is mainly available in the framework of an LMBO or sale to external investors. This 'business transfer loan' must be mobilised in parallel with a commercial bank loan with a minimum duration of five years. Bpifrance's loan cannot be provided for a shorter duration than the commercial bank loan and the term can vary between five and seven years with a capital repayment deferral of up to two years. The loan aims to cover costs related to 1) the transfer of the majority of the capital, voting rights or, where applicable, a minority position intended to reach a majority within a specified period; 2) the acquisition by one or more majority shareholders of a minority stake when the transaction is essential to the company's development; or 3) the acquisition of a business. To cover these costs, Bpifrance provides tickets varying between EUR 40 000 and EUR 1.5 million, but they cannot exceed 40% of the total debt related to the buyout. The financial conditions provided for the business transfer loan include a fixed or variable rate based on three months' EURIBOR. In addition, Bpifrance requires an administrative fee of at least 0.40% of the loan amount. Moreover, the loan does not require a guarantee or collateral. However, a security deposit of 5% of the loan amount is required but is returned once the loan has been fully repaid.

French regional authorities' economic development strategies vary in terms of levels of financing and implications of business transfers. However, they have all established a Regional Guarantee Fund to provide guarantees to bank loans to support micro-enterprises and SMEs creation, growth and transfer. These funds are generally managed by Bpifrance and provide a guarantee of up to 50% of the value of the loan, or 70% when Bpifrance co-guarantees the loan (with the National Guarantee Fund). However, these funds are not focused on business transfers, even less on WBO and there is no available data on the breakdown per region and per category of enterprise. Some regional authorities provide grant support to URSCOP to finance technical advisory services and dissemination activities: Nouvelle Aquitaine, Occitanie, Île-de-France, Auvergne-Rhône-Alpes, Provence Alpes Côte d'Azur, Ouest (Western France).

As in the case of the Nouvelle-Aquitaine Region, which has developed a comprehensive policy to support business transfers. The Region has identified business transfers as a challenge in maintaining employment and competencies.³⁵ In 2023, it developed a 'business transfer' roadmap³⁶ listing specific financial and non-financial support for company owners willing to transfer their business as well as people (investors, workers) willing to buy out a business. The Region is also aiming to raise awareness of business transfers. In 2022, it had EUR 5.7 million available (excluding European funds) for advisory support. In addition to technical assistance, Nouvelle-Aquitaine has developed several financial solutions for business transfers, as summarised below.

33 Bpifrance, *Budget report 2022 (Bilan d'Activité de Bpifrance 2022)*. [Online]. Accessed on 16 December 2023, available at: <https://presse.bpifrance.fr/bilan-dactivite-de-bpifrance-2022/>.

34 Bpifrance, *Equity Guarantee Recovery (Garantie de Fonds Propres Relance)*. [Online]. Accessed on 16 December 2023, available at: <https://www.bpifrance.fr/catalogue-offres/garantie-de-fonds-propres-relance>.

35 Nouvelle Aquitaine Region, *Presentation of the global business transfer/takeover offer*. [Online]. Accessed on 19 December 2023, available at: <https://www.europe-en-nouvelle-aquitaine.eu/fr/projets-soutenus/fonds-de-prets-dhonneur-dedie-la-creation-reprise-dentreprise-poitaine-lot-1>.

36 This document is not publicly available.



Nouvelle-Aquitaine Region's tools for business transfers³⁷



Direct support for company buyout operations

- 'Prêts d'honneur', an individual loan, as previously mentioned. The Nouvelle-Aquitaine Region has developed partnerships with Réseau Initiative and Réseau Entreprendre (see Private supply side chapter), which issue this type of loan. The Region complements this financial support with European Regional Development Funds³⁸. Each year, around 1 700 loans are set for a total amount of EUR 22 million for the creation of enterprises and business transfer. There is, however, no breakdown of data per type of business transfer.
- Guarantee for bank loans. The Region has set up a Regional Guarantee Fund managed by Bpifrance, which provides a guarantee from 50% to 70% of the total value of the bank loan. Since 2018, the Region has provided guarantees for a portfolio of loans totalling EUR 6 million. Furthermore, in 2022, about 800 guarantees were set for bank loans amounting to EUR 128 million. However, this support is not specific to business transfer, it covers business creation, business transfer and business growth. There is no breakdown of data per type of operation.
- SCOP and SCIC creation support: the Region matches every 1 EUR of personal cash reserve or equity fund that an employee provides to set up a cooperative within the limit of EUR 75 000 per enterprise. This financial scheme supports the provision of equity to the new cooperative and helps it raise debt to finance the WBO in the form of a cooperative. It supports the creation of enterprises with cooperative status. The aim is to foster the transfer of enterprises in the form of cooperatives by supporting workers to obtain the necessary capital. In 2022, Nouvelle-Aquitaine supported 30 projects to the tune of EUR 831 620 – two-thirds of these were SCOP-related. The regional administration works together with URSCOP, which facilitates the grant requests for the Region.

Support for advisory services

- 'Entreprendre – la Région à vos côtés'³⁹ advisory programme for buyers: this scheme provides support to entrepreneurs willing to start a business and to people taking over a business. The buyers can benefit from free, personalised support at three stages: 1) support with setting up the buyout project; 2) support with the financial arrangement; 3) support for the new manager during the company's first three years. The support is provided by different enterprise support organisations, such as the employment agency, the Information Centre on Women's and Family Rights, or the URSCOP.
- 'Objectif Transmission'⁴⁰ advisory programme for sellers: The business transfer support programme for sellers, which lasts on average for 21 hours, is divided into three phases: a first phase involving an interview, a second phase involving a diagnosis of the business and a financial assessment of its value, and a third phase involving contact with potential buyers and promotion of the business to be transferred. All three stages must be completed to validate the programme. The programme is implemented by the Regional Chamber of Trades and Crafts and the Chamber of Commerce and Industry.

Source: Author.

37 Nouvelle-Aquitaine Region (2023) *Presentation of the global business transfer/takeover offer*. [Online]. Accessed on 19 December 2023, available at: <https://www.europe-en-nouvelle-aquitaine.eu/fr/projets-soutenus/fonds-de-prets-dhonneur-dedie-la-creation-reprise-dentreprise-po-aquitaine-lot-1> and Interviews with the representative of the unit in charge of business transfer at the Region.

38 Nouvelle-Aquitaine Region, *Presentation of the global business transfer/takeover offer*. [Online]. Accessed on 19 December 2023, available at: <https://www.europe-en-nouvelle-aquitaine.eu/fr/projets-soutenus/fonds-de-prets-dhonneur-dedie-la-creation-reprise-dentreprise-po-aquitaine-lot-1>.

39 Nouvelle-Aquitaine Region, *Programme: Entreprendre la Région à vos côtés*. [Online]. Accessed on 1910 December 2023, available at: <https://www.europe-en-nouvelle-aquitaine.eu/fr/projets-soutenus/fonds-de-prets-dhonneur-dedie-la-creation-reprise-dentreprise-po-aquitaine-lot-1>.

40 Nouvelle-Aquitaine Region, *Programme: Objectif Transmission – 2023 – 2024*. [Online]. Accessed on 1910 December 2023, available at: <https://www.europe-en-nouvelle-aquitaine.eu/fr/projets-soutenus/fonds-de-prets-dhonneur-dedie-la-creation-reprise-dentreprise-po-aquitaine-lot-1>.



4.2. Analysis of supply of private finance

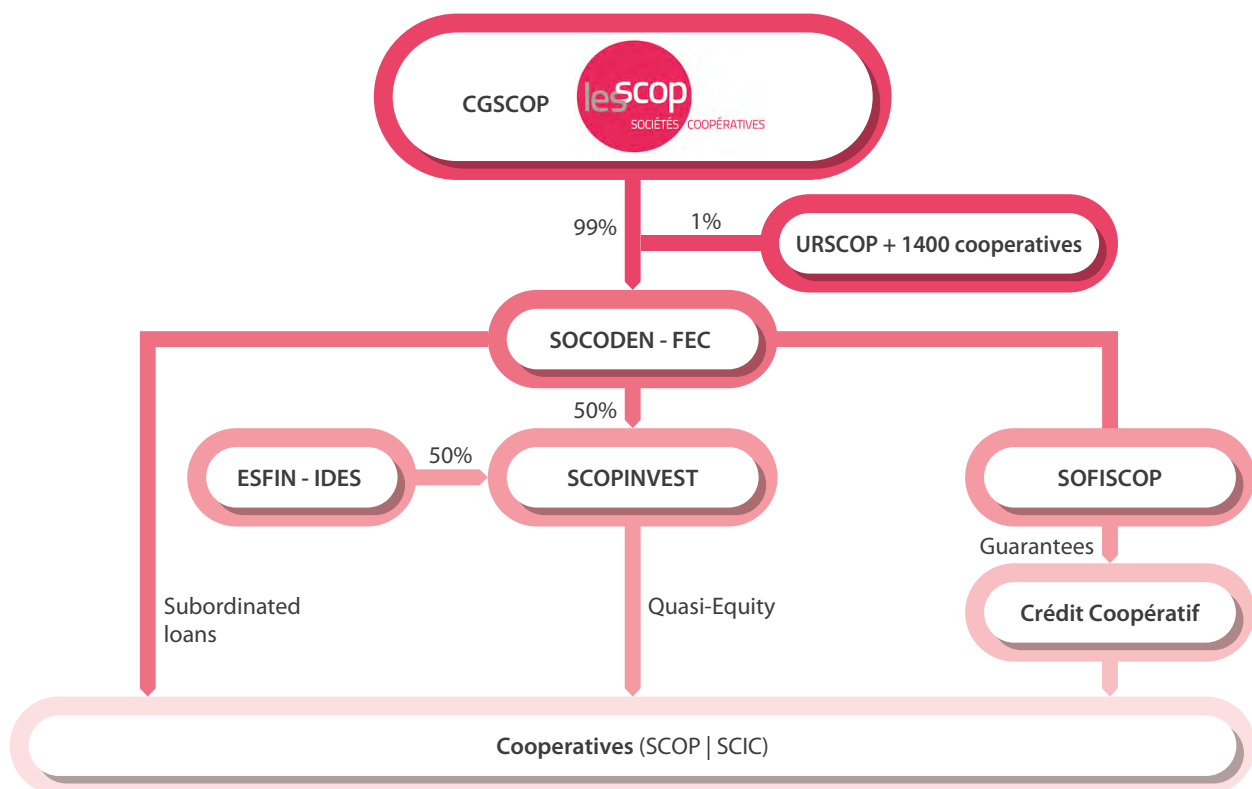
The private financial support for WBO operations in France is well-developed, particularly regarding the WBO in the form of a cooperative. The chapter below presents the main actors of the ecosystem, such as the French Association of Cooperatives (CGSCOP), private banks, France Active, Réseau Entreprendre and Réseau Initiative.

Financial instruments proposed by the National Association of Cooperatives (CGSCOP)

CGSCOP is the representative body of the cooperative sector in France, and a member of the European confederation of industrial and service cooperatives (CECOP⁴¹). To provide support to businesses, CGSCOP operates through its regional units called URSCOP (Union Régionale des SCOP). These operate with funds composed of the annual fees paid by CGSCOP members, the cooperatives, to the association⁴².

CGSCOP provides financial and non-financial support to cooperatives, particularly in the first funding rounds⁴³. Non-financial support is described further in this study. The financial support is provided through three affiliated entities and sub-entities: SOCODEN is CGSCOP's financial holding, which provides loans directly to cooperatives, and which offers the second and third financial product through its subsidiaries SCOPINVEST and SOFISCOPE. More detailed information on the financial products offered by these entities is presented below.

Figure 7 : CGSCOP and its entities.



Source: Author, based on interviews with CGSCOP.

41 Cecop, *Home page*. [Online]. Accessed on 16 December 2023, available at: <https://cecop.coop/>.

42 Les Scop coop, *Home page*. [Online]. Accessed on 16 December 2023, available at: <https://www.financer-les-scop.coop/presentation>.

43 European Commission. [Online]. Accessed on 16 December 2023, available at: https://ec.europa.eu/commission/presscorner/detail/fr/IP_19_6241.



In 2022, the outstanding amounts of CGSCOP’s three main financial instruments were⁴⁴:

- 550 secured loans of between EUR 3 000 and EUR 600 000 for a total of EUR 29 million (SOCODEN).
- 640 guarantees that enabled EUR 62 million of debt financing to be raised from banks (SOFISCOPE).
- EUR 9 million in quasi-equity investment for 80 cooperatives (SCOPINVEST).

CGSCOP is the main actor supporting business transfers in the form of a SCOP at national level. It supports the SCOP financially and facilitates access to other types of funding through its partnerships with Crédit Cooperatif (bank) and France Active.

Table 1 shows how CGSCOP can intervene, at what stage and through which type of instrument.

Table 1: CGSCOP instruments per need.

	Guarantee	Subordinated loan	Quasi-equity
Existing Cooperatives			
Consolidation of treasury	✓	✓	✓
Development	✓	✓	✓
Future cooperatives			
Creation of a cooperative	✓	✓	✓
Business transfer through a cooperative.	✓	✓	✓

Source: Author, based on an interview with representatives from CGSCOP⁴⁵.

44 Les Scop coop. Home page. [Online]. Accessed on 16 December 2023, available at: <https://www.les-scop.coop/outils-financiers>.

45 Les Scop coop. [Online]. Accessed on 10 December 2023, available at: https://www.les-scop.coop/system/files/2023-02/CGSCOP_Brochure%20Outils%20financiers.pdf.



Table 2: Main products offered by CGSCOP entities.

	Products	Features
SOCODEN-FEC ⁴⁶	Standard loan (<i>Prêts Participatifs / subordinated loan</i>)	<p>Amount: 33% of the financing plan of the cooperative.</p> <p>Eligibility: All members of the CGSCOP (paying fees).</p> <p>No collateral requirements or guarantees.</p> <p>For standard cooperatives:</p> <ul style="list-style-type: none"> • Maturity of five to seven years with up to two years' deferred payment. • Fixed interest rate at 1.6%. <p>In the case newly-created cooperatives and buyout at the commercial court (bankruptcy):</p> <ul style="list-style-type: none"> • Maturity of three to five years. • Fixed interest rate at 2.6%.
	Special loan (<i>Prêt Participatifs bonifiés / subordinated loan</i>)	<ul style="list-style-type: none"> • Amount: Same amount as the bank, up to EUR 600 000. • Maturity: five to seven years with up to two years' deferred payment. • Bank rate. • No collateral requirements or guarantees.
SCOPINVEST	Quasi-equity (<i>Titres participatifs</i>)	<ul style="list-style-type: none"> • All members of the CGSCOP (paying fees). • From EUR 25 000 per project and up to 50% of the fixed capital of the cooperative (EUR 300 000 max). • Above seven years. • Remuneration based on the cooperative's performance.
SOFISCOPE	Guarantee	<ul style="list-style-type: none"> • Eligibility: the cooperative needs to subscribe to the SOFISCOPE guarantee (mutual guarantee fund), subscription to the SOFISCOPE capital. • Guarantee rate from 25% to 50% of the loan amount. • Maturity: same as the bank loan.

Source: Author, based on information from CGSCOP.⁴⁷

SOCODEN is a financial holding company 99%-owned by CGSCOP which focuses on providing complementary financial support to cooperatives when there is a lack of solutions on the market side⁴⁸. It manages a **EUR 18 million debt fund (subordinated loans)** which aims to complement commercial bank loans, and particularly the Crédit Coopératif loan to cooperatives. The loan is provided with no collateral requirements and is repaid after the bank loans and in the same way as the bank loans. Specifically, SOCODEN offers to CGSCOP members (paying fees) two loan products (subordinated debt) – a standard loan product (*prêt participatif*) covering up to 33% of the financing plan of the cooperative, and a special loan (*prêt participatif bonifié*) where the amount is equal to the loan amount provided by a bank and capped at EUR 600 000.

⁴⁶ Also referred as SOCODEN in the text of this document.

⁴⁷ Les Scop coop, *The financial instruments of the cooperative movement (Les outils financiers du mouvement coopératif)* [Online]. Accessed on 3 December 2023, available at: <https://www.les-scop-bfc.coop/system/files/inline-files/Plaquette%20outils%20financiers.pdf>.

⁴⁸ Les Scop SOCODEN, *SOCODEN social impact report. September 2022 (Rapport d'impact social SOCODEN. Septembre 2022)*. Accessed on 12 December 2023, available at: <https://www.financer-les-scop.coop/system/files/2022-12/RAPPORT%20OBLIGATIONS%20A%20IMPACT%20SOCIAL%20SOCODEN%202022%20-%20PUBLIALBLE.pdf>.



The reimbursement period is flexible between three and seven years depending on whether it supports a brand new cooperative or buyout at the commercial court (bankruptcy) or a company's development or buyout (seven years). The rate varies between 1.6% and 2.6% for standard loans, or equal to bank rates for the special loan.

Since its creation, SOCODEN has offered financial support to more than 3 500 cooperatives. In 2022, it issued 159 loans to 155 cooperatives for a total amount of over EUR 16 million⁴⁹. SOCODEN is partly financed by CGSCOP membership fees. SOCODEN has been granted by the European Investment Fund (EIF) an **Employment and Social Innovation (EaSI) counter-guarantee**⁵⁰ totalling EUR 25 million in order to support the provision of guarantees on loans below EUR 500 000⁵¹. Since September 2019, the EIF has provided guarantees to SOCODEN's loans of up to 80%. According to SOCODEN, the EaSI guarantee allows the holding to better manage the demand for financial support. It enables them to offer better loan conditions to cooperatives which means they reach a larger number of cooperatives.

SCOPINVEST is a subsidiary of SOCODEN (60%) and Crédit Coopératif (40%) that manages a EUR 9 million quasi-equity fund for investment into cooperatives. SCOPINVEST issues a form of convertible bonds ('titre participatif'). The quasi-equity investment can be reimbursed only from seven years onwards by the cooperative without any fixed deadline for the repayment⁵², i.e. the cooperative decides when to repay, providing that it pays the annual remuneration of SCOPINVEST. The ticket size varies between EUR 25 000 and up to 50% of the fixed capital of the cooperative, with a cap of EUR 300 000⁵³. SCOPINVEST has the same access to the cooperative's annual performance report as any of the cooperative's shareholders, but has no voting rights. Legally speaking, it is not considered as company equity but counted as quasi-equity on the balance sheet of the cooperative⁵⁴. SCOPINVEST remuneration is based on a fixed rate plus a variable rate based on the annual performance of the cooperative and was before 2022 generally higher than the rates of conventional bank loans, which was an incentive for the cooperative to repay the loan. Since the rise in interest rates in 2021 and 2022, the interest rate of SCOPINVEST is lower than market rates, and therefore the product is attractive to cooperatives, which creates difficulties for SCOPINVEST in investing in new cooperatives, as the reimbursement of SCOPINVEST by cooperatives, from the seventh year, has no deadline. SCOPINVEST is therefore facing a recapitalisation issue⁵⁵.

For tickets above EUR 500 000, SOCODEN participates in a second equity and quasi-equity investment fund, the **Cooperative Impact Fund**, which intervenes in larger ticket sizes ranging from EUR 1 million to EUR 7 million⁵⁶, managed by the fund management company, Esfin Gestion. It supports mostly external growth and development of large cooperatives, and fewer WBO operations in the form of a cooperative. This is a EUR 74 million fund established in 2015 in partnership with Crédit Coopératif, Bpifrance and the CGSCOP, which participates through SOCODEN with a total of EUR 5 million⁵⁷.

49 Les Scop SOCODEN, *Report of the mission committee*. Fiscal year 2022 (Rapport du comité de mission. Exercice 2022). Accessed on 16 December 2023, available at: https://www.financer-les-scop.coop/system/files/2023-06/Rapport%20d%C3%A9valuation%20d'impact%20-%20Socoden_0.pdf.

50 *European Investment Fund*. [Online]. Accessed on 16 December 2023, available at: https://www.eif.org/what_we_do/microfinance/easi/easi-guarantee-instrument/index.htm.

51 *European Commission*. [Online]. Accessed on 16 December 2023, available at: https://ec.europa.eu/commission/presscorner/detail/fr/IP_19_6241.

52 Interview with CGSCOP.

53 *Les Scop coop*. [Online]. Accessed on 16 December 2023, available at: <https://www.lesscop.coop/system/files/inlinefiles/Cadre%20d'E2%80%99%C3%A9mission%20obligataire%20%C3%A0%20impact%20social.pdf>.

54 Interview with CGSCOP.

55 Interview with CGSCOP.

56 *Les Scop coop*. [Online]. Accessed on 16 December 2023, available at: https://www.les-scop-idf.coop/system/files/inline-files/Plaquette%20outils%20financiers_1.pdf.

57 *Les Scop coop*. [Online]. Accessed on 16 December 2023, available at: <https://www.les-SCOP-bfc.coop/system/files/inline-files/Plaquette%20outils%20financiers.pdf>.



Finally, **SOFISCOPE is a EUR 3 million mutual guarantee fund** also owned by SOCODEN⁵⁸. It aims to issue guarantees for loans offered by Crédit Coopératif. The guarantee rate ranges from 25% and 50% of the loan amount. This guarantee can be complemented by the guarantee offered by Bpifrance⁵⁹. To have access to the guarantee, the enterprise must pay a subscription of 1% of the loan amount (with a maximum of EUR 1 530) to SOFISCOPE's capital, plus a 2% contribution (of the loan amount) to the Fonds de Garantie Mutuelle⁶⁰. However, these two contributions (1% + 2%) are repaid to the company at the end of the loan period. The maturity of the guarantee is the same as the maturity of the bank's loan.

Commercial banks

In France, the main commercial banks, such as BNP Paribas or Société Générale, support LMBO operations, but very few offer support when it comes to WBO in the form of a cooperative. The main ones are mutual or cooperative banks, such as Crédit Agricole or Crédit Coopératif. The latter is the main bank operating in the cooperative sector. It has around 55% share of the cooperative market and an extended partnership with the main umbrella organisations of the social economy, and the cooperative movement more specifically (CGSCOP sits on the board of the bank and vice versa).

Crédit Coopératif is also a major financial institution for the social economy sector, including associations. It supports cooperatives in all sectors, but mainly in industry, agriculture, renewable energy, and health. In total, it finances around 1 750 cooperatives on average per year, by issuing them loans. The amount of loans to cooperatives fluctuates less than in Crédit Coopératif's other market segments. It tends to support more SCOPs than LMBOs given that the ratio for debt:own funds for a SCOP is more positive. This is because SCOPs tend to be smaller structures and less expensive. Crédit Coopératif offers similar interest to SCOPs and other enterprises, because its lending criteria are based on risk and the economic situation.

As indicated above, the loans issued for WBO for cooperatives may benefit from the SOFISCOPE guarantee (up to 25%), the Bpifrance guarantee, as well as the EaSI counter-guarantee⁶¹. This facilitates access to commercial bank loans.

As shown in the company case studies (see chapter 6), the loans offered to cooperatives depend on the risk of the project. Terra Coop received a medium-term loan of EUR 500 000 at 1.5% for five years. Crédit Coopératif also lent to Neodyme; it was a lower amount (EUR 200 000) at a lower interest rate (0.7%) but with a higher loan maturity (seven years). Moreover, both benefitted from guarantees from SOFISCOPE and from Bpifrance.

France Active

France Active is a non-profit association aiming to support micro-enterprises, social economy enterprises and associations with funding and advisory services. It also offers access to a network of business and social stakeholders. It operates at the national level, but also at the regional level through its 35 local associations. In 2020, France Active supported around 30 000 enterprises by providing guarantees (France Active Garantie⁶²) and equity (France Active Investissement⁶³) covering three segments: business creation (mainly), business transfer, and business development or growth.

58 Interview with CGSCOP.

59 *Les Scop coop*. [Online]. Accessed on 16 December 2023, available at: <https://www.les-scop-bfc.coop/system/files/inline-files/Plaquette%20outils%20financiers.pdf>.

60 Interview with CGSCOP.

61 *European Investment Fund*. [Online]. Accessed on 16 December 2023, available at: https://www.eif.org/what_we_do/microfinance/easi/easi-sub-intermediaries.pdf.

62 *France Active*. [Online]. Accessed on 18 December 2023, available at: <https://www.franceactive.org/parcours/les-financements/>.

63 *France Active*. [Online]. Accessed on 18 December 2023, available at: <https://www.franceactive.org/pour-les-entreprises/investir-solidaire/>.



When it comes to WBO in the form of a cooperative, France Active exclusively provides financial support to cooperatives and works in close collaboration with CGSCOP and its regional branches. URSCOP provides technical assistance to workers to build the project, to make the financial plan, and to ensure the project's viability, which helps greatly to reduce the perceived risks of the WBO operation for France Active (and for the other lenders, such as Crédit Coopératif) and triggers the financial support, usually side-by-side with SOCODEN, Crédit Coopératif or another mutual bank.

In terms of financial instruments, France Active offers mostly subordinated loans to WBO operations. It provides a loan to the cooperative at a rate of 2% with seven years' maturity with the option of one or two years of deferral. The ticket size usually varies from EUR 100 000-EUR 200 000 but can go up to EUR 500 000. However, France Active operations are backed by the EaSI guarantee and Bpifrance guarantee.

Other financial intermediaries

Réseau Entreprendre and Initiative France are two additional actors (with regional branches) that play a role in WBO operations. However, they intervene more in LMBOs than in cooperatives.

Initiative France⁶⁴ is a large network composed of 207 associations that provide advisory and financial support to company founders (creation) or employees willing to buy out their company (less often). Initiative France offers an individual loan to entrepreneurs ('prêt d'honneur') with a zero-interest rate, with no collateral or guarantees. The tickets can vary between EUR 1 500 and EUR 50 000 (per enterprise). On average, the 'prêt d'honneur' is EUR 10 000⁶⁵. The maturity of the loan is from two to five years. Considered as personal equity, the 'prêt d'honneur' has a leverage effect on bank debt raising. On average, for every euro of the 'prêt d'honneur', the bank lends EUR 9.5. In total in 2022, the network invested EUR 177 million in the economy in the form of 'prêt d'honneur' resulting in EUR 2 billion of bank loans. Since its creation, Initiative France has supported 391 000 enterprises, including 20 265 in 2022. It has provided financial and non-financial support to 25 146 new entrepreneurs, of which 8 380 resulted from a business transfer in 2022⁶⁶. The transfers are mainly of business that are part of the economic fabric and social life of the regions, including local commerce (2 089 buyouts), hotels and restaurants (1 879 buyouts).

Réseau Entreprendre⁶⁷ is the second largest network of associations focusing on advisory services and financial support for entrepreneurs. It brings together business leaders to mentor and support entrepreneurs and offer 'prêts d'honneur' to individuals for business creations and transfers. The loans are on average EUR 29 000 with a zero-interest rate without a guarantee or collateral and can be paid back over four years and deferred by one year. The tickets vary between EUR 10 000 and EUR 50 000. In 2021, Réseau Entreprendre issued EUR 27 million worth of 'prêts d'honneur'⁶⁸. The leverage effect of the Réseau Entreprendre 'prêt d'honneur' is higher than that of Initiative France. For each 1 EUR of 'prêt d'honneur' issued, there is EUR 13 of additional funding from banks⁶⁹.

64 Initiative France. [Online]. Accessed on 18 December 2023, available at: <https://www.initiative-france.fr/>.

65 Initiative France. [Online]. Accessed on 18 December 2023, available at: <https://www.initiative-france.fr/nos-solutions/financement-le-pret-d-honneur.html>.

66 Initiative France. [Online]. Accessed on 18 December 2023, available at: <https://www.initiative-france.fr/espace-info/liste-categories/17-presse/441-rush-sur-les-reprises-de-tpe-en-2022.html>.

67 Réseau entreprendre. [Online]. Accessed on 16 December 2023, available at: <https://www.reseau-entreprendre.org/fr/creation-entreprise/>.

68 Réseau entreprendre, *Financial report*. [Online]. Accessed on 16 December 2023, available at: https://www.reseau-entreprendre.org/wp-content/uploads/2022/05/Reseau-entreprendre_Rapport-Financier-2021.pdf.

69 Bpifrance. [Online]. Accessed on 16 December 2023, available at: <https://bpifrance-creation.fr/encyclopedie/financements/financement-fonds-propres/pret-dhonneur>.



4.3. Technical assistance

CGSCOP and its regional branches and France Active are both major financial intermediaries dealing with WBO in the form of a cooperative and providing technical advisory services to departing company owners and workers to support the business transfer. Réseau Entreprendre and Initiative France also provide technical advisory services.

In the framework of the ESF national operational programme 2014-2020, the Ministry of Labour, Employment and Integration (the ESF national operational programme managing authority) co-financed a limited number of URSCOP technical advisory services programmes – e.g. advisory services to support the digital and green transformation of cooperatives. Regional managing authorities in charge of the ESF regional operational programmes (i.e. the regional authorities) also match-funded with ESF awareness-raising activities and advisory services provided by URSCOP in the following regions: Auvergne-Rhône Alpes, Midi Pyrénées, Île-de-France, Provence Alpes Côte d'Azur, and Nouvelle Aquitaine).

CGSCOP and its regional branches provide different types of support at different stages of the WBO.

- In the first phase, upon contact by employees or a partner such as France Active, the URSCOP raises awareness of the possibilities and implications of cooperative status.
- The URSCOP also supports the employees in negotiations with the owner that require an 'honest broker' to help both parties to understand each other and the financial parameters of the deal (e.g. valuation of the company).
- Furthermore, the URSCOP helps identify potential funding sources to close the financial plan, which can reassure the vendor and help the employees.
- It also plays a role in helping employees to shape the future governance of the cooperative and distribution of managerial functions (e.g. designation of directors and allocation of responsibilities).
- In addition, it offers training and support to the shareholders in their new management positions during the transition once the SCOP has been set up.

Thus, there is advisory support to prepare for the WBO as well as support to ensure that the project is financially sound and there is an effective transition by the employees taking over.

From the company case studies, it emerges that technical assistance is instrumental to the success of the buyout operation from the employees' perspective, but equally important from the investors' perspective. Technical assistance before and during buyout helps to de-risk the deal for external investors (banks, Bpifrance or France Active - see the chapters on Company case studies and Synthesis of information from company studies).

While technical advisory services are key and can have an important impact on WBOs, there is a much greater need for technical assistance than is currently available.



05

Market gap and suboptimal investment situation

This chapter summarises the current situation in France regarding the availability of financial and non-financial support and the presence of actors at regional and national level as well as the need to foster and facilitate WBO.

As the previous chapter showed, the market for WBO operations in France was relatively stable until 2021 for companies with fewer than 10 employees (micro-enterprises), and slightly rising for SMEs and mid-caps. The micro-enterprises' **main stakeholders expect a rebound of the trend, considering both the ageing population of company owners and the difficulties that a number of businesses experienced post-COVID-19 pandemic**, particularly to repay the state guarantee loan that they benefitted from during the crisis⁷⁰. Therefore, more demand for finance for WBO is expected. This doesn't necessarily mean that there will be more WBOs in the form of a cooperative. For years, the number of new cooperatives created through a business transfer has remained stable.

To address the demand for WBO in the form of a cooperative in particular, France benefits from a relatively friendly legal framework and a large diversity of well-established financial intermediaries and financial instruments addressing different needs (of employees and sellers) and types of support (financial and non-financial, including technical assistance) at different stages of the buyout (preparation, negotiation, set-up and after the buyout). There is no need to create from scratch new intermediaries, or new instruments.

The various financial instruments and products that a cooperative and its employees may mobilise to finance the company buyout **in combination help to fill the main funding gap that employees face when thinking of company buyout: lack of personal liquidity** to provide equity for the cooperative capital that will help the cooperative raise debt financing from banks and non-for-profit financial intermediaries (e.g. CGSCOP instruments, France Active). Individual cash investment represents 10% to 25% on average of the value of the company buyout, depending on the number of associates involved.

Employees of the cooperative and the cooperatives themselves benefit mostly from:

- Banking debt and subordinated loans from SOCODEN and France Active.
- Quasi-equity funds from SCOPINVEST to strengthen the cooperative's equity.
- Guarantees from SCOFISOP, Bpifrance and/or France Active.
- Grant financing from the regional authorities or other public schemes.

⁷⁰ The French Central Bank released statistics on company failure showing an increasing number of failures in June 2023 compared to June 2022 (+48%). In June 2023, company failures were at similar levels to June 2019 (-4,8%), i.e. before the COVID-19 pandemic. Accessed on 3 September 2023, available at: <https://www.banque-france.fr/statistiques/chiffres-cles-france-et-etranger/defaillances-dentreprises/suivi-mensuel-des-defaillances>.



However, there are still suboptimal investment situations. The existing financial instruments managed by CGSCOP and France Active need to be further supported in both directions – refinancing and recapitalisation or equity:

- **SOCODEN has a growing need for additional external sources of financing**, as the sum of its members' annual fees does not match the financing needs of its members. The SOCODEN business model was built on membership fees. However, with more cooperatives requiring financial support, SOCODEN increasingly needs to diversify its funding sources. SOCODEN already benefits from a credit line from Crédit Coopératif (one-third of its portfolio is refinanced through the credit line). In addition, since 2019, SOCODEN has benefited from the EaSI guarantee (up to 80%) on its subordinated loan portfolio to cooperatives. This has helped SOCODEN to increase the number of its beneficiaries and maintain attractive financial conditions. Building on its experiences with the EaSI guarantee, in 2023 SOCODEN signed a guarantee agreement with the EIF under the InvestEU Social Investment and Skills Window product for social enterprise.
- **SCOPINVEST, which provides quasi-equity investments to cooperatives, requires recapitalisation** to increase its capacity to address the demand. The total amount of the fund (EUR 9 million) is too small to address an expected increase in demand for financing, while SCOPINVEST does not benefit from a guarantee. Bpifrance offers a guarantee for equity and quasi-equity fund management companies on their investments but CGSCOP says this is not sufficiently attractive, primarily because of the associated guarantee cost.
- In addition, **the support provided by regional authorities for employees through a grant scheme does not exist in all regions.** Moreover, the terms and conditions of grants differ from one region to another, and may not match employees' needs (because of factors such as a limited cap per shareholder and per company, and lengthy processes to get the fund). But grants do have an important role in financing WBO operations. The main stakeholders interviewed call for a national grant mechanism to provide additional support to employees and bridge the equity gap.

Beyond access to finance, the WBO in the form of a cooperative in France suffers from a bad reputation.

This is probably the first and most important suboptimal situation that prevents the development of WBO in the form of a cooperative. Indeed, business transfer through a cooperative is essentially perceived as being a solution when the prior company fails and faces bankruptcy. Typically, it is only when a large industrial company or a strong commercial brand goes bankrupt that the media talks about cooperatives. So, the public and employees have the impression that it is only a solution for businesses that are not performing well rather than an option for business transfers. This highlights the need to **increase awareness** of the potential of cooperatives as a way for sellers to exit (no consequence on the business valuation) and for employees to buy out.

A second, non-financial gap, is the financing of technical assistance services and advisory services to employees and selling owners willing to engage in a WBO mechanism. A WBO is a complex scheme that requires managerial, legal and financial skills new to the majority of employees. As highlighted by the company case studies (Chapter 6), such support is instrumental to the success of the deals, but is costly, which raises the question of how advisory services are financed. ESF funding was used to a limited extent in 2014-2020 by the national and regional operational programmes to co-finance these activities. In the framework of the 2021-2027 period, CGSCOP intends to apply for ESF+ support.

06

Case studies of WBO examples

The three case studies have been chosen as representative of the French context. Their differences highlight the particularities and potential of the WBO phenomenon in France. The selected companies are: Terra Coop, Neodyme and You.

6.1. Company #1: Terra Coop



Experts en solutions circulaires

Based in Paris (Île-de-France), Terra is a consultancy and research company in waste management and circular economy. Founded in 1979 by the future vendor (sole owner of the company), Terra's clients are organisations, companies, local authorities and public bodies involved in waste management and processing. It offers tailor-made solutions to support circular economy projects, check and guarantee waste management and characterise waste flows. It's three main offerings are:

- Studies and strategies for circular economy. Clients include government ministries, the French Environmental and Energy Agency (ADEME), and organisations in charge of collecting and processing waste.
- Audit and certification of waste management processes. Clients are public local authorities and waste management companies.
- Metrology of waste flows. Clients are public local authorities and waste management companies.

Terra has 48 employees and an annual turnover of EUR 4 million. Some metrology accounts for half this figure, with 30% of turnover from studies and strategies, and 20% from audit and certification. The circular economy sector in France is dynamic and growing, and Terra has a number of competitors, including larger companies.



6.1.1. Reasons for WBO – needs and preconditions

The company was bought by its employees in 2017, when it employed 38 people. Terra was not in crisis. The founder was close to retirement age and had mentioned on several occasions over the previous two years at board meetings that he wanted to pass on the business. The management team had worked together for a long time, they were close-knit, and didn't want Terra to be acquired by a large enterprise.

Initially, the management team looked into the possibility of an LMBO, but ultimately rejected this option for two reasons. It would have required the company to be heavily indebted, and needing to generate strong growth to repay the loan. The management team simply wished to continue the company's activity without necessarily wanting to grow the business. The LMBO would also have required the future management team to take on significant personal debt, which they did not wish to do.

Subsequently, the management team contacted the regional branch of CGSCOP, the Ile-de-France URSCOP, to find out more about the cooperative model. They decided that it was the right entrepreneurial model for them, because of the focus on long-term employment within a moderate growth model.

6.1.2. WBO description

At the start of the operation, discussions on the buyout took place between the founder and the management team, which was extended to include four project managers who were long-standing employees of the company, making a group of nine employees (out of 38). The process took more than two years, from the founder's initial thoughts to discussions between the management team and the founder.

The employees were faced with two difficulties:

- Convincing the vendor that the cooperative model was appropriate to ensure the company's long-term future. The founder was concerned about the company's low capitalisation under the cooperative format. However, after lengthy discussions and mediation by the URSCOP, the founder accepted this model.
- Agreeing a sale price with the founder. The URSCOP's support in this area was also decisive, acting as a trusted third party between the founder and the buyers, and providing advice to both the founder and the employees.

Once the sale price had been set in March 2017, over the next two months, the nine employees involved in the WBO held discussions with the other employees to find out if they were interested in participating and able to contribute funds. The company was converted into a SCOP in July 2017, with 24 of the 38 employees becoming members (shareholders). By 2023, Terra had more than 30 members, out of 48 employees. New employees continue to be interested in becoming shareholders, due to the company's good performance and the dividends it pays.

Terra's current managing director, identifies three preconditions for the success of this WBO:

- A close-knit team of buyers with shared values.
- A trusted third party (URSCOP) acting as an intermediate between the buyers and the founder.
- Support from the URSCOP on all aspects of the WBO: human, financial and legal.



6.1.3. Financial structure of WBO

To finance the WBO, the workers required EUR 1.25 million. Financing was provided mainly via debt, as shown in Table 3: Terra's financial structure.

Table 3: Terra's financial structure.

Initial share capital	The initial capital of Terra is EUR 1.3 million and was collected through a combination of contributions from workers, the cooperative movement financial instruments, bank loans and grants
% workers' share capital at the beginning	16%
Equity	<ul style="list-style-type: none"> Shareholders: personal cash – EUR 198 200 (EUR 8 258 per shareholder). SOCODEN: acquired eight shares for a total of: (EUR 160).
Debt financing	<ul style="list-style-type: none"> Crédit Coopératif: Bank loan – EUR 500 000. SOCODEN (CGSCOP): subordinated loan - EUR 300 000. Bpifrance: loan - EUR 100 000. France Active: subordinated loan - EUR 100 000.
Other financial support	Air France: grant as part of the Air France Revitalisation Fund- EUR 119 000
Other non-financial support	<ul style="list-style-type: none"> URSCOP: Technical assistance subsidised by the Regional Council of Ile-de-France - EUR 33 400. Legal advisory services - EUR 10 000.
Transaction costs	None
Private financial support	<ul style="list-style-type: none"> Crédit Coopératif Bank: loan - EUR 500 000. SOCODEN (CGSCOP): subordinated loan - EUR 300 000. France Active: subordinated loan - EUR 100 000. Air France: grant as part of the Air France Revitalisation Fund - EUR 119 000. SOFISCOPE: guarantee.
Public (national) financial support	<ul style="list-style-type: none"> Bpifrance: loan - EUR 100 000. Bpifrance: guarantee.
Public EU support	None

Source: Author, based on an interview with a Terra representative.

The 24 initial members (shareholders) contributed EUR 198 200 of their own funds to the company's capital. The share price was set at EUR 20. Raising the capital was relatively easy for two reasons:

- Terra operates in the knowledge-intensive services sector, with employees who have relatively high levels of education, and therefore correspondingly high salaries.
- Prior to the transformation into a SCOP, the company had already put in place a profit-sharing policy for its employees (via employee savings schemes). The sums reserved by the employees have been used to contribute their own funds and buy shares in the cooperative.



In addition, SOCODEN bought eight shares for EUR 160 (0.08% of the capital), a symbolic participation, in return for the support it provided.

The new company's capital when it was incorporated was EUR 198 360. By the end of 2022, this had grown to EUR 235 800 with the added contributions of six new members.

Debt financing

Terra raised EUR 1 million from four financial intermediaries:

- Crédit Coopératif: EUR 500 000 loan.
- SOCODEN (CGSCOP): EUR 300 000 subordinated loan.
- Bpifrance: EUR 100 000 loan.
- France Active: EUR 100 000 subordinated loan.

In addition, Crédit Coopératif benefited from a double guarantee from SOFISCOP and Bpifrance's National Guarantee Fund – each covering 50% of the loan (i.e. EUR 250 000). The Bpifrance loan has also benefitted from the guarantee of the Ile-de-France Regional Guarantee Fund and the National Guarantee Fund for Social Economy Loans (managed by Bpifrance). Terra did not need to offer collateral to access these loans.

Table 4: Terra's debt financing plan.

	Type of Loan	Amount (in EUR)	Maturity	Interest rate	Deferred payment	Guarantee
SOCODEN	Subordinated loan (Prêt participatif)	EUR 300 000	five-to-six years	2.6%	six months	None
Credit Coopératif	Medium-Term Loan (Prêt moyen terme)	EUR 500 000	five years	1.5%	None	SOFISCOP's Guarantee Fund Bpifrance's National Guarantee Fund on 50% of the loan (EUR 250 000)
France Active	Subordinated Loan (Prêt participative)	EUR 100 000	five years	2%	None	None
Bpifrance Financement	Business Transfer Loan (subordinated)	EUR 50 000	five years	3.75%	One year	National Guarantee Fund for Social Economy Loans (managed by Bpifrance)
	Business Transfer Loan	EUR 50 000	seven years	3.22%	None	Île-de-France Regional Guarantee Fund (managed by Bpifrance)

Source: Author, based on an interview with a representative of Terra.



The financing plan for the takeover was not a fundamental problem for Terra. The company was healthy and making money. The management team was part of the takeover project. The company is positioned in a growth sector. This gave some assurance to the borrowers. In addition, the URSCOP facilitated the development of the plan and discussions with the various financial intermediaries. The management team only attended two meetings, with Crédit Coopératif and France Active.

Repayment of the loans raised no issues. All the loans were repaid by the end of 2022, except the Bpifrance loan.

Finally, the company received a grant of EUR 119 000 from Air France (airline company) as part of the Air France Revitalisation Fund. The revitalisation fund is a specific mechanism for large conglomerates when they restructure a site by closing or relocating an activity. They must contribute to the recreation of activity and the development of jobs in the areas that have been affected, to compensate for the loss of employment.

From the perspective of the Terra's current managing director, the transaction costs of the operation have been low. The main costs were related to the technical assistance provided by the URSCOP (EUR 33 400) and legal advisory services (EUR 10 000). However, URSCOP costs were subsidised by the Regional Council of Île-de-France (EUR 10 000) and CGSCOP. In total, the transaction costs for Terra SCOP were EUR 26 000, less than 2% of the sale price of the company.

6.1.4. Impact of the WBO

The WBO through a cooperative model has made the business more sustainable.

The minimum legal reserve (each year a minimum percentage of the profit before tax is kept in the company) helps the company to manage its cash flow efficiently. As a result, Terra has reimbursed its loans. The repayment of the one with Bpifrance was deferred in 2020 during the COVID-19 pandemic. Terra accepted a facility offered by Bpifrance during the pandemic to temporarily reduce the burden on its cashflow.

For Terra's staff, the cooperative model can be an attractive proposition. It is not a determining factor in the recruitment process, but it does matter to some people. In addition, the distribution of dividends ('intérêt au part') and the profit-sharing system ('intéressement' ou 'part salaire') which members benefit from make the ownership of shares attractive. It is part of the employee retention package. For instance, for the financial year 2022, the company distributed EUR 4.7 of dividends per share (price value of EUR 20), resulting in an attractive dividend yield (+25%).

In terms of business and commercial development, the WBO has had no demonstrable impact. It did not bring new commercial opportunities or market share. The company has continued its steady growth, with 48 employees in 2022 versus 38 in 2017.

6.1.5. Lessons learned

The WBO cooperative operation is complex for non-specialists. The URSCOP's technical assistance was crucial to the success of the operation. In the early stage of the operation, the URSCOP raised made employees aware of the cooperative model, then once the decision had been made to opt for this model, it gave the management team technical support on the following aspects:

- Negotiation with the vendor of the sale price of the company.
- Business plan of the cooperative, including the financial plan for WBO operations.
- Mobilisation of CGSCOP financial instruments and public support schemes (i.e. regional resources).
- Selection of the future managing director of the company from the group of 9 employees.



The Terra WBO is also a good example of how the different financial instruments complement each other to address the needs of the company and future shareholders, as it combined both grants and financial instruments debt financing. The grants came from Air France, Region Île-de-France for technical assistance, and indirectly ESF funding as CGSCOP benefits from ESF grants to support its technical assistance services. The financial instruments were subordinated loans from SOCODEN and France Active, which are backed by the National Guarantee Fund of Bpifrance (financed by the state from the Social Cohesion Fund, state budget).

6.2. Company #2: Neodyme



Neodyme provides technical assistance and advisory services to industries such as health, security and environmental risk management. Created in 2004, the company is located in Joué-lès-Tours in Centre-Val De Loire Region. Its main clients are industrial (85%) or enterprises working for an industrial client. The company is active in the following main sectors: nuclear energy (30% of turnover), defence (18%), oil and gas (7%, but decreasing), renewables (6%) and pharmaceuticals (4%).

In 2022, Neodyme's turnover was EUR 7.7 million. Until July 2023, the company had three subsidiaries: one in Brittany (Bretagne Region), one in New Caledonia, and one in Australia. The subsidiary in Brittany was then merged into the parent company, becoming one of eight regional branches of Neodyme in France.

In 2019, the company experienced a high point in terms of turnover. The COVID-19 pandemic reduced activity, affecting turnover in 2020 as many projects were put on hold and staff laid off, before turnover and staffing levels picked up again and stabilised in 2022 and 2023.

6.2.1 Reasons for WBO – needs and preconditions

Neodyme was founded in 2004 by five people working in a small enterprise that was taken over by a larger EU company. They decided to leave to found Neodyme.

The company experienced rapid growth working for clients such as the state electricity company, Électricité de France (EDF) and the French government-funded Alternative Energies and Atomic Energy Commission (Commissariat à l'énergie atomique et aux énergies alternatives, CEA). In 2011, Neodyme opened a subsidiary in New Caledonia and turnover reached EUR 5 million. Two years later, two of the co-founders moved to Australia to launch another subsidiary. One of them still works at the Australian subsidiary, while the other left the company to start a new project in New Zealand. Also in 2013, Neodyme's management gave 10 employees the opportunity to buy shares in the company. They created a holding company called Neoinvest, which has since been dissolved. Then other shareholders bought a stake directly, not through a holding company. In 2020, before the buyout, there were 40 direct shareholders in total. The company kept growing and in 2017 it opened South-West and Brittany subsidiaries. Another co-founder moved to Brittany Region to develop the marine renewable energies sector and still works there. Later, the fifth co-founder became the main shareholder with 85% of the shares and set up his own holding company.



According to employees, the majority shareholder had regularly indicated a motivation to transfer the business to employees through a cooperative scheme. It had been discussed with employees before there was a need to look into SCOP status and this desire was also one of the reasons for encouraging some employees to take a stake in the company.

There were two main reasons why the WBO process was accelerated:

- The majority shareholder took on personal debt to acquire his take and there was a change in his personal circumstances that meant this was no longer tenable.
- The negative effects of the COVID-19 pandemic on the business.

6.2.2 WBO description

Given the personal situation of the majority shareholder, and the difficulties linked to the COVID-19 pandemic, the majority shareholder gave employees an ultimatum regarding the option of converting the company into a SCOP. It was stipulated in the shareholder agreement that when the majority shareholder agreed to sell the company, all other shareholders would be required to sell their shares to prevent the sale to a third party being blocked. Therefore, the WBO involved buying the shares of all the shareholders.

In 2020, Neodyme's management team asked the regional URSCOP to conduct a feasibility study into becoming a SCOP. The process of doing the study and transferring the business took six months. In December 2020, Neodyme became a SCOP and the majority shareholder stayed until March 2021 to help in the transition and support workers in their new roles.

When Neodyme became a SCOP, all but two of the shareholders reinvested in the company. There were 81 members (shareholders) in total. The workers involved in the buyout made the number of members a condition of becoming a SCOP. They wanted to make sure that enough employees were motivated to be part of the transition. In addition, funds were needed to raise sufficient debt. Today there are about 70 to 75 members of Neodyme. New employees are not forced to be shareholders under the SCOP status.

The process has been challenging, as reported by Neodyme's chief financial officer. The first difficulty was how time-consuming the process was for the employees involved in the operation, particularly because it coincided with the COVID-19 pandemic, which hit the company's business and operations, requiring the leadership to manage both in parallel.

The second challenge for the employees was maintaining good working relations with the founder, still the managing director, and simultaneously negotiate with him the terms and conditions of the business transfer. As in the other company case studies, the URSCOP played an honest broker role that facilitated the WBO. A final challenge was convincing enough employees to be part of the WBO and inject their own cash into the equity of the company. This was particularly challenging during the uncertain period of the pandemic. In addition, employees that already owned shares were forced to sell them (as was the founder of the company) and were taxed on capital gains on these shares, which made the WBO particularly unattractive for them from a financial perspective.



6.2.3 Financial structure of WBO

When negotiating the sales price of the company, the employees had to take into account what each of the shareholders would receive. It was sold for EUR 1.7 million. Table 5 shows Neodyme's financial structure in detail.

Table 5: Neodyme's financial structure.

Initial share capital	The initial capital of Neodyme was EUR 1.7 million and was collected through a combination of contributions from workers, the cooperative movement financial instruments, bank loans and a grant
% workers' share capital at the beginning	25%
Equity	<ul style="list-style-type: none"> Shareholders: personal cash – EUR 424 000. Neodyme's reserves – EUR 446 000.
Debt financing	<ul style="list-style-type: none"> SOCODEN: subordinated loan – EUR 300 000. Crédit Coopératif: bank loan – EUR 200 000. France Active: subordinated loan – EUR 100 000.
Other financial support	Centre-Val de Loire Region: grant – EUR 76 000
Other non-financial support	URSCOP: technical assistance - costs unknown
Transaction costs	None
Private financial support	<ul style="list-style-type: none"> Neodyme's reserves – EUR 446 000. SOCODEN: subordinated loan – EUR 300 000. Crédit Coopératif: bank loan – EUR 200 000. France Active: subordinated loan – EUR 100 000. SOFISCOP: guarantee.
Public national financial support	<ul style="list-style-type: none"> Centre-Val de Loire Region: grant – EUR 76 000. Bpifrance: guarantee.
Public EU support	EIF: EaSI guarantee

Source: Author, based on an interview with Neodyme.

The shareholders contributed EUR 424 000 in equity. These members were a mix of original and new shareholders. In addition, EUR 446 000 from the company's reserves was used to buy the shares of the majority shareholder and of the other 40 members. The company had healthy reserves thanks to a State Guarantee Loan received during the COVID-19 pandemic. Part of this loan was used to cover the acquisition of the shares.

Regarding debt financing, Neodyme received:

- A SOCODEN subordinated loan: EUR 300 000.
- A Crédit Coopératif loan: EUR 200 000:
 - backed by Bpifrance guarantee at 40%;
 - backed by SOFISCOP guarantee at 25%.
- A France Active subordinated secured loan: EUR 100 000.



Neodyme received two loans from SOCODEN and France Active and one loan from Crédit Coopératif. The latter was backed by two guarantees. One of the guarantees was issued by Bpifrance and covered 40%, and the other guarantee (25%) was issued by SOFISCOPE.

SOCODEN and France Active did not require any collateral from the buyers. However, the loan from Crédit Coopératif was supported by a pledge on the business capital of the company for the full amount of the loan.

Table 6: Neodyme's debt financing plan.

	Type of Loan	Amount (in EUR)	Maturity	Interest rate	Deferred payment	Guarantee
SOCODEN	Subordinated loan (Prêt participatif)	EUR 300 000	Seven years	N/A	Two years	EaSI guarantee
Credit Coopératif	Loan (Prêt)	EUR 200 000	Seven years	0.7%	None	<ul style="list-style-type: none"> • SOFISCOPE's Guarantee Fund – 25%. • Bpifrance's National Guarantee Fund – 40%.
France Active	Subordinated loan (Prêt participatif)	EUR 100 000				

Source: Author, based on an interview with a representative of Neodyme.

Neodyme benefitted from the URSCOP's partnerships to raise debt. It would have encountered difficulties without a bank loan from Crédit Coopératif. The company already had several loans from its traditional banks (including a state-guaranteed loan to support recovery from the COVID-19 pandemic). Therefore, it was decided to take the URSCOP's advice to seek a loan from Crédit Coopératif, backed by the SOFISCOPE guarantee.

The transaction costs encountered by Neodyme were negligible according to the interviewee, but did include some URSCOP-related costs.

In addition, Centre-Val de Loire gave a EUR 76 000 grant toward the WBO. The Region offered a grant of up to EUR 10 000 per employee, 1 EUR for each 1 EUR put into the capital for all the employees living in the Region. Consequently, the grant played an important role in the overall financing plan given their role in increasing Neodyme's capital.

6.2.4 Impact of the WBO

The 2021-2022 financial year (1 June to 30 May) was the first full year that the company had been set up as a cooperative. Its performance was positive and stable compared to previous years, with the company recovering from the COVID-19 pandemic. In 2023, Neodyme had 100 employees in France, three employees in Australia and 10 employees in New Caledonia. Turnover in 2022 was EUR 7.7 million and in 2023 Neodyme distributed dividends of EUR 427 for EUR 1 000 invested.

The impact on human resources is still difficult to appraise. While cooperative status meets employees' expectations for more democracy in the enterprise, transparency, and profit sharing, there has been no observable impact from the transformation into a cooperative model. In line with others in their sector, the company is finding it hard to recruit. However, cooperative status could play a role in recruitment if two companies otherwise offer the same terms and conditions. The same observation was made for clients; it is an advantage to be a SCOP but not a deal-breaker.



6.2.5 Lessons learned

Neodyme experienced a relatively smooth and accelerated transformation: smooth because the founder knew for a long time that he wanted to conduct a WBO and raised awareness on the subject, and accelerated because he had personal financial constraints, and the COVID-19 pandemic negatively impacted the company. The company's accounts show a stable situation for Neodyme; however, it is difficult to draw conclusions given how little time has passed since the WBO took place. Neodyme outlined the following key steps for a good WBO and highlighted the following difficulties encountered during the transition.

The advisory support from the URSCOP was crucial to mitigate risks and reduce difficulties and to conduct the transformation in a short period of time. The feasibility study helped employees to understand the cooperative model and identify terms and conditions for the WBO. Furthermore, the URSCOP provided support in several aspects: it helped with the legal implications, it explained the transformation processes and conventions, it was at the general assembly, and attended all the calls with potential financing intermediaries. Neodyme's managing director explained that URSCOP's legal advice was crucial because the company's counsel was not able to advise on SCOPs.

The support provided by the URSCOP to the WBO facilitated the access to the loan from Crédit Coopératif and was key for Neodyme. Approaching other commercial banks would have been difficult given that the company had other ongoing loans, as well as the COVID-19 pandemic aid-related loan. A traditional bank may have been less inclined to offer a loan to the company. The cooperative network and the help of the URSCOP allowed Neodyme to keep a classic relationship with the other partner banks in case they need to invest again in the future.

6.3. Company #3 You



You is a newly established SCOP (2022) which has been operating in Nantes (Pays de la Loire Region, in Western France) since 1995. Initially, *You* specialised in wood framing; however, in 2015 the company recruited the current CEO to develop the carpentry market. Today *You* works in wood framing, and carpentry as well as (roof) covering. It works with architects, private individuals, and public bodies, including local authorities and government agencies. *You* works on the construction of buildings and houses, as well as extensions of existing houses.

Ten years ago, *You* had 45 employees, but internal communication was difficult and management was complex. The leadership team decided to become smaller to make it easier to coordinate the team and the enterprise. In 2023, there were 33 employees, a number that has remained stable over time.

In 2022, the last consolidated financial year, turnover was EUR 4.2 million, a record. The company expected to reach EUR 4.5 million by the end of 2023. Profits for 2023 were forecast to be around EUR 300 000, up from EUR 170 000 in 2022.



6.3.1 Reasons for WBO – needs and preconditions

In 2021, the founder and chief executive officer (CEO) of the company, Tony You, started looking for an investor to take over the business because, after 27 years, he did not want to continue. Mr. You was looking for an external buyer, and did not consider the WBO option at the start of the process in 2021. The business transfer was particularly challenging (in terms of price valuation) as the company owned its own premises. The founder only asked his employees if they were interested in buying the shares together with the external buyer. However, Samuel Babin, a member of the management team, and the current CEO of the cooperative, suggested the option of a WBO to the founder. Before becoming CEO, Mr Babin was head of the (roof) covering service. Since September 2022, he has taken over both roles: CEO and head of the covering service. The managers of the carpentry and wood framing services remained the same after the WBO.

In December 2021, Mr Babin began discussing with colleagues the idea of taking over the business as a SCOP. In the meantime, the founder had received various offers from third parties for the business and its premises, so he asked his employees to submit a formal written offer. Mr Babin motivated his co-workers to buy the company without buying the premises. Nowadays, the SCOP owns the company and pays rent for the office to the founder.

6.3.2 WBO description

In December 2021, the current CEO introduced the idea of a WBO to the founder. In December 2021 and January 2022, he collected intelligence on the feasibility of the operation, tested the motivation of his co-workers to the idea, and checked capacity of his co-workers to contribute with their own cash to the company buyout. There was also a need to reassure the founder who has not considered a WBO and was not aware of what it would entail. The URSCOP played an important role in reassuring the founder and informing him about timings, such as when meetings with the different financial intermediaries would take place. The founder ultimately decided to his workers' offer for two main reasons. The first is that he was interested in receiving rent for the premises rather than selling the building. This would represent an additional fixed income. Secondly, the founder's wife, a co-owner of the company, preferred to trust the workers to take over the business rather than an external party.

When the WBO was first discussed, the company had 33 employees. Of these, 20 expressed an interest in becoming shareholders, although two dropped out for personal reasons. Thus, when the business was transferred in September 2022, 18 employees joined the WBO as shareholders; today there are 21 members.

According to the interviewee, You did not encounter many difficulties during the nine-month long process. It remained in contact with its traditional financial partners (CIC, Banque Populaire), had direct discussions with both banks and received good offers with similar terms and conditions. However, You experienced difficulties regarding the available funds of the workers. Two co-workers did not apply for their loans from their banks. In order to overcome the cash issue, some workers agreed to sign a Memorandum of Understanding, a written document in which the debtor undertakes to pay a sum of money to the creditor. The sums lent to the two workers who did not have access to the bank loans on time were reimbursed after one month. In addition, there were uncertain times related to a rise in interest rates while discussion about the WBO were ongoing. However, the banks agreed to honour the rates available at the start of negotiations. The final difficulty was persuading the founder to have confidence in the WBO.



6.3.3 Financial structure of WBO

You was transferred and set up as a cooperative (SCOP) in 2022. The financial plan introduced by the employees covered only the buyout of the company's capital of the company and not of its the premises. The sale price was EUR 850 000. The details of the financial structure are presented below.

Table 7: You's financial structure.

Initial share capital	The initial capital of You is EUR 0.9 million and was collected through a combination of contributions from workers, the cooperative movement financial instruments, bank loans, a grant and a seller's loan
% workers' share capital at the beginning	12%
Equity	<ul style="list-style-type: none"> Shareholders: personal cash – EUR 100 000. SCOPINVEST: quasi-equity funding – EUR 100 000.
Debt financing	<ul style="list-style-type: none"> SOCODEN: subordinated loan – EUR 75 000. CIC Ouest: bank loan – EUR 275 000. Banque Populaire: bank loan – EUR 275 000. France Active: subordinated loan – EUR 100 000.
Other financial support	<ul style="list-style-type: none"> Pays de la Loire Region: grant – EUR 82 000. Seller's loan – EUR 160 000.
Other non-financial support	URSCOP: technical assistance – costs unknown
Transaction costs	None
Private financial support	<ul style="list-style-type: none"> SCOPINVEST: quasi-equity funding – EUR 100 000. SOCODEN: subordinated loan – EUR 75 000. CIC Ouest: bank loan – EUR 275 000. Banque Populaire: bank loan – EUR 275 000. France Active: subordinated loan – EUR 100 000. Seller's loan – EUR 160 000.
Public national financial support	<ul style="list-style-type: none"> Pays de la Loire Region: grant – EUR 82 000. Bpifrance: guarantee.
Public EU support	None

Source: Author, based on an interview with representatives of You.

The 18 initial members (shareholders) contributed EUR 100 000 of capital. Individual contributions had to be raised given that the number of shareholders reduced from 20 initially to 18 by the end of the process. The extra money required from each member meant that some had to take out personal loans.



You also had access to EUR 100 000 of quasi-equity funding from SCOPINVEST. This financial support was suggested by the URSCOP to ensure sufficient reserves after the WBO. Additionally, the cooperative received a grant from the Region to consolidate the company's equity (hereafter).

The debt raised by You was comprised of the following:

- SOCODEN subordinated loan: EUR 75 000.
- CIC Ouest bank loan: EUR 275 000.
- Banque Populaire bank loan: EUR 275 000.
- France Active subordinated loan: EUR 100 000.

Table 8: You's debt financing plan.

	Type of loan	Amount (in EUR)	Maturity	Interest rate	Deferred payment	Guarantee
SOCODEN	Subordinated loan (Prêt participatif)	EUR 75 000	Seven years	1.6%	Two years	None
CIC Ouest	Loan (Prêt)	EUR 275 000	Seven years	1.87%		Bpifrance Counter guarantee – 30%
Banque Populaire Grand Ouest	Loan (Prêt)	EUR 275 000	Seven years	1.87%		Bpifrance guarantee
France Active Investment (ex-SIFA) PIE	Subordinated loan (Prêt participatif)	EUR 100 000	N/A	2%	Two years	None

Source: Author, based on an interview with a representative of You.

You had access to two bank loans (CIC Ouest and the Banque Populaire Grand Ouest) and two loans (France Active and SOCODEN). The management decided to approach its traditional banks rather than benefitting from the partnership with Crédit Coopératif because the banks made an interesting offer and the company had a long-term partnership with them as well as other ongoing loans. As Table 8 shows, the bank loans have the same terms and conditions. The banks are aligned because of the long-term partnerships with You and the other ongoing loans. Having similar offers allows them to keep this partnership. In addition, both are backed by Bpifrance's guarantee. Moreover, the four financial institutions did not require any type of personal guarantee or collateral. According to the current CEO, and almost one year after the business transfer, You could have avoided taking the SOCODEN loan because its conditions were not as advantageous and because the company probably had enough cashflow and reserves. On the other hand, You mobilised quasi-equity funding from SCOPINVEST, meaning that there was an additional need for capital which then contributed to raising debt.

There were no major transaction costs related to the operation. Additional accountancy costs were shared between the SCOP and the founder. In addition, URSCOP support also represents a cost for the SCOP. The specific amounts of the different types of transaction costs have not been shared.



Additional funding

You also raised a seller's loan amounting to EUR 160 000 which had to be repaid in the next four years. The aim of the seller's loan was to increase cash reserves by conserving the financial results from 2021. A seller's loan was suggested by the founder of the company, which the SCOP accepted without negotiations.

In addition, the Pays de la Loire Region supplemented the funds provided by the company's workers, increasing the capital at the rate of 1 EUR for every 1 EUR of capital raised by the workers, up to a maximum of EUR 82 000. The workers had EUR 100 000 of their own cash and therefore the Region contributed the maximum EUR 82 000. This regional support contributed almost 30% of the total capital, but it is no longer available in the Pays de la Loire.

6.3.4 Impact of the WBO

As the business transfer only took place in September 2022, it is too early to appraise the real impacts of the WBO. However, there are already some developments noted by You.

The company's revenue has increased from EUR 4.2 million (2021) to EUR 4.5 million, while profits have risen from EUR 170 000 to EUR 300 000-350 000). Furthermore, You also sees an important change in its balance sheet related to the salary of the former CEO, who is no longer employed. The mid-year report seems to be favourable for You since it changed its status to a SCOP.

There is no significant change in the number of employees as yet, but cooperative status is expected to have an impact in the longer term because the employees are the ones that will bring contacts and they first need to be convinced by the mechanism. You is not seeking to grow massively as this may have a negative impact on the dynamics of the business. However, the SCOP would like to recruit people to enable it to diversify its offer.

Moreover, the change in status has allowed for a change in the organisation. Previously, the founder was solely responsible for identifying new projects and signing new deals. Since the business transfer, the three heads of service have taken over this role of attracting new clients and identifying new opportunities. With three people involved, more time can be dedicated to these activities.

6.3.5 Lessons learned

The current CEO, Mr Babin, underlined the fact that the WBO was a smooth process. The employees encountered some difficulties; however, there are key steps that allowed this process to be accomplished.

The URSCOP played an important role at different levels. Firstly, its support was key at the beginning of the process when the company founder was planning to sell to a third party. This shows the importance of supporting the vendor as well as the workers. The URSCOP helped the employees to prepare a counter-offer for the company and to compete with an external offer that may seem financially more interesting. URSCOP helped to convince the seller that he could benefit from renting the premises (to increase his fixed income in the long-term) instead of selling it.

In addition, the URSCOP also helped You to identify the funding sources that would allow it to raise sufficient debt. One of the financial difficulties encountered was the high amount of capital needed (EUR 282 000 from the regional support scheme, employees' own cash and SCOPINVEST quasi-equity funding). The URSCOP supported the business transfer by identifying the financial support offered by the Region as well as the quasi-equity funding of SCOPINVEST. The two funding sources represented 65% of the capital. The URSCOP also helped to raise debt from SOCODEN and France Active in addition to the two banks the company was already borrowing from.

URSCOP support is key at different levels. However, Mr Babin said it is difficult for the SCOP to know what its needs are and to assess URSCOP's suggestions critically. Indeed, according to the CEO, the SOCODEN loan was perhaps not as necessary as first thought; however, the company could not foresee its actual needs due to fluctuations in reserves which could not have been anticipated by the workers.



07

Synthesis of information from company case studies

Based on the insights gathered from stakeholder interviews in France, the analysis of the existing institutional setting facilitating WBOs and the interviews in the case studies included, the following key points and conclusions have been determined in the French context:

Needs and preconditions	<p>The case studies show that the reasons for transferring a business can be diverse: retirement, the founder's desire to take on new projects, or personal events. The transfer of a business in the form of a cooperative is not necessarily linked to a situation of crisis, bankruptcy or insolvency. It can be a way of passing on a healthy business.</p> <p>Interestingly, in two out of the three cases, the cooperative form of transmission was not the preferred route either for the seller (You) or for the employees (Terra). In these cases, the work of the URSCOP seems to have been decisive in convincing both parties to opt for the cooperative form, rather than an LMBO (Terra) or sale to a third-party investor (You). In the case of Neodyme, the seller had already invited his employees to become shareholders long before and had the idea of transforming the company into a cooperative.</p> <p>Another point in common between the three case studies is the cohesion of a small team of employees who united and try to convince their colleagues to opt for an employee buyout in a cooperative format. It is a long, complex process, requiring a great deal of discussion, particularly on the definition of each member's cash contribution. Here too, the URSCOP's support was decisive in explaining and training the employees in their new responsibilities.</p> <p>The WBO through a cooperative form is complex for non-specialists. Technical assistance and advisory services both for the selling owner and employees were instrumental in the success of the buyout. In the early stage of the operation, the URSCOP can raise the awareness of employees (Terra, Neodyme) and founders (You) of the cooperative model, and then once the decision is made to opt for the cooperative model, the URSCOP provides technical support to the management team on different aspects:</p> <ul style="list-style-type: none">• Negotiation with the selling owner on the sales price of the company.• Business plan of the cooperative, including the financial plan for WBO operations.• Mobilisation of the financial instruments of CGSCOP and available public support schemes (regional etc.) and beyond with the banks.• Designation of the future managing director of the company.
Ideal target sectors	<p>Cooperatives are predominantly active in the service, industrial and construction sectors. However, it may be observed that businesses operating in the services sector are less capital intensive and are more accessible for buyout. Furthermore, in knowledge-intensive service sectors (e.g. Terra), where many graduates are employed, salaries are on average higher, so there is a greater possibility that employees can afford an equity investment.</p>



Ideal target companies	<p>The three companies analysed are SMEs. They had a workforce of 33 to 115 employees prior to the WBO, with turnovers ranging from EUR 4 million to EUR 7.7 million in 2023. In addition, the financing required for the WBO varied between EUR 850 000 and EUR 1.7 million. Although workers often faced increased debt challenges due to the company size, SMEs typically require less total financing overall. Interestingly, SMEs are more prone to WBO because the smaller team sizes streamline decision-making processes, as fewer individuals are involved in the deliberations.</p>
Ideal target employees	<p>It is not easy to identify ideal target employees. However, the three company case studies illustrated some common features:</p> <ul style="list-style-type: none"> • As mentioned previously, in all cases, the buyout in a cooperative format is generally driven by a small group of employees, usually already in a managerial position and/or with a long-term service in the company: employees already sitting on the company board, or with operational and managerial/sales responsibilities in the company, or senior key people in the organisation. • Generally, this small group of employees seeks to recruit as many shareholders as possible, with a dual objective: a financial one, to raise a significant amount of capital (which will enable the company to raise bank debt), and a cohesive one, to create cohesion among the workers around a new development plan for the company. This is a crucial stage, and the one that takes the longest. During this stage, every worker is invited to take part in the WBO; there is no specific and ideal target employees.
Legal forms	<p>In France, the WBO operates under a cooperative structure, particularly in the form known as SCOP.</p>
Capital structure of the company / Liabilities	<p>Of course, the size and complexity of the WBO operations varies depending on the size of the company, number of employees and company performance. In the three case studies, the company was performing well before the buyout. The financial requirements ranged from EUR 0.9 million (You: 18 shareholders, i.e. EUR 47 000 on average per shareholder) to EUR 1.7 million (Neodyme: 81 shareholders, i.e. EUR 20 900 on average per shareholder).</p> <p>The three case studies highlighted several interesting points:</p> <p>The difficulty for employees to raise the capital needed to buy out the shares of the selling owner, and the diversity of solutions put in place to achieve this in the context of a cooperative transformation. The proportion of equity capital provided by employees varies between 25% (Terra, Neodyme) and 36% (You), and is supported either by subsidy mechanisms (Terra, You) or by quasi-equity funding (You). Neodyme is a special case, as the company's strong cash flow (thanks to the state-guaranteed loan) enabled it to reduce the bill for employees considerably, as the company's reserves were mobilised to cover 26% of the company's sale price.</p> <p>Without this support (quasi-equity funding, grant, etc.), it would be difficult to carry out the operations, as the cooperatives would be unable to raise bank debt at a level sufficient to cover the company's sale price. The number of members (shareholders) involved in the deal is also important: the more members there are, the greater the capacity to raise equity capital, and the lower the contribution per shareholder.</p> <p>All case studies also demonstrate how the different financial instruments can complement each other to address the needs of the company and future shareholders.</p>



Capital structure of the company / Liabilities

In addition to the grants and quasi-equity funding that complemented the own cash reserves from the members, the loans provided by SOCODEN and France Active consolidated the financial plan and leveraged debt financing to cover the sale price of the company. Finally, loan guarantees from Bpifrance, France Active or SOFISCOP help to reduce risk for the banks.

In conclusion, the financial package for a cooperative buyout works effectively because there is a systemic approach to the buyout project. As far as financing is concerned, the financial instruments available enable them to act on different levels - the contribution to the company's capital, the raising of debt, and the risk coverage. On the technical side, CGSCOP and its regional branches provide comprehensive technical and advisory support to associates and sellers. This support particularly helps to address information asymmetries from two different perspectives: from the selling owner, there is a lack of knowledge about the WBO as an option to sell the company (particularly in a cooperative format); from the employees' perspective, there is the belief that they cannot buy out the business because they think they cannot raise the necessary funds to cover the sale price.

Debt and collateral requirements

All case studies also demonstrate how the different financial instruments are complementing each other to address the needs of the company and future shareholders. In addition to the grants and quasi-equity funding that complemented the own cash reserves from the members, the loans consolidated the financial plan and leveraged debt financing to cover the sales price of the company. In France, debt is mainly structured through bank loans, equity loans, subordinated loans, and seller's credit. The main actors providing such loans for cooperatives are private and include the cooperative movement (SOCODEN), cooperative banks in particular Crédit Coopératif, the French promotional bank Bpifrance, and France Active (Table 10). Debt financing represented between 35% and 80% according to the companies studied. These loans often benefit from guarantees from Bpifrance, France Active, SOFISCOP and the EIF to help reduce the risk to the banks and SOCODEN.

Finally, based on the case studies, the various financing institutions engaged in WBO typically do not demand collateral. However, one of the companies analysed obtained a loan from Crédit Coopératif, which was backed by a pledge on the company's business capital, matching the full loan amount.

In conclusion, the financial package for a cooperative buyout works effectively because there is a systemic approach to the buyout project. As far as financing is concerned, the financial instruments available enable them to act on different levels - the contribution to the company's capital, the raising of debt, and the risk coverage. On the technical side, CGSCOP and its regional branches provide comprehensive technical and advisory support to associates and sellers. This support particularly helps to address information asymmetries from two different perspectives: from the vendor, there is a lack of knowledge about the WBO as an option to sell the company (particularly in a cooperative format); from the employees' perspective, there is the belief that they cannot buy out the business because they think they cannot raise the necessary funds to cover the sale price.



Transaction costs

In all three company case studies, the transaction costs were not a barrier to the conclusion of a deal and look relatively low, around EUR 20 000. The main reason for this is the role played by the URSCOPs in supporting buyout projects. The support is not free – it is covered by CGSCOP membership fees - but it is pooled among the more than 4 000 CGSCOP members and is supported in the form of subsidies from the state, regional authorities or the ESF+ (depending on the region). This helped to reduce the bill for beneficiaries of advisory support services.

The URSCOP's technical assistance was crucial to the success of the buyout operation in all three cases. In the early stage of the operation, the URSCOP raised awareness among the employees and the selling owner (e.g. You) of the cooperative model, and then once the decision was made to opt for the cooperative model, it provided technical support to the management team on different aspects: negotiation with the selling owner of the sale price of the company; business plan of the cooperative, including the financial plan of the WBO operations; mobilisation of CGSCOP financial instruments and available public support schemes (regional, etc.); and designation of the future managing director of the company.

This support is instrumental to the buyout both for employees and financial intermediaries. In particular, the interviews with representatives from Crédit Coopératif and France Active underline the importance, when assessing risk, of the fact that the team of employees is supported by the URSCOP.

Table 9: Comparison of sale price and equity investment across the three company case studies.

	Terra	Neodyme	You
Sale price	EUR 1.3 million	EUR 1.7 million	EUR 0.9 million
# of shareholders in the deal	24	81	18
Personal cash from the shareholders	EUR 198 200 (16%*) corresponding to EUR 8 258 per shareholder	EUR 424 000 (25%*) corresponding to EUR 4 873 per shareholder	EUR 100 000 (12%*) corresponding to EUR 5 555 per shareholder
Grants and quasi-equity funding	Grant from Air France: EUR 119 000 (9.5%)	Grant from Region: EUR 76 000 (4.5%)	<ul style="list-style-type: none"> Grant from Region: EUR 82 000 (10%). SCOPINVEST (quasi-equity): EUR 100 000 (12%).
Other support	None	EUR 446 000 (26%) Cash reserve from the company	None
Debt financing	EUR 1 million	EUR 0.6 million	EUR 0.7 million

Note: *% of personal cash out of the sale price value.

Source: Author, based on interviews with representatives from Terra, Neodyme and You.



Table 10: Debt and collateral requirements of individual companies analysed.

	Terra	Neodyme	You
Debt and collateral requirements	<ul style="list-style-type: none">• Crédit Coopératif bank: loan of EUR 500 000.• SOCODEN (CGSCOP): subordinated loan (<i>prêt participatif</i>) of EUR 300 000.• Bpifrance: EUR 100 000 loan.• France Active: subordinated loan of EUR 100 000.	<ul style="list-style-type: none">• SOCODEN subordinated loan (<i>prêt participatif</i>): EUR 300 000.• Crédit Coopératif bank loan: EUR 200 000.• France Active: subordinated loan of EUR 100 000.	<ul style="list-style-type: none">• SOCODEN subordinated loan (<i>prêt participatif</i>): EUR 75 000.• CIC Ouest bank loan: EUR 275 000.• Banque Populaire bank loan: EUR 275 000.• France Active: subordinated loan of EUR 100 000.

Source: Author, based on interviews with representatives from Terra, Neodyme and You.

08

Potential to use ESF+ and other EU resources to support WBOs

8.1. Potential use of ESF+ financial instruments

Over the programming period 2014-2020, France benefitted from c. EUR 6.5 billion from the ESF. This was 20% more than the previous programming period, and went hand-in-hand with a decentralised approach to ESF management, combining different layers and a number of managing authorities (state administrations in the regions, regional authorities), and over 120 intermediate bodies.

For the current programming period, 2021-2027, the set-up of ESF+ management in France has not fundamentally changed: there is still an ESF+ national operational programme, managed by the Ministry of Labour, Employment and Integration, and 17 ESF+ regional operational programmes managed by the regional authorities.

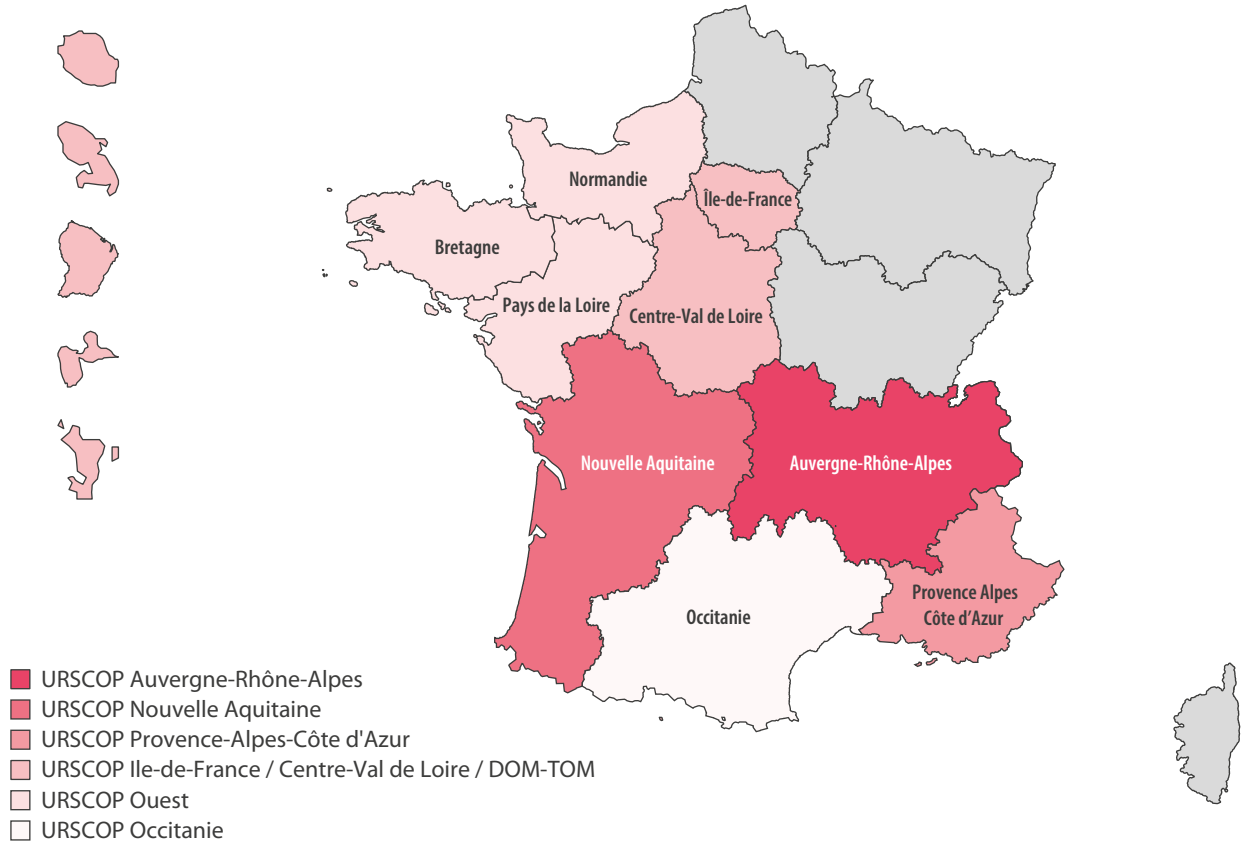
France is using ESF+ support mainly to tackle unemployment among young people and older jobseekers, while upgrading the skills of workers. In addition, social inclusion measures are underway in the French regions, and initiatives to boost education opportunities are rolled out too. In France, ESF+ focuses on a very limited number of investment priorities: the support for active inclusion and equal opportunities; lifelong learning; youth employment; and adaptation of workers, enterprises and entrepreneurs to change. The ESF+ national operational programme for the 2021-2027 period is divided into seven priorities and only one of them focuses on the social and solidarity economy⁷¹. The first specific objective focuses on access to employment as well as the promotion of employment in the social and solidarity economy. The actions under this specific objective include the provision of support to strengthen the cooperative sector through regional and national resources. They also aim to reinforce the social and solidarity economy by structuring the ecosystem and the actions available across regions and at the national level. Such support is delivered mainly through grants to finance national networks and local partnerships (e.g. France Active, ADIE for micro-entrepreneurship, CGSCOP to a limited extent through the national association AVISE) which provides advisory, mentoring and coaching services to entrepreneurs and other final recipients, particularly in the social economy sector. This support does not focus particularly on business transfer and WBO. Moreover, CGSCOP did not benefit from ESF 2014-2020 funding to cover activities to promote and support SCOPs. For the 2021-2027 period, CGSCOP intends to apply for ESF+ funding in the form of a grant to cover its development programme that includes activities such as the funding of tools and capitalisation of business transfers, the support of training for CGSCOP employees, as well as business transfers in the Outermost Regions.

At regional level, the ESF+ is also used only through grant schemes, and mainly to finance advisory services of intermediate bodies and financial intermediaries (e.g. France Active) and national networks (ADIE, Initiative France) which provide access to finance to ESF+ target groups and manage financial instruments (micro-finance, loans, guarantees and equity). This support does not particularly focus on advisory services for WBOs and not all regions are using ESF+ to finance advisory services to support SCOP. At the regional level, six URSCOPs had access to ESF funding in the previous period (Auvergne-Rhône-Alpes, Île-de-France, Provence Alpes Côte d'Azur, Midi Pyrénées⁷², Nouvelle Aquitaine), and one additional URSCOP (Ouest) is also financed in the framework of the ESF+ 2021-2027 period.

⁷¹ The national program of the European Social Fund. Employment, Inclusion, Youth and Skills (*Le programme national du Fonds social européen. Emploi, Inclusion, Jeunesse et Compétences*). [Online]. Accessed on 16 December 2023, available at: https://fse.gouv.fr/sites/default/files/2023-03/ProgrammeFSE_A4_0.pdf.

⁷² Midi-Pyrénées is a former administrative region of France, which since 1 January 2016 has been part of the new region of Occitanie.

Figure 8: French regions with SCOP regional branches (URSCOP) financed under ESF/ESF+ Operational programme in France.



Source: Author.

Back in 2021, two managing authorities reflected on the possibility of using ESF+ through financial instruments to support entrepreneurship in the social economy sector. Two types of intervention were envisaged at that time:

- Loan or loan guarantee to social enterprises and social economy entrepreneurs (similar to proposals by France Active Garantie to stimulate the mobilisation of banking actors on social and solidarity economy enterprises and micro-entrepreneurship).
- Equity and quasi-equity investment in innovative and growing social enterprises (such as SCOP).

Regional managing authorities decided not to proceed in the end for the following reasons: the complexity of establishing financial instruments adding contributions from the ESF+ fund; the lack of know-how of financial intermediaries about combining national funding sources and ESF+ into the same instrument; the lack of critical mass of the financial instruments at the regional level (volume of demand) considering the transaction and management costs of the financial instruments; and a lack of stability of audit rules at the start of the programming period.



8.2. Exploring possibilities to combine financial instruments with grants

In France, there is no experience of combining in the same instruments a grant and a financial instrument – loans or equity for instance. However, the company case studies highlight the effective combination within the same WBO of grant support (mostly from regional authorities) with diverse financial instruments that complement each other to close the financial plan of the WBO operation. Grant schemes complement the financial plan well by providing additional equity to the cooperative, helping it to raise debt financing from cooperative banks, notably France Active and SOCODEN.

8.3. Potential involvement of EIB Group via EU-level financial instruments

While the potential support of ESF+ through financial instruments is very limited in France, and particularly for WBOs, EIB Group intervention mainly through the EIF under the EaSI programme has been effective in the sector and paved the way to using InvestEU guarantee instruments for the social economy sector.

In 2019, the EIF provided EUR 25 million of guarantees (with 80% cap rate) for loans to cooperative enterprises provided by SOCODEN, within the European Commission's EaSI programme and backed by the Juncker Plan (the so-called EaSI guarantee). The support of the European Investment Fund enabled SOCODEN to provide loans worth EUR 4.8 million in 2019 and up to an expected EUR 6.5 million a year by 2023. SOCODEN has focused its financing on under-served sectors currently seen as too risky, such as worker-owned cooperatives and multi-stakeholder cooperatives in the start-up phase. It has also helped SOCODEN to propose better commercial terms and conditions for its loans to cooperatives. SOCODEN is not the only entity within the French ecosystem to have received support from the EIF. In 2022, Crédit Coopératif was included as a financial sub-intermediary that benefitted from the EaSI guarantee financial instrument. Historically, France Active had previously engaged with the EIF through the EaSI guarantee, and as of October 2023, it remained among the beneficiaries.

Based on the interviews with CGSCOP and the companies, there could be two potential avenues for EIB Group involvement to support WBOs:

- The continuation of the EaSI guarantee mechanism under the guarantee instruments under the InvestEU Social Investments and Skills Window. From a CGSCOP perspective, the EIF portfolio guarantee enables SOCODEN to deliver more loans at a better price, and particularly for WBO operations. Indeed, the default rate on WBO operations in the form of a cooperative is very low, and therefore incorporating these loans into the loan portfolio guaranteed by the EIF helped to mitigate the risk of the portfolio.
- The support for the quasi-equity fund of SCOPINVEST (which is affiliated to SOCODEN) to increase its capacity to address the demand. The total amount of the fund (EUR 9 million) was considered too small to address the expected growing demand for financing. SCOPINVEST does not benefit from any guarantee scheme back-up, which limits its capacity to take risks and increase the volume of quasi-equity funding.

8.4. Practical hints for managing authorities

As mentioned above, at the National level, ESF+ is used to support advisory services, but it does not focus specifically on WBO. The operational programme shows that there is no specific interest in supporting WBOs other than through some grant schemes for networks and local partnerships. At the regional level, there are few opportunities for financial instruments in the framework of ESF+, as shown in Chapter 8.1. ESF+ is mainly used for grant support of the advisory services provided by intermediate bodies and financial intermediaries. In addition, not all French regional authorities use ESF+ to support advisory services for cooperatives in the framework of WBO. Moreover, for diverse reasons previously mentioned, regional authorities have encountered difficulties in using financial instruments via ESF+. Therefore, to better support cooperatives in the framework of WBO, managing authorities could co-finance technical assistance services provided by the URSCOPs at the regional level and by CGSCOP at the national level.





Suggestions and next steps

Next steps to support the development and implementation of WBOs in France should focus on the areas highlighted in the following sub-chapters:

➤ **Promote knowledge-sharing and awareness of WBO and particularly cooperatives**

Develop educational materials and carry out awareness campaigns to disseminate information on successful WBO models in France throughout the regional authorities.

Organise workshops, seminars, and conferences to facilitate knowledge exchange and best practice sharing among stakeholders involved in WBOs.

➤ **Develop a comprehensive WBO national strategy**

Work towards the development of a comprehensive WBO strategy at the national level, outlining long-term objectives, targets, and action plans to promote and scale up WBOs across Member States.

Collaborate with relevant national institutions, social partners, ESF+/ European Regional Development Fund (ERDF) managing authorities, and stakeholders to ensure a coordinated and cohesive approach towards advancing WBO as a sustainable ownership and management model.

➤ **Facilitate access of workers to technical advisory services to support WBO**

Make greater use of ESF+ (both from the national operational programme and the regional operational programmes) to support technical advisory services and dissemination activities of national and regional networks, such as the URSCOP, CGSCOP, and France Active.

Engage with the regional authorities to get funding to adjust technical advisory services to the need of the region.

➤ **Provide targeted financial support to address suboptimal situations**

Expand grant support schemes to all regions to help workers to increase their equity and leverage on bank loans.

Continue supporting the SOCODEN loan portfolio under the guarantee instruments implemented in the framework of the InvestEU Social Investments and Skills Window.

Engage in dialogue with SCOPINVEST to anticipate the increasing demand for quasi-equity funding from cooperatives and how to support this.

➤ **Foster statistical research and policy evaluation**

Work with the INSEE to obtain annually reliable and robust statistics on business transfers, and the type of business transfer: external investor, family, management, or workers.

Invest in research and evaluation studies to assess the impact and effectiveness of policy support for WBOs and tax incentives schemes in different sectors and contexts, identifying success factors and potential areas for improvement.

10 Conclusion

The number of WBOs especially in the form of cooperatives compared to the number of businesses transferred seems to remain stable in France. However, an increase is anticipated in the next few years as noted by the French Senate Report (October 2022). According to the case studies presented, the reasons for WBO vary and are not necessarily (even rarely) related to a lack of economic performance. It can be due to retirement age or willingness to change professional career.

Currently, there are many public and private stakeholders that offer a diverse range of financial and non-financial support to cooperatives and workers. The stakeholders include the regional authorities (but not all regions), national associations, public investment banks, commercial banks as well as business networks. The support can include technical advisory support as well as financial support through instruments such as guarantees, subordinated loans, grants or quasi-equity funding. The synergy between different types of support has shown to be the key for success. Indeed, to raise debt, there is a need to de-risk the project through technical advisory support, but also to have enough initial capital obtained through grants and employees' participation.

In France, although financial instruments do exist, and are well developed, there is a need to anticipate a potential increase of interest in WBO and to foster WBO in the cooperative format through awareness raising, advisory services and financial engineering.

There are still some suboptimal investment situations related mainly to equity where the EIB Group and other financial institutions can play a role, through refinancing existing financial intermediaries, providing guarantee support (InvestEU guarantee scheme) or supporting quasi-equity instruments such as SCOPINVEST.

In the meantime, there are ongoing discussions in France on the creation of a fund dedicated to WBO. The evaluation of the implementation of the Law on social economy, which was conducted by the Higher Council for Social and Solidarity Economy, and whose opinion was published on 27 July 2023⁷³ has triggered such a debate among the WBO and cooperative stakeholders.

This fund would be designed to address the equity gap of employees not having enough personal cash reserve to invest into the company. It would particularly address the fact that existing regional grant support (e.g. You) does not exist in all French regions and when it does exist the terms and conditions are not uniform or do not fit the needs. Indeed, the amount available is low, ranging from EUR 1 000 to EUR 5 000 per employee who invests (with a ceiling of EUR 100 000 per enterprise) in some regions for example. They are complex to mobilise (it is sometimes necessary to submit as many individual applications as there are employee investors). It takes time to benefit from them, whereas in the case of a company takeover at the bar of the court, there is a need to move quickly. Finally, they do not cover the whole country.

⁷³ Notice of the Superior Council of the social economy and solidarity on the assessment of Law 201. [Online]. Accessed on 16 December 2023, available at: <https://www.ess-france.org/system/files/inline-files/Avis-CS-ESS-Bilan-loi-2014.pdf>.



The proposition made by the Higher Council to the Secretary of State in charge of Social Economy (under the umbrella of the Ministry of Economy and Finance) is to create a WBO National Fund with the following characteristics:

- A capital contribution of EUR 1 for every EUR 1 invested by an employee, with no ceiling per employee, but with a ceiling per company (e.g. EUR 500 000).
- Contribution in the form of quasi-equity funding (*titre participatif*).
- Provision of a repayable advance over five to seven years to go beyond the EUR 1 matched for every EUR 1 invested.
- Guarantee of employee capital investment at the same level as for other investors.

The size of the fund is estimated at EUR 5 million over the next two years. The URSCOP estimated the need at EUR 11 million at the low end and EUR 20 million at the high end. The leverage effect is estimated at four. The Higher Council consider this dedicated fund would complement the SOCODEN and SCOPINVEST financial products and other financial intermediaries who have a strong presence in the cooperative sector (France Active, Crédit Coopératif).

In addition, the Higher Council suggests establishing a guarantee support scheme to back the personal loans of employees who invest in a cooperative. The objective is to address the unequal treatment that disadvantages employees. Unlike investors such as SOCODEN or Crédit Coopératif, who benefit from guarantees on their loans, this initiative aims to develop and secure the financial investments of employees.

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