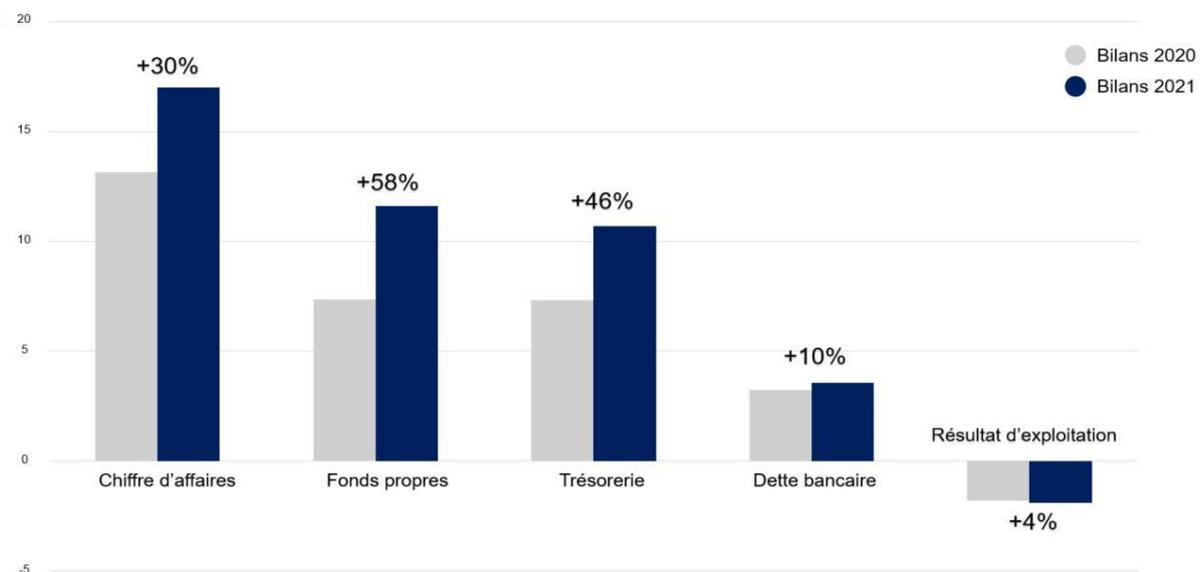


## Financial position of start-ups in 2021

By Maurice Oms, Guillaume Alabergère, and Maha Ardisson-Khataoui

*Against the backdrop of the post-Covid economic rebound, the turnover of start-ups jumped by 30% in 2021 and their workforce increased by 19% compared to 2020. Start-ups are mainly financed by investors who have significantly increased their equity stake by 58%. Bank financing increased by 10% over the period. Start-ups have therefore maintained and even strengthened their cash position, which stood at almost EUR 12 billion at the end of 2021, up 46%. This situation is conducive to a strong growth outlook.*

Chart 1: Changes in the financial position of start-ups in 2021 -



Source FIBEN - main financial aggregates of 1,747 start-ups with turnover > EUR 750,000 - Change: balance sheet 2021 vs 2020. Scale €bn 2020/1 balance sheets, Turnover, Equity, Cash flow, bank debt, operating profit

### Analysis of 1,747 balance sheets of start-ups with a turnover of > EUR 750k

In France, the term "Start-up" is neither a legal nor a statistical category. A recent [INSEE](#) publication shows that this concept encompasses different situations.

However, according to the Banque de France a start-up differs from a traditional company if it has at least the following three main characteristics:

- It has a high growth potential.
- It uses or creates a new technology.
- Its financing needs are often met through fundraising.

To carry out this study, we:

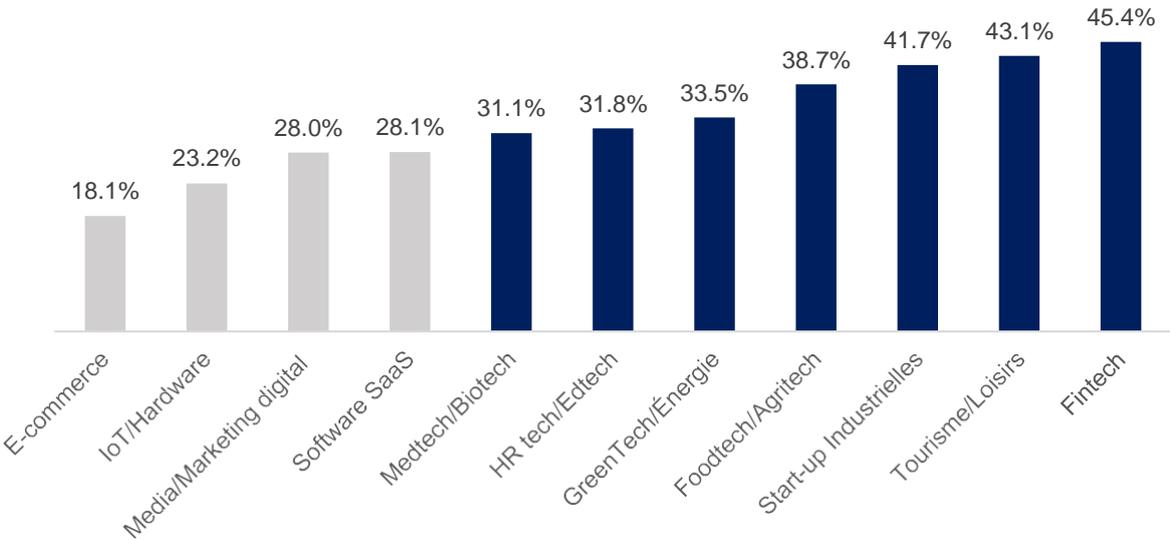
- Collected the balance sheets of companies identified as start-ups in our [FIBEN](#) databases as at 30 June 2022 and selected those with a turnover of over EUR 750k in 2020 and 2021,
- Checked and classified these firms by sector of activity with the help of our network of regional [start-up correspondents](#), who assign a Banque de France rating to them (see box),
- Reviewed these retrievals using data available on the websites of [Dealroom](#) (database) and Le Hub (BPI France)
- Lastly, we excluded companies that were more than 15 years old (a criterion used by the FT 120/Next 40 programme) and those with more than 500 employees (the ceiling for obtaining a loan from the European Investment Fund).

This sample included 1,747 start-ups, 70% more than in last year's comparable study on the financial position of start-ups in 2020, reflecting the growing number of start-ups reaching maturity and exceeding the Banque de France's own EUR 750k analysis threshold.

Before drawing any economic conclusions from this sample, we note that the average age of the legal representatives of start-ups is 44 years old and only 9% of them are women. When it is a natural person, the main shareholder owns on average 39% of the capital.

### The activity of start-ups surged by 30% on average in 2021

Chart 2: Rate of change in start-up turnover by sector of activity in 2021



Source: BDF start-up correspondents (sectoral classification) FIBEN (rate of change in turnover) E-commerce, IoT hardware; Media/digital marketing, SaaS, HR tech/Edtech, GreenTech/Energy, Foodtech/Agritech, Industrial start-ups, Tourism/leisure, Fintech

In 2021, the French start-up ecosystem became more attractive. Start-ups set a new record with the amount of funds raised doubling to EUR 11.7 billion (Eldorado 2021 annual report) and new unicorns emerged (start-ups valued at more than USD 1 billion). According to an [Impact Barometer of French Tech 120/Next 40 companies](#) in which the Banque de France participated, one out of two French people uses at least one of these innovations every month.

The turnover of the 1,747 start-ups under review amounted to EUR 17 billion in 2021, i.e. an increase of 30% over one year.

#### **All sectors benefit from this momentum:**

- E-commerce start-ups, marketplaces and digital marketing companies strengthened their position, now representing one-third of the sample in terms of turnover.
- The HR sector, greentech, deeptech and industrial start-ups are growing rapidly as they contribute to societal or environmental transformations.
- Foodtech and the medtech-biotech sector, which had benefited from the health crisis, consolidated their growth,
- The tourism sector, strongly impacted after a very difficult year in 2020, enjoyed a marked rebound,
- Lastly, French Fintech remains the leader in terms of turnover growth (see Fintech Focus).

Start-ups that are now more mature are looking to expand beyond France: 67% of start-ups have an export activity that represents 34% of their overall turnover.

The 1,747 start-ups under review employed a cumulative average of 84,000 people at the end of 2021, compared with 70,000 a year earlier (up 19%). 55% of start-ups are headquartered in the Ile-de-France region, far ahead of Auvergne Rhône-Alpes (9.6%), Occitanie (7.3%) and PACA (6.1%) regions.

### **A growth model still largely financed by equity**

Record fundraising in 2021 bolstered equity, which increased by 56% to EUR 11.6 billion and represented 41% of the total balance sheet. However, this ratio masks significant differences: 18% of the start-ups in the sample have negative equity.

Bank debt increased by 10% to EUR 3.5 billion; it remained contained at 30% of equity and was increasingly used to supplement fund-raising. 82% of start-ups resort to borrowing with a median debt value of EUR 761k. 73% of the start-ups in the sample obtained a state-guaranteed loan, representing a total amount of EUR 1.74 billion.

Less than 10% of start-ups implemented bridge financing in the form of bond issues. These operations amount to EUR 933 million in additional funding. This tool is generally taken up by traditional investors who take advantage of the opportunity to increase their capital stake.

### **Start-ups are careful with their capital consumption**

In cumulative terms, the cash position of the start-ups in the sample stood at EUR 10.7 billion at the end of 2021, compared with EUR 7.3 billion at the beginning of the year. It grew by 46% and constitutes an important source of growth and employment.

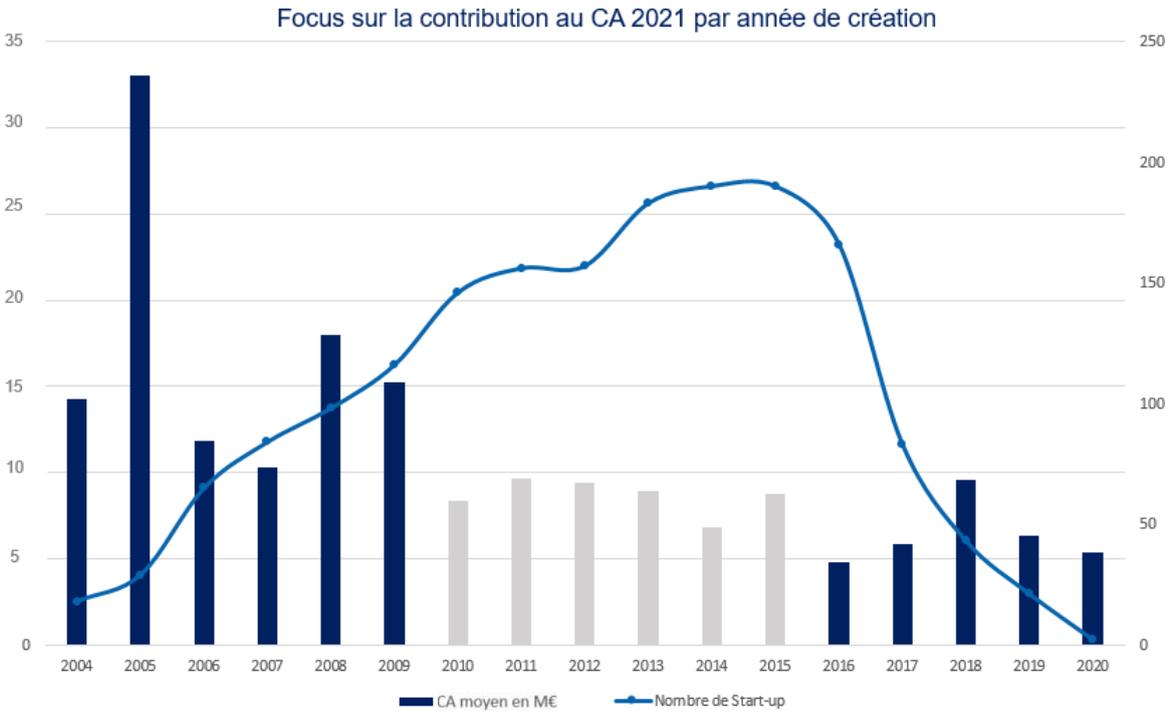
Contrary to popular belief, not all start-ups are loss-making: 43% have a positive operating profit totalling EUR 1 billion, compared with 57% with a negative operating profit amounting to almost EUR 3 billion in total losses. The balance for the whole sample is therefore negative, (to the tune of EUR 1,985 million). Despite strong growth in activity (up 30%) and jobs (up 19%), the negative balance only increased by 4%.

According to the cash burn rate observed in 2021, loss-making start-ups should have two and a half years of cash reserves without raising additional funds (average time between two transactions: 2.3 years according to [Tech Insights KPMG France](#))

Of the 1,747 start-ups identified and with balance sheets in our databases, only 4 were subject to legal proceedings in 2021, or 0.2%.

**This momentum should continue and accelerate in the coming years**

**Chart 3: Average turnover generated by start-ups according to their year of creation**  
Focus on the contribution to 2021 turnover by year of creation



Left axis: Average turnover per start-up in EUR million, Right axis: number of start-ups by age group.  
Source: Banque de France, FIBEN database – Average turnover in Euro millions – Number of start-ups

Note: the 29 start-ups in the sample created in 2005 had an average turnover of EUR 33 million in 2021.

**These companies have a large potential for growth depending on their maturity:**

- The 12 years and over group (start-ups created between 2004 and 2009) is made up of 410 start-ups with an average turnover of EUR 15.6 million. They represent 23% of the start-ups in the sample.
- The 6-11 age group (2010-15) accounts for 60% of start-ups and is gradually entering the maturity phase. With an average turnover of EUR 8.6 million, these companies constitute a

powerful source of growth if they reach the level of their predecessors.

- The youngest start-ups (2016-20) have an average turnover of EUR 5.8 million; although there are fewer of them in the sample (17%) because of the analysis threshold of EUR 750,000 in turnover, in practice there are many more thanks to the dynamic nature of the seed stage, backed in particular by the Activity of the Business\_Angels.

#### These companies continue to be financed and supported in 2022:

- French technology start-ups raised EUR 8.4 billion in the first half of 2022, an increase of 63% compared to the first half of 2021 (Source: EY Barometer)
- The average amount of funds raised (amount raised/number of transactions) was EUR 6 million in 2020, EUR 13 million in 2021 and EUR 23 million in the first half of 2022.
- The EUR 30 billion "[France 2030](#)" plan aims to promote industrial competitiveness and the technologies of the future. It sets out to achieve 100 unicorns by 2030, including 10 "decacorns", tech giants valued at over USD 10 billion.
- Euronext announced in June the launch of [Euronext Tech Leaders](#) with the creation of a segment of more than 100 high-growth listed European tech companies, including 41 companies listed in Paris.

### Focus: French Fintech remains the leader in terms of turnover growth

The turnover of the Fintechs in the sample (100 companies, excluding credit institutions subject to authorisation by the *Autorité de Contrôle Prudentiel et de Résolution*, ACPR) increased by 45% in 2021 (up 32% in 2020), making this the fastest growing sector. This momentum is driven by scale-ups with strong international reach, which doubled their share of export sales between 2020 and 2021: 10 scale-ups account for 53% of the turnover of the companies under review; 49% of their turnover is achieved through exports.

According to France FinTech, the professional association for French fintech, assurtech and regtech, financial start-ups raised nearly EUR 2.3 billion in 2021, or 174% more than in 2020.

Against this backdrop, the equity of the fintechs in the study has increased significantly (up 118%) as has their available cash, which rose by 83% to over EUR 1.7 billion. These variations are almost twice as large as those observed for Tech as a whole.

According to Alain Clot, President of France Fintech, "France has a real sector of excellence which is giving rise to several international champions. Our ecosystem already has 11 unicorns, is now the second largest in Europe and one of the fastest growing. Our current challenges are, in addition to dealing with a particularly uncertain global economic environment, to reach critical mass, to make our models viable economically and to raise, as far as possible via French and European markets, the substantial amounts of capital required to underpin our sustained development."

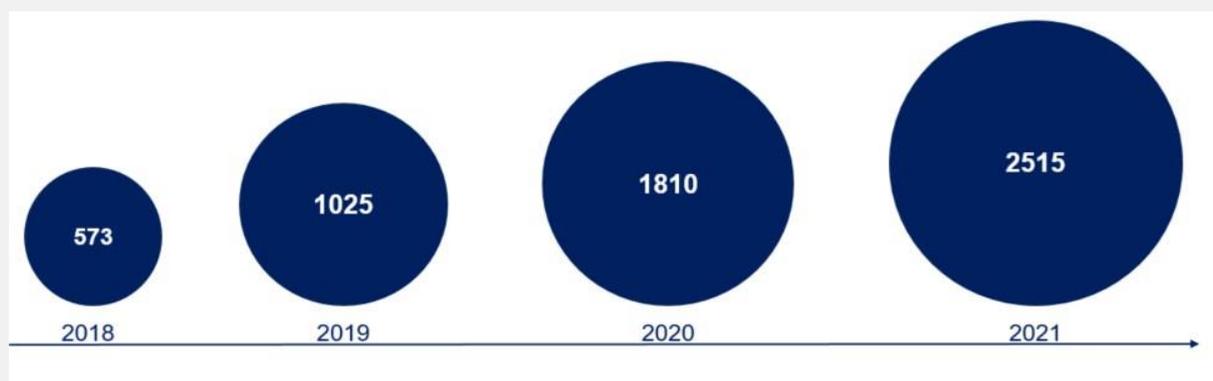
## The Banque de France rating takes into account the specific features of start-ups

Each year, the Banque de France assigns a [rating](#) to more than 270,000 companies with a turnover of over EUR 750,000

In 2020, it deployed a network of [start-up correspondents](#) in each region and [French Tech capital](#) with the aim of assisting and rating these companies while taking into account the specific features of this growth model.

In the case of start-ups, recurrent losses are common because of their business model, but are not necessarily indicative of a weak financial position. Indeed, among these companies, liquidity and the financial structure are sometimes very strong, given the significant support from the ecosystem in the form of fund-raising.

In four years, the number of start-up balance sheets in the [FIBEN](#) database has increased fourfold, reflecting the strength of the tech sector and the resilience of this growth model.



**Chart 4:** Changes in the number of start-ups rated by the Banque de France - Source: BDF start-up correspondents - FIBEN (balance sheet with turnover >Euro 750,000)

In 2022, the [Banque de France rating will develop](#) in order to adapt the rating model to European credit risk standards. We encourage managers and CFOs to initiate or pursue dialogue with our start-up correspondents and analysts to better take into account the specific features of their growth model.