

SOCIAL AND ECONOMIC PERFORMANCE OF FRENCH DIGITAL STARTUPS

BAROMETER 2020

Contents

→ Editorial	03
→ 1. Methodology	05
→ 2. Executive summary	08
→ 3. Key figures	10
1. International expansion is crucial to reach the next step of growth	11
2. Startups keep recruiting & looking for talents	17
3. The French ecosystem approved by entrepreneurs	23
4. First lessons of the COVID-19 crisis	27
→ Acknowledgments	36

Editorial

For the 9th edition of the barometer, presented during the FDDAY of September 15th, more than 500 startups answered to the survey. Here are the key messages of this edition:

International expansion is crucial to reach the next step of growth

In 2019, the growth of French digital startups kept accelerating, they saw their revenue increase by 23% compared to 20% in the previous edition of this barometer. The major part of the participants' revenue (66%) was generated in France, but in order to scale it is crucial to focus on making sales internationally. Indeed, the startups making more than €20m of revenue generated 37% of their revenue abroad when it is 23% for the startups making less than €20m of revenue.

In order to grow internationally, French startups need to attract foreign investors. In 2019, 31% of respondents had at least one foreign investor in their capital. The average amount of funds raised increased by 30% in 2019, reaching €17.6m (vs €13.5m in 2018).

We also note that VCs play a key role to support French digital startups. Indeed, 80% of the respondents are backed by VCs. We also learn in this barometer that the main fundraising goal for startups is Product & Tech for 58% of the participants, followed by Sales & Marketing for 24% of them.

Startups keep recruiting & looking for talents

Recruiting qualified talents remains one of the main priorities of French digital startups. Between 2018 and 2019, the respondents staff grew by 28%, and 5,905 jobs were created in 427 companies. Most of these new jobs (85%) were created in France, showing that France can train qualified talents. Parity in the French digital ecosystem is not reached yet but efforts were made since 36% of employees are women. However, only 10% of them were CEOs.

Good news: 86% of the respondents' staff are permanent contracts! Yet 77% of the participants, regardless of their size, hired freelancers and for 86% of them, freelancers represent 1 to 25% of their workforce.

Working remotely was already a common practice in most startups, but this trend has been highly accelerating during the lockdown of 2020, and there is no doubt it will continue rising during the following years.

Before the COVID-19 crisis, recruiting talent was still the main barrier of development met by digital startup CEOs! According to 42% of the respondents, the most important profile to hire remains sales and marketing profiles. However, 45% of them declare that the most difficult to recruit is programmers and developers.

Editorial

The French ecosystem approved by entrepreneurs

To help startups emerge and accelerate their growth, the French government allow them to benefit from several financial aids through different measures encouraging innovation. 60% of the participants use research tax credit, 50% innovation tax credit, and 42% benefit from "Young Innovative Company" label.

Opening the share capital to investors is critical to facilitate the startups' growth. Most of the time, investors own less than 50% of the share capital in the startups generating less than €5m of revenue, whereas they hold more than 50% in startups generating more than €5m of revenue.

In 2019, four out of five French startups considered that the dynamism of their regional ecosystem was at least productive, and 42% of them considered it to be very productive.

First lessons of the COVID-19 crisis

The French Tech ecosystem is very different from the one that existed a few months ago. This barometer allowed us to understand the first lessons from this health crisis, as most of the respondents consider they have been strongly impacted. Most of them decreased their expected revenue growth in 2020, and 61% of startups intend to reconsider their recruitment plan following the crisis, in anticipation of the coming months.

In this exceptional context, they highly took advantage of the measures proposed by the government since 83% of them obtained a State guaranteed loan (PGE), and only 52% applied partial unemployment during the lockdown, affecting especially the

sales and marketing employees. In terms of fundraisings, the responses were more reassuring since 74% of the startups which were planning to start a fundraising in the next six months declared they will organize it as expected, or slightly delay it, but will not abandon the project.

A new model of remote working was exceptionally implemented with success as 88% of startups considered that it was efficient during the lockdown. Most of the respondents decided to extend the use of remote working in the future.

Not surprisingly, the COVID-19 crisis brought up a new difficulty for digital startups: the lack of demand. Thus, clients became the first concern for 30% of the CEOs after the lockdown. However, it will take additional time to measure the resilience of the ecosystem and how the French digital startups are going to deal with this issue in a long-term perspective.



Clara AUDRY
Partner, Cap Horn Invest
France Digitale Board Member
clara@caphorn.vc

@clara_audry



Franck SEBAG
Partner, EY & Associés
France Digitale Advisory Board
franck.sebag@fr.ey.com

@frsebag

Methodology

The barometer is based on startups fulfilling the following criteria:



Head office based in **France**



Not listed or listed for **less than 5 years**



Industry linked to the **digital sector**



Key figures from financial data **2018 & 2019**

Resulting in:



502 participants (356 participants in 2019)

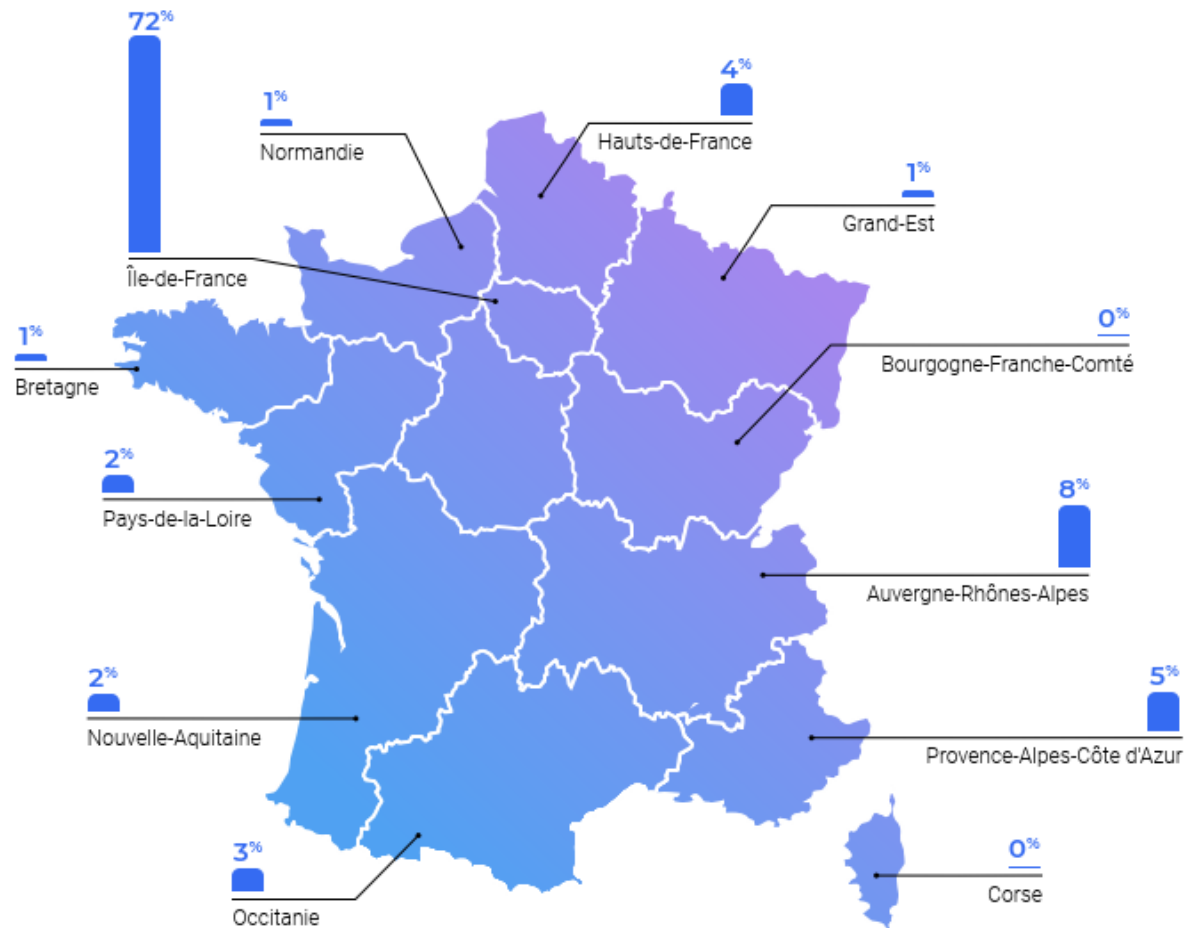


Average age: **6 years**

EY is implicated as a third-party to consolidate the data and ensure that the individual information is kept confidential.

Important to note that Criteo was taken out of the 2020 Edition Barometer as the company is listed for more than 5 years. The company had significant impacts on key indicators such as revenue, number of employees and fundraising amounts. However the impact was neutralized by removing it from 2018 figures.

Respondents by region

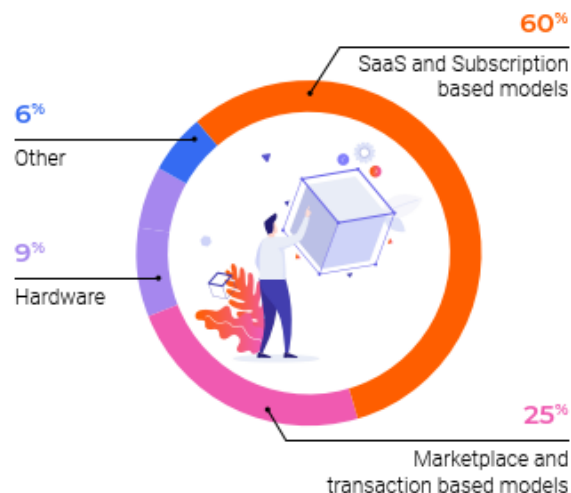


Sample of 502 startups

Respondents industries and business model

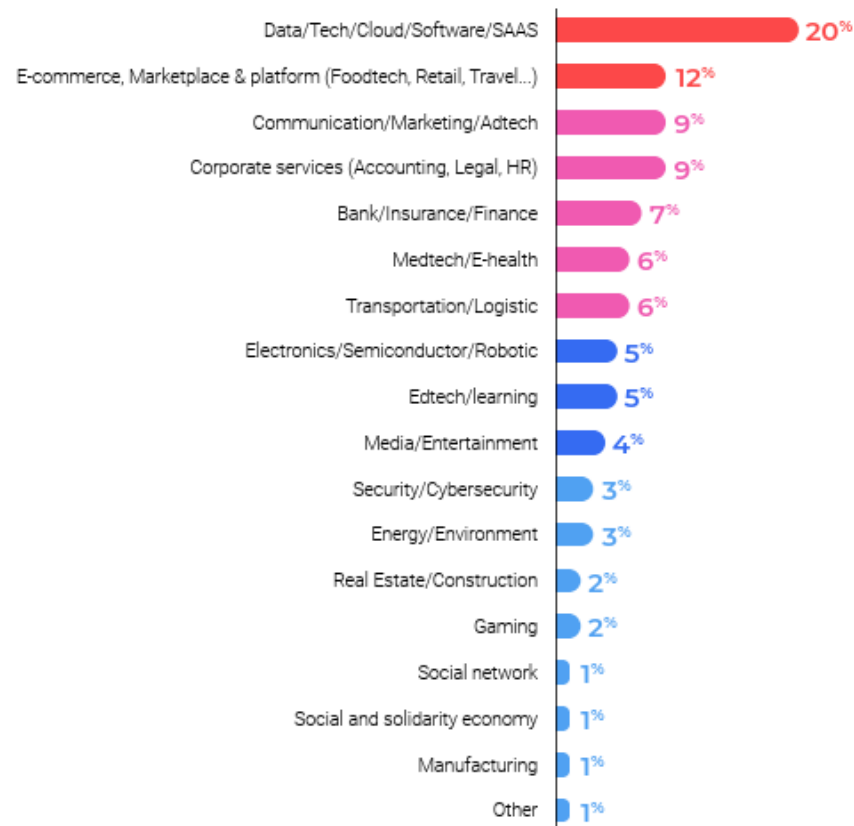
→ Business Model

Sample of 438 startups



→ Industry

Sample of 495 startups





Executive summary



International expansion is crucial to reach the next step of growth

- **+23%** of revenues vs. 2018
- **34%** of revenues are generated out of France in 2019
- **€17.6M** of average fund raised since creation
- **80%** of startups are VC backed
- **31%** of respondents are supported by a foreign investor



The French ecosystem approved by entrepreneurs

- **60%** of startups use research tax credit
- **50%** of startups use innovation tax credit
- **42%** of startups obtained the label « Young Innovative Company »
- **67%** of startups share more than 50% of equity to management and employees
- **30%** of digital startups reached at least Serie B of fundraising



Startups keep recruiting & looking for talents

- **+28%** of employees vs. 2018
- **15%** of jobs created abroad in 2019
- **77%** of startups contractualized with freelancers
- **10%** of CEOs are women
- **90%** of CEO have a master degree or a PhD
- **Sales & Marketing** are the most wanted profiles to recruit in 2020 and **Programmer & Developer** the most difficult to recruit



First lessons of the COVID-19 crisis

- **22%** of startups activities were strongly impacted
- **30%** of companies faced financial issues during the lockdown
- **83%** of respondents obtained a State guaranteed loan (PGE)
- **88%** of startups consider that remote work was efficient during the lockdown
- **30%** of participants consider lack of clients is the most important barriers to development after the COVID-19 crisis



Key figures

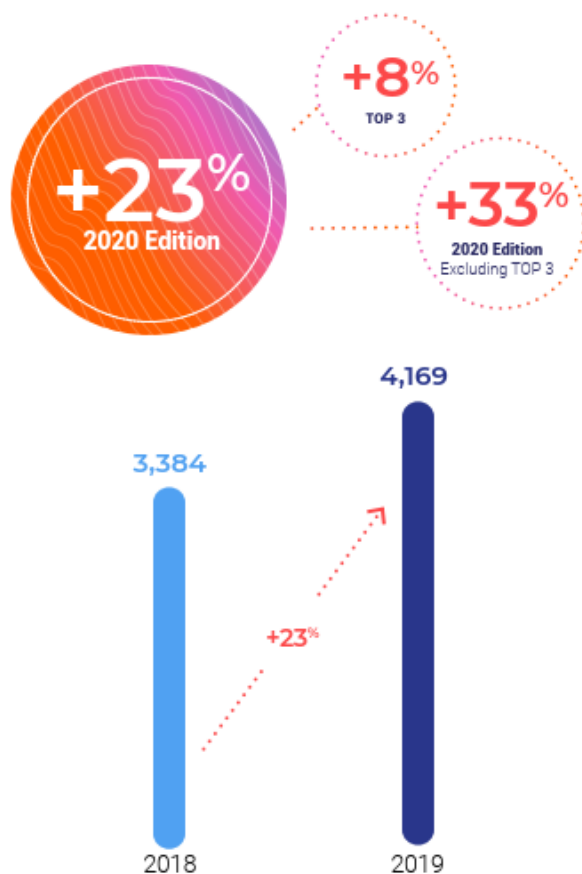
3.1

**International expansion
is crucial to reach
the next step of growth**

3.1 International expansion is crucial to reach the next step of growth

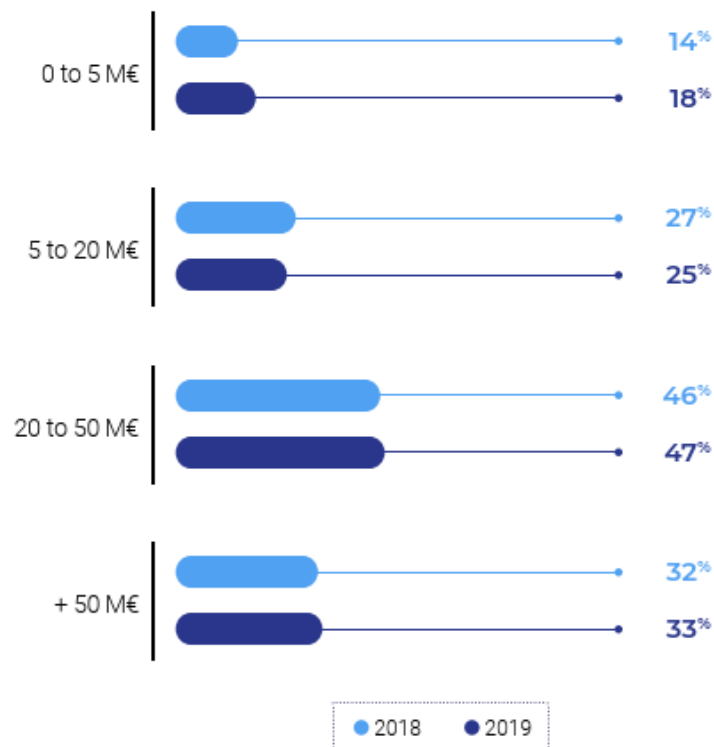
→ Total revenues (in M€)

Sample of 343 startups



→ Percentage of revenue made abroad, by revenue segment

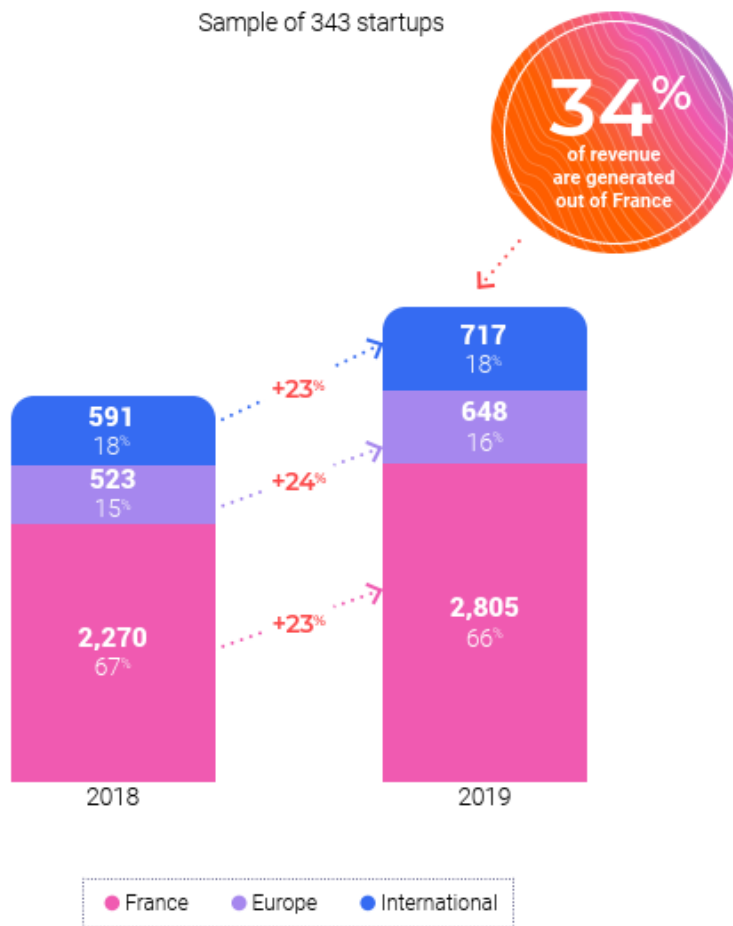
Sample of 343 startups



3.1 International expansion is crucial to reach the next step of growth

→ Growth of revenues (in M€)

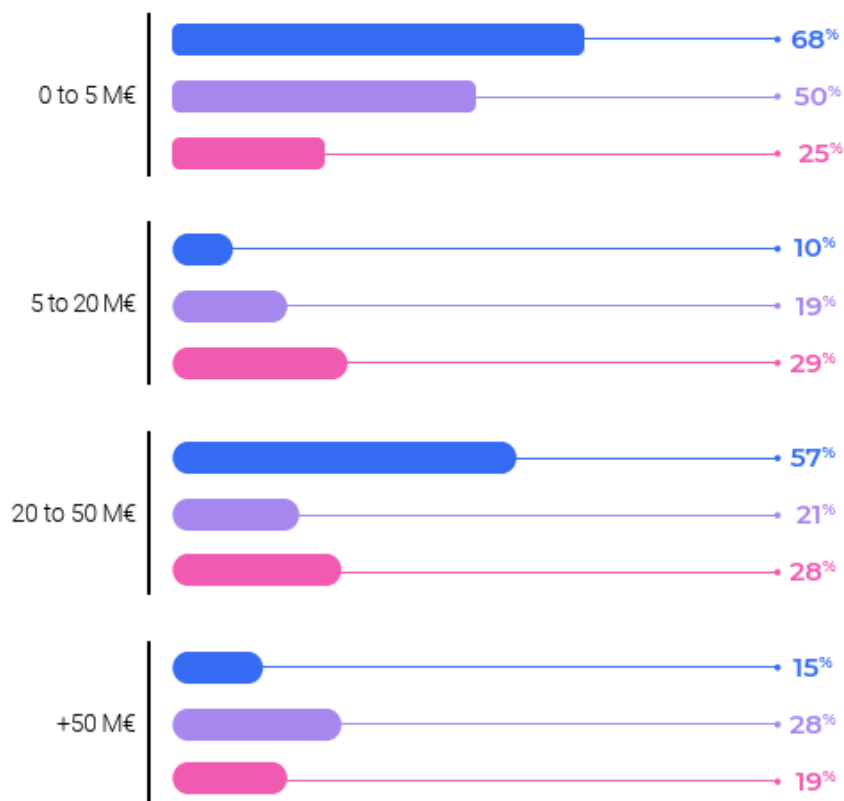
Sample of 343 startups



→ Growth of revenues (in %)

Analysis by revenue segment

Sample of 343 startups

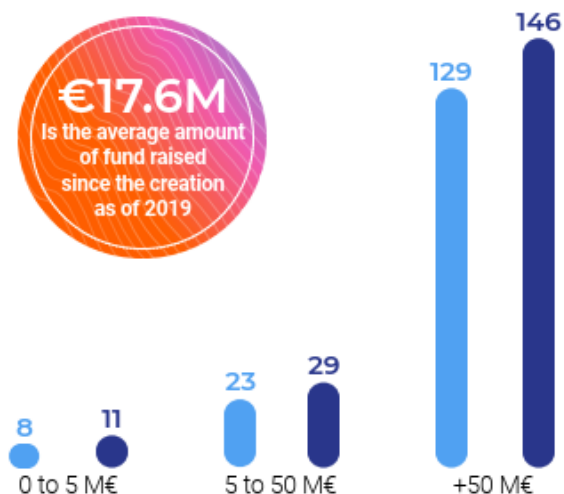


3.1 International expansion is crucial to reach the next step of growth

→ Average of fund raised since the creation (in M€)

Analysis by revenue segment

Sample of 380 startups

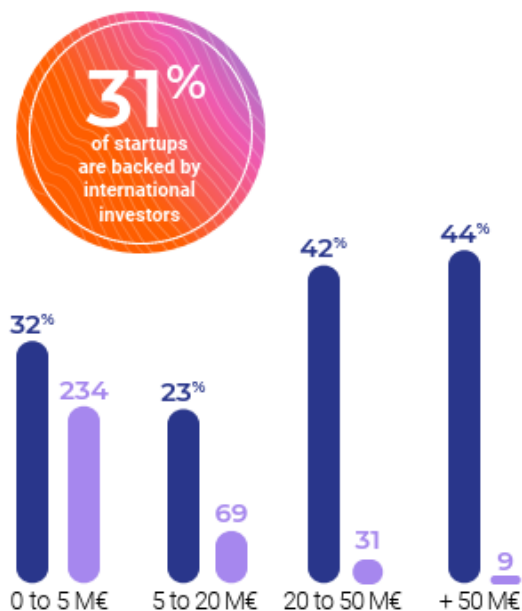


● Average 2018 ● Average 2019

→ Percentage of startups backed by international investors

Analysis by revenue segment

Sample of 343 startups



● Percentage of startups ● Number of startups

3.1 International expansion is crucial to reach the next step of growth

→ Most elevated fundraising stage reached

(% of respondents)

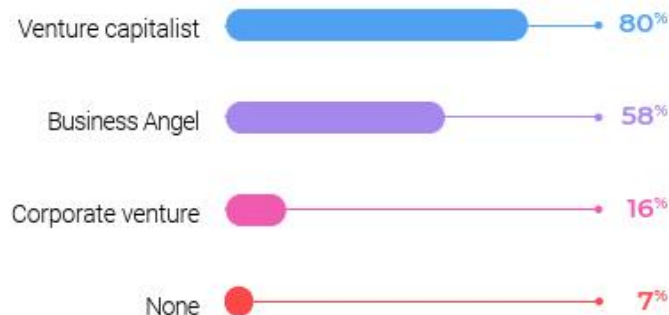
Sample of 420 participants



→ Type of investors

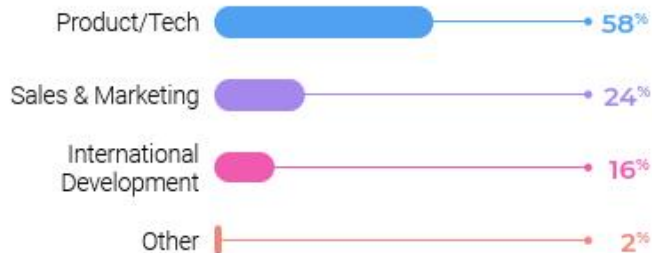
(% of startups backed by each)

Sample of 443 startups



→ Main fundraising goals

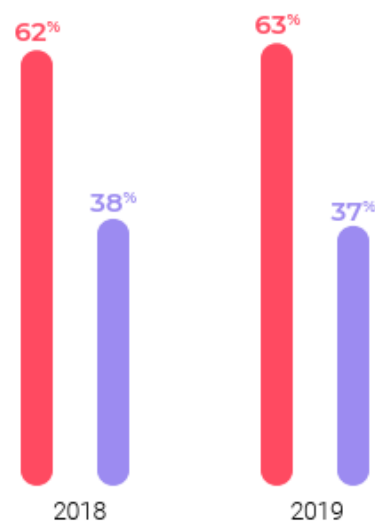
Sample of 189 participants



3.1 International expansion is crucial to reach the next step of growth

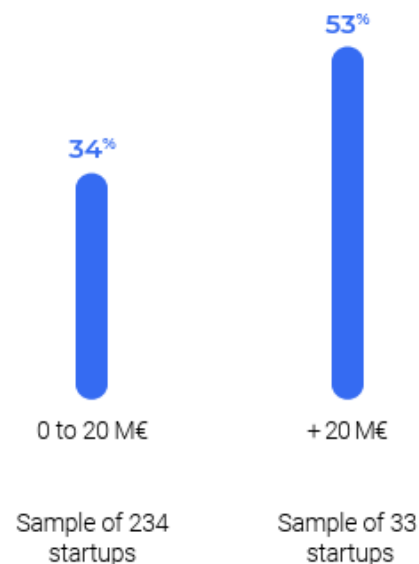


→ « Earnings before interests and taxes » or « EBIT »
Sample of 271 startups



● Loss ● Profit

→ Percentage of positive « EBIT » by
revenue segment
by revenue segment



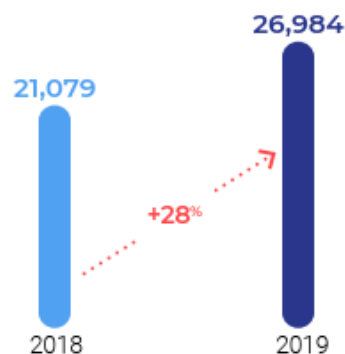
3.2

**Startups keep recruiting
& looking for talents**

3.2 Startups keep recruiting & looking for talents

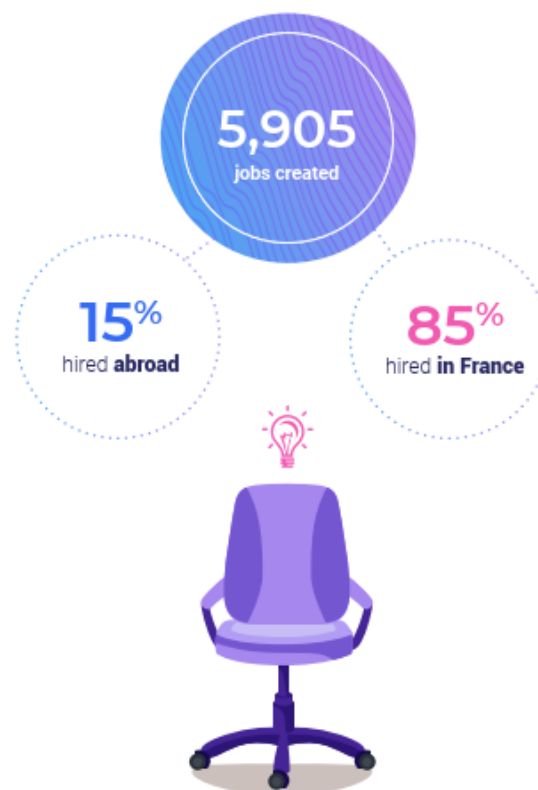
→ Growth of employees

Sample of 427 startups



→ Segmentation of employees by geographical area

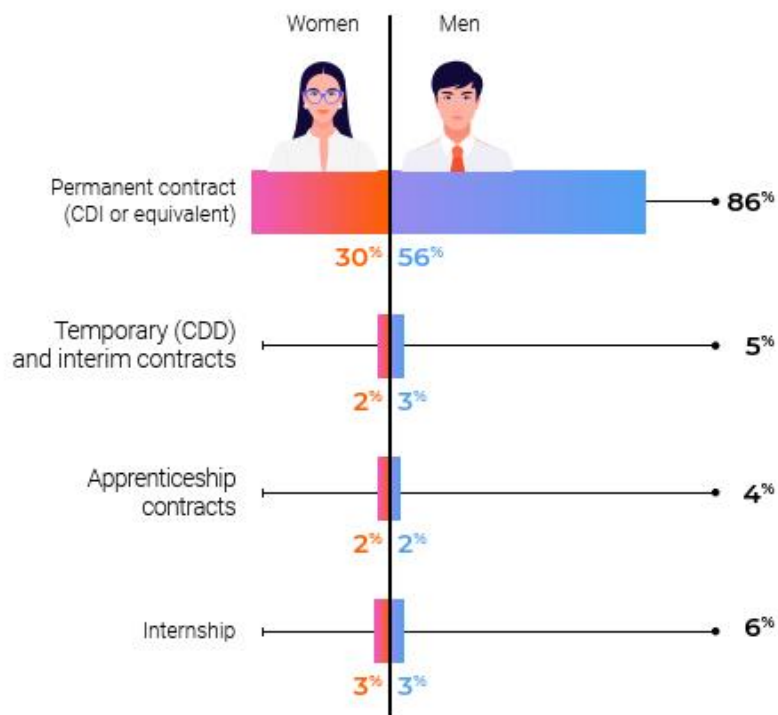
Sample of 427 startups



3.2 Startups keep recruiting & looking for talents

→ Type of work contracts

Sample of 127 startups



→ Part of women employees in 2019

Sample of 124 startups

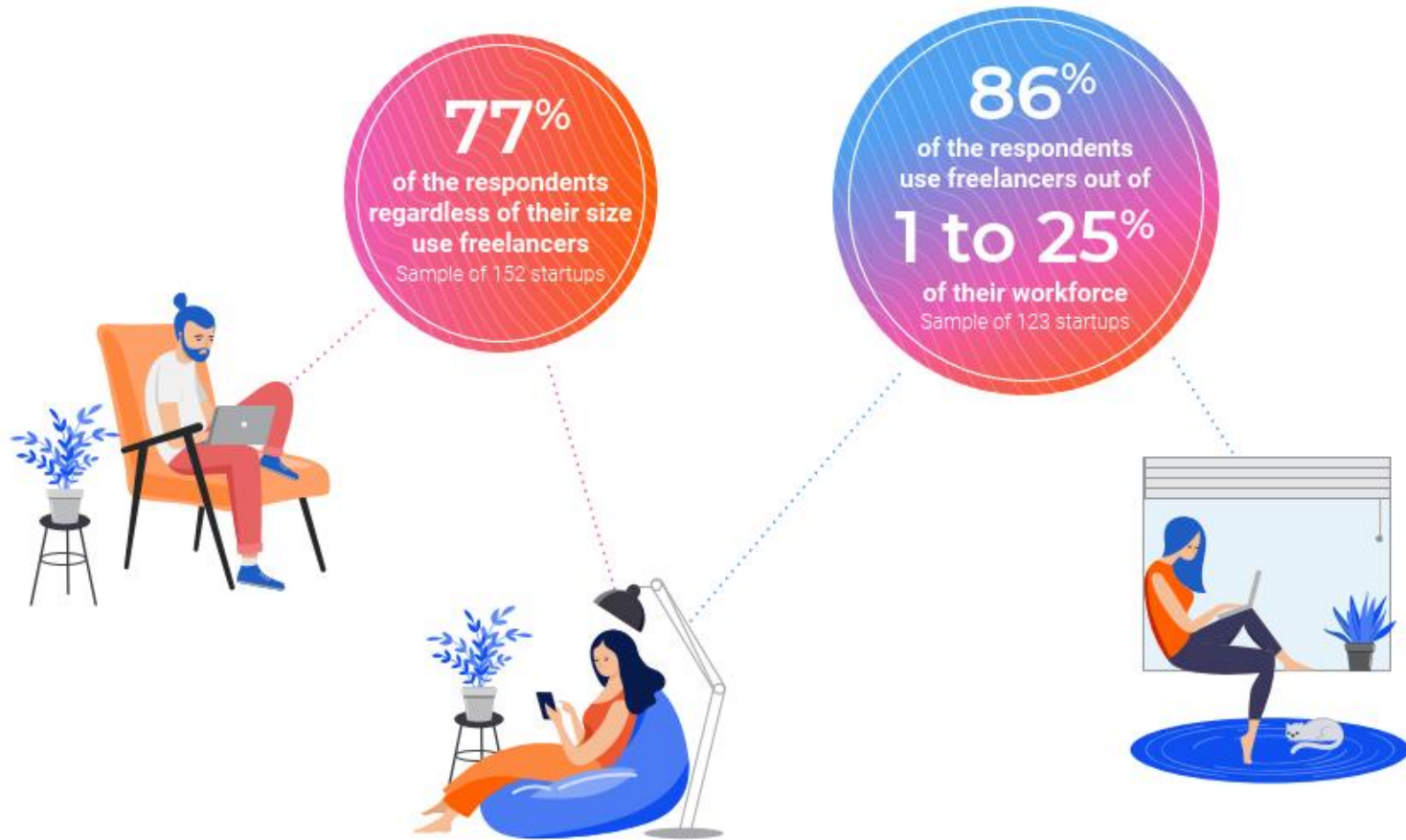


Among
a sample of
3,383
employees

1,179
are women,
representing

36%
of the population

3.2 Startups keep recruiting & looking for talents



3.2 Startups keep recruiting & looking for talents

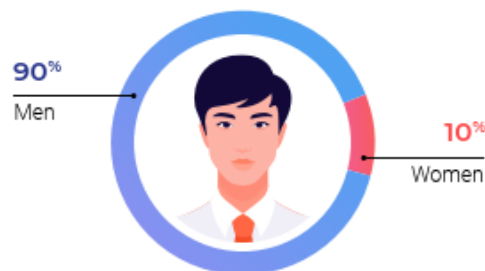
→ CEO average age

Sample of 111 startups



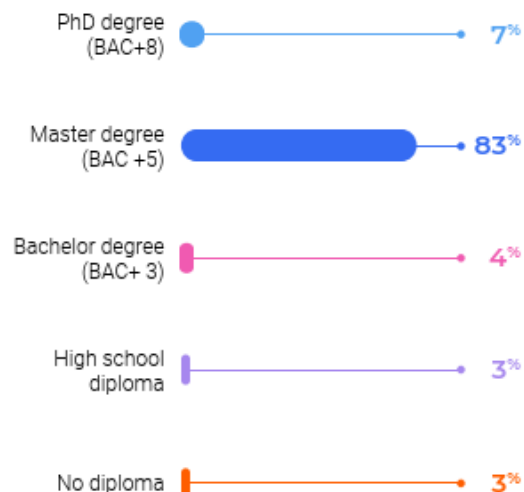
→ Founders gender

Sample of 149 startups



→ CEO Graduation

Sample of 44 startups



→ Women Chief Executive Officer

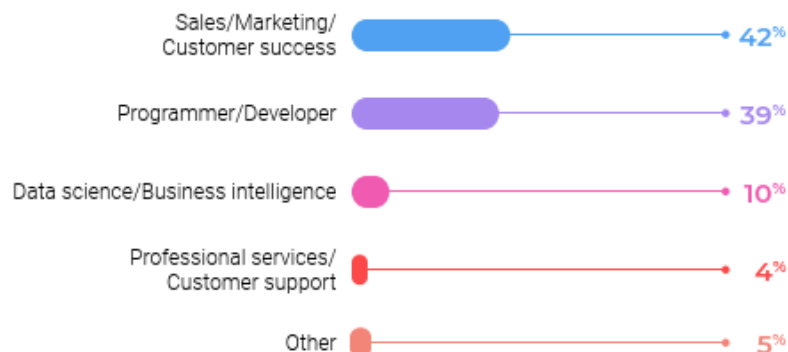
Sample of 156 startups in 2020 Edition



3.2 Startups keep recruiting & looking for talents

→ Most important profiles to recruit in 2020

Sample of 151 startups



→ Most difficult profiles to recruit in 2020

Sample of 151 startups



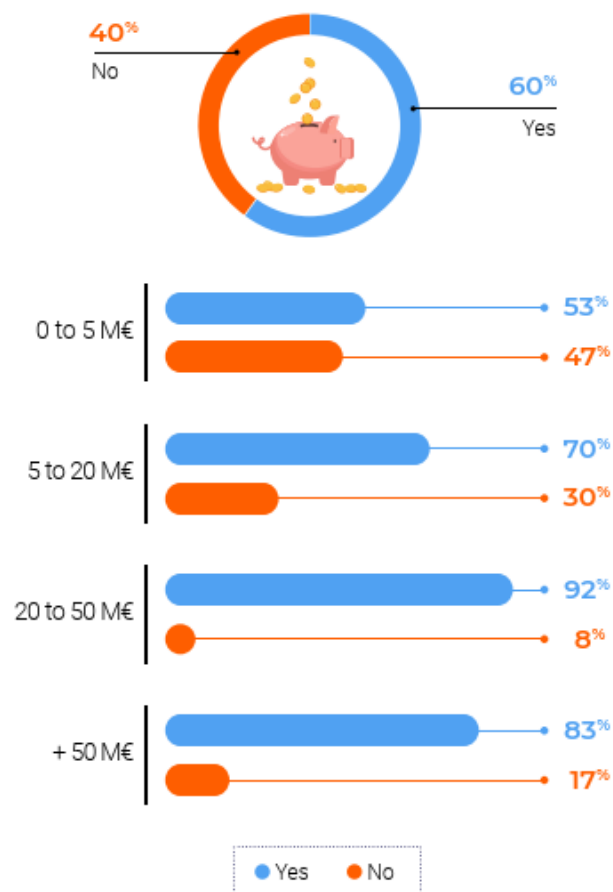
3.3

**The French ecosystem
approved by entrepreneurs**

3.3 The French ecosystem approved by entrepreneurs

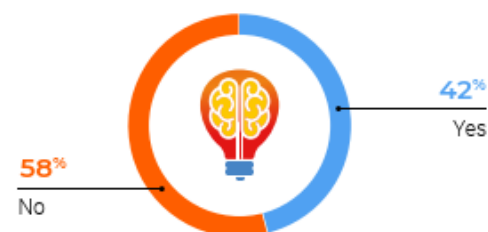
→ Did you use the Research tax credit?

Sample of 161 startups



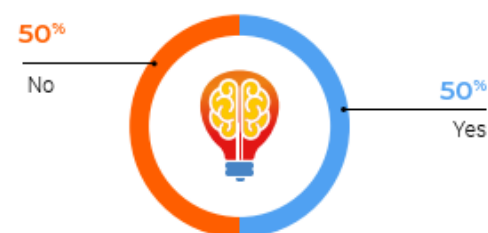
→ Did you obtain the label Young Innovative Company?

Sample of 125 startups



→ Did you use the Innovation tax credit?

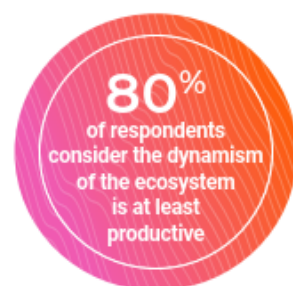
Sample of 146 startups



3.3 The French ecosystem approved by entrepreneurs

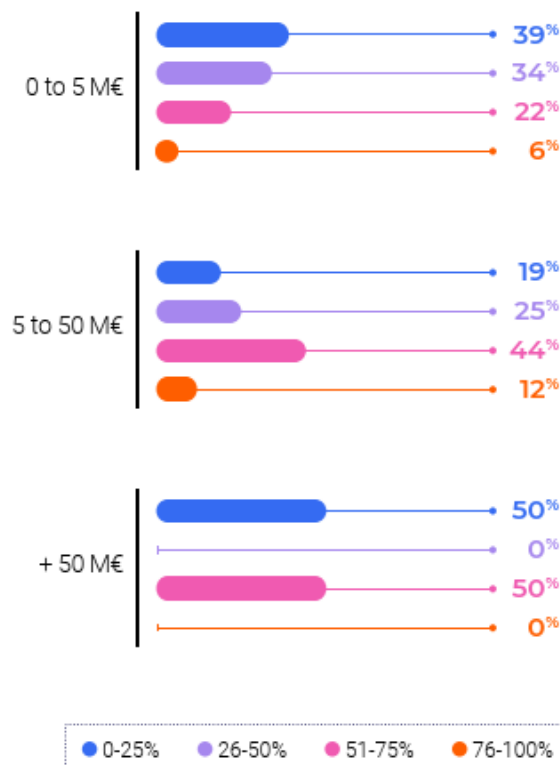
→ Dynamism of ecosystem in the area you are based in France

Sample of 114 startups



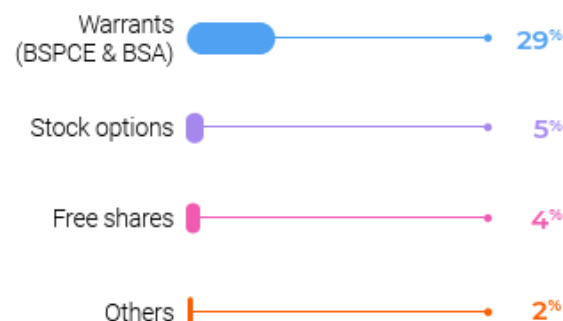
→ Percentage of share capital held by investors

Sample of 398 startups



→ Percentage of employees holding equity instruments

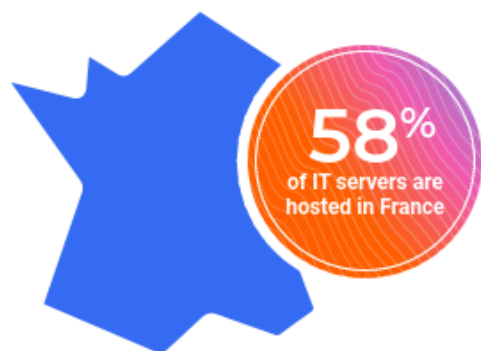
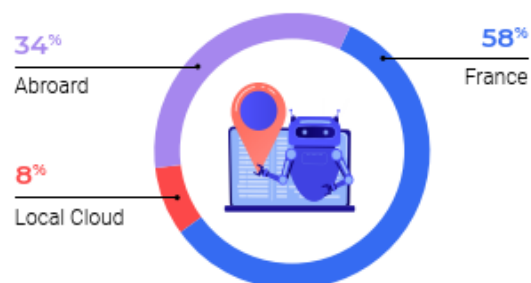
Sample of 82 startups



3.3 The French ecosystem approved by entrepreneurs

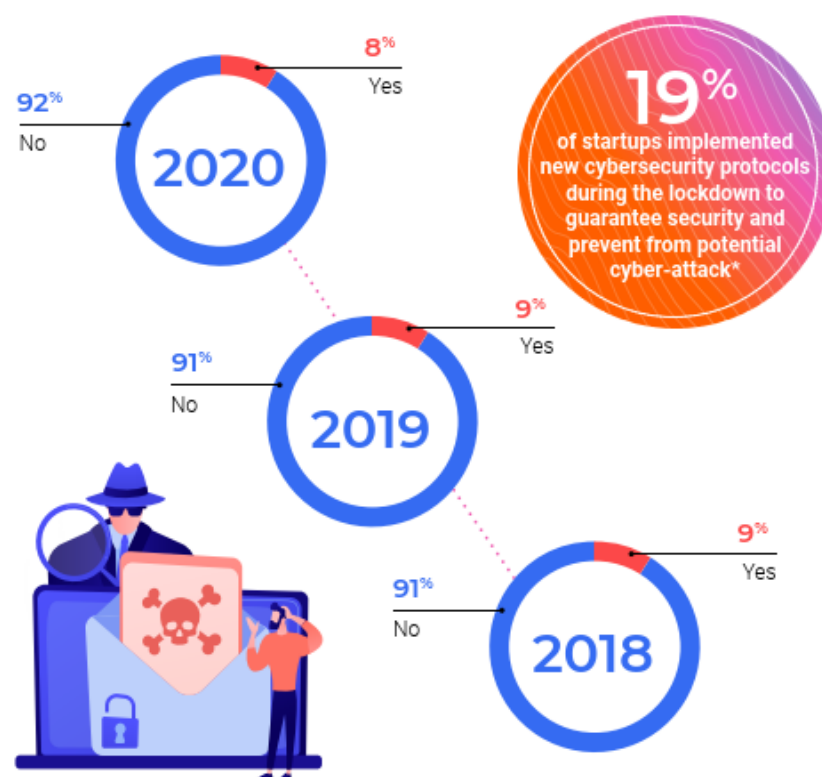
→ Location where IT servers are hosted

Sample of 158 startups



→ Percentage of startups which suffered from cyber attacks in the past three years

Sample of 142 startups



* Sample of 103 startups

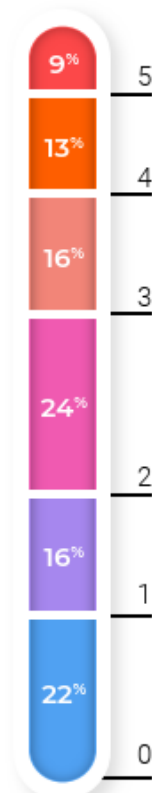
3.4

First lessons of the COVID-19 crisis

3.4 First lessons of the COVID-19 crisis

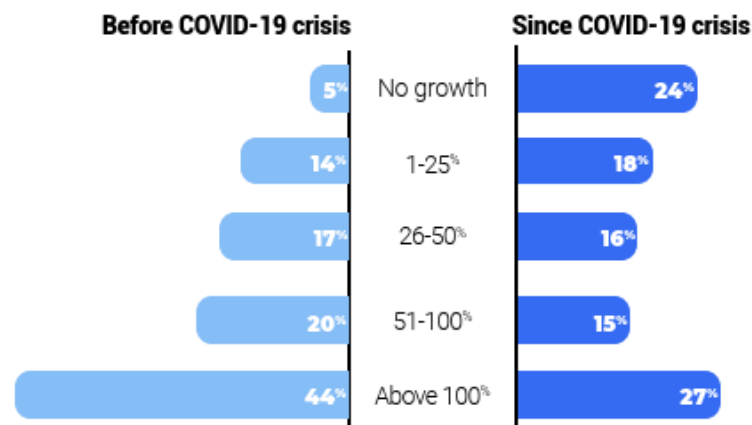
→ How strongly companies consider their activities impacted by COVID-19

(% of respondents)
(0: not impacted / 5: strongly impacted)
Sample of 147 startups



→ Expected growth of revenue for the year 2020

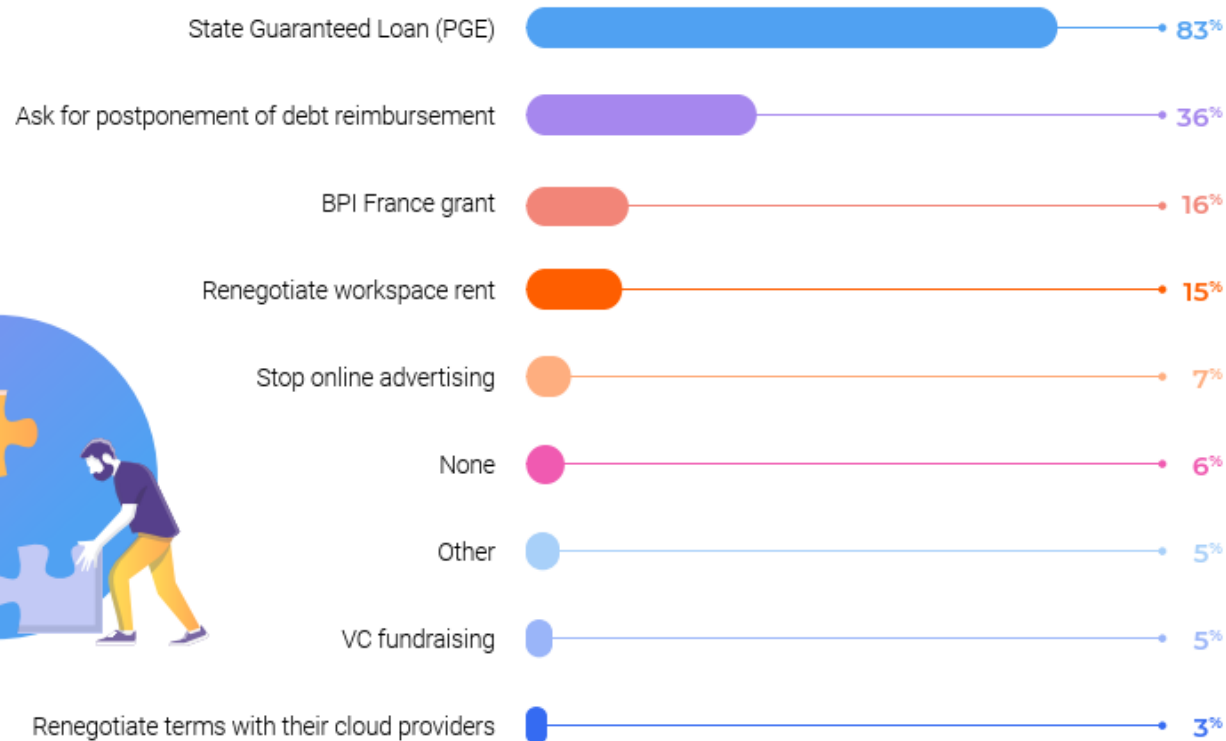
Sample of 143 startups



3.4 First lessons of the COVID-19 crisis

→ **Most used measures, excluding partial unemployment, during and after the lockdown to ensure the continuity of companies' activities**

Sample of 294 startups

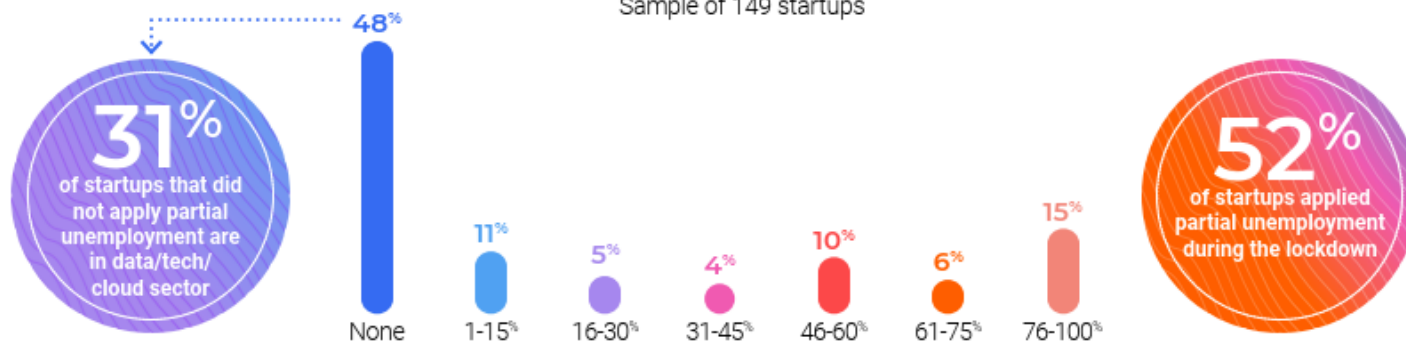


3.4 First lessons of the COVID-19 crisis

→ Percentage of companies which applied partial unemployment during the lockdown

(in % of employees)

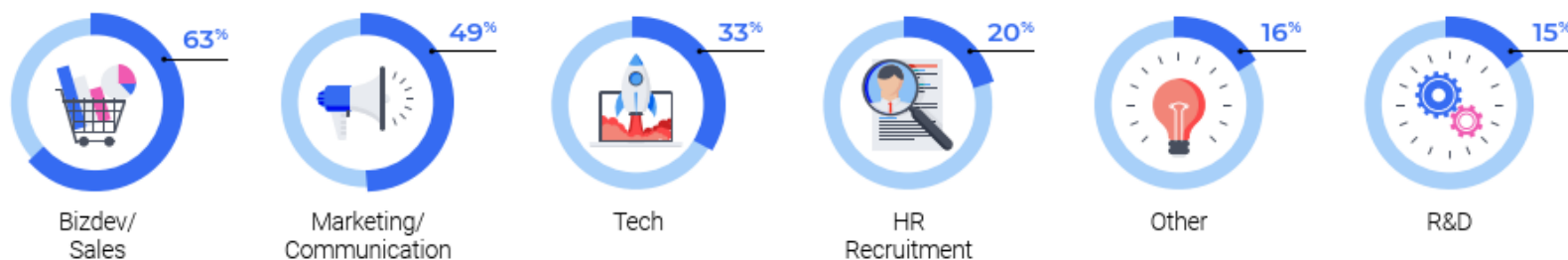
Sample of 149 startups



→ Type of jobs that have been mainly affected by partial unemployment

(in % of startups)

Sample of 86 startups



3.4 First lessons of the COVID-19 crisis

COVID-19 impact regarding fundraising

Sample of 78 startups

41%

of startups which were planning to start a fundraising in the next 6 months only delayed it to a later time, and...

33%

will raise fund as expected before the pandemic crisis occurs

Sample of 145 startups

30%

of startups consider they will probably take a loan in the next 12 months, and...

27%

consider they don't need additional financing in a short term period

Sample of 77 startups

34%

of startups which started fundraising when the crisis hit consider the pandemic crisis has no impact so far, and...

45%

consider it will take longer time than expected or have already postponed the round



3.4 First lessons of the COVID-19 crisis

→ Types of recruitments postponed

(in % of startups)

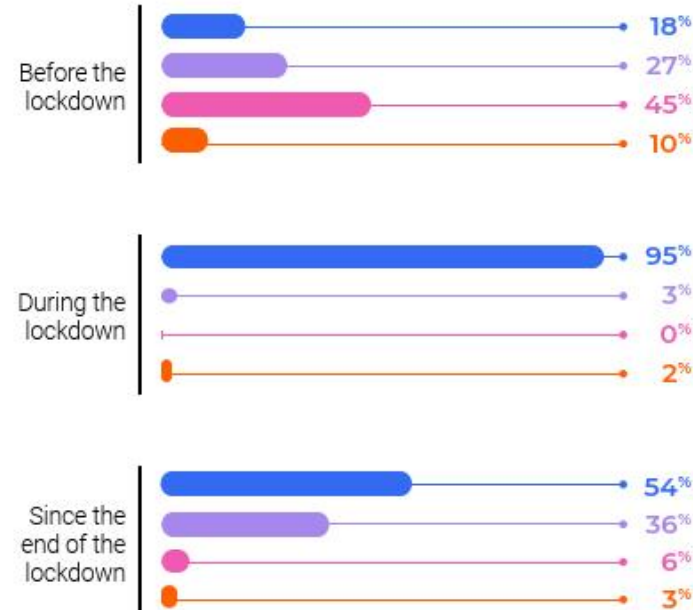
Sample of 91 startups



61%
of startups intend to
reconsider their recruitment
plan following the crisis
and in anticipation of
the coming months
Sample of 148 startups

→ Remote working frequency

Sample of 188 startups



● Customized (anytime)
● Regularly (once a week)
● Occasionally
● Never

88%

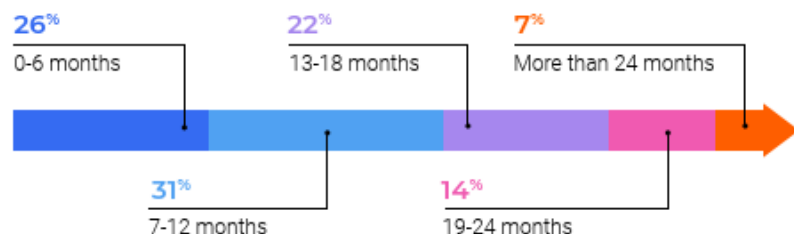
of startups consider that
remote working
was efficient during
the lockdown

Sample of 148 startups

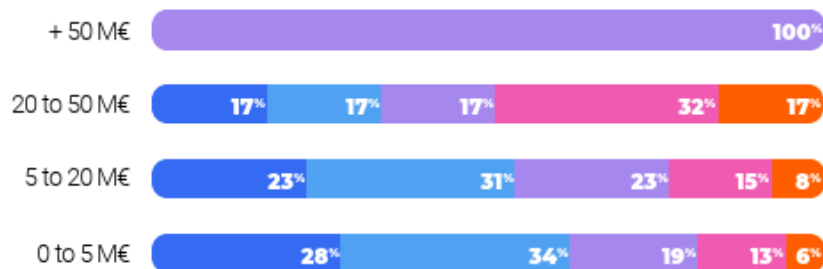
3.4 First lessons of the COVID-19 crisis

→ Startups assessment of current runway

(including any cost reduction measures and revised revenue projections)
Sample of 136 startups



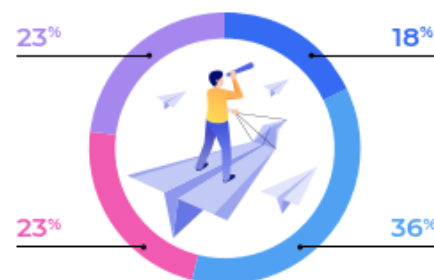
Analysis by revenue segment
Sample of 105 startups



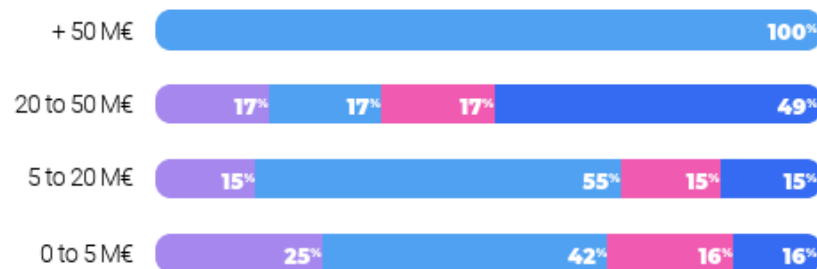
- 0-6 months
- 7-12 months
- 13-18 months
- 19-24 months
- More than 24 months

→ Startups future prospects considering the COVID-19 crisis

Sample of 146 startups



Analysis by revenue segment
Sample of 108 startups

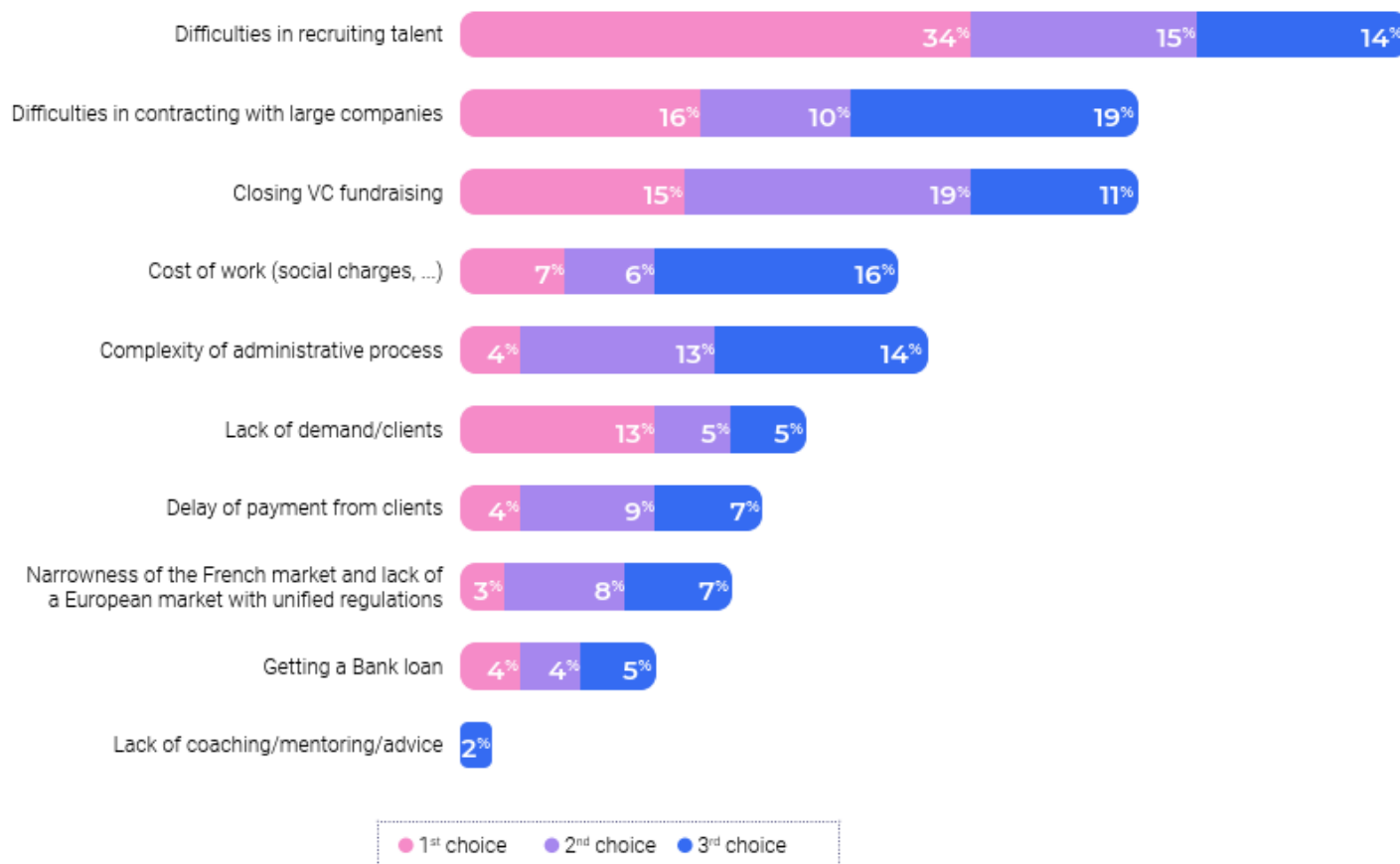


- No impact on our prospects
- Crisis strongly impacted our activity, we revised expectations downward
- Crisis strongly impacted our activity, however we are looking to exceed our prospects
- Crisis strengthened our company activity and our prospects are better

3.4 First lessons of the COVID-19 crisis

→ Top 5 barriers for development before the COVID-19 crisis

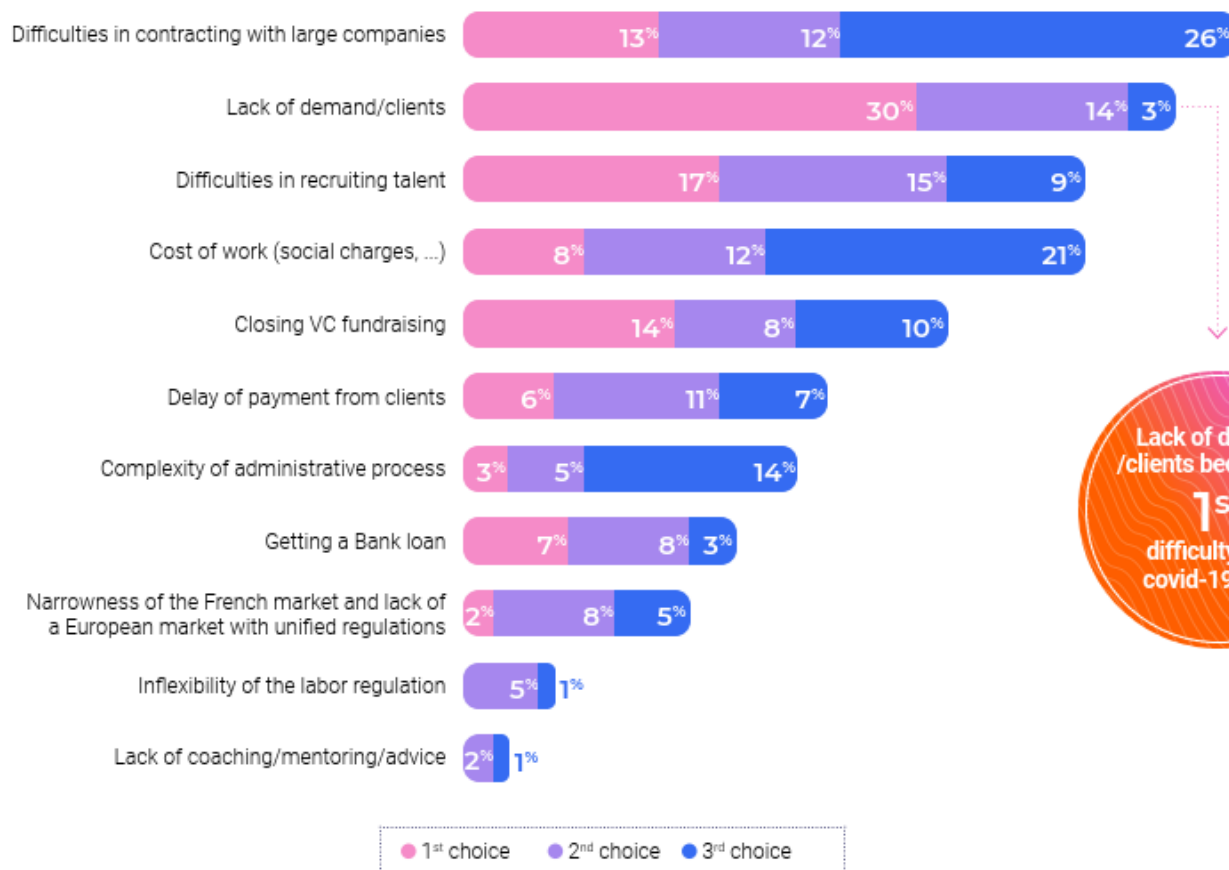
Sample of 120 startups



3.4 First lessons of the COVID-19 crisis

→ Top 5 barriers for development after the COVID-19 crisis

Sample of 115 startups



Acknowledgments

Vivien
CHEZELLE

Senior Manager
vivien.chezelle@fr.ey.com

Valentine
OGER

Senior
valentine.oger@fr.ey.com



Marianne
TORDEUX BITKER

Public Affairs Director
marianne@francedigitale.org

Dimitri
DE FREITAS

Policy Analyst
dimitri@francedigitale.org



About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2020 EY & Associés.

All Rights Reserved.

Studio BMC France - 2007BMC152-01.

ED None.

In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and it is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

About France Digitale

Founded in 2012, France Digitale is the largest startup association in Europe. France Digitale brings together the champions of digital entrepreneurship: it gathers 1,800 digital startups with strong growth plans and more than 100 investors (venture capitalists and business angels). The association (non-governmental organization) has a specific DNA, it associates entrepreneurs and investors to make the ecosystem more conducive to the emergence of new champions.

For more information, please visit francedigitale.org.