

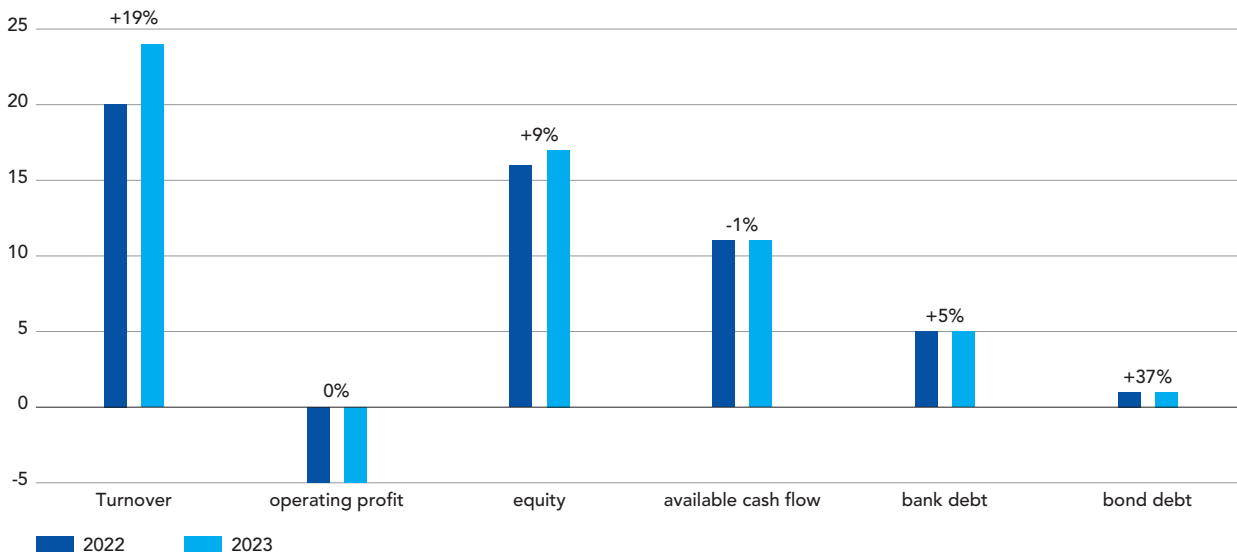
FINANCIAL POSITION OF START-UPS in 2023

In 2023, a break was seen in the decade of uninterrupted growth in financing. Despite a 38% contraction in the value of funds raised, the turnover of start-ups grew by nearly 19% on average, and their workforce increased by 8%. Against this backdrop,

an analysis of 2,295 start-up balance sheets shows that cash balances were maintained, losses stabilised, equity strengthened and bank or bond debt remained an additional source of financing.

(Please note that many of the links in this study are only available in French)

C1 Main financial aggregates of start-ups in 2023 (EUR billions)



Source: Banque de France, FIBEN database, June 2024 - main financial aggregates of 2,295 start-ups - Change: balance sheet 2023 vs 2022. Scale EUR billions
Note: the aggregate turnover of the 2,295 start-ups under review amounted to EUR 24.6 billion in 2023, up 19% year on year vs 2022.

Analysis of 2,295 start-ups' 2022 and 2023 balance sheets

In France, the term "Start-up" is neither a legal nor a statistical category. [INSEE](#) stresses 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:

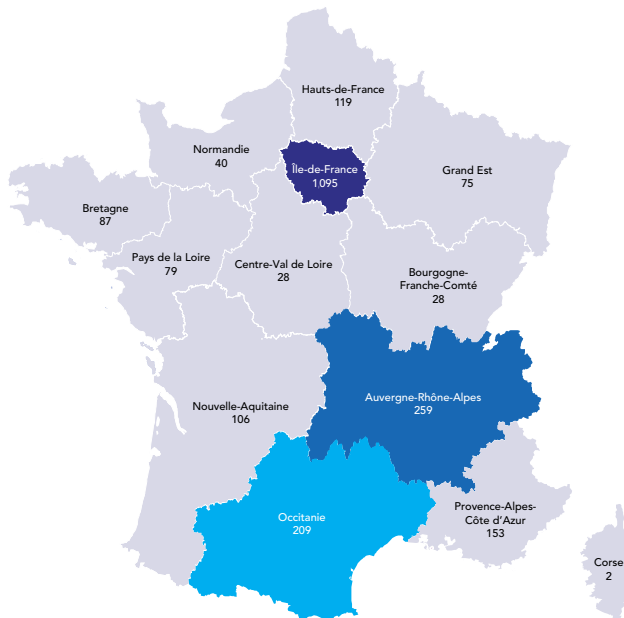
- It has high growth potential.
- It uses or creates a new technology.
- Its financing needs are often met by fundraising.

To carry out this study, we:

- Collected the balance sheets of companies identified as start-ups in our FIBEN database at 10 June 2024 and selected those meeting at least one of the following two criteria:
 - > Turnover in excess of EUR 750,000 in 2022 or 2023,
 - > AND/OR, fundraising in excess of EUR 3 million (see Appendix 1)
- Classified each company into a business sector (see Appendix 2)
- Lastly, we excluded companies that have been listed on the stock market and whose market financing model does not fall within the scope of this study.

A total of 2,295 start-ups were selected nationwide:

Geographical distribution of start-ups with turnover > EUR 750,000 or fundraising > EUR 3 million -



Source: Banque de France, FIBEN database, June 2024 - headquarters of the 2,295 start-ups in the sample. (These start-ups are legal entities, identified by a Siren number).

Before drawing any economic conclusions, we specify that:

- The age of the start-ups in this study is on average 11, and half are between 8 and 14 years old. 88% of start-ups have their accounts closing date at 31 December, 3% in March, 5% in June and 2% in September. 99% of start-ups have a 12-month financial year. The remaining 1% corresponds to changes in the closing date.
- Two-thirds of the start-ups in this study disclose information about their directors. On average, start-up directors are 47 years old, and 70% of them are between 35 and 55. On the same basis, 91% of the legal representatives are men and 9% are women.

The activity of start-ups grew by 18.6% on average in 2023

The rate of turnover growth for start-ups is significantly higher than for VSEs and SMEs

Percentage change in turnover of French VSEs/SMEs and start-ups

Period	2021/2020	2022/2021	2023/2022
VSEs (microentreprises)	12.5%	13.1%	5.5%
SMEs (excluding microentreprises)	11.6%	12%	5%
Start-ups	30%	25%	18.6%

Sources: VSEs and SMEs: [Banque de France Bulletin No. 246 6 May- June 2023](#); Start-up: [financial position of start-ups in 2022](#).

Scope: sample of companies whose accounts are recorded in the FIBEN database for two consecutive years (balanced sample).

In 2020, the activity of start-ups providing digital solutions was boosted by the health crisis and, in 2021, this growth accelerated on the back of the general economic recovery. In 2022, growth momentum continued against a backdrop of high inflation and rising interest rates. In 2023, even though inflation remained a component of the growth rate, start-ups were still expanding at a double-digit rate - albeit down on the previous two years - but more than three times faster than VSEs and SMEs.

Average turnover for start-ups masks major disparities

The turnover of the 2,295 start-ups under review amounted to EUR 24.6 billion, i.e. an average of EUR 10.5 million per entity. An analysis of the quartiles shows that 25% of start-ups had turnover of less than EUR 1.5 million, the median figure was EUR 3.5 million, and 25% had turnover of more than EUR 8.5 million. The top percentile comprised the most advanced start-ups in the ecosystem: these 23 companies had average turnover of EUR 239 million.

23.6% of turnover came from exports, representing a total of EUR 5.8 billion. 52% of start-ups generated part of their turnover from exports. There were also wide variations across the sample, with the average standing at EUR 2.6 million and the third quartile at just EUR 992,000.

The turnover of start-ups can also be analysed by maturity

- The average turnover of start-ups aged 15 and over was EUR 15.7 million. They accounted for 20% of the start-ups in the sample.
- Start-ups between 10 and 15 years old accounted for 34% of all such companies. Their average turnover was EUR 10.7 million.
- Start-ups between 5 and 10 years old represented a fast-growing segment, accounting for 40% of the companies in the sample, with average turnover of EUR 8 million.

- The youngest start-ups (less than 5 years old) had an average turnover of EUR 2.2 million. It should be noted that our analysis threshold of EUR 750,000 turnover explains their relatively low proportion in the sample (6%). In practice, there are many more, as evidenced by the strength of seed capital, supported in particular by the activity of business angels..

Activity trends differ across sectors

Energy and environmental start-ups posted aggregate turnover of EUR 4 billion in 2023, compared with EUR 3.2 billion in 2022, i.e. an increase of 27%. The sector also recorded the strongest growth in terms of staff numbers (18%), and the highest number of funds raised in terms of both number and amount ([2023 Cleantech baromètre - France Invest](#)). In response to the societal challenge of decarbonising industrial activities, these start-ups have benefited from the growing commitment of public authorities to the ecological transition.

E-commerce start-ups and **marketplaces** are an established part of the tech sector, worth almost EUR 3.5 billion. In 2023, after several exceptional years for the sector, the post-pandemic situation will return to normal, both in terms of business growth (turnover up 23% in 2022, up 13% in 2023) and staff numbers (up 24% in 2022, up 2% in 2023). [Fevad](#),¹ the French National Association for e-commerce and distance selling, points out that inflation has had a negative impact on business activities, forcing consumers to change their behaviour (with priority given to food and leisure).

The **software and data** sector posted turnover growth of 18% and aggregate turnover of around EUR 3.4 billion. Most

of this growth was driven by data management, cybersecurity and predictive AI solutions. The boom in generative AI, which characterised 2023, was mainly reflected by fundraising in which France was a leading player at the European level (see 2024 outlook below).

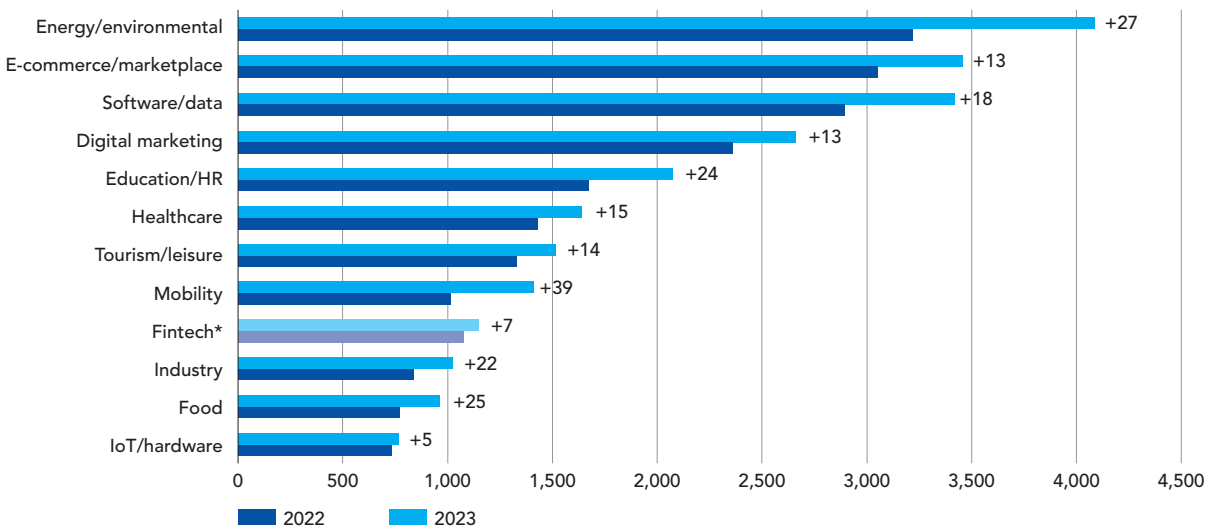
Digital marketing and new media companies form a mature ecosystem (aggregate turnover of EUR 2.7 billion) whose growth remained stable. In particular, the sector benefited from the breakthrough in AI, which is revolutionising marketing content, chatbots and the user experience ([Market for 2024 report](#)). By contrast, recruitment seemed to slow slightly, rising by 5% in 2023.

Start-ups in the **education and human resources** sector benefited from the revolution in learning and working patterns addressed by e-learning and digital recruitment solutions. While the turnover of these entities continued to increase in 2023 (24%), recruitment growth slowed from 28% in 2022 to 7% in 2023.

With a growth in turnover of 15% in 2023, **healthcare** start-ups remained resilient despite the difficult macroeconomic environment and the slowdown in post-pandemic activity. [France Biotech](#)² stressed that the sector could rely on strong government support, a large portfolio of drugs for rare diseases, and France's reputation for clinical research.

Turnover among **tourism and leisure** start-ups continued to grow (14%), driven in particular by innovations in sports, gaming and online travel booking. This growth was more moderate than in 2022 (23%), with the tourism sector no longer benefiting

C2 2023 turnover by sector of activity and 2023/2022 year-on-year growth in turnover
(CA en millions d'euros)



Source: BDF start-up correspondents (sectoral classification) FIBEN database, June 2024 (rate of change in turnover)

Note: start-ups in the Mobility sector generated an aggregate turnover of EUR 1.4 billion, i.e. an increase of 39% compared with 2022.

*Excluding fintechs approved by the Autorité de Contrôle Prudentiel et de Résolution (ACPR).

1 Fédération du e-commerce et de la vente à distance – Bilan du e-commerce en France - February 2024

2 Panorama France Healthtech 2023 – Page 10

directly from the post-pandemic rebound effect. The slowdown was particularly marked in terms of staff numbers (1% in 2023).

With an increase of 39%, the **mobility** sector recorded the strongest growth in turnover in 2023, on the back of an already very strong year in 2022 (35%). The development of batteries, recharging stations and, more broadly, electric and hydrogen mobility are all contributing to this momentum.

The turnover of **fintechs** continued to grow in 2023. According to [France Fintech](#),³ despite a difficult economic climate marked by a fall in fundraising and a significant drop in valuations, the sector continued to hire (mainly at the end of the year), and continued to internationalise and digitalise its business. *NB: Several fintechs are regulated by the ACPR because of their banking activities and are not included in this barometer. As a result, the level of activity measured does not include a large number of unicorns (start-ups valued at more than USD1 billion).*

Industrial start-ups once again recorded strong turnover growth (28% in 2022, 22% in 2023). They also continued to recruit in 2023. These breakthrough innovations are helping to reindustrialise France, which is one of the priorities of the France 2030 plan.

The turnover of **food** start-ups grew by 25% in 2023, the third best growth rate after mobility and energy/environmental start-ups. The sector is developing particularly rapidly now that food sovereignty and agricultural innovation are strategic issues. [La Ferme Digitale](#)⁴ observed that fundraising remained steady after a record year in 2022, and considers that the ecosystem is now well established.

Start-ups offering **IoT** (Internet of Things) and **hardware** solutions showed fairly moderate growth (5%) compared with trends in the tech sector as a whole, and with the performance observed in our 2022 study (28%). Rising production costs, supply chain disruptions and the postponement of projects may have contributed to this slowdown.

Start-ups continued to hire

The 2,295 start-ups under review employed 109,600 people at the end of 2023, compared with 101,500 a year earlier (up 8%). With 65,200 jobs, the Ile-de-France region remains the leading centre for Tech jobs, ahead of the AURA (10,500) and Occitanie (8,000) regions. The regions with the strongest recruitment

momentum throughout the year were Pays-de-la-Loire (17%), Bourgogne-Franche-Comté (13%) and Bretagne (12%).

On average, start-ups employed 49 people. A quartile analysis shows that 25% of start-ups had fewer than 13 employees, the median was 25, and 25% had more than 52. The top percentile comprised the most job-creating start-ups in the ecosystem: these 23 companies had average turnover of 581 employees.

Depending on the age of the company, we note:

- 67 employees on average for start-ups over 15 years old,
- 47 for start-ups between 10 and 15 years old,
- 41 for start-ups between 5 and 10 years old,
- 20 for those less than 5 years old.

NB: the number of employees corresponds to the average annual number of employees reported on the 2059-E tax form. This information was available in 98.5% of cases.

Main financial aggregates of start-ups in 2023

Equity was resilient and debt contained

After a decade of uninterrupted growth in external financing, the year 2023 marked a turning point for the entire ecosystem: fundraising was down sharply (EUR 8.3 billion in value terms), representing a 38% drop compared with 2022, a record year. This decline was mainly due to a reduction in the number of deals over EUR 100 million. In volume terms, the number of transactions (715) was down by only 3% ([EY](#)⁵).

Against this backdrop, entrepreneurs seem to have adapted their management, since the equity in our sample increased by 9%. The latter totalled EUR 17.3 billion, compared with EUR 15.9 billion a year earlier. The ratio of equity to total assets fell only slightly, from 42% to 40%. 20% of the start-ups in our sample continued to post negative equity.

Bank debt rose by 5% to EUR 5.4 billion (EUR 5.2 billion in 2022). 83% of start-ups used this additional source of financing, which accounted for 32% of their equity. Bond debt was more modest in value terms (EUR 1.3 billion) and in terms of the number of start-ups concerned (10%), but rose by 37%, mainly as a result of the introduction of bridge financing designed to support start-ups between two funding rounds in order to make up for cash shortfalls.

3 Bilan annuel 2023 et perspectives – Pages 3, 7, 8, 9

4 La Ferme Digitale & KPMG study – *Faire de la France un leader européen et mondial de l'AgriTech et de la FoodTech* – February 2024

5 Baromètre EY du capital risque en France, bilan annuel 2023 – January 2024

Cash balances were maintained and earnings stabilised

In cumulative terms, the cash balances of the start-ups in the sample totalled EUR 11 billion, almost stable compared with end-2022. Against a backdrop of declining funding, start-ups maintained their cash assets, without compromising growth in business or jobs, but by moving closer to break-even.

Indeed, losses in 2023 were equivalent to 16.5% of turnover compared with 21.3% in 2022. Contrary to popular belief, not all start-ups generated losses: 36% posted a positive operating profit amounting to EUR 1 billion, while 64% recorded a negative operating profit totalling nearly EUR 5.6 billion.

At the rate of cash consumption observed in 2023, start-ups making a loss would have less than a year's reserve before they have to raise new funds.

A noticeable rise in failures as of the second quarter of 2023

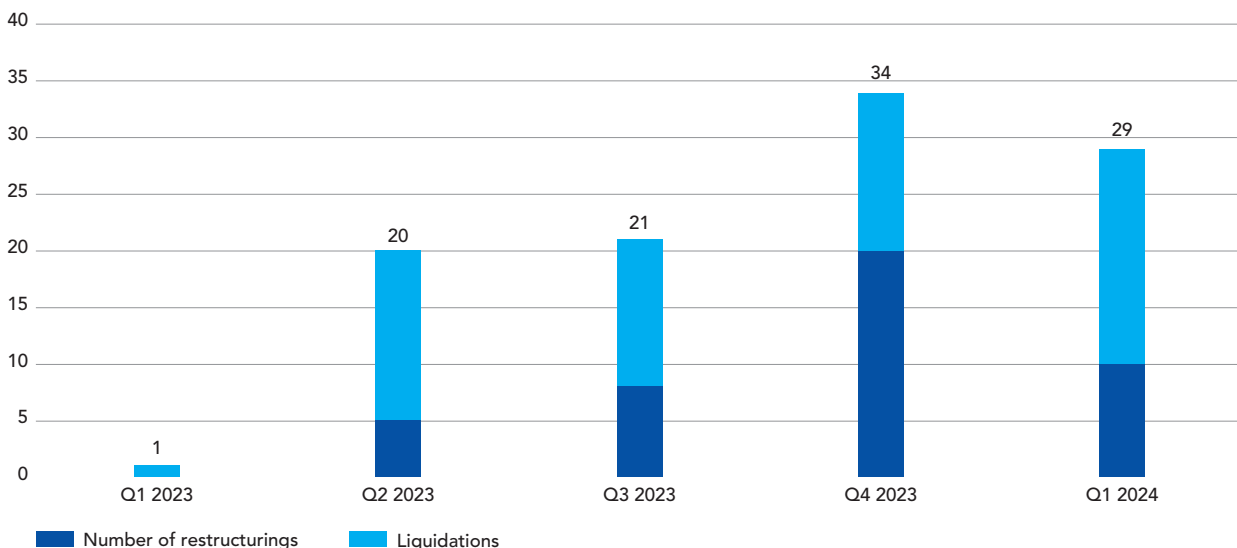
One year after our [study⁶](#) of the 2022 balance sheets, 105 start-ups were subject to legal proceedings (restructuring or liquidation), including 76 in 2023 (an annual insolvency rate

of 3.1%). The first financing difficulties materialised in the second quarter, with failures peaking at the end of the year. The main reason for this development seems to be linked to the downturn in the venture capital market, which slowed negotiations with investors.

Two-thirds of start-ups were placed directly into liquidation. One in five failures concerned start-ups in the healthcare sector. Followed by the energy and environment, food and e-commerce sectors. The profile of failing start-ups was characterised by a lack of equity capital, heavy losses and weak cash flow. In total, the start-ups that failed in 2023 employed 2,318 people. The median excludes the outliers and gives a more accurate picture of the profile of these companies with 14 employees.

The Banque de France points out that the [Credit Mediation Service](#) remains fully mobilised to help all businesses that may be encountering financing difficulties or require more time to repay their state-guaranteed loans. It offers a toolkit for managers to help them find out about existing detection and support systems. In a similar vein, the entrepreneurs' collective the "Galion projet" offers a [Collective Procedures Guide](#), which presents a range of solutions that can be implemented by managers as far upstream as possible.

C3 Number of legal proceedings initiated in 2023 and Q1 2024



Sources: Banque de France, FIBEN database, June 2024 - Date of initiation of proceedings, commercial court registries

⁶ Study based on 2,445 start-ups. Source: Banque de France - Financial position of start-ups in 2022.

What is the outlook for start-ups in 2024?

In its [macroeconomic projections](#)⁷ published in June 2024, the Banque de France's baseline scenario remains that of a gradual exit from inflation without a recession, leading to a more marked recovery in growth in 2025 and 2026. However, the Bank stresses that the political context remains highly uncertain, due in particular to recent developments in France, but also to geopolitical factors such as the war in Ukraine and the situation in the Middle East.

In this context, two points are already evident for the tech ecosystem in 2024.

Trends in fundraising reflect the profound changes taking place in the tech sector

At the 4th [Printemps-des-start-ups](#) event, held on 20 March 2023 at the headquarters of the Banque de France, speakers highlighted the profound transformation of France's tech sector, marked by the significant breakthrough of greentech and the rise of AI (a replay of the round tables is available on the Banque de France's YouTube channel).

Fundraising in 2023 and early 2024 confirms this trajectory. In the first half of 2024, over 50% of the funds raised in tech were channelled into greentech and AI (EUR 1.9 billion out of a total of EUR 3.5 billion). This new breakdown of investments confirms investors' growing interest in certain strategic sectors (energy, mobility) and in disruptive technologies, particularly artificial intelligence ([Baromètre des levées de fonds 2023 - In Extenso Innovation Croissance](#)).

In the 3rd edition of its study on [French Greentech](#), Bpifrance reports that public and private funding for this sector (energy, environment) increased, putting France in 2nd place behind the United Kingdom in terms of venture capital investment. In addition, the sector appeared to have grown at a faster pace, with higher average amounts of funds raised and larger-scale projects focused on longer-term objectives, particularly in the soft mobility sector (electric, hydrogen, etc.).

Artificial intelligence (AI) is shaping up to be a major technological revolution that will affect all areas of activity. At a time when this technology has become strategic, Paris is positioning itself as a

European centre for AI, with initiatives such as AI-Pulse and the launch of Kyutai, a EUR 300 million Open Science AI research laboratory. The massive investment in this technology, illustrated by several large-scale fundraising campaigns in the first half of 2024, reflects the growing importance of generative AI.

These transformations underscore a profound change in the solutions offered by the tech industry, and could position France as a key player in these emerging fields ([Startup Ecosystem Index 2024](#)).

Start-ups benefit from a wide range of support programmes

For a number of years now, French start-ups have benefited from a number of programmes and schemes that are helping to boost this ecosystem. Although far from an exhaustive list, here are a few initiatives that should help to support the growth of start-ups in 2024:

- With a budget of EUR 54 billion over five years, the France 2030 programme aims to close the industrial gap in France by investing massively in innovative technologies and support for the ecological transition.
- Launched in June 2023, the 'Tibi 2' initiative will mobilise EUR 7 billion in private funds to finance decarbonisation and the most innovative technological projects.
- [French Tech](#), tasked with supporting the structuring and growth of the French start-up ecosystem through a network of communities and capitals and targeted programmes.
- The reform of the *Jeunes-Entreprises-Dispositif Midy* status came into force in January 2024, introducing new categories for growth or disruptive innovation.
- The [French Tech Corporate Community](#), which rallies the efforts of major Franco-European groups around the challenges of their digital transformation and their relationship with start-ups.
- The [Artificial Intelligence Commission](#) is proposing to create a EUR 10 billion "France & AI" investment fund to support the French AI ecosystem.

THE BANQUE DE FRANCE IS COMMITTED TO THE TECH ECOSYSTEM

“Because it is convinced that innovation is at the heart of economic growth, the Banque de France is and always will be fully committed to helping start-ups grow.”

François Villeroy de Galhau, Governor of the Banque de France ([ObservatoireFrenchTech](#))

The Banque de France’s commitment to the tech ecosystem began in 2016 with the creation of the ACPR’s Fintech Innovation Hub dedicated to financial innovation.

Since then, this [Hub](#) has been helping to promote the use of innovation and new technologies in the financial sector. It provides a welcoming and open-minded approach to innovative projects in the field of financial regulation. In addition, the Banque de France created the “[Lab Banque de France](#)”, as part of an “open innovation” approach to anticipate and support the rapid technological changes in its different business areas. An “[innovates with you](#)” platform invites anyone interested in central banking issues to work with us.

The Banque de France also participates in the projects initiated by the [French Tech Corporate Community](#) (FTCC) with major French groups on common issues (DATA-IA, Training, Cybersecurity, Digital).

In order to forge closer links with this innovation ecosystem, the Banque de France deployed a network of start-up correspondents throughout the country in 2020, in partnership with French Tech. This network has no equivalents in other central banks. Its aim is to support start-ups in their search for funding solutions. To date, more than 1,500 entrepreneurs have received individual support from one of our twenty start-up correspondents.

In 2022, the Banque de France adapted its rating model to take account of the specific features of the start-up growth model. In the case of the latter, recurring losses are common due to the development model, but not necessarily indicative of a weak financial position. 2,200 start-ups were listed in 2023, and almost 40% benefited from a [rating interview](#) designed to gain a better understanding of the business’s trajectory.

Since April 2024, business leaders have been able to access a new personal management space “[Espace personnel dirigeant](#)”, which provides a wealth of information from the Banque de France: ratings, key indicators, sector comparisons, appointment requests, information exchanges, etc. This service is free, secure, interactive and accessible 24 hours a day.

The Banque de France encourages senior managers and CFOs to initiate or pursue a dialogue with our [start-up correspondents and analysts](#) to take better account of the specific features of their growth model.

APPENDIX 1

METHODOLOGICAL DETAILS

Start-up ratings

Each year, the Banque de France assigns a [rating](#) to more than 300,000 businesses with a turnover of over EUR 750,000. It provides lenders with information about the quality of a company's financial commitments and gives entrepreneurs an outside view of their company's ability to repay its debts.

Within this population, the Banque de France wanted to identify start-ups in order to take account of the specific features of their growth model. Indeed, because of start-up business models, recurrent losses are common, but not necessarily a sign of a weak financial position. Among these companies, their cash flow and financial structure are sometimes quite strong, thanks to effective support from the ecosystem and the fundraising this generates¹.

Start-ups are analysed by the Banque de France's network of start-up correspondents, who have been trained since 2020 in the specific features of this growth model. This model is characterised by cash burn, breakeven, equity and available cash (see chart on page 1).

Identification of start-ups

In 2023, 2,525 start-ups with turnover > EUR 750,000 were identified by Banque de France analysts among the population of 300,000 companies. To give a more accurate picture of the dynamism of the tech ecosystem, the Companies Directorate added start-ups that had raised more than EUR 3 million in funding (and for which turnover was less than EUR 750,000). 1,105 start-ups met this criterion, providing a valuable resource for the Banque de France's research and rating work. A total of 3,630 start-ups were identified as meeting at least one of these two criteria.

Sample composition

In order to guarantee the quality of the observations, the sample for this study has been restricted: the start-ups selected must have a balance sheet ending in 2022 and a balance sheet ending in 2023.

At the date of extraction of the source file for this study (10 June 2024), 2,295 balance sheets met this requirement:

- 2,023 balance sheets corresponding to start-ups with a turnover > EUR 750,000 in 2022 and/or in 2023, i.e. 80% of the population identified. The remainder consisted of 502 balance sheets that were not available on 10 June.
- 272 balance sheets corresponding to start-ups that raised > EUR 3 million. This low proportion (25%) in relation to the population identified can be explained by the fact that this population is young and has not yet kept accounting documentation for two consecutive financial years.

Number of start-ups identified in the FIBEN database and number of start-ups with a 2022 balance sheet and a 2023 balance sheet available at 10 June 2024

	Number of start-ups identified in the FIBEN database	Number of start-ups identified in the 2023 study
Turnover > EUR 750,000	2,525	2,023
Fundraising > EUR 3 million (and turnover < 750,000)	1,105	272
Total	3,630	2,295

Sources: Banque de France, FIBEN database, June 2024 - Start-up correspondents

¹ Fundraising consists in finding investors willing to invest in a company's equity, subject to predefined exit conditions. This type of financing is particularly suited to innovative companies and start-ups with strong growth potential.

APPENDIX 2

SECTORS OF ACTIVITY

The 2,295 start-ups in the sample were divided into 12 sectors of activity in order to capture the specific characteristics of the different French start-ups. This classification was drawn up by the Companies Directorate with the help of the Banque de France's start-up correspondents.

Certain more specific themes (cybersecurity, proptech, etc.) were included in a broader sector in order to ensure that the observations were consistent.

There are still many possible interconnections between these sectors (mobility, environment and energy). Technological subjects are also cross-cutting and may concern all or part of the ecosystem (generative AI, blockchain, etc.). The same applies to industrial start-ups, which are nevertheless classified by sector in order to measure changes in their activities.

Sectors	Activities
Food	Agricultural products and materials, food distribution, animal feed, biomarine ingredients, alternative foods
E-commerce/Marketplace	Online sales and purchases, customer-supplier relations, product traceability, real-estate transactions/management (proptech)
Education/Human Resources	Online training, virtual classrooms, digital educational content, online recruitment, collaboration, monitoring and productivity tools
Energy/Environment	Green energy production and management, emission control and reduction, waste recovery and recycling, other sustainable and ecological solutions
Fintech	Financing, asset management, risk management, payment, neobanks, insurance, crypto-assets, accounting, regulation, blockchain
Industry	Robotics, drones, lasers, intelligent materials, nanotechnologies, aerospace, advanced imaging
IoT/Hardware	Connected objects, 3D printing, computer-aided manufacturing, electronic equipment, IT hardware
Digital marketing	Online advertising, new media, CRM, e-mailing, customer acquisition, user experience
Mobility	Electric vehicles, hydrogen mobility, charging stations, electric batteries, shared mobility, intelligent infrastructure
Health care	Biotechnologies, innovative medical equipment, e-health, life sciences, breakthrough therapies
Software/Data	SaaS/PaaS software, artificial intelligence, cybersecurity, cloud, mobile applications, virtual reality
Tourism/Leisure	Tourism, video games, music, sports

Sources: Banque de France, base Fiben, juin 2024 – Correspondants start-up.