

France pledges billions in fight to halt start-up drain

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French President Emmanuel Macron addressing tech executives and venture capitalists at a dinner at the Elysee Palace in Paris on Tuesday.

How do you stop European tech firms from moving to the US once they start eyeing the big time? Part of the solution is finding them access to

funding at home.

French President Emmanuel Macron has made the continent's latest move to muster help for homegrown start-ups, promising five billion euros (\$5.5 billion) of tech investments over the next three years.

The funds, pledged by banks, insurers and other big investors, include two billion euros earmarked for "late stage" projects requiring significant amounts usually out of reach to burgeoning EU firms.

"The battle we're fighting is one of sovereignty," Macron told tech executives and [venture capitalists](#) at an Elysee Palace dinner on Tuesday.

"If we don't build our own champions in all new areas—digital, artificial intelligence—our choices... will be dictated by others," he said.

Officials across Europe fear being left behind as American giants, and more recently Chinese firms, increasingly dominate the cutting-edge technologies crucial to future economic growth.

Young European start-ups generally have plenty of access to venture capital, with \$23 billion (20.8 billion euros) invested last year, according to the investment firm Atomico.

The problem is that after getting an idea off the ground, firms often struggle to find the larger amounts of money needed to propel a business into the big leagues.

"There aren't any large funds with the capacity for putting up 50, 100 or 200 million euros," Olivier Novasque of Sidetrade, a business software editor, told AFP.

"But in the digital realm, you have to be thinking right away about

conquering the world" and quickly scaling up operations before a rival does, said Novasque, a former vice president of the Tech in France trade body.

French 'unicorns'?

US laws also make it easier to give employees stock options, an attractive tool for young firms that are ramping up operations.

"Policies that currently govern employee ownership across Europe are often archaic and highly ineffective. Some are so punishing that they put our startups at a major disadvantage to their peers in Silicon Valley and elsewhere," the Notoptional collective of tech entrepreneurs wrote in an open letter in January.

As a result, European firms often jump the Atlantic to tap into the much deeper American capital markets, where pension funds and other institutional investors are more willing to make big bets on tech.

In the first quarter of this year alone, nearly \$31 billion was poured into start-ups in the US, with so-called "mega rounds" of financings larger than \$100 million making up 29 percent of the total, according to TechCrunch.

In Europe, however, pension funds are barely present in the tech sector, with Atomico estimating they have invested just \$350 million a year in aggregate since 2013.

"That's less than 0.01 percent of total assets under management of European [pension funds](#) of around \$4 trillion," the firm wrote in its State of European Tech report in December.

"We can write checks of up to 45 million euros," said Jean-Marc

Patouillaud of Partech Ventures, a major investor in French start-ups.

"But you have to be able to raise more than that, and we wouldn't want to be on our own" for major capital-raising, he said recently on BFM television.

If firms had access to bigger investment pools, "there's no reason why we can't see tech giants emerge in Europe," said Yann du Rusquec, managing director of investment firm Eurazeo Croissance.

"The competence and ambitions of European entrepreneurs are really quite strong—that wasn't so much the case 10 or so years ago," he added.

Macron said Tuesday his ambition is to see 25 "unicorns"—firms valued at more than \$1 billion ahead of expected share offerings—by 2025.

As his digital affairs minister Cedric O regularly points out, the last time an unlisted French company was valued that high was in 1996, with software group Dassault Systemes.

"The important thing is for Emmanuel Macron to send a message to the entire French financial sector, that it has to invest in tech," du Rusquec said.

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