For the 8th edition of the barometer, 356 startups answered to the survey. Here are the key messages of this edition:

1 _ GROWING INTERNATIONALLY: A KEY AREA OF FOCUS

French Digital startup ecosystem has been especially dynamic over the last decade and led to the emergence of globalized scale-ups! Participating companies to the 2019 Edition follow this trend and pursue their growth, as revenue went up by 20% vs. 2017, to reach €6.6B in 2018. Indeed, this growth is primarily driven by French unicorns’ worldwide expansion, even if, more than ever, newly emerging startups manage to rapidly operate outside France.

Growing internationally remains a key area of focus for French startups: more and more digital startups set up at least one office outside France to develop cross-border business (55% of the respondents in 2018 confirmed that they opened at least one international office) and revenue outside France now represents more than 61% of total revenue. As a reminder, in the last Edition, only 56% of total revenue was generated outside France (+5 points vs. 2018 Edition). Even though revenue generated on the French market increased more significantly, i.e. +26% compared to 2017, more than revenue made outside the national borders (+16% of international revenue growth between 2017 and 2018), French Digital startups manage to confirm their ability to quickly grow internationally.

In 2018, Europe has been the sweet spot for the respondents, who sharply improved their sales there.

Operating performances of French Digital startups seduce more and more International investors: 32% of respondents have a foreign VC that already invested in the company. The respondents accelerate faster than ever thanks to the fuel brought by investors. More than 60% of respondents reached serie A and a quarter reached serie B fundraising.

2 _ RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

Scaling up requires to hire qualified talents in various fields. Between 2017 and 2018, the respondents’ staff grew by 19% (24% excluding TOP 3 employers). Entrepreneurs show confidence in the future as, in average, digital startups plan to hire an average of 32 people in 2019 and keep relying on the French academic excellence, 80% of jobs being created on the French territory. Diversity in staff is a major advantage for companies and French startups are fully engaged in such way: 40% of employees are women, +10 points compared to 2017. However, only 7% of CEO are women.

Even if the priority is still to hire highly qualified people (master degree and PhD for 75% of employees), using permanent contracts for 94% of their employees, the social model is evolving as new hires are looking for another work experience nowadays: 86% of digital startups allow to work remotely, 71% of the respondents declare contracting with freelancers, mostly thanks to their personal network. More and more people, in R&D especially, choose to freelance instead of being employed. Focused on innovation, young startups dedicate 36% of their staff cost in R&D cost.

Recruiting talent is still the main barrier of development that digital startups Management has to face! The most important profiles to hire are sales/marketing/customers success teams for 57% of participants but the most difficult profiles to recruit are programmers/developers for 48% of companies solicited.
3 _ FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS

To enable startups to emerge and to accelerate their growth, French regulation has set up several incentive plans dedicated to innovative companies. Some of the figures disclosed in the 2019 Edition confirm the attractiveness of such tools and confirm the success of such incentives: 60% of participants use research tax credit, 50% use innovation tax credit and 46% use the label “Young Innovative Company”.

Moreover, equity sharing is probably one of the most efficient way for startups to retain talents: in 2018, 55% of capital is held by founders or employees. Equity instruments mostly used are warrants (BSPCE & BSA) as confirmed by 86% of the respondents. Such data demonstrates the absolute necessity to maintain the tax advantages related to such options.

More than half of the digital startups use business incubator or accelerator to support them, most of them being private ones (49%). It is especially true for young startups as 65% of startups incorporated less than five years ago use incubators or accelerators. In 2018, 3 over 4 French startups consider dynamism of the regional ecosystem as at least productive, 35% of them qualifying it as very productive. From a European perspective, Germany and UK are the two first markets on which French digital startups have developed or are wishing to develop their operations.

4 _ FRENCH ENTREPRENEURS INTEND TO SCALE EVEN FASTER IN THE NEAR FUTURE!

In order to scale faster, French Digital startups are focusing on both expanding their operations but also building a viable and reliable business model. If only 15% of the 0 to 5 M€ revenue startups have positive EBIT, 57% of the participants are profitable when generating more than 50 M€ of revenue. Nearly 60% of the respondents chose to develop a SaaS and subscription-based model to optimize recurring revenue, offering better visibility on future financial performance.

Moreover, thanks to more significant external fundings and a favorable ecosystem, entrepreneurs are very optimistic and ambitious for the future, as 63% of them expect to increase their revenues by more than 50% in 2019. Venture capital investments in France are going up sharply and fundraising process are shortened: 73% of respondents raised funds in less than six months in 2018. Better funded, startups want to pursue their expansion mainly through organic growth but also through external operations, as 35% of startups plan external acquisitions to pursue their development.

The amount of funds raised during 2019 first semester is the best demonstration that building French Digital unicorns is possible and that investors have faith in the capacity of French founders to succeed on a global scale.

Franck SEBAG  
Partner, EY

Clara AUDRY  
Investment Director, Cap Horn Invest
Barometer based on data from digital business startups financed by venture capitalists, business angels, corporate ventures...

Survey sent by venture capitalists to companies they invested in
- 356 participants (293 participants in 2018)
- Average age: 6.8 years
- 15 M€ invested by VC (average)
- Key figures from financial data 2017 & 2018

EY, as a third-party, consolidates the data and ensures that the figures are kept confidential
FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS

→ 60% of startups use research tax credit
→ 50% of startups use innovation tax credit
→ 46% of startups use the label « Young Innovative Company »
→ 55% of share capital held by founders and employees
→ 51% of digital startups are using incubators or accelerators

FRENCH ENTREPRENEURS INTEND TO SCALE EVEN FASTER IN THE NEAR FUTURE!

→ 57% of startups have positive « EBIT » when reaching €50M of revenues
→ 37% of companies expect a revenue growth above 100% in 2019
→ 32 employees is the average number of hiring scheduled in 2019
→ 35% plan external growth to pursue their development

GROWING INTERNATIONALLY: A KEY AREA OF FOCUS

→ +20% of revenues vs. 2017
→ 61% of revenues are generated abroad in 2018
→ 55% of startups have already set up offices abroad
→ 32% of respondents have a foreign VC that already invested in the firm
→ 200% of growth of median fund raised vs. 2016

RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

→ +19% of employees vs. 2017 (+24% excluding TOP 3)
→ 20% of jobs created abroad in 2018
→ 94% of permanent contracts
→ 71% of startups contractualized with freelancers
→ 7% of CEOs are women
→ 75% of employees have a master degree or a PhD
→ Sales & Marketing are the most wanted profiles to recruit in 2019
→ 40% of employees are women (+10 points compared to 2018 Edition)
KEY FIGURES
3.1 GROWING INTERNATIONALLY: A KEY AREA OF FOCUS

→ Total revenues (in M€)
Sample of 318 startups

+20% 2019 Edition

- Excluding TOP3

+41%

Growth of total revenues
Analysis by revenue segment

- 0 to 5 M€: 35%
- 5 to 20 M€: 34%
- 20 to 50 M€: 24%
- + 50 M€: 16%

2017 2018

5,487 6,567

+20%
3.1 GROWING INTERNATIONALLY: A KEY AREA OF FOCUS

→ Growth of revenues (in M€)
   Sample of 318 startups

2017
- France: 2,066 (38%)
- Europe: 1,380 (25%)
- International: 2,041 (37%)

2018
- France: 1,709 (26%)
- Europe: 2,293 (35%)
- International: 2,566 (39%)

→ Growth of revenues
   Analysis by revenue segment

- 0 to 5 M€
  - France: 38% increase
  - Europe: 40% increase
  - International: -1% decrease

- 5 to 50 M€
  - France: 38% increase
  - Europe: 42% increase
  - International: 15% increase

- + 50 M€
  - France: 18% increase
  - Europe: 21% increase
  - International: 11% increase

Legend:
- Orange: France
- Purple: Europe
- Blue: International
3.1 GROWING INTERNATIONALLY: A KEY AREA OF FOCUS

→ Part of revenue outside France over the total revenue (within the last five editions of the barometer)

- 56% in 2018 Edition
- 54% in 2017 Edition
- 50% in 2016 Edition
- 43% in 2015 Edition

→ % of startups that have set up an office abroad to pursue their international expansion
Sample of 156 startups

- 0 to 5 M€: 45% Yes, 55% No
- 5 to 20 M€: 74% Yes, 26% No
- 20 to 50 M€: 73% Yes, 27% No
- +50 M€: 100% Yes, 0% No
3.1 GROWING INTERNATIONALLY: A KEY AREA OF FOCUS

→ **Average of fund raised since the creation including IPOs**
  Analysis by revenue segment
  Sample of 322 startups

→ **Percentage of startups that are International VC-backed**
  Analysis by revenue segment
  Sample of 237 startups

- **€15M**
  is the average amount of fund raised per company in 2018

- **32%**
  of startups are international VC-backed
  *Barometer 2019*

- **2017**  **2018**

- **4**  **5**
  0 to 5 M€

- **13**  **21**
  5 to 50 M€

- **88**  **104**
  +50 M€

- **28%**  **30%**
  0 to 5 M€

- **30%**  **50%**
  5 to 50 M€

- **50%**
  +50 M€
3.2 RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

→ Growth of employees
Sample of 271 startups

- **Top 10 recruiters created**: 1,613 jobs
- **+24% growth**: Excluding top 3 employers

→ Segmentation of employees by geographical areas
Sample of 271 startups

- **3,907 jobs created**
- **791 hired abroad**: (20%)
- **3,126 hired in France**: (80%)

2017 | 2018
---|---
20,201 | 24,108
+19%
3.2 Recruiting Talents: N°1 Challenge to Scale!

→ Type of work contracts (2018)
  Sample of 40 startups

- Permanent contract ("CDI") 94%
- Apprenticeship professional contract 3%
- Temporary contract ("CDD" & "Interim") 2%
- Internship 1%

→ People qualification (2018)
  Sample of 60 startups

- PhD degree (BAC+8) 2%
- Master degree (BAC +5) 73%
- Bachelor degree (BAC +3) 18%
- No diploma 7%

→ Part of women employees in 2018
  Sample of 95 startups

- Men: 60%
- Women: 40%
  +10% of women compared to 2018 Edition
3.2 Recruiting talents: N°1 challenge to scale!

Teams working remotely
Sample of 97 startups

- Developers: 38%
- Sales & Marketing: 35%
- Admin: 27%

Do startups contractualize with freelancers?
Sample of 118 startups

- Yes: 71%
- No: 29%

If yes, how do you find the freelancers?

- Personal network: 52%
- Freelance platforms: 38%
- Subcontracting: 10%

86% of startups allow remote work
Sample of 111 startups
3.2 RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

- **Average age**
  - Sample of 111 startups
  - 2017: 41, 32
  - 2018: 39, 31

- **Ratio Management/Staff wages**
  - Sample of 44 startups
  - Min: 0.19, 1.84
  - Average: 0.40, 2.36
  - Max: 6.22, 4.41

- **% of R&D staff cost on staff cost by revenue segment**
  - Sample of 78 startups
  - 0 to 5M€: 43%, 25%
  - 5 to 20M€: 42%, 25%
  - 20 to 50M€: 36%, 21%
  - +50M€: 36%, 21%

R&D staff cost represents 36% of total staff cost.
3.2 RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

CEO average age
Sample of 117 startups

39 is the CEO average age

Women Chief Executive Officer
Sample of 123 startups

7% 2019 Edition

CEO Graduation
Sample of 116 startups

PhD degree (BAC+8) 7%
Master degree (BAC+5) 88%
Bachelor degree (BAC+3) 3%
No diploma 2%

RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

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3.2 RECRUITING TALENTS: N°1 CHALLENGE TO SCALE!

FOCUS ON RECRUITMENT FOR THE YEAR 2019

† Most important profiles to recruit in 2019
Sample of 115 startups

- Sales/Marketing/Customer success: 57%
- Programmer/Developer: 29%
- Data science/Business intelligence: 5%
- Professional services/Customer support: 3%
- Other: 6%

† Most difficult profiles to recruit in 2019
Sample of 111 startups

- Programmer/Developer: 48%
- Sales/Marketing/Customer success: 32%
- Data science/Business intelligence: 7%
- Professional services/Customer support: 6%
- Other: 7%

† Internalized functions in startups
Sample of 119 startups

- CFO: 73%
- HR manager: 67%
- Accountancy: 40%
- Legal: 31%
### 3.2 Recruiting Talents: N°1 Challenge to Scale!

#### Top 5 barriers for development

<table>
<thead>
<tr>
<th>Barriers</th>
<th>1st choice</th>
<th>2nd choice</th>
<th>3rd choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulties in recruiting talent</td>
<td>44%</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Cost of work (social charges...)</td>
<td>13%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Difficulties in contracting with large companies</td>
<td>13%</td>
<td>17%</td>
<td>14%</td>
</tr>
<tr>
<td>Financing difficulties (seed, early stage, late stage, IPO)</td>
<td>20%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>Narrowsness of the French market and lack of a European market</td>
<td>5%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Complexity of administrative process</td>
<td>2%</td>
<td>3%</td>
<td>15%</td>
</tr>
<tr>
<td>Inflexibility of the labor regulation</td>
<td>1%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Lack of coaching/mentoring/advice</td>
<td>3%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Lack of attractiveness of French territory</td>
<td>3%</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Inadequate corporate taxation – domination of strong competitors</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Sample of 123 startups
3.3 France as one of the Leading Hotbeds for Digital Startups

→ Percentage of share capital held by owners and employees
   Sample of 266 startups

- 55% Average of capital held by founders or employees
- 45% Average of capital held by investors

→ Types of Equity instruments
   Sample of 71 startups

- Warrants (BSPCE & BSA): 86%
- Stock options: 10%
- Free shares: 4%
3.3 FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS

→ Did you use the Research tax credit?
Sample of 113 startups

- 40% No
- 60% Yes

- 0 to 5 M€: 80% Yes, 20% No
- 5 to 50 M€: 46% Yes, 54% No
- > 50 M€: 79% Yes, 21% No

→ Did you use the label Young Innovative Company?
Sample of 113 startups

- 54% No
- 46% Yes

→ Did you use the Innovation tax credit?
Sample of 107 startups

- 50% No
- 50% Yes

FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS
3.3 FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS

Did you use business incubators or accelerators?
Sample of 110 startups

Analysis by revenue segment

- 0 to 5 M€: 53% in 2017, 60% in 2018
- 5 to 50 M€: 30% in 2017, 29% in 2018
- + 50 M€: 50% in 2017, 25% in 2018

Analysis by startups age

- 0 to 2 years: 64% in 2017, 63% in 2018
- 3 to 5 years: 52% in 2017, 66% in 2018
- 6 to 10 years: 33% in 2017, 42% in 2018
- More than 10 years: 33% in 2017, 7% in 2018

FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS

49% of startups are using business incubators or accelerators.

11% of digital startups are using both public and private incubators.

40% of startups are using private incubators.

51% of digital startups are using incubators or accelerators in 2018.
3.3 FRANCE AS ONE OF THE LEADING HOTBEDS FOR DIGITAL STARTUPS

→ Dynamism of ecosystem in the area you are based in France
   Sample of 114 startups

- Very productive: 35%
- Productive: 43%
- Correct: 17%
- Low: 3%
- Very low: 2%

→ Which is the first European market on which you have developed or on which you wish to develop your business?
   Sample of 103 startups

- Germany: 33% (1st choice), 30% (2nd choice), 19% (3rd choice)
- United Kingdom: 30% (1st choice), 25% (2nd choice), 17% (3rd choice)
- Benelux: 14% (1st choice), 20% (2nd choice), 29% (3rd choice)
- Spain–Portugal: 13% (1st choice), 18% (2nd choice), 22% (3rd choice)
- Other: 11% (1st choice), 8% (2nd choice), 13% (3rd choice)
### 3.4 French Entrepreneurs Intend to Scale Even Faster in the Near Future!

<table>
<thead>
<tr>
<th>Year</th>
<th>Loss</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>2018</td>
<td>20%</td>
<td>80%</td>
</tr>
</tbody>
</table>

#### « Earnings before interests and taxes » or EBIT
Sample of 188 startups

<table>
<thead>
<tr>
<th>Revenue Segment</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 5 M€</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>5 to 20 M€</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>20 to 50 M€</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>+ 50 M€</td>
<td>57%</td>
<td>57%</td>
</tr>
</tbody>
</table>

#### Business model
Sample of 328 startups

- **SaaS and Subscription based model**: 59%
- **Marketplace and transaction based model**: 29%
- **Hardware**: 8%
- **Other**: 3%
- **Mix**: 1%
3.4 FRENCH ENTREPRENEURS INTEND TO SCALE EVEN FASTER IN THE NEAR FUTURE!

→ Do you plan external growth to pursue your development?  
Sample of 112 startups

- 35% Yes
- 65% No

35% of startups plan external growth to pursue their development.

→ Revenue growth expectation for 2019 according to companies participating to the survey  
Sample of 107 startups

- No growth: 4%
- 1 to 25%: 19%
- 25 to 50%: 14%
- 50 to 100%: 26%
- +100%: 37%

→ Focus on recruitments for the year 2019  
Sample of 115 startups

- 0 to 5 M€: 33%
- 5 to 20 M€: 33%
- 20 to 50 M€: 71%
- + 50 M€: 25%

32 is the average number of recruitments forecasted for 2019.
### Fundraising Stage Reached

- **Seed**: 100%
- **Serie A**: 62%
- **Serie B**: 25%
- **Serie C**: 7%
- **Serie D and above**: 4%

### Uses of Fund Raised

- **Product/Tech**: 44%
- **Sales & Marketing**: 35%
- **International Development**: 19%
- **Other**: 2%

### Fundraising Timeline

- **Between 2 and 4 months**: 43%
- **More than 6 months**: 27%
- **Between 1 and 2 months**: 6%
- **Between 4 and 6 months**: 24%

### Fundraising Process

- **Personal network**: 50%
- **Ecosystem (events, professional organisations)**: 26%
- **Fundraiser**: 17%
- **M&A boutique**: 7%
3.5 Fundraising and Cash Out: A Reality

→ Non dilutive financing means used by startups

Sample of 148 startups

- Refundable advance: 40%
- Research tax credit prepayment: 34%
- Subsidies: 32%
- None: 26%
- Factoring: 7%

21% of founders have already sold part of their shares
Sample of 112 startups
3.6 Data: the treasure to be explored and secured

→ IT hosting servers location
   Sample of 60 startups
   62% of IT servers are hosted in France

→ Data scientists in startups
   Sample of 116 startups
   49% of startups employ data scientists

→ 32% of startups have faced a hacking attempt
   Sample of 114 startups
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About France Digitale
France Digitale brings together the champions of digital entrepreneurship: startups with strong growth plans and potential investors (venture capitalists and angel investors). France Digitale brings together the champions of digital entrepreneurship.

For more information, please visit francedigitale.org.

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