

# **SOCIAL AND ECONOMIC PERFORMANCE OF FRENCH DIGITAL STARTUPS**

**BAROMETER 2021**

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# Editorial

**FOR THE 10TH EDITION OF THE BAROMETER, 780 STARTUPS ANSWERED TO THE SURVEY. BELOW ARE THE KEY MESSAGES OF THIS EDITION:**

## French digital startups show resilience

Despite the covid-19 crisis, french digital startups had continued to grow in 2020 recording almost €7BN of revenue. Their global revenue increased by 15% compared to 2019 and this growth is even higher if we exclude the TOP 3 (+19%). The proportion of revenue generated abroad slightly increased compared to last edition with 36% of revenue generated abroad (vs. 34%).

Startups have also pursued their fundraisings as 35% of respondents considered covid-19 crisis had no impact. The average amount raised since their creation as of 2020 is €18,4M. Fundraising use is firstly to invest in product/tech (40% of respondents) followed by sales & marketing purpose (24% of respondents).

In this context, 29% of respondents are backed by international investors and it reaches 60% for startups generating between revenue above €20 million.

However, startups still need to find resources to continue to grow. 21% said to be engaged to take a loan within the next 12 months and 29% are probably considering it.

## Talents remain the key of growth

In 2020, the number of talents working in digital startups grew by 13% reaching 42,137 employees. Recruitment is crucial for French startups to grow and remains an important focus area for CEOs. In 2020, 4,897 jobs were created by the respondents to our barometer. Among these recruitments, 77% were located in France.

In this edition, parity seems to have improved with 43% women employees (vs. 36% in previous edition) but only 11% of respondents CEOs are women (vs. 10%).

For 2021, the challenges of recruitment are focused on two profiles: the most wanted are the sales/marketing/customer success and the most difficult to find is clearly the programmer/developer (according to 61% of respondents).

As we could imagine, pandemic changed the practices for remote working which frequency became regular for 33% of startups and customised for 36% of them.

# Editorial

## A supportive French ecosystem

French tax incentives have proven to be largely used by French digital startups for several edition of the barometer. The proportion is growing each year. In 2021 edition, 77% (vs. 60%) of participants use research tax credit, 64% (vs. 50%) use innovation tax credit and 46% (vs. 42%) obtained the "Young Innovative Company" label. These aids are mainly addressed to startups of revenue between €0 and €5m.

In 2020, 13% of participants have suffered from cyberattacks (vs. 8% in 2019) and 15% have implemented new cybersecurity protocols since the beginning of the pandemic. This threat can also be a great opportunity for the French startups to seize.

Data centers are located in France or in the EU exclusively for 77% of respondents. Only 29% of respondents use public cloud to host their IT servers.

## Future challenges and opportunities

French digital startups do not benefit from public procurements opportunities. According to 79% of the respondents, public procurements represent only 0 to 25% of their revenue. However, 55% of them would like to resort more to it. The main reasons for not responding to public tenders are the long and complex procedure (34%) followed by the feeling that public tender's criteria is not adapted to startups (30%).

Regarding GAFAM, 73% of startups feel a dependency towards them including 43% feeling very dependent, thinking "I couldn't grow without them". Another challenge but also opportunity for French digital startups for the coming years not to be overlooked.

According to respondents, the main barriers for development are firstly the difficulty to recruit talent (for 64% of the respondents), secondly to contract with large companies (49%), thirdly to cost of work (36%) as well as closing VC fundraising (33%).

Despite all these struggles, startups have faith in the future. A major part of them expects a revenue growth between 26% and 50% for year 2021. For young startups cash runway is assessed to 12 months at best, whereas for companies generating more than €50M of revenue, cash runway should last for 2 years.

Following the hard waves of the pandemic, French digital startups have shown great resistance and agility. Still, challenges will keep coming. To take advantage of them, opportunities have to be seized. Exciting year to come!



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# Methodology

# 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 **2020 & 2019**

**Resulting in:**



**780** participants (502 participants in 2020)



Average age: **6 years** (6 years in 2020)

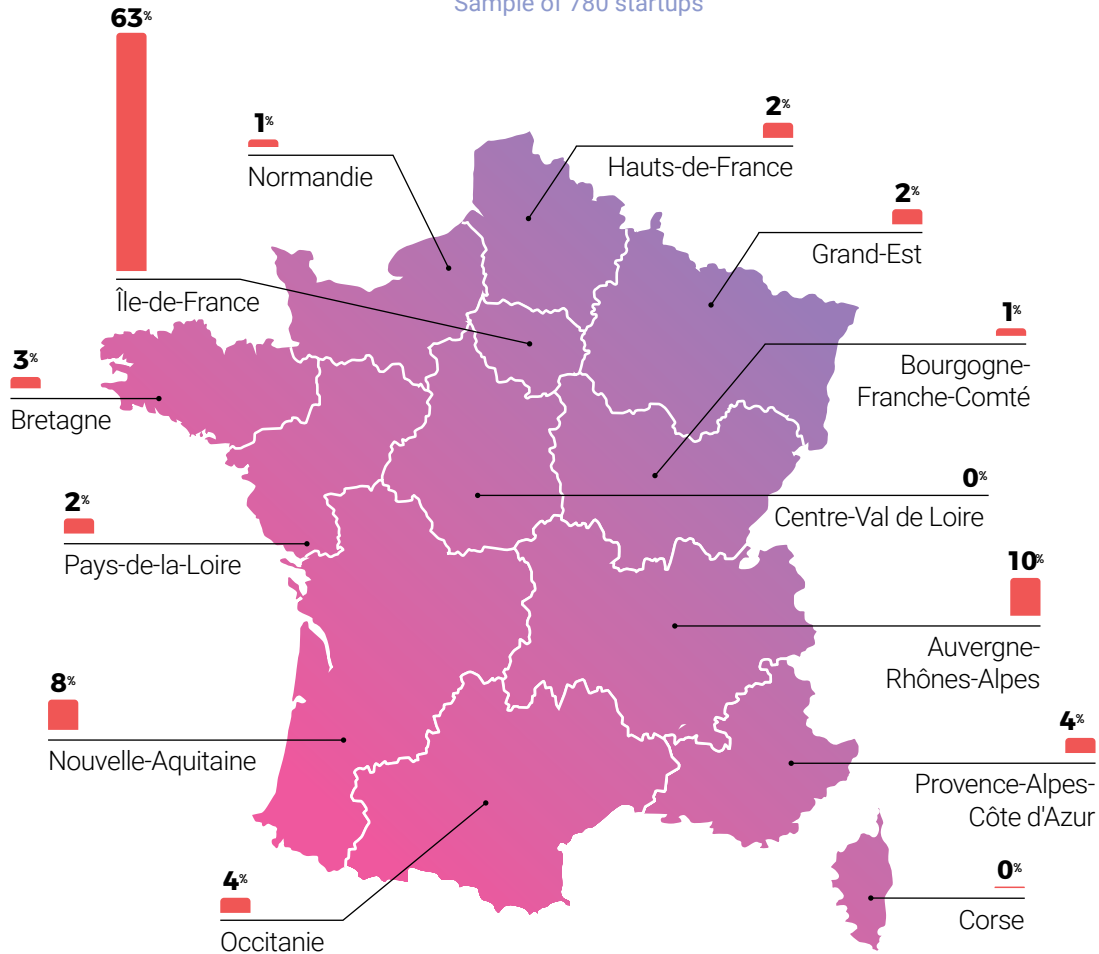
**EY is implicated as a third-party to consolidate the data and ensure that the individual information is kept confidential.**

## METHODOLOGY

### Respondents by region and age

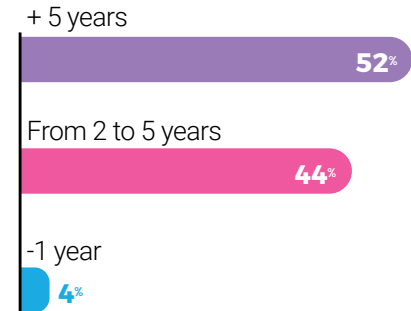
#### → Respondents by region

Sample of 780 startups



#### → Respondents by age

Sample of 780 startups

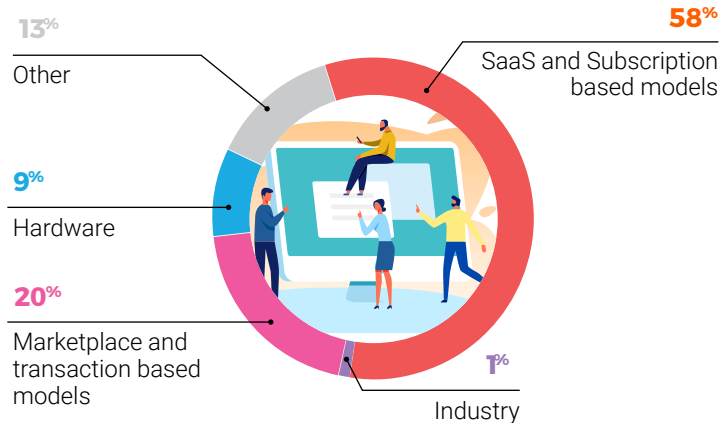


## METHODOLOGY

### Respondents industries and business model

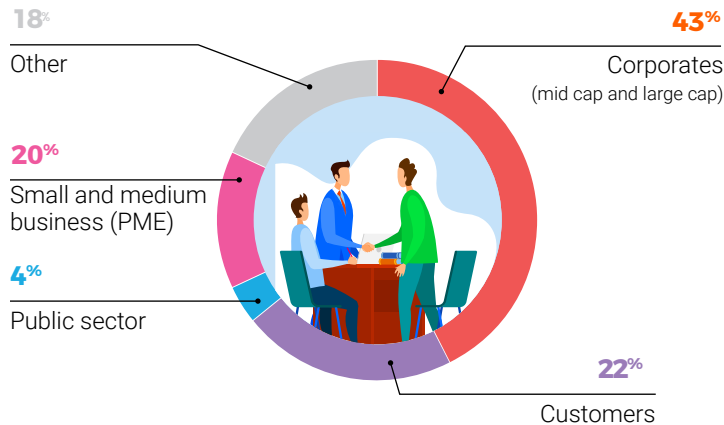
#### → Business Model

Sample of 725 startups



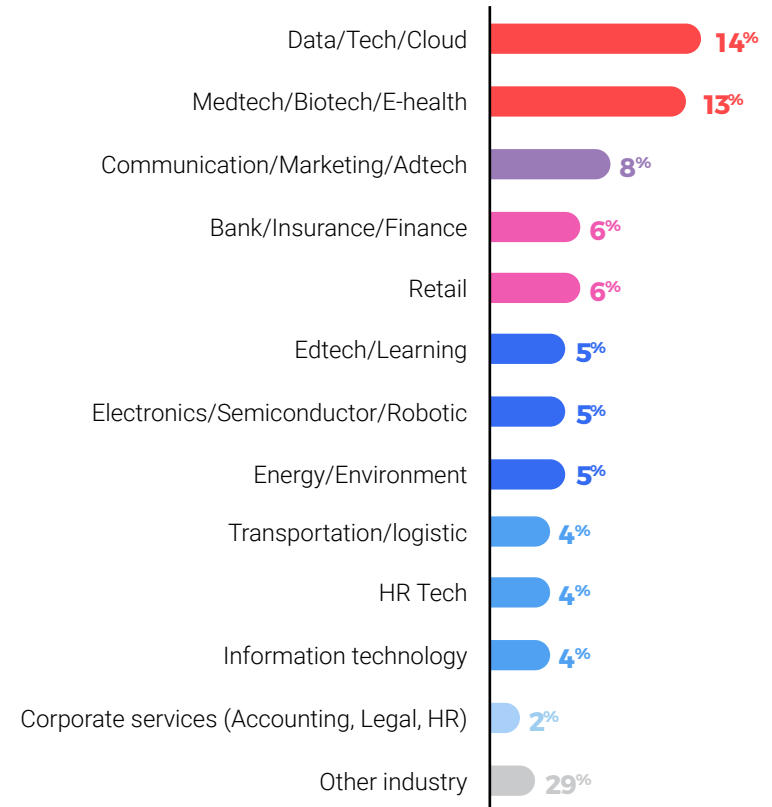
#### → Primary customer audience

Sample of 780 startups



#### → Industry

Sample of 780 startups

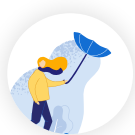






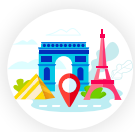
# **Executive summary**

## EXECUTIVE SUMMARY



### FRENCH DIGITAL STARTUPS SHOW RESILIENCE

- **+15%** of revenues between 2019 and 2020
- **36%** of revenues are generated **out of France** in 2020
- **€18.4M** of **average fund** raised since the creation
- **29%** of startups are **backed by international investors**
- **84%** of startups are **VC backed**
- **27%** of respondents had **positive EBITDA in 2020** (vs. 23% in 2019)



### A SUPPORTIVE FRENCH ECOSYSTEM

- **77%** of startups use **research tax credit** in 2020
- **13%** of startups **suffered from cyber attacks** in 2020
- **38%** of IT servers are hosted **on private cloud**
- **44%** of **cloud providers** are **headquartered in France**
- **77%** of respondents **have their data stored in France**
- **80%** of respondents consider **the dynamism of the ecosystem is at least productive**
- **34%** of startups consider their activity was **strongly impacted by the covid-19 crisis**



### TALENTS REMAIN THE KEY OF GROWTH

- **+13%** of growth of number of **employees** between 2019 and 2020
- **4,897 jobs** were created by respondents in 2020
- **23%** of startups **hired abroad** in 2020
- **12%** of founders are **women**
- The **most important profiles to recruit** in 2021 remain the **sales/marketing/CS** as well as the **most difficult profiles to recruit** are the **programmer/developer**
- **69%** of startups have regular or customised **remote working practices**



### FUTURE CHALLENGES AND OPPORTUNITIES

- For **79%** of startups, **public procurements** represent **between 0 and 25% of their revenue**
- **55%** of respondents **would like to resort more to public procurement**
- **73%** of startups feel **dependent to GAFAM**
- **35%** of respondents consider **recruiting talents as the first barrier** for development
- **50%** of startups will consider or have engaged **taking a loan within the next 12 months**

# 3

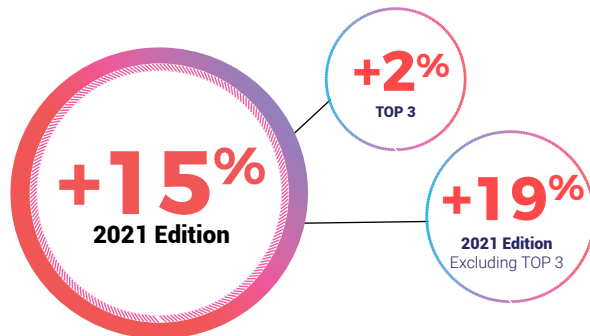
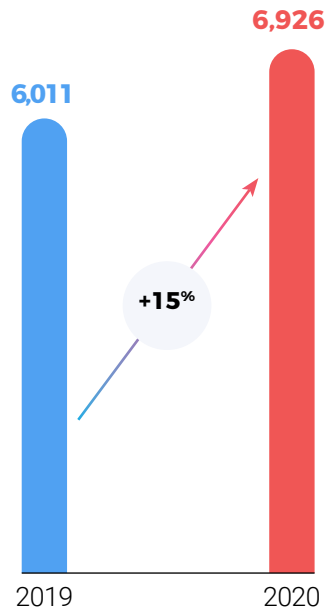
## Key figures

# **3.1**

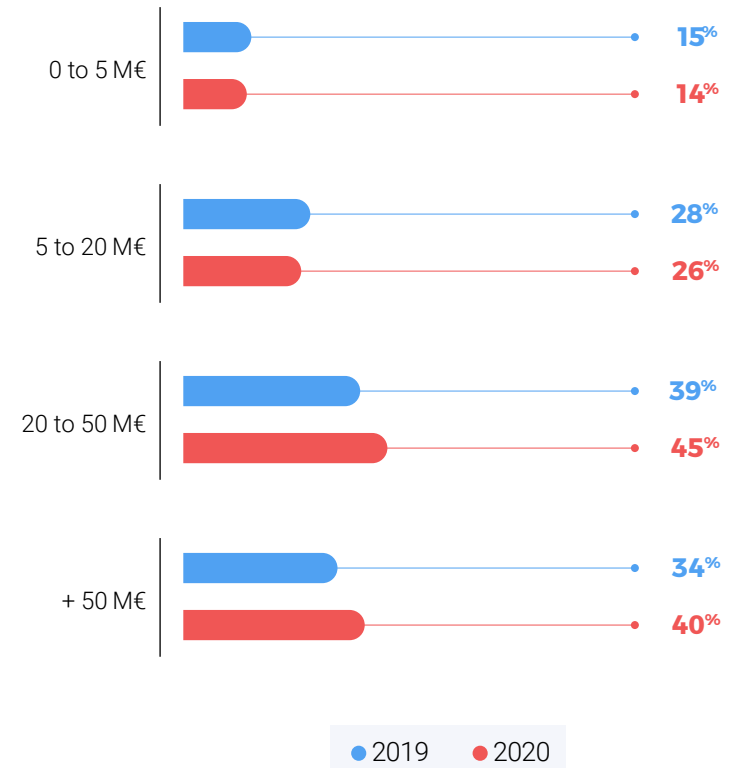
## **French digital startups show resilience**

### 3.1 FRENCH DIGITAL STARTUPS SHOW RESILIENCE

→ Total revenues (in M€)  
Sample of 657 startups

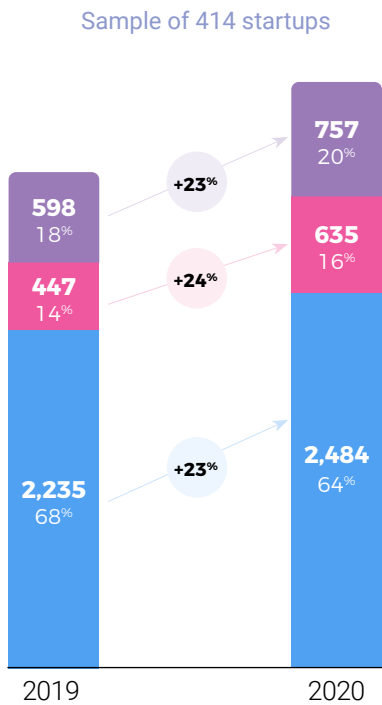


→ Percentage of revenue made abroad,  
by revenue segment  
Sample of 414 startups



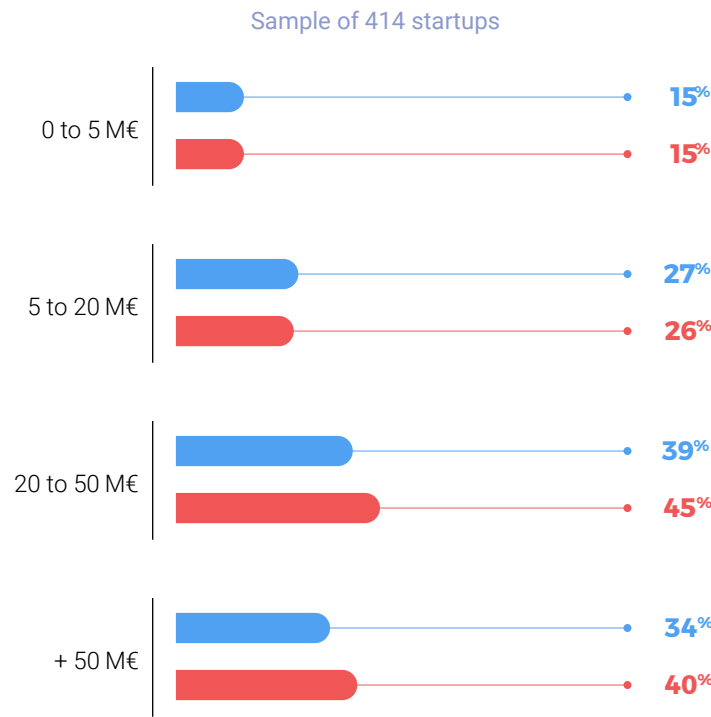
### 3.1 FRENCH DIGITAL STARTUPS SHOW RESILIENCE

→ Growth of revenue by geographical area

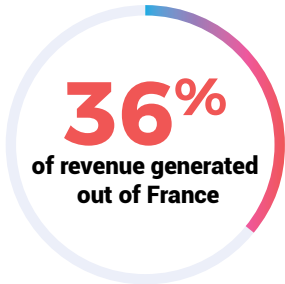


● France ● Europe (exc. France)  
● International (exc. Europe)

→ Revenues generated abroad by revenue segment



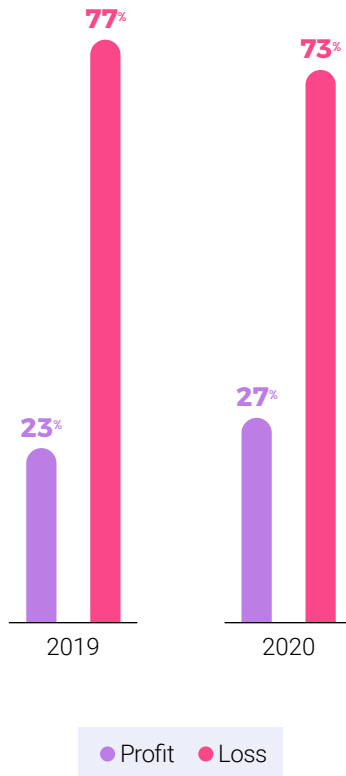
● 2019 ● 2020



### 3.1 FRENCH DIGITAL STARTUPS SHOW RESILIENCE

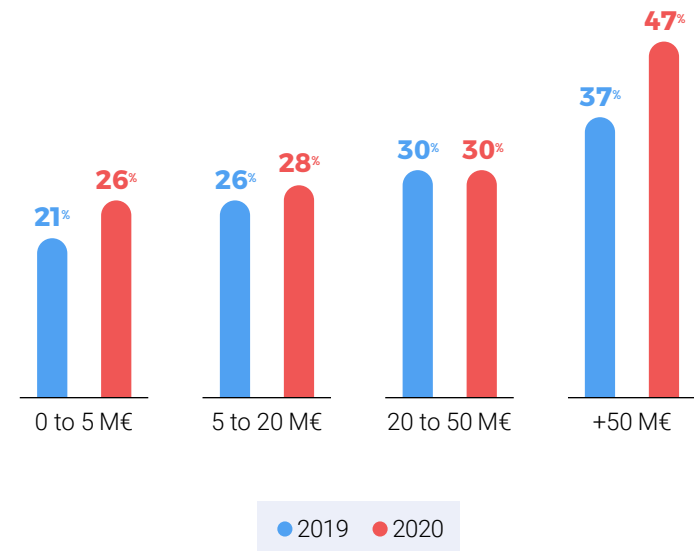
#### → EBIT in profit

Sample of 528 participants



#### → EBIT in profit by revenue segment

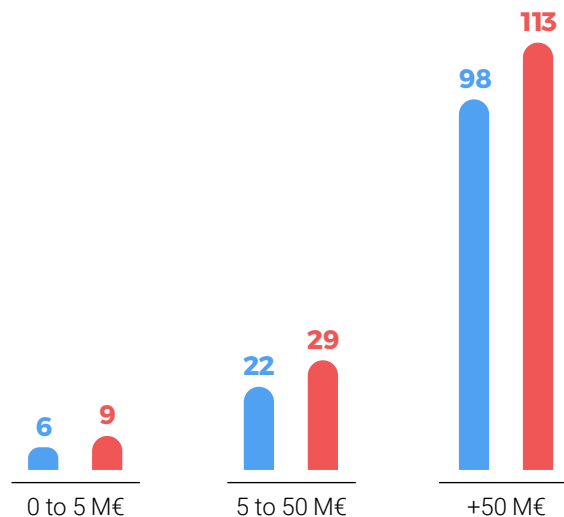
Sample of 528 participants



### 3.1 FRENCH DIGITAL STARTUPS SHOW RESILIENCE

→ Average of funds raised since the creation (in M€)  
by revenue segment

Sample of 492 startups

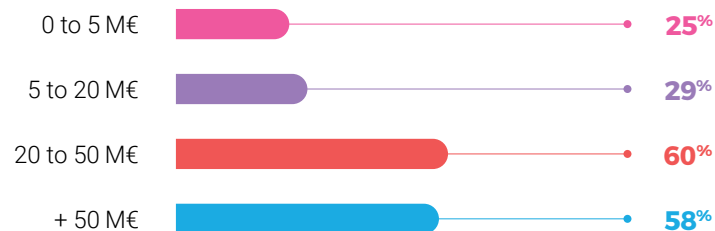


● Average 2019 ● Average 2020



→ Percentage of startups backed by international investors by revenue segment

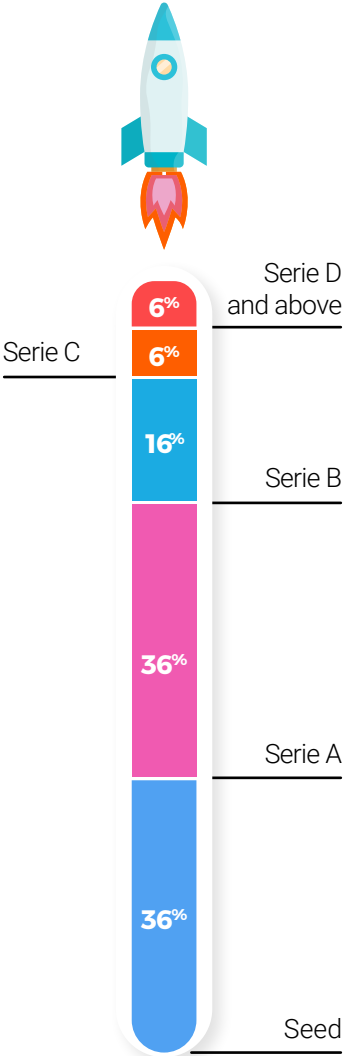
Sample of 531 startups



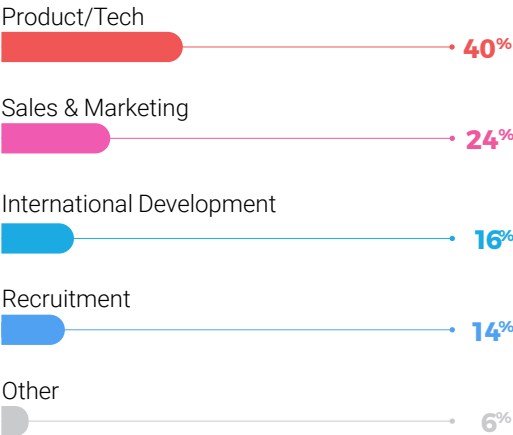


### 3.1 FRENCH DIGITAL STARTUPS SHOW RESILIENCE

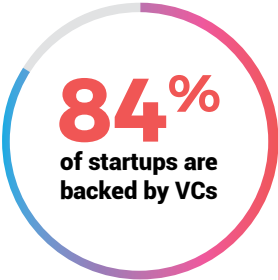
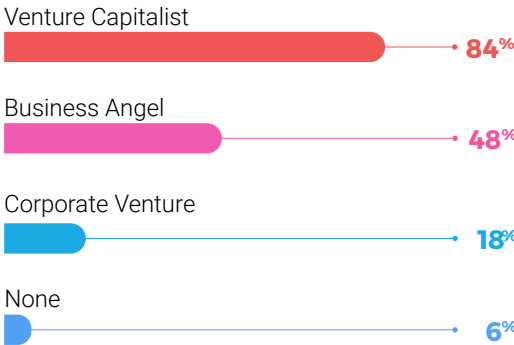
→ Last round of fundraising  
Sample of 707 participants



→ Main fundraising goals  
Sample of 154 participants



→ Type of investors in capital  
Sample of 761 startups



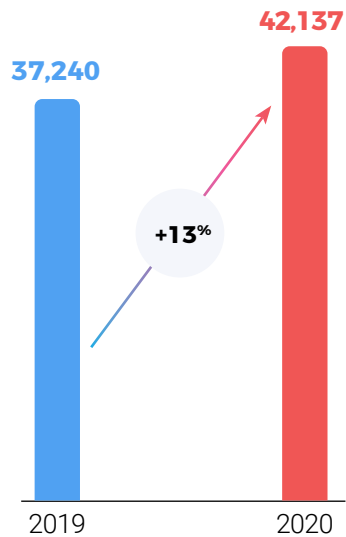
**3.2**

**Talents remain the key  
of growth**

## 3.2 TALENTS REMAIN THE KEY OF GROWTH

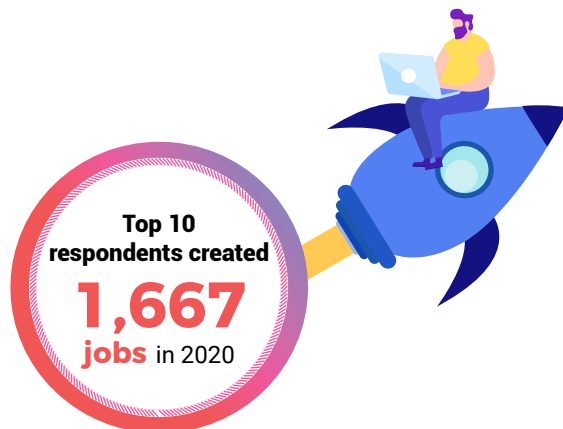
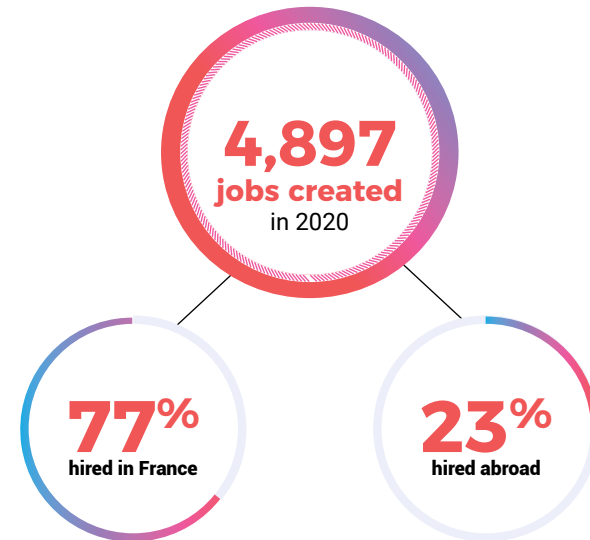
### → Growth of employees

Sample of 691 participants

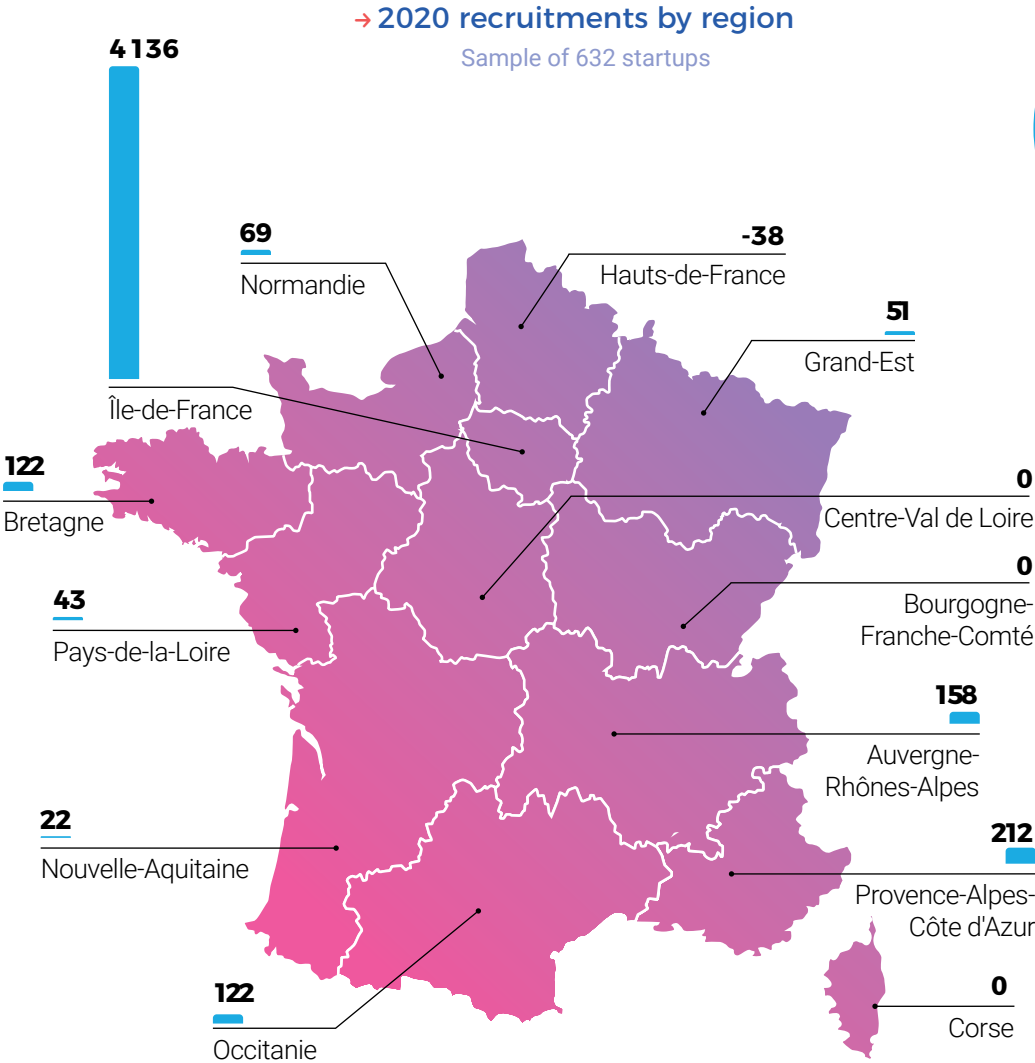


### → Segmentation of employees by geographical area

Sample of 632 startups



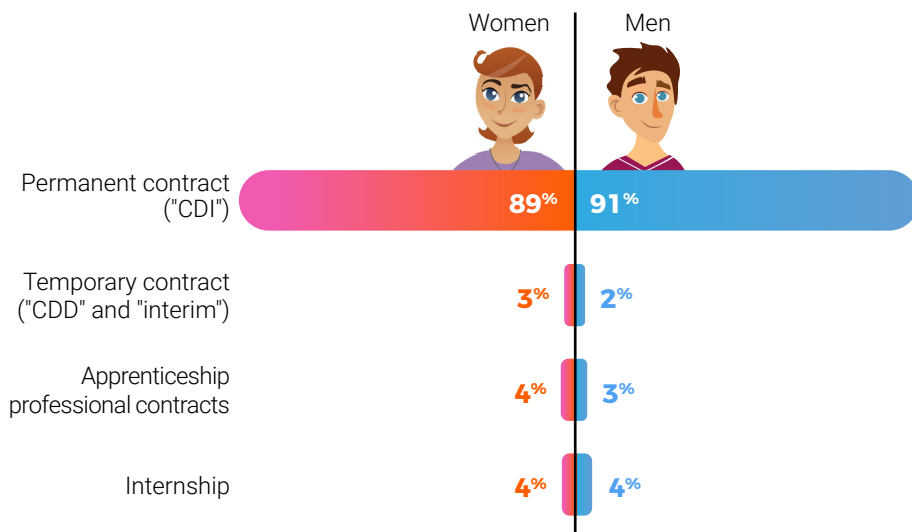
3.2 TALENTS REMAIN THE KEY OF GROWTH



## 3.2 TALENTS REMAIN THE KEY OF GROWTH

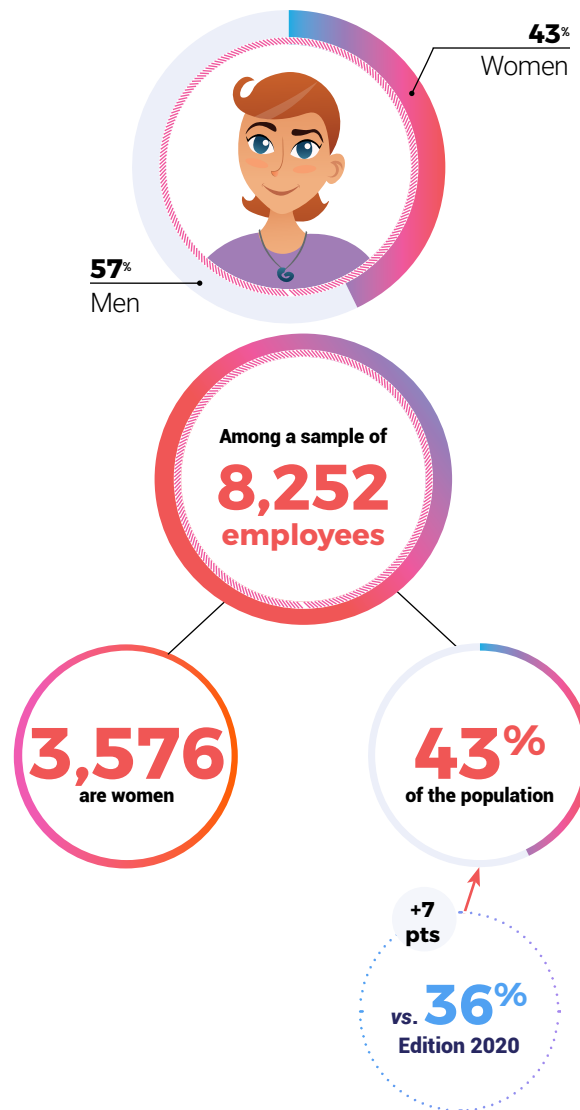
### → Type of work contracts

Sample of 151 participants



### → Part of women employees in 2020

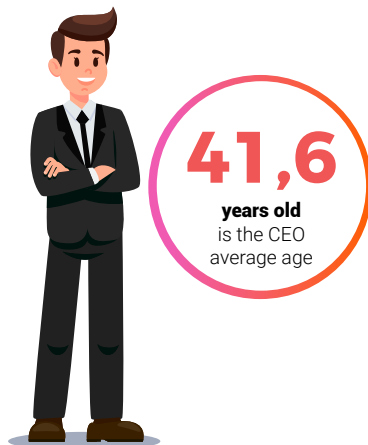
Sample of 151 participants



## 3.2 TALENTS REMAIN THE KEY OF GROWTH

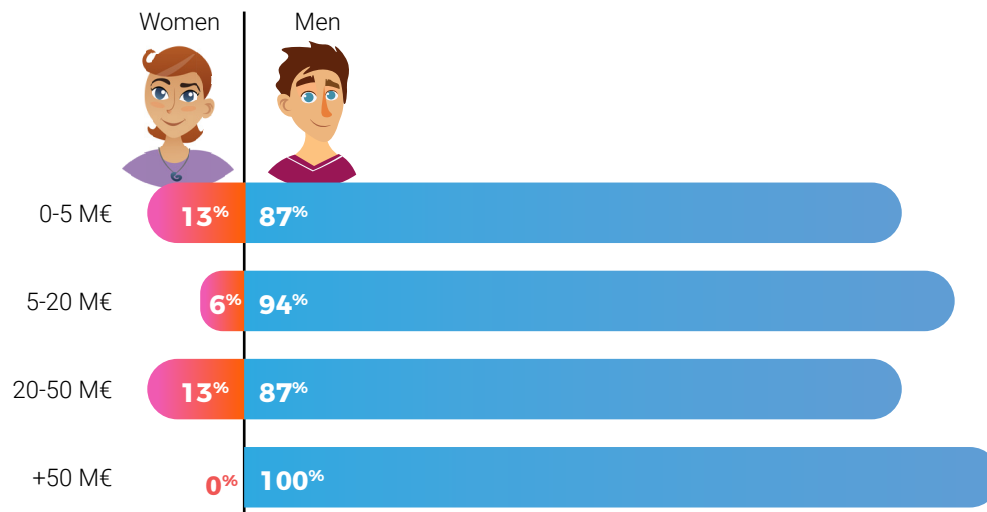
### → Average age of CEOs

Sample of 168 startups



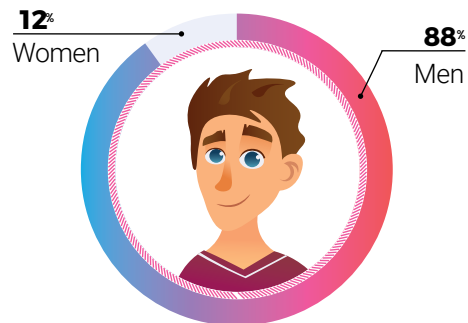
### → Percentage of CEO gender by revenue segment

Sample of 172 startups



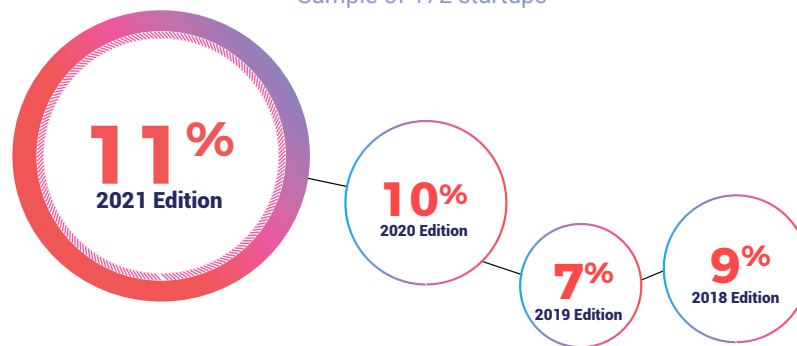
### → Founders gender

Sample of 171 startups



### → Women Chief Executive Officer

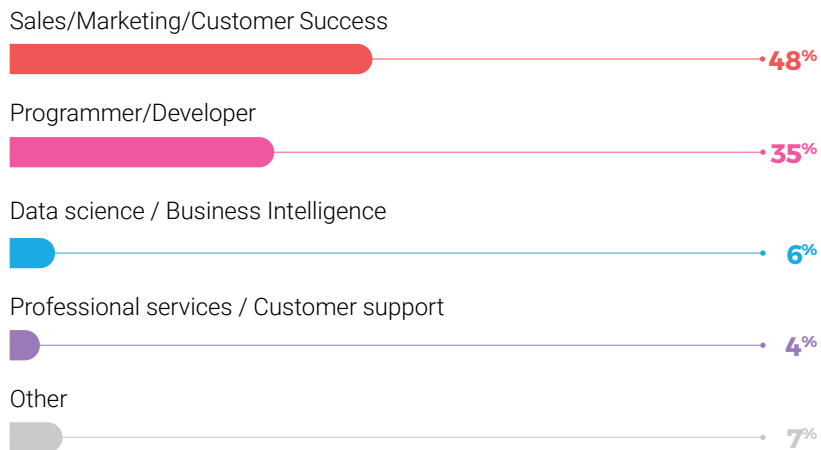
Sample of 172 startups



## 3.2 TALENTS REMAIN THE KEY OF GROWTH

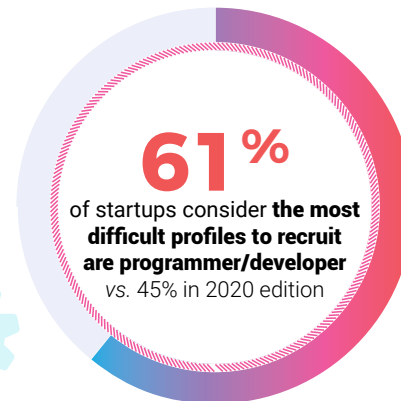
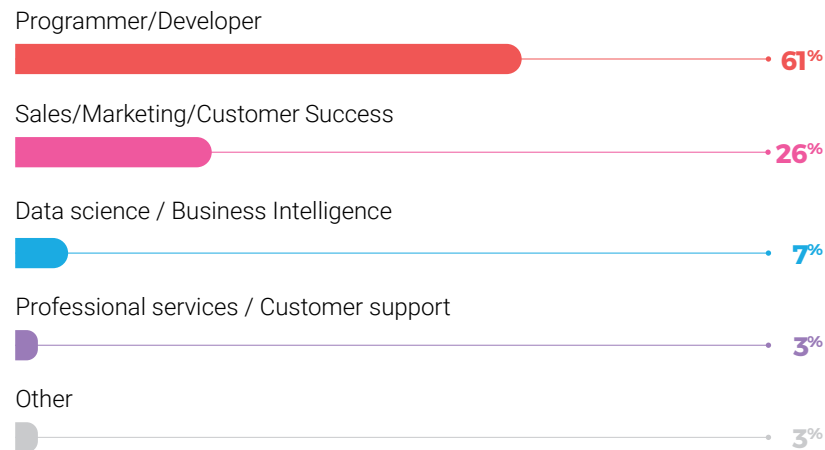
### → Most **important** profiles to recruit in 2021

Sample of 171 startups



### → Most **difficult** profiles to recruit in 2021

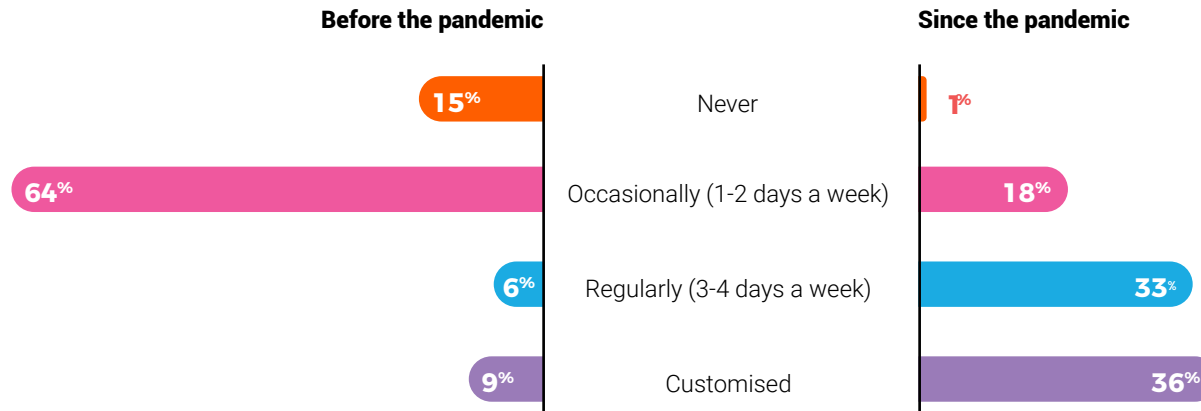
Sample of 171 startups



## 3.2 TALENTS REMAIN THE KEY OF GROWTH

### → Remote working frequency

Sample of 169 startups





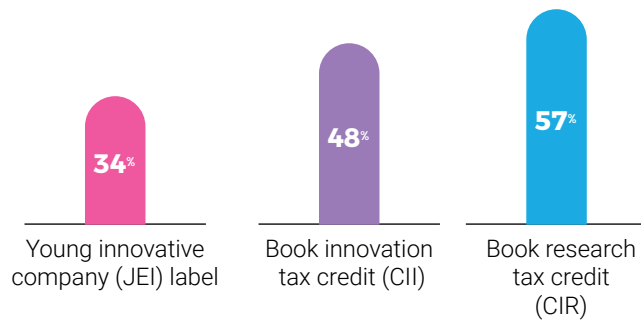
### **3.3**

## **A supportive French ecosystem**

### 3.3 A SUPPORTIVE FRENCH ECOSYSTEM

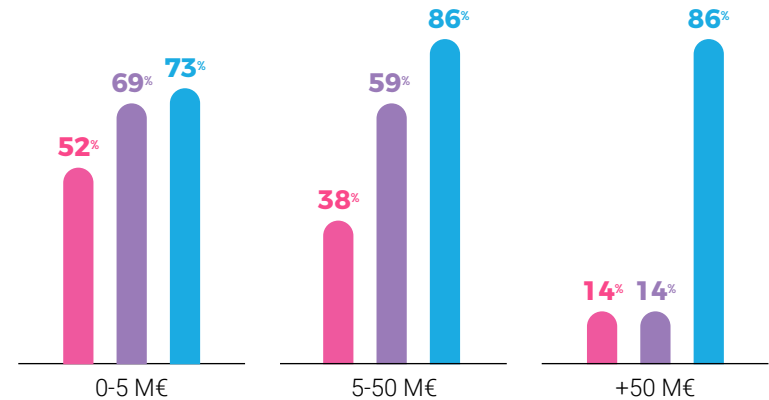
#### → Use of French tax incentive mechanism

Sample of 128 startups



#### → Use of French tax incentive mechanism by revenue segment

Sample of 128 startups



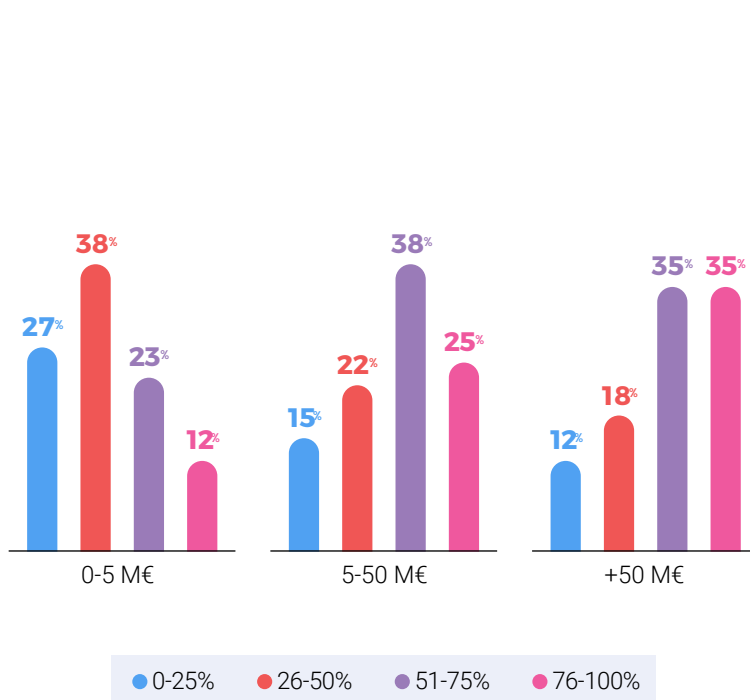
- Young Innovative company (JEI) label
- Book innovation tax credit (CII)
- Book research tax credit (CIR)



### 3.3 A SUPPORTIVE FRENCH ECOSYSTEM

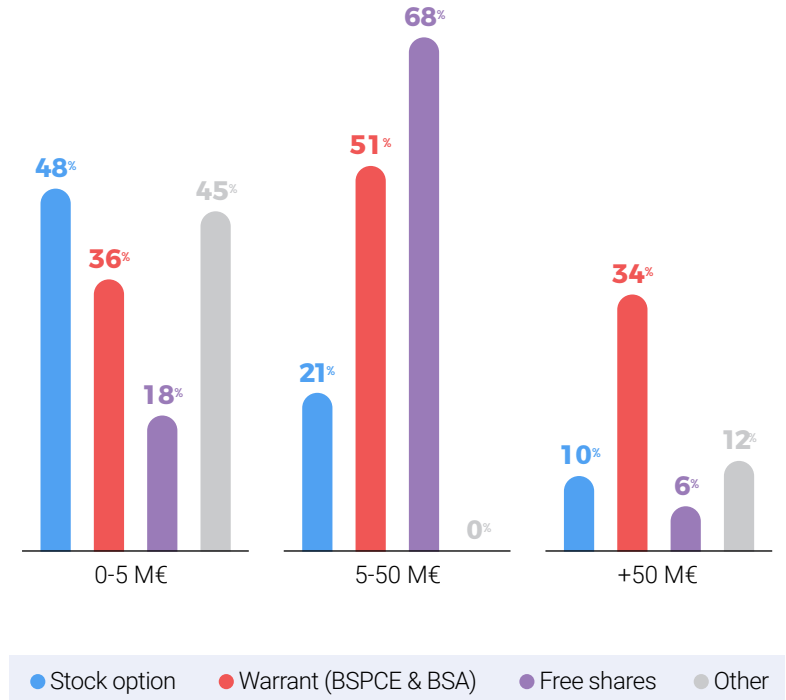
→ Percentage of share capital held by investors by revenue segment

Sample of 520 startups



→ Percentage of employees holding equity instruments by revenue segment

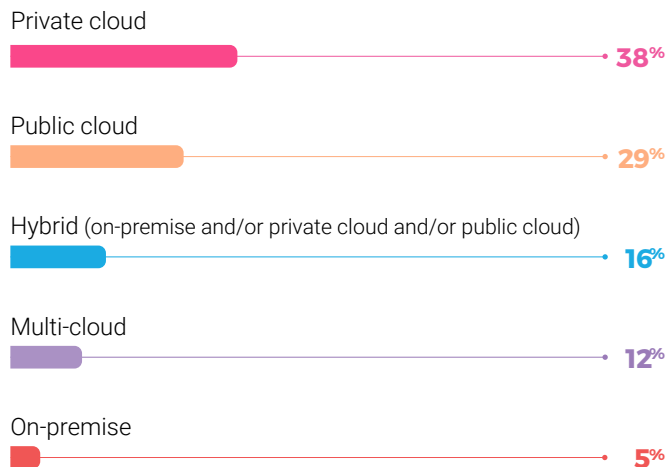
Sample of 101 startups



### 3.3 A SUPPORTIVE FRENCH ECOSYSTEM

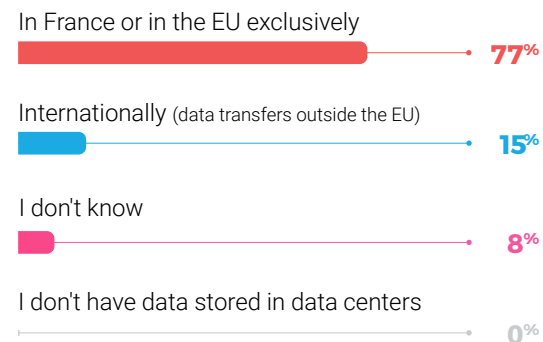
#### → Location where IT servers are hosted

Sample of 191 startups



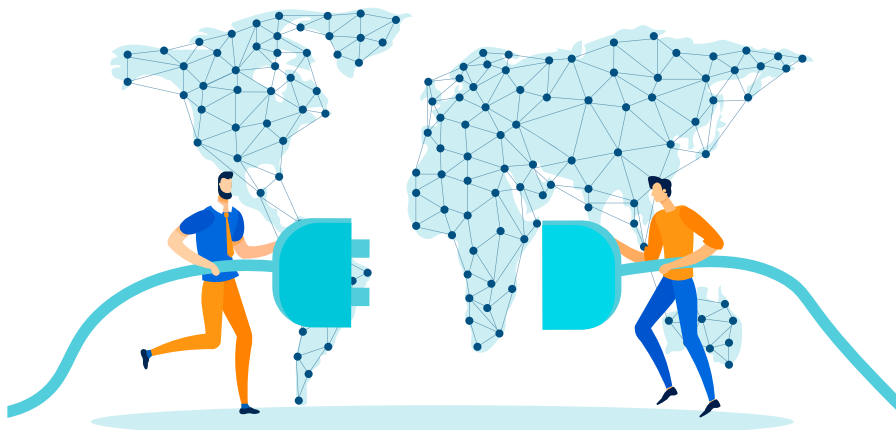
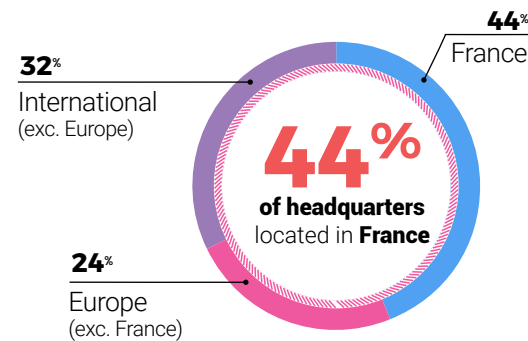
#### → Location of data stored in data centers

Sample of 177 startups



#### → Cloud provider's global headquarters location

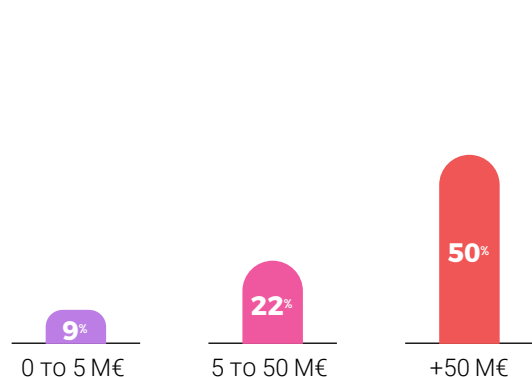
Sample of 204 participants



### 3.3 A SUPPORTIVE FRENCH ECOSYSTEM

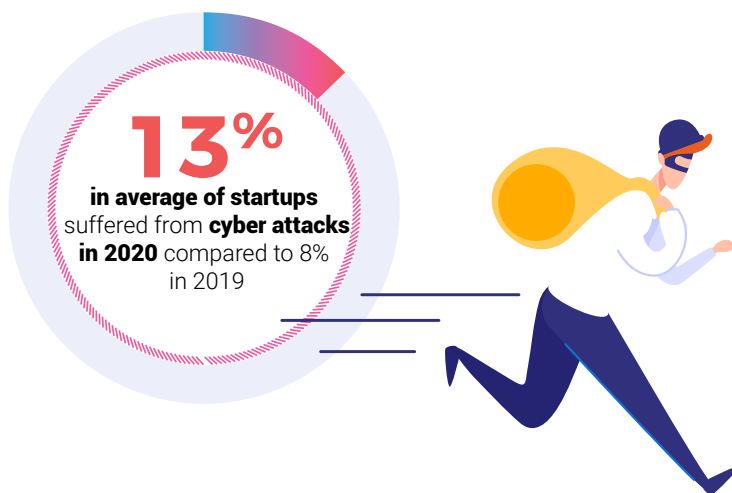
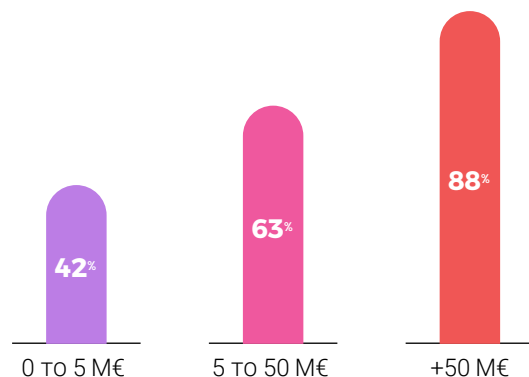
→ Percentage of startups which suffered from cyber attacks in 2020 by revenue segment

Sample of 168 startups



→ Percentage of startups which implemented new cybersecurity protocols since the beginning of the pandemic by revenue segment

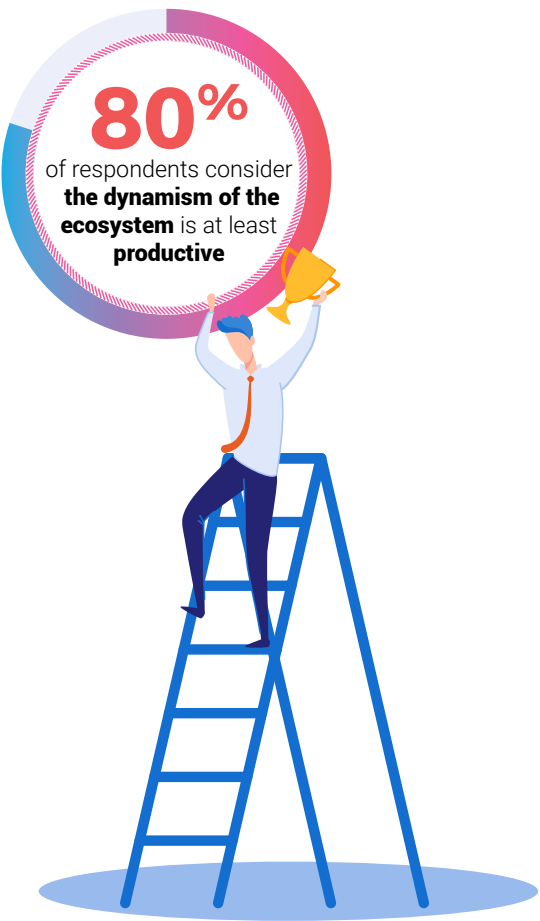
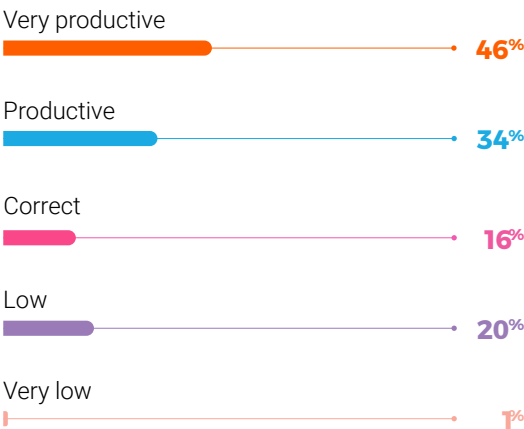
Sample of 171 startups



### 3.3 A SUPPORTIVE FRENCH ECOSYSTEM

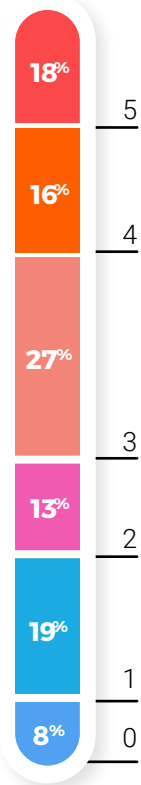
→ Dynamism of ecosystem in the area you are based in France

Sample of 171 startups



→ COVID-19 impact on activity

Sample of 162 startups



5: strongly impacted  
0: not impacted

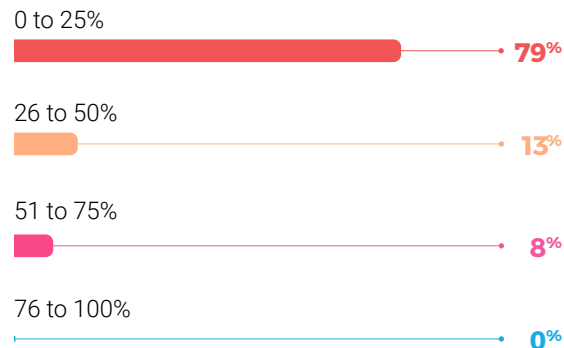
## **3.4**

# **Future challenges and opportunities**

### 3.4 FUTURE CHALLENGES AND OPPORTUNITIES

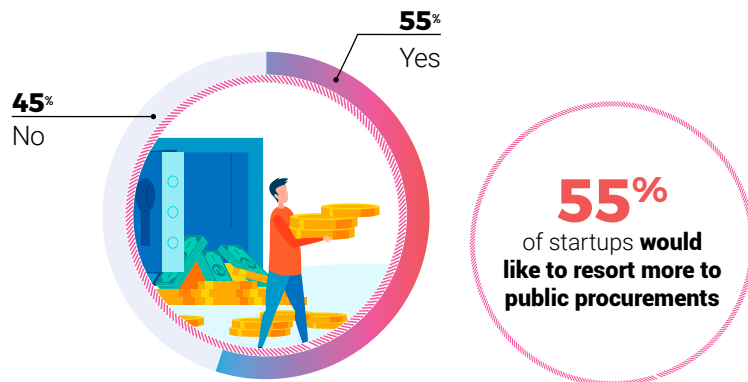
#### → Percentage of revenues coming from public procurements

Sample of 170 startups



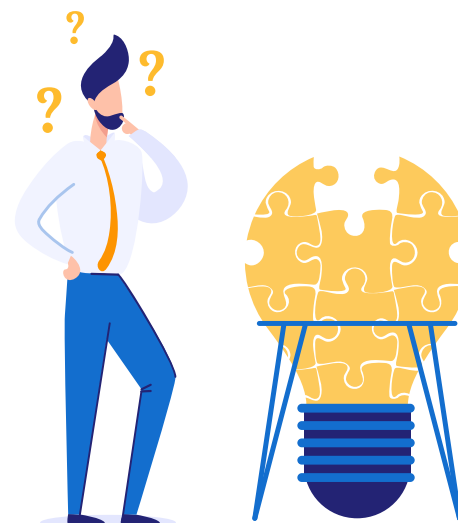
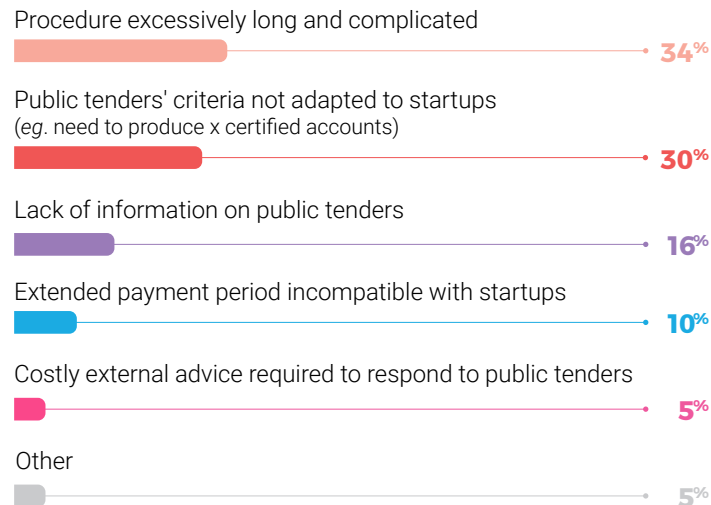
#### → Would you like to resort more to public procurements?

Sample of 168 startups



#### → What prevents startups from responding to public tenders?

Sample of 146 startups

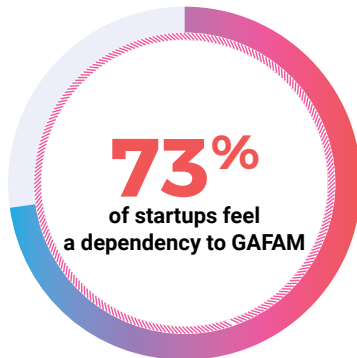
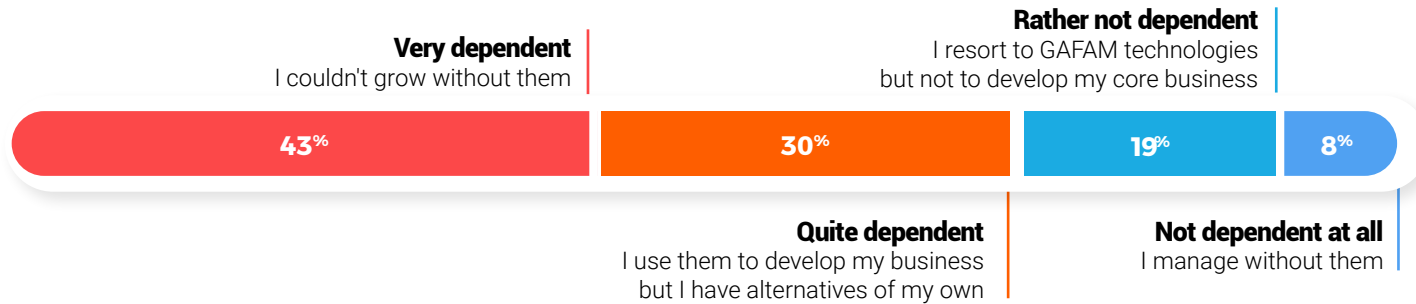




### 3.4 FUTURE CHALLENGES AND OPPORTUNITIES

→ How strongly do startups feel dependent to GAFAM?

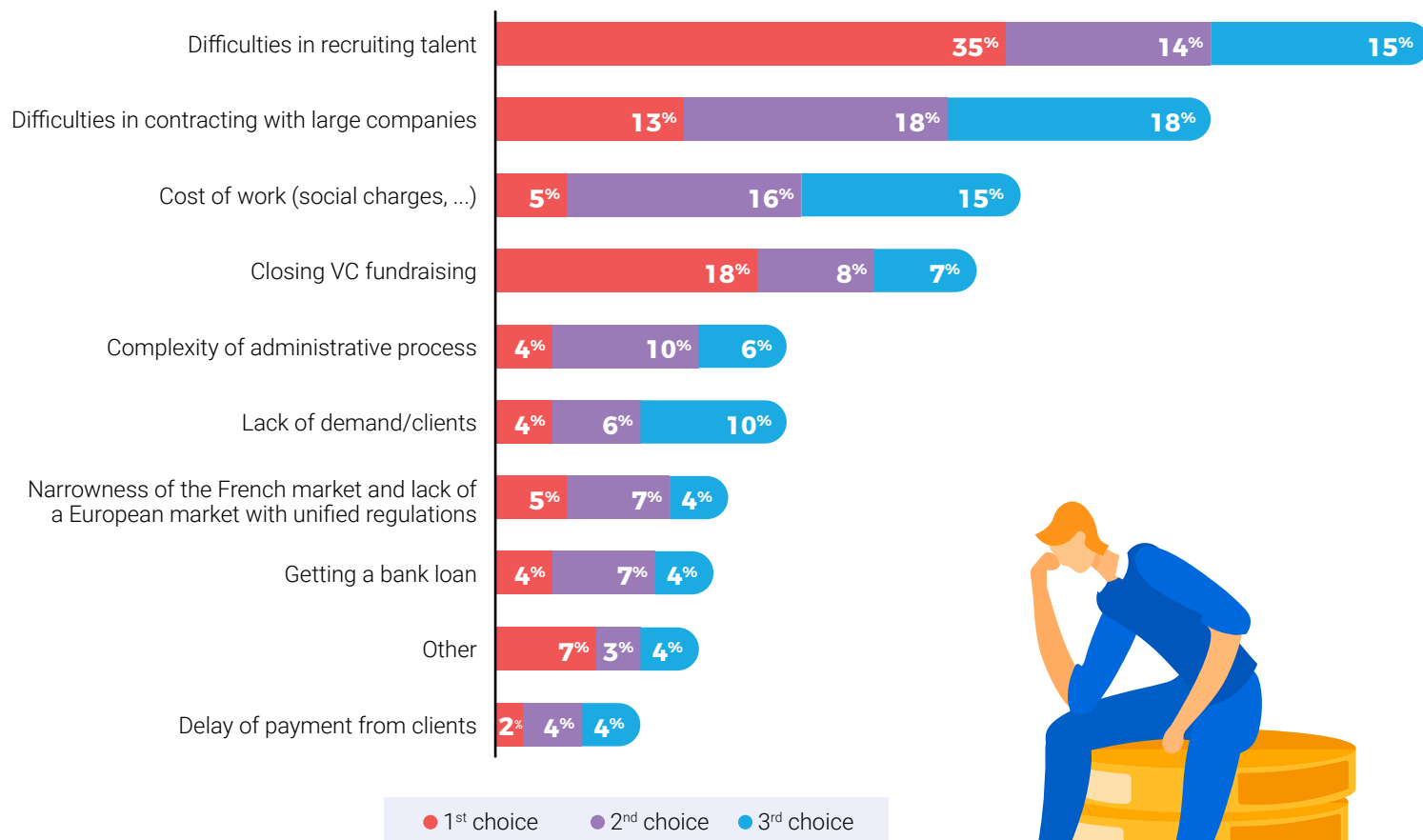
Sample of 170 startups



### 3.4 FUTURE CHALLENGES AND OPPORTUNITIES

#### → Top 3 barriers for development

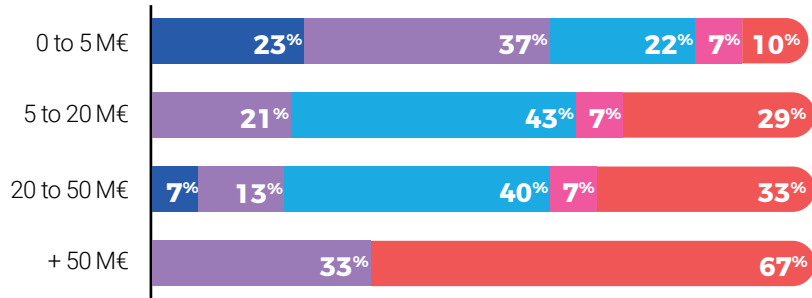
Sample of 184 startups



### 3.4 FUTURE CHALLENGES AND OPPORTUNITIES

#### → Assessment of current runway

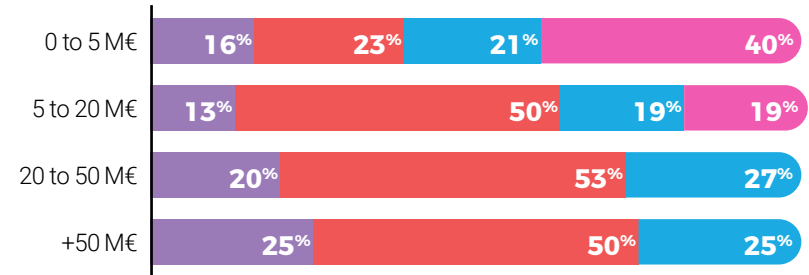
Sample of 163 startups



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

#### → Expected growth of revenue for the year 2021 by revenue segment

Sample of 169 startups



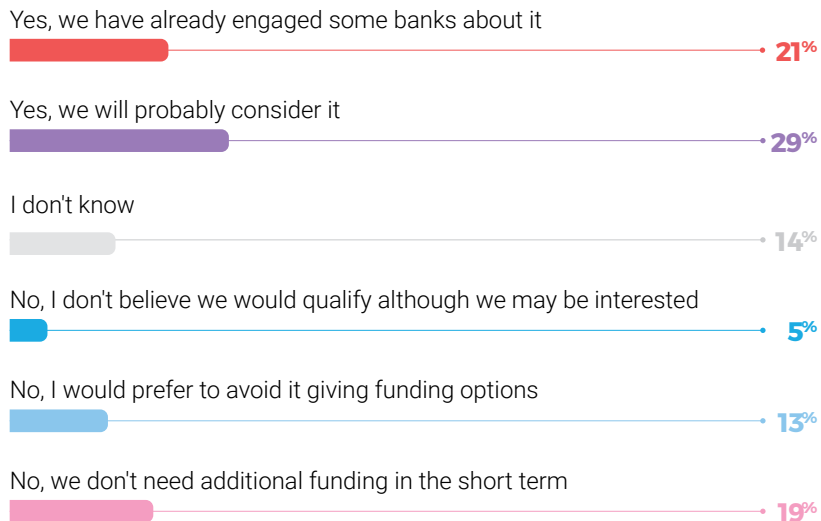
- 1-25%
- 26-50%
- 51-100%
- Above 100%



### 3.1 FRENCH DIGITAL STARTUPS SHOW RESILIENCE

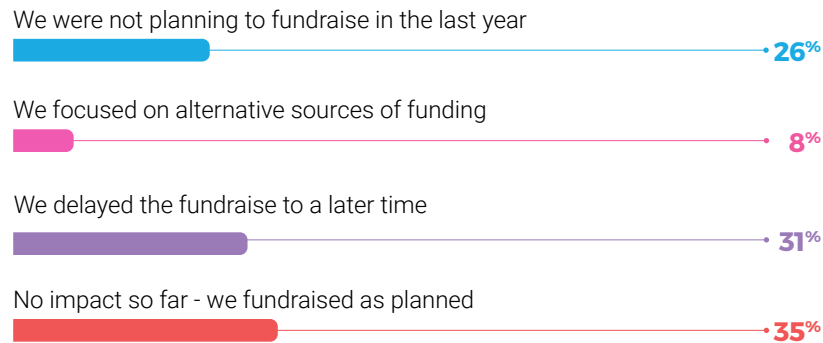
#### → Are you likely to consider taking a loan within the next 12 months?

Sample of 170 startups



#### → Impact of COVID-19 on startups fundraising plans

Sample of 168 startups



# Acknowledgments

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### 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 angles). 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](https://francedigitale.org).