

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

**BAROMETER 2022**

**EY**

Building a better  
working world

FRANCE  DIGITALE



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# Editorial

**For the 11th edition of the barometer, 583 startups answered to the survey. Below are the key messages:**

## Growth: The light at the end the tunnel?

After a covid-19 crisis during which the French Tech showed its resilience, French digital startups challenge is to renew with growth. Between 2021 and 2020, the revenue recorded by the respondents increased by 23%, reaching €8 billion. The proportion of revenue generated abroad slightly decreased compared to the previous edition of our barometer with 31% of revenue generated abroad (vs. 36%). Moreover, startups CEOs are optimistic as 39% of them expect to multiply their revenue at least by 2.

Startups fundraisings pursued its growth as the average amount raised since their creation as of 2021 is €32 million compared to €18 million as of 2020. Investing in product and technology is the main use of fund raised right before recruiting new talents. 71% of respondents considered getting additional financing through bank loan to finance their activities.

However, multiple economic factors (PGEs first reimbursement, raw material price rise, inflation...) highly impacted the respondents cash runway: 62% of them declared their cash runway is shorter or equal to 12 months. This mainly concerns startups generated less than €5 million of revenue.

## Startups keep recruiting and looking for talents

In 2021, the number of talents working in the respondent startups rose by 20% reaching 36,669 employees. In 2021, 6,056 jobs were created by the respondents to our barometer, 87% of them were hired in France. However, 75% of French startups are employing foreigners.

Gender diversity is a key focus area of improvement of startups: 14% of respondents CEOs are women (vs. 11% last year). In addition, 31% of respondents are employing people above 55 years old and 21% people with a disability.

2022 is going to create new opportunities for employees as 98% of respondents planned to recruit within the coming year. The most wanted profiles are the sales/marketing/customer success (according to 44% of respondents) and the most difficult to find is clearly the programmer/developer (according to 58% of respondents).

# Editorial

## Technological challenges

In 2021, 37% of participants have suffered from cyberattacks (vs. 13% in 2020) and 1/3 have implemented new cybersecurity protocols since the war in Ukraine started. Data centers are located in Europe exclusively for 69% of respondents. In a context where data sovereignty is becoming critical, 65% respondents feel dependent to GAFAM compared to 73% in our previous barometer.

## French ecosystem public support and procurements

French tax incentives continue to be attractive for French digital startups : 58% of participants use research tax credit, 45% use innovation tax credit and 49% obtained the "Young Innovative Company" label. These public supports are used by most of the startups whatever their maturity stage.

Only 50% of French digital startups responded to public tenders. A majority of respondents (54%) consider public tenders' criteria are not adapted to startups. However, 56% of respondents would like to resort more to public procurements.

Climate and sustainability are becoming priorities for more and more startups, 37% of respondent measured their environment impact. We can also notice that 33% of respondents labelled Corporate mission.

## Focus on France Digitale's 10th anniversary

We asked the participants to the study what were the most important changes in entrepreneurship the past years. Without any surprise, the growth of funding capacity is the first answer. The growth of support structures such as incubators and accelerators, and the rise of French entrepreneurial leaders and mentors are coming second and third.

If we take a look forward, the challenge for the next 10 years recruiting new talents for a majority of respondents, and the narrowness of the French market and a lack of European market with unified regulation.



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# 1 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 **2021 & 2020**

Surveyed between May 15, 2022 to August 15, 2022

## Resulting in:



**583** participants (823 participants in 2021)



Average age: **7 years** (6 years in 2021)

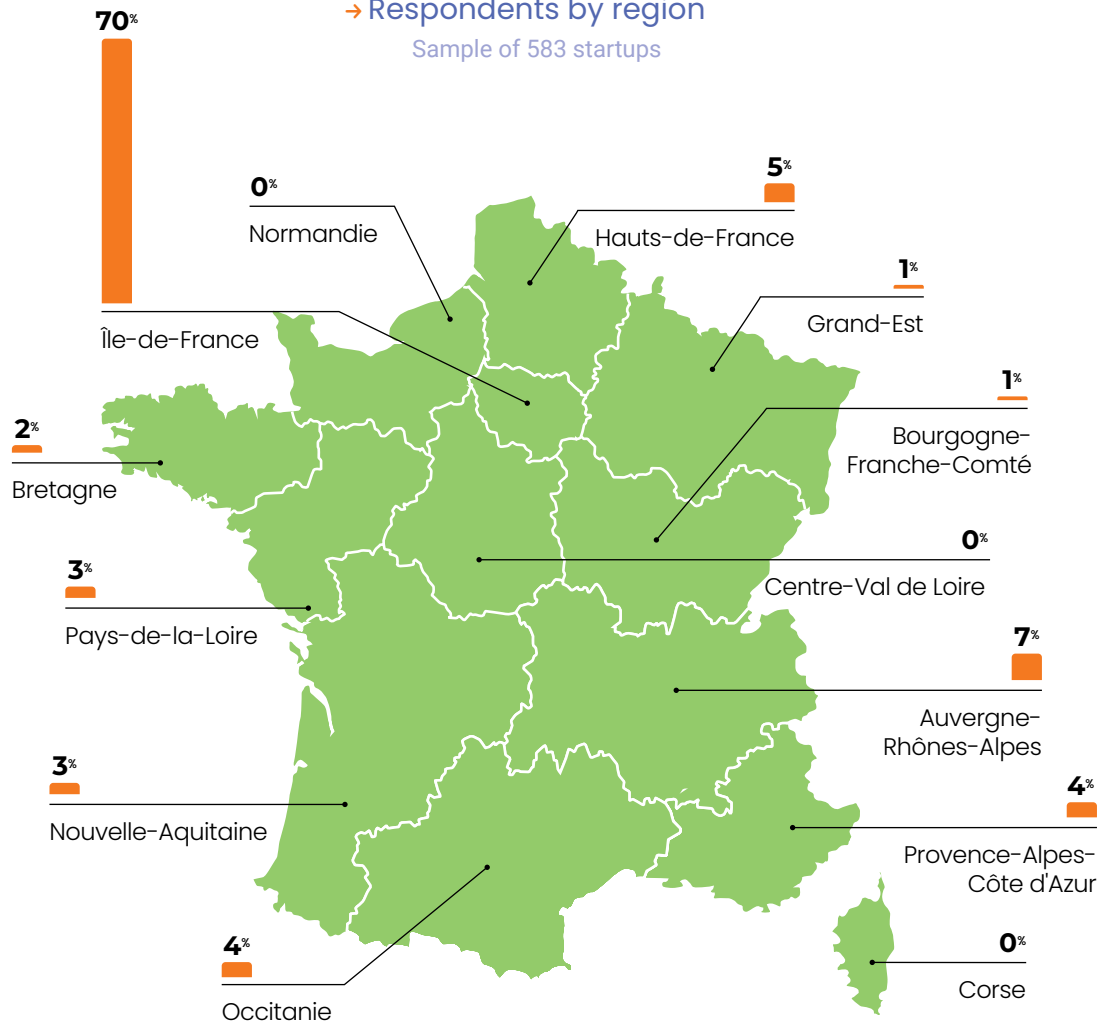
EY is implicated as a third-party to consolidate the data and ensure that the individual information is kept confidential.

## METHODOLOGY

### Respondents by region and age

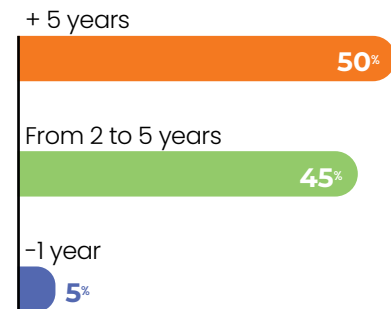
#### → Respondents by region

Sample of 583 startups



#### → Respondents by age

Sample of 583 startups

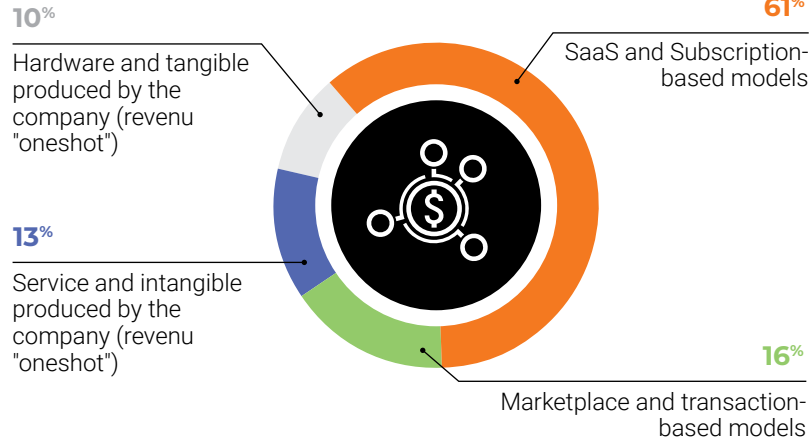


## METHODOLOGY

### Respondents industries and business model

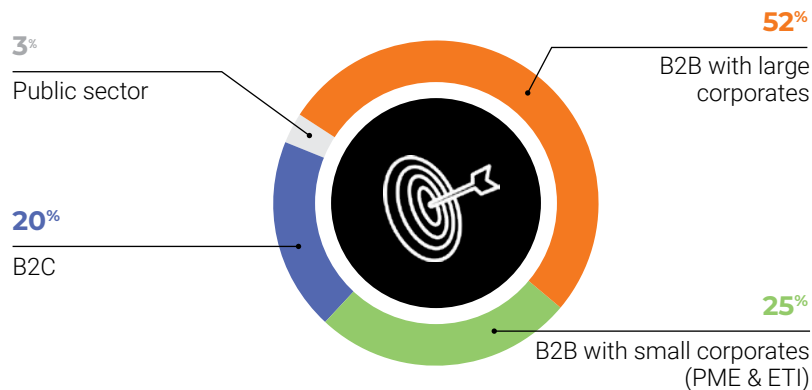
#### → Business Model

Sample of 583 startups



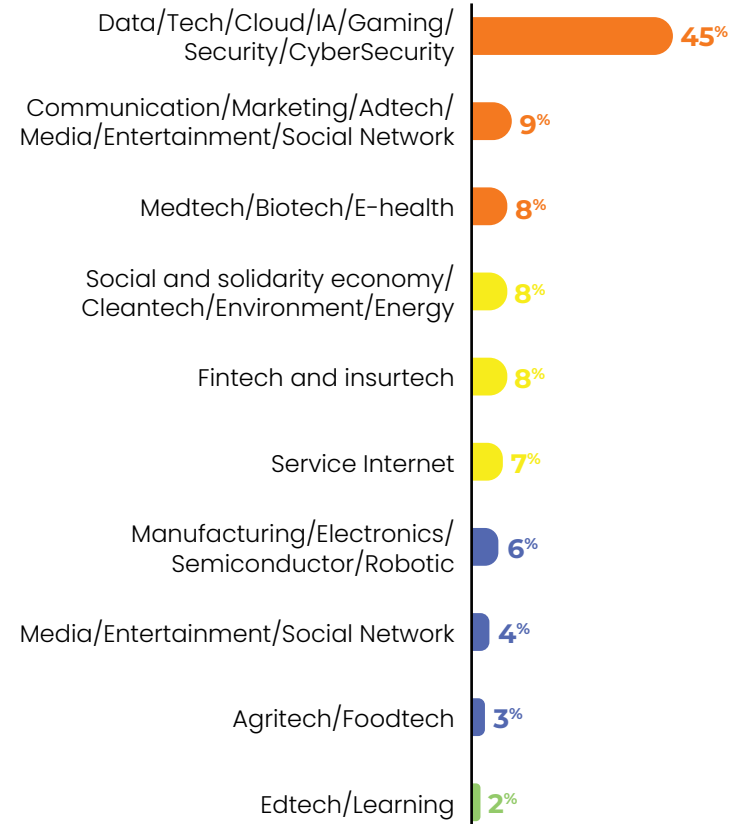
#### → Primary customer audience

Sample of 583 startups



#### → Industry

Sample of 583 startups





# Executive summary



## EXECUTIVE SUMMARY



### Growth: The light at the end the tunnel?

- **+23%** of revenues between 2020 and 2021
- **31%** of revenues are generated out of France in 2021
- **39%** of startups expect, at least, to multiply by 2 their revenue in 2022
- **€32M** of average fund raised since the creation
- **64%** of startups are VC backed
- **22%** of respondents had positive EBITDA in 2021 (vs 24% in 2020)
- **62%** of startups cash runway is shorter or equal to 1 year



### Technological challenges

- **37%** of startups suffered from cyber attacks in 2021
- **44%** of IT servers are hosted on private cloud
- **85%** of startups data centers are located in the EU
- **65%** of startups feel dependent to GAFAM



### Startups keep recruiting and looking for talents

- **+20%** of growth of number of employees between 2020 and 2021
- **6,056** jobs were created by respondents in 2021
- **13%** of employees hired abroad in 2021
- **14%** of CEOs are women (vs 11% in 2021)
- The most important profiles to recruit in 2022 remain the **sales/marketing/Customer Success** as well as the most difficult profiles to recruit are the **programmer/developer**
- **68%** of startups have regular or customized remote working practices

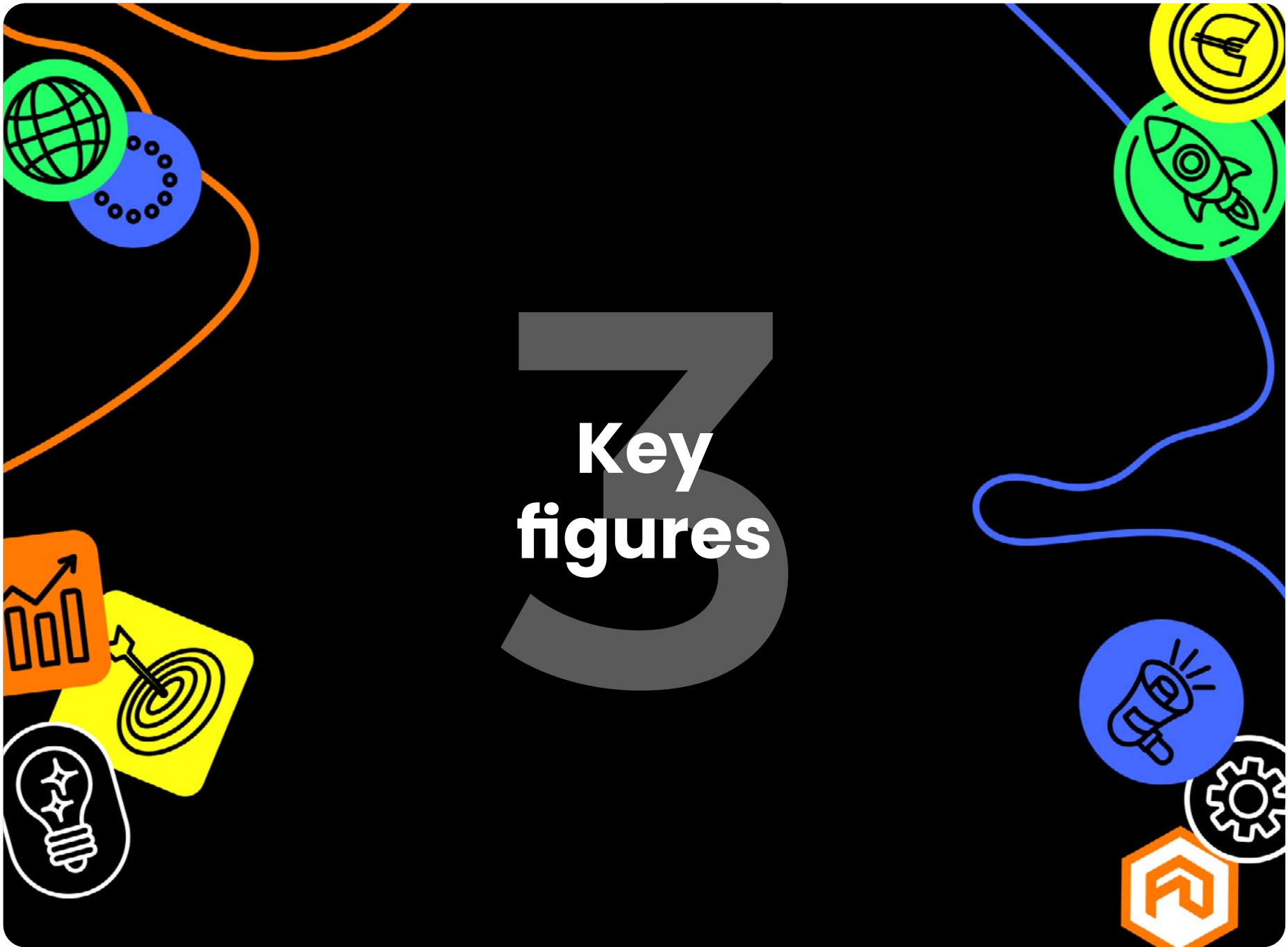


### French ecosystem public support and procurements

- **58%** of startups use research tax credit in 2021
- **84%** of startups are not benefiting from Pass Talent/Visa French Tech
- **50%** of startups responded to public tender in 2021
- **56%** of startups would like to resort more to public procurements
- **37%** of the startups measured their environmental impact

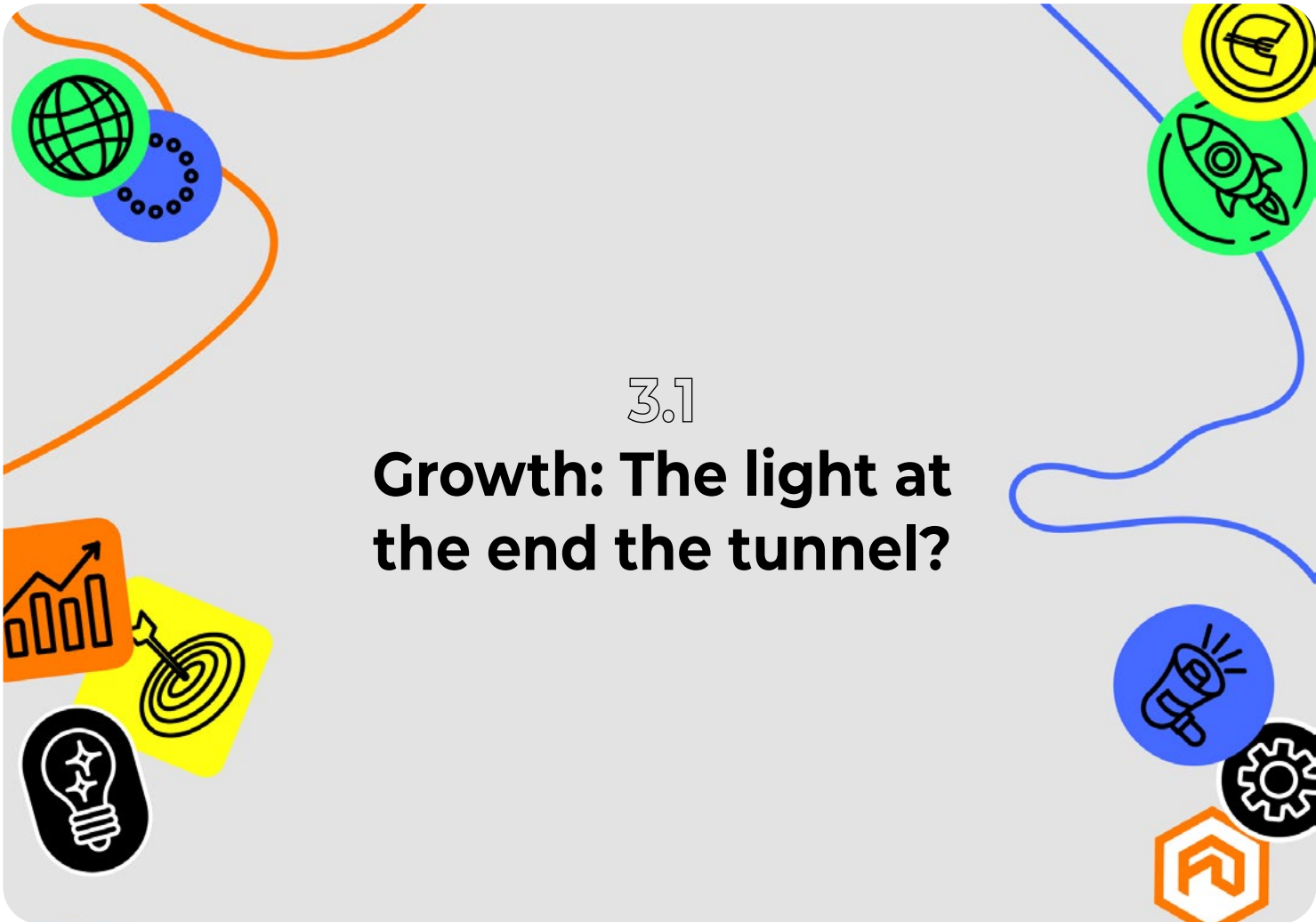
# 3

## Key figures



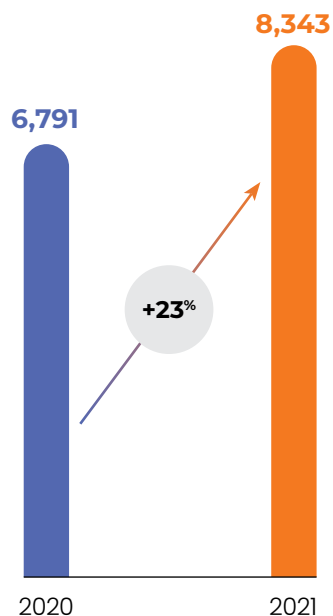
3.1

## Growth: The light at the end the tunnel?

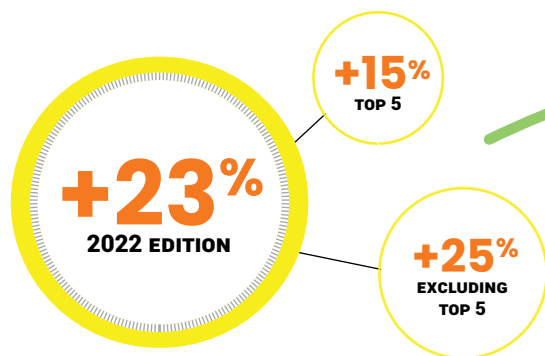
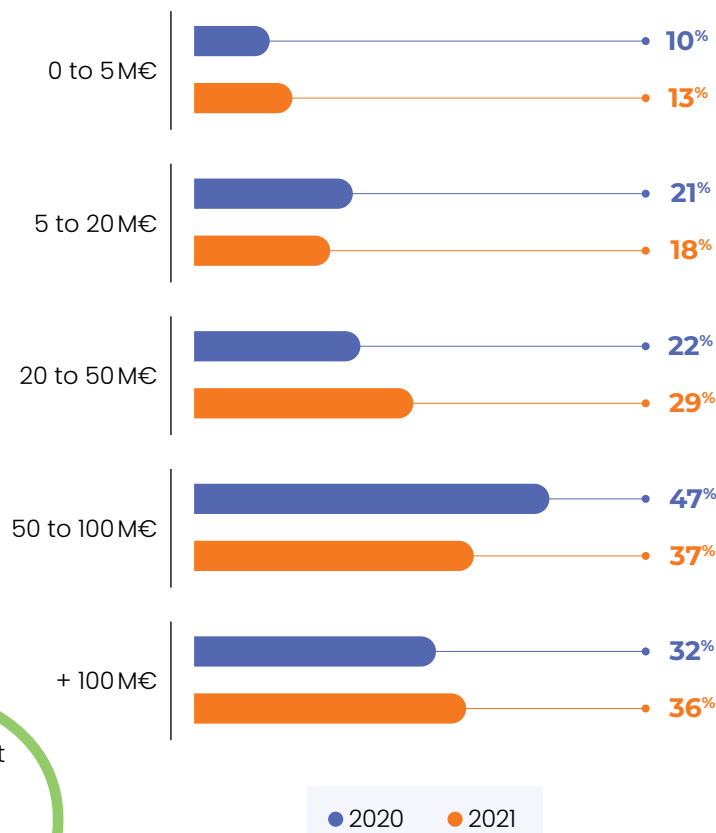


### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

→ Total revenues (in M€)  
Sample of 510 startups



→ Percentage of revenue made abroad, by revenue segment  
Sample of 510 startups

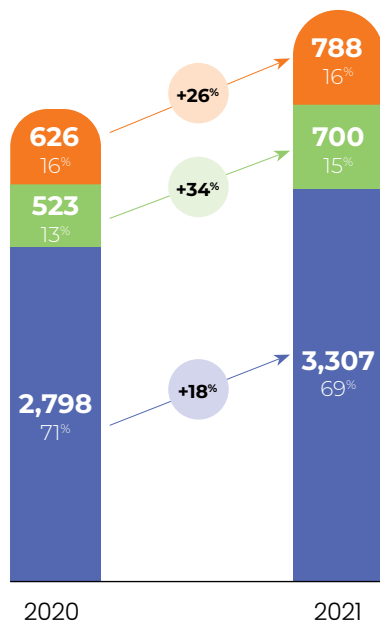


4 centaurs  
(+100M€ revenue) are part  
of our sample. All of them  
increased their revenue  
during 2021, with an aggregate  
increase of **861M€** (+25%  
compared to 2020).

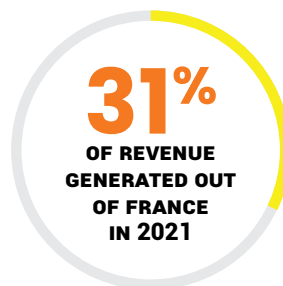
### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

#### → Growth of revenue by geographical area

Sample of 294 startups



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



#### → Revenues generated abroad by revenue segment

Sample of 324 startups

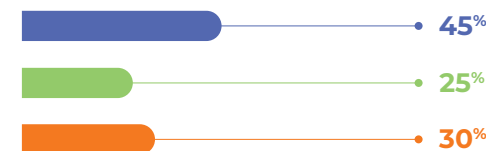
Hardware and tangible  
produced by the company  
(revenu "oneshot")



Marketplace and  
transaction-based models



Saas and Subscription-  
based models



Service and  
intangible produced  
by the company  
(revenu "oneshot")

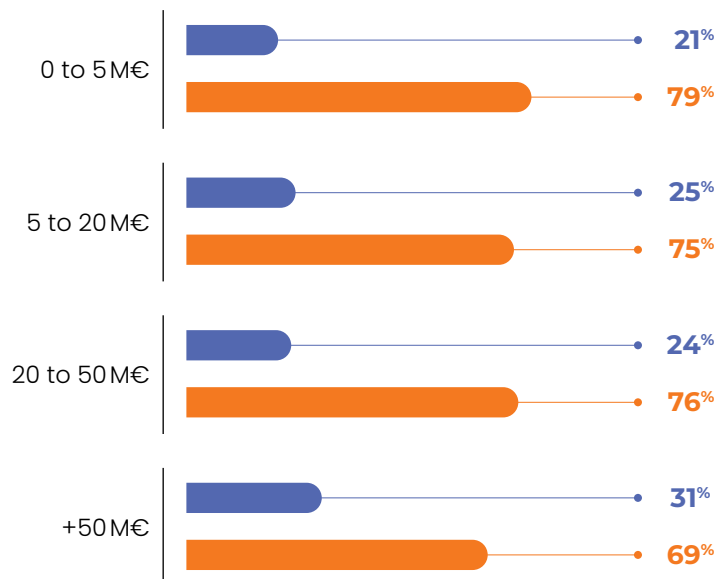


● France  
● Europe (exc. France)  
● International (exc. Europe)

### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

#### → EBIT per revenue segment

Sample of 271 startups



● Profit ● Loss

In average, 22% of startup had a positive EBIT in 2021. It reached 31% for the startups generated more than 100M € revenue

#### → Average profitability among profitable companies (EBIT/Revenue)

Sample of 72 startups

Marketplace and transaction-based models

38%

Saas and Subscription-based models

29%

Service and intangible produced by the company (revenue "oneshot")

28%

Hardware and tangible produced by the company (revenue "oneshot")

8%

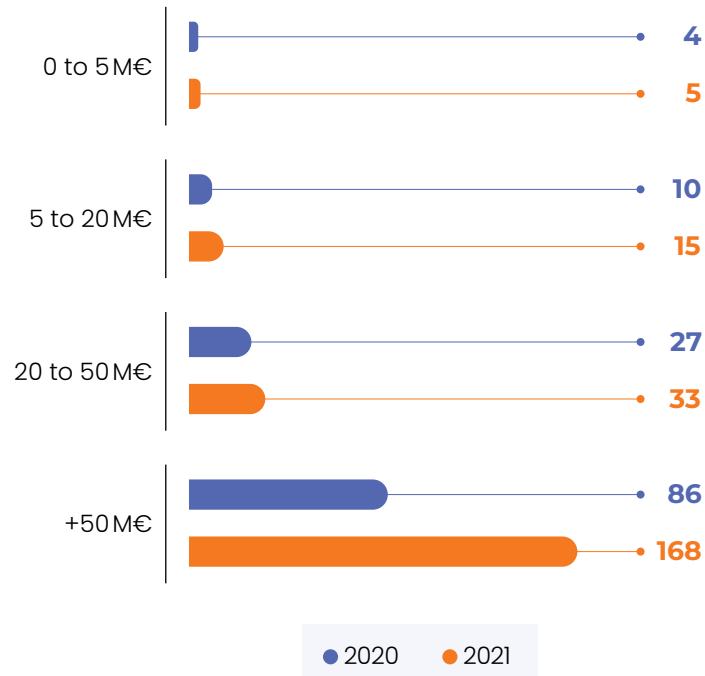


Among profitable startups (EBIT+), marketplace and transaction based model generated 38% of profitability in 2021 (EBIT over revenue).

### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

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

Sample of 325 startups



**€32M**

is the average amount  
of funds raised since  
the creation until 2021  
(vs. €18M in 2020)

During 2021, large round  
of fundraising occurred,  
with several IPO



### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

→ Last round of fundraising

Sample of 412 participants



Seed and  
Serie A represent  
**76%**  
OF LAST START UP  
FUNDRAISING

FROM 5M€  
OF TURNOVER,  
this amount  
falls to  
**39%**

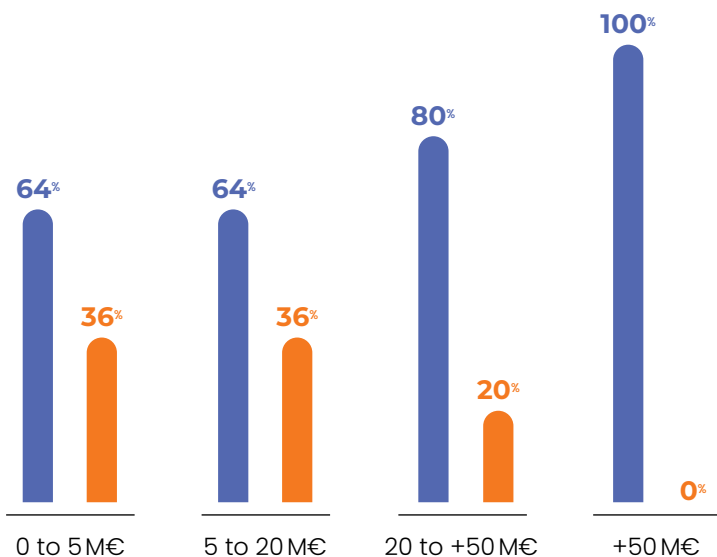
More than  
**50%**  
of companies which  
last round is serie C, D  
and above raised  
more than **50M€**  
since their  
creation

More than **1/3**  
of companies which  
last round is Seed and  
Serie A raised more than  
**5M€**  
since their creation

### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

→ Equity hold by employee by revenue segment

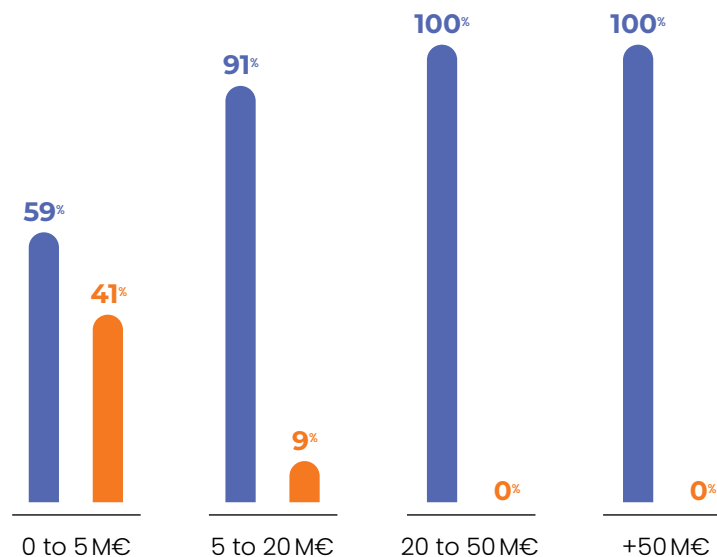
Sample of 250 startups



● Yes ● No

→ VC wich hold 25% of equity or more by revenue segment

Sample of 250 startups



● +25% ● -25%

**45%**  
OF FOUNDERS HOLD  
MORE THAN 50%  
OF EQUITY

**100%**  
STARTUPS WITH  
MORE 50M€ REVENUS  
OFFER EQUITY  
INCENTIVES  
TO EMPLOYEES

More than  
**65%**  
OF STARTUPS OFFER  
EQUITY INCENTIVE  
TO THEIR  
EMPLOYEES

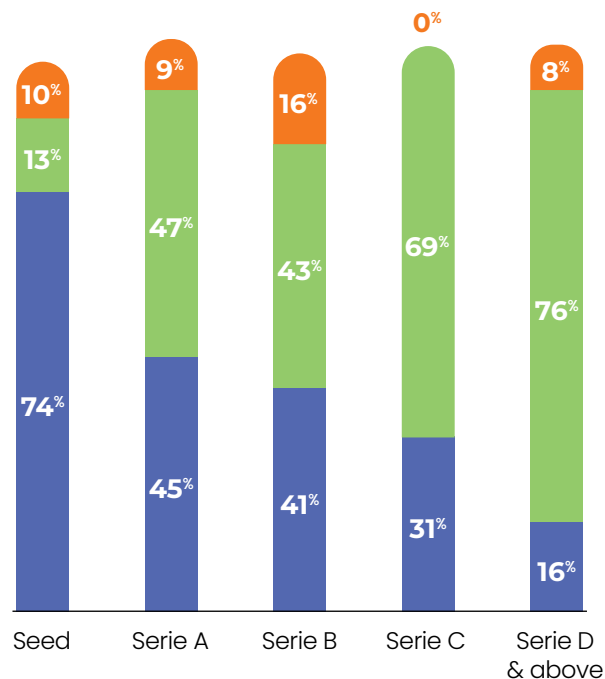
**64%**  
OF STARTUPS HAS  
VENTURE CAPITALISTS  
(VCS) HOLDING  
MORE THAN 25%  
OF EQUITY

**10%**  
HAS BUSINESS  
ANGELS HOLDING  
MORE THAN 25%  
OF EQUITY

### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

#### → Equity ownership by stage of fund raised

Sample of 294 startups



- Equity owned by firm and employee
- Equity owned by external (VC, investment fund...)
- Debt

After the first serie, equity owned by founders and employees is below 50%

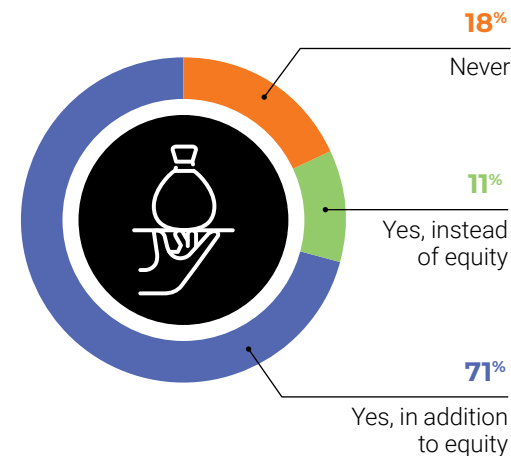
#### → Main fundraising goal

Sample of 109 startups



#### → Considered getting a bank loan to finance your activities ?

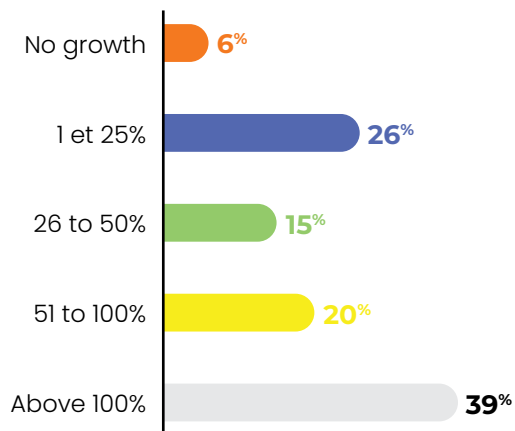
Sample of 167 startups



### 3.1 GROWTH: THE LIGHT AT THE END THE TUNNEL?

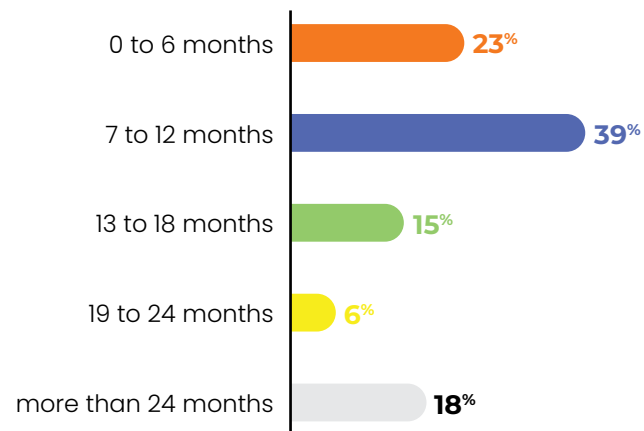
#### → Expected growth revenue in 2022

Sample of 109 startups



#### → Current cash runway

Sample of 107 startups



39% of startups expect, at least, to multiply by 2 their revenue in 2022. This trend is noted for any stage of maturity



The **23%** of startups which cash runway is shorter than 6 months are mostly generating less than 5M€ of revenue

**62%** of startups cash runway is shorter than 1 year

**50%** of startups generating at least 5M€ of turnover have a current runway **ABOVE 1 YEAR**

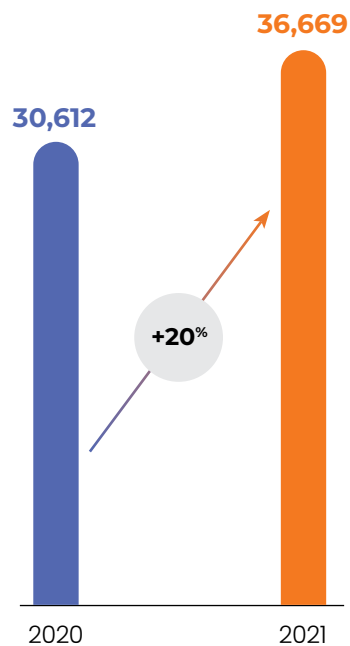
## 3.2

# Startups keep recruiting and looking for talents

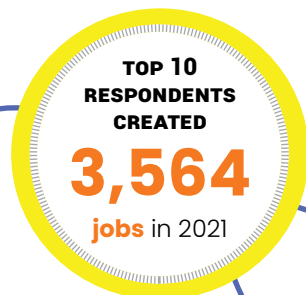
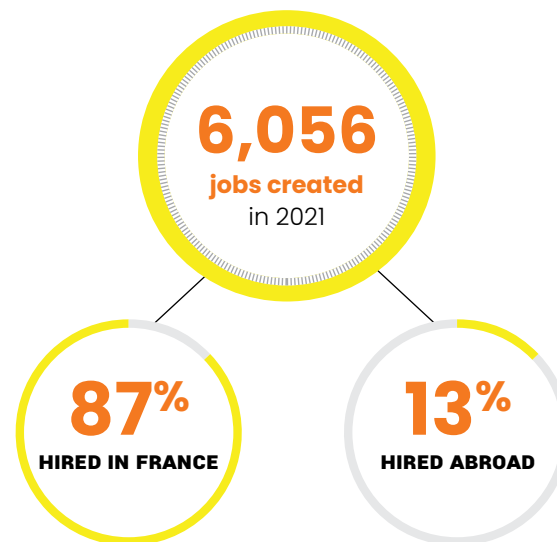


## 3.2 STARTUPS KEEP RECRUITING AND LOOKING FOR TALENTS

→ Growth of employees  
Sample of 390 participants



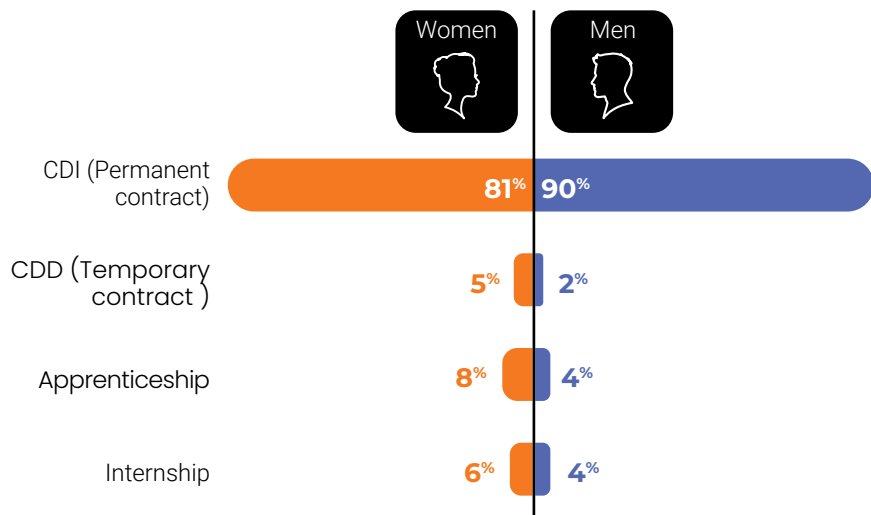
→ Segmentation of employees by geographical area  
Sample of 390 startups



## 3.2 STARTUPS KEEP RECRUITING AND LOOKING FOR TALENTS

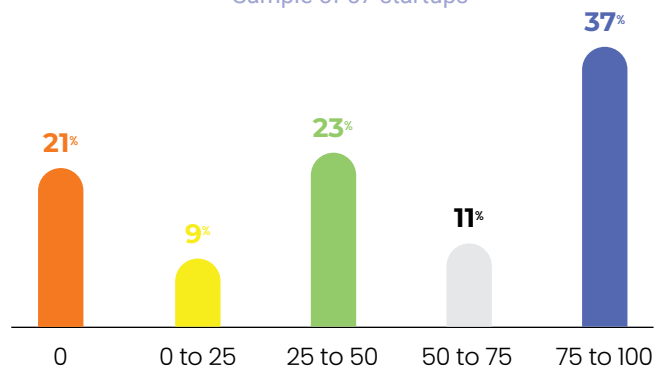
### → Type of work contracts

Sample of 139 participants



### → Gender equality scoring from 0 to 100 (index professionnel de l'égalité entre les hommes et les femmes, ie EGAPRO)

Sample of 57 startups



### → Part of women employees in 2021

Sample of 139 participants

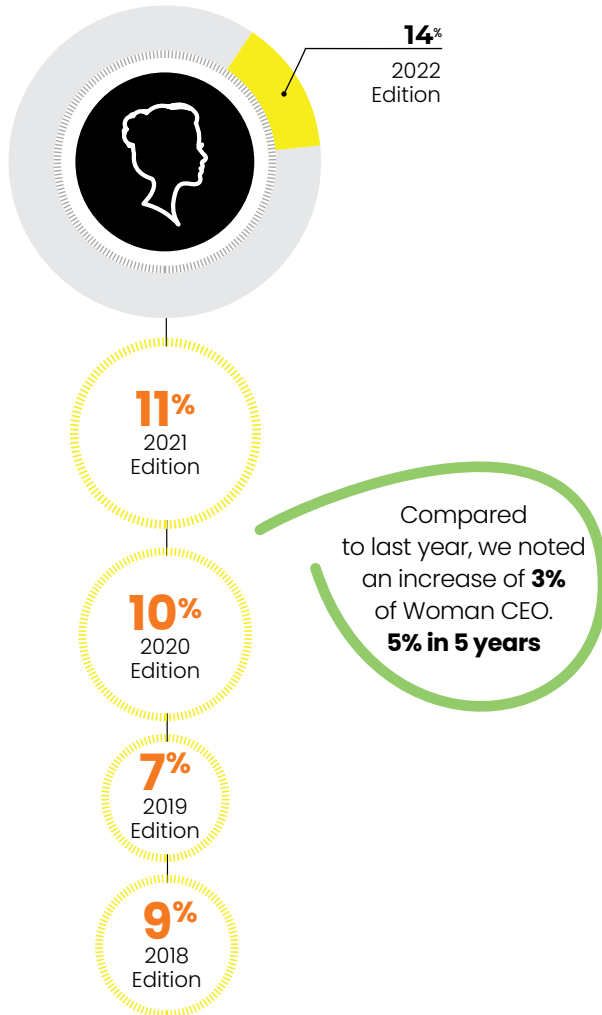


**37%** of the startups have a score of at least 75pts

## 3.2 STARTUPS KEEP RECRUITING AND LOOKING FOR TALENTS

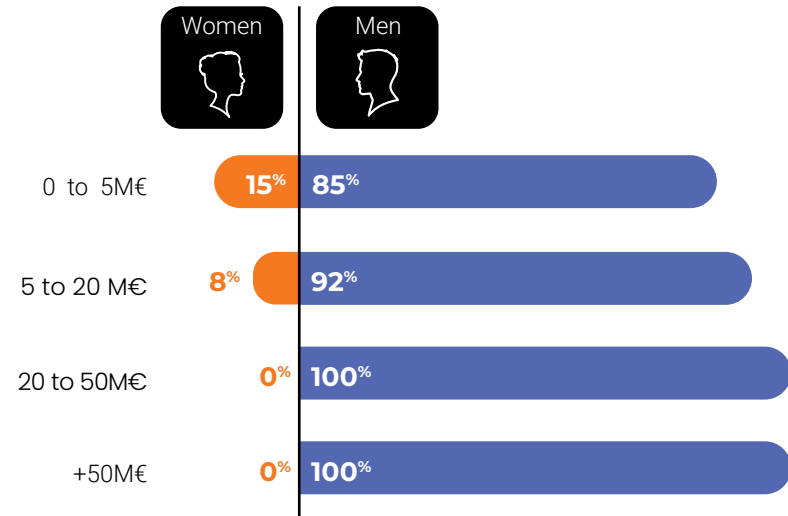
### → Women Chief Executive Officer

Sample of 172 startups



### → Segmentation of CEO gender by revenue segment

Sample of 108 startups

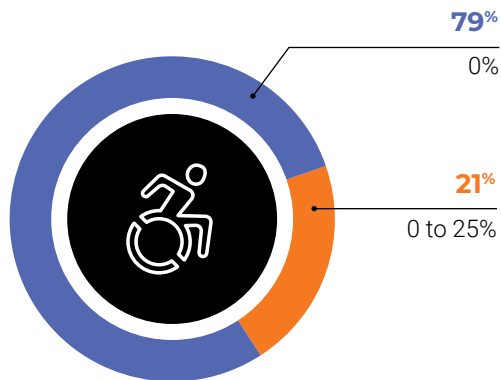




### 3.2 STARTUPS KEEP RECRUITING AND LOOKING FOR TALENTS

#### → Percentage of employees with a disability

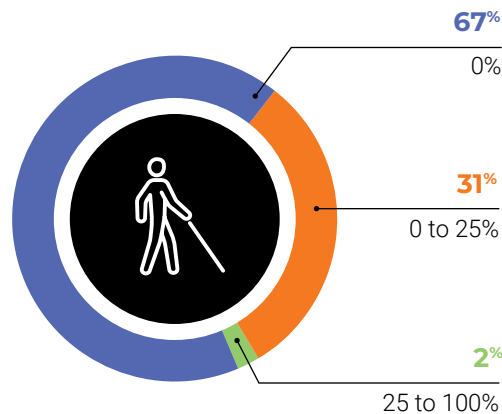
Sample of 89 startups



**21%** of the startups have at least an employee with a disability and **79%** have none

#### → Percentage of employees above 55 years old

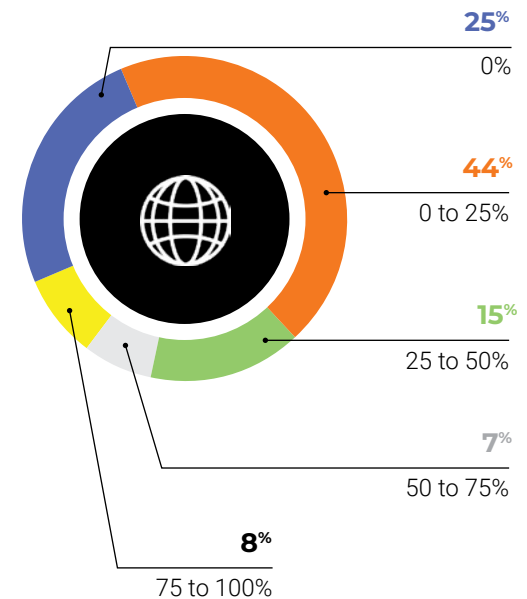
Sample of 89 startups



**33%** of the startups have at least an employee above 55 years old and **67%** have none

#### → Percentage of foreign employees

Sample of 89 startups

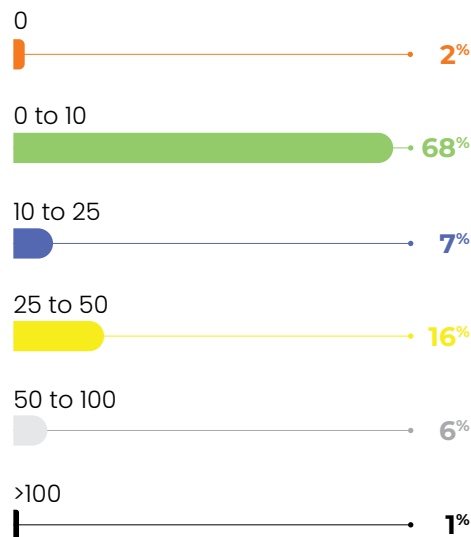


**75%** of the startups have at least an employee with a foreign nationality

## 3.2 STARTUPS KEEP RECRUITING AND LOOKING FOR TALENTS

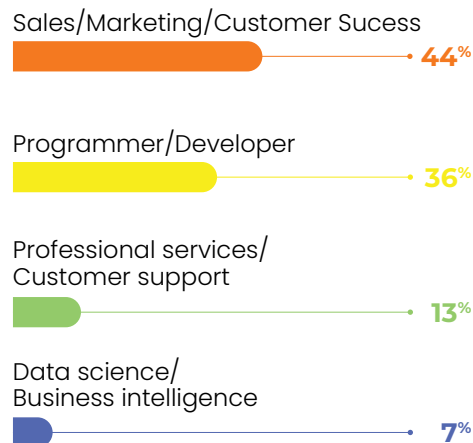
### → Number of recruitment planned in 2022

Sample of 102 startups



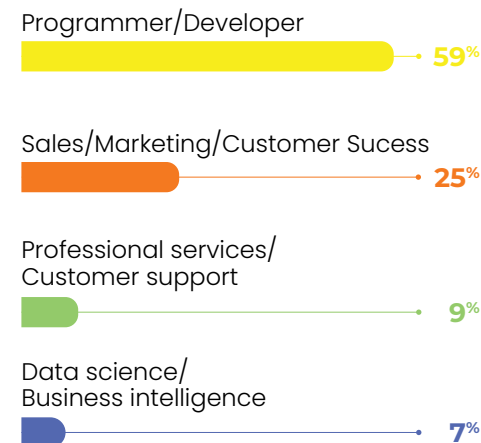
### → Most important profile to recruit in 2022

Sample of 113 startups



### → Most difficult profile to recruit

Sample of 113 startups



**98%** of startups plan to recruit in 2022

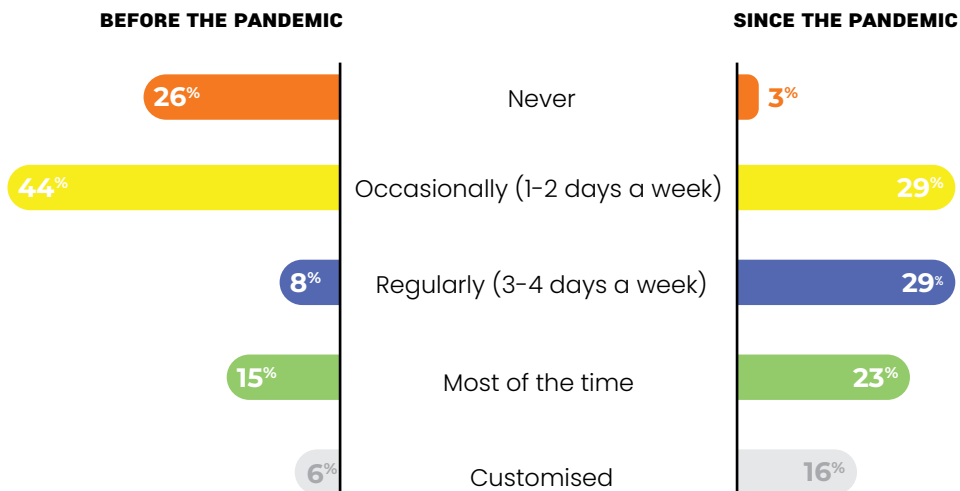
**80%** of startups consider sales and marketing and, programmer and developer, the most important profiles to recruit

**58%** of startups consider programmer and developer the most difficult profile to recruit

## 3.2 STARTUPS KEEP RECRUITING AND LOOKING FOR TALENTS

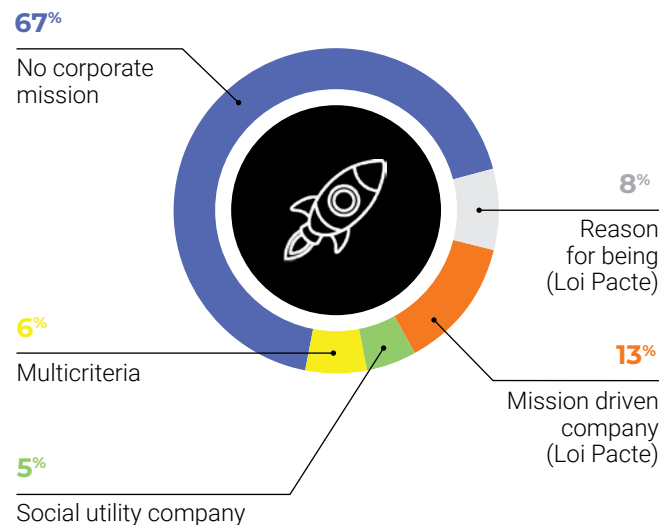
### → Remote working frequency

Sample of 106 respondents



### → Percentage of start up labelled Corporate mission

Sample of 168 startups



Only 3% of the startups never work remotely after the pandemic versus 26% before



**33%**  
of the startups are labelled corporate mission

3.3

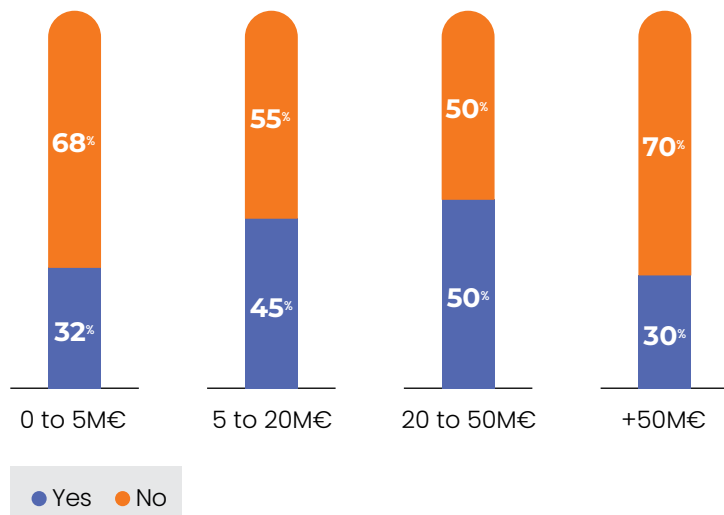
## Technological challenges



### 3.3 TECHNOLOGICAL CHALLENGES

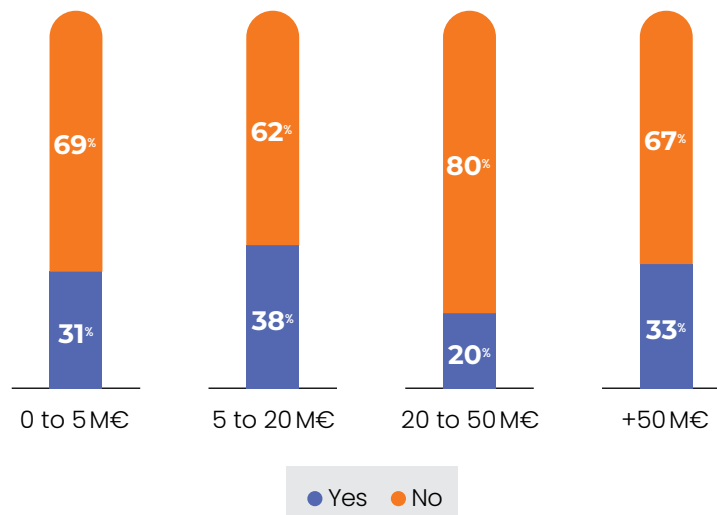
#### → Cyberattacks by revenue segment

Sample of 223 startups



#### → New cybersecurity protocols since Ukraine war per revenue segment

Sample of 109 startups



**37%**  
OF STARTUPS  
DECLARED THEY  
FACED CYBERATTACKS  
IN 2021

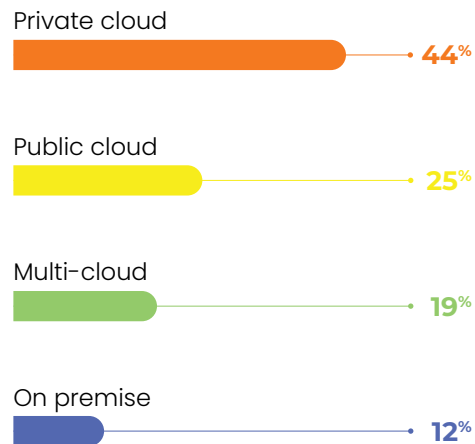


Almost **1/3** of  
the startups have  
implemented  
new cybersecurity  
protocols since the  
war in Ukraine

### 3.3 TECHNOLOGICAL CHALLENGES

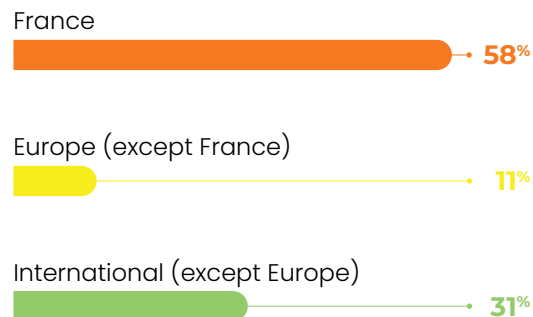
#### → IT servers location type

Sample of 139 respondents



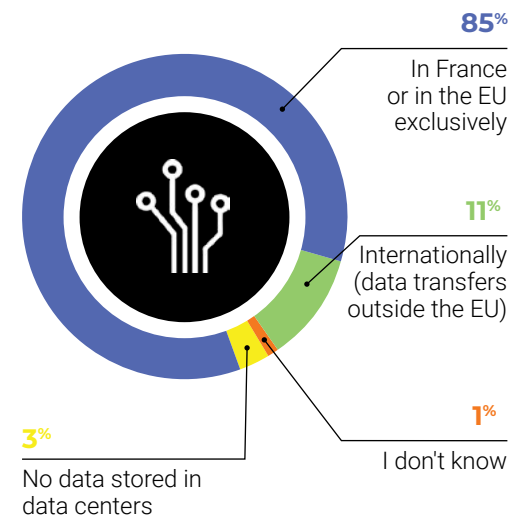
#### → Cloud providers location

Sample of 112 startups



#### → Data center hosted location

Sample of 108 respondents



More than **1/3**  
of startups servers  
are located on  
private cloud

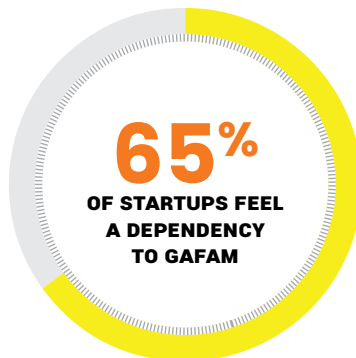
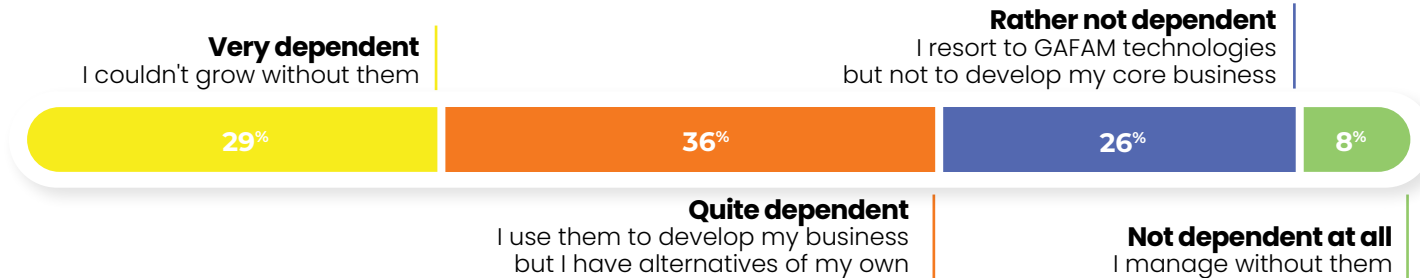
**69%**  
of startups are  
using cloud  
providers located  
in Europe

**85%**  
of the data centers  
are located  
on the EU

### 3.3 TECHNOLOGICAL CHALLENGES

→ How strong do you feel dependent to GAFAM

Sample of 107 startups



3.4

## **French ecosystem public support and procurements**

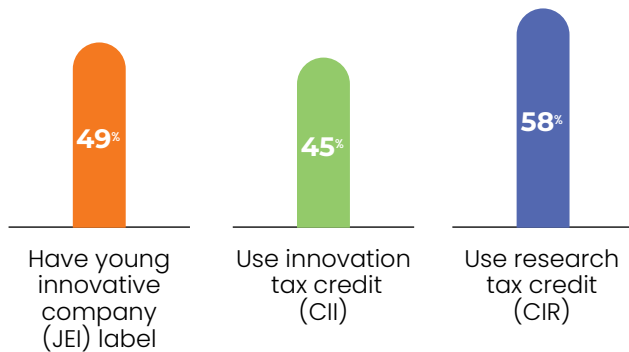




### 3.4 FRENCH ECOSYSTEM PUBLIC SUPPORT AND PROCUREMENTS

#### → Use of French tax incentive

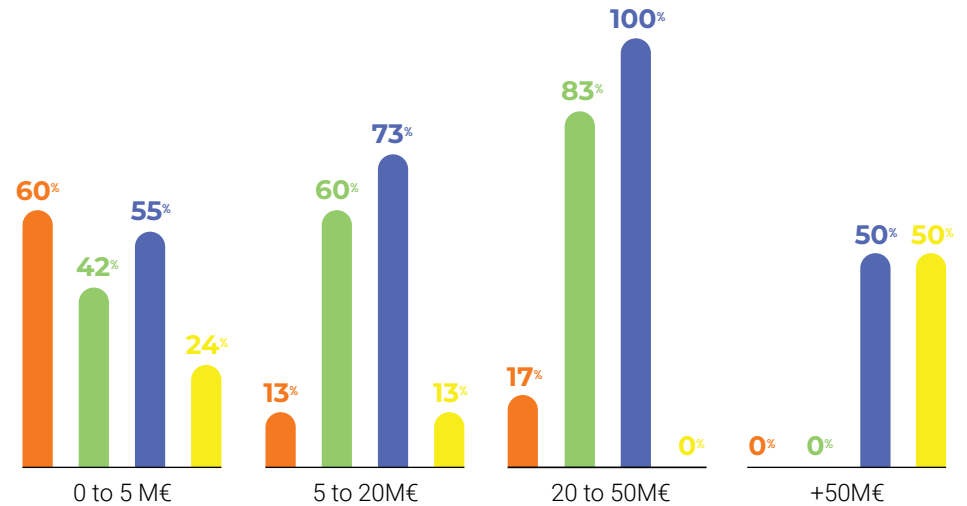
Sample of 111 respondents



The research tax credit is used by every startup category and the small startups are the ones using every public support

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

Sample of 111 respondents



- Have the young Innovative company (JEI) label
- Use innovation tax credit (CII)
- Use research tax credit (CIR)
- None

**16%**  
OF STARTUPS ARE  
BENEFITING FROM  
PASS TALENT/VISA  
FRENCH TECH  
Sample of 105  
respondants

### 3.4 FRENCH ECOSYSTEM PUBLIC SUPPORT AND PROCUREMENTS

#### → What prevents companies from responding to public tenders

Sample of 99 startups

Public tenders' criteria not adapted to startups (eg. need to produce x certified accounts)



Procedure excessively long and complicated



Lack of information on public tenders



Extended payment period incompatible with startups

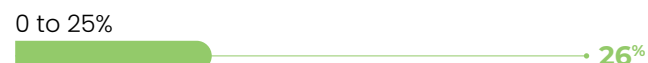


**50%**  
OF STARTUPS  
RESPONDED TO PUBLIC  
TENDER IN 2021

Sample of 109  
respondants

#### → Percentage of revenue coming from public procurement

Sample of 110 startups



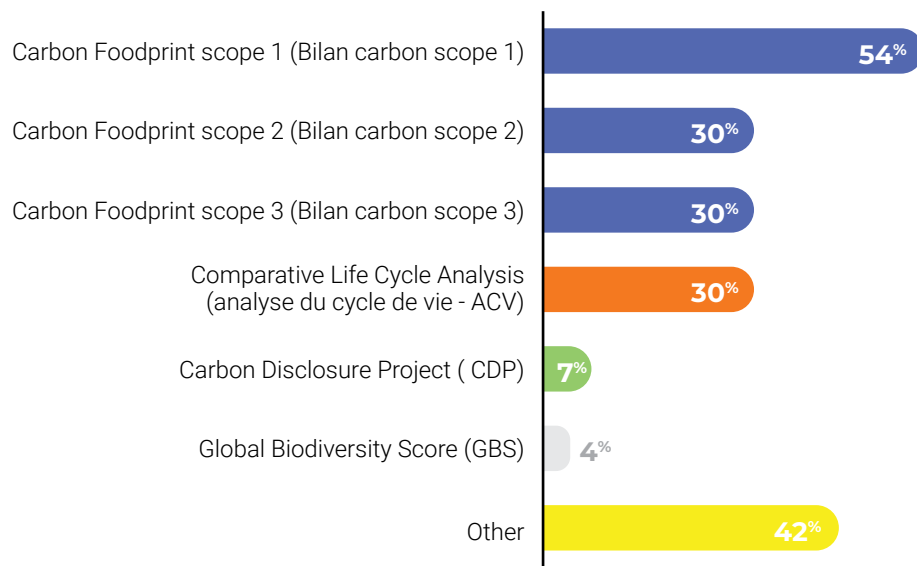
**56%**  
OF STARTUPS WOULD YOU  
LIKE TO RESORT MORE TO  
PUBLIC PROCUREMENTS

Sample of 110  
respondants

### 3.4 FRENCH ECOSYSTEM PUBLIC SUPPORT AND PROCUREMENTS

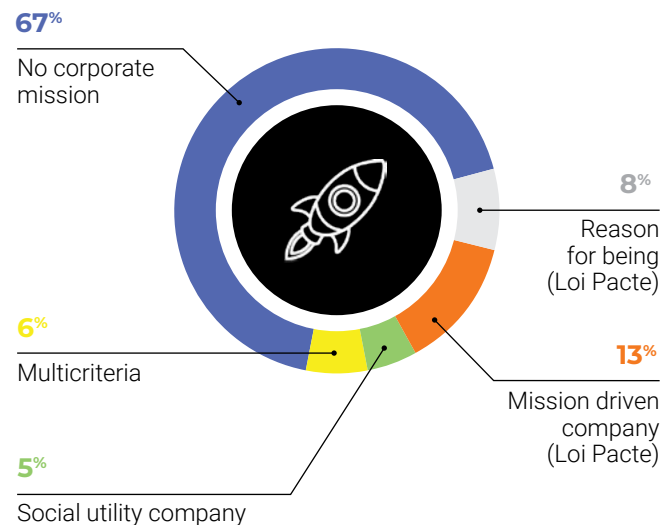
#### → Measurement tools

Sample of 162 participants



#### → Percentage of start up labelled Corporate mission

Sample of 168 startups



**37%**  
**OF THE STARTUPS  
MEASURED THEIR  
ENVIRONMENTAL IMPACT**  
Sample of 162  
respondants

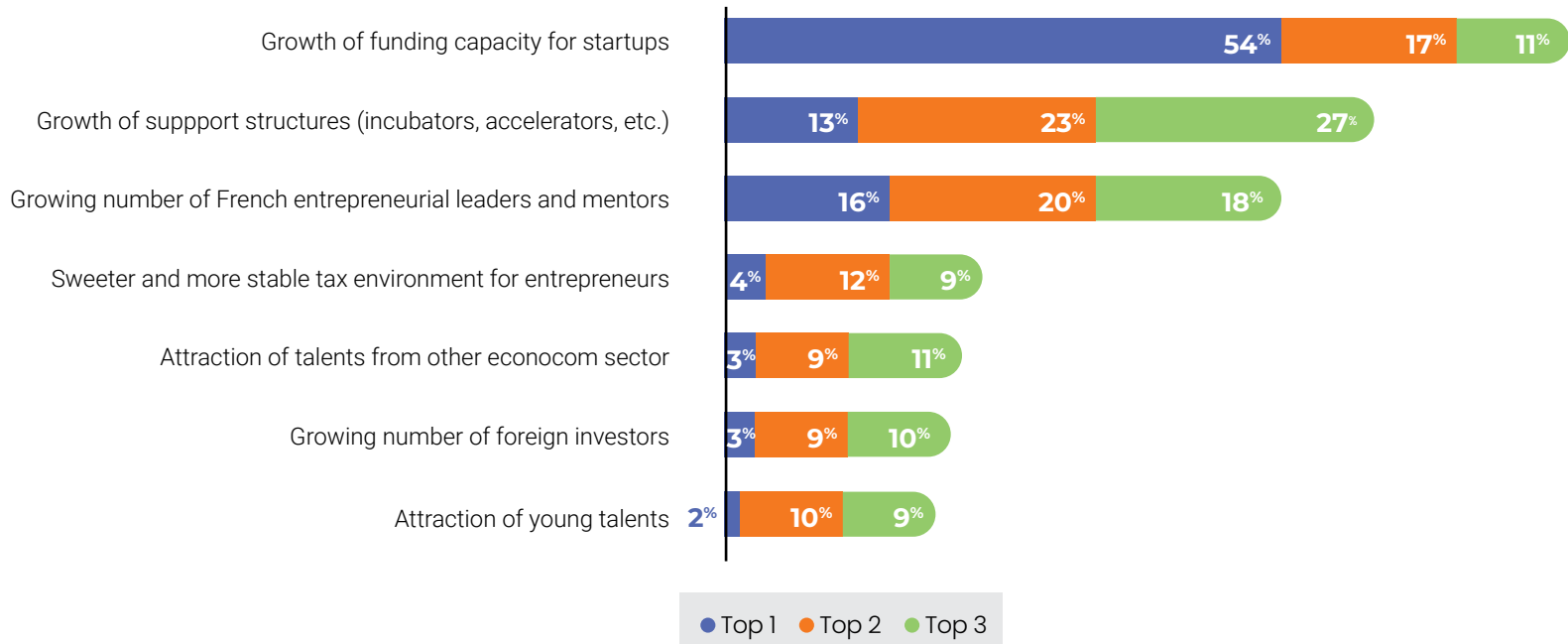
3.5  
**Focus on the 10<sup>th</sup>  
anniversary**



### 3.5 ENTREPRENEURSHIP VISION ON THE PAST 10 YEARS

→ TOP 3 most important changes in entrepreneurship the past 10 years

Sample of 101 startups

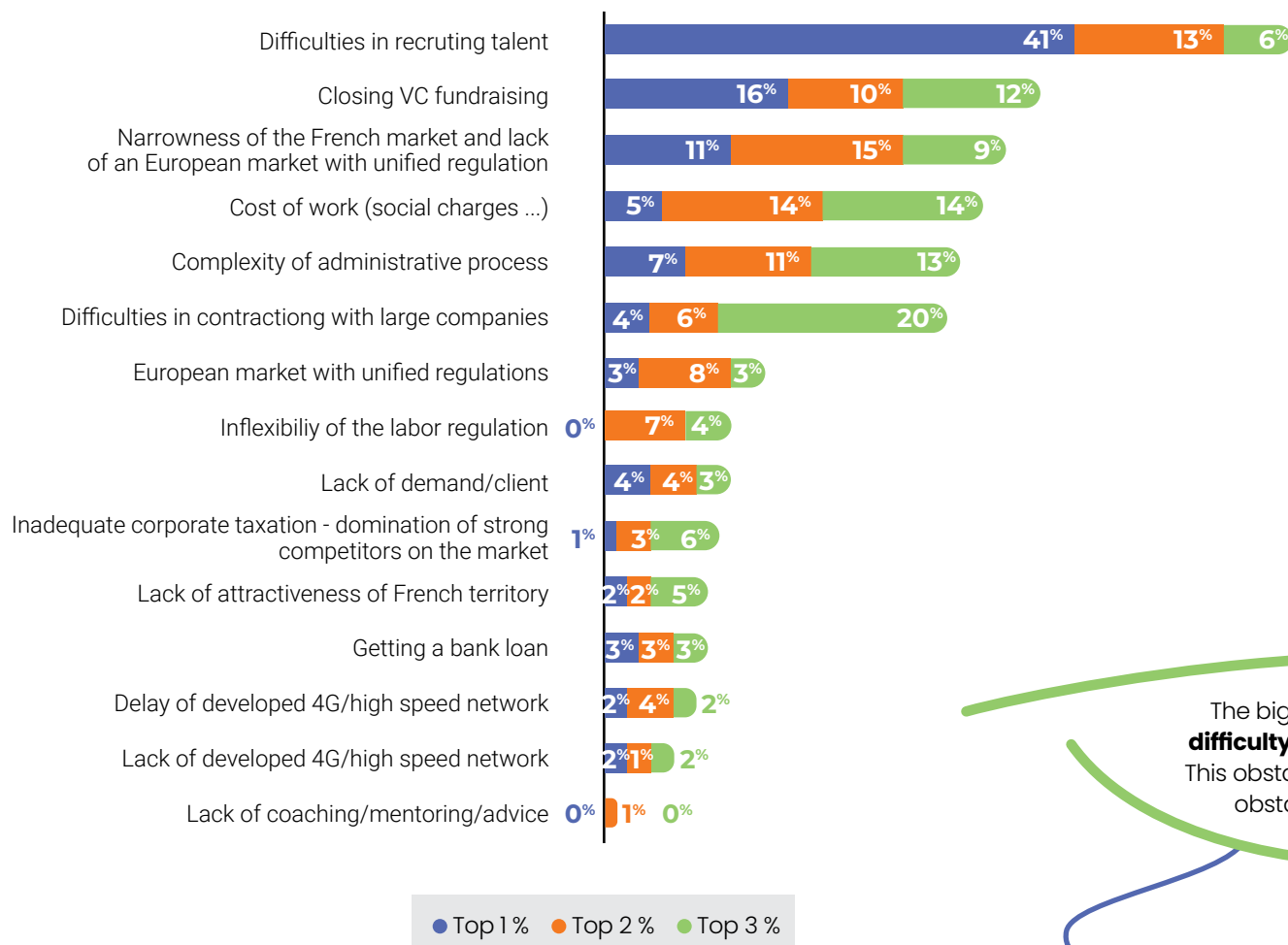


The most important changes in the 10 next years are the **growth of funding capacity** and **growth of support structures**

### 3.5 ENTREPRENEURSHIP VISION ON THE FUTURE 10 YEARS

→ TOP 3 most important obstacles the next 10 years to come

Sample of 101 startups



The biggest obstacle is the **difficulty in recruiting talents**. This obstacle remains the main obstacle from 10 years



# Acknowledgments

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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.

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