

Press Release

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Seven out of ten scale-ups remain confident

Eighty-three percent expect limited to no negative impact on financing

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Seven out of ten scale-ups remain confident that their business will successfully navigate the COVID-19 pandemic, and that their business may come out stronger and continue or even accelerate its growth trajectory, reveals Deloitte's latest survey. Whilst the majority of scale-ups are aware of government relief measures, 55 percent have yet to make full use or benefit from such measures. Sixty-six percent of scale-ups are in contact with their investors or plan to liaise with them, with such investors often providing hands-on advice and support.

Deloitte reached out to over 70 scale-ups to evaluate how they are being impacted by COVID-19 and what their response has been thus far.

Michele Gabriël, Director Growth Strategy and M&A: *"Times like these emphasise more than ever the advantages of having resilient leadership, an agile organisation, and digital capabilities. Scale-ups are benefitting from all such characteristics and are swiftly responding to this crisis by adjusting their value proposition and business model."*

Scale-ups are confident despite challenges

The impact of COVID-19 on scale-ups is not to be underestimated. More than 80 percent of respondents state that less or delayed new business and customer signings is their primary concern, and most have adjusted their growth expectations accordingly. The impact of the pandemic on growth plans varies significantly by industry with companies active in healthcare seeing the least impact, while the mobility sector is hit the hardest.

The cancellation of critical customer meetings, trade fairs, and international travel ranks second at 45 percent. Of all respondents, 38 percent consider cash flow or liquidity an issue, however less than one in five are concerned that the pandemic will have a significant negative impact on financing, potentially putting business continuity at risk.

Despite these challenges, scale-ups are in general quite positive about overcoming the COVID-19 crisis, with some of them even making good use of it, and 45 percent seeing some positive impact with drivers for additional growth, such as workplace collaboration technologies or equipment for the healthcare sector.

Kristof Cox, Director Scale-Up Ecosystem: *"Even though the crisis will slow down the expected pace of growth of most scale-ups due to a temporary impact on sales cycles and marketing, many see new opportunities for growth and are rapidly adjusting their value proposition accordingly."*

55 percent have yet to make use or benefit from government relief measures

To support Belgian companies, the government has set out a series of relief measures for which they can apply. The majority of scale-ups are aware of these government relief measures, over half of them have yet to make use of them and only 4 percent have made full use of such measures. The most popular relief measures are temporary unemployment and delayed tax payments. Fifty-five percent, however, indicated that they have not yet made use of any government relief measures, in some cases because they are considered less relevant for growth companies.

Employee dismissal low at 14 percent

Growth expectations are tempered significantly by the COVID-19 crisis, with smaller companies, as expected, taking a larger hit in relative terms. The expected growth of companies with less than €1 million in revenue has dropped dramatically from 98 percent pre-COVID to 49 percent post-COVID. For companies with €1 - €3 million in revenue, growth expectations have gone from 49 percent to 29 percent. There is a decrease from 10 percent to 3 percent for companies with €3 - €50 million in revenue.

The scale-ups are primarily focusing on reducing operational costs (51 percent), implementing temporary unemployment (41%), and improving working capital (39 percent). Surprisingly, only 14 percent have reduced headcount or dismissed employees.

"Whilst many scale-ups are tempering their hiring plans and some have reduced their workforce, scale-ups are expected to continue to be a driving factor in re-boosting the economy and employment, also considering the adjusted growth rates which remain considerable" said **Koen Vandaele, Deloitte Belgium Ecosystems & Alliances Leader**.

Funding remains stable, investors provide hands-on support

The majority of scale-ups are in touch with their investors. Forty-seven percent of them are even receiving hands-on advice and support, primarily around business continuity and financing. The impact on equity funding remains limited.

About the survey

Deloitte surveyed 71 scale-ups to assess how they are impacted by and responding to the COVID-19 pandemic. The survey sample primarily consists of Belgian scale-ups (65), while a minority of respondents have a foreign-based headquarters (three in the Netherlands, one in Germany, one in Sweden, and one in the UK). As a follow-up to this study, other key stakeholders within the scale-up ecosystem, such as investors, will be queried to gain a thorough understanding of all factors at play.

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