

Press Release

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Young Belgian scale-ups consider the world their playground

Deloitte and Vlerick Business School reach the following conclusion in the 'Rising Star Monitor': 40 percent of all young Belgian companies set up international sales within the first year of their foundation.

Brussels – 15 November 2018

Young Belgian companies with ambitions to grow set the bar for growth higher and higher. These scale-ups do not shy away from taking the step to sell abroad, where they generate nearly 30 percent of their total turnover. They are growing smart and are doing so primarily through less risk and hybrid ways for growth, such as licences and strategic alliances. Finally, the average salary that the founders pay themselves has remained constant in the last three years.

These are the most significant conclusions of the third edition of the Rising Star Monitor. This annual survey by the Vlerick Business School and Deloitte Belgium provides insight into the trends and challenges for young Belgian companies with growth potential. This year, the Rising Star Monitor has paid specific attention to the way in which these companies want to achieve their growth. **Sam Sluismans, Partner Innovation Services at Deloitte Belgium:** *"This third edition of the Rising Star Monitor has the aim to help founder teams of young ambitious companies to tackle important questions of the early days. The aim of the Rising Star Monitor is to create insights into the behaviour of technology start-ups with high growth potential. Every year we encounter very high quality pitches of Belgian technology companies in our Rising Star contest with unique and splendid technology that definitely has high growth potential. Also this edition has brought us a number of valuable insights to better assist ventures."*

Belgian scale-ups set the bar higher and higher

Some 40 percent of the surveyed companies with potential for growth indicate that they too have great ambition to grow. The so-called high-growth ventures of scale-ups set the bar higher and higher. *"They aspire to take on 55 extra employees over five years. Moreover, they strive to increase their sales by €11 million. This is a significant leap forward compared with the targeted growth of 33 employees and €9 million in sales the previous year,"* explains **Veroniek Collewaert, professor of entrepreneurship at the Vlerick Business School.**

The world is yours

Having ambition is one thing, but actually achieving such growth is another kettle of fish. The Rising Star Monitor 2018 has consequently paid specific attention to the way in which the surveyed companies achieve their growth ambition.

Increasing globalisation and technological progress make internationalisation a viable option for small start-ups too. Nearly half of Belgian companies with growth potential indicate that, in spite of their average age of 2.5 years, they generate sales outside Belgium. Compared with low-growth ventures, scale-ups are remarkably more active internationally; they generate nearly one third of their total sales abroad (compared with 15 percent for low-growth ventures). Taken together, all young scale-ups surveyed generated €23 million in sales through exports.

"We also see that the step to selling abroad is taken remarkably fast, or practically at once," Veroniek Collewaert continues. "Roughly 40 percent of all young Belgian companies that sell abroad do so within the first year of their foundation. They are therefore born globals that manage their company with an international look on the market from the outset. They want to conquer the world immediately and they forego the careful step-by-step approach, whereby they first wait until the Belgian market is saturated."

Nevertheless, the young companies proceed in a smart manner and limit the risks. Instead of making direct investments to set up subsidiaries or joint ventures, they tend to expand internationally through cooperation with local distributors or through licences.

Sixty-three percent of young companies with growth potential are active in more than one country; on average, they are active in 11 different countries, in fact. It comes as no surprise that neighbouring countries are the most popular, with the Netherlands, France and Germany ranking first, second, and third respectively. This does not take away from the fact that they also export to the UK and the US. The decision to internationalise to a given country is largely based on the organic demand from the country in question.

Non-organic growth primarily through partnerships

Only five of the surveyed companies has proceeded to a takeover, which is logical for start-ups that often do not have sufficient resources. Other, more hybrid ways for growth such as licences and strategic alliances are quite popular. One out of three of the young players uses licences and one in four has already concluded an alliance. **Veroniek Collewaert:** *"The initiative stems primarily from the founders of these companies. Their aim is not so much to tap into new geographic markets, but to gain access to new knowledge, customers and suppliers or to be able to enter new markets with new products through such cooperation. The founders surveyed also indicated that they want to conclude substantially more licences and alliances in the coming five years."*

Remuneration of founders remains stable

In the year their company is created, nearly 50 percent of the founders of scale-ups pay themselves no salary. That picture changes drastically 2.5 years later, although 30 percent of them still do not pay themselves a salary. The average salary that the founders pay themselves has remained constant in the last three years. At the time that the company is founded, it amounts to €38,000; 2.5 years later that figure is €55,000 on average.

In addition to remuneration in cash – which is often impossible in the first years – there is also remuneration in shares. Ninety-three percent of the founders of low-growth ventures have full ownership at the outset. In the case of scale-ups, that figure is 83 percent, which is substantially higher than last year (67 percent). As last year, nearly half of the founding teams decided to distribute the shares equally among all founders.

Finally, this third edition of the Rising Star Monitor shows that many founders do not conclude dynamic share agreements. Nevertheless, these offer more guarantees when co-founders disappear or leave the company.

Sam Sluismans concludes: *"The evolution over the past years, with this year a remarkable increase in companies' growth ambitions, shows us the eco-system is gaining maturity in the way how they want to create growth. Instead of trying to do everything themselves, we now noted that scale-ups focus more on*

strategic alliances and licensing. Furthermore, young companies have great growth ambitions, continue to pay modest remuneration, and focus on internationalisation from day one.”

About the Rising Star Monitor

The Rising Star Monitor 2018 is based on a survey of 253 founders of 162 young Belgian high-potential ventures. The companies in question are 2.5 years old on average and are active in various sectors. The survey draws a distinction between low-growth ventures and high-growth ventures or scale-ups, where necessary. The latter invest substantially in R&D and are also more innovative in terms of promotion, sales, production, service, and approach.

The report is part of the Entrepreneurship 2.0 initiative. With this initiative, the Vlerick Business School and Deloitte Belgium want to develop state-of-the-art knowledge about the key issues young, high-potential ventures struggle with. Entrepreneurship 2.0 also wants to be a community knowledge exchange for entrepreneurs who are in the midst of tackling important scaling challenges with their ventures.

More information can be found at www.vlerick.com/risingstarmonitor.

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