



Association for Financial Markets in Europe

European Commission Roundtable on SME Access to Finance

Allen Simpson

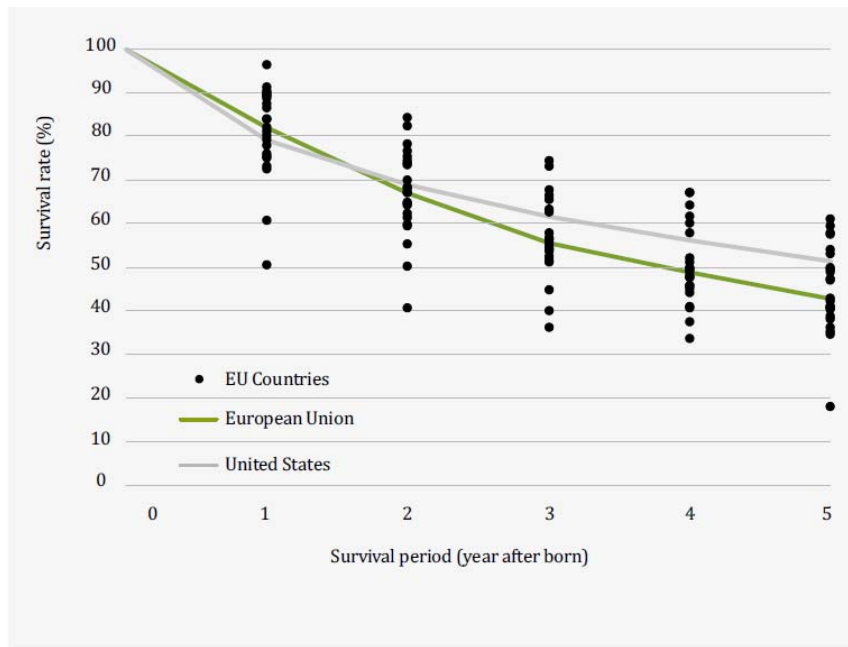
Chair of the AFME SME Finance Working Group

Head of Public Policy, Corporate Banking, Barclays

20 March 2017

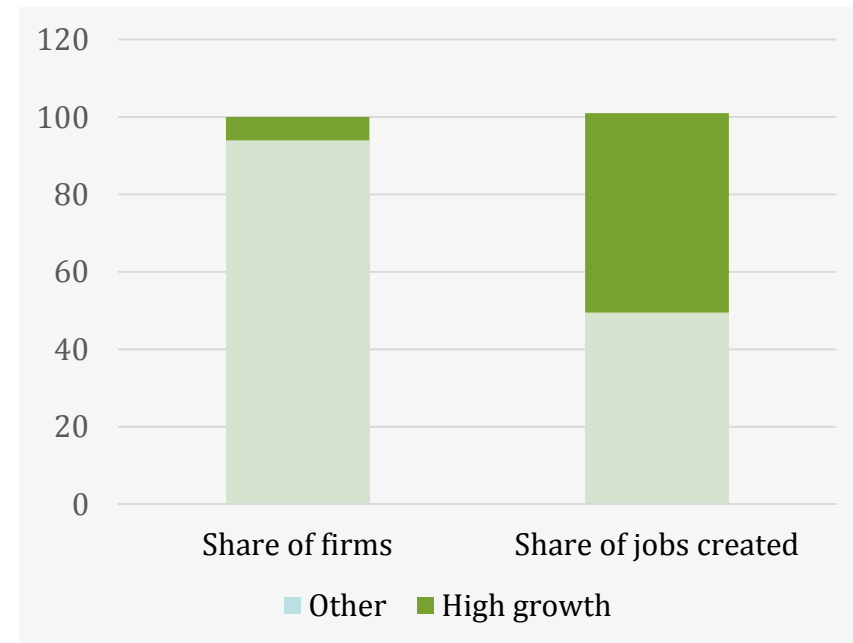
- **Thinking about SMEs** – who are we talking about?
- **The shape of the funding market in the EU** – an overreliance on debt?
- **Breaking down the funding escalator** – where are the gaps?

Business survival rates: European Union and United States



Source: Eurostat and US Bureau of Labor Statistics

Concentration of job creation (UK)



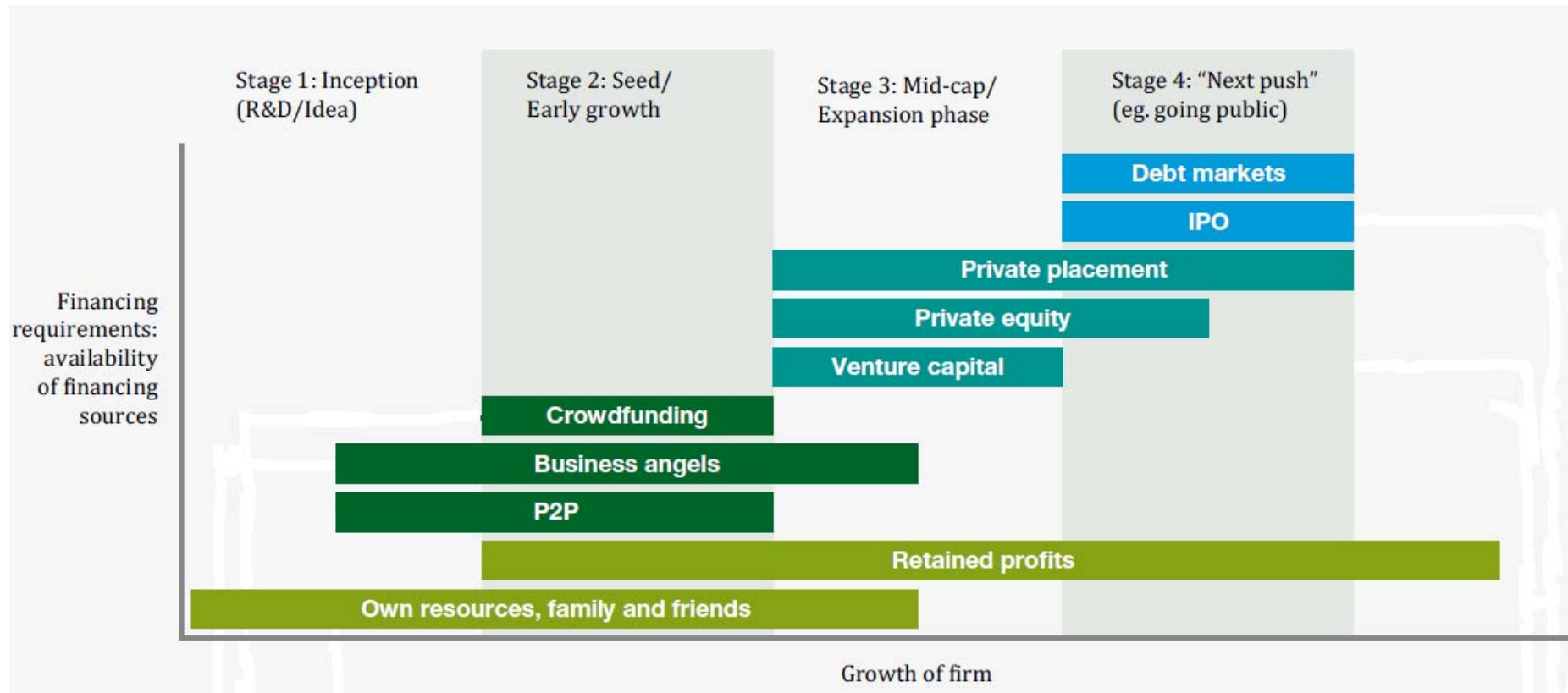
Source: Nesta, 2009

Size of funding markets in the EU and the US

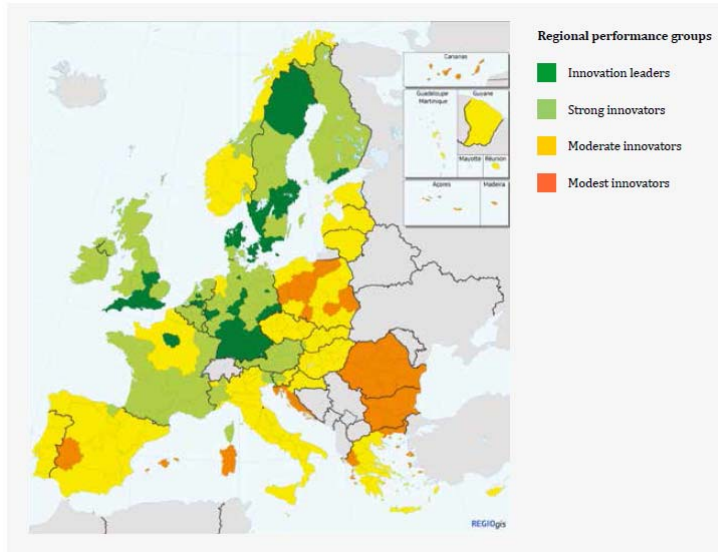
	European Union	United States
Total stock of outstanding finance for SMEs	€2,007bn	€1,236bn
Share of bank finance	77%	40%
Listed market capitalisation	€10tn (53% of GDP)	€19tn (140% of GDP)
Venture capital investments	€4.2bn	€26.4bn
Business angels	€6.1bn	€22.7bn
Equity crowdfunding	€354m	€149m
Accelerators	€38m	€83m

Source: Nesta, 2009

The EU funding escalator for high-growth companies

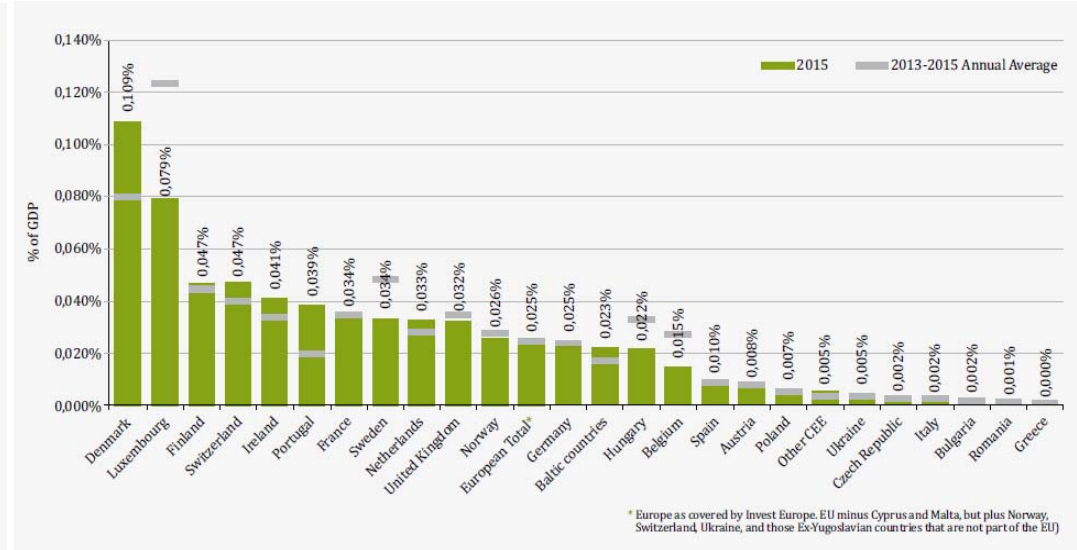


Innovation by region



Source: Regional Innovation Scoreboard 2016, European Commission, <http://ec.europa.eu/DocsRoom/documents/17824>

Venture capital investment as % of GDP



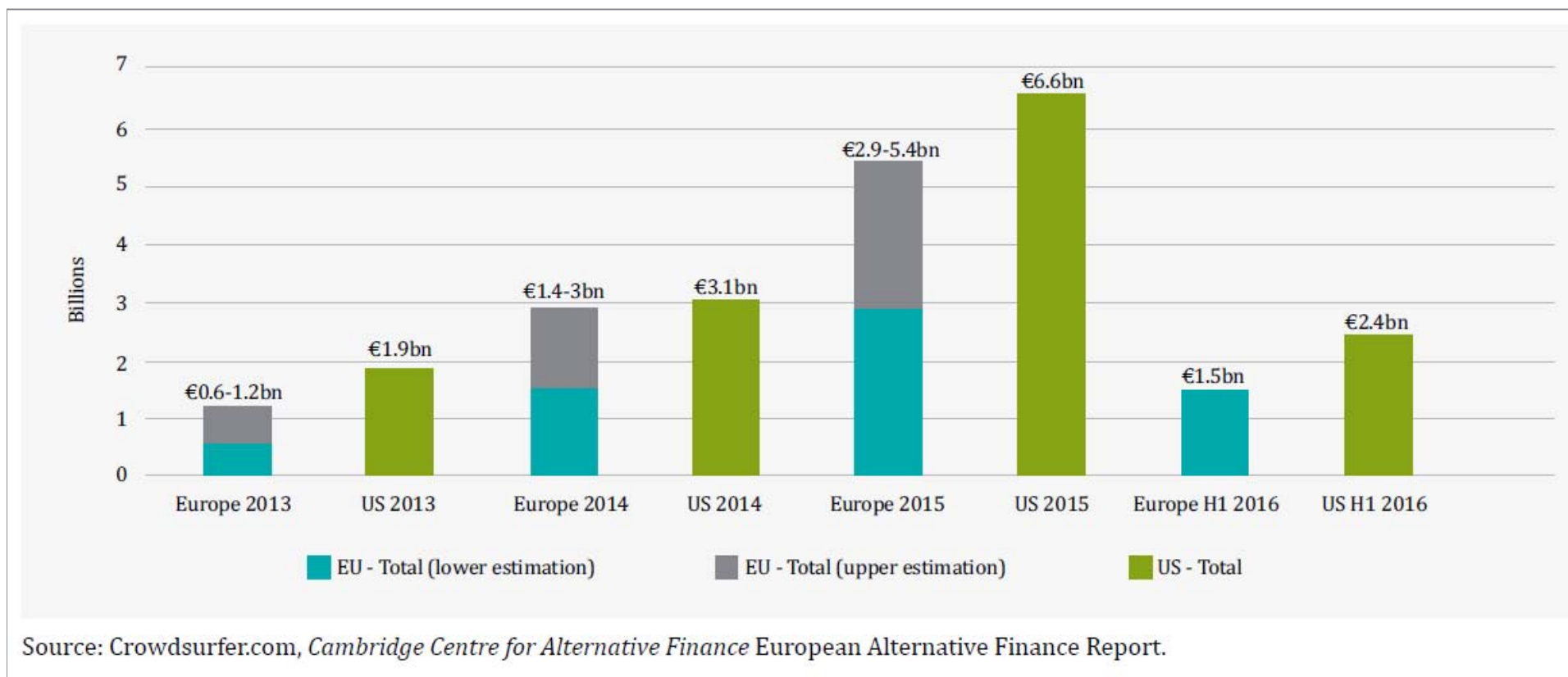
Source: IMF, World Economic Outlook Database (GDP) / Invest Europe / PEREP_Analytics

Note: *Other CEE consists of Ex-Yugoslavia and Slovakia

	Europe	US ⁹¹
Number of angels	303,650	304,930
Total investments	€6.1bn	\$24.6bn
Number of companies invested	32,940	71,110
Average individual investment	€19,990	\$10-25,000
Average deal size	€184,271	\$345,390
Average market valuation		\$2.3m (\$2.7m in 2014)
Mean ownership average		20-25%
Jobs created		270,000
Number of investments by stage		
	Europe	US
(a) Seed stage	43%	28%
(b) Early stage investing	40%	45%
(c) Expansion	16%	27%
Investments in first round	n/a	49%
Yield rates: opportunities brought to investors that result in an investment	7%	18%

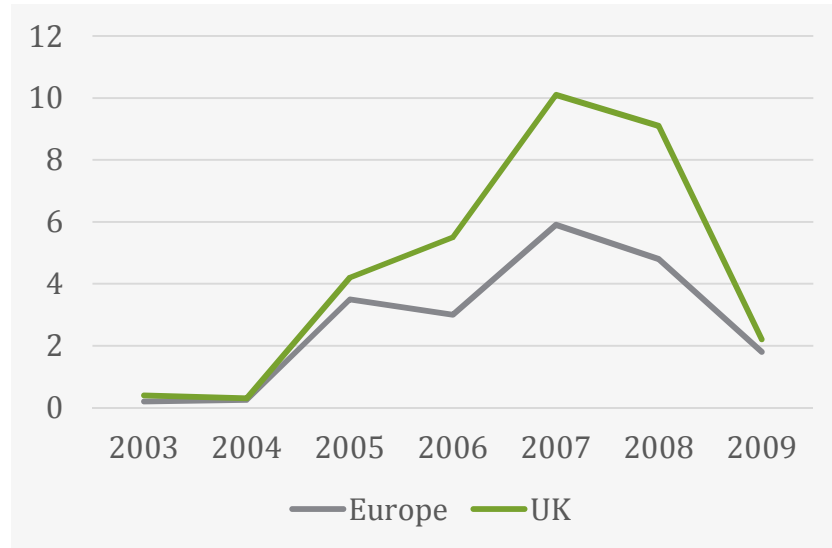
Crowdfunding – small but growing

EU vs US, 2013 – H1 2016



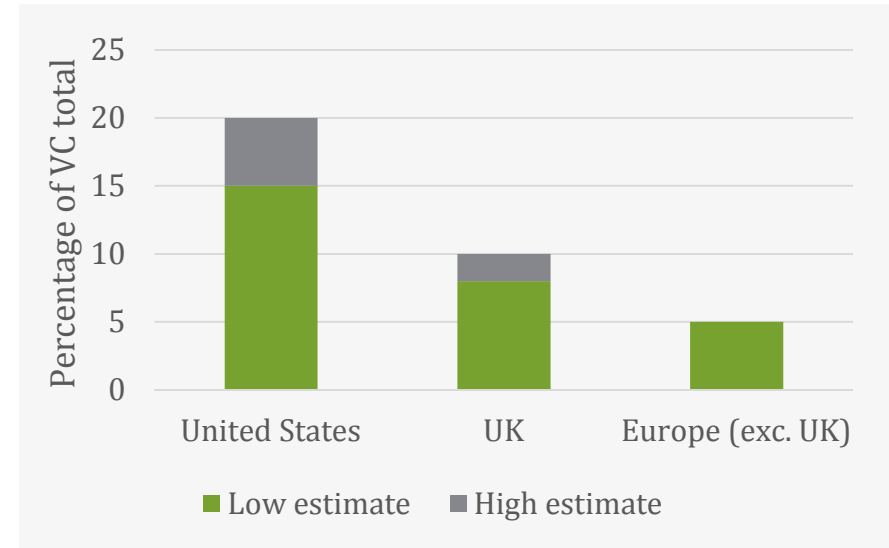
Data widely varies between the various sources of data for investments through crowdfunding platforms. Other sources include the Alternative Finance Benchmarking Report (E&Y, KPMG and University of Cambridge), Massolution.com. The data cited in the European Commission’s report on Crowdfunding comes from crowdsurfer.com.

Venture debt as a % of total VC - historic



Source: BVCA

Venture debt as a % of total VC - today



Source: E&Y

Number of IPOs in European main markets and MTFs and from US EGCs, 2012 - 2015



Source: AFME, Dealogic

- **SMEs and Growth companies are different things, with different needs**
- **There is a general gap for all forms of risk finance in the EU**
- **Too much fragmentation between member states, and between funding levels**



The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.

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