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2023 Scale-Ups
Confidence Survey

March 2023 - Report



Foreword

“Scale-ups are characterised by agility, flexibility and seemingly unlimited growth potential. However, scaling a business and unlocking its growth potential is not without challenges, and requires effort and expertise across many different competency areas.

2022 was another eventful year, with war in Ukraine, central banks coping with extremely high inflation, skyrocketing energy prices, and volatility on the stock markets, resulting in a sharp drop in valuations. 2023 also came with some new challenges such as concerns about changes in Belgian taxation policies and the recent turmoil in financial services.

In order to understand how the scale-up ecosystem evolves and is weathering various socio-economic events, we launched the first edition of our Scale-Ups Confidence Survey three years ago amidst the early days of the COVID-19 pandemic. This report summarises the findings of the fourth edition, for the first time in collaboration with PMV and other investors who encouraged their portfolio companies to participate. Our main objective remains to gain insights into the growth trajectory of scale-ups, which involves evaluating their past and projected growth, main challenges faced, future priorities, and areas of focus, and—in summary—their confidence in the future.

We believe that through this research we provide valuable insights to scale-ups and their investors, as well as to policy makers who have a duty to create the conditions for emerging growth companies to thrive.”



Koen Vandaele
Managing Partner
Deloitte Belgium
kvandaele@deloitte.com

1. Executive Summary

Most prominent findings within the scale-up ecosystem

Biggest growth expected in Mobility and Sustainability scale-ups

In 2022, scale-ups operating in the Sustainability segment recorded the highest average revenue growth at 136%, with Electronics scale-ups realising the second highest growth at 89%. Looking ahead, Mobility and Sustainability scale-ups are expected to experience the highest average growth in 2023, with estimates of 342% and 289% respectively.

Lower/delayed new business and customer signings become main bottleneck

Similar to 2020, we see that lower/delayed new business and customer signings has again become the number 1 challenge for scale-ups, with 52% of respondents stating it as the primary bottleneck to reach their growth ambitions in 2022. This has surpassed finding the right talent, which was the top concern last year.

New customer acquisition remains priority to realise growth

New customer acquisition remains the primary area of focus for scale-ups to realise their growth aspirations (82%). Talent acquisition and retention has declined by 8%, illustrative of the uncertain economic conditions.

Scale-ups are increasingly cautious as it relates to workforce growth

In 2022, scale-ups increased their total FTEs by 29%, which is lower than the anticipated increase of 39%. However, for 2023, 22% of scale-ups are planning either a hiring freeze or a reduction in their existing workforce. The main hurdle for scale-ups to find talent remains scarcity in the market for specific profiles (78%).

More than half of scale-ups have reported a drop in company valuation

In 2023, the number of scale-ups that responded 'confident' to obtain required funding has decreased by 8%, and the number of scale-ups reporting that they are 'somewhat concerned' has doubled compared to 2022. Additionally, 62% of scale-ups stated that the valuation of their company has been negatively impacted by the current economic situation.

Even though concern levels are rising, confidence remains high

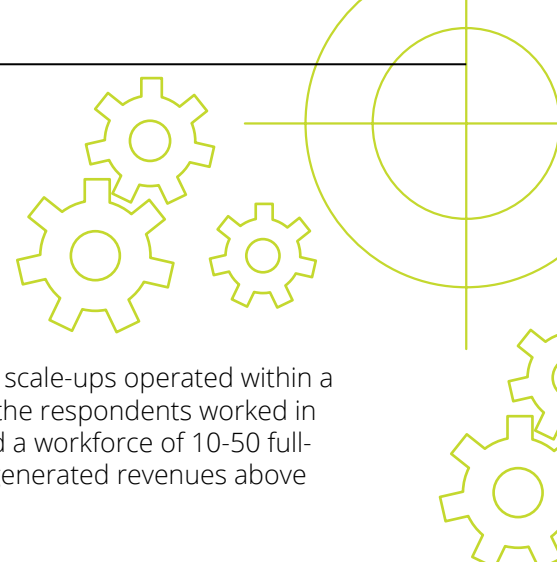
Overall, the confidence of scale-ups remains high in 2023, with 52% of respondents stating that they are confident to continue or accelerate their growth trajectory. However, the overall confidence score for scale-ups has dropped from 8.4 to 7.9, with three times as many companies reporting being 'somewhat concerned'.

Evolution of biggest challenges throughout the Scale-Ups Confidence Survey^{1,2}

Deloitte Confidence Survey March 2021			Deloitte Confidence Survey March 2022			Deloitte Confidence Survey March 2023		
Position	Challenge	Score	Position	Challenge	Score	Position	Challenge	Score
1	Lower/delayed new business and customer signings	66%	1	Finding the right talent	50%	1	Lower/delayed new business and customer signings	52%
2	Loss/delay of existing business	35%	2	Lower/delayed new business and customer signings	43%	2	Finding the right talent	39%
3	Finding the right talent	28%	3	Delay in product development	26%	3	Cash flow/ liquidity/funding issues	33%
4	Travel limitations	27%	4	Operational Challenges	24%	4	Operational Challenges	24%
5	Operational challenges	23%	5	Cash flow/ liquidity/funding issues	21%	5	Sourcing/supply chain issues	21%
6	Cash flow/ liquidity/funding issues	19%	6	Sourcing/supply chain issues*	20%	6	Loss/delay of existing business	20%
7	Delay in product development	15%	7	Loss/delay of existing business	18%	7	Delay in product development	16%
			8	Travel Limitations	17%	8	Inflation**	16%
			9	Retaining Talent*	12%	9	Retaining talent	11%
			10	Sustainability*	1%	10	Energy price increases**	8%

(1) Source: Deloitte Confidence Survey, March 2021, N = 125; Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279
 (2) * = not an option in the 2021 Confidence Survey; ** = not an option in the 2022 Confidence Survey



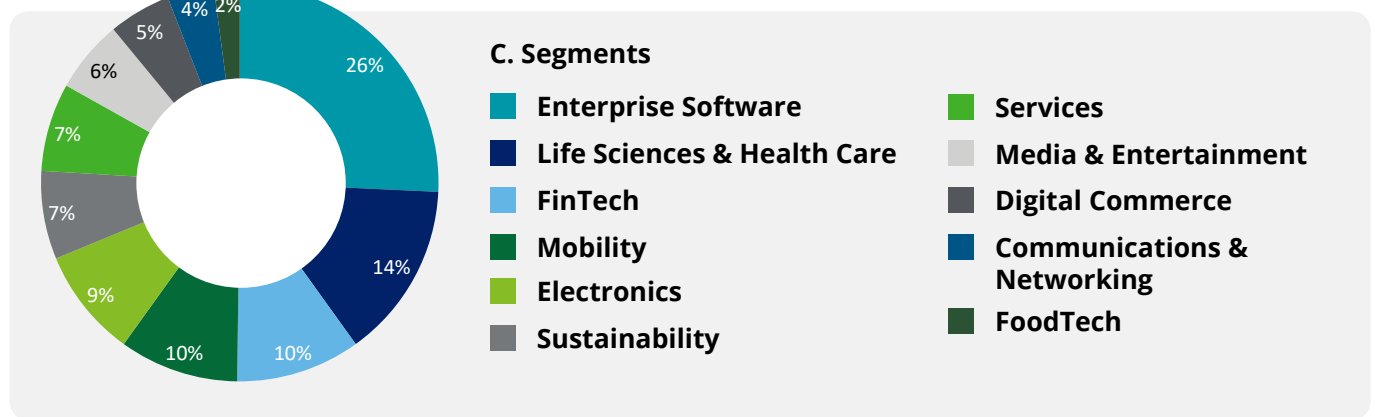
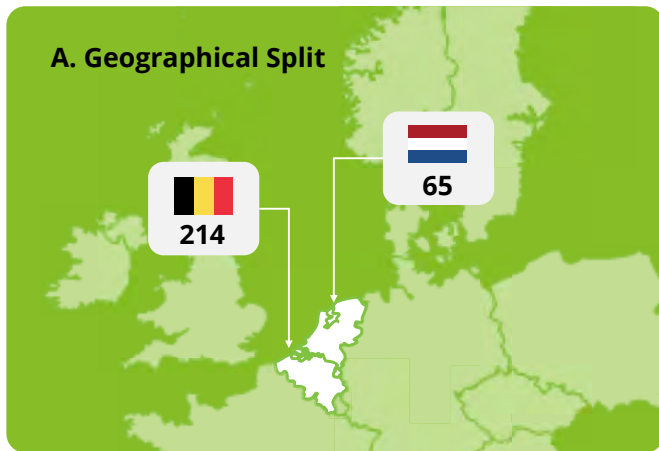


2. Setting the Scene: Respondent Details

In total, 279 scale-ups responded to the 2023 Scale-Ups Confidence Survey, with 214 from Belgium and 65 from the Netherlands. Furthermore, around 79% of the respondents held the position of CEO or co-founder in their respective organisations.

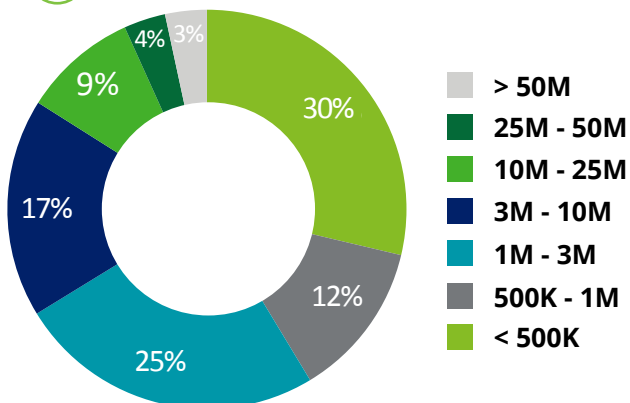
Finally, the majority of scale-ups operated within a B2B context. Most of the respondents worked in organisations that had a workforce of 10-50 full-time employees and generated revenues above €1MLN.

The survey respondents represented various segments, with Enterprise Software, Life Sciences & Health Care and FinTech being the top three.



D. Core Business Focus & Size

€ Size per revenue



Core business focus of respondents



Size per FTE

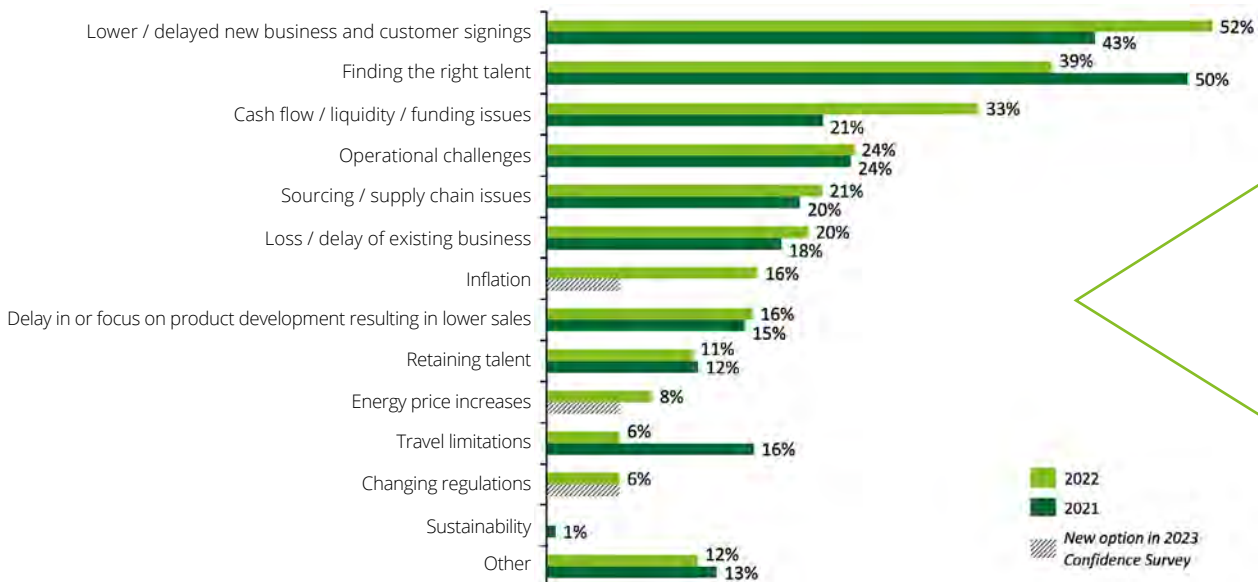


“As a result of socio-economic events and possibly inflated expectations, the growth achieved in 2022 fell considerably short of initial expectations.”



3. Business Growth: Looking Back

Looking back at 2022, what were the biggest challenges to reach your growth ambition?³



The survey results revealed that the number one challenge faced by scale-up companies in achieving their growth ambitions in 2022 was **lower/delayed new business and customer signings**. As per the survey, 52% of the respondents identified this as their primary limitation. This challenge has overtaken finding the right talent, which was the top challenge in the previous year.

According to the survey, **talent management** however remains an important factor for 39% of

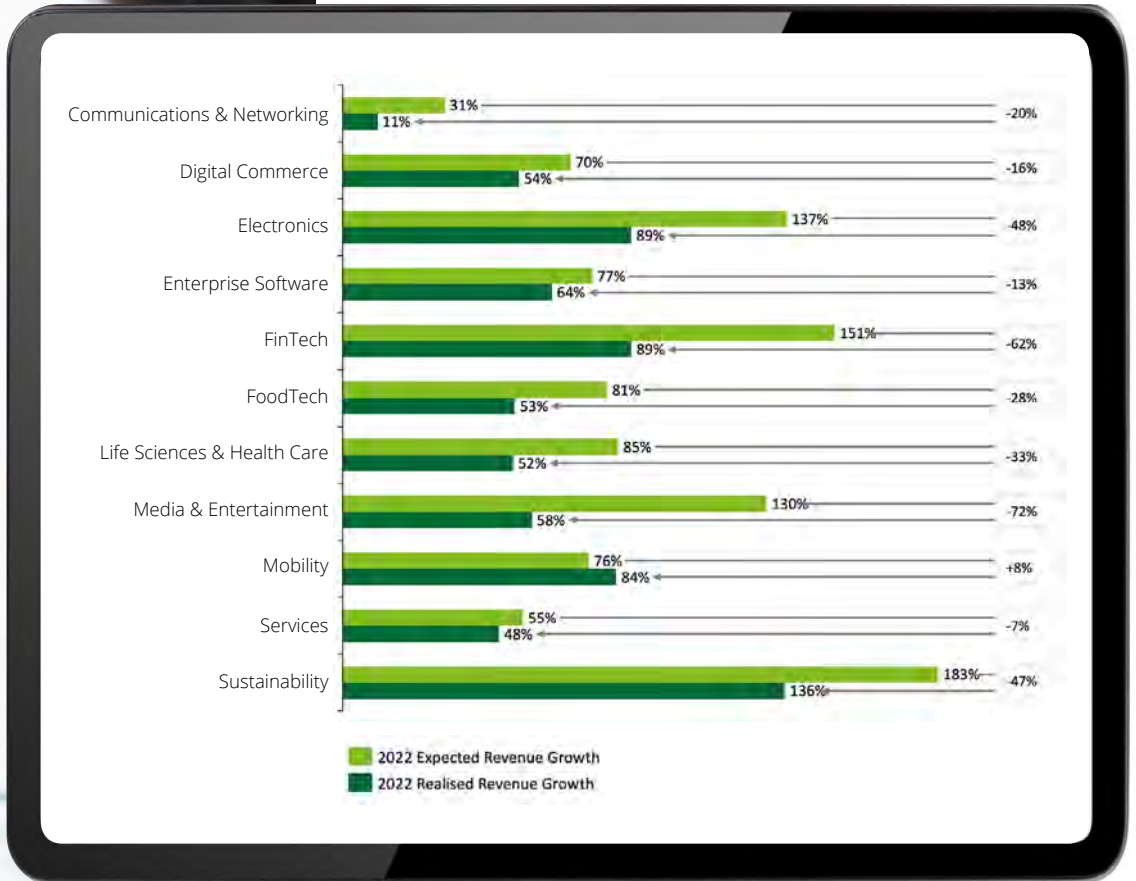
respondents. This suggests that while customer acquisition is critical, scale-ups cannot overlook the importance of attracting and retaining top talent to support their growth ambitions.

Another critical challenge for scale-up companies in 2022 was **cashflow, liquidity and funding issues**, highlighting the importance of effectively managing finances and securing adequate funding to support growth initiatives, especially in times where economic uncertainty is as prevalent.

Due to the geopolitical events of this year, we identified some new possible challenges for scale-ups within our survey, with 16% of respondents identifying **inflation** as one of their biggest challenges in 2022. Other challenges such as energy prices and regulatory changes were not identified as having an important impact on the growth of scale-ups. Notably, no scale-ups identified sustainability as a challenge.

(3) Source: Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279

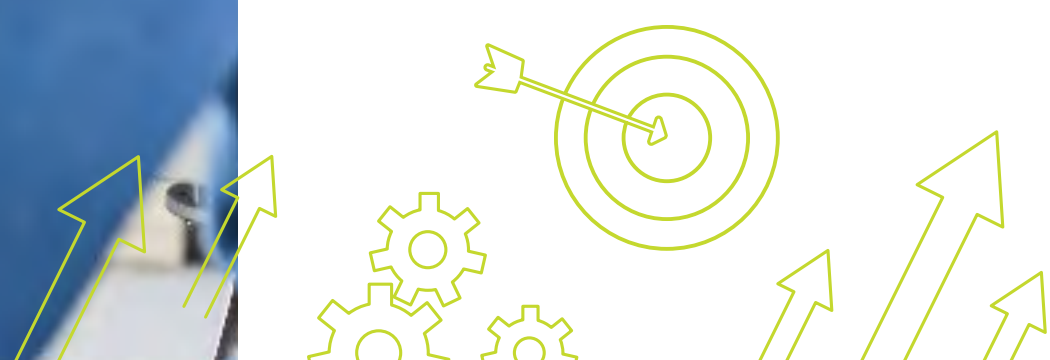
Average growth % per segment



In 2022, **Sustainability** scale-ups achieved the highest average revenue growth with 136%, followed by **Electronics** and **FinTech** scale-ups with an average growth rate of 89%.

Media & Entertainment scale-ups had the largest discrepancy between expected versus realised revenue growth in 2022, which is surprising considering continued global growth in industries like Gaming, Esports and Sports. However, according to the Digital Consumer Trends and our Let's play! 2022 report, consumption of media and entertainment products has softened over the past year as consumers shift towards pre-pandemic consumption levels.⁴

(4) Deloitte Let's Play! Report 2022; Deloitte Digital Consumer Trends 2022



4. Business Growth: Looking Ahead

Average expected versus realised growth through the years⁵



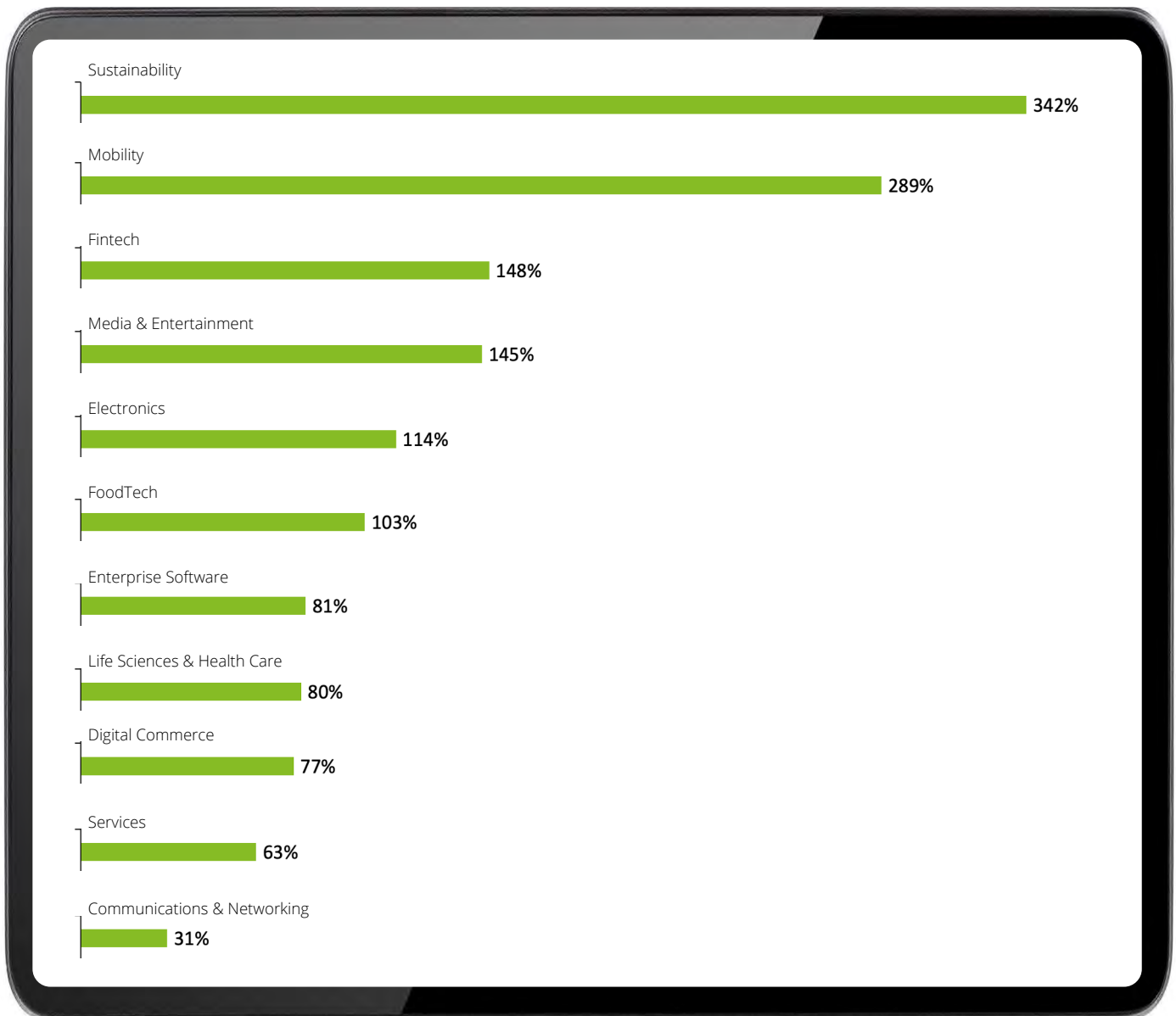
Scale-ups remain rather bullish about their 2023 growth expectations, with an average of 129%. Despite the optimistic growth expectations among scale-up companies, the actual growth rate has not matched up to predictions. The survey conducted over the years has consistently shown that the realised growth rate for scale-ups has been lower than expected as a result of major socio-economic events.

The expected and realised difference in growth stems from scale-ups' inherent optimism and resilience, which is a fundamental part of their business model.

(5) Source: Deloitte COVID-19 Scale-ups Survey, April 2020, N = 70; Deloitte Confidence Survey, March 2021, N = 125; Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279



Average expected revenue growth rate per segment



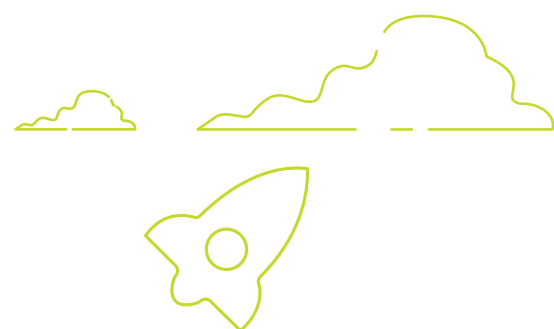
Looking ahead, the **Sustainability and Mobility** segments are expected to have the highest average growth rates in 2023, with 342% and 289%, respectively.

We believe Sustainability scale-ups are expected to grow due to an increasing demand for sustainable products and services among consumers, as well as a growing awareness of the impact on the environment. Governments are also implementing policies and regulations that encourage companies to adopt more sustainable practices. As a result, there is a significant market

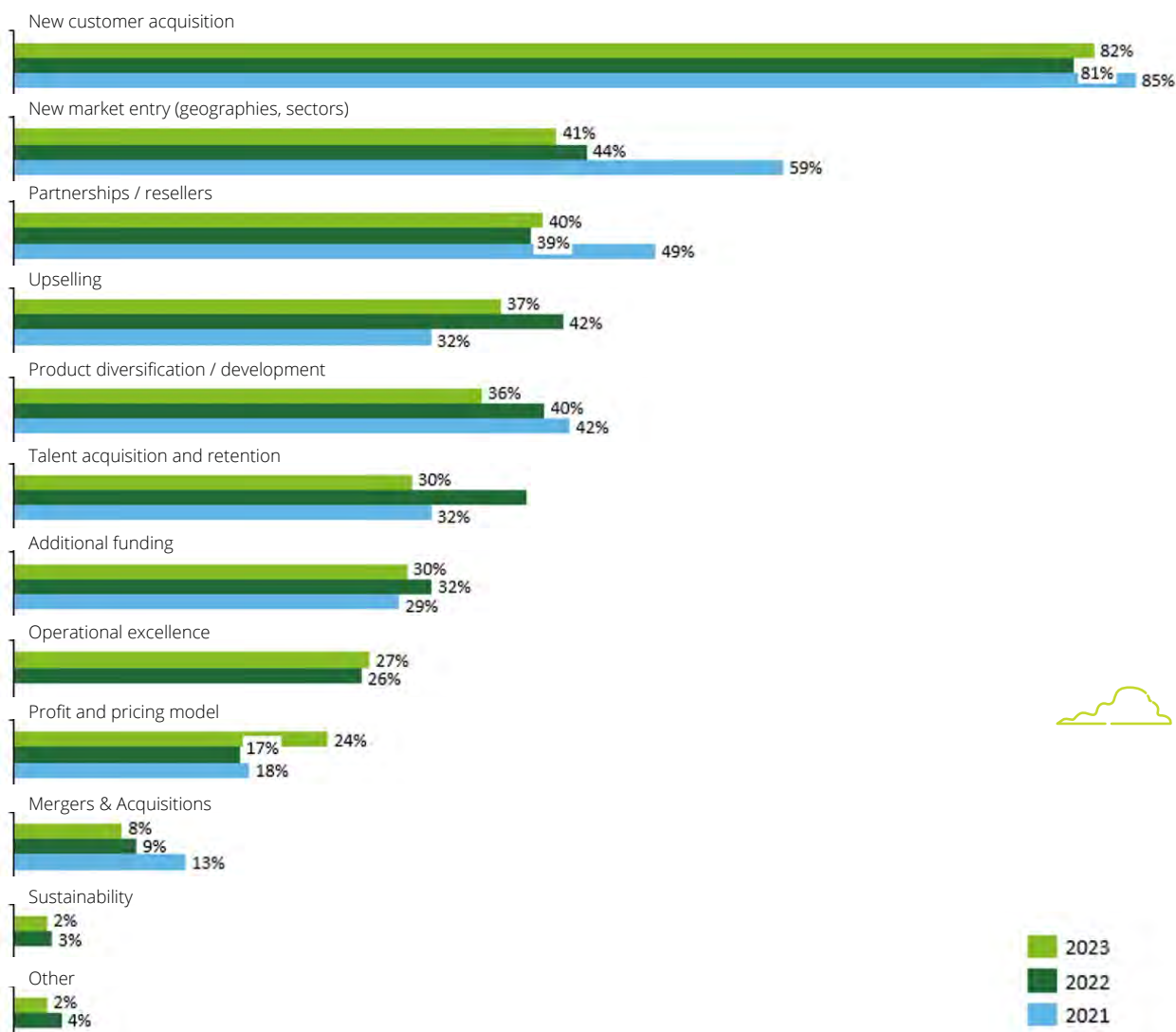
opportunity for scale-ups that can provide innovative and sustainable solutions. Additionally, many investors are now placing a greater emphasis on environmental, social, and governance (ESG) factors when making investment decisions, which further drives demand for sustainability scale-ups.

Growth within the Mobility sector is primarily driven by government regulations promoting alternative modes of transportation, such as EVs, changes to company car tax, sustainability targets, and related policies. Inflation and economic pressures have also led

to increased demand for cheaper, alternative transportation options. Interesting to mention that the primary factor behind the growth in the Mobility segment is the rise in demand for e-bikes, along with scale-ups supporting better-enabled solutions for mobility, such as EV charging or mobility as a service.



What will be your primary areas of focus in 2023 to realise your growth aspirations?⁶



The 2023 survey reveals that scale-ups continue to prioritise **new customer acquisition** as the primary area of focus to achieve growth, as indicated by 82% of respondents. This is followed by **new market entry and partnerships/resellers**, identified by 41% and 40% of respondents respectively.

Acquiring new customers is an important part of any company's marketing and commercial strategy. For scale-ups however, the ability to bring in new customers is the necessary proof point for further growth. We believe that marketing done in a 'new way' can drive growth, where scale-ups need to

adopt customer-centric marketing strategies that use personalised experiences across multiple channels, enabled by data and technology. Collaboration across sales and marketing teams is a vital element of success. Lastly, it is important to keep in mind that "you are not there to sell, but to help the buyer buy".

It is also important to note that new customer acquisition alongside **profit and pricing models** are the only areas of focus that have significantly increased in importance since the previous year. In contrast, all other options have declined in importance as a primary area of focus for scale-ups. This

suggests that scale-up companies are becoming more strategic and selective in their growth strategies, **focusing on their core business where they can achieve the greatest impact and return on investment.**

Additionally, the correlation between new market entries and resellers is noteworthy. A decline in these figures could indicate a decrease in the ambition of our scale-ups to expand geographically. Observations from the Rising Star Monitor⁷ over the years reveal that despite claims to be 'Born Global', **only a handful of scale-ups are genuinely committed to expanding geographically.**

(6) Source: Deloitte Confidence Survey, March 2021, N = 125; Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279

(7) Source: Rising Star Monitor

To which countries/geographies are you planning to expand your company?

Over 40% of scale-ups are planning to expand their operations geographically, and even beyond Europe. It is worth noting that **Belgian scale-ups mainly consider the Netherlands as their first choice for geographical expansion**, whereas for Dutch companies, the UK is the primary option. According to the survey, over 23% of Belgian scale-ups are focused on expanding in the Netherlands, which raises questions about their ability to be considered 'Born Global'. However, less than 5% of Dutch scale-ups are considering expansion in Belgium, which could indicate difficulties in transferring Dutch products to Belgian consumers due to cultural differences.

A recent Deloitte growth lab, with a rapidly growing scale-up in the Mobility segment, also confirmed the Netherlands as a preferred destination for expansion. A crucial aspect of this approach was identifying and scoring parameters for **market attractiveness and ability-to-win** for each potential growth market to prioritise them. This approach finally led our client to the decision to expand their operations to the Netherlands. Country characteristics were most similar to Belgium hence there was a 100% fit with their current value proposition allowing them to hit the ground running.

Among destinations beyond Europe, **North America is the preferred destination to expand internationally**. For most scale-ups, the US is the largest geography with the biggest addressable market and hence often the first option to realise their growth ambitions. A consistent regulatory framework and uniform market dynamics are important drivers to opt for US expansion. Interestingly, expansion to Asia remains rather limited. This may be due to a variety of reasons, such as cultural or language barriers, regulatory or legal challenges, market saturation or competition, and lack of understanding of the local market.



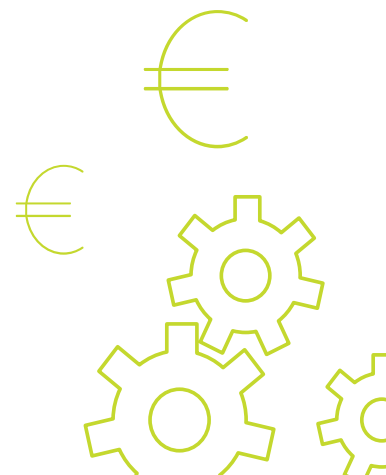
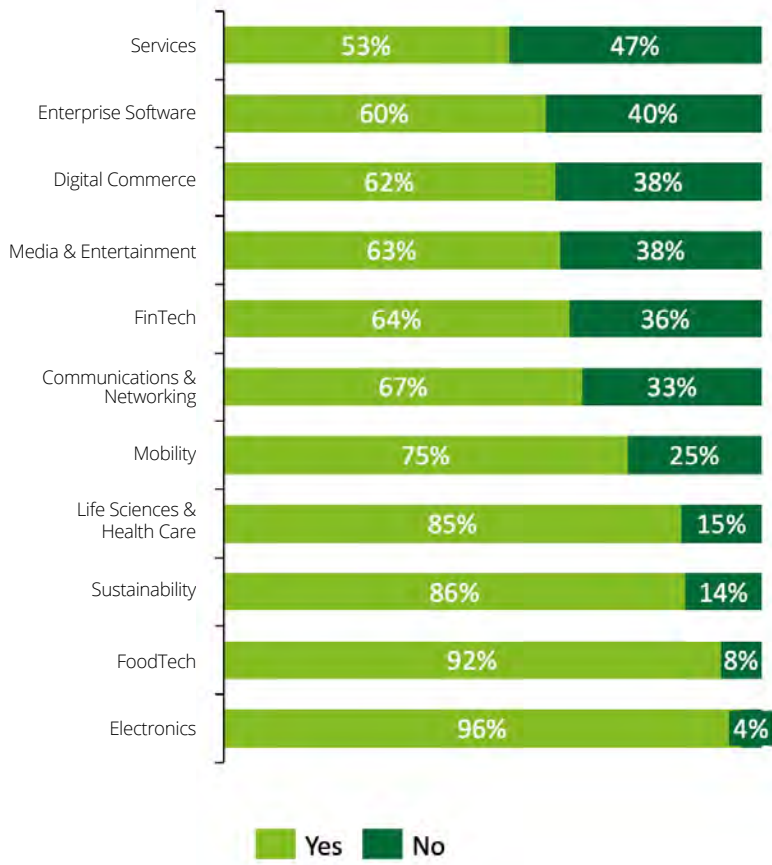
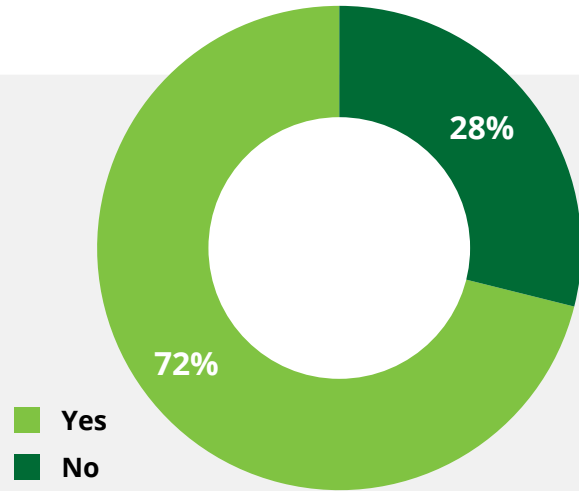
“Unsurprisingly, 62% of scale-ups stated that the valuation of their company has been negatively impacted by the current economic situation.”



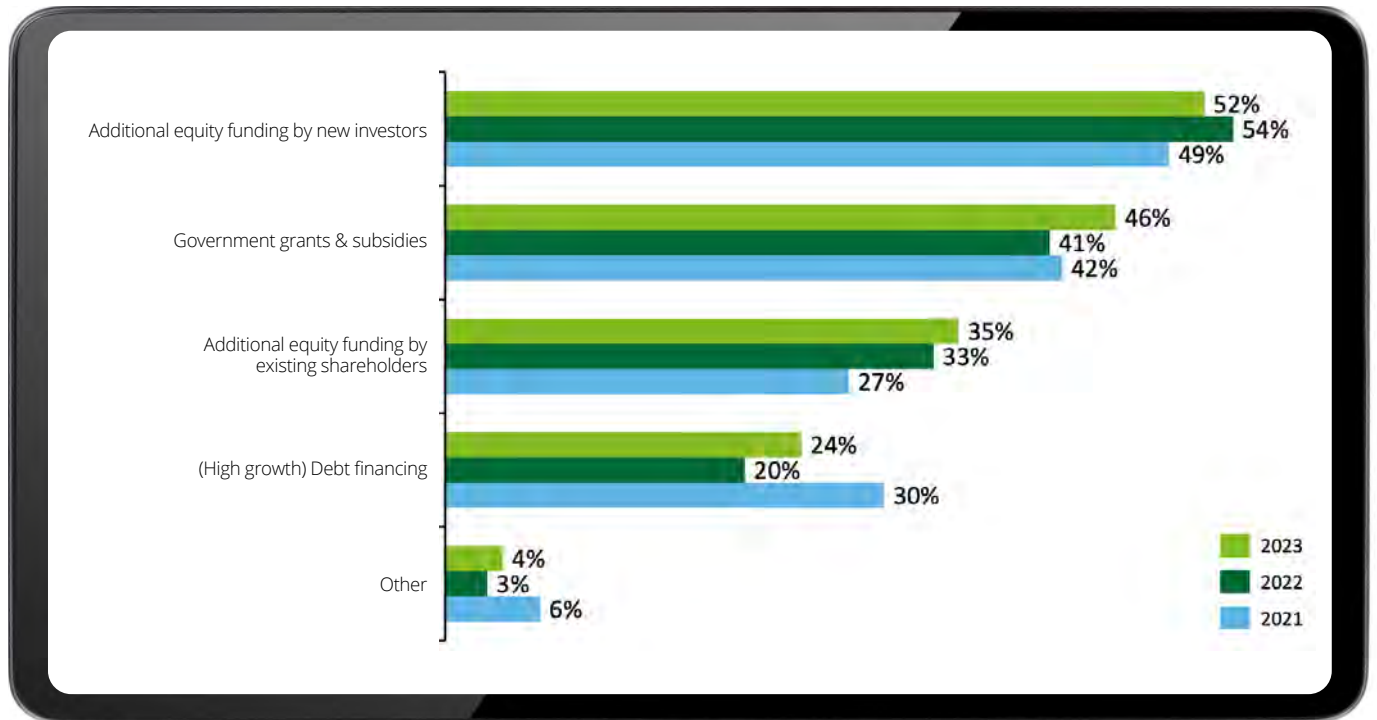
5. Funding & Liquidity Management

Does your company look for any additional funding?

Out of the scale-ups surveyed, 72% are actively seeking additional funding. Interestingly, Services and Enterprise Software are the segments that are less likely to pursue additional funding, which could be attributed to the lower capital requirements / burn rates of these segments.



What types of funding do you consider to fuel your growth trajectory?⁸



The top three types of funding considered remain additional equity funding by new investors (52%), government grants and subsidies (46%), and additional equity funding by existing shareholders (35%). Overall, scale-ups are considering a variety of funding options to support their growth

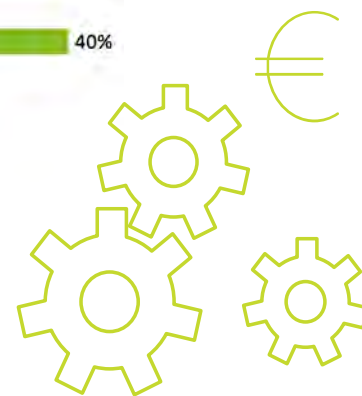
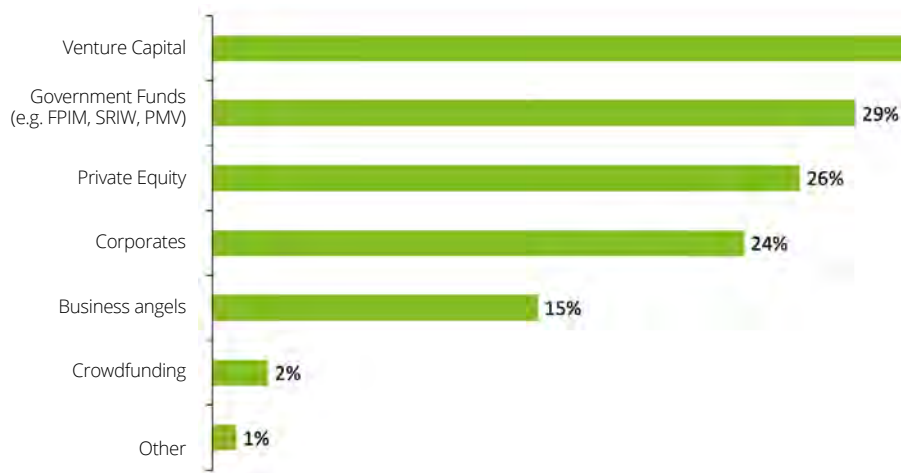
ambitions, with **government funds becoming more prominent** in 2023. Interestingly, there is also an **increase in attention towards debt financing**, which could be a consequence of declining valuations and a move away from dilutive funding methods. Important to point out is that the most effective

funding is **strategic and smart funding**, which comes from investors with knowledge of the industry, sector, and target market, and who can provide access to new customer bases.

(8) Source: Deloitte Confidence Survey, March 2021, N = 125; Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279



Which types of new investors are you considering?



Among scale-ups seeking additional equity funding from new investors, **venture capital is the most sought-after type of funding**, particularly in the Life Sciences & Health Care and Sustainability segments. **Most scale-ups typically aim to secure funding between €1M to 3M EUR.**

As the funding requirement increases while valuations are under pressure, **confidence in securing the necessary funds tends to decrease.** Interestingly, the confidence levels in funding are not affected by the size of the company. Overall, there has been a decline in confidence among scale-ups regarding their ability to secure the necessary funding (8% decrease compared to 2022).

Among different segments, the Electronics and Sustainability scale-ups exhibit the highest confidence, with 52% expressing belief in their

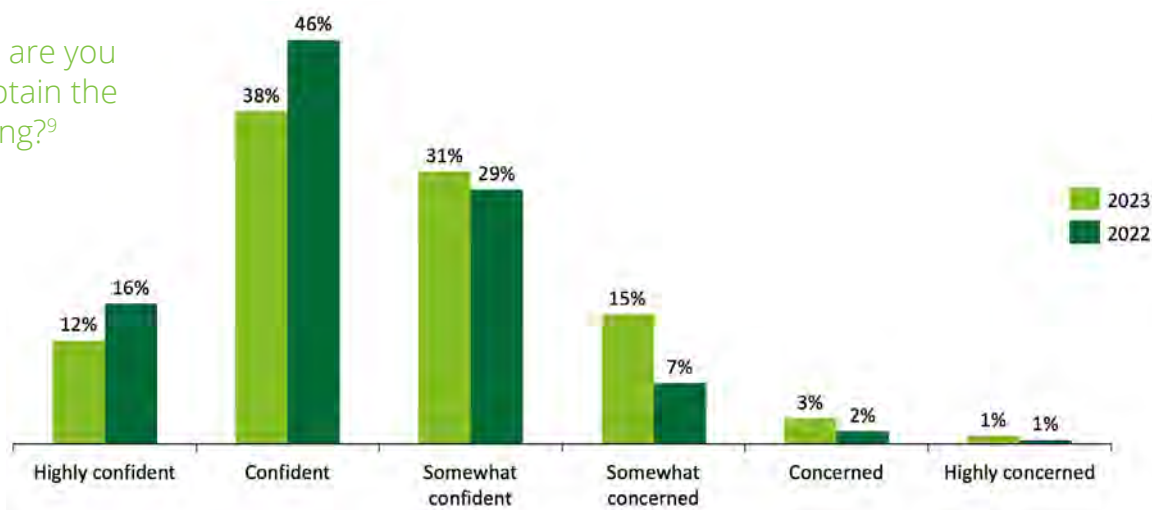
ability to obtain additional funding. In contrast, the Mobility sector displays the most apprehension, with 25% expressing concern about securing funding. In addition, it is worth noting that the **collapse of the Silicon Valley Bank does not appear to have a material impact on confidence levels.** Although 50 scale-ups responded to the survey after the incident, no significant changes in the average confidence levels were observed.

From a business perspective, it is important to note that many **scale-up companies are currently facing more stringent fundraising conditions.** This can be attributed to several factors, including a macroeconomic slowdown, inflation, and rising interest rates, which has put downward pressure on valuations. As a result, businesses

are finding it increasingly challenging to secure their funding needs to support their further growth trajectory and current operations.

In this environment, we believe **exploring various alternative funding sources next to equity (e.g. debt, grants and incentives) are key** to mitigate the more dilutive impact equity raising has due to lower valuations. In addition, we see scale-ups and their shareholders also putting a higher focus on strengthening own cashflow generation and where possible the optimisation of their working capital. Fundraising in a more complex and volatile environment like today will require more time and preparation and hence starting your next funding round early enough is important to not get caught up by a shortening cash runway.

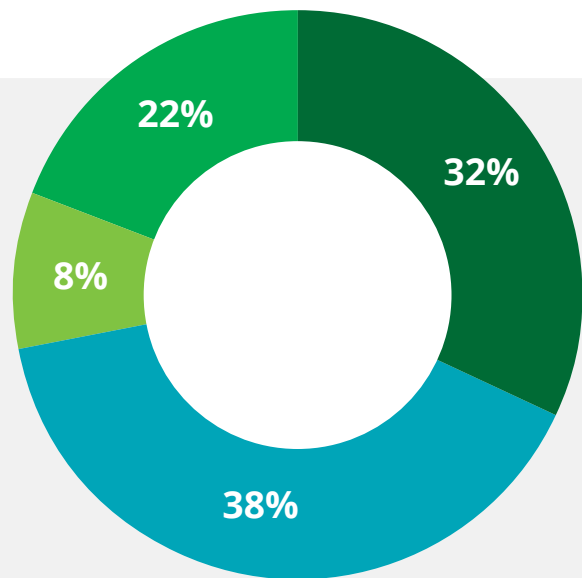
How confident are you that you will obtain the required funding?⁹



(9) Source: Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279

How has the valuation of your company been impacted by the current economic situation?

- No impact
- Limited impact
- Significant impact
- Very significant impact



According to the survey results, a total 62% of scale-ups indicated that their company's valuation has been negatively impacted by the current economic situation. This means that the **current economic climate has a significant impact on the valuation of scale-ups** by potential investors.

This negative impact on valuation could be due to a variety of factors, such as decreased consumer demand, reduced access to capital, increased competition, and economic uncertainty. As a result, many scale-ups may find it challenging to raise the necessary

funds for growth and development. The trend of reduced company valuation is affecting scale-ups across multiple segments, rather than being exclusive to any particular segment.

However, the **Services and Sustainability segments appear to be relatively resilient**, with respectively 53% and 48% of scale-ups reporting no impact on their valuation. On the other hand, the Mobility segment appears to be the most severely affected, with 17% of respondents expecting a valuation reduction of over 50%.

Finally, it is worth considering the potential consequences for scale-up companies when their valuation decreases. A decrease in valuation may result in a **more significant dilution of early investors and founder shares when raising additional funds**, which could limit their ability or willingness to secure future investments and ultimately impact their domestic and international growth.

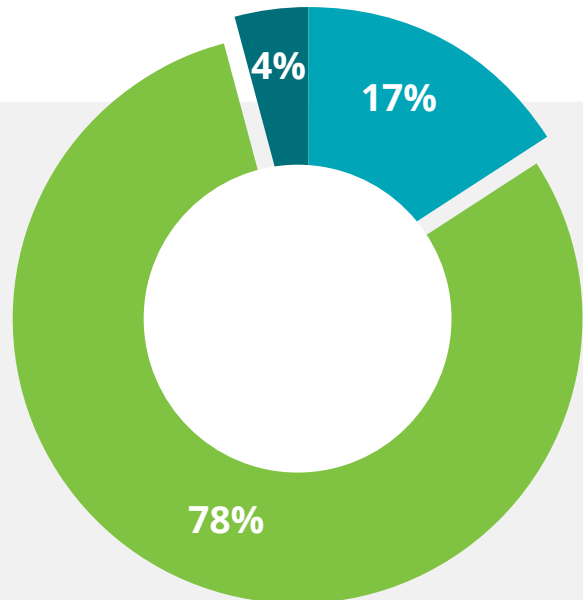


“In 2023, 22% of scale-ups are planning either a hiring freeze or a reduction in their existing workforce.”

6. Talent & Organisation

How do you see the evolution of your workforce?

- Headcount growth
- Hiring freeze / no headcount growth
- Headcount reduction / right-sizing



22%

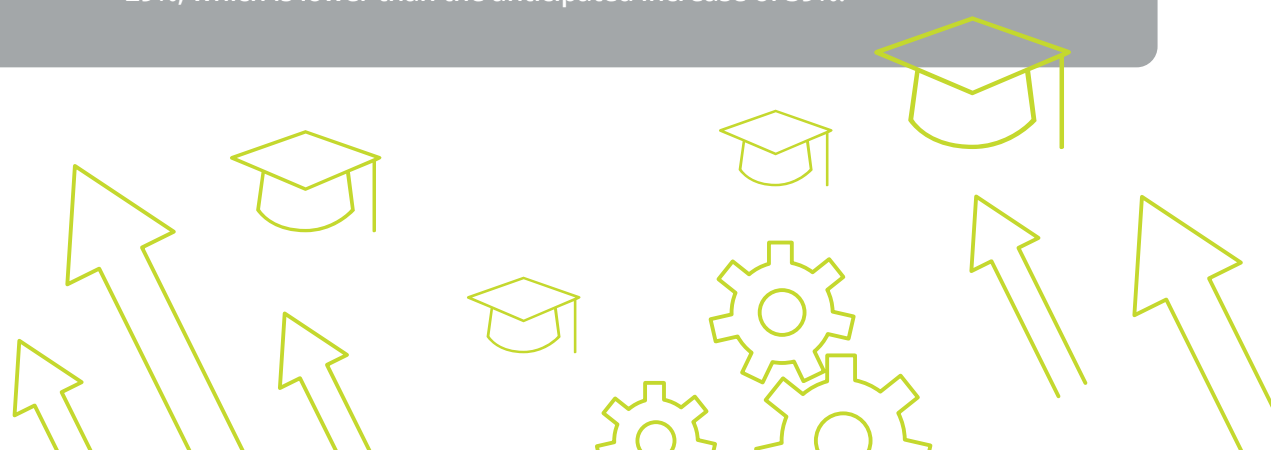
of scale-ups are expecting either a hiring freeze, no growth in headcount, or even a reduction in headcount, with the **Mobility sector standing out.**

Despite the promising revenue growth outlook for Mobility, start-ups in this segment often struggle with bottom-line growth due to low profitability per user. The nature of the business model means that revenue takes time to translate into profit, posing a challenge to achieving profitability. This could be why mobility start-ups are experiencing difficulties in attracting and retaining talent, as they may be prioritising efforts to convert revenue growth into more profitable growth.

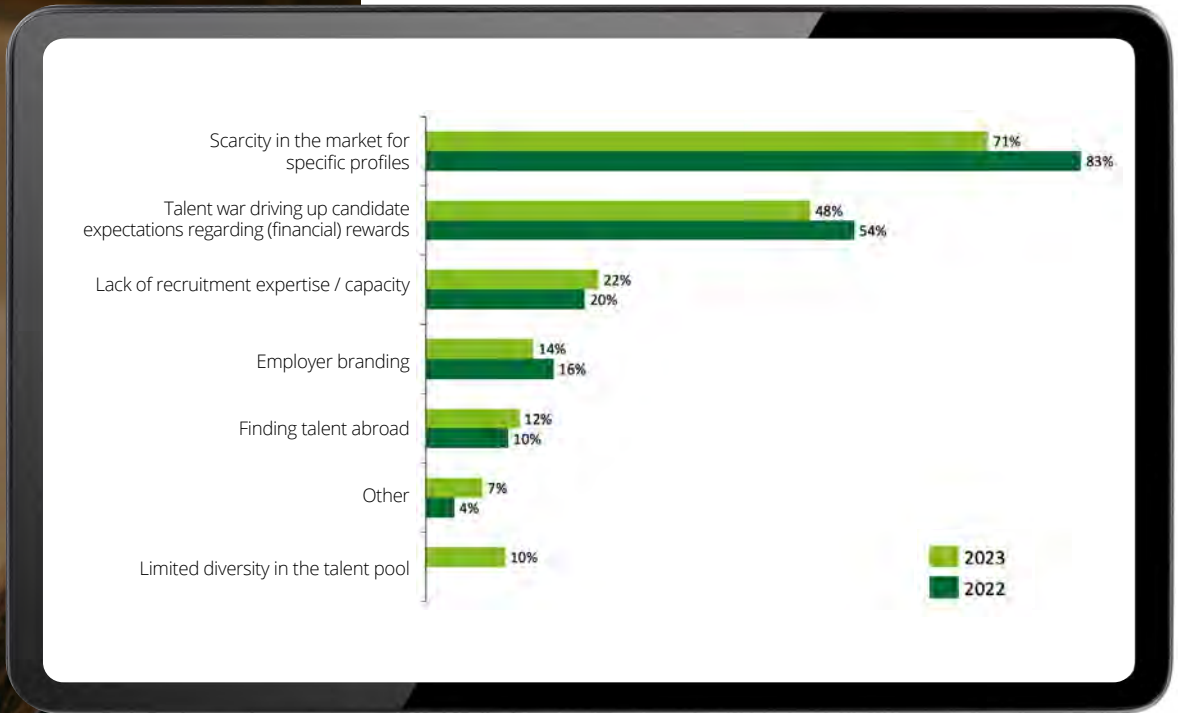


78%

of scale-ups however are anticipating an increase in headcount. The **Life Sciences & Health Care, Services and Sustainability segments are particularly optimistic** about headcount growth, with many scale-ups in these industries anticipating hiring more employees. This can be attributed to different factors, such as the increased demand for healthcare services as well as the growing importance of digital health solutions, companies looking to outsource tasks to service companies, and sustainability gaining in importance both from a regulatory as well as consumer perspective. Overall, **in 2022 scale-ups increased their total FTEs by 29%, which is lower than the anticipated increase of 39%.**



What do you see as the main hurdles in attracting and retaining talent?¹⁰



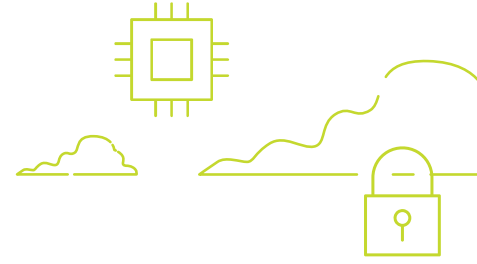
The results of the 2023 Scale-Ups Confidence Survey indicate that the **main obstacle for scale-ups in finding talent is the scarcity of qualified candidates in the job market for specific profiles**, which was reported by 71% of respondents. The most sought-after profiles are typically those in STEM fields, engineering, and development, which are in high demand not only by scale-ups but also by companies of all sizes, resulting in a smaller talent pool.

The talent war persists for scale-ups, with **high candidate expectations in terms of financial rewards** being the second most significant challenge reported by 48% of respondents. To attract top talent, we believe that scale-ups should highlight their strengths as a talent magnet, including a clear purpose and mission, founder inspiration and motivation, and a balanced reward package with development, recognition, cash, benefits, and equity or share options to foster excellence.

Additionally, the survey results show an increase in the number of **scale-ups facing a lack of recruitment expertise or capacity**, with 22% of respondents identifying this as a challenge, up from the previous year. This indicates that some scale-ups may be struggling with their internal HR processes and may need to enhance their recruitment strategies or invest in additional resources to support their hiring efforts.

(10) Source: Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279

7. Technology Scalability & Security



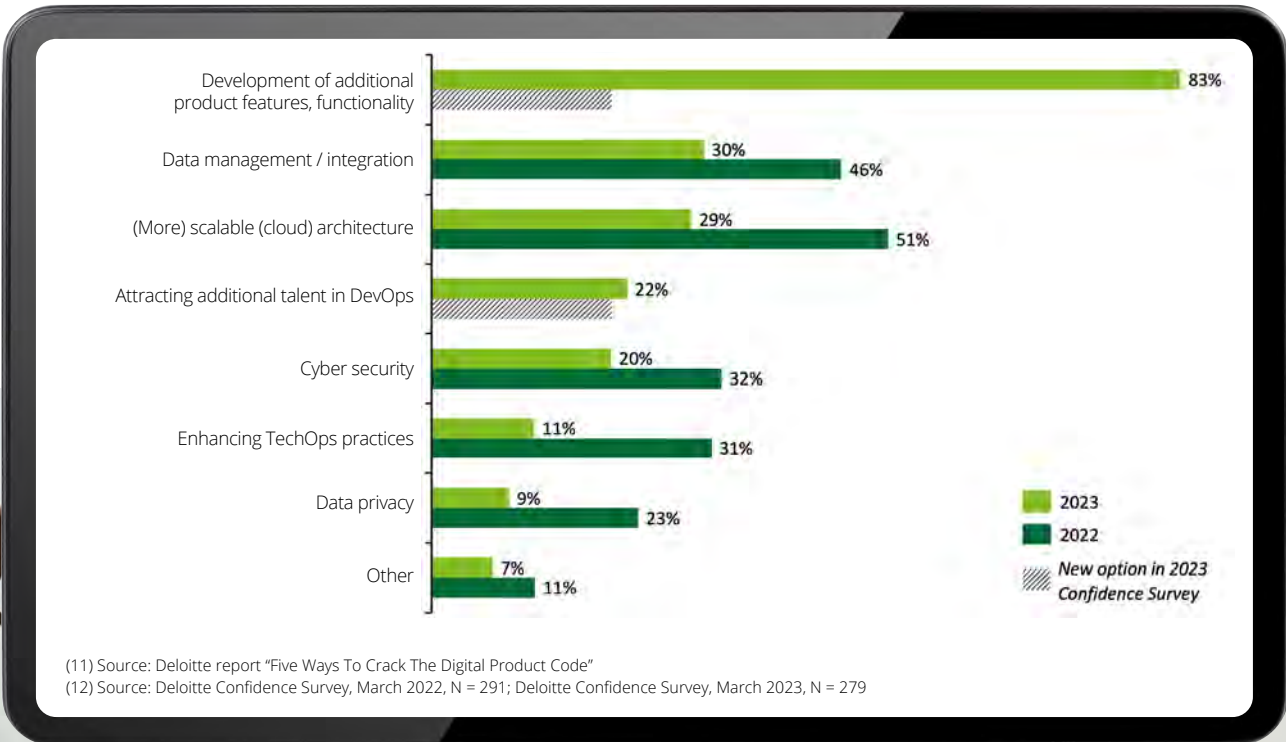
According to the 2023 survey, the **development of additional product features and functionality is the top investment priority** for scale-ups. Our research has shown that this is especially true for the Mobility and FinTech segments.

development allowing scale-ups to enhance their digital products faster and making it easier to integrate with partner solutions.

In contrast, **data management/integration and scalable architecture have lost their priority status**, even though scalable architecture was a priority in the previous year's survey. This decline is especially interesting since from a technology perspective, scale-ups must ensure a modern and modular technology stack which includes building blocks instead of a static architecture¹¹. This will ensure fast and flexible product

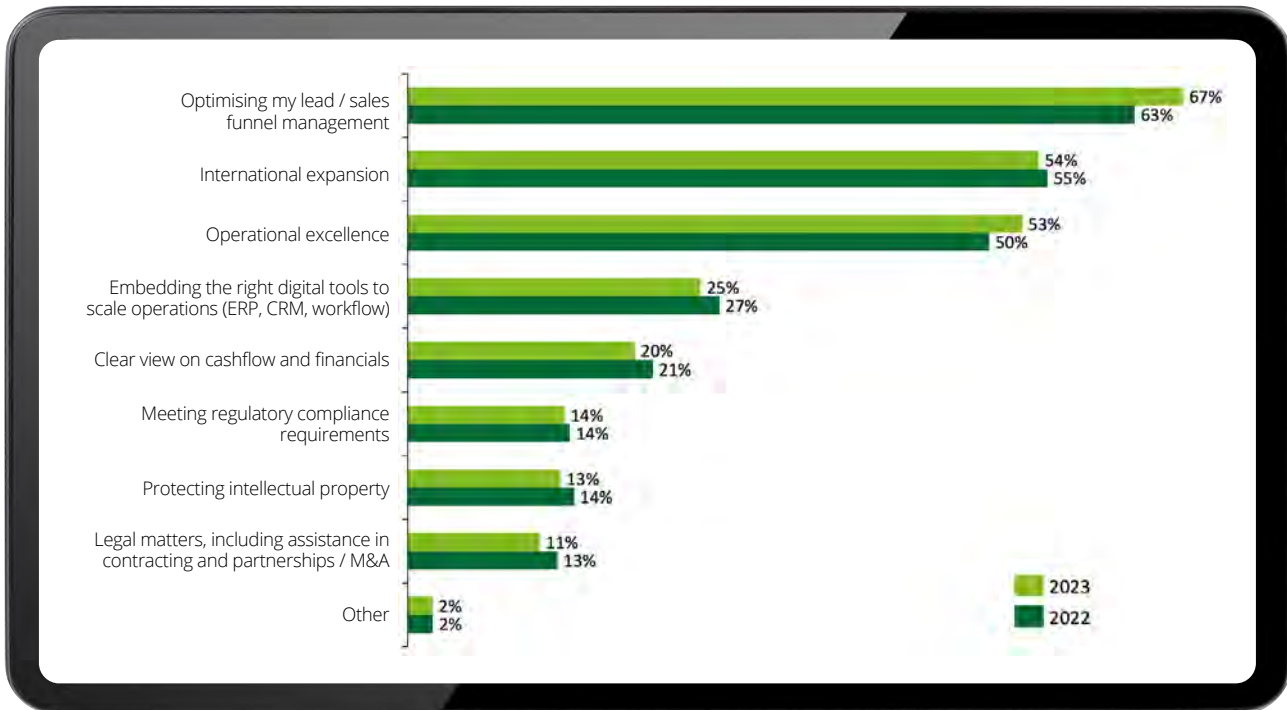
This shift in investment priorities suggests that **scale-ups are increasingly focused on short-term enhancements in their product offerings and improving the user experience versus long-term platform benefits**. In addition, investment in product offerings addresses scale-ups' main challenge of delayed/new business customer signings in 2022, as scale-ups focus on enhancing their products to attract new customers and scale their business.

What are the technology investment priorities for your company?¹²



8. Digital Operations

For which of the below items do you see most improvement potential within your company?¹³

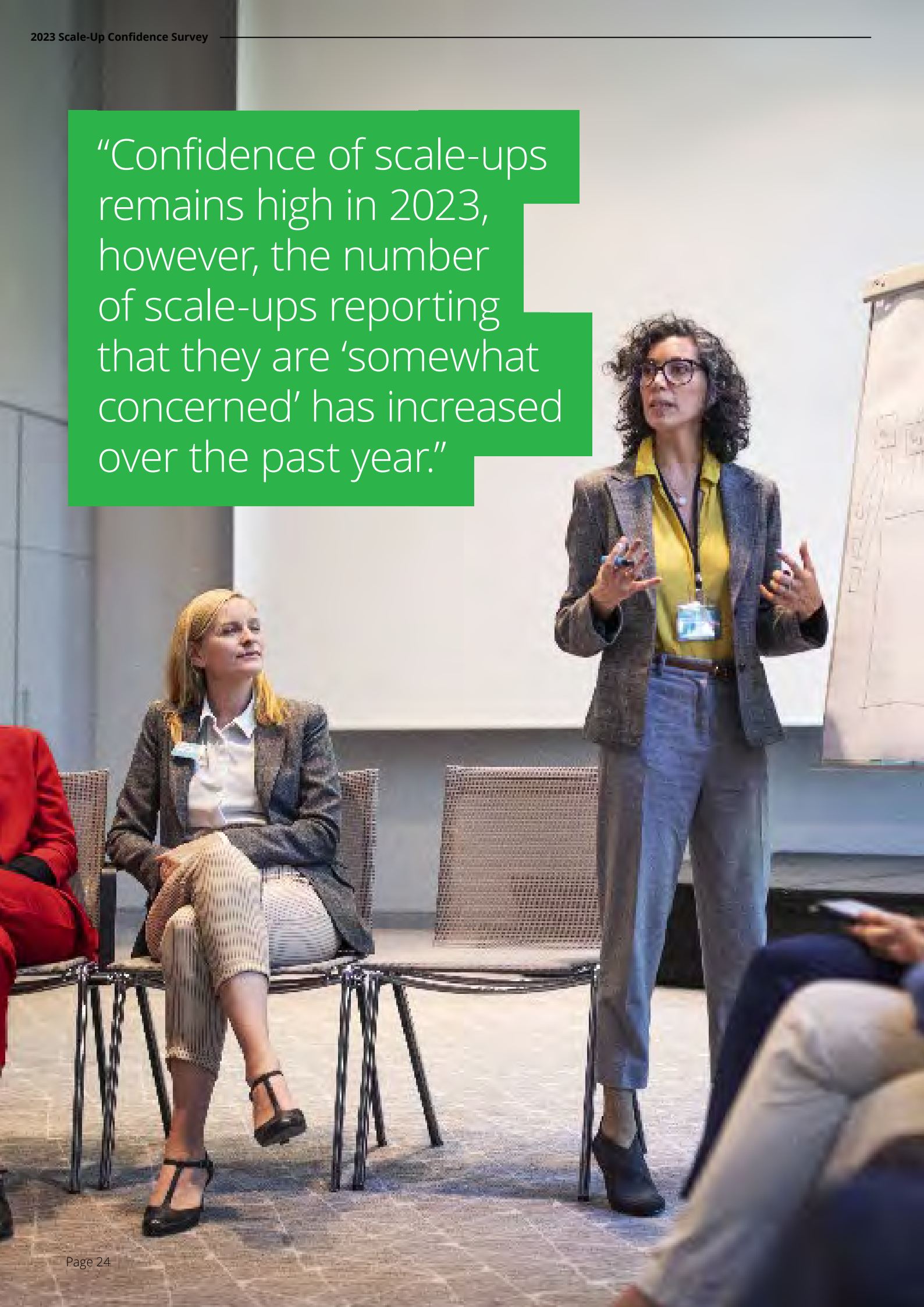


According to the survey results, the top three areas with the most improvement potential for scale-ups remain **optimising lead/sales funnel management**, with 67% of respondents indicating this as a priority, followed by **international expansion** (54%), and

operational excellence (53%), where we see limited differences compared with last year. These findings emphasise that scale-ups are taking a larger focus on sales and attracting/reaching new customers.

(13) Source: Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279

“Confidence of scale-ups remains high in 2023, however, the number of scale-ups reporting that they are ‘somewhat concerned’ has increased over the past year.”



9. Scale-Ups Confidence



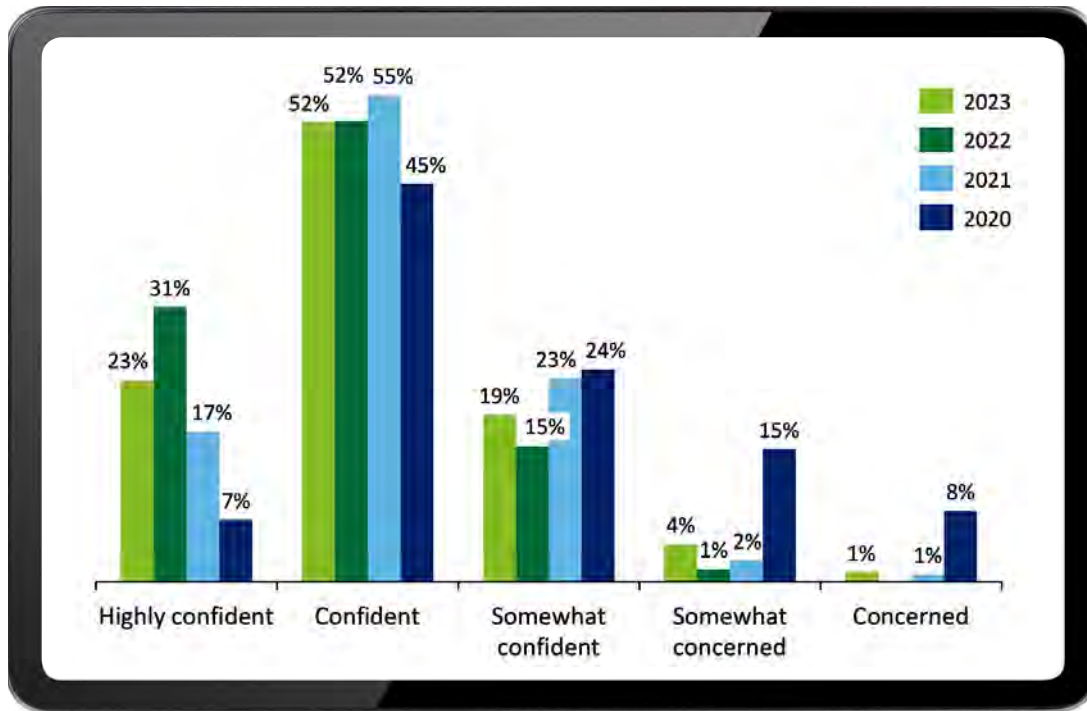
2023 Confidence Score → 7.9

2020 → 6.9/10

2021 → 7.9/10

2022 → 8.4/10

How confident are you that your business can continue or even accelerate its growth trajectory?¹⁴



The **confidence level of scale-up companies remains high**, to continue or accelerate their growth trajectory (52%). This indicates that the majority of scale-ups are optimistic about their future.

However, the survey also reveals that the number of scale-ups reporting that they are '(somewhat) concerned' has increased over the past year, while 'highly confident' scale-ups reduced by 8%. This suggests that while most scale-ups are still confident, **quite some have become more cautious due to various economic and market uncertainties.**

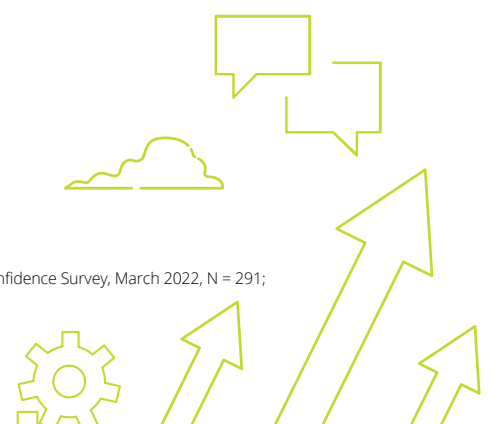
The two most confident segments are FinTech and Services. On the other hand, the two most concerned segments are Mobility and Electronics. This could potentially be attributed to a range of factors including regulatory challenges, changes in consumer behaviour, or increasing competition in these industries.

According to the 2023 Scale-Ups Confidence Survey, **the confidence score has declined by 0.5**, indicating that the current economic uncertainties and events are impacting the scale-up ecosystem. While the confidence

score has not dropped back to pre-COVID levels, it is clear that external factors are affecting the sentiment of scale-ups.

Despite these challenges, **scale-ups are known for their agility and ability to pivot quickly in response to changing circumstances.** This flexibility may help them overcome these obstacles and emerge stronger in the long run.

(14) Source: Deloitte COVID-19 Scale-ups Survey, April 2020, N = 70; Deloitte Confidence Survey, March 2021, N = 125; Deloitte Confidence Survey, March 2022, N = 291; Deloitte Confidence Survey, March 2023, N = 279



Contacts



Koen Vandaele
Managing Partner
Deloitte Belgium
kvandaele@deloitte.com



Bart de Vries
Partner
Deloitte Netherlands
bartdevries@deloitte.nl

Deloitte.

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