Challenges & opportunities of transfers of SMEs in Europe

European Microfinance Network Webinar | 25th April 2019
AGENDA

▪ Introduction
▪ Challenges in Europe today
▪ Priority actions
▪ Activities of Transeo
▪ Next steps...
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Introduction
Why business transfer matters to you

- Guaranteeing the continuity of ownership in micro-companies thanks to
  - ...successful succession within the family or by transferring ownership to an employee / an external buyer
  - ...appropriate framework conditions - support services – financing schemes for the entrepreneur who takes over a micro company

...contributes to:
- ...economic welfare of your region/country
- ...maintaining economic added value & encouraging innovation & growth in micro companies that have changed hands (higher survival rate than start-ups)
- ...safeguarding jobs in micro companies
- ...fighting unemployment by offering unemployed people the opportunity to create own job by taking over a micro company

- Providing information – support services on transfer/takeover of micro companies requires appropriate approach of business owners

- Providing financing schemes to take over micro companies:
  - ...involves greater financing risks – therefore complementary financing schemes (loans / guarantee / counter-guarantee / ...)
  - between the public and the private sector is a good practice

>>> Transeo gathers Members who share good practices on supporting and financing transfer/takeover of micro-companies
Business transfer in Europe
Key Facts & Figures
Business transfer in Europe

Key Facts & Figures

- = Ownership of a business transferred to a new owner
  For different reasons, mainly to guarantee the continuity of the company (age of the business owner)
  - Several options for transfer of ownership:
    - Family business succession: transfer to the children/family
    - Management Buy Out: transfer to the management of the company
    - Transfer to the employees under the form of a cooperative
    - Management Buy In: transfer to a third party (entrepreneur)
    - Strategic acquisition: transfer to an other existing company

- Business transfer is also about:
  - #Entrepreneurship: lots of advantages to take over an existing business instead of creating one from scratch
  - #Growth/#Scaleup: SMEs have the opportunity to take over other SMEs to grow (external growth by acquisition)
  - #Internationalization/#Singlemarket: SMEs can grow by buying SMEs in other countries

- According to the latest EU statistics,
  - Europe is losing 150,000 firms representing 600,000 jobs/year due to inefficiencies in business transfers
  - Business transfers affect up to 450,000 SMEs & 2 million jobs/year
Business transfer in Europe

Main challenges

- "Opacity" of the market
  - In regions/countries: tricky phenomenon to deal with (confidentiality)
  - In the European Single Market: cross-border acquisitions of SMEs are of growing significance but so far no common quality standards into place for sell/buy marketplaces (matching platforms) and in several Member States no marketplace at all

- Lack of awareness (sellers/buyers)

- Lack of quality professional support (not a regulated profession)

- Gaps in financing for buyers of companies

- Complicated regulatory framework including tax legislation

- Member States still need to make lots of progress in implementing EU recommendations
  - Lack of political attention, in particular in Eastern EU countries (new issue)
  - Not enough use of ERDF/ESF/Interreg funds to support business transfer
  - Budget squeezes at regional/national levels

- No common definition of business transfer across Europe - No reliable statistics at EU level
  - No access to data
  - No common methodology to gather statistics
  - Difficult monitoring of efficiency of business transfer policies
Priority actions to foster transfers of businesses in Europe
Business transfer in Europe
Priority actions

- Main objective to achieve? Efficient business transfer policies & action plans in EU Member States
- Commissioner Bienkowska’s message to Member States: business transfer ecosystems should be developed in all EU Member States to support SME transfers
- One of Transeo’s proposals to EU Commission is to organize a EU coordination of business transfer regional/national policies & ecosystems, based on the exchange of good practices and the transfer of knowledge

Through her speech, Elżbieta Bienkowska - EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs - put forward the challenges that lie ahead and explained how we should face these future obstacles. “Europe needs more jobs, more growth and more opportunities. Business transfer can contribute to this by better preserving existing companies and developing awareness-raising campaigns is therefore crucial in this respect”, said Mrs Elżbieta Bienkowska. “We also need simpler and more supportive regulation as well as transfer-friendly taxation. Another part of the answer lies in efficient marketplaces for buyers and sellers, coupled to quality advice and mentoring throughout the whole process. Finally, suitable financial schemes for takeovers are essential as well. To that end, Member States must address the business transfer issue and develop adequate action plans. The launch of this new Transeo Marketplace to stimulate cross-border...
Transeo – EU network for business transfer in a nutshell
Transeo
EU network for business transfer

In a nutshell

▪ Transeo = international non-profit association

▪ Set up in 2010

▪ What are the activities of Transeo ?
  ▪ Exchange of good practices
  ▪ Working groups - research
  ▪ Networking
  ▪ Events / Trainings
  ▪ Dealmaking (Transeo Marketplace)
  ▪ Lobbying
  ▪ Centre of expertise (academic research)
Transeo
EU network for business transfer
In a nutshell

- 62 members from 18 countries
- **Professionals** (M&A advisors, matching platforms, lawyers, auditors, accountants, chartered accountants, tax consultants, brokers, banks, private equity firms, ...)
- **Semi-public/Public institutions** (economic development agencies, business associations, SME agencies, chambers of commerce, ...)
- **Academic researchers** (universities, business schools, research centres, ...)

![Group Photo](image-url)
Transeo
EU network for business transfer

In a nutshell

- Major achievements

Coming together is the beginning.
Keeping together is progress.
Working together is success.

Henry Ford
Transeo achievements since 2009

1. Stimulate the exchange of good practices between its Members
   - Members coming from the private sector (professionals), the academic world & institutions
   - On key issues such as:
     - Awareness-raising of business owners (sellers)
     - Deal-breakers
     - Valuation & price expectation mismatch between sellers and buyers
     - Minimum quality standards in business transfer marketplaces (www.eu4bt.eu)
     - Business transfer ecosystems >> including Financing of acquisitions
     - External growth by acquisition
     - Marketplaces
Transeo achievements since 2009

Gather the business transfer experts from the world in European SME Transfer Summits

- On average 150-200 attendees
- High-quality speakers/experts
- Bringing business transfer on top of EU/Member States political agenda
- Lots of networking opportunities
- Discussing the key issues linked to transfers of SMEs in Europe
- Creating the debate between professionals, academics, institutions and policymakers
Transeo achievements since 2009

Working with the EU institutions as reference expert

- Participation & positions shared in EU Commission expert groups
- Co-organization of business transfer conferences of EU Commission
- Collaboration with EESC, EU Committee of the Regions, EU Parliament (amendments proposed in COSME to MEPs to integrate the “business transfer” issue)
- Position Papers
- Collaboration with SME Envoys
- Working together with other business associations: European Family Businesses, AECM, Invest Europe, Accountancy Europe, UEAPME, Eurochambres, Business Europe, CECOP, ...
- Guest delegate at all EU Commission SME Assemblies
- Transeo often quoted as reference by EU institutions: EU Commission Guidebook “Facilitating Transfer of Business”, OECD 2018 Ministerial Conference, ...

...
Transeo achievements since 2009

Launching the 1st European Marketplace to stimulate cross-border acquisitions of SMEs

- “Transeo Marketplace”
- Sell-side & buy-side blind profiles posted by Transeo Members
- Objective: make it easier for an SME...
  - To be taken over by a foreign investor
  - To acquire a company in another country

- Official launch: 2018 Transeo Summit, Luxembourg
Next steps? What’s in it for me as EMN Member?

- Want to develop business transfer support services/financing schemes?
  >> Get inspired & become a Member of Transeo (access to our activities, including working groups on business transfer ecosystems)

- Meet our Members! Transeo gathers more than 60 organisations across Europe & beyond, with high expertise on business transfer
  >> Ask the Transeo team to connect you with the most relevant Members for possible partnerships, peer-to-peer visits or speaking slots

- Talk to Transeo about possible EU projects you are active in / or planning to develop!
  >> Transeo is one of the reference experts of EU institutions on transfer of business & has already been involved in many EU projects on business transfer
  >> Transeo is an excellent dissemination partner in EU projects
Meet the Transeo team

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Transeo – European Association for SME Transfer

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