[draft Assessment Letter]

Notes to constituents

The European Commission has requested EFRAG to assess the market interest and potential structure of a voluntary template on the European Single Access Point with the purpose of facilitating the financing of SMEs, particularly innovative, fast-growing companies and startups.

EFRAG has already conducted more than 80 interviews with relevant stakeholders. However, to ensure that all interested parties are heard on the issue, EFRAG has issued this draft Assessment Report for public consultation and will also undertake additional outreach during the consultation period. The feedback obtained through this outreach, together with the comments received on this draft Assessment Report, will be considered and reflected in EFRAG's final Assessment Report. The content and the assessments presented in the final Assessment Report may therefore differ from those presented in this draft Assessment Report.

Constituents are invited and encouraged to provide their views on the content and the assessments made in this report. This includes, but is not limited to, the aspects covered in the following questions.

1) Do you agree with the assessments made in this draft Assessment Report? If not, which assessments do you not agree with and why?
2) Do you consider that a voluntary template for SMEs seeking finance would only be useful under certain conditions (e.g., as there are issues that first need to be addressed)? If so, what are those conditions?
3) Do you think there are important financing providers or financing facilitators for unlisted companies who have not been considered in the draft Assessment Report? If so, who are those finance providers, and for which phase(s) of an entity's lifecycle are they relevant? Do you think they would be interested in a voluntary European Single Access Point template?
4) Do you have additional views on some of the aspects presented in the draft Assessment Report (e.g. views on how to improve the financing of SMEs, including startups and scale-ups)? If so, what are those additional views?
5) If you believe a voluntary template for SMEs would be useful, what information would you like it to include? What features would you find important in a platform that hosts such a template?

You can submit your comments on EFRAG's draft assessment report by using this form. You can also provide comments to us verbally by sharing your contact details here. We will then schedule an interview with you.

Comments should be submitted by 27 May 2026.

Maria Luís Albuquerque
Commissioner for Financial Services and the Savings and Investments Union
European Commission
B-1049 Brussels

30 June 2026

Dear Commissioner Albuquerque,

Re: Assessment of the interest in a voluntary template for SMEs at the European Single Access Point to facilitate financing

On behalf of EFRAG, I am writing to provide our assessment of the interest in a voluntary template available at the European Single Access Point (ESAP) containing key information about SMEs for the purpose of seeking finance, as requested in your letter of 29 July 2025 (the Request).

Our assessment is based on interviews with more than 80 relevant stakeholders, survey responses from 39 respondents, and available literature (including studies related to the financing situations of SMEs in the EU). Our assessment is thus based on the interest currently expressed. This interest could change over time, for example as other tools are developed and/or as stakeholders become more accustomed to, and/or educated on, the suggested voluntary template.

Although financing issues can arise for all types of SMEs, as you mention in your request and as confirmed by the literature and the interviews conducted, the main issue in the EU is the financing of startups and fast-growing innovative companies. Although our assessment considers all types of SMEs, we have particularly focused on startups and fast-growing innovative companies.

For a voluntary template for SMEs on ESAP to be useful, there needs to be interest both from SMEs to use the template to provide information and from finance providers and facilitators to use the information provided in the template for their financing and facilitation decisions.

Interest from SMEs

Based on the information we have collected, we assess that SMEs in need of finance are interested in using the voluntary template if:

(a) providing information via the voluntary template will enhance their chances of obtaining finance;

(b) the cost and effort of providing information will not exceed the benefits.

As the template would be voluntary, most stakeholders consulted were not concerned that the costs and effort would exceed the benefits, as it was considered that only companies that would overall benefit from the template would use it. A few stakeholders, however, feared that a voluntary template for SMEs at ESAP could result in market pressure, resulting in all SMEs having to provide the information de facto, in which case the costs would outweigh the benefits. In addition to the effort of providing the information to the template, the costs for SMEs would include that of providing information considered confidential. In this regard, we note that information SMEs are willing to make public can vary significantly between jurisdictions and SMEs.

Interest from finance providers and other relevant market players

The input we have received from financing providers and other relevant market players on the interest in a voluntary template has been mixed.

The vast majority of banks, insurance companies and pension funds did not express interest in using the voluntary template on ESAP.

Smaller initial public offerings (IPO) advisors were interested in using the voluntary template on ESAP.

Public/government financing bodies expressed some interest in the voluntary template, noting that they may use the template as a tool potentially allowing them to filter for eligible candidates. However, public/government financing bodies do not generally look for eligible candidates themselves but receive requests from companies. Furthermore, if these bodies were to use the voluntary template to validate whether a candidate would be eligible for financing, it would require the voluntary template to be used by candidates.

Feedback from other types of financing providers and facilitators indicates that the main factors influencing the interest of a voluntary template by financing providers and facilitators at the EU level are: (1) whether they are looking for SMEs in other EU countries to finance/invest in, and (2) whether they have access to relevant information through other means – most importantly through networks, events and existing commercial databases.

Early-stage financing providers such as business angels, incubators, accelerators, and university technology transfer offices have generally not expressed an interest in using the voluntary template, unless they are investing internationally, which is not very widespread for this type of financing providers.

Some crowdfunding platforms have expressed an interest in the voluntary template to look for cross-border opportunities.

Early-stage venture capital firms of smaller size looking for cross-border opportunities expressed some interest in the voluntary template on ESAP. For this type of venture capital firms, dedicated commercial databases are deemed too expensive and the voluntary template on ESAP may represent an alternative tool for screening and benchmarking potential investment targets. For benchmarking purposes, however, the ESAP database would need to have a significant number of companies submitting voluntary templates.

Venture capital firms specialising in later stage investments and private equity funds typically use commercial databases or collect information from national registers, in addition to networking, which continues to play an important role in connecting companies in search of capital to finance providers. These financing providers expressed limited interest in the voluntary template on ESAP, and the interest was often conditional on the existence of additional tools and functionalities on ESAP which would differentiate it from already existing commercial platforms.

Larger M&A advisors did not express an interest in the voluntary template as they already use commercial databases. Smaller boutiques were more interested in the voluntary template due to cost barriers.

We assess that for the voluntary template to be a meaningful and impactful tool, a certain level of users (financing providers and financing facilitators) of the template is needed. Based on this feedback and considering the currently expected ESAP functionalities, we do not believe there is enough interest expressed by various stakeholders to reach that level.

Considerations related to a potential voluntary template for SMEs and startups

We note that having information about European SMEs on a single publicly accessible platform might also serve other objectives. The voluntary template could, for example, also be used for supply chain purposes (for example, when a large corporate is looking for suppliers within the EU and/or considers information related to sustainability reporting). Interest in the template was also expressed by public non-financial assistance programmes. They could use the voluntary template to search for startups they could assist.

Therefore, should you still consider establishing a voluntary template for SMEs and startups to (among other things) facilitate financing, the following feedback we have received could be taken into account.

(a) The template should allow for both quantitative and qualitative information. Especially at earlier stages of a company's lifecycle, qualitative information may be more useful than quantitative.

(b) Financial information may not need to be further harmonised for the purpose of the template. The feedback we have received from investors does not indicate that it is necessary to develop requirements on how to present financial information in a more harmonised manner than under the Accounting Directive for the screening phase (some stakeholders, particularly some crowdfunding platforms and stakeholders wanting to use the template for benchmarking and research purposes, however, considered harmonisation to be the added value of a voluntary template).

(c) A voluntary template should indicate if the information included is audited or not; however, the feedback received did not indicate a need for a requirement that the information be audited.

(d) In order to deal with the confidentiality issues mentioned above in relation to the cost for SMEs, minimise the efforts related to completing the template, allow information provided in a voluntary template to better reflect the information relevant for different types of SMEs, make it easier to update (parts of) the information in the template frequently (which is particularly relevant to early-stage startups), facilitate communication between SMEs seeking finance and finance providers, facilitate pooling of finance (particularly relevant for scale-ups), and reduce the cost for SMEs of submitting relevant information and enhance benefits (e.g. by synchronisation with local registers), it may be better to develop a separate database instead of using ESAP as the platform. A separate database could be tailored to the needs and ecosystem of SMEs, allowing additional functionalities. As establishing a new platform could be costly, it might also be considered to extend another already existing platform rather than the ESAP platform.

Finally, we would like to highlight that the development of a voluntary template with key information on SMEs will not by itself solve the financing issues of SMEs – particularly startups and fast-growing companies. Only in combination with other changes (such as a better-working internal market and/or capital market union) would a voluntary template reach its full potential.

Our detailed assessment is provided in the attached Assessment Report.

If you would like to discuss our assessment further, please do not hesitate to contact Aleksandra Sivash or me.

Yours sincerely,

Wolf Klinz

Chair of the EFRAG FRB

[draft]
Assessment Report

Contents

Executive summary

1 In July 2025, the European Commission (the EC) requested EFRAG[1] to assess the market interest and potential structure of a voluntary reporting template for SMEs, particularly for innovative, fast-growing companies and startups[2]. The template would contain key information[3] about a company, serve as a standardised 'business card' for SMEs (including startups) and be available on the European Single Access Point (ESAP). The objective of the template is to facilitate investments in SMEs, including helping investors' screening for potential investment opportunities. This could help boost risk capital to help European businesses, especially innovative, fast-growing companies and startups.

2 ESAP is designed to be a pan-European repository for publicly available information of relevance to financial services, capital markets and sustainability. This includes public financial and sustainability-related information about EU companies. The ESAP legislative package[4] does not create new reporting requirements but centralises information that is already publicly available. In relation to SMEs, public information is currently required from listed entities, large entities, parent companies of large groups and certain branches of third-country companies. The EC's initiative would give other unlisted SMEs the possibility to provide some information about themselves on a voluntary basis in a template-based structured format, starting from 2030. This information will be publicly available.

3 To perform the requested assessment, EFRAG has conducted interviews (including focus group discussions), and has run surveys with potential information providers of a voluntary template (SMEs, including startups and fast-growing entities, and SME representatives) and potential information users (various finance providers and finance facilitators). These interviews were supplemented by relevant literature and studies to understand the financing situations of SMEs in the various phases of their life cycle.

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[1] The request of the European Commission is available here.

[2] There is no official definition of a 'startup'. When referring to 'startups', this report refers to similar entities as covered by the definition in Borman et al. (2020), page 4. That is, the entity has to be younger than ten years. It has to have an innovative product and/or service and/or business model. The startup has to aim to scale up (intention to grow the number of employees and/or turnover and/or markets in which it operates). This means that the term 'startups' in this report does not cover new businesses that do not aim at introducing an innovative product, service or business model.

[3] The request of the European Commission referred to a core set of key performance indicators. However, as some types of qualitative information are considered more important by some financing providers, particularly in the very early stages of a company, this Assessment Report considers the interest in key information about a company. This includes, but is not limited to, key performance indicators.

[4] Including Regulation (EU) 2023/2859, Directive (EU) 2023/2864, Regulation (EU) 20223/2864 and Regulation (EU) 2023/2869.

4 Based on the final Assessment Report (after this consultation), the EC will decide whether to continue with the initiative and, if so, will further evaluate and develop the structure and content of the voluntary template.

Overview of the existing SME financing landscape in the EU

5 The voluntary ESAP template initiative is part of various other actions and initiatives undertaken by the EC in line with the strategic vision outlined in the Competitiveness Compass[5]. One of the areas of focus of the Competitiveness Compass is closing the innovation gap[6] by, among other things, a dedicated EU startup and scale-up strategy geared to help young companies to start and expand, including facilitating their access to capital.

6 The current financing environment for European companies is bank-centric, with banks representing about 70% of business debt (compared to 20% in the US)[7]. However, banks generally do not provide loans to young innovative companies due to a lack of historical financial data, potentially volatile cash flows, investments in IP (which are not considered as collateral) and various regulatory rules limiting banks' ability to provide potentially risky loans and investments.

7 Therefore, younger companies (generally referred to as pre-seed, seed and early stages companies based on their lifecycle phase) seek external financing from business angels, accelerators and incubators, universities, public/governmental financing programmes, early-stage VC funds or perhaps crowdfunding.

8 In the later stages, financing will typically come from venture capital (VC) funds or private equity (PE) funds[8], investment banks or other large corporates. Eventually, startups and scale-ups can be acquired by other companies or be listed[9]. Although a listing may not bring any additional money to the startup itself, it represents an exit opportunity for the existing

[5] Competitiveness Compass (2025)

[6] Between 2000 and 2008, average per capita GDP growth rates in the US and the euro area were similar. Since 2008, the GDP increased by 1.46% per year in the US compared with 1.09% in the euro area, and this trend is expected to persist in the medium term. This gap between per capita GDP growth rates can largely be attributed to the euro area's productivity deficit (measured as GDP per hour worked) compared to the US, which in turn is attributed to the EU's relative under-investment in physical capital and innovation. Since 2000, the investment rate has been between 1 and 2 percentage points lower in the euro area than in the US. The R&D expenditure trend also shows under-investment in innovation, especially by the private sector. See Noyer (2024), pages 14–16.

[7] Noyer (2024), page 15.

[8] Depending on the methodology, some reports distinguish VC funds focused primarily on innovative and fast-growing startups and private equity growth funds financing growth opportunities of already established companies, whereas other reports consider these types of funds as one (PE/VC).

[9] Listing could take place on a (fully) regulated market or on a multilateral trading facility (MTF).

owners who will then be able to invest in other startups. In the later stages of a startup, bank loans may also contribute to the financing.

9 Financing issues exist for all types of SMEs; however, the problem often causing most concern is that related to the financing of scale-ups. Only 8% of global scale-ups are based in the EU compared to 60% in North America[10], and many European entrepreneurs are seeking finance and scale-up in the US market[11].

10 Europe's risk capital ecosystem is currently defined by a 'chronic shortage'[12] of funding for companies with high growth potential. VC investment in the EU accounts for only 5% of the global total compared to 52% in the US and 40% in China[13]. Annual VC investment in the US is six to eight times higher than in the EU[14].

11 The European risk capital market is heavily supported by government agencies, which provided 37% of total VC funds raised in 2023[15]. However, there is a significant lack of investment from institutional investors and European households.

12 One of the challenges currently faced by the risk capital market is the lack of robust exit opportunities (IPOs and M&As). Limited exit opportunities reduce early-stage investment, as investors see European startups as riskier, creating a scale-up gap. In 2024, exits became the main concern for VC funds; without them, capital stays locked in old investments instead of funding new ones.

13 46% of EU firms considered the availability of finance to be an obstacle to investment (with 16% considering it to be a major obstacle compared to 0% in the US)[16].

14 Within the EU, private capital ecosystems vary significantly across Member States. For instance, while France and Germany benefit from large local investor bases, smaller countries like Estonia also have an active risk capital ecosystem but may rely more on external investors to collect funds. However, country size alone does not determine this.

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[10] European Commission Directorate-General for Research and Innovation (2024), page 330.

[11] See, for example, Draghi (2024a), page 6. Although, the relatively low number of scale-ups in the EU is causing concerns, there are differing views on whether this is caused by a lack of financing. While some blame the lack of a deep and well-functioning market for risk capital in the EU (e.g., Council of the European Union 2024) , others note that the fragmented and incomplete Single Market presenting weaker growth prospects for innovative companies. Following the latter view, the lack of prospects for innovative companies results in these moving abroad and the lower levels of financing for these companies thus just reflect lower levels of demand for financing (e.g., Draghi (2024a), page 29).

[12] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 12.

[13] Draghi (2024a), page 29.

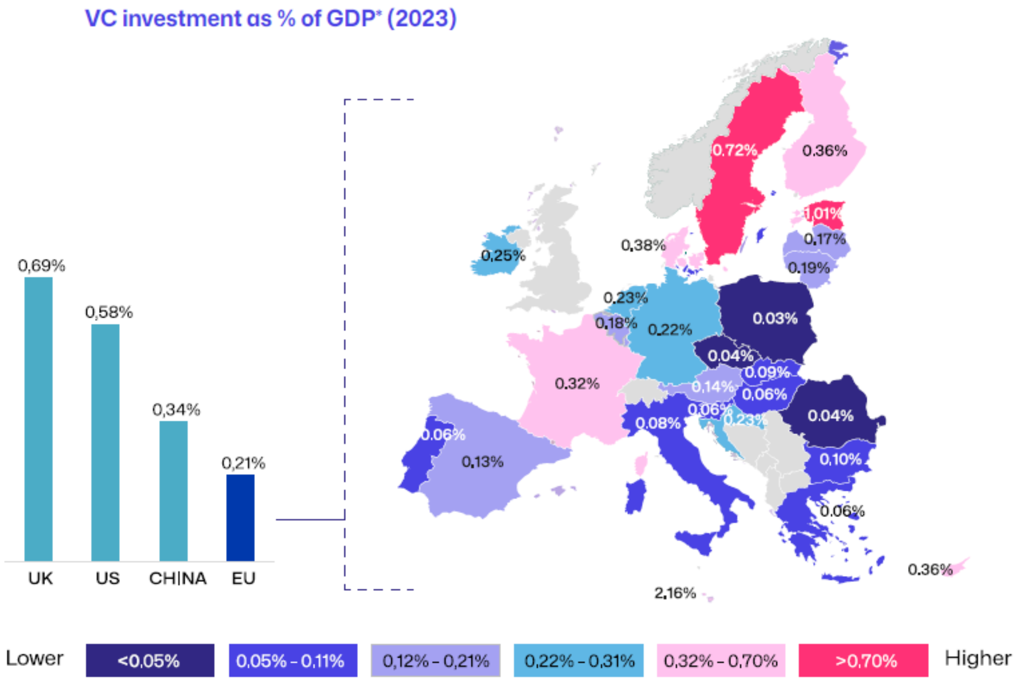
[14] European Startup Nations Alliance (2025a), page 95.

[15] Botsari et al. (2024), page 24.

[16] European Investment Bank (2025), pages 29-30.

Interviews conducted by EFRAG thus indicated that scale-ups in bigger countries like Spain and Poland also need financing from abroad.

15 Targeted policies might be an important factor in capital being available. In Sweden, for example, allowing pension funds to diversify their assets – raising the allocation to alternative investments like VC funds and private companies from 5% to 40% – resulted in Swedish pension funds contributing 18% of total VC fundraising in the country[17]. Other factors, such as the relatively short history of private capital markets and limited local capital, may push companies to seek cross-border financing earlier (e.g. Poland).



Source: StepUp StartUps Consortium (2025), page 18.

Interest in the voluntary template on ESAP

16 In order for a voluntary template on ESAP to facilitate financing in the EU, there needs to be both an interest from SMEs in providing information by means of the template and from financing providers and facilitators in using the information provided for financing/facilitation decisions.

Interest from SMEs

17 Interviews with relevant stakeholders conducted by EFRAG indicate that companies would be willing to provide information in a voluntary template to the extent that they need

[17] StepUp StartUps Consortium (2025), pages 33 and 34. Data relates to the period 2007–2023.

financing, the use of the voluntary template enhances their financing opportunities, and the cost does not outweigh the benefits.

18 Existing dedicated networks and databases (from local to international, accessible for free or relatively expensive ones) already provide a wide range of information, from relatively limited data to enhanced analytics, including financial figures, details of shareholding, latest financing rounds raised and related valuation. Commercial databases generally obtain and update information without asking a company to provide this information or collect information in a manner resulting in a minimal burden for companies.

19 Companies would need to understand or be educated about the additional benefits and competitive advantages of providing information (and updating it frequently, especially for start-ups) through a voluntary template on ESAP. In interviews conducted by EFRAG, some stakeholders suggested incentivising the use of a voluntary template by integrating information about available EU grants/initiatives/programmes by industry or sector and other relevant criteria. By doing so, both companies and investors can see potential aids available in the EU and have easier access to the information, which is often deemed difficult to understand. Potential availability of public support may also incentivise investors to consider the investment opportunity and companies to provide information on the voluntary template.

Interest from financing providers and relevant market facilitators

20 Different types of financing providers are relevant to consider throughout the lifecycle of an SME. In the early phase of an innovative startup, universities, business angels, accelerators, crowdfunding and early-stage venture capital providers would often be the most relevant financing providers. In this phase, there could also be public/governmental finance and facilitation programmes. Later, other types of private equity could be relevant and commercial banks may also provide financing. Pension funds and insurance companies could be relevant financing providers – either directly or indirectly by funding funds. Early-stage investors would have an opportunity to exit the investment when the company makes an IPO or is sold to another company.

21 The interest in the voluntary template of these various financing providers is summarised below.

Universities

22 Innovative startups may be set up to commercialise an invention made by university employees. Initial help could be provided by an incubator and perhaps funds of the university. Since universities typically retain a stake in such spin-offs, they do not need a voluntary template to identify investment opportunities.

Business angels, incubators and accelerators

23 In the pre-seed and seed phase of a startup, business angels, incubators and accelerators are common financing providers.

24 Business angels (investment in 2022 around EUR 1.5 billion[18]), incubators and accelerators invest locally, relying on personal networks and relationships, and often provide guidance alongside capital. They are typically solicited by startups during networking/pitch events and have ample pipeline of investment opportunities from which to choose. Therefore, they are generally not interested in a voluntary ESAP template. Some business angels, however, operate cross-border. They would be interested in the voluntary template to the extent that it could compete with databases that are already available, including having a good flow of startups and updated information.

Crowdfunding

25 Crowdfunding (around EUR 1 billion in the EU in 2023[19]) may be used by startup companies or growing companies to get access to alternative financing. Financing can be in terms of loans, equity and debt-securities. Loan funding is the most common form of funding.

26 Some crowdfunding platforms are looking for companies to which they can offer loans (or other types of financing). The type of information they are looking for might depend on the instrument offered on the platform. It would, however, often include financial information.

27 Crowdfunding platforms that do not currently have access to a commercial database have expressed interest in a voluntary template on ESAP when seeking companies in other countries. Those using existing commercial databases or operating only at national level have not expressed any interest in using the voluntary template.

Venture capital

28 Venture capital (VC) (around EUR 18 billion of investment in Europe in 2024, including the UK[20]) covers various stages of a company's development, ranging from dedicated funds focused on seed financing and early-stage startups to larger VC funds addressing larger financing needs of more mature companies, including fast-growing companies / scale-ups. Early-stage VC firms invest about 80% of their funds in their local market[21], preferring local networks and connections, and relying on their knowledge of local infrastructure and

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[18] Based on Öberg et al (2024), page 7. The figure also includes the UK, Switzerland and Norway.

[19] ESMA 2025, page 4.

[20] Invest Europe (2025c).

[21] European Commission Directorate-General for Research and Innovation (2024), page 337.

market opportunities. Larger VC firms operating cross-border and targeting growth stage companies generally have access to various dedicated commercial platforms (local or multinational), rating agencies, and service providers specialising in market analysis, etc. Some VC funds may focus on a specific industry and invest cross-border from the very first stages of a company's lifecycle. In general, the VC network is relatively well integrated and connected in Europe – about 37% of funds raised by a European VC fund come from another EU country, and the investment opportunities are shared within the network to create a pool of investors to diversify the risks[22].

29 The interest in a voluntary ESAP template depends on the structure of the VC firm and its investment strategy, already available tools and resources, and the ability of a voluntary template on ESAP to be competitive with the set practice (in terms of relevance, timeliness, completeness, exclusivity and reliability of information). For the reasons mentioned in paragraph 28 above, no general interest in a voluntary template on ESAP was expressed by VC firms EFRAG interviewed. Some potential uses of a voluntary template on ESAP include, however, the ability to use it as a benchmarking tool helping with the valuation of a company by comparing its financial performance with companies of similar type/size/industry if their financial performance information is available on ESAP. This use may be relevant for smaller-size VC funds focusing on earlier growth stages and not having access to commercial platforms. However, for the purposes of benchmarking, a voluntary template on ESAP would have to contain a sufficient number of companies submitting their information on a voluntary basis. Therefore, the completeness of a database is a concern for this type of use.

30 Another functionality suggested by investors includes allowing for the creation of a pool of investors – for example when a company needs to raise a significant amount of capital, investors may manifest their interest and the amount they have available, attracting other investors to contribute to the remaining amount (such functionality should potentially be available to registered investors only, allowing for confidentiality while the pool is being created).

Private equity

31 In addition to VC, private equity (PE) can be used to grow a relatively mature company. PE investments in Europe (including the UK) in 2024 amounted to EUR 20 billion of investment in growth companies, EUR 87 billion of investment in buyouts, and less than EUR 2 billion

[22] Botsari et al. (2024), page 24.

of investment for turnarounds or for rescuing a company and for replacing existing capital in a company[23].

32 The interest of PE in a voluntary template on ESAP is similar to those of larger VC firms summarised above in paragraphs 28–30. Accordingly, the existence of an already established set of tools used by PE firms makes their interest in a voluntary template on ESAP conditional on the template's or the platform's ability to provide competitive advantage and deliver additional functionality/service not currently available elsewhere.

Commercial/retail banks

33 Although banks are the main financing providers in the EU, they generally do not provide financing to startups (in their earlier phases) unless the arrangements are guaranteed through public funding. Bank financing is limited to debt financing of entities with a proven track record and the ability to generate cash flows and profit. The existence of physical collateral is also an important factor. Banks do not consider intellectual property (IP) as collateral due to valuation uncertainties. Commercial banks also generally provide finance only for local businesses where they have direct knowledge of, and contact with, the companies. To provide loans, factoring or leasing arrangements, banks generally need substantial amounts of information, and they have diverse information needs.

34 Except for banks in one country, EFRAG's interviews with banks indicated that they are not interested in a voluntary template for SMEs on ESAP.

Public/governmental finance and facilitation programmes

35 Public funding and facilitation can take many forms. It can, for example, be related to funding for developments in a particular area, indirect facilitation of credits through guarantees, and assistance related to securing and valuing an entity's IP. SMEs in need of funding will often make contact with the funding mechanism or, in case of indirect funding, the party that provides the funding directly. There are, however, two cases where a voluntary template could be useful: (1) it could serve as a tool for facilitation programmes to find relevant SMEs/startups to contact, and (2) where indirect funding by, for example, an EU body is only provided to companies meeting certain criteria (e.g. providing favourable loans to companies operating in a specific sector through banks). In the latter case, the voluntary template could serve to ensure that financing is granted only to companies meeting the specified criteria. However, this implies that only companies

[23] Invest Europe (2025c).

submitting information through the voluntary template would be eligible for such financing.

Pension funds and insurance companies

36 Insurers manage over EUR 11 trillion in assets[24], and pension funds manage between EUR 2.7 trillion and EUR 3.5 trillion in assets[25]; however, they generally do not allocate much to VC for investments in EU startups.

37 To the extent that pension funds and insurance companies invest in startups, this is usually done indirectly through funds and funds of funds, although there are exceptions. Pension funds and insurance companies are therefore likely to have limited interest in using a voluntary template for SMEs when screening for investment opportunities.

IPO and M&A advisors

38 Initial public offering (IPO) advisors do not provide direct financing. Moreover, an IPO may not generate new capital or result in additional financing of a company but rather serves as an exit opportunity for existing shareholders. Nevertheless, attractive exit opportunities are important for early-stage financing providers, as they encourage investment in startups at earlier stages.

39 IPO advisors seek companies – both domestically and abroad – that they can guide through an IPO. To assess readiness, they require general and financial information to determine whether a company is sufficiently mature and large enough. Smaller IPO advisors are interested in a voluntary template on ESAP that includes some key information about an entity. These advisors often lack access to commercial databases or find the ones they can access of limited usefulness.

40 Mergers and acquisitions (M&A) advisors had mixed views. Some larger M&A advisor firms have access to already existing tools and commercial databases to search for and identify potential target companies. Smaller boutique M&A firms expressed more interest in a voluntary template on ESAP as commercial databases may be too expensive for them. However, to identify and benchmark a potential target company, M&A advisors expressed a need to have a (more or less) complete set of companies operating in a specific industry or country. Therefore, completeness of the database was a concern for them for that purpose.

[24] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020).

[25] Pension for Purpose (2025), pages 2 and 87, and European Startup Nations Alliance (2025b), page 54.

Possible structure and content of the template

41 The purpose of this Assessment Report is to provide an indication of the interest in a voluntary template on ESAP for SMEs and startups. Should the EC assess that sufficient interest exists, a second phase could be to determine the content of the voluntary template. While collecting input on the interest in the voluntary template, EFRAG, however, also collected preliminary input on the content of a possible template.

42 Respondents suggested that a voluntary ESAP template for SMEs should combine qualitative and quantitative, as well as historical and forward-looking information, tailored to a company's stage of development. Startups, for example, cannot provide the same data as established SMEs. For screening purposes, investors need a wide range of information, not limited to financial information (i.e. information about business idea, founders and the team, main shareholders, business project, amount of capital required and for what purpose, number of employees etc.). Where available, two to three years of data were recommended to help assess growth trends.

Comparability

43 Feedback showed that most investors do not see common, comparable GAAP figures as essential for a voluntary template, especially at the screening stage, where financials are treated as indicative and trends, size, and company stage matter more. Still, indicating the applied GAAP can be useful. For SMEs, local GAAP is generally sufficient, while for early-stage startups, comparability is less relevant than their story and innovation.

44 However, some stakeholders support standardisation to boost investor confidence, suggesting simple frameworks or disclosure of calculation methods. Standardisation becomes more important if the platform is used for benchmarking or research, potentially requiring broader adoption and some level of assurance. Availability of comparable data also varies across the EU, and any standardisation should avoid adding unnecessary costs or burdens for SMEs.

Reliability

45 Ensuring the reliability and quality of information is key to building trust in the information provided in the voluntary template. However, due to the high uncertainty at startup and scale-up stages, audited information is not seen as essential, as investors can verify data through due diligence. Still, companies should be able to indicate whether their information is audited, and those subject to audits could provide audited figures to enhance credibility – especially if aiming for an IPO.

46 While some stakeholders supported audits, they noted that the added cost could discourage SMEs and startups, highlighting the need to keep onboarding simple and avoid

extra reporting burdens. Linking the voluntary ESAP template to national registers was seen as a practical way to ensure data reliability while minimising duplication.

Frequency of updates

47 Up-to-date information is essential in the fast-moving startup ecosystem, making frequent updates key. Some investors noted that quarterly updates of the template are preferred for startups and scale-ups to reflect potential frequent changes in their situation, while other investors noted that annual updates are sufficient for the screening purposes of more established/older companies to avoid an additional burden.

Costs and benefits considerations

48 As the template would be voluntary, it is expected to be used mainly by SMEs that see clear benefits, and most stakeholders did not view the associated costs as excessive (see, however, the concerns on confidentiality listed below). However, some warned that market pressure could make its use effectively mandatory, potentially outweighing the benefits.

49 In several jurisdictions, a significant amount of information is already collected by national authorities and is publicly available. Where feasible, respondents suggested that information already available in national registers should be automatically uploaded to ESAP, reducing duplication of reporting efforts.

50 Another potential use and cost reduction for both companies and investors might arise if a voluntary template database includes additional functionalities that are not already available on other platforms – for example the ability to have access to searchable information interfaced with national registers, allowing for verification and streamlining of due diligence procedures (for example, if the voluntary template on ESAP interfaces with national registers and some information available on the voluntary template is thus certified as accurate, an investor may rely directly on this information without asking for proof during the due diligence process, reducing the costs associated with due diligence for all parties).

Confidentiality concerns

51 In several jurisdictions, information collected by national authorities is not publicly available or is available to a limited number of stakeholders (for example, only to banks and tax authorities). Stakeholders in these jurisdictions raised concerns about the confidentiality of information and the fact that information uploaded on ESAP (albeit voluntarily) is automatically publicly available to everyone.

52 In general, confidentiality of information is a significant concern for most companies, especially at the earlier stages of their lifecycle. To attract investors, startups would ideally need to provide information which is generally presented at pitch events (innovation idea, business model, growth potential and business plan, etc.); however, this information is often considered commercially sensitive and companies would prefer to have control over the distribution of this information. Many stakeholders noted that a tool allowing them to have control over who has access to what information would be helpful (for example, a platform where some basic information is publicly available but additional information may be made visible to investors upon request only or available to some registered types of users).

53 This concern tends to decrease slightly as a company grows and is able to provide more historical financial information rather than primarily forward-looking and sensitive information. The average European scale-up is seven years old[26], has found its business model and is in search of capital to grow market and revenues. It might be easier for this type of company to provide standardised, template-ready relevant data useful to investors without jeopardising commercially sensitive information.

Other potential uses of a voluntary template on ESAP

54 Not directly related to the issue of SMEs obtaining finance, some stakeholders suggested that a pan-European database containing information on European SMEs (including innovative and fast-growing companies) would be useful for: (1) supply chain purposes (for example, when a large corporate is looking for suppliers within the EU and/or considers information related to sustainability reporting); (2) for fundamental research purposes (as academics explained, there is currently an issue with obtaining information on European SMEs for the purposes of research and policy-making); and (3) for benchmarking/analytical purposes to support better market liquidity and more precise market valuations (for example, benchmarking is needed by fund managers and various other market players).

55 For those expressing an interest in using the database, the interest would, however, depend on the traffic on the database and the quality and relevance of the information provided.

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[26] European Investment Bank (2024), page 13.

A voluntary template is not the (entire) solution

56 As summarised above, some types of stakeholders expressed interest in a voluntary template for SMEs (on ESAP). These stakeholders, however, generally noted that a template would only be one piece of the puzzle related to solving the financing issues of startups/SMEs in the EU, and some noted that for the template to be useful, some of the other structural factors limiting the financing of startups would first need to be addressed.

Structure of the Assessment Report

57 Part 1 of this [draft] Assessment Report describes the request of the EC and EFRAG's approach to forming an assessment (paragraphs 61–83).

58 Part 2 includes a description of the current financing landscape for SMEs in the EU (paragraphs 84–113).

59 Part 3 provides details on EFRAG's findings on the interest in a voluntary template on ESAP and other suggestions EFRAG has received on how to improve the funding of European SMEs/startups (paragraphs 114–194).

60 Appendix 1 provides an overview of the financing situation of companies by growth phases and describes the main players in equity and debt financing ecosystems.

Part 1 – The European Commission's request and EFRAG's approach to forming an assessment

The request

61 In July 2025, the EC requested EFRAG[27] to assess the market interest and potential structure of a voluntary reporting initiative for SMEs, particularly for innovative, fast-growing companies and startups[28]. This request was initiated following the March 2024 Eurogroup statement[29], which highlighted that Europe risks falling further behind globally in competitiveness and growth and listed priority areas for action focused on the European capital markets, including boosting risk capital to help European businesses, especially innovative, fast-growing companies and startups.

62 The Eurogroup, in inclusive format, identified three priority areas to improve European capital markets for the 2024–2029 legislative term.

(a) Architecture: develop a competitive streamlined and smart regulatory system allowing funds to be better channelled into innovative EU businesses, with greater liquidity, risk taking and risk sharing together with higher resilience and financial stability.

(b) Business: ensure better access to private funding for EU businesses to invest, innovate and grow in the EU.

(c) Citizens: create better opportunities for EU citizens to accumulate wealth and improve financial security, by increasing direct and indirect retail participation through access to profitable investment opportunities.

63 In response to the Eurogroup's call, and as part of the initiatives focusing on access to capital, the EC is exploring the creation of a voluntary, targeted template containing key information about a company and its performance. This voluntary template is to serve as a standardised 'business card' for SMEs (including startups), and it is available on ESAP.

64 ESAP is a platform established by Regulation (EU) 2023/2859 to provide centralised electronic access to public information about EU entities and their products. The platform

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[27] The request of the EC is available here at: https://www.efrag.org/sites/default/files/media/document/2025-09/Letter%20EFRAG%20KPIs%20for%20SMEs%20150725.pdf

[28] There is no official definition of a 'startup'. When referring to 'startups' this report refers to similar entities as covered by the definition in the Borman et al. (2020), page 4. That is, the entity has to be younger than ten years. It has to have an innovative product and/or service and/or business model. The startup has to aim to scale up (intention to grow the number of employees and/or turnover and/or markets in which it operates). This means that the term 'startups' in this report does not cover new businesses that do not aim at introducing an innovative product, service or business model.

[29] Council of the European Union. 2024.

will contain information required to be made public by specific EU regulations and directives and information submitted on a voluntary basis (which will also need to be specified in EU legislation). The information submitted on a voluntary basis should aim to be uniform in format and comparable in substance, value, utility and reliability to that submitted on a mandatory basis. More information on ESAP can be found in paragraphs 67–73 below.

65 The objective of a voluntary template with key information about a company would be to improve the presentation and availability of information about SMEs, with a view to helping investment in SMEs. Investors need easy access to relevant and usable information, especially in the screening phase for potential investment opportunities, to alleviate time-consuming and resource-intensive outreach and comparisons. However, SMEs should at the same time not be faced with additional administrative burden.

66 As a technical advisor to the EC, EFRAG was tasked to:

(a) assess the interest of relevant stakeholders in the voluntary template and its potential content and structure in a first phase;

(b) based on the outcome of the assessment of the interest and whether the EC decides to proceed with the template, develop this voluntary template in a second phase.

(c) In order to assess the relevant stakeholders' interest, EFRAG was requested to perform desktop research and conduct a survey, a consultation or both with SMEs, including startups and users of a potential template (investors, banks, etc.). The EC asked EFRAG to submit the results of its assessment by the end of June 2026.

Overview of the ESAP

67 As noted in paragraph 64, established under the ESAP legislative package[30], ESAP is designed to be a pan-European platform for public financial and sustainability-related information about EU companies and investment products. In accordance with the ESAP Regulation, ESAP shall be established by 10 July 2027. The ESAP legislative package does not create new reporting requirements but consolidates data in one searchable, digital place. ESAP will centralise information that already has to be made public in all EU countries, as required by existing EU laws (19 regulations and 16 directives in force listed in the Annex of [Regulation (EU) 2023/2859](#)), and any subsequent legally binding acts and

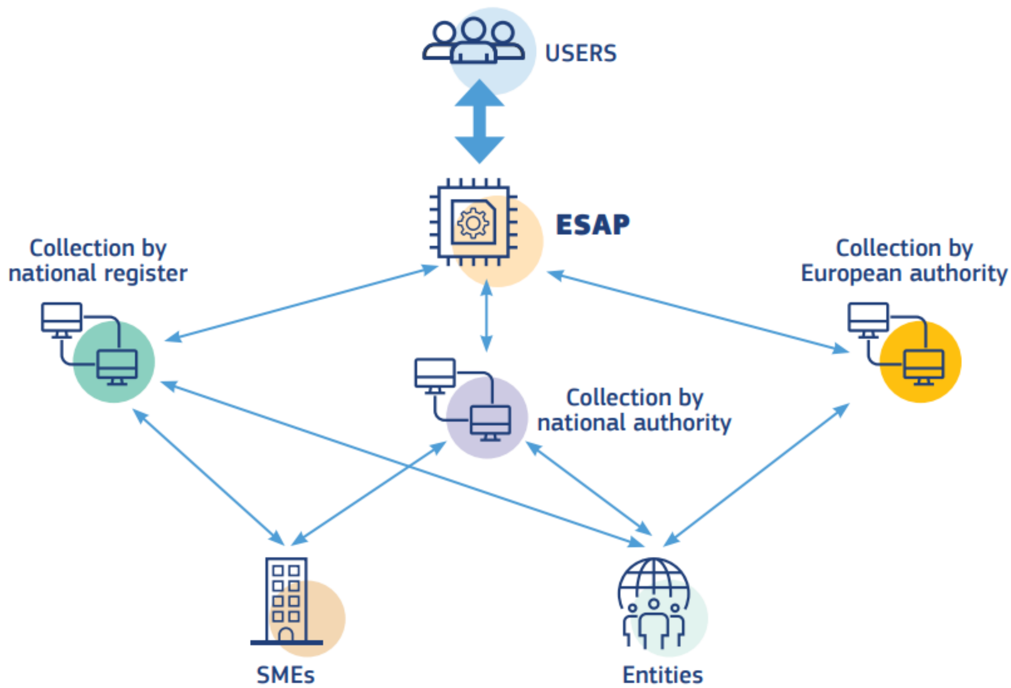
[30] Including Regulation (EU) 2023/2859, Directive (EU) 2023/2864, Regulation (EU) 20223/2864 and Regulation (EU) 2023/2869.

information submitted voluntarily. It is emphasised that information required by national legislation only is not to be submitted.

68 Pertinent to SMEs, Directive 2013/34/EU (the EU Accounting Directive) provides the legal framework for the rules limited liability companies have to follow when drawing up their financial statements (and management reports). Information under this Directive from listed entities (except micro entities), large entities, parent companies of large groups and certain branches of third-country companies will start being submitted to ESAP as of January 2028.

69 The European Securities and Markets Authority ('ESMA') is mandated to establish and operate the platform. Collection bodies (which may be the national competent authorities, other national bodies or registers, or EU bodies) contribute by collecting and submitting data to the platform[31]. The overview of the process is provided in the chart below.

Figure 1 – Overview of ESAP information submission process.



Source: [European Commission (2021)](#).

70 ESAP will contain at least the following functions[32]:

(a) a web portal with a user-friendly interface, taking account of the needs of people with disabilities, providing information in all official EU languages;

[31] Regulation (EU) 2023/2859, Article 1.

[32] Regulation (EU) 2023/2859, Article 7.

(b) a search function in all official EU languages allowing searches on the basis of different metadata;

(c) a single application programming interface enabling easy access to information;

(d) an information viewer;

(e) a download service, including for downloading large quantities of data;

(f) a machine translation service for the information retrieved (by 10 July 2028);

(g) a notification service informing users of new information (by 10 July 2028); and

(h) presentation of information submitted voluntarily so it is easily distinguishable (by 10 January 2030).

71 ESAP is currently envisaged to serve as a repository for data/information only. The platform expected to allow any interactions between users and submitters of information.

72 In relation to the voluntary information noted in paragraph 55(h) above, based on Article 3 of the ESAP regulation, an entity shall ensure that information submitted is referred to in the Union legislative acts listed in the Annex or in any further legally binding Union acts that provide for centralised electronic access to information on ESAP. In other words, any information entities may consider submitting to ESAP voluntarily also requires a legal basis in EU legislation.

73 In addition, when submitting voluntary information, an entity shall ensure that[33]:

(a) the information is accompanied by metadata specifying that the information is made accessible on ESAP on a voluntary basis;

(b) the information is accompanied by metadata specifying whether the information contains personal data;

(c) the information is accompanied by the metadata necessary for the functioning of the ESAP search function;

(d) it uses a data extractable format for submitting the information; and

(e) no personal data are included in the information, except where the personal data are required by Union or national laws or constitute a necessary element of the information about the entity's economic activities.

[33] Regulation (EU) 2023/2859, Article 3.

EFRAG's approach to forming an assessment

74 Following the request of the EC, EFRAG primarily relied on semi-structured interviews with relevant stakeholders, including potential information providers and information consumers. The interviews were conducted mainly on a one-to-one basis, though some involved small focus groups.

75 Additionally, EFRAG distributed two surveys to explore the need for financing among SMEs and to gauge interest in cross-border financing from both SMEs and potential investors. Respondents expressing difficulties in raising finance and/or interest in cross-border financing and agreeing to further engage with EFRAG were subsequently interviewed to further understand their views on the voluntary template.

76 Semi-structured interviews were selected over surveys exclusively or structured interviews because initial discussions revealed that the perceived usefulness of the template often depended on addressing other obstacles related to cross-border financing subject to the specific functionality of the voluntary template on ESAP or other considerations. This approach allowed for a more detailed exploration of these preconditions.

77 EFRAG noted that the interest in the database could differ between different types of SMEs and finance providers. EFRAG accordingly identified a range of different potential information providers (SMEs) and information consumers (finance providers). Information providers consisted of startups, fast-growing entities, (steady) SMEs and SMEs for sale. Information consumers initially included commercial and investment banks, public banks, other public and EU-backed financing providers, debt funds, peer-to-peer lenders, factoring companies, crowdfunding platforms, PE investors (including VC), and other entities (for example, those providing trade credits). Feedback collected during the initial interviews suggested that finance facilitators such as IPOs and M&A advisors, pension funds, and insurance companies might also be relevant information consumers. Interviews were accordingly also conducted with these stakeholders.

78 Interviews were conducted with these groups across different EU regions – Eastern, Northern, Southern and Western Europe – to capture diverse perspectives. A minimum of five interviews were planned for each main category of information providers and the most common financing providers, ensuring the representation of at least three regions. For other information consumers, a minimum of two interviews were conducted, with additional interviews as needed until no new significant insights emerged.

79 EFRAG also engaged with representatives and associations of identified information providers and information consumers, such as accountants, National Standard Setters and

pan-European associations and organisations, to gather broader insights on financing issues and the cost of providing additional information. These interviews helped assess the completeness of the data collected and any regional differences in views.

80 The interviews were focused on information consumers and information providers within the EU and EEA. However, additional outreach was performed to assess interest in the template among countries aspiring to join the EU in order to collect input on the type of information that finance providers outside the EU find useful. In addition to the interviews and surveys, EFRAG performed desktop research on the topic.

81 Summaries of the interviews EFRAG conducted are available in the Summary of outreaches performed for the assessment of the interest in a voluntary template, which is available on EFRAG's website.

82 An overview of the outreaches EFRAG performed is included below. In addition to the interviews, EFRAG received 22 completed surveys from preparers and 17 completed surveys from investors (including three from banks). Moreover, EFRAG presented the project and obtained feedback from the EFRAG Administrative Board, EFRAG Academic Panel, EFRAG User Panel, EFRAG Financial Instruments Working Group, EFRAG Insurance Accounting Working Group, Accountancy Europe Corporate Reporting Policy Group, international aid organisations and large audit firms.

Classification	**Pan-European**	**Eastern Europe**	**Northern Europe**	**Southern Europe**	**Western Europe**	**Grand Total**
Commercial banks and their associations	1	1	3	3	5	**13**
Crowdfunding		1			1	**2**
Debt fund				1	1	**2**
Factoring				1		**1**
Investment bank				1	3	**4**
IPOs and M&As advisors and other market facilitators	1		1	4	7	**13**
Other public and EU-backed financing	2				1	**3**
Other stakeholders (academics and international aid organisations)	1		3	1		**5**
Peer-to-peer lenders		1		1	1	**3**
Private equity	3	4	3	1	7	**18**
Public bank			1		2	**3**
Scale-ups and their associations and representatives	3		2	1	1	**7**
SME and their associations and representatives	4	2	6	1	4	**17**
Start-ups and their associations and representatives	3	1	7	1	2	**14**
TOTAL	**18**	**10**	**26**	**16**	**35**	**105**
Number of stakeholders included in more than 1 category						*20*
Total distinct stakeholders interviewed						**85**

EFRAG process and timeline

83 EFRAG is subject to an open and transparent due process on EFRAG's [draft] positions, including a public consultation process with European constituents. Prior to delivering its assessment report to the EC on 30 June 2026, EFRAG has issued this [draft] assessment report open for public consultation from 2 April 2026 to 27 May 2026. During the consultation period, EFRAG has continued its outreach to relevant stakeholders.

Part 2 – The current financing landscape for SMEs in the EU

84 This part provides an overview of the general financing situation for European SMEs and startups, outlining why financing of these companies is an important element for the EU to maintain its growth and competitiveness. It also provides a short overview of main players in the financing ecosystem.

85 Appendix 1 of this report provides a detailed overview of the financing situation of companies by their growth phases and describes main players in equity and debt financing ecosystem.

Terms used

86 The following sections will frequently make reference to 'SMEs',' startups' and 'scale-ups'.

SMEs

87 The European Union defines companies primarily through the classification of SMEs – micro, small and medium – based on the number of employees and figures related to turnover and the balance sheet. For the purpose of this report, it has not been considered necessary to define in precise terms the boundaries between medium-sized and large entities. When referring to SMEs, this report, however, only refers to unlisted entities which are covered by the Accounting Directive[34]. The reason for not including listed SMEs in the report is that these entities' possibilities of obtaining finance are different from those of non-listed SMEs.

Startups

88 There is no official definition of 'startup'. When referring to 'startups' in the following paragraphs, a definition similar to that used in the European Startup Monitor 2019/2020[35] is used. That is:

(a) the entity has to be younger than 10 years;

(b) it has to have an innovative product, service and/or business model;

(c) the entity has to aim to scale up (i.e. it must have the intention to grow the number of employees, turnover and/or markets in which it operates).

89 This means that the term 'startups' in this report does not cover new businesses that do not aim at introducing an innovative product, service or business model.

[34] Directive 2013/34/EU.

[35] Borman et al. (2020), page 4.

Scale-ups

90 There is also no official definition of 'scale-up'. In the Annual Report on European SMEs 2024/2025, the EC outlines that scale-ups are defined as companies with at least 10 employees that have increased either their number of employees or their turnover by at least 30% over a three-year period[36].

What is the broader issue?

91 Europe is facing a number of strategic challenges in the upcoming years, including the green transition, digital transition and closing the widening economic gap with the US[37]. Between now and 2030, Europe will need to invest close to EUR 700 billion each year (in addition to current investment levels) just to meet its environmental targets[38]. Further, the EU will need to invest an additional EUR 125 billion per year in order to close its investment gap with China and the US across a basket of key digital technologies, such as communication networks, AI and blockchain, semiconductors and others[39]. Beyond these strategic areas, chronic under-investment in innovation and physical capital is widening the growth gap between the EU and the US. Between 2000 and 2008, average per capita GDP growth rates in the US and the euro area were similar. Since 2008, the GDP increased by 1.46% per year in the US compared with 1.09% in the euro area, and this trend is expected to persist in the medium term. This gap between per capita GDP growth rates can largely be attributed to the euro area's productivity deficit (measured as GDP per hour worked) compared to the US, which in turn is attributed to the EU's relative under-investment in physical capital and innovation. Since 2000, the investment rate has been between 1 and 2 percentage points lower in the euro area than in the US. The R&D expenditure trend also shows under-investment in innovation, especially by the private sector[40].

92 Currently, most of the investments in both the EU (66%) and the US (72%) are financed internally (i.e. by a company using its own generated resources)[41]. However, the EU's industrial structure remains dominated by the same companies and sectors as decades ago – the top R&D spenders in the EU have been automotive firms for 20 years – whereas the

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[36] Schulze Brock et al., page 66.

[37] Noyer (2024) and Draghi (2024a).

[38] The EU has set an ambitious target of reducing its greenhouse gas emissions by 55% by 2030 (the 'Fit for 55' package) – Noyer (2024), page 13.

[39] Noyer (2024), page 14.

[40] Noyer (2024), pages 14–16.

[41] European Investment Bank (2025), page 33.

US has seen its leading companies shift entirely toward high-growth tech sectors[42]. To make investments in, for example, the high-growth tech sector in the EU and close the gap with the US, new startups may have to be established, which will depend on external funding for their investments.

93 At the same time, the financing environment for European companies is bank-centric. In the EU, banks account for 70% of business debt. By comparison, this is around 20% in the US[43]. Banks are therefore at this time providing the majority of the EU's current financing; however, they may/will be unable to meet the new financing needs outlined in paragraphs 84 and 92[44]. In the US, capital markets play a more prominent role compared to the EU[45], and the share of the US' stock market in the global landscape continues to increase with the stock market capitalisation rising from 30% to 49% of the global total between 2010 and 2024, whereas the European part decreased from nearly 13% to 8.7% during the same period[46].

94 The 2025 EIB Investment Survey[47] showed that while 16% of EU firms (covered by the sample of the survey) considered availability of finance a major obstacle to investment and 29% a minor obstacle[48], in the US only 27% of the companies considered it a minor obstacle, and close to 0% of the companies considered it a major obstacle. There were significant differences between countries. For example, in Denmark only 19% of the companies considered availability of finance an obstacle compared to 70% of the companies in Cyprus[49].

General situation for startups and growing entities

95 As indicated above, the EU needs to accelerate innovation and find new growth engines in order to finance its social model, be an independent player on the world stage and be a leader of climate responsibility and new technology[50]. The EU has many talented researchers and entrepreneurs. However, the translation from innovation into

[42] Draghi (2024a), page 28.

[43] Noyer (2024), page 15.

[44] Noyer (2024), page 15.

[45] Noyer (2024), page 15.

[46] Romulus, J. and Paluzzi, M. (2025), page 14.

[47] European Investment Bank (2025), page 29

[48] 46% of EU SMEs considered it an obstacle.

[49] European Investment Bank (2025), page 30

[50] See, for example, Draghi (2024a), page 5.

commercialisation is failing[51, 52]. This phenomenon is often termed the 'European Paradox'. Only about one-third of patented inventions registered by European universities are commercially exploited[53].

96 Many European entrepreneurs are seeking finance and scale up in the US market[54]. However, differing views exist on the main causes for this. Some note that the lack of a deep and well-functioning market for risk capital in Europe is forcing many of the EU's innovative businesses to seek funding abroad[55]. Others note that as the Single Market is fragmented and incomplete in the areas that matter for innovative companies, scaling up in the EU offers weaker growth prospects and requires lower financing[56]. Lower levels of VC finance in Europe therefore just reflect lower levels of demand because of lower market potential in terms of growth perspectives[57].

Financing innovation in the EU

97 For startups and fast-growing innovative companies in need of finance, the EU bank-centric system is not optimal. The issue is that banks are traditionally ill-equipped to finance high-risk innovation that lacks tangible collateral and has volatile cash flows and therefore feature a high likelihood of bankruptcy[58].

98 The banking sector is governed by strict regulatory requirements such as Basel III, limiting its ability to provide loans to potentially risky clients without a proper collateral. For example, since the 2008 crisis the common equity ratio requirement rose from 6% to 15%, thereby constraining banks' lending volumes[59]. At the same time, EU banks cannot rely on securitisation to the same extent as their US counterparts[60]. A functioning securitisation market allows US banks to transfer risk to the markets and free up balance sheets for fresh lending[61]. In the EU, annual securitisation issuance is only 0.3% of the GDP (compared to

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[51] See, for example, Draghi (2024a), page 6.

[52] Not all agree that the lack of commercialisation is the main issue. In their view, Europe lags far behind the US in the production of important, highly cited research (see, for example, Rodríguez-Navarro and Narin (2018)).

[53] European Commission (2025), page 4.

[54] See, for example, Draghi (2024a), page 6.

[55] See, for example, Council of the European Union (2024).

[56] See, for example, Draghi (2024a), page 29.

[57] Differing views on the main reason(s) why some innovative businesses are leaving the EU were also presented by stakeholders interviewed by EFRAG. Some thus noted that expansion was easier in the US than in the EU as requirements across the US were more homogenous than across the EU. Others held the view that for EU entities it could be relatively easy to tackle regulatory differences within the EU if they had sufficient finance.

[58] See, for example, Draghi (2024a), page 64 and Draghi (2024b), page 286.

[59] Noyer (2024), page 16.

[60] Draghi (2024a), page 64.

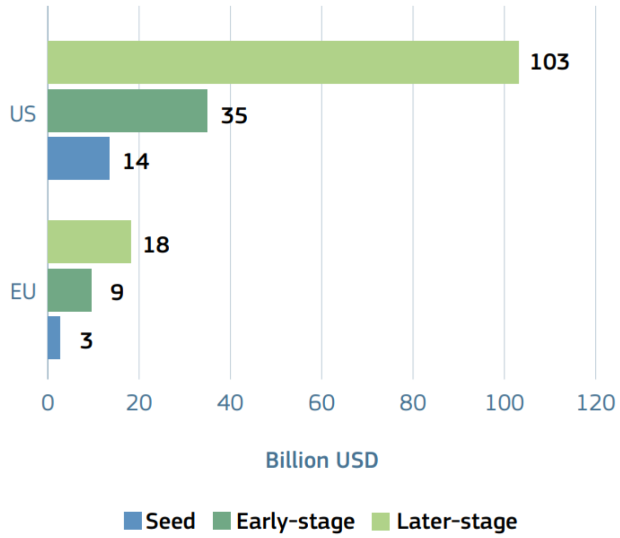
[61] Noyer (2024), pages 43–47 and Draghi (2024b), page 287.

4% in the US)[62]. Moreover, the fragmentation of the Banking Union, regulatory ring-fencing during crisis (the absence of a common deposit insurance scheme, for example), the fact that there is a multitude of national competent authorities, and differences in national insolvency triggers discourage banks from treating Europe as a single market, making it difficult for creditors to price the risk of cross-border lending[63].

99 As bank lending is difficult for innovative startups and fast-growing entities, they are seeking finance from other sources.

100 In the pre-seed, seed and early stages, external financing from other sources than friends and family members often comes from business angels, accelerators and incubators, public/governmental financing programmes, early-stage VC funds or perhaps crowdfunding. In the later stages financing will typically come from VC funds or growth stage PE funds[64], public/governmental financing programmes, investment banks and other companies.

Figure 2 – Venture capital investments in the EU and the US by development stage, 2023.



Source: European Commission Directorate-General for Research and Innovation (2024), page 35.

101 Eventually, startups and scale-ups can be acquired by other companies or be listed on either a regulated or unregulated market. Although a listing may not bring any additional money to the startup itself, it represents an exit opportunity for the existing owners who

[62] Draghi (2024a), page 64.

[63] Draghi (2024b), page 288 and European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 23.

[64] Depending on the methodology, some reports distinguish VC funds focused primarily on innovative and fast-growing startups and private equity growth funds, financing growth opportunities of already established companies, whereas some other reports consider these types of funds as one (PE/VC).

will then be able to invest in other startups. At this stage, M&A and IPO advisors play an active role in searching for companies ready for an IPO or suitable for M&A. In the later stages of a startup, bank loans may also contribute to the financing.

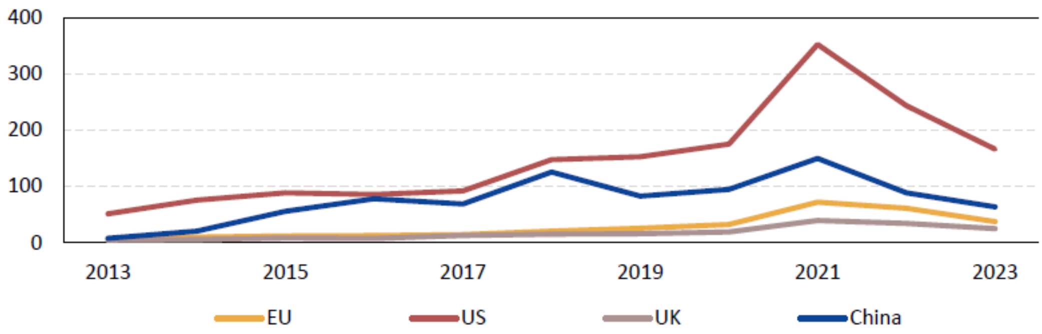
The scale-up gap

102 Although financing issues exist for all types of SMEs, the problem often causing most concern is that related to the financing of scale-ups.

103 According to the European Investment Bank ('EIB'), while Europe is on par with the US in starting new firms, it fails to grow them into global champions. Innovative firms that do emerge in Europe face a severe 'scale-up gap'; by their tenth year, EU scale-ups typically raise 50% less capital than their peers in Silicon Valley[65].

104 Only 8% of global scale-ups are based in the EU compared to 60% in North America[66]. Europe's risk capital ecosystem is currently defined by a 'chronic shortage'[67] of funding for companies with high growth potential. VC investment in the EU accounts for only 5% of the global total compared to 52% in the US and 40% in China[68]. Annual VC investment in the US is six to eight times higher than in the EU[69]. Between 2013 and 2023, the US had 137 VC funds larger than $1 billion, while the EU had only 11[70].

Figure 3 – Venture capital investment ($bn).



Source: European Investment Bank (2024), page 22.

105 Shortage of funding in the EU compared to the US is not the result of a shortage of public funding. Unlike the US, the European risk capital market is heavily supported by government agencies,[71] which provided 37% of total VC funds raised in 2023[72]. The

[65] European Investment Bank (2024), page 11.

[66] European Commission Directorate-General for Research and Innovation (2024), page 330.

[67] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 12.

[68] Draghi (2024a), page 29.

[69] European Startup Nations Alliance (2025a), page 95.

[70] European Investment Bank (2024), page 25.

[71] Skale Egenkapital (2025).

[72] Botsari et al. (2024), page 24.

European Investment Fund ('EIF') is a cornerstone, supporting 40–50% of VC-backed startups in a typical year[73].

106 The shortage of long-term capital, however, results from, among other things, the following factors.

(a) Investments of institutional investors. European pension funds manage between EUR 2.7 and 3.5 trillion in assets but allocate less than 0.01% of their assets to VC[74]. This figure is more than 100 times higher in the US. This 'patient capital' is the natural source for large-ticket scale-up funding, but it remains on the sidelines due to regulatory hurdles and risk aversion. The European insurance sector held in 2020 roughly EUR 10.6 trillion in assets[75]. Between 2020 and 2023, the amount of capital committed by pension funds and insurance companies accounted for about 31% of the money flowing to VC funds against the 67% observed in the US[76].

(b) Investments of EU households. The European households hold financial savings estimated to exceed EUR 33 trillion[77]. Households' savings are predominantly held in conservative currency and deposits, with approximately EUR 300 billion being redirected each year away from EU markets, primarily toward the US, as a result of fragmented financial markets[78]. In contrast, the US households are much more engaged with capital markets; more than half of their savings are invested in equities and fund shares, while insurance products and deposits account for only 14%[79]. Despite saving more, EU households have seen their net wealth grow by only 55% since 2009, while US household wealth grew by 151%. This is largely because Europeans miss out on the higher returns achieved by long-term market investors[80].

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[73] European Investment Bank (2024), page 35.

[74] Pension for Purpose (2025), pages 2 and 87, and European Startup Nations Alliance (2025b), page 54.

[75] Insurance Europe (2020). Data was collected from Insurance Europe members in the European Union (excluding Lithuania), Switzerland, Iceland, Norway, Liechtenstein and Turkey.

[76] European Commission Directorate-General for Research and Innovation (2024), page 331.

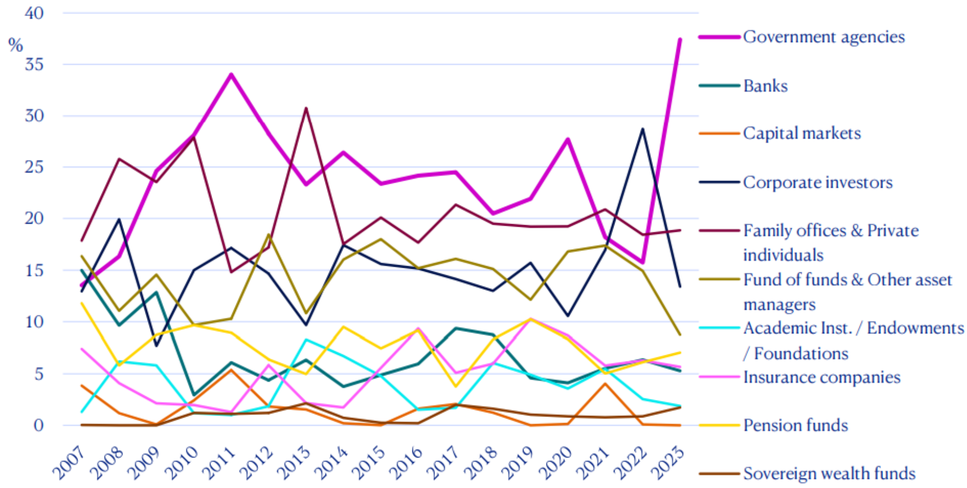
[77] Letta (2024), pages 11 and 28. Noyer (2024), page 28, states the amount to be EUR 35 533 billion (2022 figure), and Draghi (2024a), page 63, mentions that in 2022 EU household savings were EUR 1 390 billion.

[78] Letta (2024), page 11.

[79] Noyer (2024), page 33.

[80] Draghi (2024b), page 281.

Figure 4 – Investor base in VC fundraising.

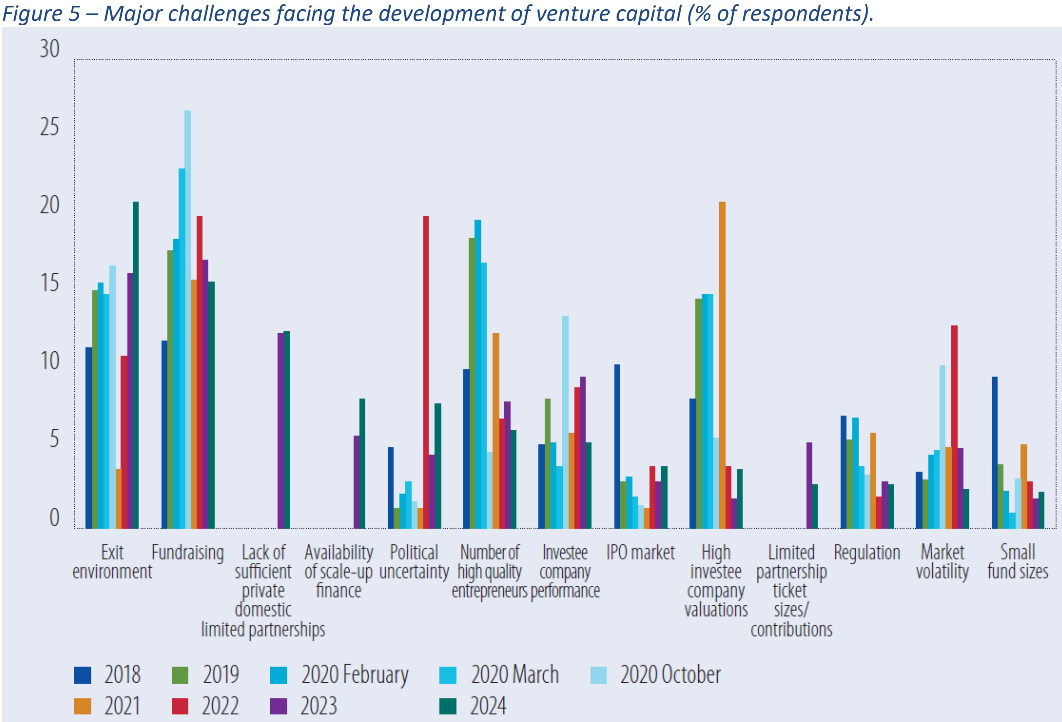


Source: [Botsari et al. (2024)](), page 24.

Exit opportunities

107 One of the challenges currently facing the development of VC is the lack of robust exit opportunities (IPOs and M&As). This suppresses the willingness of investors to fund the earlier stages of innovation. Because investors cannot easily monetise their returns at a scale comparable to the US, they perceive European startups as riskier, leading to a persistent scale-up gap. For the VC ecosystem, the exit environment has surpassed fundraising as the primary concern for fund managers in 2024. Without profitable exits, capital remains 'trapped' in older portfolios rather than being reinvested into new ventures.

Figure 5 – Major challenges facing the development of venture capital (% of respondents).



Source: [European Investment Bank (2025)](), page 131.

108 At the same time, market valuations in Europe are often up to 40% lower than in the US. This valuation gap deters investors from backing European firms, as the potential return on a successful exit is significantly lower[81]. Uncertainty regarding exits leads to longer due diligence and a shift away from high-growth companies toward those that generate immediate cash flow.

109 The issues related to exit opportunities are inseparable from the fragmented and underdeveloped nature of the EU capital. The EU has over 20 central counterparty platforms ('CCPs') and central securities depositories ('CSDs') for equities, while the US has one of each[82]. This increases the complexity and cost of cross-border trading, blunting the appeal of European markets for global investors[83]. The administrative burden and cost are also very high for companies looking to go public. For an SME, the initial cost of listing can reach 15% of the amount raised, making it an unattractive way to seek fresh funding compared to PE. SMEs face significant administrative hurdles related to listing obligations, market abuse regulations and prospectuses: 42% of firms cite regulatory burden as a primary reason for not going public[84]. European exchanges may be too small and fragmented to offer the secondary market liquidity required for efficient price discovery[85]. There is a chronic shortage of SME research coverage, and many SMEs are excluded from major global indices, making them invisible to institutional investors. In addition to the factors outlined above, the fragmentation of the Single Market into 27 distinct national regimes prevents SMEs from operating and raising capital seamlessly across borders. Significant differences in national insolvency triggers, the ranking of claims and the length of proceedings make it difficult for creditors to price risk for cross-border debt instruments. The considerable differences in tax legislation across Member States create high compliance costs. SMEs spend an average of 2.5% of their turnover on regulatory compliance. 60% of exporting firms report that their products must meet different standards for each individual EU market, a burden equivalent to a 60% tariff on goods and 110% on services[86].

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[81] Letta (2024), page 33.

[82] Draghi (2024b), page 283.

[83] While some consider the many local markets an issue, it was also noted during the interviews EFRAG conducted that it was an advantage to have local markets, which could provide products that were fit for the local market. Also, it was noted that investments on broker apps (such as Trade Republic) would show possible investments on all/multiple exchanges, making it irrelevant for the investment decision where a given stock would be listed.

[84] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 70.

[85] Differing views were expressed on this topic amongst stakeholders interviewed.

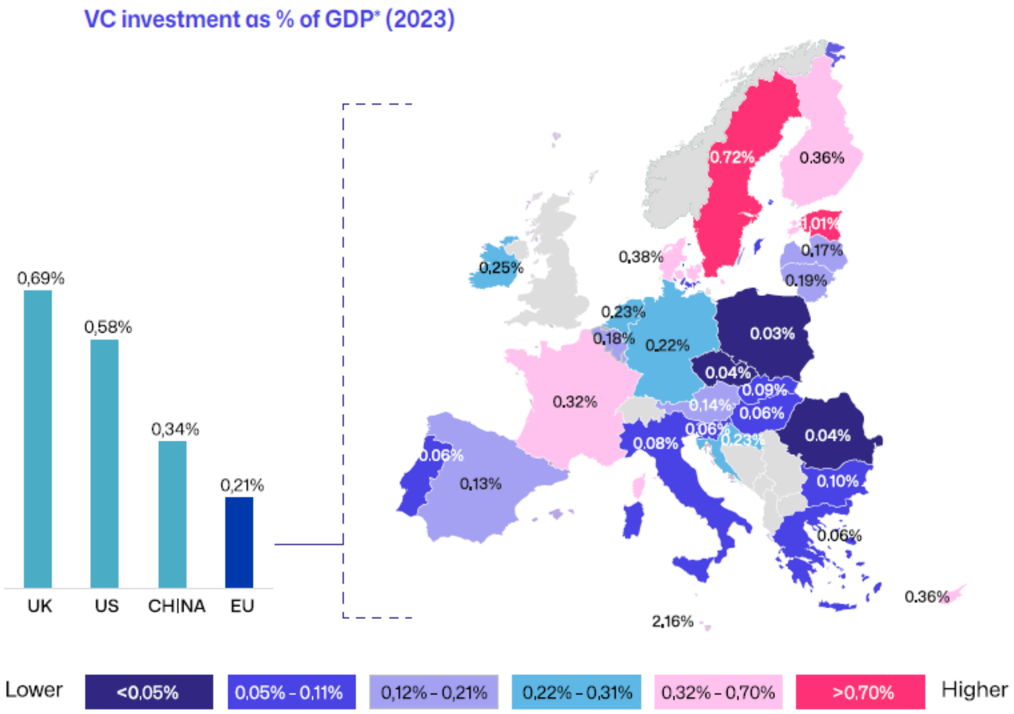
[86] European Investment Bank (2025), pages 3 and 4.

110 In addition to regulatory fragmentation, a small investor base inhibits the capacity of local markets to offer liquid trading conditions and efficient price discovery. The shallow depth of the EU market increases the cost of capital for EU firms. Different national administrative rules and tax regimes, including capital gains taxes, make cross-border investments even more complex and costly for citizens. The lack of a deep, liquid, single capital market frequently forces the EU's most innovative businesses to seek funding in the US market and relocate their headquarters abroad to access larger capital pools and easier paths to exit. Nearly 30% of European 'unicorns' changed ownership and relocated their headquarters abroad between 2008 and 2021 (mostly to the US), leading to a significant brain drain and loss of future growth potential[87].

Regional differences

111 Although the VC as a percentage of GDP is three times lower in the EU compared with the US[88], there are significant differences among Member States, and the VC remains highly concentrated, with Germany and France accounting for nearly 48% of EU VC investments in 2023[88].

Figure 6 – VC investment as % of GDP (2023).



Source: StepUp StartUps Consortium (2025), page 18.

[87] Schulze Brock et al., page 72 and Draghi (2024c), page 3.

[88] StepUp StartUps Consortium (2025), pages 13 and 18.

Overview of main players in the financing ecosystem

112 A description of the main players in the financing ecosystem is provided in the Appendix. The Appendix also describes for which phases in a company's lifecycle the different types of financing providers and facilitators are normally relevant. The main players are:

(a) Incubators and accelerators. These are providing a combination of funding, mentorship, workspace and networking in exchange for equity in a startup.

(b) Academic and public research institutions such as universities. Technology transfer offices ('TTOs'), typically embedded within academic and public research institutions, facilitate the commercialisation of research and IP generated by universities or research institutions through two main mechanisms: licensing agreements and equity participation (spin-offs).

(c) Business angels. These are wealthy individuals who invest their personal financial capital into nascent startups, typically in exchange for an equity stake in the company. Many business angels operate through Business Angel Networks.

(d) Crowdfunding and peer-to-peer platforms. These platforms are complementary means of obtaining funding for a company. They can be used by all types of companies but are often used by startup companies or growing businesses as a way of accessing alternative funds. They can include both lending and equity investment opportunities.

(e) Venture capital. This is a form of equity investment in startups and companies with high growth potential.

(f) Private equity. Venture capital is one type of private equity. However, private equity also covers: investments (often a minority investment) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets, buyouts, turnaround/rescue financing and replacement capital.

(g) Commercial/retail banks. Commercial/retail banks are the main providers of financing for SMEs in the EU.

(h) Public/government finance and facilitation programmes. The contribution of government agencies to venture capital fundraising is significant in the EU. There are various public actors and initiatives, for example the European Innovation Council, the EIB Group, acting as the EU's lending arm and the EIF, which is the largest public investor in EU venture capital funds. In addition, there are various loan guarantee programmes. Public initiatives also include various market facilitation programs and other initiatives currently under development, including the IP-backed finance initiative, seeking to help make IP a key driver for SME growth and competitiveness in Europe by improving access to finance.

(i) Institutional investors (pension funds and insurance companies). Pension funds and insurance companies are the largest holders of assets in the EU. However, their investments in startups are limited.

(j) IPO market. Stock market in the EU is significantly smaller than that in the US. There are many small exchanges operating across the EU.

(k) Investment banks. These banks function as central financial intermediaries, responsible for channelling savings into productive investments and providing advisory services for M&As, IPOs, and securities issuances.

(l) Market facilitators (advisors and consultancies). The facilitators and advisors within the IPO and M&A markets act as intermediaries that bridge the gap between companies and the capital markets and corporate buyers, providing the infrastructure, technical expertise, and strategic guidance necessary for successful liquidity events.

113 A description of each of these main players and their relevance throughout the different growth phases of a company is further presented in the Appendix 1 to this report. The interest in a voluntary template on ESAP expressed by these groups is presented in Part 3 below.

Part 3 – EFRAG's findings on the interest in the voluntary template at ESAP for key information about an SME

114 To assess the interest in a voluntary template including key information about an SME, EFRAG conducted 85 interviews with relevant stakeholders (see paragraphs 74–82 above). The interest of the interviewed stakeholders is summarised below by type of stakeholder; some of the interviewees represented multiple types of stakeholders. The interest of the interviewed stakeholders is summarised below by type of stakeholder; some of the interviewees represented multiple types of stakeholders.

115 More detailed feedback received from the outreach activities is presented in the Summary of the outreaches performed for the assessment of the interest in a voluntary template published separately from this report.

Interest from SMEs

116 EFRAG has interviewed 38 SMEs, startups, scale-ups and their representatives.

117 SMEs need financing at different stages of their lifecycle, from initial product or idea development to scaling up to a bigger size. Various types of financing are available to a company depending on its particular circumstances. As a result, a company's interest in voluntarily providing its information in a publicly available template for the purposes of finding financing varies depending on its situation.

118 Generally, feedback received suggests that SMEs will be interested in using the template if:

(a) they need financing other than a bank loan (see the Appendix);

(b) providing information via the template will enhance their chance of obtaining financing;

(c) the cost and efforts of providing information will not exceed the benefits; and

(d) ESAP will have additional functionalities.

119 The table below represents possible potential uses of ESAP by stage of a company lifecycle (the stages of a company lifecycle are explained in paragraphs 195 – 231 of the Appendix).

Stages of a company	Possible potential use of the voluntary template at ESAP						
	Be visible for first investors	Be visible for bigger investors	Be visible for pool of investors / go cross-border	Be visible to public facilitators / finance providers	Be visible for suppliers or customers	Sell a company	Be visible for IPO advisors
Pre-seed							
Seed	X						
Early stage – Series A	X			X			
Growth stage – Series B		X	X	X	X		
Expansion/ maturity stage – Series C–D		X	X	X	X		
Established SME		X	X	X	X		
Exit/IPO						X	X

120 As explained in the Appendix, as well as below under the relevant finance providers, at a startup level (pre-seed and seed), fundraising currently usually happens locally, although there could be exceptions to this, and personal contacts and trust between investor and investee are very important. This is because at this stage there is no historical information to provide, the company is most likely not yet profitable, and its potential value primarily lies in its business or innovation idea and the strength of its team. It is, therefore, less likely that condition (b) in paragraph 118 will be met for private capital, and accordingly less likely that companies at this stage will make extensive use of the voluntary ESAP template. However, this may be dependent on the level of development of a startup ecosystem in the area. For example, in Denmark and Germany startups have a wide range of local tools to find investors. The information these startups can provide will be forward-looking cash-flow forecasts, business plans, innovation ideas, main competitors, sectors of activities and the founders' team.

121 However, when a company grows, the situation changes: it already has some historical financial information, may become profitable, has already done some funding rounds and is in need of much bigger investments than it can obtain locally. Providing information on the ESAP voluntary template becomes more useful at this stage as it might provide access

to a wider pool of European investors (if they use the database) and help raise bigger amounts. The ESAP voluntary template will be most useful for companies wanting to grow cross-border.

122 Feedback received suggested that the voluntary ESAP template and its European coverage could also prove useful for a company at the exit stage, when the owners want to find a buyer, be it a private investor or another company. It could also be useful if a company wants to do an IPO and is looking for an advisor or facilitator.

123 One more possible use of the ESAP template could be to connect large corporates with local or foreign suppliers or customers, or to attract talent identified in specific startups. Many respondents stressed the importance of incentivising companies to provide information on the voluntary ESAP template, and this could be one of the possible incentives. Some respondents also noted that putting information on the voluntary ESAP template could be useful if a company wants to find a local supplier in a certain field.

124 These respondents were of the view that ESAP could be a useful additional tool to connect investors with SMEs and to help scale-ups go to the public markets. It will allow SMEs to convey information about themselves at the European level. The database will most likely be useful for the scale-up phase and for established SMEs trying to grow than for early-stage startups. ESAP will improve visibility and comparability of European SMEs. This platform serves the general economic interest, helps SMEs practitioners to provide the information and could create a market for other participants.

125 However, other respondents noted that providing information in a database is not the only means to raise finance. The feedback suggested that innovative startups and scale-ups use other means like pitch and other thematic events, their personal network and LinkedIn to make themselves known and to secure PE financing. The startups ecosystem is very agile and flexible, with the information being regularly updated. Several commercial local and international platforms exist that provide the most up-to-date information about startups, often collected using AI, from different sources (AngelList, PitchBook, Dealum, Crunchbase, Signal, Republic, Crowdcube, Invesdor, etc.). Some of them have reasonable prices.

126 For these respondents it was not clear what problem the voluntary template on ESAP is trying to solve compared to already existing privately managed platforms and events. They did not see a need for a voluntary template at ESAP, as startups inform investors about themselves through warm intros and events in an informal way. Usually, startups are the ones actively seeking investors rather than the other way around. The latter already have access to a wide range of tools and platforms to identify potential investors and tend to

focus primarily on those with proven funding capacity. An additional platform with an uncertain pool of available capital may therefore not attract significant interest from startups. However, such a platform could potentially be useful in smaller countries where startup ecosystems are less developed.

127 For example, in larger European economies such as France and Germany, there is no perception that there is an issue with funding of startups and scale-ups, various large funds operate in these countries. For example, in Germany, scale-ups have to go abroad only when they need funding over EUR 50 million. To the contrary, in some other countries, such as for example, Ireland, Cyprus, Spain or Norway, startups would be more interested to use the voluntary template to connect with European investors as local markets are smaller or less developed.

128 Other respondents were of the view that in the absence of well-functioning single capital market (different legislation, taxation, etc), the voluntary template on its own will not improve access to finance.

129 Another concern was that since ESAP is a government-based platform which contains regulated information, it can be disincentivising for investors. It was suggested to have two separate platforms or to make it private to avoid a link to a compliance mindset.

130 Many respondents highlighted the importance of not overburdening entities with overlapping reporting requirements, as a lot of data is already requested by local authorities in some jurisdictions. Where feasible, it should be made possible for entities to simply accept that information already available in the national registers is automatically uploaded to ESAP.

131 The perception of the burden related to providing information to a voluntary template differs between the EU Member States depending on how much information an SME already provides to local authorities. For example, it was noted that in Austria a voluntary template will not attract the interest of SMEs as it will impose additional burden. This is because there are very limited reporting requirements for SMEs in Austria and companies have 18 months to submit them. By contrast, in Nordic countries, companies already provide a lot of information in electronic format and it is publicly available.

132 The same relates to the concerns about confidentiality of the information. They are directly linked to the current requirements around public availability of information in each jurisdiction (see paragraphs 185–188 below).

Interest from finance providers and other users

133 Different types of funding provided by various investors are available to an entity throughout its lifecycle, starting from the pre-seed stage to an eventual IPO.

134 EFRAG has interviewed 65 finance providers and facilitators. The table below summarises the interest from main direct investors and financing facilitators in a voluntary ESAP template.

135 The table provides first matching of different investor types by company stage (from seed to an IPO or exit of the owners). The blue colour represents a potential interest of the particular type of investors/facilitators in using the template.

Main types of investors and facilitators by life cycle of a company and their potential interest in template

Investor / funding types Stages	Own funds / personal network	Incubators	Business angels / crowdfunding / accelerators	Venture capital and other funds	Private equity firms	Pension funds / insurance / investment banks	Commercial / corporate banks (debt providers)	Public / government finance programs	Another company	IPO facilitators
Pre-seed (idea)	X	X								
Seed (prototype)	X	X	X					X		
Early stage – Series A (minimum viable product, customer base and monthly recurring revenue)			X	X				X	X	
Growth stage – Series B (product development and commercial scaling, market expansion, predictable performance and ROI)				X	X			X	X	
Expansion / maturity stage – Series C–D (profitable and self-sufficient business)				X	X	X	X	X	X	X
Established SME				X	X	X	X	X		
Exit stage / IPO									X	X

X	The most frequent funding providers by stage of a company's life cycle
	Potential interest in ESAP based on the feedback received

136 In addition to the finance providers and facilitators listed in the table, SMEs can obtain financing from:

(a) debt funds;

(b) peer-to-peer lenders; and

(c) factoring companies.

137 The interest of the various finance providers and facilitators is further described below in paragraph 138–162.

Traditional debt providers

Commercial/corporate banks

138 EFRAG interviewed 13 commercial banks and their associations/representatives engaged in providing credit for small businesses.

139 Although generally supporting the idea of a template with main business and financial indicators for the screening phase, all but one of the commercial banks and their representatives interviewed stated that they will not use this tool as they have established their tailor-made credit rating procedures and systems and need much more granular information to make credit decisions. In addition, banks usually provide loans to their existing clients and need access to their full financial statements. They will not use the database to search for new potential clients.

140 There were opposite views on whether banks interested in issuing more 'green loans' could use ESAP to find SMEs active in the 'green sectors'. One stakeholder considered that the voluntary template might be used for this purpose, while other stakeholders noted that banks usually issue 'green loans' to their existing clients and will not use the platform to look for unknown SMEs to provide loans to.

Factoring/leasing/trade credit

141 EFRAG did not identify any interest from this group in using the ESAP template. It was thus noted that banks used the same thorough processes for providing factoring arrangements as for providing loans, and local platforms were available for assessing creditworthiness when providing trade credits.

Equity and alternative debt providers

Accelerators, business angels, crowdfunds, peer-to-peer platforms

142 For crowdfunding and peer-to-peer platforms, a voluntary template in ESAP could be useful for the screening of potential clients, especially when these platforms want to expand their business to a new European country or region.

143 One respondent from Southern Europe, representing a platform providing alternative debt solutions, noted that they use detailed information (shareholders, beneficial owners, credit information, ESG) provided by credit bureaus[89], existing almost in every European country. For this respondent limited information on ESAP will not be useful as it will not be sufficient to make credit decisions.

144 For business angels and accelerators, ESAP will be beneficial for those investors who are not familiar with what is going on in other EU countries and who are interested in extending their investments in startups cross-border (which is not the typical behaviour of business angels). The platform will help them to achieve higher speed of matchmaking.

145 However, a variety of local and global platforms are already available to these investors to inform them about the market, startups, deals etc. Feedback suggests that competing against the existing resources will be very difficult. However, it should be taken into account that at least the platforms that cover a range of countries are commercial platforms, which are not free to use, and are considered by some to be too expensive (although the prices are decreasing). Smaller investors / crowdfunding platforms are therefore often not able to afford using these platforms and ESAP, being a free-of-charge platform, can be useful for this investor type, provided there is traffic on the platform and enough companies put their information there. In this regard, it should also be taken into account that some do not use the available commercial platforms as they consider the information they provide incomplete.

146 Respondents also noted that startups are very proactive in looking for funding and usually the pipeline of investors is full and their selection criteria are tough. The same applies to VC and PE funding described below.

Venture capital, private equity and other funds (debt and equity)

147 The larger VC and PE investors make extensive use of the existing commercial databases, and the price does not have as much importance as for smaller investors discussed in the previous section.

148 Some of these databases use already available and verified data about existing SMEs and startups, like in France. A similar startups database, built on publicly available information, exists in, for example, Estonia. In some countries, such as Germany, there are several

[89] Germany: SCHUFA Holding AG, Creditreform, CRIF Bürgel GmbH & Co. UK & Denmark: Experian. Italy & Czech Republic: CRIF S.p.A. Belgium: Banque Nationale de Belgique. Austria: KSV1870 Information GmbH. Romania, Bulgaria, Greece, Cyprus: ICAP CRIF. Estonia, Lithuania, Malta: Creditinfo.

regional databases that bring together investors and investees and also inform startups about the pitch events and other financing opportunities. Any new database should be proven to have reliable information useful for investors in order to be accepted and used.

149 The VC, PE and other funds investors expressed mixed views with regard to the usefulness of the ESAP voluntary template for their business.

150 Some of the investors expressed strong doubts that another 'general' database is needed in addition to the existing tailored-for-purpose databases. In their view, generic information will not have any added value to the existing resources. At the same time, asking for non-generic information could result in asking for commercially sensitive and confidential information. To be valuable, the voluntary template needs to have the right balance of detail, which will be difficult to achieve. PE investors further noted that new databases are constantly appearing, competition is rising and hence prices are falling.

151 Other investors, however, considered that the voluntary template on ESAP will bring benefits as companies in need of finance will be more visible, traceable and searchable. ESAP could facilitate scaling through partnerships and franchising in addition to traditional capital rising. It could be helpful to create a pool of investors or for public procurement to see what businesses exist. It would be beneficial for all types of investors or buyers, but it would be important not to create additional burden for companies.

152 Debt funds considered that a voluntary ESAP template would be useful as it would have information about SMEs in one place. However, they preferred to have full financial statements and sustainability reporting information. In their view, the 'business card' style template might not be as useful, because it would lack detailed information for a credit decision. Nevertheless, they considered that the ESAP template could complement internally developed models by providing data about fast-growing companies looking for finance across Europe.

153 Investment banks interviewed considered that the voluntary template on ESAP will be useful to originate deals through their funds, to look for potential targets or to be informed about potential exits. It will also be useful to build benchmarks and to get information about competitors.

Pension funds/insurance companies/investment banks

154 As the respondents from these categories generally (with exceptions) do not invest directly but rather through dedicated funds, their interest in the template is rather limited. The views of the funds are reflected in the section above.

Companies – acquirers

155 Feedback shows that the exit market in Europe is quite difficult, and investors cannot sell their existing portfolios. Many respondents reported difficulties in finding an acquirer if an owner wants to exit. In Germany, for example, around 30% of the SMEs are closed without finding a buyer because of the age of the owner. In Spain, it is complicated from a regulation point of view to take over a local company when an owner retires. A remote location of a company and problems in getting new workforce were reported as examples of obstacles by investors. Only one Spanish fund focuses on selling small and mid-cap companies.

156 For many companies, the main exit channel often remains a sale to a strategic business partner. If this is not possible and if a company cannot find an acquirer locally, it would be interested in looking for an acquirer from abroad. In this case, a voluntary template on the ESAP platform can be useful for those companies as it will make them known across Europe and increase their chances of finding an acquirer.

Other (indirect) finance providers and facilitators

IPO, M&A and listed debt facilitators

157 Intermediaries, like M&A and IPO advisors, often find customers by referral from their clients, through their networks of advisors and auditors or by searching companies active in certain industries. In this context, a voluntary template on ESAP could be useful. Around 60% of customers come to them and the other 40% they have to chase. These advisors may use existing databases, but they are either considered costly or not fit for purpose.

158 According to the feedback received, information on the ESAP voluntary template would be of interest for the above intermediaries. They would benefit from a standardised business card as it would reduce their costs for identifying potential target companies. ESAP would be particularly useful for smaller advisory companies, as existing commercial databases are too expensive for them.

159 A voluntary template on ESAP could also be used by these advisors for benchmarking, in particular to provide information about peer groups to perform more precise valuations. The more complete and reliable the data on the voluntary template on ESAP would be, the more useful it would be for the benchmarking exercise. In addition, if the database has information about a large number of companies, it could also be used by academics for research and statistical purposes.

Public/governmental finance programmes and assistance

160 Various European public funding programmes are available across a company's life cycle. European funds provide indirect targeted financing through banks, guarantee institutions or fund managers.

161 As a result, their interest in the ESAP voluntary template is quite limited. Nevertheless, these respondents highlighted that data collection from the SMEs is one of the most significant problems and that consolidation of SME reporting will have an added value for the public.

162 These respondents suggested that the voluntary template on ESAP could be used by companies applying for EIF financing and/or to provide VSME information or a link to it. It could also be used to identify companies to whom IP valuation and financing support can be proactively provided.

Potential content of a voluntary ESAP template

163 Respondents provided numerous suggestions as to what type of information a voluntary template in ESAP should contain. The general view was that it should contain a mix of qualitative and quantitative, as well as historical and forward-looking information. Respondents noted that different information types will be relevant for different stages of a company's life cycle. A startup without any historical data cannot provide the same information as a long-established SME with a track record of several years.

164 In cases where historical financial information is available, it was suggested that at least two to three years of historical data be provided. This will help investors analyse growth trends.

165 Many respondents reiterated the importance of not overburdening SMEs with additional reporting requirements and suggested that the data already reported to national authorities, where possible, should automatically be fetched into the template.

166 Respondents acknowledged that the key information outlined below will not be sufficient to make investment decisions and that subsequent due diligence will nevertheless be required; therefore investors should be able to contact the company to ask for further, more detailed information.

167 The table below provides key information types relevant for investors for each main stage of a company's life cycle. It does not represent the content of potential future voluntary template which will be assessed at a later stage, should it be decided to proceed with this initiative.

Type of key information	Most relevant for Pre-seed and seed	Early-stage startups	Growth stage companies / scale-ups	Established SMEs	Exit/IPO
Industry (sector code)	X	X	X	X	X
Location	X	X	X	X	X
Innovation and business idea	X	X	X		
Founders and the team	X	X	X		
Main shareholders and percentages of holdings	X	X	X	X	X
Number of employees	X	X	X	X	X
Business model	X	X	X		
Business plan	X	X	X		
Capital raised	X	X	X	X	X
Timeline of funding rounds and their amounts	X	X	X		
Type of investor sought (minority, majority or syndicated investors)	X	X	X	X	
Type of financing sought (equity, debt, hybrid)	X	X	X	X	
Target market(s) and geographic focus	X	X	X	X	X
Runway and cash burn rate	X	X			
Cash flow projections	X	X	X		
IP and other collateral	X	X	X	X	
Link to financial statements (if available)			X	X	X
GAAP of financial statements			X	X	X
Subject to audit			X	X	X
Revenue			X	X	X
EBITDA			X	X	X
Margins, profitability			X	X	X
Working capital			X	X	X
Net debt			X	X	X
Liquidity and solvency ratios			X	X	X
Estimated potential free float					X
ESG information (climate strategy, gender balance, carbon footprint)			X	X	X
Link to VSME reports			X	X	X
Link to a company website	X	X	X	X	X

Considerations about the data in the voluntary template on ESAP

Competition with existing databases

168 As already mentioned earlier, several commercial databases exist that connect key players of a startup ecosystem through events, by providing innovation consulting and by analysing trends and dynamics on the market. These databases are constantly updated, sometimes using AI, and provide various functionalities; some even include rumours about potential future deals that could occur based on historical trends.

169 Feedback showed that the voluntary template on ESAP, inevitably, will be competing with these agile commercial platforms. A view was expressed that the fact that the ESAP platform is government-based and contains a regulated information can be disincentivising for investors. It may be better to have two separate platforms or to make it private to avoid a link to a compliance mindset.

170 In the view of other respondents, the voluntary template can be seen as an additional source of information, which does not compete with existing platforms but improves the visibility of European SMEs. It is important to make the platform known and used by the industry and that 'matches' happen on it. Regular maintenance and updating of the platform remain important for its acceptance. It is a very performant and ambitious industry, so the platform has to have minimum standards.

Comparability (GAAP)

171 The feedback showed that most investors did not consider having common and comparable GAAP numbers to be an important prerequisite for the usefulness of a voluntary template. Comparability and standardisation were considered important by those respondents who would like to use the voluntary template for benchmarking or research purposes.

172 The investors interviewed generally considered that at the screening phase, it is not a major issue that financial information is prepared under different accounting requirements and that they understand that the numbers are proxies. What is important for them is trends and indications of the companies' size and stage. It could, however, be useful to state the GAAP under which the financial figures were prepared.

173 In addition, SMEs generally do not have complex financial products or operations, and local GAAP numbers should be sufficient with an eventual explanation of how they were calculated.

174 For early-stage startups, comparability is less relevant as these companies do not have historical numbers but mostly future cash flow projections. For these companies, the most important thing is to convey their story and their innovation.

175 However, some other stakeholders in the startup ecosystem considered that information should be standardised to increase investors' confidence. It could be done either by choosing the simplest option from the Accounting Directive, applying IFRS for SMEs, or at least by disclosing a calculation method. This would provide assurance on the reliability and quality of information in the database.

176 It was also noted that the information should be standardised if the objective of the database is to provide some sort of statistical information about companies in the EU to be used for benchmarking or research purposes. In this case, the platform should be either widely accepted by users or made obligatory. In this case, standardised information with some kind of assurance (audit) is important.

177 It should be noted that availability of comparable information differs between the EU regions, for example Nordic countries have bigger universe of comparable information compared to other EU countries, because majority of companies data is publicly available.

178 There was an overall agreement that standardising the calculation of financial figures would involve costs for companies, and the importance of not overburdening SMEs with additional reporting and administrative requirements was stressed.

Reliability (audit)

179 Assurance on the reliability and quality of information in the database is important to ensure the database is trusted.

180 However, given that there is too much uncertainty at the startup and scale-up level, stakeholders considered that it is not important whether the information is audited. Investors can subsequently verify the information provided during a due diligence process.

181 Companies should, however, be able to indicate whether the information is audited. Those, subject to audit should be able to provide audited information or entire financial statements to increase trust in the reported data.

182 It was noted that for companies aiming for an IPO, audited numbers would, however, be preferable.

183 Although some stakeholders were in favour of audited information, it was highlighted that such a requirement would involve additional costs for SMEs and startups and could disincentivise them from using the platform. However, the initial onboarding to the platform should be made easy to ensure its wider usage and acceptance. Once again, the importance of not overburdening SMEs with additional reporting requirements was highlighted by stakeholders.

184 In this respect, the possibility of interfacing the voluntary template on ESAP with national official registers was considered useful by respondents, as this will provide assurance that the (financial) information corresponds to the official company reports. This would also address concerns about not overburdening SMEs with reporting requirements.

Confidentiality

185 Many stakeholders questioned whether establishing a platform allowing information (albeit submitted voluntarily) to be public is well suited for the SME ecosystem, especially that of fast growing and innovative companies. Confidentiality and the protection of (commercially) sensitive information were one of the central themes across the stakeholders interviewed by EFRAG.

186 From an investor perspective, to be relevant and useful, a template summarising key information about SMEs should be detailed enough to allow for meaningful initial screening and be competitive with other commercial platforms, which generally provide access to a wide range of information. This information may sometimes be commercially sensitive as it relates, for example, to the company's innovation, business model, most recent valuation of the company, investors already present, the amount the company is looking to raise for the next round etc. Some entrepreneurs therefore expressed a desire to have a certain control over the distribution of information. They considered it helpful to include a functionality on the platform allowing a company to provide information upon request. For example, a company might state that it has a VSME report available but make it visible only to a particular user of the platform upon request.

187 Another concern expressed by investors was about the confidentiality of their investments (e.g. whether the fact that an investor invested in company X, Y, Z should be provided on the platform)[90]. Similar concerns were reflected by Draghi (2024b) when recommending a structured knowledge-sharing framework, through which the EU's industrial community could benefit from scaling innovations to the commercial stage, while still safeguarding commercially sensitive information. Draghi (2024b) mentions that such a framework should protect knowledge generated by EU-funded projects from industrial espionage, in accordance with the recently adopted Council Recommendation on research security[91] [92].

188 At the same time, the scarcity of data on SMEs, which is often attributed to confidentiality concerns, poses serious problems when analysing the economic impact and potential of

[90] Similar concerns were reflected by the European Commission Directorate-General for Enterprise and Industry (2006) when summarising views on exploring the merits of a business angel registration system. Mixed views were expressed by the investors, some arguing in favour, as such a system would create transparency, and some arguing against, raising the concern of publicity associated with any formal registration system.

[91] Draghi (2024b).

[92] European Commission Directorate-General for Research and Innovation (2024) similarly highlights that a significant portion of information related to defence R&D budgets, specific projects, and technological progress remains classified. This confidentiality is upheld to safeguard national security and to prevent sensitive technologies from falling into the hands of potential adversaries. Such secrecy frequently extends to financial details, making it challenging for analysts and the public to accurately assess actual investment levels.

SMEs, hindering effective policy development[93]. Some stakeholders interviewed by EFRAG also noted that the absence of a pan-European database allowing access to financial information on SMEs makes the benchmarking process difficult and costly. In the absence of appropriate data and benchmarking, the valuation of a company (after an IPO or on a secondary market) becomes also more difficult and costly. However, the situation varies across jurisdictions. Some investors told EFRAG that in Nordic and Scandinavian countries, where all financial statements are publicly available, investment managers are typically able to provide more accurate valuation multiples for any given investment opportunity because they can more easily benchmark a company with its peers.

Frequency of updates

189 As already noted, the startup ecosystem is a fast-moving environment where information should be up to date to be relevant. Therefore, the frequency of updates is crucial for its acceptance.

190 Respondents suggested that quarterly updates for startups and scale-ups would be the most suitable, as they provide the latest information and help investors see the trends. The data should be frequently updated in some cases, for example for pitch decks – every three months.

191 For other companies, the information can be updated annually to avoid overburdening them.

Suggestions to ensure the usefulness of the voluntary template on ESAP

192 The interest of stakeholders in using the voluntary template was often dependent on whether it would have certain functionalities. They provided several suggestions on the desired functionalities and types of information the voluntary template on ESAP should contain to be useful. The most common suggestions and concerns they are expected to address are presented below.

(a) Automatic upload of the (financial) data from national registers to the voluntary template ESAP – to decrease the burden related to compiling and providing information and to avoid double reporting.

(b) Creation of different levels of access within the template – to allow more sensitive information to be provided only to particular types of users or upon request and subsequent authorisation by a company.

[93] Sitori et al. (2024).

(c) Regular marketing and advertising of the template at dedicated events, forums and platforms – to ensure its wider acceptance by the startup and investor community and the necessary level of traffic on the database. Stories of successful fundraising through the database would attract more users.

(d) Regular updates and maintenance of the information on the voluntary template – to ensure its acceptance by and relevance for the startup and investor community.

(e) Possibility to include a short teaser video on ESAP – to attract more traffic on the database.

(f) Information about investors on the voluntary template – to enable startups and SMEs to contact them directly.

(g) Possibility to create a pool of investors on the ESAP platform – to facilitate larger syndicated investments.

(h) Integration of information about available EU grants / initiatives / programs by industry or sector and other relevant criteria – to identify potential aids available in the EU and have easy access to the information.

(i) Making the voluntary template private – to avoid a compliance mindset and not disincentivise investors.

(j) Use of the template as a central compliance register – as some respondents from the public sector suggested. They noted that compliance requirements should be standardised between national regulators, otherwise entry costs to a new market are too expensive.

General suggestions to improve funding of the European SME/startups

193 Respondents acknowledged that the ESAP voluntary template is only one piece of the puzzle in efforts to improve European competitiveness and the financing of the fast-growing innovative companies. It will create an impact in addition to other measures aimed at stimulating innovation and investment in Europe.

194 The following measures were considered important by respondents to improve the situation:

(a) Creation of the European Scale-up Fund, announced recently, which blends private and public funding (including pension funds) and could boost the investments.

(b) Creation of the 28th regime to help create a pan-European platform to match ambitious startups with investment funds.

(c) Adoption of the European Innovation Act proposals to improve access to finance for startups and scale-ups.

(d) Deregulation of business angels' funds to allow them to invest directly or to syndicate and invest in a portfolio. This would enable them to take any risks they want.

(e) Adaptation of prudential regulation (Solvency II, CRD) to ease the investments in unlisted equity, including regulation for IPOs.

(f) Easing of the regulation of pension funds and institutional capital to allow investing in SMEs and startups, as it is done in the US. In Italy, for example, due to recent change in legislation, pension funds are obliged to invest in Italian VC funds. In Croatia, a new regulation allows pension funds to invest up to 20% of assets under management into alternative assets and, on a voluntary basis, it is recommended to invest approximately 5% in alternative assets.

(g) Education of investors and startups and creation of an equity culture in the EU financial system.

(h) Improvement of the legislation on employee participations and physical persons investments. For example, the Swedish system makes it easier for physical persons to invest in stocks.

(i) Provision of tax incentives for startup funding for regular people and small-scale investors.

(j) Revision of EU legislation to allow the creation of bigger companies (megacorns).

(k) Revision of the recommendation on business transfers in the EU to help with exits.

(l) Creation of a single unified capital market to remove the issues of entering other markets, such as taxation, administration and legal requirements.

(m) Creation of more adaptable financial instruments, in addition to traditional equity and debt, such as mezzanine structure, quasi-equity, catalytic grants, etc. to address structural failure of capital markets and bridge the scaling gap.

(n) Creation of standardised KTO and TTO agreements.

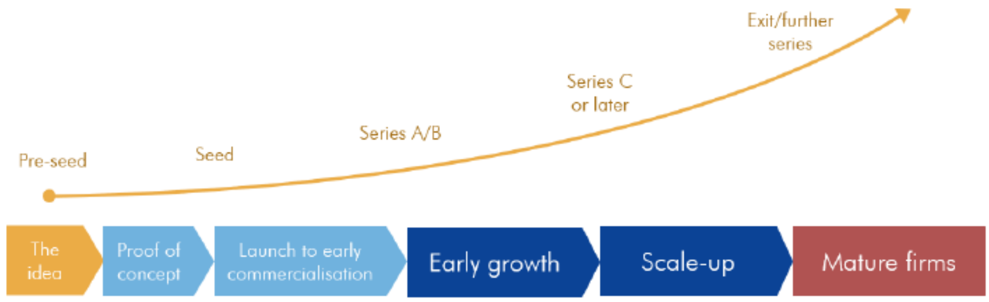
(o) Creation of internal investment funds in the universities to help financing startups.

Appendix 1 – Detailed overview of the financing situation of companies by growth phases and main players in equity and debt financing ecosystems.

Growth phases

195 The growth phases of SMEs, startups and scale-ups are often divided into specific development or funding stages, for example pre-seed and seed stages, early-stage startups and growth-stage companies with various rounds of funding raised. The rounds of funding are often referred to as series A, B, C, D and (sometimes) E.

Figure 7 – Growth phases: illustration.



Source: European Investment Bank (2024), page 34.

196 In the sections that follow, the report refers to both growth stages and funding stages based on their relevance and objectives.

Pre-seed and seed phase

197 The terms 'pre-seed' and 'seed' are not used consistently. For example, some consider that pre-seed financing is generally provided from public sources ('proof of concept') while seed finance is related to commercially funded projects[94]. Some consider that seed funding also covers the 'idea stage' or 'pre-seed stage'[95], [96], while others consider the pre-seed stage as a round of financing for a company founded less than two years before that has not yet received institutional investor support[97].

198 Despite the absence of a unanimous definition of a company in a pre-seed/seed stage, various sources cited above and EFRAG's interviewees agree on the main stakeholders/finance providers for a company at this stage of its journey. A company seeking initial funding generally explores the following avenues:

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[94] European Commission Directorate-General for Enterprise and Industry (2006).

[95] Devaney et al., (2025).

[96] Invest Europe defines seed investment as a 'funding provided before the investee company has started mass production/distribution with the aim to complete research, product definition or product design, also including market tests and creating prototypes. This funding will not be used to start mass production/distribution' (Invest Europe, 2025).

[97] KPMG Private Enterprise (2025).

(a) personal financial savings and bootstrapping;

(b) friends, family and personal networks;

(c) incubators and accelerators;

(d) business angels;

(e) academic and public research institutions;

(f) crowdfunding platforms; and

(g) early-stage venture capitalists.

199 Generally, startups in this growth stage are looking for investors within their local network (for example business angel associations) and through dedicated events (such as pitch events or angel conferences) and may inform about themselves on various dedicated websites and databases. Many business angels maintain close ties with incubators and accelerators, university technology transfer offices and similar organisations[98]. Some of the stakeholders EFRAG interviewed also mentioned professional networking platforms, especially when looking for industry-specific investors (for example contacting potential pre-seed and seed capital providers via LinkedIn, including outside of Europe).

Early-stage startups (Series A/B)

200 The pre-seed or seed stage is followed by a 'startup stage' when a company completes its marketable product or has fully developed its service to start mass production/distribution and to cover initial marketing[99]. This phase generally corresponds to series A and B financing rounds. Series A represents the first or second round of institutional financing following the seed stage. The primary objective of Series A is to fund product development and the definition of market strategies and sales channels. Typical Series A investment amounts are often cited in the range of EUR 2 million to EUR 5 million[100]. A Series B round is focused on funding the expansion of a company that has already begun generating revenue.

201 Overall, early-stage startups may be in the process of being set up or may have been in business for a shorter time but have not sold their product commercially yet[101] (in case of Series A funding). The use of the capital would be mostly to cover capital expenditures and

[98] Silicon Luxembourg (2025) and EFRAG's interviews

[99] Borman et al. (2020), page 4, and Invest Europe (2025a).

[100] Silicon Luxembourg (2025).

[101] Invest Europe (2025a).

initial working capital. This stage contains also investments reported as 'other early stage', which represents funding provided to companies that have initiated commercial manufacturing but require further funds to cover additional capital expenditures and working capital before they reach the break-even point. Such companies would not generate a profit yet[102]. Woman TechEU FAQs outline that 'early-stage refers to the phase of startup development generally preceding the rapid growth phase'. The indicative criteria used to define an early-stage startup include startups that have been established and operating for no more than six years and startups that have raised limited funding (up to EUR 1 million) before reaching a high-fidelity Minimum Viable Product ('MVP')[103].

202 Bellucci et al. (2021) refer to early-stage financing as 'financing of companies in the first and second rounds, after the seed phase'. Startups are provided with this type of financing for the development of products and the definition of market strategies and sales channels.

203 Structural characteristics of early-stage startups often include being in a formative phase where they lack a full management team and operate with a very small number of employees[104].

204 In addition to / to replace the financing sources in the pre-seed and seed phases, the following types of main finance providers are relevant for early-stage startups (Series A/B):

(a) VC funds focusing on early-stage startups (see paragraphs 245–254);

(b) public/government finance and facilitation programmes (see paragraphs 273–277); and

(c) other companies.

Growth stage companies/scale-ups (Series C/D)

205 As mentioned in paragraph 90, there is no official definition of a scale-up[105].

206 Financial and investment-focused reports such as those from the EIB often define scale-ups based on their post-money market valuation. From this point of view, scale-ups are defined as companies having successfully concluded an investment deal with a valuation between

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[102] Invest Europe (2025b), page 49.

[103] Women TechEU (2022).

[104] European Commission Directorate-General for Research and Innovation (2024), page 329.

[105] Other definitions include those of the OECD and Eurostat, which identify a scale-up as an enterprise with at least 10 employees at the beginning of the period that it achieves an average annual growth in employees or turnover of more than 20% over a three-year period (Reypens et al. 2020, page 4). Schulze Brock et al. (2025) describe scaleups as companies with at least 10 employees that have increased either their turnover or number of employees by at least 30% over a three-year period (averaging roughly 10% per year).

USD 500 million and USD 10 billion. Companies that exceed a USD 1 billion valuation are typically categorised as 'unicorns'[106].

207 This phase generally corresponds to Series C and D rounds. The Series C round provides the large-scale growth capital necessary for a company to scale up. For each founding round, the risk that a startup will fail is reduced. Receiving Series C funding may therefore make the startup attractive for investors with less risk appetite, which could be large institutional investors[107]. Series D, along with Series C, are considered the core of later-stage venture deals. These rounds are used to further accelerate growth or to provide a 'bridge' to a final liquidity event such as an IPO or a trade sale (acquisition)[108]. Some reports mention Series E or later stages to describe deals involving companies that are at least seven years old and have raised at least six VC rounds[109].

208 From an organisational perspective, a scale-up is viewed as a firm at an intermediate stage of development – situated between the startup and mature firm stages – that adopts strategies prioritising the attainment of economies of scale. Unlike startups, which are still searching for a repeatable and scalable business model, scale-ups have found their model and are now growing market access and revenues.

209 Young companies, i.e. those that are less than six years old, are about two to three times more likely to scale up than older firms[110]. At the same time, though, the current typical EU scaler is a more mature SME in a less knowledge-intensive or low-tech sector simply because the total number of mature SMEs in a less knowledge-intensive or low-tech sector is much higher than the number of young companies[111]. EU entities take slightly longer to reach scale-up status than their US counterparts (6 years versus 7.1 years, respectively)[112]. The additional time it takes to scale up could be critical in a competitive market[113].

210 As companies grow, their funding needs change accordingly. Scale-ups require a combination of different sources of funding, from equity funding to bank debt. This is also the stage at which firms may have to choose between selling, going public or staying private. Ample options for exit are necessary to incentivise earlier-stage investments. The

[106] European Investment Bank (2024), page 4.

[107] Pension for Purpose (2025).

[108] Invest Europe (2025b).

[109] KPMG Private Enterprise (2025), page 103.

[110] Schulze Brock et. Al (2025), page 70.

[111] European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2015).

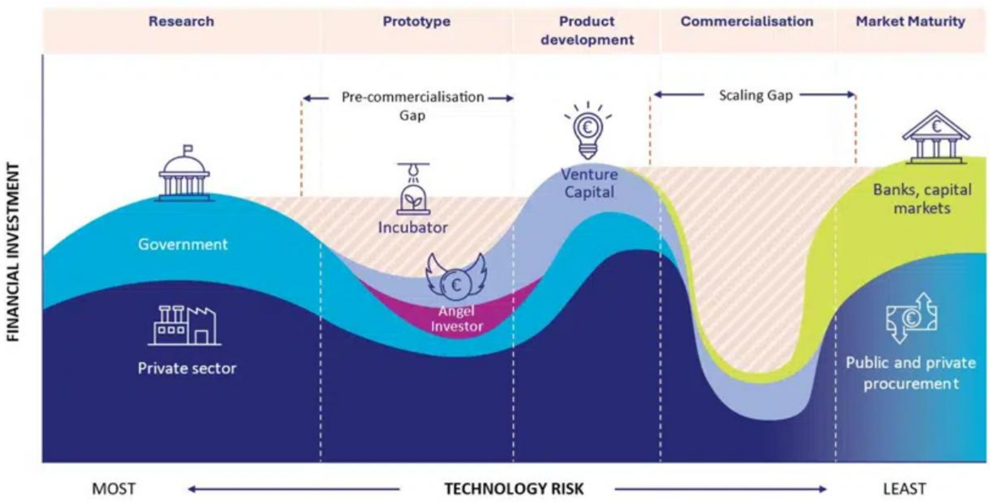
[112] European Investment Bank (2024), page 13.

[113] Interviews conducted by EFRAG of relevant stakeholders.

financing gap becomes more severe for EU companies compared with US companies reaching later-stage growth as they need increasingly large amounts of cash to finance their working capital requirements and capital expenditures, but EU VC cannot always provide sufficient financing (as further described in paragraphs 255–267). At this stage, companies need to diversify their sources of financing to include solutions that sit between traditional VC and project/corporate finance[114].

211 As noted in paragraphs 102–106, the financing situation for growing companies is currently defined by a significant 'scale-up gap'. Innovative firms in the European Union face significant financial constraints (compared to Silicon Valley peers) when transitioning from startups to mature growth-stage companies[115]. A recent survey by the European Investment Fund showed that 66% of the VC fund managers interviewed said there were insufficient financing opportunities for companies to scale up in Europe. The lack of suitable funding has limited the speed of capital accumulation and stunted firms' growth, productivity and employment[116].

Figure 8 – The startup double valley of death.



Source: https://research-and-innovation.ec.europa.eu/strategy/strategy-research-and-innovation/jobs-and-economy/eu-startup-and- scale-up-strategy_en

212 A primary challenge for European innovators is the slower pace of capital accumulation compared to their international peers. While funding levels remain relatively comparable during the first five years of a company's existence, a significant divergence occurs as firms reach the scale-up phase. By the tenth year of operation, EU scale-ups have raised on

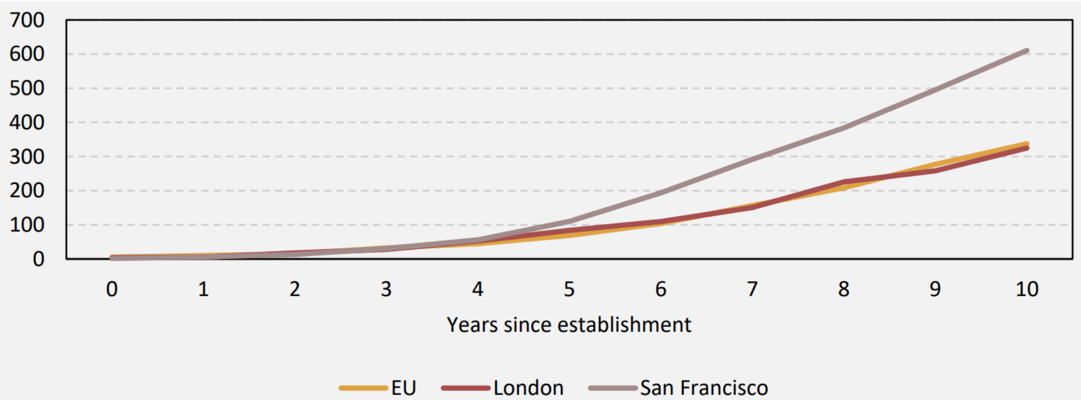
[114] European Investment Bank (2024), page 9.

[115] European Investment Bank (2024), page vi.

[116] European Investment Bank (2024), page 9.

average 50% less cumulative capital than similar firms in San Francisco. This gap persists across different industries and establishment years, indicating a systemic rather than cyclical issue.

Figure 9 – Cumulative capital raised by scale-ups over the company lifecycle (average, current $m).



Source: European Investment Bank (2024).

213 The scarcity of large-scale domestic investors forces EU scale-ups to rely heavily on foreign capital. In the EU, 82% of scale-up deals involve a foreign lead or sole investor compared to only 14% in San Francisco[117]. Furthermore, EU firms that manage to exit are frequently acquired by foreign buyers, with over 60% of M&A deals involving an acquirer from outside the EU.

214 Some EU companies relocate in search of a wider pool of capital and enhanced exit outcomes. 12% of EU-founded scale-ups relocate outside the region, primarily to the US[118]. The EU firms that relocate often operate in the software, tech or biotech/pharma industries, reach Series A or B, and more often receive a mix of financing from foreign and EU investors. Firms that relocate are more likely to be acquired. While 15% of EU-founded firms that do not relocate are acquired, 30% of those that do are acquired. Firms that have relocated are also more likely to get an IPO. 32% of EU-founded firms that relocated had an IPO, while only 23% of EU-founded firms that did not relocate had one.

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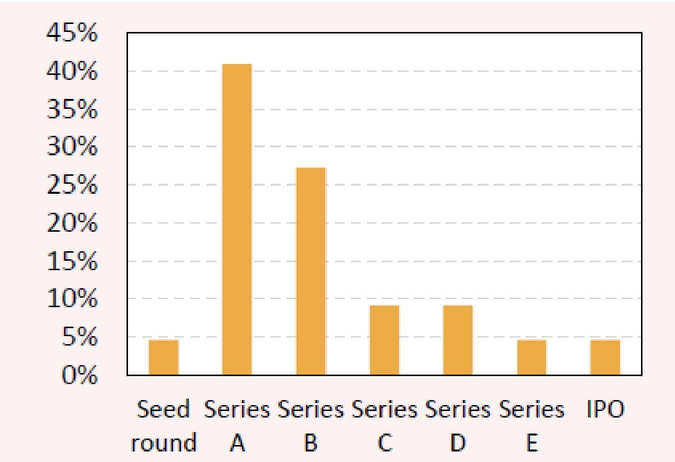
[117] European Investment Bank (2024), page 14.

[118] European Investment Bank (2024), page 19.

Figure 10 – Last financing round before relocation among EU firms (share of companies).



Source: European Investment Bank (2024), page 20.

215 This reliance on foreign funding often leads to 'brain drain' as firms relocate to access deeper capital pools, and it deprives the local ecosystem of the 'flywheel effect' where successful leaders support the next generation of startups.

216 For growth stage companies, the following finance providers are particularly relevant:

(a) VC funds (see paragraphs 245–255);

(b) public/government finance and facilitation programmes (see paragraphs 273–277);

(c) PE firms (see paragraphs 256–267); and

(d) other companies.

Established SMEs

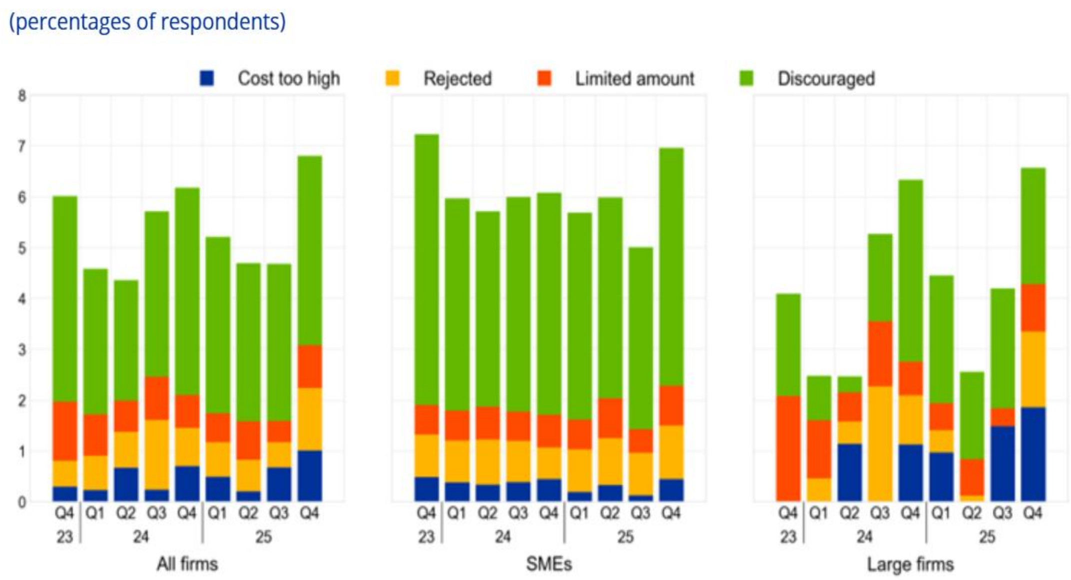
217 Established SMEs in the EU operate within a highly bank-centric financing environment. The bank-lending channel has traditionally been the most important source of external financing for SMEs, as they rely heavily on bank-based debt instruments to finance working capital needs and long-term investments. As noted earlier, banks account for 70% of EU business debt compared to 30% in the US, where other sources, such as capital markets, are also largely present[119]. Moreover, financing options remain largely confined to national

[119] Noyer (2024), page 15.

borders, as banks generally only consider providing loans to local companies[120]. Based on the European Central Bank's ('ECB') SAFE report, the primary purpose of the financing for SMEs remains fixed investments (cited by 39% of respondents to the SAFE report), followed by inventories and working capital (cited by 37% of respondents)[121]. These numbers confirm concerns expressed by various stakeholders EFRAG interviewed, and, as outlined in the previous parts, the current bank-centric system does not allow for efficient financing of research and innovation, even in the case of established SMEs. Additional considerations relevant to financing through the bank loan include rising interest rates and stricter requirements for a collateral – these considerations are further described in paragraphs 268 to 272.

218 Within SMEs for which bank loans are relevant, discouraged borrowers (companies that did not apply for bank loans for fear of rejection even if they needed them) continued to account for the largest share of firms facing financing obstacles.

Figure 11 – Obstacles to obtaining a bank loan.



Source: European Central Bank (2026).

219 As such, in some countries there has been a shift from long-term financing to short-term financing focused on current operational needs versus long-term investments[122]. The OECD's report on financing of SMEs also highlights that when credit conditions tighten, a

[120] Letta (2024), page 108, and EFRAG's interviews. One jurisdiction, however, reported that bank lending is also occurring cross-border.

[121] European Central Bank (2026), page 9.

[122] OECD (2024), page 32.

demand for alternative financing options generally increases with lease finance and factoring[123].

220 Market-based financing – such as PE, public listing or market-based debt financing through bond issuance – remains a marginal source of funding for established EU SMEs[124].

221 Equity financing is deemed a relevant source of finance by 12% of EU SMEs; however, only 1% of them actually use it, reflecting significant barriers to its application[125]. Equity financing could be obtained from PE or by public listing.

222 A majority of the PE funds take over a company in view of obtaining control, which would be an obstacle for many established SMEs objecting to the dilution of ownership[126]. (The PE market is further discussed in paragraphs 256–267.)

223 Public listing is often unattractive for smaller companies due to high compliance costs and far-reaching listing obligations, leading to a long-standing trend of declining IPO markets in the EU[127]. The IPO market is further discussed in the following section on various exit options for a company.

224 Direct bond issuance by SMEs remains negligible in most countries due, to some extent, to high costs and requirements, the minimum size thresholds to ensure sufficient liquidity for the investors and a lack of confidence in SMEs' ability to repay their bond obligations on time (contrary to a bank loan, a bond obligation generally cannot be re-negotiated or delayed considering the large number of individual investors. Once a company defaults on its bond, the confidence is broken and negatively impacts both the company as well as the overall bond market of SMEs)[128].

Exit

225 When companies reach a certain level of maturity (including moving from one growth stage to another), they typically face three strategic options: launching an IPO, pursuing an M&A or remaining privately held. The last option includes the sale to another PE or VC or management / owner buybacks. Strong exits are a key indicator of investment success and

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[123] OECD (2024), page 42.

[124] Sommer, 2024

[125] Botsari et al. (2024), page 4.

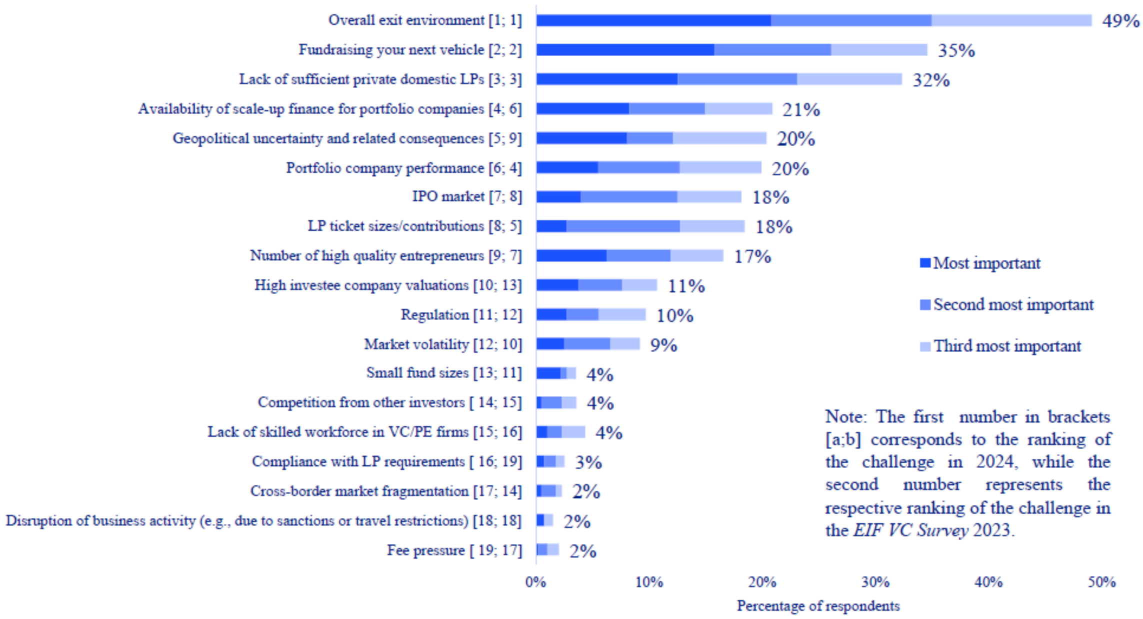
[126] Sommer, 2024

[127] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020).

[128] Sommer, 2024, and EFRAG's interviews.

influence investors' capacity and appetite to back similar ventures in the future, and they also remain a top concern for VC business in the EU.

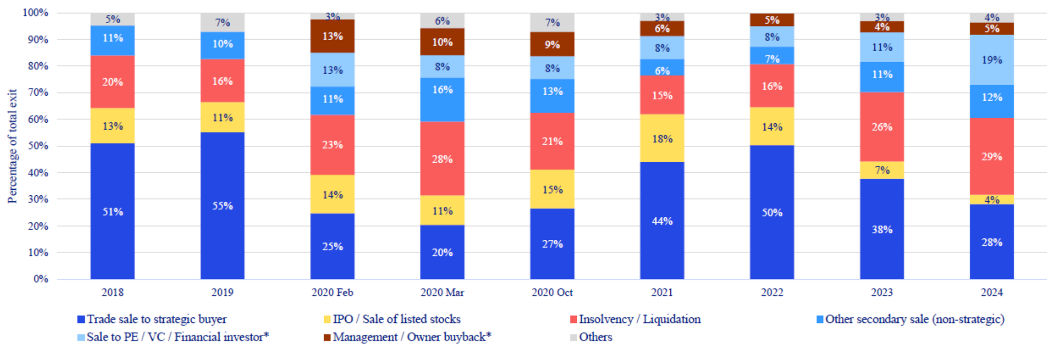
Figure 12 – Biggest challenges currently seen in VC business.



Source: [Invest Europe and European Investment Fund (2024)]

226 The most common exit path (without considering insolvency/liquidation) is where a company is sold to a strategic buyer (often a larger corporation). Sales to other PE firms and trade sales remained the most common divestment routes, together accounting for 56% of the total value of divestments at cost in the first half of 2025[129].

Figure 13 – Exit routes.



Source: [Invest Europe and European Investment Fund (2024)]

227 Once companies reach the scale-up phase, EU firms are as likely as their foreign counterparts to exit: 25% of EU firms (in the EIB's sample) underwent an IPO compared with 25% of those in London and 20% of those in San Francisco; 26% of EU firms had an M&A compared with 37% in London and 26% in San Francisco. However, the aggregate EU

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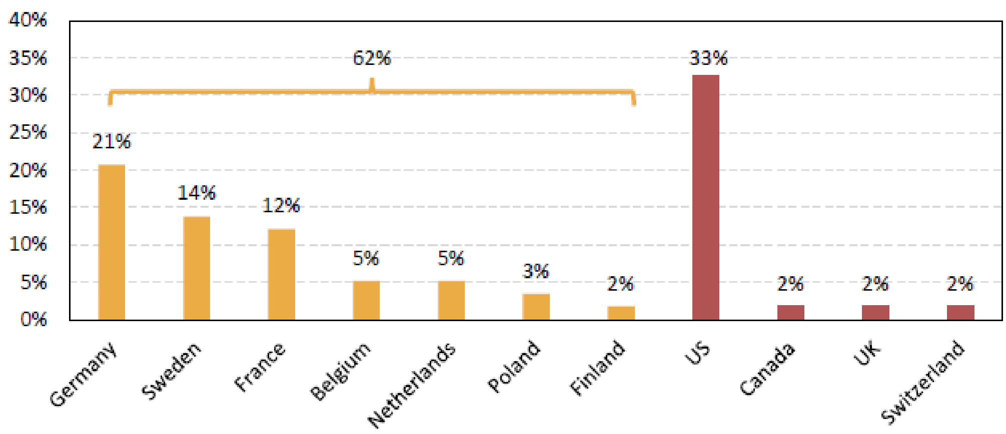
[129] Invest Europe (2025b), page 8.

figure hides a high degree of heterogeneity between Member States, with countries like Sweden, Denmark and the Benelux countries significantly outperforming their peers in London and San Francisco in M&As and IPOs[130].

IPO

228 With regard to IPOs, EU scale-ups often list on US stock exchanges. The decision by EU firms to go public in the US highlights the limitations of Europe's relatively shallow capital markets for supporting scale-ups (see also paragraph 110 above). Based on the EIB's report, 62% of EU scale-ups conducted their IPOs within Europe – most commonly in Germany. The remaining 38% chose to list abroad, with US exchanges as the primary destination.

Figure 14 – Stock exchange location for IPOs involving EU scale-ups.



Source: [European Investment Bank (2024)](), page 18.

229 Public equity markets across the EU face a common challenge: many companies either delist from regulated markets or decide not to go public at all, as the costs associated with regulatory compliance and conducting an IPO outweigh the perceived benefits of raising equity finance. In recent years, the number of companies listing on EU markets has declined as seen in Figure 13 – Exit Routes above. By contrast, in the US direct listings have gained traction as an alternative route to public markets[131]. In Europe, however, several structural weaknesses persist. The limited availability of SME ratings reduces the visibility of investable small and medium-sized enterprises, while the shortage of late-stage VC makes it harder for growing firms to reach the scale required for a successful listing. At the same time, the rapid expansion of ETFs concentrated around major stock market indices channels retail investment toward large-cap firms, further limiting capital flows to SMEs.

[130] European Investment Bank (2024), page 15.

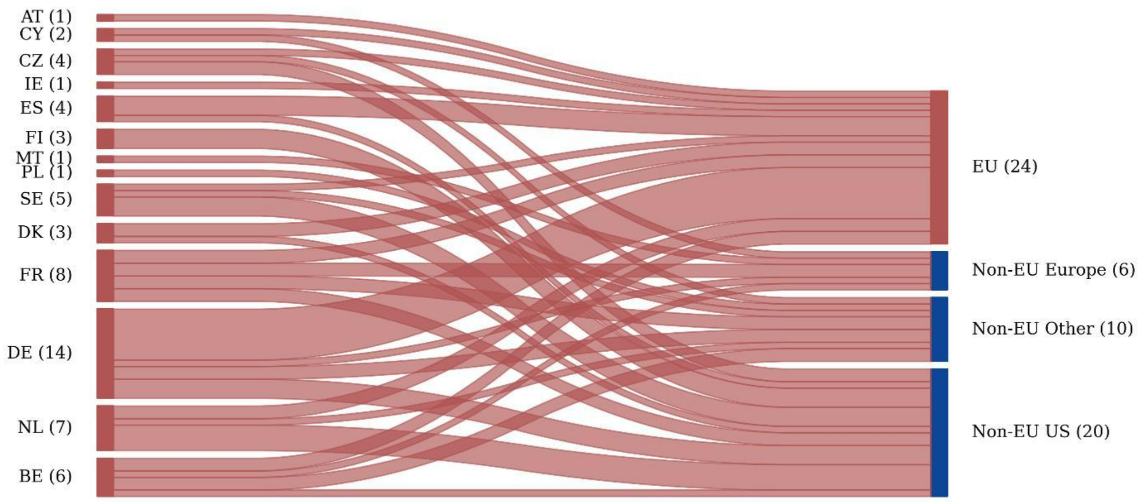
[131] KPMG Private Enterprise (2025), page 20.

230 Companies do not seek public listing as the initial costs of issuance and subsequent costs of compliance remain excessively high. For SMEs, the cost of issuance may go up to 15%[132] of the raised amount through listing, making IPOs a very unattractive way of raising fresh funding (in particular compared to other alternative sources of financing, such as PE)[133].

Merger or acquisition

231 From an M&A perspective, EU scale-ups are also likely to be acquired by a foreign buyer, as domestic markets offer fewer exit opportunities and a more limited pool of potential acquirers. Among EU scale-ups that were acquired, more than 60% were bought by foreign buyers, with the majority of these acquirers based in the US. By contrast, only 13% of scale-ups in San Francisco were acquired by foreign buyers. The data shows a positive correlation between early foreign investor involvement and the likelihood of a foreign acquisition. In particular, scale-ups backed by a foreign general partner at the funding round in which they achieved a USD 500 million valuation are more likely to be acquired by a foreign buyer[134].

Figure 15 – Location of EU scale-ups that underwent an M&A between 2013 and 2023 (left) and location of the acquirer (right).



Source: European Investment Bank (2024), page 16.

Main players in the equity and debt financing ecosystem

232 Equity financing ecosystem is a complex network of actors that connect capital providers with companies looking to raise finance or considering exit options. This ecosystem includes individual investors (e.g. business angels, crowdfunders), PE firms (their types are

[132] The figure is from 2020. Since then initiatives have been introduced to lower the cost, but other requirements may have increased the cost.

[133] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 70.

[134] European Investment Bank (2024), page 15.

described below), various other market players and facilitators (e.g. incubators and accelerators, IPO and M&A advisors, and investment banks), and public funds (e.g. government grants, various EU support programs, public research institutions). Some of the players provide capital to a company, while others operate on a secondary market, allowing existing investors to exit without directly providing additional capital to a company. Some players may be present throughout various growth stages of a company (e.g. VC funds), whereas others focus on specific growth stages (e.g. incubators).

Incubators and accelerators

233 Incubators and accelerators are critical intermediaries in the innovation ecosystem that bridge the gap between initial research and commercial success by providing a combination of funding, mentorship, workspace and networking in exchange for equity in the company[135]. Although there is no general consensus on the terminology, incubators usually act at an earlier stage of startup development than accelerators. They generally invest financially, but their main purpose is to transfer intangible resources such as business knowledge and network opportunities to the startup. The financial investment is, depending on the type of entity, provided in the form of a grant or a loan (e.g. a governmental or university incubator) or through equity (e.g. a corporate or private accelerator)[136].

234 The EU landscape for incubators and accelerators is active and growing, though it remains smaller and more fragmented than its counterpart in the US[137]. Public sector support is also integrated into the EU incubation market. With the EIC Accelerator and the European Institute of Innovation and Technology ('EIT'), the EC has set up two initiatives acting to some extent as pan-European business incubation programmes[138].

Academic and public research institutions

235 Academic and research institutions such as universities, research hospitals and public research organisations are vital to Europe's innovation ecosystem, generating breakthrough science and early-stage technologies that can drive long-term growth and address societal challenges[139]. Yet turning this research into market-ready innovation remains a complex task[140]. Technology transfer offices ('TTOs'), typically embedded within

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135 European Investment Bank (2024), page 9.

136 European Commission (2026).

137 European Investment Bank (2024), page 9.

138 Interreg Europe (2024), page 5.

139 See, for example, Draghi (2024b), page 240; and Arribas Martinez et al. (2025).

140 European Commission (2025), page 1.

academic and public research institutions, play a central role in bridging this gap; but they often face structural, regulatory and resource-related barriers when commercialising patents or supporting spinouts[141]. TTOs typically facilitate the commercialisation of research and IP generated by universities or research institutions through two main mechanisms: licensing agreements and equity participation (spin-offs). A licensing agreement allows a third party (usually a company or multiple companies) to use, develop, or sell a technology or invention developed by the research institution, in exchange for financial compensation. The company pays the institution royalties, upfront fees, or milestone payments, depending on the agreement. A spin-off is a new company created to commercialise a specific technology or invention developed within the institution[142]. The TTO often helps found the company and may take an equity stake in return. Universities may also offer seed funding[143]. These are early-stage VC funds with the explicit mission of investing in university and public research organisation startups. University Seed Funds typically invest in newly created startups, providing equity capital to help them develop to a point where they can attract investments from professional business angels or venture capitalists[144].

236 Despite their critical role, European TTOs are frequently described as understaffed, lacking necessary business expertise, and possessing insufficient financial resources to act as effective market intermediaries[145]. There are significant differences in the management of intellectual property rights ('IPR') across universities, including differences in who legally owns IPR and whether universities can acquire stakes in spin-offs[146]. In many cases, financial incentives for researchers are limited, as they cannot fully appropriate royalties from licensing IPR. Moreover, researchers' assessments do not adequately reward multi-track careers, and dual university-industry appointments are uncommon[147]. TTOs are often criticised for demanding excessively high equity stakes (on average 7.3% in mainland Europe (2022 figure))[148] in spin-out companies or requiring royalty repayments or equity liquidation at the earliest opportunity, rather than allowing the company to grow and

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[141] European Patent Office (2025), page 19.

[142] Interviews conducted by EFRAG, https://www.wipo.int/en/web/technology-transfer, Draghi (2024b).

[143] Munari et al. (2015).

[144] Devaney et al., (2025).

[145] Draghi (2024b), page 241.

[146] Draghi (2024b), page 241.

[147] Draghi (2024b), page 241.

[148] Nugent (2022).

increase in value before seeking returns. Early repayment demands can strain the financial health of young companies, limiting their ability to invest in growth and innovation[149].

Business angels

237 Business angels are wealthy individuals who invest their personal financial capital into nascent startups, typically in exchange for an equity stake in the company. They serve as the primary source of external capital during the pre-seed and seed phases, bridging the gap between personal savings and institutional VC. They are often former entrepreneurs or experienced professionals who provide not only funding but also mentorship, networking, and governance. Therefore, the business angels' market is a critical component of the early-stage financing ecosystem. Total business angel investment in 2022 was around EUR 1,5 billion[150].

238 The connections with investees usually happen locally, through pitch events, e-mails and personal network connections[151]. It can also happen through business angel associations[152]. Normally, investors receive a lot of pitches and choose the best-suited project/idea. Trust in the team or other investors is essential at the initial stage, so personal contact is very important. Only a small number (around 10%) of pitches get investors' attention[153].

239 In the US, the volume of early-stage financing provided by business angels surpasses that of VC. In contrast, the European market remains relatively underdeveloped and fragmented. Differences in tax incentives and regulatory frameworks across the EU, lack of information on cross-border opportunities, knowledge about the people involved in a project and a desire to be hands-on with their portfolio explain business angels' strong preference for local investments.[154]

240 Many business angels operate through Business Angel Networks (e.g. LBAN in Luxembourg), which vet investment proposals and present opportunities to their members. According to LBAN VC Guide, individual angels may commit between EUR 25 000 and EUR 50 000 per deal, often syndicating with others to reach a total round of

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[149] Interviews conducted by EFRAG.

[150] Based on Öberg et al (2024), page 7. The figure also includes the UK, Switzerland and Norway.

[151] Silicon Luxembourg (2025) and EFRAG's interviews

[152] Silicon Luxembourg (2025) and EFRAG's interviews

[153] Interviews conducted by EFRAG.

[154] Draghi (2024b), page 242; DG, page 6; and interviews conducted by EFRAG. In a survey conducted among business angels, prepared for the EC, 58% of the respondents indicated that their most recent investment was in a firm located within one hour of travel from their residence. 8% made an international investment. The study found that investment seems to be more locally oriented in Northern Europe, whereas in Southern Europe, Austria and Germany, and the Benelux, more investment occurs nationally and internationally (the study also included the UK, Montenegro and Switzerland) (Ali et al. 2017, page 87).

EUR 150 000 to EUR 300 000. In exchange, they typically take a minority stake of 1% to 5% of the equity[155].

241 A primary concern for business angels is the lack of exit mechanisms[156]. Apart from selling the equity stake back to the company and a trade sale, the most common exit is via a VC investment. It is preferable to have a single (or a few) investor(s) at the seed capital stage because if equity stakes are too diluted, this can deter VCs from providing second-round financing, given the need to negotiate with a lot of different parties[157].

Crowdfunding

242 Crowdfunding and peer-to-peer platforms are complementary means of obtaining funding for a company. However, they are most often used by startup companies or growing businesses as a way of accessing alternative funds[158]. Some consider this funding a last resort for those projects that were not successful with other investors[159], while others consider it an innovative way of sourcing funding for new projects, businesses or ideas. There are distinct models of crowdfunding, some of which are listed below[160].

(a) *Peer-to-peer (P2P) lending (crowdlending)*. The crowd lends money to a company with the expectation that it will be repaid with interest.

(b) *Equity crowdfunding*. Investors buy a stake in a business (shares) in return for their investment. This model involves more complex legal aspects, such as shareholder voting rights and annual reports.

(c) *Debt-securities crowdfunding*. Individuals invest in a debt instrument issued by a company, such as a bond.

243 Aggregate statistics based on the sample of providers collected by ESMA from National Competent Authorities indicate that over EUR 1 billion of crowdfunding took place in the EU in 2023. Loan-based crowdfunding was the most common funding model (65% of funding raised), followed by debt-based (17%) and equity-based (6%). The average amount raised per loan-based project was around a third of that for debt-based and equity-based projects. A large majority of investors were retail investors (87%), who tended to invest smaller amounts than sophisticated investors and, especially, professional investors. The

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155 Silicon Luxembourg (2025), page 37.

156 European Commission, Directorate-General for Enterprise and Industry (2006), page 4 and interviews conducted by EFRAG.

157 European Commission, Directorate-General for Enterprise and Industry (2006), page 4.

158 European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2015).

159 Interviews conducted by EFRAG.

160 European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2015).

leading economic sectors to which crowdfunding was distributed were professional, scientific and technical services (33% of funding raised), followed by construction (21%). Cross-border activity, characterised as the share of investments raised by platforms in a country from residents of other countries, varied greatly across Member States. Platforms in Austria and Estonia recorded a very high share (80%) of funding from foreign residents, while in nine countries, the share was under 10%. Overall, 17% of funding was raised cross-border, the vast majority of which was within the EEA.[161]

244 Fundraising through crowdfunding may present several risks for companies, primarily the inherent risk that a campaign may fail to reach its financial target, necessitating the return of all collected funds to contributors. Beyond the risk of non-funding, businesses must navigate the public exposure of their intellectual property, which increases the likelihood of competitors duplicating their proprietary concepts. Successful campaigns often demand significantly more resources than initially anticipated, with firms frequently underestimating the administrative burdens, legal compliance costs, and the time required to manage ongoing investor relations. Furthermore, equity-based models entail a potential loss of control as businesses must accommodate external shareholders who often hold voting rights and may require complex governance structures. Companies must also maintain high professional standards to avoid reputational damage and ensure they are fully prepared for the legal complexities of evolving EU and national regulations. Unlike traditional financial markets, crowdfunding often involves a degree of information asymmetry, where limited due diligence is done by the platform; however, investors may have the option to require additional information (and companies will thus be obliged to provide it)[162]. Finally, the average retail investment remains relatively small at approximately EUR 590, while standing at EUR 990 for sophisticated investors and EUR 4 200 for professional investors[163].

Venture capital

Venture capital as a type of private equity

245 Without any formal definition, it is generally considered that 'private equity' is a form of equity investment in private companies not listed on the stock exchange, whereas a 'venture capital' is a type of PE focused on startup companies with high growth potential[164].

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[161] ESMA 2025, pages 4 and 7.

[162] European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2015).

[163] ESMA (2025), page 7.

[164] European Investment Bank (2025), pages 328 and 329.

246 VC is generally involved throughout various stages of a company's lifecycle, including seed, startups (with Series A and B) and later-stage venture (with Series C and D)[165].

Venture capital in Europe

247 Currently, there is generally no problem for VC and PE investors to find startups to invest in, especially in larger European countries and economies[166]. Smaller investors do not actively look for investees and their pipeline is already full of potential investment opportunities[167]. Deals can be shared/exchanged between business angels and VC funds, either to get syndicated financing or if projects do not match a particular investor's investment model[168].

Funds raised in Europe

248 VC fundraising in Europe reached EUR 22 billion in 2024. A total of 328 venture funds raised capital in 2024; 92 of them were first-time funds. The top sources of funds were government agencies (25%)[169].

249 The VC raised in the EU, though insufficient, is generally well distributed geographically between the countries within the EU. Globally, 66% of the capital raised by VC funds comes from limited partners in the same country as the VC fund they invested in. This percentage is even higher in the US and China (88% and 95%, respectively). The EU is a special case: only 43% of this capital is raised in the country of the VC fund. Almost as much (37%) is raised in another EU country. In addition to the amounts coming from the EU, 15% came from the US, 2% from the UK and 3% from other countries. Overall, 80% of the capital raised by VC funds in the EU is raised from limited partners located in the EU. From this point of view, the EU more closely resembles a unified geographical entity than a collection of individual countries, thus providing a positive example of capital market integration in this area[170].

250 The small EU VC market creates opportunities for foreign investors. Over the past 10 years (2013–2023), VC cash flows into the EU were positive, with 8.1% of global VC being invested in the EU against only 5% of global VC being raised in the EU[171].

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[165] Botsari et al. (2024), page 17.

[166] Interviews conducted by EFRAG.

[167] Interviews conducted by EFRAG.

[168] Interviews conducted by EFRAG.

[169] Invest Europe (2025c), pages 11.

[170] European Investment Bank (2024), page 24.

[171] European Investment Bank (2024), page 22.

Funds invested in Europe

251 VC investment reached EUR 18 billion in 2024. A total of 4 639 companies received a venture investment in 2024 – 98% of these being SMEs – representing 56% of the total number of companies backed by PE during the year by the overall PE market. Later-stage startups received the most in terms of amounts invested: EUR 8.2 billion, or 47% of the total invested amount. By sector, Information and Communication Technology ('ICT') received around 46% of VC investment, followed by biotech and healthcare (27%), and business products and services (9%)[172].

252 VC usually invests in minority stakes, avoiding taking more than 50% of ownership to ensure founders stay motivated and retain SME status[173] [174]. The median duration of the investment varies between four and five years (assuming the completion of an exit strategy with the occurrence of one of the following exit deals: buyout, IPO and M&A)[175].

Seed-stage venture capital

253 In 2023–2024, seed-stage VC investments in Europe were between USD 1.5 billion and USD 3 billion[176, 177]. This represented approximately 1% of the total amount invested across all PE stages in Europe that year and about 14% of the total number of companies invested in[178]. The median deal size for this stage was USD 1.8 million, compared to USD 2.9 million in the US[179].

Early-stage venture capital

254 Earlier-stage VC investors often operate only at the national level and lack information about companies from other Member States[180] – early-stage rounds have around 80% of domestic VC investors[181]. Based on data from Pitchbook as of 20 November 2023, the European Commission Directorate-General for Research and Innovation (2024) estimates

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172 Invest Europe (2025c), pages 39.

173 Silicon Luxembourg (2025), page 37.

174 The EC's current definition of 'SMEs' (Recommendation 2003/361/EC) sets size-based thresholds for a company to be considered an SME. If a firm is not autonomous, i.e. it is controlled by a third party, the assessment of the size should also include the figures for other companies within the same group as the assessed firm. Accordingly, if the VC investor acquires more than 50% of the company's capital or voting rights through its investment, the target company itself and the VC investor are considered as a group and, consequently, these companies may lose their SME status. Besides classifications, this may lead to a concrete impact on the VC-backed firm, which, by losing SME status, would cease to be eligible for the EC's dedicated funding programmes (e.g. Horizon 2020) (Bellucci et al. (2021), page 4).

175 Bellucci et al. (2021), page 39.

176 European Commission Directorate-General for Research and Innovation (2024), page 35.

177 Invest Europe (2025c), page 41. Figures include the data from the UK.

178 Invest Europe (2025c), page 41. Figures include the data from the UK.

179 KPMG Private Enterprise (2025), pages 53 and 23.

180 European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 11.

181 European Commission Directorate-General for Research and Innovation (2024), page 337.

VC investments in early-stage startups in the EU to be USD 9 billion (at the exchange rate on 20 November 2023, this corresponded to approximately EUR 8 billion). In the US, the figure was USD 35 billion[182]. Accordingly, the VC invested in the US is 3.9 times higher than in the EU.

Later-stage venture capital

255 Later-stage VC amounted to about USD 18 billion in 2023[183]. As noted previously, VC investment in the EU has been only 0.03% of its annual gross domestic product (GDP), compared with about 0.19% in the US (for all stages of VC). However, the lack of sufficient investment is exacerbated as companies advance in their lifecycle and require more significant capital inflows. European later-stage VC lacks large-scale VC funds capable of supporting late-stage growth rounds. For instance, between 2013 and 2023, the US had 137 VC funds with a size exceeding USD 1 billion, whereas the EU had only 11 such funds[184]. This creates structural difficulties in providing scale-up capital. To assemble a portfolio of sizeable investments (e.g. EUR 50 million each), funds themselves need to be large enough to ensure adequate risk diversification. However, EU-based companies often struggle to secure EU investors capable of committing substantial amounts in major funding rounds. As a result, scale-up transactions in the EU more frequently involve foreign lead investors compared to other regions, and at exit, these companies are more likely to be acquired by non-EU firms.

Private equity

256 As noted previously, there is no formal definition of PE or its categories. In its methodology, Invest Europe generally identifies the following types[185]:

(a) venture – a type of PE focused on startup companies with high growth potential[186];

(b) growth – a type of PE investment (often a minority investment) in relatively mature companies that are looking for primary capital to expand and improve operations or enter new markets to accelerate the growth of the business;

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182 European Commission Directorate-General for Research and Innovation (2024), page 35.

183 European Commission Directorate-General for Research and Innovation (2024).

184 European Investment Bank (2024), pages 11, 22 and 25.

185 Botsari et al. (2024), page 18.

186 European Investment Bank (2025), pages 328 and 329.

(c) buyout – financing provided to acquire a company, which may use a significant amount of borrowed capital to meet the cost of acquisition and typically involves purchasing majority or controlling stakes;

(d) turnaround/rescue – financing made available to an existing business, which has experienced financial distress, with a view to re-establish prosperity; and

(e) replacement capital – minority stake purchase from another PE investment organisation or from another shareholder or shareholders.

Funds raised in Europe

257 The overall PE fundraising activity in Europe reached EUR 120 billion in 2024. A total of 817 funds raised capital during the year. Pension funds accounted for 19% of the funds raised, followed by fund of funds (16%) and other asset managers (11%). France and Benelux provided the highest proportion of capital for fundraising (30%), followed by North America (19%), and Asia and Australia (12%). In total, 32% was committed by investors from outside Europe[187].

258 Venture fundraising in Europe reached EUR 22 billion in 2024 (discussed in the dedicated section above).

259 Growth PE fundraising reached EUR 19 billion during the year, representing 16% of the total amount raised. A total of 182 growth funds raised capital in 2024[188].

260 In 2024, buyout fundraising reached EUR 75 billion, representing 62% of the total amount raised during the year. A total of 217 buyout funds raised capital in 2024. Pension funds provided the most capital (23%). Regionally, the primary source of capital was France and Benelux[189].

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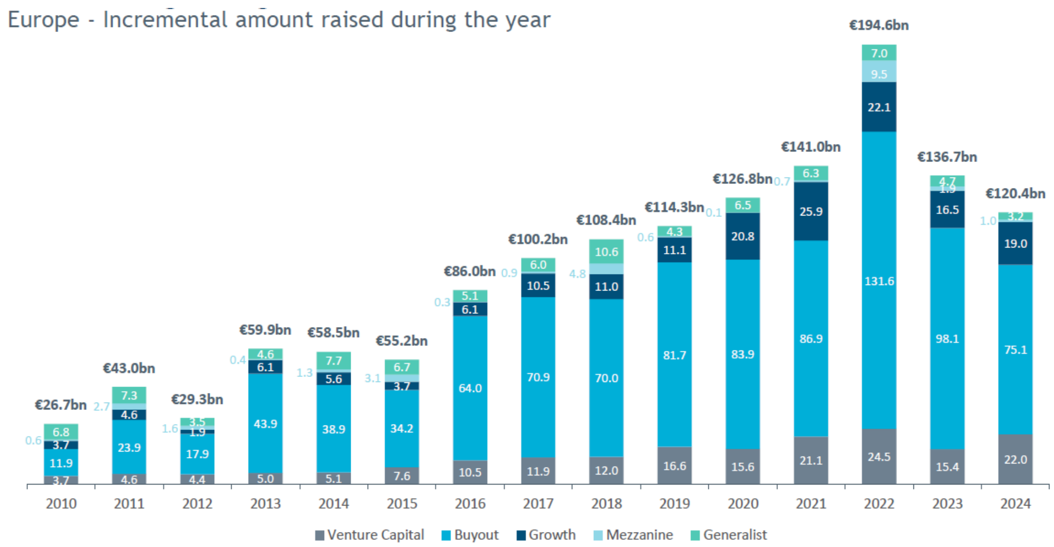
[187] Invest Europe (2025c), page 11, includes the UK.

[188] Invest Europe (2025c), pages 11, includes the UK.

[189] Invest Europe (2025c), pages 11, includes the UK.

Figure 16 – Incremental amount raised during the year – Europe (including the UK).



Source: [Invest Europe (2025c)](#).

Amounts invested in European companies

261 The total equity amount invested in European companies in 2024 was EUR 126 billion. A total of 8 353 companies received investment, 83% of which were SMEs. ICT received over EUR 40 billion of investments and, combined with business products and services, accounted for more than 54% of investments by amount[190].

262 VC investment reached EUR 18 billion in 2024.

263 Growth investments reached EUR 20 billion in 2024. VC-backed growth investments received a total of EUR 4 billion, which is 21% of the sum of VC-backed and non-VC backed growth. The number of companies receiving growth investments reached 2 218[191].

264 Buyout investments reached EUR 87 billion in 2024, with the category representing roughly 69% of total investment for the year[192].

265 Investments by European PE and VC funds reached 0.54% of European GDP in 2024[193].

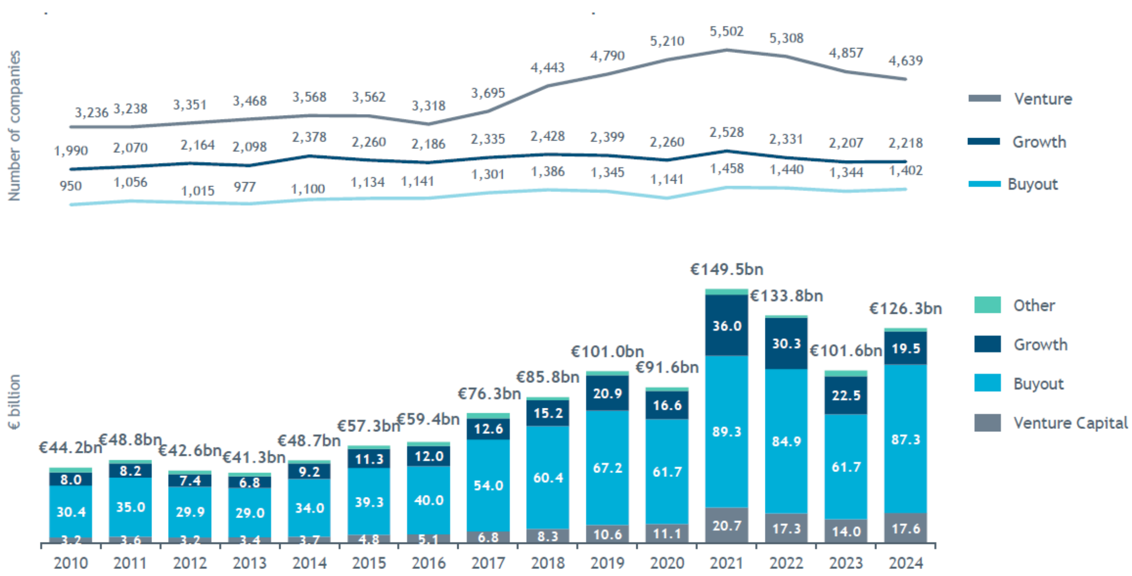
[190] Invest Europe (2025c), pages 39, includes the UK.

[191] Invest Europe (2025c), pages 39.

[192] Invest Europe (2025c), pages 39.

[193] Invest Europe (2025c), pages 39.

Figure 17 – Investments in Europe (including the UK): Amount and number of companies.



Source: [Invest Europe (2025c)]

266 The 250 largest PE funds in Europe manage EUR 1.7 trillion in total enterprise value, with an average of 26 companies in their portfolios and an average EBITDA of EUR 94 million. The top 10 funds are listed below[194].

Figure 18 – 250 largest PE funds in Europe.

Rank	Investor	HQ	EV Managed (€bn)	Portfolio Count (Europe)	Avg. portfolio EBITDA (€m)	Entries since '19	Exits since '19	Fundraising 5yr (€bn)
1	CVC	UK	69.8	84	142	72	31	60.8
2	KKR	US	65.8	66	251	74	36	100.1
3	EQT	Sweden	60.7	65	159	69	71	88.4
4	Blackstone	US	58.4	42	340	42	17	149.6
5	Cinven	UK	44.7	36	277	32	16	14.7
6	Ardian	France	40.9	105	124	100	64	57.0
7	Carlyle	US	33.2	55	136	49	48	35.4
8	TDR Capital	UK	32.3	16	462	12	5	4.2
9	Advent International	US	32.0	26	206	25	18	27.6
10	Bain Capital	US	30.5	33	172	27	23	31.8

Source: Jain et al. (2025a).

267 As seen above in paragraph 256, various types of PE funds may acquire minority or majority stakes in companies they invest in. On average across Europe, 67% of PE-backed entries between 2018 and 2024 were majority stakes; however, the situation differs by country, with France representing only 49% of transactions as majority stakes and the DACH region 80% of transactions as majority stakes during this period[195]. Holding periods for PE assets

[194] Jain et al. (2025a).

[195] Jain et al. (2025b), page 10.

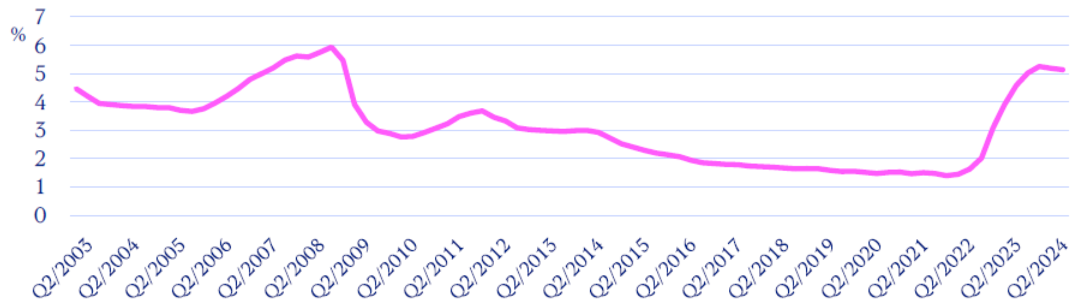
are hovering near the highs. The median company that exited in 2024 spent 5.7 years in the portfolio compared to 4.7 years in 2020[196].

Commercial/retail banks

268 Commercial banks generally provide finance for local businesses where they have direct knowledge of and contact with the companies. Bank financing is limited to debt financing for the entities with a proven track record and ability to generate cash flows and profit. The existence of physical collateral is also an important factor. Banks do not consider IP as collateral due to the valuation uncertainties and are disincentivised to invest in equity of non-listed entities (including SMEs and startups) because the prudential treatment of equity exposure is very unfavourable.[197]

269 Even for companies that are able to receive bank financing, the current bank-centric system has its challenges – both for banks and their customers. First of all, after a long period of either declining or stagnating interest rates, corporate borrowing costs have risen over the past years. By the end of 2021, the ECB's corporate borrowing cost indicator had bottomed out at 1.35%. Since then, rates have steadily increased, pushing the indicator to 5.25% by the end of 2023. In 2024, the indicator stabilised slightly, reaching 5.1%[198].

Figure 19 – Composite cost of borrowing.



Source: Botsari et al. (2024), page 37.

270 In parallel, access to finance remains an issue. For example, bank loans are used by 14% of SMEs, whereas almost half of SMEs indicated that bank loans are relevant sources of financing, far exceeding the rate at which they use it[199]. The OECD report also outlined a tight supply of credit for small firms due to tighter credit criteria of major banks and low demand for credit due to high interest rates and weak activity. The report notes a gradual

[196] Jain et al. (2025b), page 22.

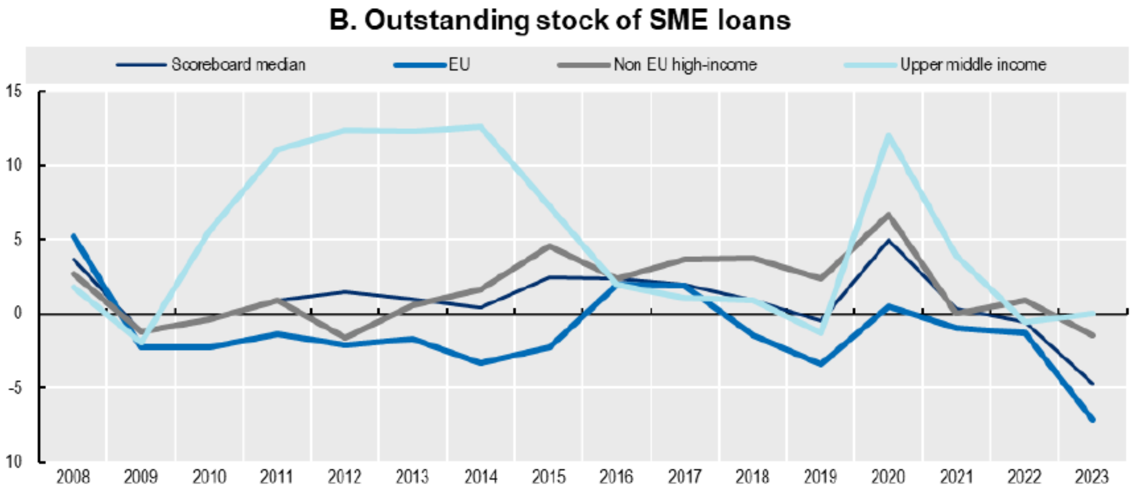
[197] Interviews conducted by EFRAG.

[198] Botsari et al. (2024), page 37.

[199] Botsari et al. (2024), page 11.

shift (in some countries) from long-term to short-term loans, potentially reflecting an increased demand for financing to meet immediate operational needs, at the expense of long-term investments[200].

Figure 20 – Outstanding stock of SME loans.



Source: OECD (2025), page 11.

271 Post-crisis regulatory reforms (such as Basel III) have made lending for banks subject to stricter prudential rules, requiring them to hold more capital against riskier SME assets. To act upon their solvency ratios, banks can either raise or generate additional capital or reduce the risk-weight of their assets. EU banks have reduced the availability of higher-risk loans as low profitability of European banks constrains their ability to generate or raise capital. The Noyer (2024) report notes that in 2023, the average return on equity of European banks was 7.6% compared with 9.9% for their US counterparts (in part attributable to lower securitisation rates)[201].

272 Banks often require tangible collateral, which puts SMEs primarily reliant on intangible assets (like IP or software) at a disadvantage. As such, bank loans are used primarily for fixed investment (31% of SMEs), inventories and working capital (37% of SMEs)[202].

Pubic/government finance and facilitation programmes

273 Public intervention plays a vital countercyclical and catalytic role in the European ecosystem[203]. In 2023, 49% of high-growth startups in the EU benefited from public funding, nearly double the 28% seen in the US. The contribution of government agencies

[200] OECD (2025), page 12

[201] Noyer (2024), page 16.

[202] European Central Bank (2026), page 3.

[203] Financing is generally done indirectly and for certain programmes.

to VC fundraising between 2010 and 2021 was 25–30% – in most years, higher than that of any other investor type, including banks, corporate investors and asset managers.

274 There are various public actors and initiatives, for example the European Innovation Council, introduced by the EC under Horizon Europe[204], with a budget of EUR 10 billion, which supports game-changing innovations throughout the company life cycle, from early-stage research to the financing and scale-up of startups and SMEs[205]. The EIB Group, acting as the EU's lending arm, addresses market failures through instruments like venture debt, which has been shown to 'crowd in' additional private investment by signalling quality to the market. The EIF is the largest public investor in EU VC funds, supporting 40–50% of VC-backed startups in Europe in a typical year[206].

275 There are also various loan guarantee programs (often referred to as Credit Guarantee Schemes) designed to ease financing constraints for SMEs by reducing the risk taken by lenders. Under these schemes, a guarantor – typically a public institution or mutual guarantee society – agrees to compensate a pre-defined share of a loan if the borrower defaults. These programs are particularly vital for viable businesses that lack sufficient collateral or a long credit history to secure traditional bank loans[207].

276 Public initiatives also include various market facilitation programs. For example, the CASSINI Space Entrepreneurship Initiative, supported by the EIF, includes a 'matchmaking' arm supporting startups, scale-ups and SMEs by connecting them with potential investors and corporate partners to expand their financing opportunities, secure new customers and access new markets. Over 200 European New Space startups have been supported by CASSINI, closing around 100 deals since 2022 (the majority of which were VC investment), raising a total of over EUR 1.3 billion in funding[208].

277 Other initiatives are also currently under development, including the IP-backed finance initiative, seeking to help make IP a key driver for SME growth and competitiveness in Europe by improving access to finance. Led by the European Union Intellectual Property Office (EUIPO) and the EC, this initiative brings together policymakers, financial institutions

[204] Horizon Europe is a research and innovation funding programme. The indicative funding amount for Horizon Europe for the period 2021-2027 is EUR 93.5 billion split among various initiatives.

[205] European Investment Bank (2024), page 33.

[206] European Investment Bank (2024), pages 34 and 35.

[207] Botsari et al. (2024), page 32 and EFRAG's interviews.

[208] Draghi (2024b), page 182.

(such as the EIF and EIB) and business leaders to develop a strategic framework for IP valuation and financing[209].

Institutional investors (pension funds and insurance companies)

278 European institutional investors, specifically pension funds and insurance companies, are the largest holders of assets in the EU, yet their participation in high-growth, risky asset classes such as VC remains significantly underdeveloped compared to the US and the UK.

Insurance companies

279 Insurers manage over EUR 11 trillion in assets. However, investment by this sector in businesses and projects seeking finance from the capital markets is not as much as perhaps could be expected. From the roughly EUR 11.4 trillion of total EU insurers' investments, approximately EUR 2.55 trillion (22%) are allocated to equity-like instruments, comprising EUR 0.74 trillion (6%) in direct equity investment, EUR 1.08 trillion (9%) indirectly via equity funds and EUR 0.73 trillion (6%) in strategic participations. As such, EU insurers invest less in direct equity investments compared to their US and Japan counterparts[210]. Based on EFRAG's interviews, the direct equity investments made by insurance companies are generally in public listed companies, including on the US stock exchanges. There were no cases confirmed through EFRAG's interviews of direct equity investments in SMEs by insurance companies.

280 Insurance companies are subject to the Solvency II Directive. There are no hard investment caps in Solvency II; however, insurers need to follow a prudent person principle. VC investments are treated as high-risk equity under Solvency II. Unlisted equities (which include VC funds) are categorised as type 2 equity, with a base capital charge of 49% (compared to 39% of listed equities). This heavy risk weighting raises the capital cost of VC investments for insurers, discouraging allocation. Recent Solvency II tweaks allow lower charges for certain long-term or qualifying funds; however, VC generally remains 'capital-intensive'[211].

281 Solvency II's 'look-through' rule requires insurers to transparently see the underlying fund holdings. This means an insurer investing in a VC fund must obtain data on the startups in the portfolio – a burdensome requirement that can deter VC fund investments unless

[209] European Patent Office (2026).

[210] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), page 41.

[211] European Startup Nations Alliance (2025b), page 60.

managers provide detailed reporting. In addition, insurers must match assets to liabilities, so the long lock-up of VC can be a structural hurdle[212].

Pension funds

282 As noted in paragraph 106 above, pension funds manage between EUR 2.7 trillion and EUR 3.5 trillion in assets but allocate less than 0.01% of their assets to VC[213]. The assets of the pension funds are mainly invested in investment funds (38%), government bonds (22%), stocks (18%) and corporate bonds (12%). Within investment funds, the biggest investments are in stock funds (33%), debt funds (26%), real estate funds (14%), and other funds (13%). Many PE funds, including VC funds, are categorised as 'other funds' if they mainly invest in companies that are not publicly traded[214]. Early-stage startups may be considered less attractive to pension funds due to their high failure rates and lower liquidity. To help manage risk, pension funds tend to favour funds of funds[215] or later-stage investments in growth funds[216].

283 Although there is no EU-wide directive prohibiting pension fund investments in VC, local bodies in each country do set limits, usually expressed as the maximum percentage of assets allowed in private investment funds (including VC). The EU landscape is highly diverse, ranging from countries where investment is completely restricted to countries with no specific limits. Limits can also differ within a country depending on the type of pension fund.

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[212] European Startup Nations Alliance (2025b), page 60.

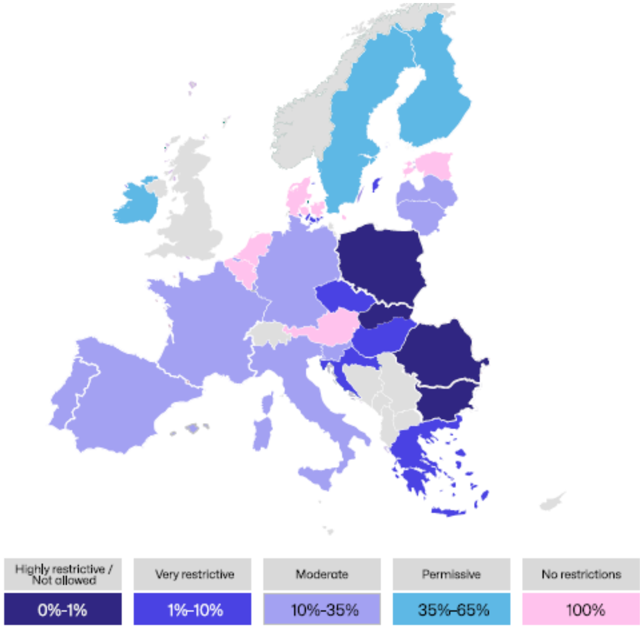
[213] Pension for Purpose (2025), page 87.

[214] StepUp StartUps Consortium (2025), page 31.

[215] A Fund of Funds is an investment company that holds a portfolio of other investment funds rather than a portfolio of companies. They are also known as multimanager investment funds.

[216] Pension for Purpose (2025), page 8.

Figure 21 – EU countries – caps imposed on pension funds investment in VC as a % of their assets.



Source: [StepUp StartUps Consortium (2025)](), page 36.

284 The main reasons limiting the amounts allocated to VC by pension funds include lack of experience (34%), perceived risk (31%), and regulatory constraints (25%)[217].

285 EU pension assets are highly concentrated in a handful of Member States with more developed private pension systems. The combined share of the Netherlands, Denmark and Sweden in EU pension assets amounts to 62% of the EU total[218]. Dutch pension funds are among the largest in the world as a percentage of GDP (fund's assets in the Netherlands amounted to 150.7% of Dutch GDP in 2022); however, they invest relatively little in VC funds compared to other EU countries (0.012% of their total assets on average between 2016 and 2021)[219]. Denmark and Sweden are the countries contributing the most in terms of raised VC funds. Between 2007 and 2023, Denmark's pension funds accounted for about 25% of the total amounts raised by VC funds and Sweden's pension funds accounted for about 18% of the total amounts raised by VC funds[220].

286 Sweden's pension funds have emerged as one of the leaders in VC investments, driven by progressive reforms and a focus on sustainability. Legislative changes in 2019 modernised the Public Pension Funds' (AP funds) mandates, enabling broader asset diversification, including illiquid investments like PE and infrastructure. These reforms enhanced returns

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[217] StepUp StartUps Consortium (2025), page 35.

[218] Draghi (2024a), page 64.

[219] StepUp StartUps Consortium (2025), page 32.

[220] StepUp StartUps Consortium (2025), page 33.

and ensured alignment with environmental, social and governance (ESG) goals, reflecting Sweden's commitment to long-term, impactful growth. The specialised AP6 fund stands out, directly investing in non-listed companies, bypassing VC intermediaries – which is a rare advantage among European pension systems. In 2018, a new directive expanded private pension schemes' allocation to alternatives from 5% to 40%, further accelerating investment[221].

IPO market

287 As noted in paragraphs 228–230, public markets have become increasingly unattractive for smaller companies. In addition to the high cost of listing, the IPO market is characterised by the following.[222]

(a) *Insufficient liquidity and high degree of fragmentation, with many small exchanges operating across the EU*[223]. For exchanges to become infrastructures that can support funding of the real economy, scale is, however, needed: companies with large market capitalisation and free float[224] that can attract liquidity. Exchanges can also serve as capital raising venues for SMEs, but there is also a need for sufficient secondary liquidity. At the moment, liquidity in the EU small caps segment is approximately half that of the US[225]. Including the UK, Europe has 35 listing exchanges, 41 trading exchanges, and 18 central securities depositories, compared to 3 listing exchanges, 16 trading exchanges, and one central securities depository in the US. This fragmentation is driven primarily by differences in national legal and regulatory frameworks, including corporate, securities, insolvency, accounting, and consumer protection regimes. Long and complex procedures for reclaiming withholding taxes are also considered to disincentivise cross-border investments in EU equity markets, keeping capital more siloed at the national level[226].

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[221] StepUp StartUps Consortium (2025), page 34.

[222] European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2020), pages 70-71.

[223] Some stakeholders interviewed by EFRAG were in favour of national/local stock exchanges, noting that (a) they are more suitable to provide tailored financial products to address the needs of companies in their region; (b) it is not difficult for a company, once it is listed on one stock exchange, to become listed on other European stock exchanges, if there is a need for this; and (c) investors can choose on which stock exchange they would like to invest (generally through various service providers, dedicated websites and applications allowing visibility of all EU stock exchanges), and fragmentation is not a barrier to them.

[224] Number of a company's shares that are available for public trading.

[225] Noyer (2024), page 4.

[226] Arold et al. (2024), page 12.

(b) *Lack of SME research*[227]. SMEs rely heavily on research and analyst coverage – typically provided by local brokers – to attract investor attention. The availability of research on SMEs can stimulate institutional investors' interest in SME stocks and thereby support liquidity in secondary markets. Although analyst coverage of SMEs had already been low and declining well before the implementation of MiFID II, the mandatory unbundling of execution commissions and research fees may have further worsened this longstanding issue. In particular, brokers were no longer able to cross-subsidise research activities with execution revenues, potentially reducing the incentives to produce SME research.

(c) *Lack of flexibility in tick sizes for SME stock*. The tick size refers to the minimum price increment by which a trading instrument can move. Under MiFID II, a harmonised minimum tick size regime was introduced for equity and equity-like instruments traded on public markets. This measure aimed to curb aggressive trading strategies by high-frequency trading firms, which could exploit superior technology and speed advantages over slower market participants, potentially leading to market abuse and disorderly trading. However, the rigidity of this regime may also have had unintended consequences for the liquidity and trading of shares in smaller-capitalisation companies, including SMEs.

(d) *Lack of SME indices*. There is no harmonised market classification across Member States, and international index providers do not recognise regional markets. As a result, certain EU countries do not fall within any of the commonly used classifications, leaving these markets – and the companies listed on them – largely absent from the indices produced by global index providers.

(e) *Lack of sufficient SME securities lending market*. Hedge funds indicate that they are often unable to implement their strategies – including market making – due to the lack of an efficient securities lending market. This limits their ability to short stocks flexibly and subsequently cover their positions through borrowed securities.

Investment banks

288 Private investment banks in Europe function as central financial intermediaries, responsible for channelling savings into productive investments and providing advisory services for M&As, IPOs, and securities issuances. They serve as essential market makers, providing liquidity in secondary markets necessary for investors to adjust their portfolios with low

[227] This comment was also raised in EFRAG's interviews

transaction costs. While they are distinct from independent VC firms, some investment banks operate dedicated PE or VC arms that invest directly from the bank's balance sheet rather than from a separate pool of capital[228].

289 The US ecosystem of corporate and investment banks owes a large part of its success to a deep, integrated and more profitable domestic capital market. On average, between 2020 and 2022 and on a like-for-like volume basis, commissions on mergers, acquisitions, and equity and bond issuances were between 1.3 and 1.7 times higher in the US than in the EMEA region[229].

290 Large investment banks are generally too expensive for the SMEs mid-cap market. EFRAG's interviewees noted a lack of smaller investment banks specialising in SMEs and specifically facilitating the IPOs. Interviewees explained this by a general decrease in IPOs for SMEs and thus the absence of demand for smaller investment banks.

Secondary market

291 The secondary market allows investors, such as business angels and early-stage startups, to sell their ownership stakes to other financial investors before they reach maturity[230]. Secondary transactions include the following.

(a) *LP-led secondary transactions*. These transactions occur when Limited Partners ('LPs'), such as pension funds or insurers, sell their stakes in a venture fund to another investor. The vast majority of European VCs (61%) report never having experienced such a transaction[231].

(b) *GP-led secondary transactions (continuation funds)*. These transactions are structured by the General Partner ('GP') to move assets from an existing fund into a new vehicle, allowing the GP to hold onto high-performing assets longer while providing liquidity to LPs. About 79% of European VCs have never structured one[232].

(c) *Management/owner buybacks*. These are transactions where the company's existing management team acquires a majority or controlling stake in the business. As seen in Figure 13 'Exit routes' above, these transactions accounted for about 5% of the exit routes in 2024. According to the EIB Investment Report, only 0.8% of scale-ups

[228] Invest Europe (2025b), page 47.

[229] Noyer (2024), page 26. Within the EMEA region, only 3 of the 10 largest banks by corporate and investment banking income are European.

[230] StepUp StartUps Consortium (2025).

[231] Invest Europe and European Investment Fund (2024), page 33.

[232] Invest Europe and European Investment Fund (2024), page 33.

with a valuation between USD 500 million and USD 10 billion were bought out between 2013–2023[233].

292 Secondary markets are essential for providing liquidity, which allows investors to rebalance their portfolios and adjust their positions with low transaction costs. Within the European ecosystem, the lack of a deep secondary market particularly affects the small-cap segment, making it more expensive for these firms to raise equity through public offerings[234].

Market facilitators (advisors and consultancies)

293 The facilitators and advisors within the IPO and M&A markets act as essential intermediaries that bridge the gap between companies and the capital markets and corporate buyers, providing the infrastructure, technical expertise, and strategic guidance necessary for successful liquidity events. In addition to the investment banks described in paragraphs 288–290, these facilitators include, for example, specialised consulting firms, independent advisors and other ecosystem representatives. Based on Invest Europe's activity report, the association represents over 650 members, with about 110 associate members representing advisors to the ecosystem[235].

[233] European Investment Bank (2025), page 7.

[234] European Investment Bank (2024).

[235] Invest Europe (2025c).

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