

**Technology**

# French tech start-ups find their feet

Fundraisings show Paris emerging as serious challenger to London and Berlin in sector



*Along with Criteo, BlaBlaCar has been a torchbearer for a new wave of French tech investment*

YESTERDAY by: **Harriet Agnew** in Paris and **Madhumita Murgia** in Helsinki

When Paris-based BlaBlaCar started out a decade ago, the long-distance carpooling service rented office space from a fellow fledgling start-up Criteo.

The two are now the torchbearers for a new wave of French technological investment, with Paris in particular emerging as a serious challenger to London and Berlin (<http://next.ft.com/content/2c5334a0-a271-11e6-aa83-bcb58d1d2193>) after long being considered one of the more parochial parts of the European tech scene.

A decade later and BlaBlaCar is already passing on the favour by renting office space to another smaller start-up, Devialet — and is quickly finding that its office mate is wasting little time in seeking to equal its rare French “unicorn” status.

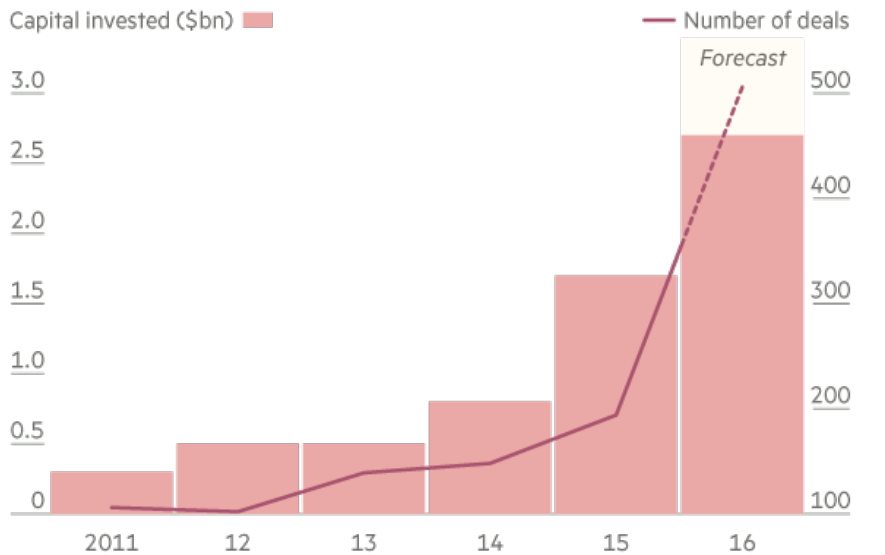
Devialet, a nine-year-old [sound technology business \(http://next.ft.com/content/d4fe0d5e-d960-11e4-a8f1-00144feab7de\)](http://next.ft.com/content/d4fe0d5e-d960-11e4-a8f1-00144feab7de), announced on Tuesday it had raised €100m from investors ranging from Jay Z to Foxconn to fuel an international expansion.

The emergence of companies such as Devialet and Sigfox, a provider of connections to the “[internet of things](http://next.ft.com/content/496359fa-851b-11e4-ab4e-00144feabdc0)” (<http://next.ft.com/content/496359fa-851b-11e4-ab4e-00144feabdc0>) that in November raised €150m, has helped add to the feeling of momentum behind the French tech scene.

France has attracted record levels of deals and capital invested in 2016, making it the third most significant European tech hub by number of start-ups and by investment. In 2016, there have been almost 500 fundraisings in the country, more than double the number completed in 2015.

“It’s the fruits of almost 20 years of a start-up culture in Paris,” says Nicolas Brusson, chief executive of BlaBlaCar. “Now you really have an ecosystem. While the first generation of companies were very French, now you have a generation that thinks global or at least European from day one. The main change is the level of ambition.”

## VC funding in France



Source: Atomico

FT

In the past five years, more than \$6bn in investment has poured into the French tech sector, according to data from Dealroom published in a report this week by European venture firm Atomico.

“The growth of the tech ecosystem in France over the past five years has been faster than the rest of Europe,” says Philippe Botteri, a partner at [venture capital firm](http://next.ft.com/content/d3fe990c-fda7-11e5-b3f6-11d5706b613b) [Accel Partners](http://next.ft.com/content/d3fe990c-fda7-11e5-b3f6-11d5706b613b). “There’s a compounding effect of repeat entrepreneurs wanting to reinvest in and mentor the ecosystem.”

This is best seen in Paris’s Halle Freyssinet, an ambitious project led by [telecoms entrepreneur](http://next.ft.com/content/22167134-b24a-11e2-8540-00144feabdco) [Xavier Niel](http://next.ft.com/content/22167134-b24a-11e2-8540-00144feabdco) that plans to house 1,000 start-ups and hopes to become the world’s largest incubator of tech firms. It comes alongside a much more structured approach to nurturing start-up companies that the French government has encouraged through a €6.5bn state-backed investment fund, Bpifrance.

“A bet on French tech by the government is paying off,” says Laurent Ruben, founder and general manager of French Accelerator, which helps French start-ups to expand in the US. “It has worked hard to define the ecosystem of start-ups, investors and service providers.”

Bpifrance has helped accelerated investment in France, agrees Franck Sebag, a partner at EY in Paris. He says: “Day after day French start-ups are more attractive for international VCs. Valuations are lower than in the US and it’s a good way for them to add new areas.”

However, while French tech start-ups have been growing in number, sceptics still say that the industry needs to prove it can scale up companies as well as launch them. EY’s Mr Sebag says: “The challenge is to have more large start-ups or unicorns in France. We also need to have more successful exits like Criteo.”

Others argue that the French market lacks visibility, is still too domestic in its focus and attracts less foreign investment than London or Berlin.

“We are still a little too domestic-market oriented, not international enough,” says Fleur Pellerin, a former French minister who launched a venture capital firm earlier this year and is an investor in Devialet.

“It’s much harder because Europe has language barriers, diverse consumption cultures and so on, so it’s not as easy as addressing the US market, and it’s changing. Maybe we are still a bit too French.”

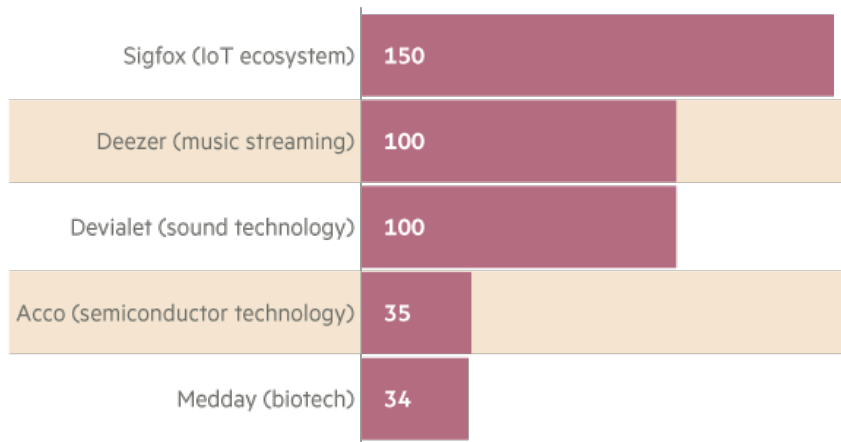
Attracting global talent to Paris can be a challenge, says BlaBlaCar’s Mr Brusson. “When looking for international executives that have experience of

Silicon Valley it can be difficult.”

But there are others factors at work now — not least [Brexit \(https://www.ft.com/topics/themes/Brexit\)](https://www.ft.com/topics/themes/Brexit), which could yet push skilled workers with European passports over the channel from the UK.

The international expansion and success of companies such as BlaBlaCar and Criteo, meanwhile, is seen by local entrepreneurs as a psychological catalyst. There are also more funds springing up locally backed by foreign investors. For example, Ms Pellerin’s €100m fund raised money from South Korean internet group Naver.

#### Top French venture capital investments Funding, 2016 (€m)



Source: PrivCo

FT

Foreign companies such as Japanese giant [Rakuten \(http://markets.ft.com/data/equities/tearsheet/summary?s=jp:4755\)](http://markets.ft.com/data/equities/tearsheet/summary?s=jp:4755) and Facebook have opened artificial intelligence research facilities in the capital, while Apple plans to open a computer vision lab in Grenoble. After London, Paris is Europe’s second talent hub for AI, virtual and augmented reality, and hardware technology.

The city also has the second-largest number of professional developers in Europe, with 134,322 coders, says coding platform Stack Overflow. This reflects France's historic strength in areas like maths and engineering, which start-ups and investors say has been an advantage.

French business schools such as HEC have developed entrepreneurship and innovation programmes, and the tech world is luring a younger generation that once would have gone into finance or consulting. In 2015, a fifth of graduates from Insead and HEC Paris entered the tech industry.

On top of this, corporate participation in tech fundraising is growing and now accounts for a fifth of total tech deals in France, according to CB Insights. "In a big group it's very difficult to innovate," says Quentin Sannié, co-founder and chief executive of Devialet. "They need start-ups to imagine new technologies."

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