



## Some comfort for European SME Investors

The FT recently released its Fastest Growing Companies surveys for [Europe](#) and the [Americas](#). Prima facie, the tables make pretty depressing reading for the Old Continent, but there is a silver lining...

The table below picks out companies at various points in the ranking to give a broad idea of how the regions compare. What we are really trying to do is compare Europe to the US, so we should have stripped out Canada and LatAm, but the US dominates the list to such an extent that the whole ranking should be a good enough proxy.

The top two lines of the table tell the story that we are accustomed to hear, with the US outstripping sclerotic, disjointed Europe both in growth and company size (Netflix plays Just Eat at the top end!). The gap in size is so wide that an out-and-out capitalist might argue the case for Europe giving up, swearing fealty to the White House, and accepting life as a collection of vassal states, in the interest of the wealth of its citizens.

The FT's ranking of high-growth companies, 2020						
Rank	Growth (%)		Revenues (\$m)			
	2015 to 2018 CAGR		2018		2015	
	Americas	Europe	Americas	Europe	Americas	Europe
Top 3 average	785%	490%	17,600	720	6700	177
No. 10	389%	300%	939	129	220	42
No. 50	169%	182%	71	50	22	11
No. 100	108%	142%	34	32	11	7
No. 200	59%	107%	15	19	3.8	3.7
No. 300	41%	86%	8	11	1.8	2.3
No. 400	28%	73%	4.5	8	0.8	1.4
No.500	18%	64%	2.4	5	0.1	1.0

Red = Americas higher, Blue = Europe higher

Further down the ecosystem, however, things are not so bad for Europe:

- When one gets to around the 50 mark, Europe comes into its own, with companies exhibiting significantly faster growth
- The size columns are not strictly comparable, as the ranking is compiled by growth, and the Americas sample is smaller, BUT... there does, over the three years, appear to be a clear closing of the gap (or overtaking) from 50 downwards, and that also looks encouraging.

Arguably, the picture is still quite depressing. Europe appears to have no problem spawning start-ups that, on average, do much better than their US counterparts in their early years, but these vibrant young European oaks then find themselves left behind and totally overshadowed by the giant redwoods of the US.

This is nothing new, the clamour (from certain quarters) for European leaders to get their act together and foster the evident entrepreneurial culture of its citizens has been incessant. Areas cited as needing to be addressed range from the lesser efficiency of capital markets, to a less vibrant micro-cap fund scene, comparatively inhomogeneous customer bases, turgid labour laws, less well-funded universities etc. Steps have been taken, but the business environment remains a regional patchwork versus the US's strong, resilient capitalist fabric.

So it is really against all odds that the numbers show the green shoots of an improvement in the comparison. Italy, while epitomising the European malaise - with its grasping state, overbearing bureaucracy, snail-like judicial system etc - actually produced very good results. The Bel Paese comes out in 2<sup>nd</sup> place, and is closing the gap with Germany at the top, proving that even the most byzantine (they were Romans after all...) of statal systems can be overcome.

Another interesting datapoint from the FT study is the incidence of technology. Although Europe lags the Americas in this regard (25% plays 19%), the divergence is much lower than in the MSCI small cap indices, where the weighting of information technology in the US is not far off double that of Europe. There may be some definition creep, but it would appear that Eu tech is fighting back.

Are these numbers a sign that even the tentative steps (eg Spanish and French labour reforms) taken thus far are giving fresh impulse to European entrepreneurialism, or is it just that the internet and global logistics are acting as levellers, rendering geography irrelevant? Hard to tell without a significant body of further work but, in the meantime, as proponents of the case for European SME's, we're glad of the solace, whatever the quantum.

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