

## Press release

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## Belgian scale-ups struggle to secure funding in a more mature ecosystem

**5<sup>th</sup> Deloitte Scaleup Confidence Survey sheds light on key challenges of Belgian scale-ups.**

### Brussels, Belgium – April 30, 2024

For the fifth year in a row, Deloitte launches today the Belgian edition of its *Scaleup Confidence Survey*, a study on the main challenges facing scale-ups in Belgium and other European countries. This reveals some interesting findings about the Belgian scale-up ecosystem.

#### Highlights:

- Due to the economically turbulent climate, Belgian scale-ups experienced more frequent cash flow, liquidity and funding problems in the past year.
- For the first time, increasing regulation is mentioned in the top ten challenges faced by scale-ups.
- Scale-ups are relying less and less on government grants because of the administrative burden and uncertainty involved.
- Scale-ups from the health and mobility sectors achieved the highest average revenue growth in 2023. In 2024, the *electronics* and *sustainability* sectors are expected to record the strongest growth.
- Confidence among scale-ups in their growth trajectory has dropped slightly compared to last year, but the overall confidence level remains high.

#### Cash flow, funding and liquidity are more challenging than talent acquisition

Following last year's findings, the number one challenge facing scale-ups this year was acquiring new customers and delayed customer contracts. As many as half of the companies surveyed pointed this out as their main challenge. What is new this year is that cash flow, liquidity and financing problems rank second at 39%. This can largely be explained by the turbulent economic climate of the past year, but also relates to the stricter measures by which investors operate.

*"We notice that access to funding is a challenge worldwide, all the more so in the turbulent economic climate. Fortunately, in Belgium, a lot of capital is still available, although it does not reach every scale-up easily. On the one hand, this can be explained by the fact that some scale-ups choose to wait to raise capital until there is more stability or improvement in their valuation. On the other hand, the investment ecosystem is maturing, and investors are using more sophisticated financial metrics in their assessments, with profitability becoming an increasingly important factor. Sales growth is no longer the only criterion. However, the truly innovative scale-ups find easy access to capital and are even oversubscribed",* says **Anaïs De Boule, Scale-ups Leader Deloitte Belgium.**

The third biggest challenge was talent recruitment (36%). Although it still ranks high on the list of challenges, this is a modest drop from last year (39%), when it was the second biggest concern among scale-ups. It is notable that despite an 11% increase in the total number of their employees (FTEs) by 2023, almost a third (30%) of scale-ups plan to implement a hiring freeze or a reduction in the number of employees, an increase of a whopping 8 percentage points from last year. It reflects the caution with which scale-ups are responding to current economic pressures, maximising cost pressures for returns and the need to match their growth rate to the market conditions.

### **Scale-ups are concerned about increased regulation**

For the first time since the launch of the Scale-ups Confidence Survey, the research shows that changing regulations occupy a top ten position as a challenge for scale-ups. Scale-ups often have to work their way through a lot of legislation. In addition, national transposition of EU directives results in differences between member states, creating additional barriers for scale-ups looking to grow internationally. On the other side, the additional regulation offers opportunities for scale-ups, who build their USP around this new regulation, mainly within the sustainability and mobility sectors, .

*"In a rapidly changing society, it is inevitable that the regulatory framework also adapts. These changes present companies (especially those in the growth phase) with significant challenges that can impact business growth. Moreover, the increase in regulatory requirements complicates the already challenging process of fundraising on an international stage where competition is fierce. These developments require deft navigation through the regulatory framework to ensure success,"* says **Roald Borré, Group Manager Venture Capital at PMV.**

### **Lower reliance on grants**

In terms of funding, the report demonstrates a trend of scale-ups increasingly leaning on funding from new investors (56%), rather than government grants and subsidies (43%).

This finding can be attributed to the additional administrative burden and inherent uncertainty associated with the grant process. Scale-ups are therefore increasingly preferring equity funding, where direct investment is not only available faster, but also comes with fewer administrative hurdles.

### **Health sector scale-ups experienced strongest growth in 2023**

Scale-ups from the healthcare sector achieved the highest average revenue growth in 2023 (104%), followed by the mobility sector (96%). While the realised growth rates are still impressive, the current economic landscape did cause a decline in both realised and expected growth. Looking ahead to 2024, scale-ups from the *electronics* and *sustainability* sectors are expected to record the highest growth, of 138% and 111% respectively.

### **Confidence drops slightly but overall confidence level remains high**

Overall, the confidence of scale-ups remains high in 2024. 66% of respondents say they are (very) confident to continue or accelerate their growth trajectory. This is a slight decrease of 9 percentage points compared to last year. The overall confidence score also dropped from 7.9 to 7.7.

*"While the overall confidence level remains respectable, we see a tentative dip in scale-ups' confidence in their growth path. There is nevertheless a strong basis for optimism. The slight drop reflects an awareness within the sector of the current economic challenges. Scale-ups recognise the need to adapt their operations to an ever-changing financial and regulatory landscape. This is a healthy sign of the resilience and flexibility needed to continue growing in a dynamic market,"* says **Michele Gabriël, Strategy Partner Deloitte Belgium.**

## About the survey

Deloitte's 2024 Confidence Survey reached over 200 Belgian scale-ups.

Around 77% of the respondents are CEO or co-founder in their respective organisations. The survey reflects insights across various segments, with Enterprise Software, Life Sciences & Health Care and FinTech representing yet again the top three.

Finally, the majority of the respondents operate within a B2B context, with a workforce of 10-50 full-time employees and revenues below €1m.

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