

# Navigating Growth: unveiling the business value of European SMEs

Awareness among SME entrepreneurs in the Netherlands, Belgium, Germany, the United Kingdom and the Nordics regarding the value of their businesses





# Do entrepreneurs recognize the potential of their business?

**When it comes to doing business, the adage holds: you can't manage what you don't measure. There are an estimated 22 million small and medium-sized enterprises (SMEs) in Europe. These businesses form the backbone of our economies despite three years of geopolitical instabilities with effects on European economic development, supply chain issues due to lingering effects of the pandemic and global supply shortages and economic effects; inflation & interest rates.**

Against this backdrop, maintaining a keen understanding of the genuine worth of one's business becomes paramount for SME entrepreneurs. This awareness empowers them to make informed decisions that steer their company's course.<sup>1</sup> A thorough business valuation not only unveils hidden opportunities but also highlights potential areas for improvement.

Marktlink's research has unearthed an intriguing trend among a significant part of SME entrepreneurs: a staggering 40 per cent of European SME entrepreneurs confess to being

unaware of the present value of their businesses. This lack of awareness is unsurprising, given the volatile nature of European business: from the lingering effects of the pandemic, escalating energy prices to challenges posed by high inflation rates which collectively contribute to an environment where business valuations undergo rapid fluctuations.

Still, the SME market has displayed remarkable resilience in the face of external pressures. As we navigate the complexities of 2024, the recent improvement in financial markets because of decelerating inflation and projected reduction in interest rates underline optimism within the market.<sup>2</sup> This positive sentiment is mirrored in the survey results, with an impressive 72 per cent of the 1,000+ SME entrepreneurs surveyed expressing confidence in the anticipated increase in the value of their businesses in the coming months.

In this whitepaper, we will provide you with insights into the intricacies of SME business valuation, offering a clear understanding of what it means for you as an entrepreneur.

<sup>1</sup> <https://www.forbes.com/sites/forbesbusinesscouncil/2023/03/15/how-to-value-smalland-medium-size-businesses/>

<sup>2</sup> <https://www.pwc.com/gx/en/services/deals/trends.html>

# Understanding market dynamics that influence business valuation

**With SMEs accounting for more than half of Europe's GDP and representing 99 per cent of all businesses in the EU, they also play a role in constituting a substantial share of employment and value-added across all European economies. In 2024 there are still many uncertainties within the market, including economic volatility, geopolitical tensions, supply chain disruptions and upcoming elections in several countries. However, SME and family entrepreneurs are used to navigating uncertainty and taking risks to find solutions for the future of their business.**

## WHAT CHALLENGES, THEN, DO SME ENTREPRENEURS GRAPPLE WITH?

### 1. Skilled workforce concerns

Across Europe SME and family entrepreneurs wrestle with entrepreneurial succession because business owners prepare for retirement. According to a study by the German Institute for Mittelstand Research, around 190,000 succession cases are predicted to arise in Germany alone by 2026. It's a hurdle for all SMEs across Europe where entrepreneurs struggle with a shortage of skilled staff. To tackle this challenge, SME entrepreneurs are exploring alternative approaches, such as involving employees in the company as certificate holders and fostering a sense of ownership and commitment.

### 2. Rise of automation and robotisation

With investment spending increasingly gravitating towards robotisation and automation, European manufacturing companies strategically embrace these technologies to boost production capacity without expanding their workforce. Artificial intelligence<sup>3</sup> is becoming a cornerstone instead of human labour. Many entrepreneurs are worried that the rapid changes are leading to job losses but also a decline in interpersonal connections. There should be a balance where AI is used to automating mundane tasks, so employees can focus on more strategic and creative aspects of their work, fostering innovation and collaboration.

### 3. Sustainability

The United Nations' Sustainable Development Goals (SDGs) have evolved into guiding principles for large listed companies. SMEs, too, must integrate these goals into their policies and



<sup>3</sup> <https://www.forbes.com/sites/forbeshumanresourcescouncil/2023/12/12/hr-has-a-central-role-in-ais-impact-on-smes/>

production processes. Despite the prolonged payback periods associated with sustainability investments, securing sound financing is key for SME entrepreneurs. The Corporate Sustainability Reporting Directive (CSRD), a European mandate effective from 2024, compels companies to produce sustainability reports, with SMEs granted an extension until 2026. However, SME

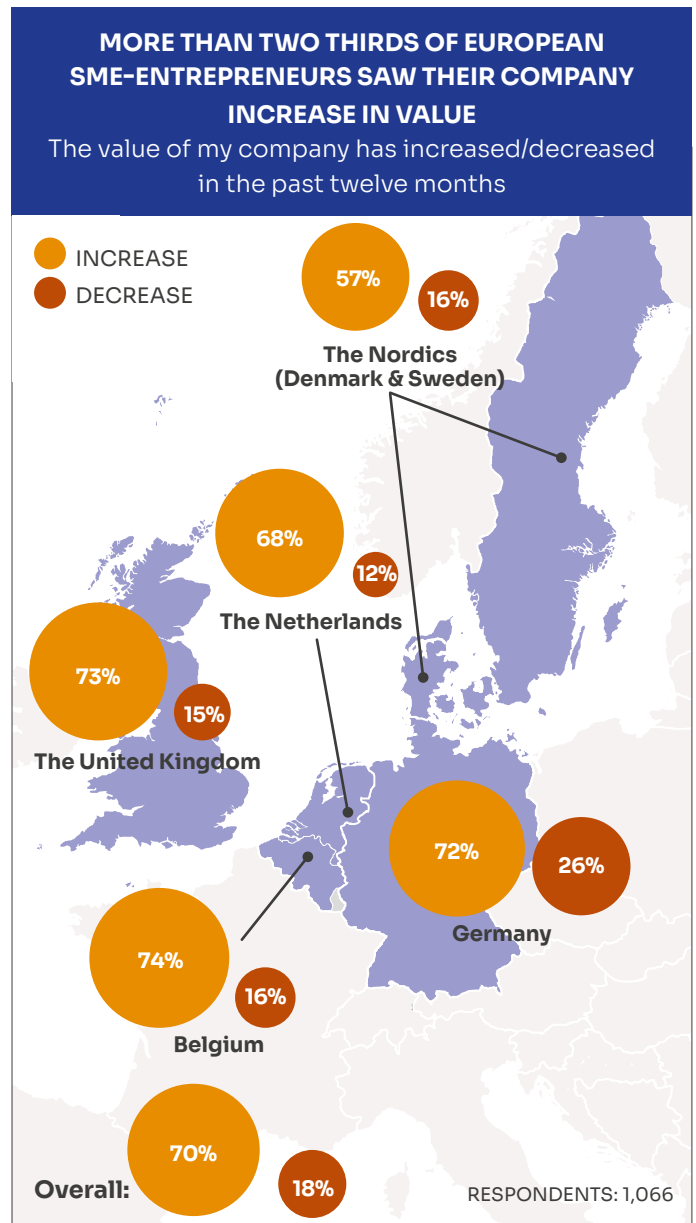
entrepreneurs should not heavily rely on this extension.<sup>4</sup> Currently, large and listed companies are already setting sustainability standards for their suppliers. It requires investment and awareness so underscoring SMEs need to proactively prepare by incorporating green practices into their business processes before it becomes mandated.

**MARKET DEVELOPMENTS ACROSS EUROPE**

Optimism in our researched markets. What does this year have in store?

**The Netherlands**

With external economic market conditions improving, Dutch entrepreneurs are growing in confidence in their businesses. Dutch SMEs have responded well to all the uncertainty in the market in recent years. In doing so, they have shown they can be sustainably profitable, which makes these companies even more attractive to potential buyers. More and more entrepreneurs are realising this, increasing the supply for sale. Tom Beltman, partner at Marktlink Netherlands, explains: “This does mean that the M&A market is slowly shifting from a seller’s market to a buyer’s market. For instance, the number of transactions in the pipeline has doubled in the past year, partly thanks to well-stocked private equity funds looking for well-functioning SME organisations to invest in, this is expected to lead to a sharp increase in the number of transactions.” →



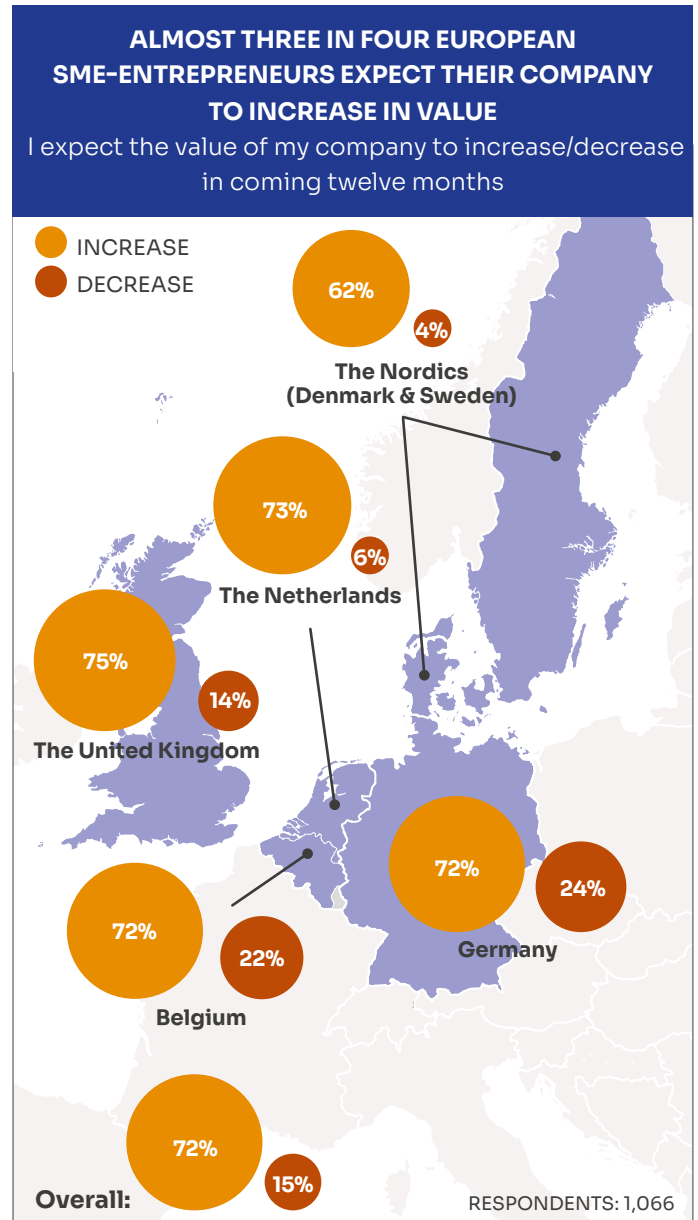
<sup>4</sup> <https://www.bnpparibas.nl/en/companies-must-get-started-with-csrd-themes/>

### Belgium

According to a report from Vlerick Business School, Belgian SMEs are more internationally oriented than their European counterparts and the country has the highest percentage of SMEs with foreign subsidiaries or joint ventures generating income in Europe. However, Belgian entrepreneurs often wrestle with determining their company’s worth, impeding their ability to gauge potential value drivers. Belgian entrepreneurs should harness their resilience to challenges. Filip Mariën, Managing Partner, Marktlink Belgium says: “Belgian entrepreneurs are beginning to feel that they can finally consider certain problematic factors as things of the past, including wage indexation and rising interest rates. External factors such as energy prices, geopolitical tensions, and shortages of raw materials, however, make it increasingly difficult for them to accurately value their businesses.”

### The United Kingdom

SME entrepreneurs in the UK are confronted with substantial headwinds. Jonny Parkinson, Managing Partner, Marktlink Manchester, notes: “Having an accurate business valuation is key for business owners and one step if they’re considering a sale. With 2024 expected to bring a much brighter outlook for M&A activity, SME leaders need to be aware of their business value to be able to take advantage of an increase in opportunities and ensure they are ‘exit ready.’” →





## Germany

German companies in different industry sectors, such as automotive, chemical, energy, and industrial manufacturing face realisation challenges. There's a disparity between private equity interest and economic challenges which underscores the need for astute valuation practices and strategic decision-making for companies in the German market. Andreas Bonnard, Managing Partner, Marktlink Munich: "While our stock market and valuations of German companies are at an all-time high, profit margins are decreasing. Both the automotive and chemical industries are struggling, despite a general slight economic upturn in Europe. Additionally, energy costs in Germany are at their highest level compared to the rest of Europe, leading production companies to relocate their factories, which puts further pressure on the local middle class."



*Having an accurate business valuation is key for business owners and one step if they're considering a sale. With 2024 expected to bring a much brighter outlook for M&A activity, SME leaders need to be aware of their business value to be able to take advantage of an increase in opportunities and ensure they are 'exit-ready'.*

JONNY PARKINSON, Managing Partner Marktlink North West UK

## The Nordics

According to the World Bank's Doing Business report, Denmark is one of the best places in Europe to do business. In the last decade there has been positive economic development. This is noticeable in the market where both national and international buyers are showing interest in Scandinavian companies. Jesper Fogh Duelund, Managing Partner, Marktlink Denmark: "Following the supply chain issues during COVID and the subsequent geopolitical uncertainties, many companies see the value of paying a premium for supply chain reliability with an added quality assurance. This has led to an increase in home-shoring of subcontracting tasks that were previously shipped eastwards."

# How European SME entrepreneurs value their business

**In an era with fluctuating economic growth and political surprises SME entrepreneurs are figuring out their next steps: grappling with the dual challenge of attracting investment and managing pressure on their bottom line. A detailed valuation of their business then becomes indispensable. This is where the expertise of seasoned consultants, like those at Marktlink, truly shines.**

We've surveyed 1,066 SME entrepreneurs across the Netherlands, Belgium, Germany, the United Kingdom and the Nordics. We asked them about the current value of their business and their expectations for the future:

## **The Netherlands**

Despite the many challenges, from higher interest rates and tight(er) financing options, there is still plenty of enthusiasm among Dutch entrepreneurs. As many as one in three of those surveyed currently consider it a good time to buy or acquire another company. That outlook will only improve in the coming years, the survey shows. Indeed, 34 per cent of those surveyed expect the Dutch M&A market to pick up further this year.

**Tom Beltman, Managing Partner  
Marktlink Netherlands:**

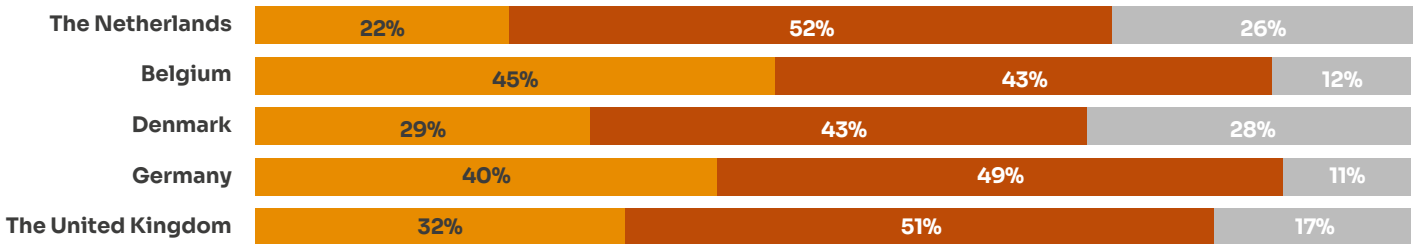
“Burying your head in the sand is never a good idea, the value of your organisation is not something that only comes in handy when you have a sales desire. Most entrepreneurs focus on the short-term, while a value indication is mainly based on risks in future earning power. Precisely these insights enable you to make more strategically informed choices in the long term: both for and with your business.”



**ONE IN THREE EUROPEAN SME-ENTREPRENEURS THINK THAT THEIR COMPANY IS UNDERVALUED**

My company is currently undervalued

■ YES    
 ■ NO    
 ■ I DON'T KNOW



**Belgium**

74 per cent of Belgian entrepreneurs report an increase in their business value, with 72 per cent expecting further growth in the coming year. Belgians are most optimistic about their valuation growth last year and their expectations for the year ahead. This signals resilience and optimism in the face of persistent challenges.

**Filip Mariën, Managing Partner  
Marktlink Belgium:**



“Inflation figures have come down and peak interest rates seem to have been reached. As an effect, we see that the confidence of Belgian entrepreneurs is rising. Despite ongoing geopolitical tensions, there’s a palpable sense of optimism among entrepreneurs.”

**United Kingdom**

British SME entrepreneurs exhibit confidence, with three in four expecting growth in the upcoming year, building on the 73 per cent who witnessed an increase in their businesses’ value. →

**Joe Moran, Managing Partner  
Marktlink Midlands UK:**



“Often, business owners’ expectations of the value of their company are high which is understandable considering the pride and personal value associated with it. However, these optimistic expectations don’t always align with what buyers are prepared to pay, particularly in difficult economic times. These circumstances make it more important than ever for entrepreneurs to seek experienced advisors to help construct deals that meet both parties’ objectives.”



### Germany

German SME entrepreneurs, with almost three quarters anticipating growth, after a year in which 72 per cent already saw their businesses increase in value. Only 32 per cent of German SME entrepreneurs don't know what their company is worth at the moment, well below the European average of 40 per cent.

### Nordics

More than six in ten Danish SME entrepreneurs expect their businesses to grow in the following year, after a year in which 57 per cent already saw their businesses increase in value. Despite positive forecasts, Danish SME entrepreneurs are less optimistic than their European counterparts.

#### **Borys Storck, Managing Partner Marktlink Düsseldorf:**

“Next to the numerous internal challenges faced by German SMEs, there are positive external impulses. Private equity firms, particularly against the backdrop of ongoing inflation, have increased interest and are pushing high company valuations into the market, although these valuations often have only limited relevance to the final purchase price.”



#### **Jesper Fogh Duelund, Managing Partner Marktlink Denmark:**

“A theoretical valuation of the company is a good starting point for the entrepreneur, but certainly not the end point. The actual purchase price will most likely be different from the theoretical one, because the price is also determined by the negotiating position. It's important to look at valuation in a broad sense. The biggest discrepancy between seller and buyer is often that the buyer doesn't feel as confident about how well the business can perform in the future.”





# Marktlink Business Valuation

An increasing number of SME entrepreneurs are grappling with the pressing question of whether their company’s trajectory is sustainable in the coming years. While some are eager to reshape their value creation strategies, more decisive action is needed, particularly in sectors vulnerable to global trends such as technological disruption, climate shifts, and demographic changes.

To navigate these challenges, SME entrepreneurs must take proactive steps, assessing risks and opportunities, and be prepared to pivot to unlock new sources of value. This proactive approach is essential for accelerating strategic goals and achieving sustainable growth.

- **Performance metrics:** Valuations provide performance metrics, enabling companies to gauge their standing in the market.
- **Optimal sale value:** Business valuations empower owners to secure an optimal sale value for their firms.

## THE PROS OF BUSINESS VALUATION

- **Discovery of opportunities:** Business valuation acts as a compass, guiding SME entrepreneurs towards valuable opportunities.
- **Informed decision-making:** It unveils the company’s strengths and weaknesses of a company, aiding in strategic decision-making.

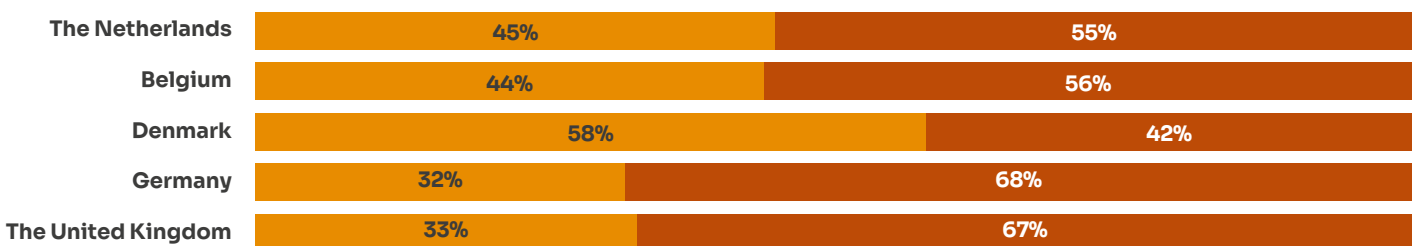
## THE CONS OF BUSINESS VALUATION

- **Exposure of weaknesses:** Valuations may expose weak areas within the company, potentially reducing its overall value.
- **Reliability concerns:** Relying on assumptions sometimes makes business valuations less than completely reliable. →

### FOUR IN TEN EUROPEAN SME-ENTREPRENEURS DO NOT KNOW HOW MUCH THEIR COMPANY IS CURRENTLY WORTH

I don't know how much my company is worth at the moment

■ YES
 ■ NO





*Value is to some extent a subjective concept. It is about having a current and accurate indication of how your business is doing. Entrepreneurs are often internally focused and do not look at the market around them. That is why misunderstandings arise, because there is often a difference between the emotional value and the actual price you get for your business as an entrepreneur when you are ready to sell. Unfortunately you don't always receive compensation for the energy you put into it.*

TOM BELTMAN, Managing Partner Marktlink Netherlands

## Use your business evaluation to make informed decision

Our survey reveals that the majority of European SME entrepreneurs are optimistic about the future. While they are certain about their growth in the past, they often don't have an accurate grasp on their business valuation. When it comes to business valuation, one must take into account various advantages and disadvantages, necessitating a nuanced approach for informed decision-making. Why should SME entrepreneurs opt for business valuation?

### THE NETHERLANDS

In 2024 the Dutch market will experience less turmoil, leading to an increase in sales transactions, according to Tom Beltman, Managing Partner Marktlink Netherlands. "Currently we see organic growth in the market. Entrepreneurs whose sale is closer, estimate the value of their business more realistically and

seek maximum value. However you don't always get compensated for the energy you put into it. Therefore, SME entrepreneurs will have better choices when they have more clarity about the value of their company. A business valuation can help them in setting and ultimately achieving their goals."

### BELGIUM

Belgian entrepreneurs should leverage their resilience amid challenges, with expectations of interest rate reductions from the ECB and Fed injecting vitality in the Belgian SME market which in the ideal scenario lead to more acquisitions and growth. Belgian entrepreneurs often have a more emotional instead of realistic valuation of their companies, making yearly business evaluations more important for discovering value drivers and maximising company value. Filip Mariën, →

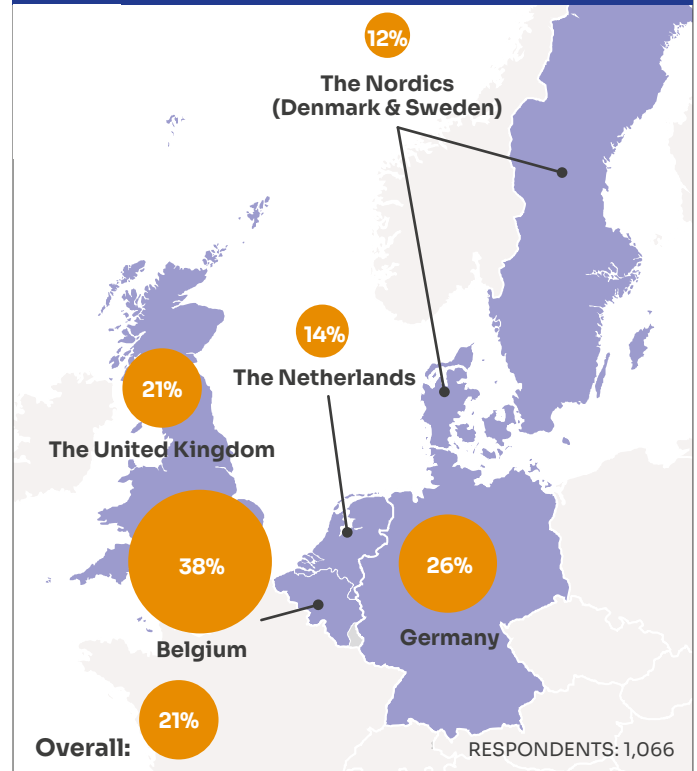
Managing Partner, Marktlink Belgium explains: “Some entrepreneurs think that they only need to know the value of their company when they are considering a sale or merger. Nothing could be further from the truth. It is essential to know where you stand at any given moment: measurement equals knowledge. Only with full understanding of the current situation can you take measures to optimize your future valuation or create added value.”

### UNITED KINGDOM

Over the past 18 months, British entrepreneurs were confronted with a range of challenges and many are focusing on rebuilding and maximising the value of their business. According to Joe Moran, Managing Partner, Marktlink Midlands, “SME entrepreneurs struggled with the question: is it the right time to sell or should I just hold and let the underlying business improve and sell later down the line? The competitive tension or the smaller amount of good performing businesses takes the valuation higher.” Jonny Parkinson, Managing Partner at Marktlink Manchester adds: “If activity increases during the year as expected, then it becomes increasingly likely that owners may receive uninitiated approaches and will require prior knowledge of their business value to benchmark against. Even if a sale isn’t a consideration for the next five years or more, working with an adviser to establish a current valuation and a plan to reach a desired valuation will help to close the expectation gap and allow shareholders to maximise value when they decide to exit.”

### 21 PERCENT OF EUROPEAN SME-ENTREPRENEURS WOULD RATHER NOT KNOW THEIR COMPANY’S VALUATION

At the moment, I would prefer not to know how much my company is worth



### GERMANY

Germany is currently in a recession, so the market has a lot of headwinds compared to the other countries – deficits, high interest rates and therefore EBITDA are reducing. As a result, German PEs are extremely aggressive with bids. There’s a large valuation gap – between technical value (on paper) and emotional value of the business – notes Andreas Bonnard, Managing Partner, Marktlink Munich. “We see a discrepancy between the supposed overvaluation and the actual performance of the companies. In particular, the high number of German entrepreneurs who consider their companies to be undervalued suggests that the market for acquisitions could currently be favourable. We see from this dynamic that now is the ideal time for strategic decisions.” →

## NORDICS

According to the Confederation of Danish Industry, roughly 99 per cent of Danish business are SMEs making them the backbone of the Danish economy. Jesper Fogh Duelund notes: “SME entrepreneurs are more optimistic about both the current and future value of the business and believe in strong market demand. But it’s clear that the first step for an owner-manager considering a sale is to know the parameters by which the market and potential buyers assess the value of the company. In our experience, these parameters do not always match the owner-manager’s own experience. But we also see that when owner-managers initiate an M&A process, they become more realistic in their assessment as they gain more insight into the process of selling a company.”

## KEY FINDINGS

As our survey reveals, European SME entrepreneurs, optimistic about their company’s value, are reevaluating business trajectories amidst market challenges. With pent-up buyer demand and reluctance to sell at lower valuations, quality assets are expected to be highly competitive in the market.

At Marktlink we’ll be happy to guide you through this process. Your preferences remain our primary focus. What sets us apart is our international network, which offers SME entrepreneurs a broader range of options for truthful valuation, thanks to a larger pool of potential buyers or sellers to choose from.

## SUPPORT FROM M&A EXPERTS AT MARKTLINK

### CURIOUS TO KNOW THE VALUE OF YOUR BUSINESS?

Do you know the true value of your business? You can calculate the value of your company with the multiple method. With this method, you take the sales price and divide it by the company’s total sales, EBIT, or EBITDA. This number is the multiple. The next step is to multiply the multiple by your company’s sales, EBIT or EBITDA and you have your valuation. Luckily you don’t have to crunch numbers yourself.

We encourage you to take our Marktlink Multiple test. It’s a tool based on smart data, broad sector knowledge and our practical experience. You’ll receive instant valuable insights into the value of your company. Or you can book an exploratory meeting with one of our M&A experts.

**MULTIPLE TEST : CALCULATE THE VALUE OF YOUR BUSINESS →**



CONTACT

# What is your next step?

**Do you need help with your business valuation? We are here to help. With unwavering dedication and a genuine passion for what we do, our M&A experts are poised to help you prepare for the right trajectory of your company. Your growth begins with a conversation, and we're here to assist you every step of the way. Feel free to contact us!**

Phone numbers:

NL: **+31 (0) 85 0 400 300**

UK: **+44 (0) 161 706 2401**

DK: **+ 45 (0) 20 24 52 75**

DE: **+49 (0) 151 24 16 58 33**

E-mail: **info@marktlink.com**

Website: **www.marktlink.com**

This whitepaper is brought to you for free by Marktlink.

## M&A SPECIALIST

Marktlink was founded in 1996 in the Netherlands. Since then, the company has grown to become the largest independent M&A house in the high-end SME segment for Northwest Europe. The international team consists of 240 M&A specialists who support companies in transactions between 5 and 250 million euros. With its international network and 13 offices in Europe, Marktlink brings together buyers, sellers, and investors worldwide. With success, as the 150 successful transactions last year prove.

[MARKTLINK.COM](https://www.marktlink.com) →

