

THE CURRENT STATE OF EUROPEAN SMEs

Readiness of SME entrepreneurs to buy or sell their company
in the Netherlands, Belgium, Germany, the United Kingdom
and the Nordics



Is it the right time to buy or sell on the European M&A market?

From the fast-growing start-up ecosystem in Copenhagen through the industrial hub of Antwerp to the heart of the Hamburg metropolitan region: small and medium-sized enterprises (SMEs) all around Europe pulse with ambition.

Whether they are innovative start-ups, medium-size companies, locally focused small businesses or microbusinesses: SMEs power two-thirds of the European workforce.¹ They contribute over half of the value added to the EU economy. As Christine Lagarde, President of the European Central Bank once said: 'Small and medium-sized firms are the foundation of Europe's economy.'

For entrepreneurs in the SME segment, the ability to adapt to sudden societal and economic shifts is one of the most significant challenges. Research conducted by Marktlink reveals an intriguing trend among European SME entrepreneurs. In the past year, a substantial portion have contemplated the possibility of selling their businesses. Specifically,

31 per cent of the 1,000+ SME entrepreneurs surveyed see this as an opportune moment to sell. Even amidst the backdrop of various challenges, including the lingering effects of the COVID-19 pandemic, geopolitical tensions arising from the Ukraine conflict, inflation, rising interest rates and energy distribution concerns, the appetite for business transactions remains steadfast.² The resilience of European SMEs demonstrates their ability to respond swiftly to external pressures, solidifying their position as the driving force of the EU economy.

The European M&A market is a dynamic market, presenting a continuous stream of new challenges and opportunities. Nearly half of our respondents – 48 per cent to be precise – anticipate a resurgence in their domestic market in the coming year. What are their next steps?

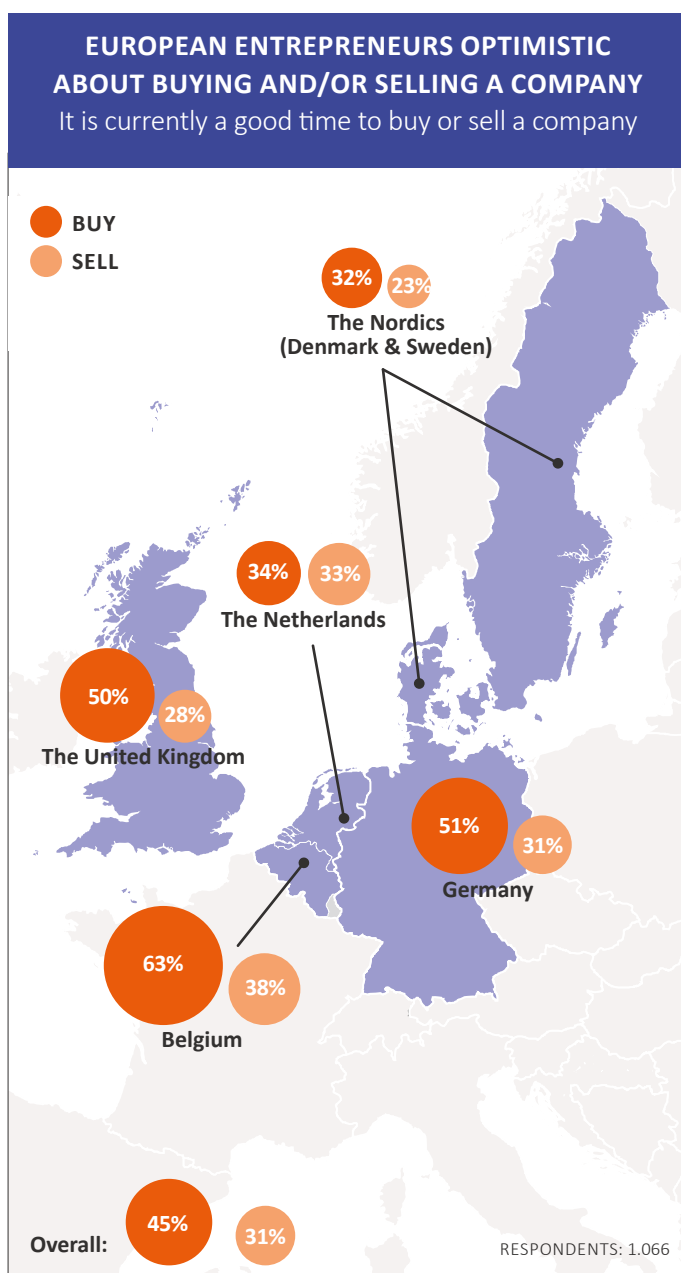
In this whitepaper, we will provide you insights into the European M&A market and help you understand what it means for you as an entrepreneur.

¹ <https://www.europarl.europa.eu/factsheets/en/sheet/63/small-and-medium-sized-enterprises>

² https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4409

Unlocking opportunities in the European M&A market

Every business is influenced by a multitude of external factors that impact its attractiveness to investors. These factors are ever-evolving and range from economic conditions, social dynamics, and regulatory environments to technological trends. The SME M&A market offers numerous opportunities for entrepreneurs, management buyouts, and family investment firms actively pursuing strategic investments.



WHAT DEVELOPMENTS ARE IMPACTING THE SME M&A MARKET?

1. Financing: the interplay between traditional bank financing and the increasing appeal of private equity investments³ plays a key role. While traditional bank loans may offer stability and lower interest rates, they may not always align with the growth aspirations of the business. In contrast, private equity investments provide access to substantial capital and strategic support, making them an attractive choice for many SME entrepreneurs.

2. Ageing demographics: as the population ages,⁴ more entrepreneurs are beginning to view their SMEs not only as assets to be sold but also as potential sources of retirement income. This shift in mindset creates new possibilities for M&A, as entrepreneurs seek to unlock the value of their businesses for retirement planning.

3. External influences: SMEs are susceptible to external influences. Regulatory changes, social dynamics, technological trends and unforeseen crises can make entrepreneurship more challenging. However, these very challenges can create opportunities for investors with a strategic vision. →

MARKET DEVELOPMENTS ACROSS EUROPE

Let's delve into the European M&A market in various key regions:

The Netherlands

The Dutch are famous for their entrepreneurial spirit. With approximately 80 to 90 per cent of businesses falling within the SME segment. Research⁵ indicates that higher interest rates make financing more expensive, and uncertain economic conditions make Dutch buyers more discerning. Nevertheless, prominent Dutch entrepreneur and president of ONL Hans Biesheuvel, speaking on BNR Nieuwsradio,⁶ emphasizes that opportunities for SME entrepreneurs to buy or sell their companies are ever-present.

Belgium

Belgium's M&A market is experiencing a surge in cross-border transactions as Belgian SMEs seek international expansion. This not only strengthens their competitive position but also contributes to the global dimension of the European SME market. According to the 10th edition of the Vlerick M&A Monitor,⁷ the Belgian market remains surprisingly

robust, mainly due to smaller and more strategic transactions. The average transaction price across all size segments continues to hover at an all-time high. According to Filip Mariën, Managing Partner at Marktlink Belgium, there is a need for consolidation. "SME owners are being confronted with an increasing amount of challenges. We are seeing that they are becoming more agile in their responses to adapt to these challenges. This also includes the consideration to join forces."

The United Kingdom

The United Kingdom has a long history of SME entrepreneurship, with SMEs accounting for 99 per cent of all businesses⁸ in the country. For British SME entrepreneurs, Brexit has added an extra influence to the crises that entrepreneurs in other countries have seen. Recent developments indicate that Brexit has redefined the dynamics of the sector, with SMEs now focused on securing their market presence and supply chains, leading to increased domestic and cross-border acquisitions. Research⁹ reveals that despite the challenges of running a small business in the face of rising costs, entrepreneurs maintain a positive outlook. →



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FILIP MARIËN, Managing Partner Marktlink Belgium

Germany

As the economic powerhouse of Europe, Germany boasts a robust SME ecosystem. For example, Hamburg's strong trading history and family business tradition foster innovation, Munich's economic strength and strategic location make it an ideal base for DACH region expansion and Dusseldorf's diverse sector mix ensures resilience in times of crisis. According to a report by the German Savings Banks Association (DSGV), SMEs have recorded significant increases in revenues and profits, with revenues rising by an average of 14 per cent and profits by 17 per cent year-on-year in 2022.¹⁰ These results reflect the robust financial health and resilience of German SMEs.

The Nordics

According to The Nordic Smart Government programme, two million SMEs in the Nordic region comprise more than 90 per cent of businesses.¹¹ Interest in Nordic countries is high due because technology in the region is advancing more quickly than in other EU countries. SMEs in this region are actively participating in acquisitions to access new technologies and expand their offering. "Danish owner-managers have shown their agility and resilience by navigating the crises of recent years, but it is clear that the courage to develop with the market must continue", says Jesper Fogh Duelund, Danish Managing Partner at Marktlink.

³ <https://fd.nl/bedrijfsleven/1459064/vermogend-private-equity-in-opmars-als-koper-van-mkb-bedrijven>

⁴ <https://www.euronews.com/my-europe/2023/10/11/brussels-sounds-alarm-about-eus-rapidly-ageing-population-recommends-migration-to-fill-vac>

⁵ <https://www.businessinsider.nl/overname-mkb-bedrijf-kopers-worden-strenger-en-stellen-deze-6-voorwaarden/>

⁶ <https://www.bnr.nl/podcast/zakendoen-ondernemerspanel/10528040/ondernemerspanel-over-herstel-op-de-overnamemarkt>

⁷ <https://www.vlerick.com/nl/inzichten/prijzen-op-belgische-fusie-en-overnamemarkt-blijven-op-recordhoogte/>

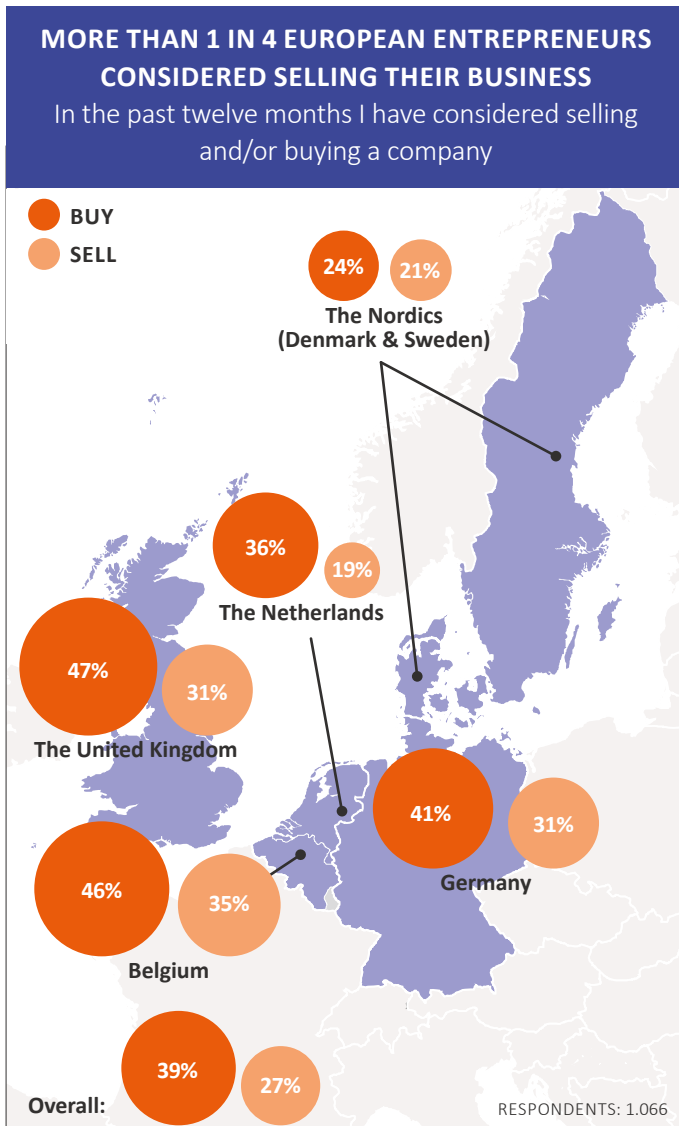
⁸ <https://www.gov.uk/government/statistics/business-population-estimates-2022/business-population-estimates-for-the-uk-and-regions-2022-statistical-release-html>

⁹ <https://www.americanexpress.com/en-us/newsroom/articles/financial-news/positive-signs-as-majority-of-uk-small-businesses-are-upbeat.html>

¹⁰ <https://www.reuters.com/markets/europe/german-small-medium-sized-enterprises-showed-resilience-2022-2023-09-12/>

¹¹ <https://nordicsmartgovernment.org/benefits>

Sentiments of SME entrepreneurs towards buying or selling their business



A business is a living organism, constantly evolving. The willingness of SME entrepreneurs to either buy or sell their companies depends on various factors that may be financial, operational or emotional. The entrepreneur's willingness to sell tends to be countercyclical. When business thrives, SME owners often wish to savour their success a little longer. A detailed roadmap for acquisition processes then becomes indispensable. Every deal comes with surprises, making it even more important for all parties involved to find common ground. 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 about their local M&A markets. We asked them about the current market and their expectations for the future. →

CURIOS ABOUT THE VALUE OF YOUR COMPANY?

Calculate your business value in 2 minutes with the Marktlink Multiple Tool.

[MULTIPLE TOOL >](#)

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:**

“There is a lot of money in the market and the willingness among entrepreneurs to trade is strong.

The Dutch instinctively look for the best deal. In today’s world, however, the chances of missing the boat are high. Now that interest rates are stabilizing and a large proportion of entrepreneurs want to purchase a company, we expect a proportionate increase in demand. Fortunately, an increasing number of the entrepreneurs we support are aware of this - this can be seen, for example, in the strong increase in the number of deals we have completed compared to last year.”

Belgium

Belgian entrepreneurs are more positive about the acquisition market than their European counterparts. Overall, a remarkable 63 per cent of Belgian entrepreneurs surveyed find this an opportune moment to buy a business, in contrast to the Netherlands’ 34 per cent. Yet, 38 per cent of Belgian entrepreneurs state that it’s the right time to sell their business.



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

“For businesses and business owners looking for opportunities, there are many potential targets for acquisition available. Moreover, there is

sufficient capital available. This in combination with the owners’ realization that they don’t have to do it alone anymore explains the positive view on M&A strategies in this country.”

The United Kingdom

The entrepreneurial spirit in the United Kingdom seems undaunted. Half of all respondents feel that now is a good time to buy a company. However, only 28 per cent of SME entrepreneurs believe that current conditions favour selling a company.



**Jonny Parkinson, Managing Partner
Marktlink UK:**

“SMEs in the United Kingdom are resilient businesses that have navigated through the recent uncertainty caused by an economic

slowdown, inflationary pressures, and higher interest rates, and are now beginning to see some light on the horizon as these factors ease. The second half of the year has been much stronger than the first and we’re seeing activity levels pick up, meaning that entrepreneurs are rightly feeling optimistic that conditions will improve in the not-so-distant future.”



Germany

German SME entrepreneurs exude confidence in the market, with 51 per cent thinking it's currently a good time to buy their company. This shows a lot of optimism yet only 31 per cent think it's a good moment to sell their business.



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

"Despite global challenges, entrepreneurs' willingness to buy is increasing. This reflects confidence in the national economy and

the willingness to implement strategic business decisions."

The Nordics

Danish entrepreneurs reveal a sense of urgency, with one in five having thought about selling their company. However, Danish business owners have trust in market growth over the coming years with 26 per cent thinking it will improve in the coming years.



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

"We are experiencing an 'urgency' on the acquisition and sale of companies among the Danish SME owner-managers. They both believe in great demand in the market

and see it as a necessity to invest in order to keep up with the technological development within e.g. software advances (now also artificial intelligence) and automation. High speed is especially important in smaller markets such as Denmark. And the Danish business owners are generally quick to embrace new things and willing to buy to keep up with technology and the market. They have to move with the market, otherwise it can disappear for them."

ARE YOU READY TO BUY OR SELL YOUR BUSINESS?

If the notion of buying or selling your business has crossed your mind, it's essential to understand your position and your destination. We've compiled a set of tips to get you started. To gain a precise assessment of your business's readiness for sale, we encourage you to take our Ready-to-sell test. You'll have an answer within 2 minutes and know what you have to work on to increase the value of your business. The results will provide valuable insights to help shape your action plan for initiating the sales process. Or you can book an exploratory meeting with one of our M&A experts.

[READY-TO-SELL TEST >](#)

Strategies for the Future

Our survey reveals that European SME entrepreneurs have a clear vision for the future of their businesses. Their appetite for mergers & acquisitions depend on various factors, including their desired timeline, market conditions, aspirations, and anticipation of future trends. What does the future hold for European SME entrepreneurs?

GERMANY

Short Term

German entrepreneurs remain relatively optimistic, with 53 per cent expecting the local SME M&A market to improve in the coming year, surpassing the European average of 48 per cent.

Mid-to-Long Term

German willingness to sell slightly changes in the mid to long term. While 31 per cent considered a potential sale last year, only a quarter plan to

sell within five years. However, their desire to buy increases during the same timeframe, from 41 per cent to 56 per cent. These figures fall below the European average of 39 per cent for selling and 66 per cent for buying, indicating a more cautious outlook for the future.

Next steps

German SMEs will continue to be the country's strongest driver of innovation and technology. Additionally, foreign investors will offer an option for alternative investments, including substantial dry powder at private equity houses. There are different options for SME entrepreneurs to enter the M&A market. Borys Storck, Managing Partner at Marktlink Dusseldorf, explains: "The continued high inflation is, from an economic perspective, a double-edged sword: We assume that companies will start investing their capital in order not to have to accept losses in value." →

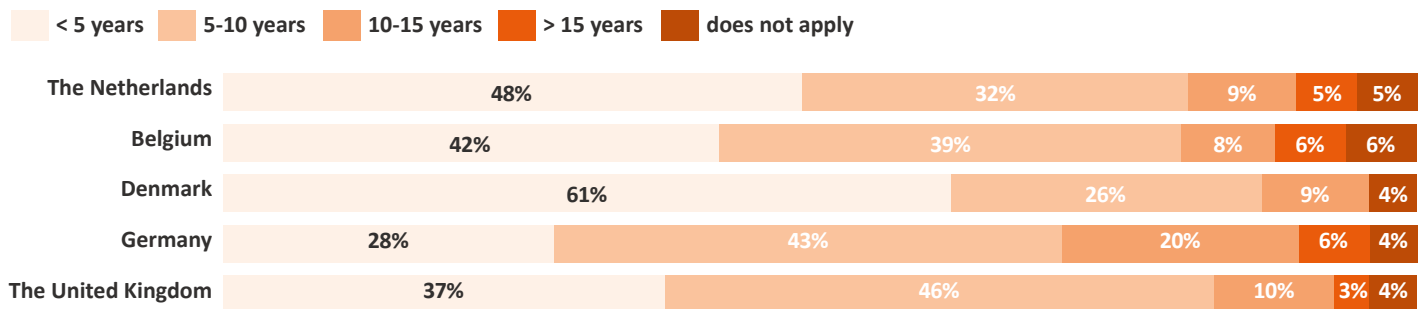


“Dry powder is critical for SME growth.”

HENNING KÜRBIS, Managing Partner Marktlink Hamburg

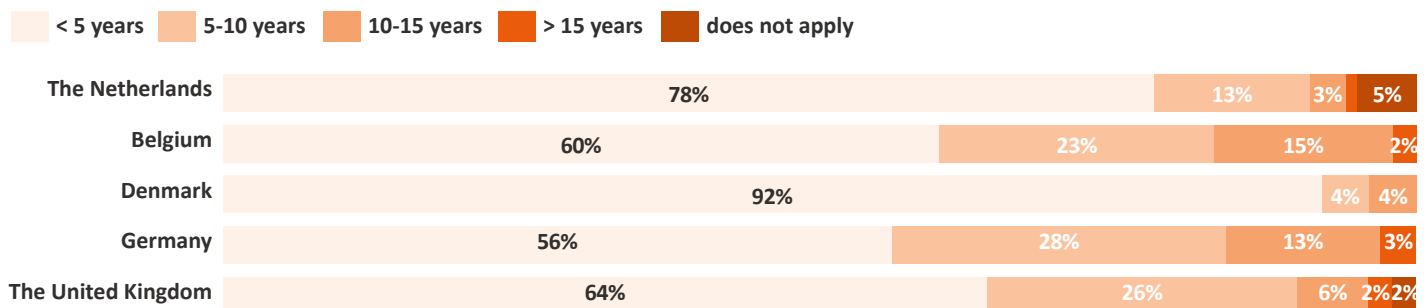
ALMOST 80 PERCENT OF EUROPEAN ENTREPRENEURS LOOKING TO SELL WITHIN 10 YEARS

I am planning to sell my company within the coming ... years



TWO THIRDS OF EUROPEAN ENTREPRENEURS LOOKING TO BUY WITHIN 10 YEARS

I am planning to buy another company within the coming ... years



THE NETHERLANDS

Short Term

The Dutch exhibit a more cautious outlook. While nearly half of European entrepreneurs foresee the M&A market picking up in the coming year, only a third of Dutch respondents share this optimism.

Mid-to-Long Term

However, their middle-long expectations paint a different picture. A significant 48 per cent of Dutch entrepreneurs express their intention to acquire a business within five years, with a whopping 78 per cent aiming to make it a reality. This stands in stark contrast to the European average of 39 per cent for buying and 66 per cent for selling.

Next steps

More than 75 per cent of all acquisition transactions in the Netherlands take place in the SME segment. The outlook for the coming years is positive. Tom Beltman, Managing Partner at Marktlink Netherlands, notes: "We expect a wave of transactions to arrive. Entrepreneurs are fed up with the crises, we see many entrepreneurs ready to sell their business. Besides the more defensive reasons such as age or being ready for something new, sales are also often offensively driven. Entrepreneurs see many opportunities for their business especially across borders and they are looking for a strong (financial) partner to start realising opportunities."



BELGIUM

Short Term

Despite the positive sentiment prevailing among Belgian entrepreneurs regarding the M&A market, almost half of Belgian respondents expect further growth in the M&A market in the short term.

Mid-to-Long Term

Overall, 42 per cent of Belgian entrepreneurs aspire to sell their business within five years, while 60 per cent express a desire to buy. This contrasts with the European averages of 39 per cent for selling and 66 per cent for buying. However, there's a noticeable distinction between entrepreneurs from Flanders and those from Wallonia. In Flanders, 52 per cent of the respondents plan to sell their business in the next five years, which is a stark contrast to the expectations of entrepreneurs in Wallonia, where only 27 per cent are willing to sell their business in that time frame. 64 per cent of the Wallonian entrepreneurs are willing to buy a business in the next five years compared to 60 per cent of the entrepreneurs in Flanders.

Next steps

Research from Vlerick Business School indicates that in the next couple of years 'M&A will become even more an integral part of a company's growth strategy.' Capital and cash availability, as well as private equity dry powder, will further enhance the SME segment. Compared to other European countries, Belgium's smaller market size is counterbalanced by its openness to partnerships and cross-border business ventures. Filip Mariën, Managing Partner at Marktlink Belgium adds: "The fact that Belgium in general and Flanders in particular is a smaller market than Germany, for example, means that we have to move faster to other countries in search of market expansion, and that is where partnerships are a possible solution."

THE UNITED KINGDOM

Short Term

British SME entrepreneurs radiate optimism in the short term. Six out of ten expect the local SME M&A market to thrive in the coming year, outstripping the European average.

Mid-to-Long Term

British SME entrepreneurs are slightly below the European average, with 37 per cent planning to sell their company within the next five years and 64 per cent aiming to purchase another company during the same timeframe. These numbers reflect the sentiment of entrepreneurs who recognise opportunities to consolidate and acquire companies that have retained good performance in terms of growing market share.

Next steps

The UK market post-Brexit has changed, but it still offers viable options for international buyers to enter the market, thinks Jonny Parkinson, Managing Partner at Marktlink United Kingdom. "Where owners are historically reluctant to consider a sale to a competitor within the industry, the increasing appetite from international buyers, particularly the US and Europe, the latter of which are facing challenges accessing the UK market post-Brexit, offers an attractive proposition to UK shareholders. It allows them to realise value now and sell to someone who understands the business and the market but isn't a direct competitor and can often offer significant growth opportunities to the acquired company." →

THE NORDICS

Short Term

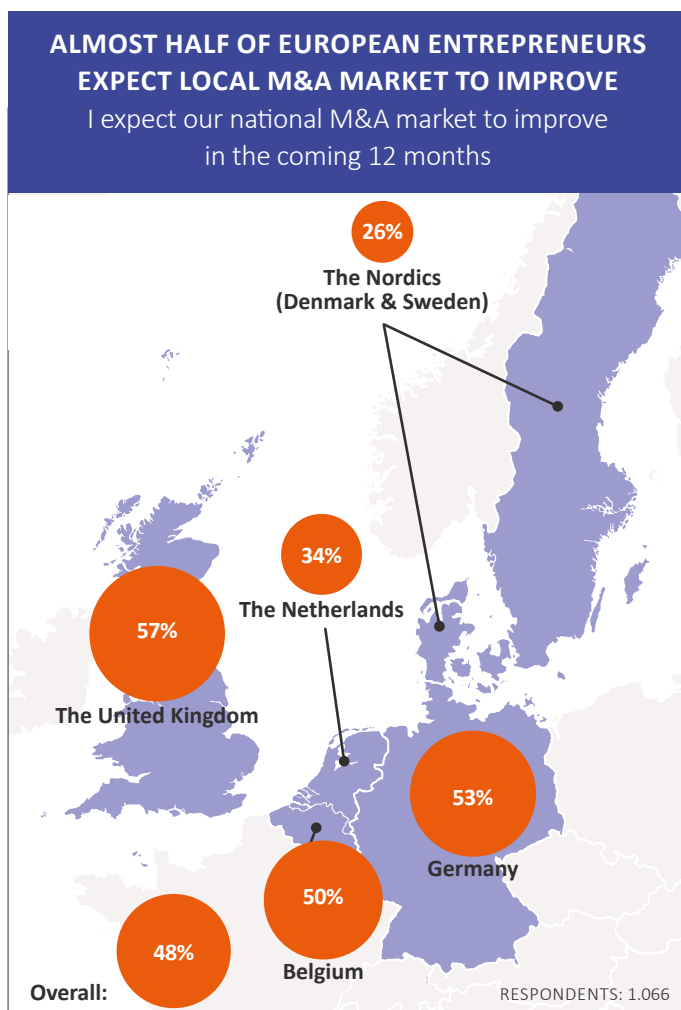
When it comes to the Nordics, specifically Denmark, 26 per cent of Danish respondents expect the local M&A market to improve, far below the European average of 48 per cent.

Mid-to-Long Term

Interestingly, Danish entrepreneurs are the most optimistic about the future. A striking 92 per cent intend to buy another company within five years, while 61 per cent are willing to sell their businesses in the same timeframe. These figures contrast with the European averages of 66 per cent for buying and 39 per cent for selling.

Next steps

The M&A market in Denmark is buoyant. There's still a lot of demand despite hikes in costs and interest rates. Entrepreneurs feel a sense of urgency. This is partly due to external conditions but the survey shows they believe the market will recover and demand will rise. Compared to the United Kingdom, Germany and Belgium, the Nordic markets have a higher level of digital implementation. Danish owner-managers have shown their agility and resilience by navigating the crises of recent years, but it is clear that the courage to develop with the market must continue.



KEY FINDINGS

As our survey reveals, SME entrepreneurs are eager to tap into the current M&A market momentum. However, the decision to buy or sell a company is no small feat. While we've presented numerous incentives for both options, it's important to acknowledge that buying or selling is an inevitable decision, and external pressure can impact this choice, which requires a good assessment before making a move that holds the highest potential.

The spectrum of potential investors is as diverse as the reasons behind selling a business. 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 entrepreneurs a broader range of options for truthful valuation, thanks to a larger pool of potential buyers or sellers to choose from.

What will you do?

Are you contemplating a sale or do you harbour ambitions for growth, whether locally or internationally? We are here to help. With unwavering dedication and a genuine passion for what we do, our M&A experts are poised to steer you toward a deal of a lifetime. Your next successful venture begins with a conversation, and we're here to assist you every step of the way. Feel free to contact us!

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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.

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