

4 French tech sectors European VCs are excited about right now

The European tech market is still finding its feet after the downturn. But I believe recent months have brought exciting new waves of opportunity and interest for investors. One market which is attracting an increasing level of buzz is France. Experiencing its first modern downturn in 2023, the region nevertheless collectively raised €8.3B across 715 startups and caught a fresh wind in the first few months of 2024.

Temps de lecture : minute

7 May 2024

I believe this is being propelled by a range of factors. This includes a growing cohort of 'unicorn alumni' who are now making their first forays as founders. Former staff at French success stories such as Owkin, Payfit, Ledger and Datadog are striking out on their own, armed with the knowledge and ambition gathered at the helm of some of the country's most promising tech companies.

Likewise, the ongoing commitment to the technology ecosystem from the French Government and crucial industry partners such as Station F are helping to keep the sector moving and ensure France provides fertile ground for entrepreneurs to launch and grow their businesses.

One core sector of the French tech scene that's turning heads is, invariably, AI. Companies including Mistral and Hugging Face are attracting international attention for their market leading AI innovations and huge VC raises. This local AI boom may be thanks to the cluster of top engineering universities in the Paris region, such as École Normale Supérieure, Polytechnique and Centrale. Many of the mathematicians

graduating from these institutions are now staying in France to innovate rather than heading to the US, thanks to the new level of maturity in the local tech scene and VC market. Likewise, many French engineers who have been working behind the scenes at tech powerhouses such as Google and Meta are now heading home to launch their own ventures.

However, aside from AI, there are a range of French tech sectors that European investors like me are paying close attention to. Here are four that I'm currently excited about:

The office of the CFO

Mega-rounds are rarer for French fintechs compared to their counterparts in the UK, but they haven't completely disappeared. PennyLane, for example, recently raised another €40M following their €30M fundraising in 2023 and €50 million in 2022. However, a new trend that's developing within the French fintech scene is a rise in products and tools being developed for the CFO.

Finance functions in businesses are becoming increasingly cross-functional, meaning CFOs need to connect with and synthesise information from a much wider range of colleagues and departments. As a result, products and tooling that aid this are in high demand. In France, CFO focused fintech startups such as Agicap and Pigment are gaining market share, increasing revenue, and raising megarounds themselves. Pigment just announced a \$145M Series D. For these reasons, I believe the office of the CEO has become a compelling area of fintech to watch.

Climate Tech

Europe remained the global leader in climate tech in 2023, with investments in the space outpacing software and fintech to become the leading sector for capital raised. Within this, France is emerging as a

centre of innovation in green technologies. I'm seeing startups building across categories including power markets, grid optimisation, DERs, grid storage, EV charging, built environment, battery analytics and more. And, interestingly, I'm seeing startups with huge promise spanning both software and hardware, which is a clear marker of a sector that's thriving.

Firms like Dioxycle, Deepki and CO2AI are all making waves and showing the strength of the region when it comes to climate and carbon innovation. I believe that France has a lot more to offer in this space, with a range of intriguing stealth mode climate startups currently raising.

Dev-Ops and Data

French Dev-Ops darling Datadog, which was founded in 2010, ploughed a furrow for other companies in this space to follow. A new wave of DevOps companies are now treading a similarly innovative path, including GitGuardian (a Sapphire Ventures portfolio company), Sifflet and Meilisearch. Much sooner than in other spaces, French DevOps and Data companies are finding themselves selling to a global audience. While historically this required a move to the US pre- or pretty soon after incorporation, today the strength of local engineering talent combined with better access to capital means that this is no longer necessary.

France's strong pipeline of maths and engineering graduates is helping to fuel success at these startups, which are further bolstered by a friendly regulatory and policy environment. I therefore see us only at the beginning of a wave of DevOps industry giants being built out of France.

Healthcare

France is home to pharmaceutical giants like Sanofi and Pierre Fabre, creating a breeding ground for the creation of innovative healthcare startups. The pace of growth in this sector is currently really exciting and

one that has a range of VCs sitting up and taking notice.

Capitalising on the nation's position as a healthcare and pharma pioneer, coupled with France's rising position as an AI powerhouse, healthtech is starting to truly take-off in the region. Startups such as Lifem and Resilience are automating healthcare data structuring and enhancing patient care delivery, with Nabla and Owkin harnessing AI innovation for better healthcare outcomes. There are many more intriguing early-stage startups currently building or just out of stealth in the field, which demonstrates that the space is buzzing. One that particularly excites me is Bioptimus who are building a biology-specific foundational model.

Looking ahead, the next challenge for the region's hotly-tipped start-ups will be expansion. France isn't a small market, but to truly scale these start-ups must expand beyond the French border. Crucial to this will be US expansion. If the next generation of French innovators can crack the code to transatlantic success, the country truly will reach global powerhouse status. Investors like me will be watching closely and doing all we can to help those startups realise their potential.

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