

EURAZEO

WHITE PAPER

Investing in Europe: A fresh look at untapped strengths

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S U M M A R Y



Executive summary 4

Europe is awake 6

Manifesto for investment
in Europe's future 6

Portrait of Europe as a young entrepreneur 10

A. Europe is now fully aware of the
impediments to its growth 12

B. Europe is less aware of the vital
operational capabilities at its
disposal to take advantage of
current geopolitical and
economic uncertainty 14

1. Europe's fundamentals are genuine
comparative advantage 14

2. Europe already has the necessary tools to
adapt to our changing world 18

**Europe: a continent
of entrepreneurs** 20

A. Why Eurazeo is positioned
in the European mid-market 22

B. Promising European startups:
five high-potential sectors 23

1. The environmental transition:
a prime MINi-GEMS 23

2. Tech: a MINi-GEMS that is
fundamental to innovation in Europe 24

3. Financial services and insurance:
a rapidly changing MINi-GEMS 25

4. Healthcare and biotech:
a MINi-GEMS that is crucial for
European sovereignty in terms
of public health 26

5. Sovereignty and security:
a key MINi-GEMS in the current
context of geopolitical disruption 27

**Time for
implementation** 28

Action plan:
Three priorities 31

1. Funding: channelling savings into equity
investments 31

2. Education: changing the financial
culture in Europe 33

3. Simplification: completing the
integration of European markets 34

EXECUTIVE SUMMARY

Today, Europe is seeing new momentum. The ecosystem driving innovation and business has reached maturity and gained new visibility. International investors looking for opportunities to diversify their portfolios, build stability and focus on impact are recognising its advantages. High-level expert reports, including those by Mario Draghi, Enrico Letta and Christian Noyer, and European institutions have proposed ambitious reforms such as the relaunch of the Capital Markets Union as a savings and investments union. The shift in the international balance of power has brought about this reawakening by requiring Europe to face up to the need to be able to count on itself much more than it does today. Progress has largely been achieved on relatively uncontentious measures; however, major initiatives such as the Capital Markets Union and the harmonisation of the single market remain stalled.

The upcoming European leaders' summit in October will focus on competitiveness, the Capital Markets Union, and strengthening the euro's international role. On this occasion, decisive progress must be secured, incremental steps will not suffice.

Given this new state of affairs, **Eurazeo is keen to share its practical experience from the perspective of mid-market companies** all across Europe, present its convictions and its investment thesis focused on innovation with a European impact, challenge received ideas that often remain in the minds of international investors and contribute, through its proposals, to the transformations in progress.

Europe is certainly hampered by a productivity gap and insufficient financing of innovation, the fragmentation of its internal market, excessive regulations, and the ageing of its population. But this should not cause us to neglect its **considerable advantages** on the world stage for a market of its size, thanks to the strength of its single market, its educational systems, returns on investment, the quality of its social model, its legal and economic stability, and its breadth of innovation. Especially since it can draw on a long tradition of entrepreneurship, a pool of talent without equal, and a dense and resilient infrastructure network. Furthermore, in these uncertain times, with power politics returning to the fore, some of Europe's discreet charms are becoming more salient. Europe is still the most secure, open and stable space in the world, the haven for the rule of law, academic freedom and financial stability.

Our microeconomic perspective sharpened by day-to-day presence in the field supporting European mid-market companies reveals them as a vital engine for industrial, technological and commercial renewal in Europe.

European cutting-edge industries are emerging, allowing Europe's hidden champions to enter into the light and stake a claim to global leadership in areas such as the green transition, technology, healthcare, sovereignty-related matters, as well as financial services and insurance. Greater awareness of these advantages and dynamics is essential to confront this period's main challenge: managing to finance Europe's major transformation across

four dimensions at the same time: environmental issues, digitalisation, defence of the continent and the reduction of dependencies, particularly relating to energy all while preserving the European social model.

In the face of annual financing needs estimated at around 4% of the European Union (EU)'s GDP by the Draghi report, the **EU will need to envision an increase in private equity investment, which has made stronger advances in the EU than in other world regions and which creates value.** On the one hand, it serves as a powerful lever for investors – both individual and institutional – seeking returns, impact, and diversification. On the other hand, it effectively supports the consolidation of European SMEs, drives the internationalisation and globalisation of their business models, and fosters the implementation and diffusion of innovation, as well as the integration of environmental, social and governance (ESG) considerations. At the macroeconomic level, the growth of private equity in the European mid-market strengthens the competitiveness of the industrial fabric, accelerates the industrial transition, and underpins the continent's strategic autonomy. Although awareness has made beneficial headway, it is now time to put words into action.

For its part, Eurazeo confirms its support for the rapid implementation of measures to meet three major challenges it considers as priorities: **productively redirecting European capital** by mobilising private savings and simplifying the financing of the economy, **deepening the internal market** to bring down the invisible barriers that continue to fragment the continent; and **changing the financial culture in Europe**, little inclined to take risks and not very well informed about the interest of venture capital.

In addition, Eurazeo proposes the following two solutions to help unleash private equity:

- The creation of the status of **“young European company”** offering reduced taxation on capital gains realised on the sale of shares. The upcoming proposal announced by the European Commission for a 28th regime could provide the opportunity to discuss such a status for innovative companies.
- At the same time, **the transformation of the EuVECA label into a European private equity fund status.** The European Commission's announced revision of the label, outlined in its 19 March 2025 communication on a strategy for a Savings and Investment Union, **presents a strategic opportunity: to transform this**

label into a true European fund status, open to all investors and free from investment caps. This status could draw inspiration from the European Company (SE) model to create an LP-SE (Limited Partnership – European Company), detached from any single country of origin, benefiting from an automatic passport for distribution across the EU, with no withholding tax or local restrictions. While regulations (Solvency II, Basel III...) could govern strategies like private equity and private debt, an LP-SE fund should no longer be excluded from, or penalised in, the lists of authorised investments for fiscal or regulatory reasons. Such an evolution would enhance the attractiveness of European private equity by ensuring tax neutrality, regulatory portability, and commercial fluidity across the single market.

Lastly, to contribute on its level, Eurazeo undertakes to bring out **five European champions in sectors that are strategic for EU sovereignty** (environmental transition, tech and tech-enabled services, financial services and insurance, healthcare, and sovereignty and security) between now and 2028 by scaling up these companies through the consolidation of their markets with adequate funding.

EUROPE IS **AWAKE**

Manifesto for investment in
Europe's future



“OUR EXPERIENCE AND OUR INVESTMENT THESIS CORROBORATE THE IDEA OF EUROPEAN ALIGNMENT

We are now fully aware that we are living in **a decisive moment** for Europe, transatlantic relations and globalisation.

In 2051, the European Union will celebrate its 100th anniversary. By then, **it will need to have moved ahead into the future of European independence**, whose success will depend on completing four major transitions. The first of these is the **decarbonisation of its energy system** to achieve climate neutrality by 2050 along with a reduction in external dependencies. The second is the **digitalisation** of the economy to integrate disruptive technologies while adequately supporting the transformation of work, society and public space that they entail. The third involves **ensuring the free movement** of goods, services and capital to adapt to the new international balance of power while guaranteeing European independence. The fourth transition is the **reinforcement of European security** based on a stronger, more modern and resilient defence industry. In 1948, to rebuild itself from its ruins, Europe agreed, with the help of the United States, to the huge undertaking represented by the Marshall Plan, with aid amounting to about 2% of the yearly GDP of recipient countries. Today, the minimum annual investment needed is between €750 billion and €800 billion, **thus a level of investment twice as high and for a period twice as long**.

In many ways, the conditions are met for a European reawakening. The flag's twelve stars are aligned around **vital and shared concerns, as well as a clear agenda in the face of multiple external shocks**. In addition, Europe has talent with world-class expertise. Europe has passionate entrepreneurs who are tireless innovators, giving rise

to world champions. Europe has a stable legal framework and protective regulations. And Europe also brings to the table **all the measures needed to unlock its potential** by smoothing paths toward the financing of innovation, the democratisation of private investment and internal market integration – the Noyer, Letta and Draghi reports all make this clear.

“OUR COLLECTIVE CHALLENGE IS TO DEDICATE BETWEEN €100 BILLION AND €150 BILLION PER YEAR TO GROWING THE REAL ECONOMY

Our aim, in full awareness of our responsibility as a leading player in the financing of European mid-caps, is to help drive this transition and voice **an optimistic, realistic, concrete and pragmatic argument in support of Europe**. **Our experience and our investment thesis corroborate the idea of European alignment**. For several decades, as a pan-European investment group focusing on unlisted mid-market companies, with 90% of its portfolio invested in Europe, Eurazeo has had a unique perspective on the continent's exceptional reservoir of entrepreneurial talent. This on-the-ground experience has shaped our belief that **mid-market champions** are and will be a key engine for these transformations. **The funding ecosystem has undergone a nearly 20-year process of maturation**, with the strengthening of investment players and platforms in relation to all asset classes, the wave of consolidation of major European asset managers in the past two years, and a ramping up of venture capital financing capacities.

Our contribution places emphasis on **three main objectives**. **The first is to restore credence in a set of truths about Europe**, far too often plagued by received ideas overshadowing tangible and vital forces. **The second is to convey the richness of the European ecosystem, with its clusters of high-potential growth**. Our long history and our track record speak for themselves: Moncler, Danone and Accor, all among today's giants, were once mid-caps supported by Eurazeo on their growth paths, as our group currently supports the likes of Mistral AI, DORC, Doctolib and Bioline, firmly convinced that they will be tomorrow's giants. **The third is to bring forward the proposals emerging from our ecosystem** to accelerate the transformation of European finance in the context of the Savings and Investments Union.

The core of this challenge is financial: the €35 trillion treasure trove of European savings has become largely sterile due to risk aversion, inappropriate taxation and a regulatory framework that aims to be protective, but too often stifles initiative and growth.

Moving the EU faster on its transition to the future will depend mainly on the fuel it puts in its speedster – a green fuel, with great endurance and that provides all the power needed: private equity.

Our collective challenge is to dedicate between €100 billion and €150 billion per year to growing the real economy and in particular the mid-market.

Europe has left the starting blocks and is on the right track. It must now **draw on its strengths rather than focusing on its weaknesses** and it is our wish that this contribution can demonstrate **the confidence that Europe can have in itself while accelerating the implementation of the measures needed for its reawakening**.

Christophe Bavière

William Kadauch-Chassaigne

PART 1

PORTRAIT OF **EUROPE**

AS A YOUNG ENTREPRENEUR

A. EUROPE IS NOW FULLY AWARE OF THE IMPEDIMENTS TO ITS GROWTH

The European economy's weak productivity affects its growth, its global competitiveness and its prospects in the race for innovation.

Growth remains less than optimal. The EU's GDP is now one-third less than that of the United States whereas they were tied in 2008, although if we look at a longer time period we see that the Europe was already performing at a level the same extent below the United States in 2000.

Innovation and the technology sector have fallen behind the United States and China. In 2023, European investment in AI amounted to €8 billion, while it was \$68 billion in the United States and \$15 billion in China the same year.¹ The R&D intensity of the United States (3.4% of GDP in 2023) is one and a half times that of the EU (2.2% in 2023) and 2.4 times greater in volume, whereas 70% of the new value created over the next decade is expected to be powered by digitally enabled platform business models.¹

Trade barriers other than tariffs between member states of the single market, notably linguistic, cultural and regulatory ones, remain high. They are estimated to be as high as a tariff equivalent of 44% on goods and 110% on services according to some studies.ⁱⁱ

Demographic growth in Europe also raises questions as to its future outlook, with decreasing birth rates (down 5.5% in 2023, the steepest decline in 10 years) leading to steady increases in the number of people over 65 (30% by 2030, compared with 20% today).

The allocation of European savings, routinely dictated by the precautionary principle and risk aversion, is not appropriate.

Totalling €35 trillion, European savings are still massively invested in cash deposits or in highly liquid and regulated low-yield savings products, like the French "Livret A", with these two categories accounting for one-third of the total (€11.5 trillion). In the United States, the figure is only around one-tenth.ⁱⁱⁱ

This imbalance in the interest of security has problematic consequences:

- For European savers, because these investments offer mediocre returns. This explains in part the difference in relative wealth growth between households in the United States and Europe. The organisation of savings seems to bar access to profitable savings and private

equity for a large segment of the population, even though Europe has financial institutions which are well able to manage risk effectively.

- For the European economy, because equity and risk are financed by the United States. As the Noyer report makes clear, Europe "exports" its savings by investing in debt securities, while the financing of innovation and the equity of its companies is largely in the hands of investors across the Atlantic.

European regulatory intentions, inspired by the legitimate goal of consumer protection, have been lost in excessive proliferation.

The multiplication of regulation levels between European institutions, member states and government authorities creates obstacle courses for entrepreneurs. Regarding digital networks, for example, European players must contend with 270 different regulators.^{iv} Two-thirds of European entrepreneurs consider that the fragmentation of rules and standards hinders the development of their business.^v

The time required for legal procedures holds back progress on projects and impedes business agility. The average waiting period before a first hearing in civil and commercial cases is 201 days in Europe overall, but reaches 527 days in Italy, for example. This inertia can have a fatal impact in the context of the race to develop AI.

Risk culture is inadequate, especially regarding investment.

All individuals surveyed underscore the difference between European and American culture when it comes to risk aversion.

But Europe is performing well, particularly in private markets. Analyses by Invest Europe show that buyout funds return capital to investors faster than in the United States (4.8 years versus 3.6 years for the EU) and deliver a higher Internal Rate of Return (IRR) than their American peers, even though the Total Value to Paid-In (TVPI) remains lower. In venture capital, European funds have outperformed U.S. funds in ten of the past 15 years, while also achieving a higher TVPI (2.06 versus 1.98). Infrastructure funds likewise deliver a superior TVPI.

This risk aversion is reflected in an organisational approach to financial flows that invalidates risk-taking and encourages instead excessively precautionary behaviours.

Among retail investors, the notions of risk and return are not correlated, which prevents a proper understanding of the logic behind the investment of their savings.

Furthermore, the definition of risk profiles is based on standardised criteria and does not evolve over time. Although it highlights the risk of loss of capital, the possibility to grow wealth by investing one's savings intelligently is not taken into account. Finally, the resilience and effectiveness of financial intermediaries in managing risks on behalf of third parties (such as bankers, insurers, and asset managers) tends to be underestimated.

Among institutional investors such as banks and insurers, current regulatory requirements have resulted in disproportionate constraints on the financing of certain assets, especially on capital. Put in place in the aftermath of the traumatic financial crisis of 2008, they responded to the extreme deregulation of US markets by overprotecting European ones, without taking into consideration the fact that the crisis in question mainly affected the United States.

Lastly, as regards entrepreneurs, the taxation of dividends and stock options, decided by each member state, has in many cases remained both complex and punitive, neglecting the risks taken and the collective value creation for Europe. It is poorly suited in particular to young innovative companies.

¹ Deemah Al Yahya, "Why We Need to Ramp Up Tech Diplomacy to Harness Opportunities of the Digital Economy",

World Economic Forum, 28 December 2023. <https://www.weforum.org/stories/2023/12/tech-diplomacy-harness-digital-economy/>

Footnote references in Roman numerals refer to the *Notes and References* on page 41.

B. EUROPE IS LESS AWARE OF THE VITAL OPERATIONAL CAPABILITIES AT ITS DISPOSAL TO TAKE ADVANTAGE OF CURRENT GEOPOLITICAL AND ECONOMIC UNCERTAINTY

1. EUROPE'S FUNDAMENTALS ARE GENUINE COMPARATIVE ADVANTAGES

Europe is a deep market.

Europe is a vast market comprised of 27 different countries, each with their own specificities, their own sectors of excellence and their own entrepreneurial businesses. When including the United Kingdom, Europe accounts for approximately 520 million consumers and a market valued at nearly €27 trillion in 2025, thereby consolidating its position as the world's second-largest market.

Europe is a continent of enterprises (approximately 32 million), from multinationals that are leaders in their markets to highly innovative startups, and a network of 35,000 SMEs. This ecosystem of businesses, the densest in the world, offers greater selectivity and more dynamic acquisitions strategies than its counterparts.

It is a rich continent. Including the United Kingdom, Europe's total GDP for 2024 amounts to around \$23 trillion, representing nearly 21% of the wealth produced world-wide.

Europe is stable.

The European Union is a stable framework that offers a reliable legal and economic environment for investors.

Its highly structured, well-rooted and resilient financial system emerged even stronger from the financial crisis of 2007-2008. Of the 50 largest banks in the world by assets, 19 are European², even if the leading European banks have lagged well behind their main competitors in the United States since the end of the financial crisis in terms of market capitalisation. Prudential standards in the European Union are among the most stringent in the world.

Its supervisory institutions are independent and solid: the European Central Bank, as well as the European Securities and Markets Authority (ESMA) and national financial regulators, form the densest regulatory safety net in the world.

Its legal model is grounded in **the rule of law as the guarantor of legal security**: 15 of the top 25 countries in the World Justice Project (WJP) Rule of Law Index are in the EU, alongside the United Kingdom and Norway. The United States only manages 26th place. The European Union and the United Kingdom have anti-corruption laws that are among the most stringent and best implemented in the world. Regulation ensures certainty but also stability. As the management of a Gulf sovereign wealth fund recently remarked, "The regulatory framework in Europe is a guarantee that allows us to anticipate and secure our investments."

Its more egalitarian distribution of income and the choice of a strong mutualisation of social security expenditure lead to stronger social stability. Income inequality is still 10 percentage points lower than in the United States and China.^{vi} Life expectancy is also constantly rising (80 years in 2024) whereas that of the United States, after remaining stable for about a decade, dropped by two years in 2021 to 76 years, before returning to 77 years in 2022.

Growth in the EU (1.4% on average since 2010), stable and less volatile than in the United States, is kept in check by automatic stabilisers.

The gap in default rates on leveraged loans has widened since 2022, with the United States heading to a higher level of 4%, while Europe has remained consistently below 2.7% and today at 0.5%.³

Europe is open, in a world closing in on itself.

Europe is a land of great **academic freedom**, a necessary condition for scientific excellence. 18 countries in the EU are among the 40 in the top 20% of the 2024 update to the Academic Freedom Index, whereas the United States ranks in its 50th percentile.^{vii}

It is a land of the **free movement** of people, and more particularly workers, with mechanisms in place to help EU nationals find a job or make their home in a different member state.

Europe is deeply committed to the **principle of the liberalisation of trade in goods and services**, which has supported a half century of global prosperity. In a world where the United States has opted to engage in a tariff war, it has all the cards in its hand to become a hub of international trade.

Europe is a land of research and innovation without equal in the world.

Among the hidden resources of Europeans that therefore deserve to be activated more are curiosity, the ability to project oneself in the world and adapt to the diversity of languages and cultures, as European entrepreneurs are exposed to this diversity from a very young age.

Europe counts **18.8 million researchers and engineers**, more than the 17.5 million professionals who are STEM graduates with bachelor's or higher degrees in the United States. It has more full-time equivalent researchers (2.15 million compared to 1.64 million in the United States) and Europe's tech workforce is on track to match that of the United States in numerical terms within the next five years.^{viii}

In fundamental and applied research as in engineering, it has institutions ranked among the best in the world. It has the highest absolute number of immediately employable quantum technology experts, and the largest concentration of them, at 231 per million inhabitants in this sector, which will be decisive for the future of science and technology.⁴ More than the talent pool, it is the free flow of talent that matters. With respect to senior talent, who are key to the success of young, high-growth companies, Europe must manage to incite those having left the continent to build their careers to return in order to join promising European startups.

A CONTINENT OF ENTERPRISES (AROUND 32 MILLION OF THEM), FROM MULTINATIONALS TO HIGHLY INNOVATIVE STARTUPS

² <https://www.spglobal.com/market-intelligence/en/news-insights/research/the-worlds-largest-banks-by-assets-2024>

³ S&P

⁴ Rapport Draghi, Partie B, p. 79.

Footnote references in Roman numerals refer to the *Notes and References* on page 41.

Despite clear evidence that Europe has fallen behind the United States overall in technologies and venture capital, the **tenfold rise in venture financing in Europe** between the 2004-2013 period and the 2013-2024 period (3.5 times faster than the United States⁵), has helped make Europe a **global leader in several cutting-edge technologies**, among them edge computing, a decentralised computing model for the secure processing of high volumes of data with low latency. Open network services are another leadership area for Europe, the opening of network capabilities to third-party developers through APIs (Application Programming Interfaces).⁶ In the area of high-performance computing, Europe boasts unrivalled resources, with three supercomputers among the 10 most powerful worldwide in June 2024: LUMI (Finland), Leonardo (Italy) and MareNostrum 5 (Spain). Two exascale supercomputers will enter into service soon. In quantum computing as well as robotics – half of the world's industrial robot suppliers are European – Europe is clearly more than holding its own.⁷

Europe is filled with small and medium-sized enterprises.

Small and medium-sized enterprises (SMEs) are the backbone and distinctive feature of the European economy, making up 99% of the continent's enterprises and accounting for 50% of its GDP.⁸ Among them, **medium-sized companies, the European Mittelstand**, are the main creators of wealth, innovation and growth (around 40% of companies with between 250 and 2,500 employees and generating between €50 million and €1.5 billion in annual revenue).

This is a well-established *Mittelstand* of companies with high added value, strong involvement by family shareholders and deep local roots, that are very well integrated within the European economic ecosystem. As a guarantee of stability, in 2021, 31% of mid-cap companies were second-generation businesses and 37.6% had been in business for three generations or more.⁹

It is also an **innovative and fast-growing Mittelstand, with founders who are very active beyond their own companies**. They form a dense entrepreneurial network that is diversified by sector, including 424 tech unicorns distributed across the continent (EU and United Kingdom) in 2024, compared to just 99 in 2015.¹⁰

The quality of these companies is also perceived as a major comparative advantage for Europe. For example, as reported by a major player in Asia, "investing in Europe is also a way to attract quality companies to our own country". The sovereign wealth fund identifies these companies and facilitates their expansion to their country, creating a virtuous circle.

Europe offers unequalled, and exceptionally dense, infrastructure networks.

11 of the 12 countries with the most extensive networks in the world are European. Over the last decade, the

European Union has been the main geographical focus of infrastructure investment, representing 34% of the global volume of transactions on average.¹¹ In March 2025, Germany launched a massive programme aimed at revitalising the country's infrastructure in critical sectors including rail, energy and digital with the approval of a *Sondervermögen*, or off-budget fund, of €500 billion to be invested over the next 10 years.

Since 2020, the European Union has made **significant funding available for modernisation projects in the area of infrastructure, among others**, through the NextGenerationEU programme. Europe's infrastructure networks have also been the focus of constant efforts to improve their sustainability. Over 50% of annual infrastructure investments are in renewables and digital, which is not the case in the United States in particular.¹²

With fibre penetration rates of 90% or better expected across Europe by 2030, **the continent will offer the best digital connectivity in the world**.

GROWTH IN THE EU (1.4% ON AVERAGE SINCE 2010), CONSISTENT AND LESS VOLATILE THAN IN THE UNITED STATES, IS KEPT IN CHECK BY AUTOMATIC STABILISERS

THE EUROPEAN UNION IS A STABLE FRAMEWORK THAT OFFERS A RELIABLE LEGAL AND ECONOMIC ENVIRONMENT FOR INVESTORS

⁵ ATOMICO, State of European Tech 2025 <https://www.stateofeuropeantech.com/>

⁶ DRAGHI Report, Part B https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

⁷ DRAGHI Report, Part B, p79 https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

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2. EUROPE ALREADY HAS THE NECESSARY TOOLS TO ADAPT TO OUR CHANGING WORLD

Several very recent and major publications attest to growing awareness of the salient issues:

The **Letta report** (April 2024), entitled *Much More than a Market*, argues in favour of a new leap forward for Europe's integrated economic framework, with the addition of a fifth freedom to the existing four, to enhance innovation, research, data utilisation and competencies.^{xiv}

In France, the **Noyer report** (April 2024), drafted by a committee of experts at the initiative of France's Minister of the Economy, Finance and Industrial and Digital Sovereignty, underscores the urgent need to accelerate progress towards the Capital Markets Union and recommends the development of European long-term savings products, the revitalisation of the securitisation market by deepening capital markets to support the lending capacities of European banks, integrated European supervision of capital market activities, and measures to address the fragmentation of settlement systems.^{xv}

The **Draghi report** (September 2024) proposes to resolve the funding shortfall for Europe's major transition, estimated at between €750 billion and €800 billion per year between now and 2030,^{xvi} while narrowing the innovation gap with the United States, putting a decarbonisation and competitiveness plan in place to provide clean and affordable energy for all European needs, and both increasing security and reducing dependencies for Europeans.

The new European Commission, which took office on 1 December 2024, has set out an ambitious range of commitments in its Strategic Compass.

It has embraced the **development of the Savings and Investments Union as a clear priority**, in line with the Draghi report's recommendations, with plans to close the innovation gap, achieve decarbonisation informed by a focus on competitiveness, and promote sovereignty and independence. It is worth noting that the top 10 countries in the Green Future Index published by the MIT Technology Review, which ranks 76 countries and territories on their progress and commitment to building a low-carbon future, are all European.

Beyond this, five cross-cutting action areas are geared to facilitate the transition: simplification of regulations to enhance the competitiveness of European companies, reduction of the single market's internal trade barriers, financing of competitiveness, promotion of quality skills and employment, and improved coordination of public policies at the level of the EU and its individual member states.

But above all, Europe is working on several important fronts for strategic autonomy

The first of these is **decarbonisation**, in order to deliver on Europe's commitments under the Paris Agreement



to achieve carbon neutrality across the EU by 2050, by carrying out major projects to reduce the use of fossil fuels in transport and to improve insulation and energy efficiency in residential and office buildings.

The second priority is **digitalisation**, to ensure that Europe leads the race for technology innovation and supports the systemic transformations relating to production, jobs, training and modes of consumption entailed by the further development of AI. 70 % of jobs in advanced economies like those in Europe could be impacted by AI between now and 2030, according to a recent report by UNCTAD.^{xvii}

The third is **defence**, to reduce Europe's dependencies and ensure the deployment of an integrated industrialised security and sovereignty sector on a European scale, as laid out in the European Commission's ReArm Europe Plan presented in March 2025.

And the fourth is the **integration** of the internal market to support the transformation of movements of goods,

“**THANKS TO THE CONSISTENT MONETARY POLICY LED BY THE ECB, EUROPE IS STRONG AND SUFFICIENTLY STABLE TO WITHSTAND EXTERNAL SHOCKS**”

services and investments against the backdrop of supply chain pressures. All that is required for this integration is the European will to make it happen, that is, a majority of the Member States.

And Europe has latitude

Special circumstances aside, the EU is **not heavily in debt** (which represents 81.5% of its GDP), in contrast to the United States, which does not apply budgetary policy in the same way, where debt has reached 125% of GDP. The euro is the second-most traded currency in the world. Thanks to the consistent monetary policy led by the ECB, Europe is strong and sufficiently stable to withstand external shocks, as it demonstrated during the 2008 crisis.

It is, first and foremost, the leading pool of private savings in the world, with €35 trillion available, **heavily invested (around €11.5 trillion) in very low-risk regulated savings products with returns also at very low levels.**

Footnote references in Roman numerals refer to the *Notes and References* on page 41.

PART 2

EUROPE, **A CONTINENT** OF ENTREPRENEURS

A. WHY EURAZEO IS POSITIONED IN THE EUROPEAN MID-MARKET



We have shaped the conviction behind everything we do through a microeconomic prism: Europe's strengths are best illustrated by the continent's own companies.

- They are **world leaders** in sectors as varied as finance, healthcare, food and food processing, energy and luxury.
- They are **champions of the European mid-market**, developing and advocating solutions to successfully complete the major transitions that are fundamental for our future.
- They are **seasoned experts, well versed in the complexities of the European market and above all benefiting from deep local roots, with access to the networks, knowledge and talent pool** needed to fuel their growth.

It is at the grass-roots level that the four features of a successful European growth strategy on which we base our investment thesis at Eurazeo come clearly into focus.

- A **positioning strategy** to become a leader in one's local market first, before going global.
- A **strategy of heightened selectivity** by sector, market and company to identify Europe's hidden champions from within a unique pool of 38,000 companies.
- An **offensive growth strategy** to build European champions.
- A **strategy of resilience to external shocks**, focused on value-added services and sectors seeing structural growth, accelerated by technology innovations.

Our analysis of European markets and their dynamics identifies clusters with very high growth potential, at the intersection of several different asset classes, that share five characteristics:

- **Strong growth profile**
- **Significant innovation and technology dimension**
- **Strong impact** likely to unlock overall growth opportunities in the European and world economies
- **Strong European focus** offering an important comparative advantage thanks to privileged ecosystems
- **Strong propensity to focus on the mid-market**, through companies able to benefit from network and scale effects

These are the five features of what we refer to as "MINI-GEMS", which stands for **M**eaningful, **I**nnovative, **N**iche, **G**rowth and **E**uropean **M**id-market **S**ectors.

B. PROMISING EUROPEAN STARTUPS: FIVE HIGH-POTENTIAL SECTORS

1. THE ENVIRONMENTAL TRANSITION: A PRIME MINI-GEMS

The environmental transition fully embodies all the **MINI-GEMS** features mentioned above. In 2023, climate investments in the European Union had reached €498 billion,⁸ a movement powered by European expertise and the political objective to achieve carbon neutrality by 2050. Europe stands as a technology leader, with an array of entrepreneurial businesses and large companies demonstrating an active commitment to contribute to the European economy's rapid transformation, taking decarbonisation, strategic sovereignty and industrial competitiveness as its watchwords.

In this transition, Eurazeo has identified the following five key sub-sectors:

- **Water and pollution management**, given growing tensions over resource scarcity and challenges linked to new pollutants such as PFAS (per- and polyfluoroalkyl substances), also known as "forever chemicals", major investments will be needed to limit production losses and public health problems in the coming decades.
- **Sustainable agriculture**, an engine of food safety, territorial resilience and economic competitiveness for the entire food processing chain.
- **Adaptation to extreme weather phenomena**, such as heatwaves and droughts, forest fires, floods, storms and torrential downpours, which call for new solutions and innovations, as well as dynamic deployment to protect our physical assets and guarantee the continuity of essential services.
- **Waste and recycling**, an area where investments in innovative sorting, recovery and logistics infrastructure meet a growing demand, while accelerating the transition to a circular economy and ensuring compliance with regulatory and environmental imperatives.
- **Energy transition**, driven by the strong growth of renewables in the energy mix (accounting for 47% of European electricity in 2024, whose intermittency calls for the development of flexible grid balancing solutions including energy storage, peak shaving and consumption optimisation, that will be all the more crucial in a context of growing electricity usage (e.g. electric vehicles), but also due to the exponential development of data centres, which are necessary to meet AI requirements.

Beyond these sub-sectors, **the environmental transition**

acts as a **systematic economic lever**. It supports industrial and energy sovereignty, helps strengthen food safety, and prepares our regions, communities and assets for tomorrow's environmental conditions. It also draws on distinctive European strengths: strong awareness among citizens, a standardised regulatory framework (European Green Deal, CSRD, EU taxonomy for sustainable activities, CSDDD) and dense innovation ecosystems, from public research to applied solutions.

While listed companies are engaged in their own transitions and have well understood the importance involved in reducing their risks, **this European leadership is particularly evident in the mid-market, where SMEs are transforming scientific advances into practical solutions.**

At Eurazeo, our investments mirror this conviction. They reflect **our certainty that the environmental transition is not only a necessity, it is also a major opportunity for growth, innovation and European leadership.**

EXAMPLES OF COMPANIES SUPPORTED BY EURAZEO

Bioline AgroSciences: a leader in biological control products, it offers natural alternatives to chemical pesticides to reduce their use and limit the related impact on biodiversity. With operations on three continents, Bioline shows how medium-sized companies can move the ecological transition forward on an international scale.

ReSource Denmark: Denmark's largest plastic waste sorting facility (annual sorting and processing capacity of 160,000 tonnes), meeting the need for this type of infrastructure in the country, since sorting is a key phase to permit recycling. The result of a joint venture bringing together Viridor and Eurazeo, this project with a strong focus on the circularity of materials and carbon neutrality, illustrates the central role played by industrial innovation.

Electra: specialising in fast-charging facilities for electric vehicles, Electra is rolling out a network of charging stations that is ambitious in scale (2,300 charging stations and 15,000 charging points by 2030), contributing to the decarbonisation of transport and the reinforcement of the continent's energy independence.

⁸ Clara Calipel, Caroline Henry and Anna Cornaggia, The State of Europe's Climate Investment (2025 Edition), Institute for Climate Economics (I4CE), June 2025, p. 1. <https://www.i4ce.org/en/publication/state-europe-climate-investment-2025-edition/>

However, the environmental transition faces a **structural challenge: the mobilisation of capital must be massive to attract major institutional investors, whose participation is vital to support large-scale projects and accelerate the structural transformation of the European economy.** This need for critical amounts influences the ability to scale up and the sector's capacity to lead an ambitious programme of change, the only one suitable to meet the climate and industrial targets, which are currently underfinanced in relation to the estimated requirements.

This financial and industrial structuring is key to the acceleration of the environmental transition in Europe, guaranteeing its impact, its competitiveness and its attractiveness in the face of world challenges.

2. TECH: A MINI-GEMS THAT IS FUNDAMENTAL TO INNOVATION IN EUROPE

Tech and tech-enabled services display all of the characteristics of a MINI-GEMS, as a European industry that shows very strong potential. In ten years, the number of tech companies in Europe has risen by a factor of 4.7, while the number of startups that have reached the growth stage has surged by a factor of 8. These companies have raised almost €1,000 billion via mergers and acquisitions (€604 billion) and IPOs (€321 billion). Tech is more than an industry: it is an ecosystem that has become a key part of the growth infrastructure, one that is crucial for Europe's competitiveness.

Europe is a fertile breeding ground for technological innovation. Europe's tech ecosystem is both diversified and balanced, with three central hubs – London, Paris and Berlin – accounting for more than €250 billion of the €450 billion invested across the continent. New hubs are also emerging, such as Stockholm, Riga and Amsterdam, boosting Europe's momentum. This entrepreneurial fabric is strengthened by an exceptional research environment, a growing interconnection between higher education and business startups, and an ability to turn market complexity into operational robustness.

Eurazeo has identified several key sub-sectors.

- Among the key technologies, **artificial intelligence** has a special place. AI is a good illustration of Europe's ability to bring out global champions. Dataiku, Malt, Mistral AI and Contentsquare show that Europe does not lack talent or growth models. However, the infrastructure segment – whether in relation to foundation models, processing capacity or hardware layers – is currently dominated by the American and Chinese giants, making it a particularly complex task for European companies in this segment to access the market and capital. This is why Eurazeo has chosen to focus strategically on **AI applications**: practical solutions, integrated into business use cases, that turn technological progress into increased productivity, a better client experience or smart automation. This choice reflects our conviction that Europe has an exceptional pool of companies capable of designing robust, exportable and high-impact applications.

Eurazeo brings patient capital, sector expertise and strategic support, helping to turn these promising startups into world leaders.

- Today, the greatest potential is in **tech-enabled services**. In areas like defence, energy, healthcare and smart cities, these hybrid services, based on a combination of sector expertise and technology solutions, are the essence of future competitiveness. Hybrid models represent a specific part of our strategy, and we make investments all along the value chain, at the venture, growth and buyout stages.

The ecosystem also relies on a strong institutional framework, including effective tools for supporting businesses: FCPI innovation funds since 1999, *Jeune Entreprise Innovante* status (JEI - young innovative company) and Bpifrance. The next stage consists of supporting organic growth by funding both the start-up and scale-up phases, to bring out European champions that can compete with the global giants.

At Eurazeo, we believe that the mid-market plays a key role, since mid-market companies are the ones that turn scientific advances into practical solutions, and are able to scale up and export. Our investments reflect this conviction. European tech is not just a sector for the future: it is a major opportunity to achieve sovereignty, growth and global leadership.

EXAMPLES OF COMPANIES SUPPORTED BY EURAZEO

Dataiku: an AI platform turning complex data into measurable productivity for both large corporations and medium-sized businesses.

Mistral AI: the French deeptech champion renowned worldwide for its open-source language models.

Malt: a platform that makes it easier for companies to access talent and helps them transform their businesses through technology, with investments all along the value chain.

Cognigy: a world leader in conversational artificial intelligence, automating more than 70% of client interactions while maintaining a high level of personalisation.

Homa Games: an agile, data-driven platform that optimises the creation, testing, and monetisation of mobile games, leveraging artificial intelligence to industrialise innovation in gaming.

Flowdesk: a fintech specialising in digital asset trading and liquidity provision.



“IN TEN YEARS, THE NUMBER OF TECH COMPANIES IN EUROPE HAS RISEN BY A FACTOR OF 4.7”

3. FINANCIAL SERVICES AND INSURANCE: A RAPIDLY CHANGING MINI-GEMS

Insurance and financial services represent another sector that meets all the criteria to qualify as a MINI-GEMS. It has long been deeply embedded in Europe's economic and social environment, and today contains some world-class companies but also a large pool of specialist mid-market players, often family-owned or led by their founders, that combine technical excellence, disciplined underwriting and the ability to innovate. The regulatory framework is demanding – particularly with the Solvency II directive – and this makes the market more resilient and stable, while encouraging the emergence of technological solutions to address increasingly complex risks.

At Eurazeo, we regard this sector as a strategic source of promising European startups that are capable of becoming world leaders. With €3 billion invested in more than 30 companies at all stages of maturity, we have developed unique expertise in specialty insurance, a segment that deals with complex risks and shows both resilience and growth, and in financial services, particularly retirement-related and corporate financial services. Although the specialty insurance segment only accounts for 3% of the sector's overall capacity, it is seeing robust demand because of emerging risks – related to cyberattacks, the climate and political instability – and has limited exposure to disintermediation because of clients' intrinsic need for custom solutions and high value-added services. Similarly, corporate financial services are seeing growing demand driven by positive underlying factors, such as ageing populations, market volatility and employees' greater expectations regarding profit-sharing. Digitalisation and artificial intelligence are playing a key role in financial services, improving underwriting, reducing costs and enhancing the user experience.

Europe is brimming with companies capable of turning these challenges into opportunities. Within this dense and fragmented sector, Eurazeo has identified a unique opportunity: to bring out European champions capable of consolidating their markets, exporting their expertise and establishing strong positions internationally.

EXAMPLES OF COMPANIES SUPPORTED BY EURAZEO

BMS Group: an independent specialist (re) insurance broker and a key player in the specialty segment.

Descartes Underwriting: a pioneer in parametric insurance, using advanced risk models and leading-edge technologies to provide cover for natural catastrophes.

Planet: a global provider of complex payment solutions and technologies for retail and hospitality, enabling businesses to connect their systems while generating additional revenue.

Albingia: France's only independent insurer operating in complex property and casualty lines, showing the resilience and specialisation of the European market.

Eres: a company specialising in employee savings, pensions and employee share ownership plans, offering innovative solutions to make employees more financially secure and support companies with their workforce policies.

“THE EUROPEAN UNION IS ONE OF THE PHARMA-CEUTICAL INDUSTRY’S THREE MAJOR GLOBAL HUBS

4. HEALTHCARE AND BIOTECH: A MINI-GEMS THAT IS CRUCIAL FOR EUROPEAN SOVEREIGNTY IN TERMS OF PUBLIC HEALTH

Innovation in the healthcare sector is a key attribute of this high-potential MINI-GEMS, which is driven by Europe's scientific excellence, dense manufacturing base and strategic need for sovereignty. Europe has a single market of 450 million people who are well-educated and for whom health is a key concern. It also has a first-rate network of academic institutions and hospitals, along with a demanding regulatory framework that ensures quality and safety.

The European Union is one of the pharmaceutical industry's three major global hubs, alongside the United States and China, with annual production estimated to amount to €250 billion. Europe has global leaders such as Roche, Novartis, Bayer, Sanofi, GSK and AstraZeneca, and accounts for almost 25% of pharmaceutical sales worldwide.

In the biotech segment, Europe has highly competitive

innovation hubs (Cambridge, Bavaria, the Paris region, Switzerland, the Netherlands and the Nordic countries), which have produced global champions like BioNTech, Genmab, ArgenX and Actelion. Europe's medtech sector is also of strategic importance. It has a global market share of 40% and is a particularly dynamic breeding ground for

EXAMPLES OF COMPANIES SUPPORTED BY EURAZEO

Doctolib: a digital health pioneer, helping to transform industry practices and patient pathways.

DORC: a Dutch ophthalmic surgery platform, which was sold to Carl Zeiss Meditec after a successful phase of international expansion, particularly in China.

Amolyt: a French biotech company specialising in rare endocrine diseases, acquired by AstraZeneca for over \$1 billion.

Germitec: a producer of UV-C disinfection devices, which is accelerating its expansion in the United States after obtaining FDA approval.

MIR: an Italian company specialising in spirometry, which is reshoring production and increasing its R&D activities in Europe.

SMEs in France, Germany, Ireland and Switzerland. Digital health is an area in which growth is accelerating sharply, driven by remote medicine, AI, connected objects and systems for managing patient data. The Nordic countries are pioneers in e-health, while France, Germany and Spain are strengthening their healthcare systems post-Covid. Europe is developing an overall strategy revolving around health-related data, which is a key driver of innovation.

However, Europe's leadership faces some major challenges: a fragmented market, regulatory complexity, limited access to capital and tougher competition from the United States and China. Technological and industrial sovereignty is a crucial question at a time of increasing protectionism.

At Eurazeo, we are fully committed to the healthcare sector as it addresses these issues, consistent with our current strategy for the period up to 2027. Our investments in specialist companies, from startups like Kurma Partners to SMEs like Nov Santé, demonstrate this ambition. Almost 10% of our assets under management are currently invested in healthcare companies, illustrating Eurazeo's firm belief that healthcare is a strategic pillar of European innovation and a major opportunity to achieve growth, resilience and leadership.

Our strategy is based on strong convictions regarding two key areas:

- **The development of a patient-centric ecosystem** based on data, analytics and therapeutic innovation.
- **The rise of outsourced services in the pharma and medtech sectors** to address the increasing complexity of value chains and regulatory requirements.

5. SOVEREIGNTY AND SECURITY: A KEY MINI-GEMS IN THE CURRENT CONTEXT OF GEOPOLITICAL DISRUPTION

Security – digital, cyber, energy, financial and strategic – has become a central theme of European discussions, but is also crucial to growth and innovation.

Europe is becoming more aware that it needs to strengthen its sovereign capabilities in critical areas such as cybersecurity, digital sovereignty, space, dual-use technologies and defence. These sectors have long been dominated by public sector and state-owned companies, but are shifting toward more competitive models in which mid-market companies are playing a growing role, underpinned by strategic requirements and high levels of capital intensity.

At Eurazeo, we regard the sovereignty and security segment as a wellspring of promising European startups that are capable of addressing today's geopolitical challenges. At a time when markets are fragmenting and multilateralism is being challenged, we are supporting companies developing solutions that are sovereign, exportable and resilient. The cybersecurity sector is a good illustration of the support needed: addressing trans-national threats requires rapid growth, an ability to attract the best talent and a global presence. But we are also supporting companies in other areas, such as defence and dual-use (civilian and military) technologies, which play a key role in Europe's strategic sovereignty.

Europe has some major advantages when it comes to bringing out champions in these areas: high-end technical expertise, dense research ecosystems and a growing political desire to build strategic industries. Developing sovereign manufacturing capabilities – particularly in space, digital infrastructure and command systems – is vital for ensuring Europe's technological and geopolitical independence.

EXAMPLES OF COMPANIES SUPPORTED BY EURAZEO

I-TRACING: a cybersecurity specialist that has overcome the fragmentation of the European market and become a global player with a presence in Asia, the Americas and Europe. It has combined organic growth with acquisitions such as Apalia and Bridewell, and it recruited 250 new staff members in 2024, resulting in a workforce of 900 people.

Comand AI: a company founded by former executives of Naval Group and Snapchat, which has developed a platform to help armed forces with their planning and analysis work. It clearly demonstrates the potential of highly strategic dual-use technologies.

PART 3

TIME FOR IMPLEMENTATION

Europe currently has momentum, and Europeans must now act and seize their chance. In the current context, many situations that we have long regarded as mere anomalies or curiosities – such as the exporting of European savings – are becoming real dangers. **Emergencies have the benefit of forcing us to confront reality, and Europe has thankfully already recognised three key facts:**



- **The scarcity of available capital will define the new international competitive framework:** the capital required to fund the European economy will require unprecedented efforts to mobilise capital and allocate it properly. The key aim of closing the transition funding gap – which Mario Draghi has estimated at between €750 billion and €800 billion excluding defence funding – by 2030 is actually a minimum requirement.
- **Global investors are realising how overexposed they are to the US market and are seeking to diversify and rebalance their portfolios.** In March, the monthly assessment of investor decisions, based on a survey of 198 investors with \$530 billion in assets under management, showed the largest ever reallocation of assets from US to European markets since the survey began.^{xviii} In terms of private markets, the exposure of American and Asian survey respondents to US assets is around 90%.
- **Unleashing private equity, which is underused in Europe, will be crucial to this investment battle.** Neither investment by the public sector, which is weighed down with debt in some countries, nor bank funding will be enough to provide the capital needed. However, private funding is still clearly underused in Europe, equalling 6.6% of GDP here as opposed to 12.4% in the US.

We support the momentum resulting from the Letta and Draghi reports, along with the ambitions and timetable of the Strategic Compass implemented by the von der Leyen Commission II. “A sense of urgency in developing the Savings and Investments Union is widely shared by EU policymakers, but it is time to turn words into action.”^{xix}

We firmly believe that this momentum can only arise as part of an ecosystem of participants that share these views and see it as their mission to work together to bring about the necessary changes. This is why the areas of strategic reform mentioned below, which we regard as priorities, include measures that relate to all participants in that ecosystem. We want to show our desire to contribute to the collective momentum, with each participant participating in a responsible and effective way. Similarly, certain measures concern developments at the national, not European, level, because individual states also have a role to play in terms of their national jurisdictions or in relation to changes at the European level that require their involvement.

Footnote references in Roman numerals refer to the Notes and References on page 41.

ACTION PLAN: THREE PRIORITIES

1. FUNDING: CHANNELLING SAVINGS INTO EQUITY INVESTMENTS

Today, the flow of capital is hampered both by the system for allocating European savings, which is notoriously inefficient as savings are mainly guided toward investments that are regulated, low-risk and therefore low-return, and by very strict prudential regulations. These two factors create a double squeeze: European savings are pushed toward debt instruments, while European companies become increasingly dependent on foreign equity capital, particularly from the United States.

Since the public sector cannot meet the EU's funding needs alone, mobilising private capital and relaxing regulations for banks and insurance companies are the two main steps that can be taken to address the situation.

STEPS THAT WE SUPPORT:

Making it easier for the financial ecosystem to fund the economy.

- Review the Solvency II rules.^{xx} Institutional investors must be encouraged to channel more capital into innovation, for example by increasing the proportion of their AuM invested in venture capital from 0.007% to 0.01%. Currently, American insurers allocate 5% of their AuM to unlisted assets on average, as opposed to less than 2% for European insurers. That proportion should be increased in order to make better use of household savings, while retaining a protective regulatory framework.
- Develop deeper and more harmonised European capital markets that have greater financial analysis capabilities and are more able to take into account the specific features of technology stock exchanges, like Nasdaq in the United States. This would make the process of holding IPOs in listed markets faster and easier, which would be helpful because potential exit difficulties are cited as a key impediment to private equity investment in Europe.
- Treat non-European investments managed by European funds as European capital for legal purposes, instead of making them subject to the foreign direct investment regime.
- Harmonising regulations on European pension funds and loosening their asset allocation constraints could also improve the funding of the EU economy.
- Reopen the European securitisation market. If savings are redirected in the ways set out below, this will have an impact on bank balance sheets, and we regard it as crucial for banks to be able to revive the



securitisation market so that they can increase their funding capabilities and make the effort required of them. Of course, the reopening of the securitisation market, based on the European Commission's July 2025 proposals, must be done in a way that furthers the aim of transforming, in a responsible manner, a regulatory framework that is clearly disproportionately strict at the moment into one that is more flexible and balanced. In particular, capital requirements are currently excessive and should be reduced, prescriptive transparency rules should be simplified and due diligence obligations are overly strict and should be eased, with the aim of unleashing the potential of securitisation in order to meet Europe's essential financing needs.

Making private equity more widely accessible to the general public.

- The European Commission strives to promote a long-term, pan-European savings product that is aimed at retail investors and channels household savings into Europe's real economy. In France, for example, the financial provisions of the Green Industry

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“INSTITUTIONAL INVESTORS MUST BE ENCOURAGED TO CHANNEL MORE CAPITAL INTO INNOVATION



- Act have already led to the creation of long-term household savings products in the form of “climate future savings plans” aimed at young people under 21. We would like to see these products being rolled out across the European Union, like ELTIF I and II funds.
- Establish tax incentives for investing in Europe’s real economy, particularly through the Finance Europe label that is currently being introduced. This would help retail investors grow their retirement savings and give a considerable boost to overall investment in the European economy, while the fiscal cost would be modest because of multiplier effects. The success of tax incentives will depend on how visible they are and how easy they are to use across Europe, given that the tax and regulatory frameworks currently governing such incentives are national in nature. The success of the Finance Europe label will depend in particular on the political will of participating states to adopt tax rules that are as closely harmonised as possible, with the aim of rewarding risk-taking over the medium to long term.
 - The European Commission’s recommendation on savings and investment accounts, which is expected to arrive in September/October 2025, will be an opportunity for a European debate on the best ways to encourage EU retail investors to invest more in European capital markets, and on the tax rules for which member states are responsible.

Ramping up the funding of tech and innovation in the EU.

- **A Buy European Tech Act**, which has been proposed by numerous European economic and political figures, would send a strong signal in terms of funding the tech sector.^{xvi} Such an act could form part of the review of European directives relating to public procurement and the various European Commission discussions about European preference, like the Net-Zero Industry Act, but will require major advocacy efforts.
- **Harmonise member-state regulatory sandboxes** – controlled environments for testing AI systems, which favour innovation and facilitate development, training, testing and validation before systems come to market – as proposed by Mario Draghi in order to accelerate the development of AI in Europe. Each member state is required to create these sandboxes by 2 August 2026 under Article 57 of the AI Act, but progress towards creating them and their characteristics vary widely.
- **Create a “virtual 28th regime”** to harmonise the legal framework for businesses in member states and simplify commercial, company, insolvency, IP and employment and tax law, as proposed by Mario Draghi and Enrico Letta, then confirmed by the EU Startup and Scaleup Strategy, “Choose Europe to Start

and Scale”, of 28 May 2025.^{xvii} In its communication on the single market strategy of 21 May 2025, the Commission announced a legislative proposal for a 28th European regime in the first quarter of 2026, establishing harmonised tech- and innovation-friendly legal rules for European companies, including in relation to insolvency, employment and tax law. Discussions about this important proposal are already under way. It will be important to learn from all past failures, and the project will test the desire of member states and the European Parliament to agree on ways to accelerate European funding of tech and innovation.

We are aware that these changes require savers to have **greater exposure to risk**, although this will also entail higher returns than those available from regulated savings products. We also know that the subject is a sensitive one and that opinions vary widely within the European Union. However, we would emphasise that **the EU is in a fortunate position, since it can rely on an exceptional infrastructure of savings and fund management professionals**. EU fund managers, insurers and banks are some of the most well-known and solid in the world. Incidentally, this is one reason why its financial system proved so resilient in the wake of the 2008 crisis and why that crisis had less of an impact on European savers.

Footnote references in Roman numerals refer to the *Notes and References* on page 41.

Europe must use this infrastructure and expertise, which has no equivalent anywhere else in the world, because it will enable the continent to make the necessary changes while managing risk intelligently.

2. EDUCATION: CHANGING THE FINANCIAL CULTURE IN EUROPE

Everyone agrees that the battle is also a cultural one, because Europe has an aversion to risk that results in its economy being underfunded.

This issue can be seen among consumers – according to Eurobarometer, only 18% of Europeans have a high level of financial literacy^{xviii} – but also among banks and institutional investors. One thing that all these market participants have in common is that they often have a distorted view, not only of unlisted investments, but also of the notions of risk and return. Savers must overcome fears rooted in the collective imagination and understand what these financial notions really mean, as well as the correlation between risk and return.

If all participants are properly informed, this should also lead to a better understanding of unlisted investments and their characteristics, such as:

- Their returns: unlisted assets have historically performed better than listed investments. For example, over the long term (2013-2023), French private equity has outperformed the CAC 40 by 2.4 points per year, leading to a cumulative excess return of around 55%. In the United States, a study by Cambridge Associates comparing the returns of the S&P 500 index, the US small-cap index and the US Private Equity index shows that in recent decades, small-caps and private equity have generated similar long-term returns.
- Their lower volatility and greater resilience to external shocks: private equity shows a weak correlation with listed equity markets and therefore with their fluctuations, which are often rapid and very random. An Idivest survey covering the period from 2001 to 2011 showed that European private equity had a volatility figure of 13% as opposed to 17% for the MSCI Europe index and 19% for the CAC 40.

As part of an overall wealth management strategy, unlisted assets are an effective way for investors to generate returns – which is not to be underestimated at a time when collective pension systems are increasingly fragile – while giving savers the ability to play a practical role in supporting causes that are important to them. For example, private equity plays a large role in funding innovation in areas such as healthcare, the ecological transition and tech.

STEPS THAT WE SUPPORT

Informing Europeans about the issues involved in investing in the real economy.

- Conduct a pan-EU communication campaign to raise people’s awareness about issues relating to investment and financing the real economy, as well as

Footnote references in Roman numerals refer to the *Notes and References* on page 41.

- the benefits of making more dynamic use of savings.^{xxiv}
- Introduce targeted tax incentives to promote the adoption of savings products suited to the various situations of European households^{xxv}.
- Create co-investment opportunities for retail investors via public-sector investment vehicles, in order to support retail investors and create trust.^{xxvi}
- Provide better information about Pan-European Personal Pension Products (PEPPs) and ensure that their tax treatment is identical to existing national products.

Raising awareness in Europe about long-term private equity investments.

- Raise awareness among banks and institutional investors about the advantages of unlisted and venture capital investments.
- Prioritise innovation by making European funds more able to support the emergence of major European leaders in terms of funding innovation in Europe, and by accelerating the deployment of the European Tech Champions Initiative (ETCI – a fund of funds with €3.85 billion of capital to close the gap in terms of scale-up funding in Europe, managed by the European Investment Fund and active since 2023). Simplifying European venture capital fund regulations – through the EuVECA label, created in 2013 and revised in 2017 to facilitate access to financing for early-stage SMEs. The revision announced by the European Commission for the third quarter of 2026 could go beyond a mere technical adjustment: it should enable the creation of a **European fund status**, modeled on an **LP-SE** (Limited Partnership – European Company), detached from any single country of origin. An LP-SE would benefit from an automatic passport for marketing across the Union, with no withholding tax or local restrictions.

Raising the profile of the European mid-market and its specific features, in Europe and worldwide.

- Raise the profile of entrepreneurship by starting a discussion about business failure at the national and European level. In the United States, a business failure is often viewed as a learning process, with the experience gained helping entrepreneurs to make a success of their next venture. In Europe, it is too often regarded as a shameful event, one that prevents further risk-taking.
- Raise the profile of the mid-cap segment by defining it clearly and making it a formal part of the European strategic compass, following the roadmap of Stéphane Séjourné, Executive Vice-President of the European Commission for Prosperity and Industrial Strategy^{xxvii}. The recognition of a European definition of small mid-cap companies, which took place in the Recommendation of 21 May 2025, is a crucial first step in this process of raising their profile.^{xxviii}

3. SIMPLIFICATION: COMPLETING THE INTEGRATION OF EUROPEAN MARKETS

In the very first words of the 1957 Treaty of Rome – the founding instrument of European economic integration – the signatories stated that they were “resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe” and “anxious to strengthen the unity of their economies”.

Today, those barriers are invisible because they are regulatory, cultural and tax-related, but they are still off-

putting and a source of complexity for foreign investors. The aim is clear: to simplify these barriers in order to boost confidence and raise awareness of how genuinely unified the European economy is. As Enrico Letta put it in his report, entitled *Much More than a Market*, the single market must never be regarded as a project that has succeeded, but rather as an ongoing process.

The subject is especially critical because the value chain for funding the European economy is fragmented and therefore less efficient. Funding is provided by an array of entities such as banks, pension funds, fund managers and insurers. Each of these participants, at its own level, needs the greatest possible level of integration in order to be able to work efficiently with the others. At the same time, market integration must enable entrepreneurs and all those who want to invest in Europe to do so in a fluid manner, with clear incentives rather than complex regulations.

STEPS THAT WE SUPPORT

Integrating Europe’s real economies in order to improve the free movement of talent, make taxation easier to understand and simplify regulations for companies.

- Create the union of competencies suggested by Enrico Letta in his April 2024 report and highlighted by the European Commission in its Communication of 5 March 2025: the aim of this initiative is to promote the portability and transferability of knowledge and skills across the European Union and to favour the recruitment of European talent.

Integrating capital markets to make it easier for investment to flow from one EU jurisdiction to another.

- Create a single supervisory authority for European financial markets, similar to the Single Supervision Mechanism (which put European banks under the direct supervision of the European Central Bank in coordination with national supervisors), allowing genuine convergence of regulations by strengthening

the European Securities and Markets Authority (ESMA). As envisaged in the European Parliament’s draft own-initiative report prepared by Aurore Lalucq, this would require “making progress towards greater harmonised supervision and direct supervisory powers to the European Securities and Markets Authority (ESMA) over pan-European market infrastructures”, thereby furthering the more general aim stated by the European Commission of “transferring some tasks to the EU level”.^{xxix} This reform, which is expected to take place in autumn 2025, will require some member states to overcome their traditional reluctance regarding a single supervisory authority for European financial markets.

Removing persistent tax and tariff barriers that hamper the free movement of capital.

- In the European Union, adopt the FASTER directive, which introduces (i) a common EU digital tax residence certificate, (ii) a choice between a system of “relief at source” and a “quick refund” system or a combination of the two, and (iii) standardised reporting. The directive aims to make EU withholding tax procedures more secure and effective for cross-border investors, national tax authorities and financial intermediaries such as banks and investment platforms. Eurazeo supports the full implementation of this directive by member states in good faith, in close cooperation with the European Commission.
- At the member-state level, reduce persistent entry barriers of a regulatory and tax nature, which hamper business development. This will involve effective cooperation by member states in pursuing the European Commission’s new strategy for removing internal barriers and encouraging companies to invest in Europe, which was presented on 21 May 2025.^{xxx} The Commission’s simplification agenda will also be crucial, particularly by adjusting regulations to meet the needs of small- and mid-cap companies.



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EURAZEO'S

Eurazeo is actively committed to bolstering the funding of the European economy, by mobilising private capital to support the continent's innovation, sovereignty and competitiveness.

That commitment can be seen in the practical, distinctive action we take:

A desire to make private equity more widely accessible

by opening up unlisted investments to a new generation of savers. Through Eurazeo Wealth Solutions, retail investors can gain access to private equity funds for as little as €10,000, or even €1,000 via life insurance and pension products. This approach, which we are pioneering in Europe, is based on more than 25 years of experience and is attracting rapidly growing inflows: retail investors now account for 25% of Eurazeo's new money.

Active engagement in discussions regarding tax and regulations

encouraging arrangements that favour investment in the real economy. We support initiatives that aim to make unlisted investments more attractive, make it easier for mid-market companies to access capital, and channel savings into strategic industries.

A targeted and ambitious investment policy

that allows companies like Amolyt, Electra, I-Tracing and DORC to scale up. Our teams identify promising startups in strategic sectors and help them to lay strong foundations, expand internationally and become global leaders. We invest in companies at all stages of their growth journey, providing both equity and debt financing, with tickets of up to several hundred million euros. We also provide day-to-day operational support, particularly in relation to governance, recruitment, financial structure and product strategy.

COMMITMENT

But our ambitions go further than that: at Eurazeo, we have set ourselves a clear and measurable goal for 2028 – to bring out **five European champions** in sectors – the MINi-GEMS – that are strategically important for the EU's sovereignty.

These five sectors are:

- 1. The environmental transition,** to accelerate decarbonisation and make communities more resilient.
- 2. Tech and tech-enabled services,** which are drivers of productivity, digital sovereignty and innovation.
- 3. Financial services and insurance,** which are vital for economic stability and the transformation of risk.
- 4. Healthcare,** which is crucial for public health, biomedical research and industrial autonomy.
- 5. Sovereignty and security,** including cybersecurity and critical technologies.

This goal clearly demonstrates our conviction:

Europe is brimming with talent, expertise and business models capable of rivalling those of the global giants. With our patient capital, sector expertise and multi-local presence, we are committed to turning these promising startups into global leaders, to create a stronger, more innovative and more sovereign Europe.

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