

Prospects

Aperiodic – no. 22/239 – 21 July 2022

The point of view

Deeptech out to fulfil its destiny

In an article last summer, we posited a definition of deeptech¹ at a time when it was hard to tell whether the term would go on to become yet another in a long line of buzzwords or come to define a coherent set of technologies and companies. One year later, thanks in small part to our article and in large part to the substantial efforts of Bpifrance, the latter scenario has prevailed.

Since 2019, these disruptive, non-digital technologies issuing from fundamental research have given rise to numerous startups seeking to bring them to market. Some 600 deeptechs were created in France between 2019 and 2021, 250 of them in 2021. The Bpifrance target is for the creation of 500 startups a year in 2024. If this objective were to be met, it would support France's reindustrialisation objectives.

The industrial vocation of these deeptech startups – a calling that we stressed last year – is becoming ever more central to their DNA.

Deeptechs are clearly industrial

As purely digital technologies are by and large excluded from the field of deeptech, it is logical to conclude that deeptech is aimed at producing tangible objects.

And to produce these objects on a large scale and profitably, deeptech startups need to become industrial.

By industrial, we mean a modern, automated and, above all, responsible industry, both socially and environmentally. We use the future tense because this industry is still in the throes of development, since producing new objects calls for new industrial processes. As such, we have the opportunity, and even the duty, to contribute to its creation, as it is industrial nations that decide on the shape and impact of their industries.

An opportunity for France and French regions

This new development phase for deeptechs arrives at a perfect time. While it is overly simplistic to talk about "the world before" and "the world after", the last few years have been marked by health, economic and political disruptions, accompanied by runaway climate change. As the face of globalisation changes, the drive to re-shore informed by the necessity of sovereignty is leading France to reboot its industry.

Creating jobs and wealth, this strategy will also prove profitable for France's regions, especially those impacted by the most recent wave of deindustrialisation. According to Bpifrance, a full 67% of startups with an industrial objective already have their head office outside the Ile-de-France region, with an impressive 20% in the Auvergne-Rhône-Alpes region.

¹ ["Deeptech: the most proper hour wherein to write these deep sciences"](#) - August 2021

Bpifrance at work

To help startups in this industrial reboot and contribute to the creation of new plants in France, the French government and its financial arm in this area, Bpifrance, have initiated or renewed several forms of support.

Startups are assisted in establishing industrial strategies and finding industrial partners and, most importantly, benefit from financial aid. Bpifrance is readying to roll out a national industrial venture fund (€350m), launch a “first plant” call for bids (€550m over five years), initiate a “new industry” loan (€200m for 2022) and implement the SPI2 fund for companies with industrial projects endowed with €1bn. Covering all the steps involved in industrial development, these financing tools would appear to neglect the pre-industrialisation phase, for total financing needs of between €1m and €30m.

Not forgetting our discreet champions, SMEs and MSEs

But the recent enthusiasm for deeptech startups and their industrial future should not make us forget that, while all deeptech startups have an industrial calling, not all industrial startups are necessarily deeptech. SMEs and MSEs are also invaluable sources of innovation and many of them have industrial experience and expertise in industrialisation processes and methods.

Challenges as opportunities

The future looks bright for industrially-minded deeptechs, but a host of challenges still lie ahead. These new companies face a shortage of qualified manual labour – long neglected yet vital to industrial activity – as well as regulatory complexities and a lack of land on which to build new plants.

The numerous financial resources initiated by Bpifrance suggest that financing is, unsurprisingly, key to the success of this new adventure. Today, in addition to public means, private players have a role to play in developing the new ecosystem. To do so, investors first need to address the oxymoron of “industrial startups” and the differing temporalities of the two concepts.

To develop, this new industry naturally requires investments. But it also needs services, including advice on industrial strategies, low-carbon energy options and CSR strategies, as well as guidance on recruitment, relations with major manufacturers, and financial engineering services, such as leasing and financing structures.

The new industrial adventure is thus opening up an array of opportunities for numerous supporting players, including the banking and financial industry.

Frédéric Jehl
Deeptech Analyst
frederic.jehl@credit-agricole-sa.fr

Consult our last publications

| Date | Title | Theme |
|------------|--|---------------------|
| 19/07/2022 | <u>France – Real estate : Buoyant residential market in 2021, slowdown in 2022</u> | Real estate, France |
| 19/07/2022 | <u>Spain – 2022-2023 scenario: Households squeezed by inflation</u> | Spain |
| 13/07/2022 | <u>Germany - 2022-2023 scenario: from shortage to rationing...</u> | Germany |
| 13/07/2022 | <u>France – 2022-2023 Scenario: strong headwinds to growth</u> | France |
| 30/06/2022 | <u>Joint debt in the service of European power</u> | Europe |
| 01/07/2022 | <u>World – Macro-economic Scenario 2022-2023: between a rock and a hard place</u> | World |
| 23/06/2022 | <u>Russia-Ukraine conflict reveals structural weaknesses in India</u> | Asia |
| 16/06/2022 | <u>Tensions mount between Spain and Algeria</u> | Spain |
| 09/06/2022 | <u>European Union: after oil, gas? How best to respond?</u> | European union |
| 03/06/2022 | <u>The battle of ideas: who will win the world war?</u> | World |
| 25/05/2022 | <u>Italy – Scenario 2022-2023: facing the setback of the conflict in Ukraine</u> | Italy |
| 20/05/2022 | <u>Geoeconomics and direct investment: the self-fulfilling power of expectations</u> | Geopolitics |
| 06/05/2022 | <u>Eurozone – 2022-2023 Scenario: a threefold shock</u> | Eurozone |
| 05/05/2022 | <u>The war in Ukraine is aggravating the palm oil crisis in Indonesia</u> | Asia |
| 02/05/2022 | <u>Spain – 2022-2023 Scenario: under pressure at the beginning of the year</u> | Spain |

Crédit Agricole S.A. — Group Economic Research

12 place des Etats-Unis – 92127 Montrouge Cedex

Publication Manager and chief Editor: Isabelle Job-Bazille

Information center: Dominique Petit - **Statistics:** Robin Mourier, Alexis Mayer

Contact: publication.eco@credit-agricole-sa.fr

Access and subscribe to our free online publications:

Internal Website: <https://portaleco.ca-sa.adsi.credit-agricole.fr/en>

Website: <http://etudes-economiques.credit-agricole.com>

iPad: [Etudes ECO application](#) available in App store platform

Android: [Etudes ECO application](#) available in Google Play

This publication reflects the opinion of Crédit Agricole S.A. on the date of publication, unless otherwise specified (in the case of outside contributors). Such opinion is subject to change without notice. This publication is provided for informational purposes only. The information and analyses contained herein are not to be construed as an offer to sell or as a solicitation whatsoever. Crédit Agricole S.A. and its affiliates shall not be responsible in any manner for direct, indirect, special or consequential damages, however caused, arising therefrom. Crédit Agricole does not warrant the accuracy or completeness of such opinions, nor of the sources of information upon which they are based, although such sources of information are considered reliable. Crédit Agricole S.A. or its affiliates therefore shall not be responsible in any manner for direct, indirect, special or consequential damages, however caused, arising from the disclosure or use of the information contained in this publication.