

**SMALL BUSINESSES**

# UK companies more highly valued than in France

By Martin Arnold in Paris

Small companies in the UK are more highly valued than their French counterparts, according to a study published yesterday, which found that British companies benefited from a lower cost of capital and a more liquid mergers and acquisitions market.

The study, which found that small UK companies were valued at a 15 per cent premium to their French rivals by takeovers, added to the impression that the British economy put a higher value on entrepreneurship than did France, which has suffered from slower growth in its small business sector.

The research, by Frenger International and Epsilon Corporate Finance Services, looked at 265 takeovers of small companies, worth less than €80m (£56m, \$97m), in France and the UK between 2003 and the first quarter of 2005.

The French government

panies grow faster and catch up with the UK and with Germany's healthy Mittelstand sector of mid-sized companies.

The French government also claims its controversial new labour reforms, which have triggered weeks of angry protests, are designed to lift restrictions on small businesses and encourage them to hire more staff, seen as the most effective way of reducing unemployment.

It found that French com-

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panies were on average acquired for a price equivalent to 6.5 times their earnings before interest, tax, depreciation and amortisation, against 7.5 times for UK

feels the country's high cost of capital and shortage of funding for small companies is one of the main reasons it has failed in recent years to produce new companies to compete with the likes of Amazon and Google in the US.

Thierry Breton, finance minister, yesterday gave a speech to Croissance Plus, a small business pressure group, addressing the question of how to create "a French Google". He has often complained that a lack of capital is stopping small French companies from growing into bigger ones.

Mr Breton has proposed tax reforms and incentives to help France's small com-

panies. "The reasons for this premium are both macro-economic and structural," said the study. It cited the higher growth prospects for the UK economy, and the greater willingness of British company bosses to sell out compared with owners' resistance to takeovers in France.

The study also said that more French companies were being acquired by UK rivals than vice versa, with 38 French SMEs bought by UK bidders last year against only 12 British SMEs going to French buyers.

It said this reflected an unwillingness by French bidders to pay a premium for British rivals.