

# Xavier Niel's €200M investment sparks a surge in France's AI ecosystem

France is now home to the second-largest startup ecosystem in Europe, and the country is leading the way in European Generative AI innovation. French startups raised over \$14.6B last year, and have been behind many of Europe's headline-grabbing tech stories of 2023 – think of MistralAI raising €105M within a month of launching, and US foundational AI startup, Poolside AI, relocating Paris on the back of a \$126M fundraise.

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French startups with global reach already span e-commerce platform Mirakl, neobank Qonto, medical appointment-booking service Doctolib, and enterprise AI software leader Dataiku. And now French billionaire Xavier Niel has revealed plans to invest €200M into AI in the hope of creating a world-leading European AI ecosystem. These plans include a huge research centre in Paris, and Niel hosting a major AI conference in the city this November.

Niel, who already has stakes in both Mistral and PoolsideAI and is behind the world's largest startup incubator, Paris-based Station F, is building on years of proactive tech ecosystem development from successive French governments. Bpifrance, the French public sector investment bank, has poured over €7B into

the sector since 2016, while President Emmanuel Macron's flagship €34B 'France 2030' program is investing enormous sums into deep tech startups. These efforts have paid off. Today the French capital is a hive of activity in sectors from AI to fintech and healthcare.

Exclusively for Maddynews, Hugo Borensztein, co-founder and CEO of Paris-based startup, Omi – a platform utilising AI so clients can build realistic 3D imagery for their eCommerce in minutes – joins Dawn Capital investor, Pierre Bricault, in diving deeper into why the French ecosystem is having a moment. Dawn is Europe's leading specialist B2B software investor and just raised \$700M in fresh funds to invest in the next generation of European software winners – including in France. Hugo and Pierre explore where exciting things are happening, areas in which the country's tech ecosystem could still improve, and what the future might hold for French tech...

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## The past 2-3 years have seen rapid acceleration – especially in the fintech, AI and healthcare spaces

Hugo co-founded Omi in Paris in 2020 and raised €6M in a seed round led by Dawn Capital in 2022. A native Parisian and former Facebook executive, Hugo has closely observed the development of the French tech landscape over the past decade.

"The key point is that the ecosystem is very mature compared to a few years back," he says. "Just two to three years ago French startups saw much smaller funding rounds. But it's not just the growth in funding – what is most interesting is the development in the types of projects, and the increasingly large number of big companies with big team sizes.

"Now you're seeing really bold projects in fintech, AI and the health space, and a move away from small 'nice-to-have' companies towards really big, industry-changing projects."

French engineers have led the way in AI innovation and Paris is now a go-to place to find engineering talent, including for US startups keen to tap into deep knowledge at European salary prices. Niel's latest capital injection is set to turbocharge developments.

"People are really excited," Hugo says. "We can create brand new products, and also have the chance to use this amazing tech to improve current products and solve issues you had on the table."

Hugo adds that the general feeling is confidence that the "French touch" underpinning Omi and other startups such as Mirakl and video game publisher Voodoo will soon help enterprises reach even more global customers.

## Why now? Greater capital availability as top entrepreneurs enter the scene...

"The situation has changed due to the amount of capital available, and the number and calibre of people becoming tech entrepreneurs," Hugo explains. "There are now more people launching startups from industry backgrounds and from the tech space, and they can leverage their expertise to create brilliant companies that grow faster."

Xavier Niel is not alone in investing more in French tech – the country's founders can now access capital from an ever-greater number of sources.

A few years ago big Family Offices started entering the scene, joining pan-European investors like Dawn and a growing number of French venture firms. Funds created in recent years and gaining traction include New Wave, Frst, Revaia and early-stage "super angel" fund, Founders Future. Hugo points out that Jean-Charles Decaux, from the family behind outdoor advertising giant JCDecaux, is one of the most active LPs in France. The founder said Bernard Arnault's Aglaé has also become key in the French ecosystem, alongside smaller family offices such as *Motier Ventures*, launched by the Houzé Family – owners of the Galeries Lafayette – and Financière Saint James, the family office of Veepee founder Michael Benabou.

"They have really committed to supporting the ecosystem," Hugo says. "They have spent a lot of money on France's transformative AI projects because they want us to create new projects, rather than following English or US companies."

## ... and long-term strategies and structural advantages finally paying off

After a decade in action, grants and 0% loans from Bpifrance and support from state initiative La French Tech are seeing results. There is now an established and flourishing incubator scene in Paris and beyond. Paris is home to Station F and to a growing number of initiatives to support French founders from diverse backgrounds, including female-founder focused SISTA and nationwide support program, Les Déterminés. These factors have combined with existing structural advantages around starting a company in France to spur the ecosystem to new heights.

Pierre has first-hand experience of the French startup scene, and says: “France is an exceptional ecosystem for founders, and launching a startup in France has real advantages. It is ahead of other countries because incubators and institutional support combine with tax laws and employment laws to really help founders build startups. Plus, rent and lifestyle costs are lower than in neighbouring countries like the UK, which helps early-stage founders.”

Unemployment benefits combined with contractual termination (Rupture Conventionnelle) can cover from 50 to 80% of a former employee’s previous salary for up to two years. This means that many founders can launch a startup without taking huge amounts of personal risk.

“You can try to build a company for two years and not have to worry about repaying your mortgage,” Pierre says. “It’s a great setup and a dream for many entrepreneurs, and it’s a big reason why there are so many startups emerging in France. As VCs we’re incredibly excited by current evolutions in the French ecosystem, and are closely watching B2B startups developing now.”

## Not all perfect: A still-maturing venture scene and funding concentrated in Paris

The French tech landscape is hyper-concentrated in its capital city, as in many European countries. Hugo says: “More money and talent needs to go to smaller cities and the countryside in France, and not be as concentrated in Paris as it is today. That’s a downside of our ecosystem – you get finance easily in Paris, but a lot less easily in the surrounding regions.”

Pierre also points out that the French ecosystem can be almost too supportive. Due to grant funding and incubator support subsidising operations, some French early-stage startups struggle to scale. “You have less pressure to evolve

and become a high-growth company, which has historically held back startups in France,” he says.

Hugo also believes that the French venture scene “needs to mature”. “There is a huge gap between the French market and the international market in terms of VC,” he says.

Omi had several term sheets on the table when the startup took investment from London-based Dawn last year. The B2B software specialist firm has raised over \$2B since launching in 2007, with successes including multi-billion dollar category-leaders Mimecast, iZettle, Tink, Colibra and Dataiku. Omi chose Dawn in part because the firm knows how to help companies scale globally.

“They had the international experience that we craved,” Hugo says. “They are B2B software experts, so it was about having someone who can help us with international expansion and offer specialist knowledge. We’re launching in the UK this autumn and next year in the US, so it was very important for us to have this experience.”

*Hugo Borensztein* is the cofounder and CEO of *Omi* and Pierre Bricault is an investor at *Dawn Capital*.

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