



AUSTRALIAN
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Press release

UNTAPPED OPPORTUNITIES TO DRIVE SME GROWTH: NEW REPORT SHOWS \$38 BILLION GAP IN EQUITY FUNDING FOR “GROWTH ECONOMY” BUSINESSES

Australia is missing a golden opportunity to turbocharge a new era of economic prosperity with 164,000 innovative small businesses unable to access the equity funding they need to grow and build sovereign capability.

In an Australian first, independently commissioned research reveals a \$38 billion funding gap for Growth Economy SMEs which if addressed would see significant revenue growth in the sector of around 24.5 per cent.

But the same research – commissioned by the Australian Business Growth Fund (ABGF) – shows 79 per cent of Growth Economy businesses report that lack of access to equity funding is holding them back.

The Growth Economy – defined as the 164,000 Australian-headquartered SMEs with revenues between \$2 million and \$100 million - is growing faster than the overall economy at 5.7 per cent. Whilst comprising just six per cent of the nation's companies, these SMEs employ more than 42 per cent of all working Australians, with that number growing by almost twice the rate of larger businesses (14 per cent, compared to just eight per cent).

ABGF Chief Executive Officer Anthony Healy said institutional investors were missing significant opportunities to help grow our national economy by continuing to overlook the Growth Economy.

“We have a golden opportunity – right now – to accelerate economic growth, create new industries and build sovereign capability, but we need to overcome investor caution to support these 164,000 SMEs,” Mr Healy said.

When compared to similar OECD countries, the funding landscape for Australian SMEs is more highly leveraged with almost 247 times as much outstanding debt as growth and venture capital, indicating a more mature debt funding market but a very limited growth and venture capital market for SMEs.

Of the 35 per cent of Growth Economy businesses who sought external equity in the past three years, 53 per cent were unsuccessful, and of the 47 per cent that managed to access some form of equity capital, almost all of it (90 per cent) came from family and friends, not institutional investors who typically bring a lot of support and capability to accompany their capital.

Mr Healy said only a fifth of Growth Economy businesses have successfully accessed external equity funding in aggregate, highlighting the barriers to obtaining the right capital. On the supply side, only two per cent of private equity funds in Australia are allocated for growth purposes, contributing to the massive \$38 billion equity funding gap.

“If these businesses could access the funding they need, we could see the Growth Economy increase revenue by 24.5 per cent which would see greater long-term growth and more jobs for more Australians in critical industries such as manufacturing and technology,” Mr Healy said.

“That’s why the banks and the government established ABGF – to deploy much needed growth capital into the SME sector and we are encouraging other funds to do the same. Already we have backed more than a dozen SMEs with more investments on the horizon. As a result, the investments we have made have seen businesses sustainably grow and contribute significantly to the economy and the wider community.”

Through this report ABGF is seeking to advance Australia’s understanding of the Growth Economy and identify the key challenges and opportunities in this sector, so that our economy and our nation can take full advantage of emerging, homegrown Growth Economy businesses.

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About ABGF

- ABGF is Australia’s only purpose-built growth capital fund dedicated to the SME sector.
- ABGF’s unique public-private partnership model, facilitated by a powerful alliance between the Federal Government and six leading banks, bridges a critical gap in the market, between venture capital and private equity.
- Founded with an initial capital of \$540 million, we provide flexible growth capital that is tailored to each individual business.
- We work by looking to inject \$5-\$15million of capital into a growth-ready business in return for a minority stake of up to 49 per cent.
- In addition to providing capital investment, we connect businesses to our talent network of business experts, growth strategists, board members and seasoned entrepreneurs, who can provide advice and guidance throughout the partnership.
- Our investment can facilitate expansion into new markets, new product development, mergers and acquisitions and succession planning.

About ‘Powering the Growth Economy 2024’ Report

- This is first of its kind report which analyses the Growth Economy in Australia and provides compelling data into the size and contribution of the Growth Economy, the strong and growing demand for equity, the limited supply of the right forms of equity, the ramification this gap is having on business growth, and the profound impact these businesses can have on the broader economy should the equity gap be filled.
- The data comes from interviews with 3,500 businesses, detailed analysis of Australian Bureau of Statistics and Australian Taxation Office customised data sets, and robust economic modelling.
- ABGF strongly believe this is critically important information that needs to be shared broadly. We will be advocating for the challenges and opportunities faced by Growth Economy businesses and encouraging further investment into this segment.