2023–2024

GROWTH CORPORATES WORKING CAPITAL INDEX

Europe Edition

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WHAT IS A GROWTH CORPORATE?

The **2023–2024 Growth Corporates Working Capital Index: Europe Edition** examines the working capital needs of Growth Corporate CFOs and treasurers in Europe. Growth Corporates are firms that generate annual revenues between $50 million and $1 billion; these organizations have unique needs and capabilities that can be overlooked by solutions targeting small businesses or enterprises with purpose-built solutions. The study looked at these firms in the agriculture, commercial travel, fleet and mobility, and healthcare sectors. Visa commissioned PYMNTS Intelligence to conduct the research and produce the report, and the underlying survey was conducted by telephone between March 9, 2023, and June 12, 2023. The Growth Corporates Working Capital Index (WCI) study surveyed CFOs and treasurers of these firms and offers practical insight into how these CFOs balance the day-to-day requirements of their businesses with the cash flow requirements needed to survive, thrive and scale.

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Growth Corporates Working Capital Index

THE FULL 2023–2024 GROWTH CORPORATES WORKING CAPITAL INDEX, INCLUDING ALL REGIONS

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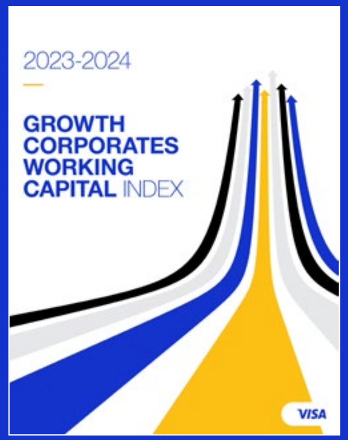

EXECUTIVE **SUMMARY**

Europe stands alone in the world in having a unique economic and monetary structure where many of its countries have one currency and unified fiscal, monetary and commercial policies. The economic headwinds affecting the rest of the world have also reached this region, with inflation and an uneasy economy at the forefront of all industries and sectors. One aspect that sets Europe apart in our global study is that its economy is notably stagnant — almost reaching recession levels, growing by less than 1% in 2023 and providing only a moderate outlook for next year.[1] Another defining characteristic of the region is its issues with its energy matrix that directly affect all sectors in its economy, namely its vulnerabilities with energy security, and these issues are expected to linger this year.[2] Within this backdrop, Growth Corporates in Europe are facing myriad challenges, making the effective use of external working capital solutions paramount. European Growth Corporates are at a crossroads where the way they use working capital solutions going forward will determine their business sustainability and viability in their respective markets.

Europe ranks fifth among the five regions —the Asia-Pacific (APAC); Central Europe, the Middle East and Africa (CEMEA); Europe; Latin America and the Caribbean (LAC); and North America — analyzed in the Growth Corporates Working Capital Index, averaging a below-average index score of 47 that suggests companies in the region, for the most part, are not taking full advantage of using working capital solutions to optimize their operational management. Nonetheless, European Growth Corporates plan to address their operational effectiveness by increasing their use of working capital solutions from 79% in the last 12 months to 94% this year.

[1] Koranyi, B. Europe's problems are far bigger than a shallow recession. Reuters. 2023. https://www.reuters.com/markets/europe/europes-problems-are-far-bigger-than-shallow-recession-2023-11-14/. Accessed February 2024.

[2] Rizvi, O. Europe energy crisis: Have natural gas prices peaked?. Euronews. 2023. https://www.euronews.com/business/2023/11/16/europe-energy-crisis-have-natural-gas-prices-peaked. Accessed February 2024.

Growth Corporates in Europe use external working capital solutions to obtain favorable capital costs for new business endeavors and partnerships.

1. **More than 8 in 10** European Growth Corporates see external financing as critical for achieving favorable capital costs when launching new business initiatives and partnerships, helping to explain why a greater share of Growth Corporates in this region use working capital than in nearly all other regions studied.
2. **Working capital loans** play a particularly prominent role among the working capital solutions European Growth Corporates use, especially those in the agriculture and fleet and mobility sectors.
3. **Thirty-seven percent** of commercial travel Growth Corporates in Europe accessed external financing for tactical reasons — to cover unexpected shortfalls and emergencies — but only 17% of agriculture firms in the region did the same, highlighting more strategic use in that industry.
4. **Seventy-three percent** of top-performing Growth Corporates in Europe used financing strategically to grow their business.[3]
5. **One-third** of Growth Corporates in Europe are planning to tap working capital loans in the next year as their primary working capital solution, but only 6.3% of these future users are top performers.

[3] For the Growth Corporates Working Capital Index, PYMNTS Intelligence used regression analysis to identify the key performance indicators that have the greatest influence on firms' operational efficiency as it relates to using external working capital solutions. The regression identifies factors that are associated with a higher probability of reduced DPO. Reduction to DPO is chosen as a measure of improved operational efficiency due to its connection to a firm's ability to pay suppliers and settle its debts, which is directly impacted by access to capital — an ability facilitated by access to external financing. Based on how well a firm combines these characteristics, they are assigned a score ranging from 0 to 100, with a higher score indicating a higher propensity for reduced DPO within the next 12 months. The firms scoring in the top and bottom 20% of the index were then classified in the respective top and bottom performance tiers.

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PART I: CRITICAL SOLUTIONS

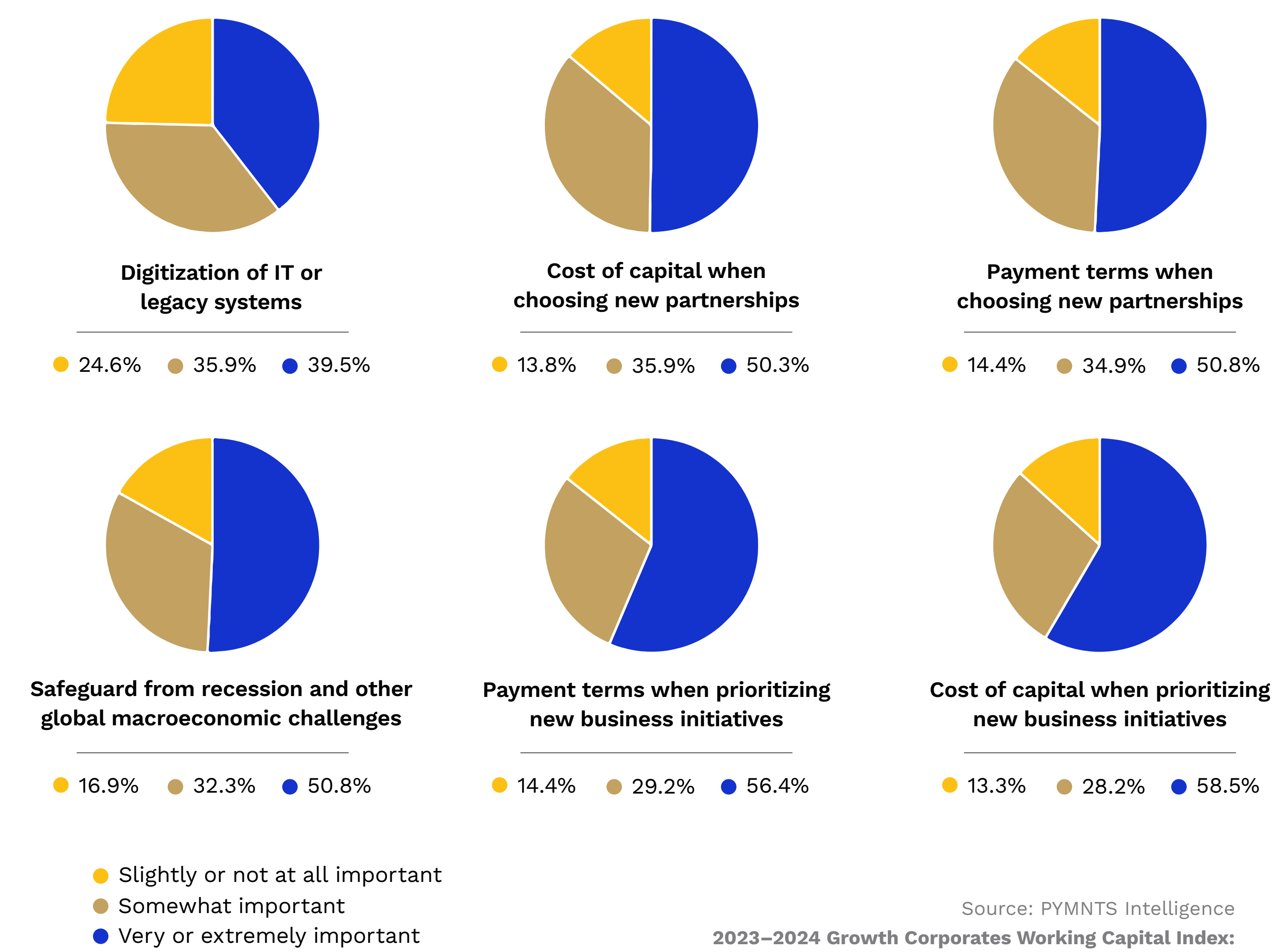
Nearly 8 in 10 European Growth Corporates accessed external working capital solutions: A greater share of Growth Corporates in this region use working capital than in nearly all other regions studied.

Seventy-nine percent of Growth Corporates in Europe accessed working capital solutions in the past year — the second-highest rate of utilization across all five regions in this study, behind only LAC. Growth Corporates in Europe report that external financing has importance for securing favorable cost of capital when prioritizing new business initiatives: 87% of local Growth Corporates point this out directly, and 86% say that external working capital allows them to achieve favorable capital costs when choosing new partnerships. The term favorable capital costs could refer to anything from direct savings in transaction costs to reduced currency exchange risks to indirect impacts, such as leverage in negotiations that leads to better deals.

Other key advantages involve building better relationships with customers and partners. For example, 75% of Growth Corporates stated that having access to external capital solutions allowed them to better meet customer demand and take advantage of business opportunities. Similarly, 75% of CFOs said they were able to improve their buyer–supplier relationships by accessing these financing solutions. It is worth nothing that while European Growth Corporates have high rates of accessing financing, they tend to do so less efficiently than those in other regions, leading to their second lowest index scores.

FIGURE 1:

Improvements working capital enables
Share of European Growth Corporates that cite access to working capital solutions as having select levels of importance for achieving select objectives



Source: PYMNTS Intelligence
2023–2024 Growth Corporates Working Capital Index: Europe Edition, February 2024
N = 195: Whole sample of European CFOs, fielded March 9, 2023 – June 12, 2023

Top-performing Growth Corporates across all regions in our study save an average of $3 million annually through strategic investments of working capital solutions.

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PART II:
STATE OF PLAY IN 2023–2024

Working capital loans play a particularly prominent role among the working capital solutions European Growth Corporates use, especially those in the agriculture and fleet and mobility sectors.

Two sectors that stand out in Europe are agriculture and fleet and mobility. In agriculture, 63% of European Growth Corporates accessed any sort of financing in the last year, and their use of working capital loans jumps out. Among the Growth Corporates in Europe that we studied, 44% tapped working capital loans, and the grand majority used the loans as a primary solution, with just 2% of European Growth Corporates having used working capital loans but opted to lean more on a different solution. This implies that 65% of European agriculture Growth Corporates that accessed financing in the past year tapped working capital loans as their primary solution. The prominence of working capital loans may reflect a wider availability of this solution in European agriculture, as many government bodies and specialized lenders beyond traditional FIs offer the solution.

Among fleet and mobility Growth Corporates in Europe, 58% accessed working capital loans, with 40% saying it was their primary solution. Another financial solution popular in this sector was virtual cards, as 23% of these firms accessed them last year. This industry's high utilization of working capital loans and virtual cards likely mirrors their strategic use on investments in business expansion and company assets.

65%

OF EUROPEAN AGRICULTURE GROWTH CORPORATES THAT ACCESSED FINANCING LAST YEAR **TAPPED WORKING CAPITAL LOANS AS THEIR PRIMARY SOLUTION.**

Commercial travel Growth Corporates in the region, for their part, stand out for accessing a more diverse array of solutions, including bank lines of credit, virtual cards and overdrafts. Specifically, 41% of commercial travel firms in Europe accessed corporate overdrafts in the past year, 23% accessed bank lines of credit and 21% accessed corporate virtual cards. Accessing a diverse array of external capital solutions enables Growth Corporates to have more financial flexibility, allowing their operations to be more efficient.

However, higher utilization of a variety of financing solutions for commercial travel also reflects a higher rate of utilization of financing more generally. In Europe, 92% of commercial travel and 96% of fleet and mobility Growth Corporates accessed some form of financing in the past year, whereas the corresponding rates are 63% for agriculture Growth Corporates in Europe and 67% for those in healthcare.

FIGURE 2:

Working capital solutions' usage

Share of European Growth Corporates that used select working capital solutions last year, by segment

Source: PYMNTS Intelligence
2023–2024 Growth Corporates Working Capital Index: Europe Edition, February 2024
N = 195: Whole sample of European CFOs, fielded March 9, 2023 – June 12, 2023

	TOTAL	Most used	Used, but not the most used
HEALTHCARE AND MEDICAL			
• Working capital loan	**32.8%**	28.4%	4.5%
• Overdraft from corporate bank account	**26.9%**	16.4%	10.4%
• Bank lines of credit	**16.4%**	10.4%	6.0%
• Invoice financing/factoring	**10.4%**	1.5%	9.0%
• Letter of credit/bank guarantee	**6.0%**	4.5%	1.5%
• Draw against unused corporate credit line	**6.0%**	3.0%	3.0%
• Third-party revolving credit facility	**6.0%**	1.5%	4.5%
• Corporate/virtual credit card	**3.0%**	1.5%	1.5%
COMMERCIAL TRAVEL			
• Overdraft from corporate bank account	**41.0%**	25.6%	15.4%
• Working capital loan	**30.8%**	17.9%	12.8%
• Bank lines of credit	**23.1%**	15.4%	7.7%
• Corporate/virtual credit card	**20.5%**	12.8%	7.7%
• Third-party revolving credit facility	**20.5%**	7.7%	12.8%
• Invoice financing/factoring	**10.3%**	5.1%	5.1%
• Letter of credit/bank guarantee	**10.3%**	2.6%	7.7%
• Draw against unused corporate credit line	**5.1%**	5.1%	0.0%

	TOTAL	Most used	Used, but not the most used
FLEET AND MOBILITY			
• Working capital loan	**58.3%**	39.6%	18.8%
• Overdraft from corporate bank account	**37.5%**	22.9%	14.6%
• Corporate/virtual credit card	**22.9%**	6.3%	16.7%
• Bank lines of credit	**20.8%**	10.4%	10.4%
• Invoice financing/factoring	**16.7%**	6.3%	10.4%
• Third-party revolving credit facility	**16.7%**	6.3%	10.4%
• Draw against unused corporate credit line	**6.3%**	2.1%	4.2%
• Letter of credit/bank guarantee	**2.1%**	2.1%	0.0%
AGRICULTURE			
• Working capital loan	**43.9%**	41.5%	2.4%
• Bank lines of credit	**31.7%**	12.2%	19.5%
• Letter of credit/bank guarantee	**7.3%**	2.4%	4.9%
• Third-party revolving credit facility	**4.9%**	4.9%	0.0%
• Invoice financing/factoring	**4.9%**	2.4%	2.4%
• Overdraft from corporate bank account	**4.9%**	0.0%	4.9%
• Corporate/virtual credit card	**2.4%**	0.0%	2.4%
• Draw against unused corporate credit line	0.0%	0.0%	0.0%

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PART III: **HOW CFOs DEPLOY SOLUTIONS**

Thirty-seven percent of commercial travel Growth Corporates in Europe accessed external financing for tactical reasons — to cover unexpected shortfalls and emergencies — but only 17% of agriculture firms in the region did the same, highlighting more strategic use in that industry.

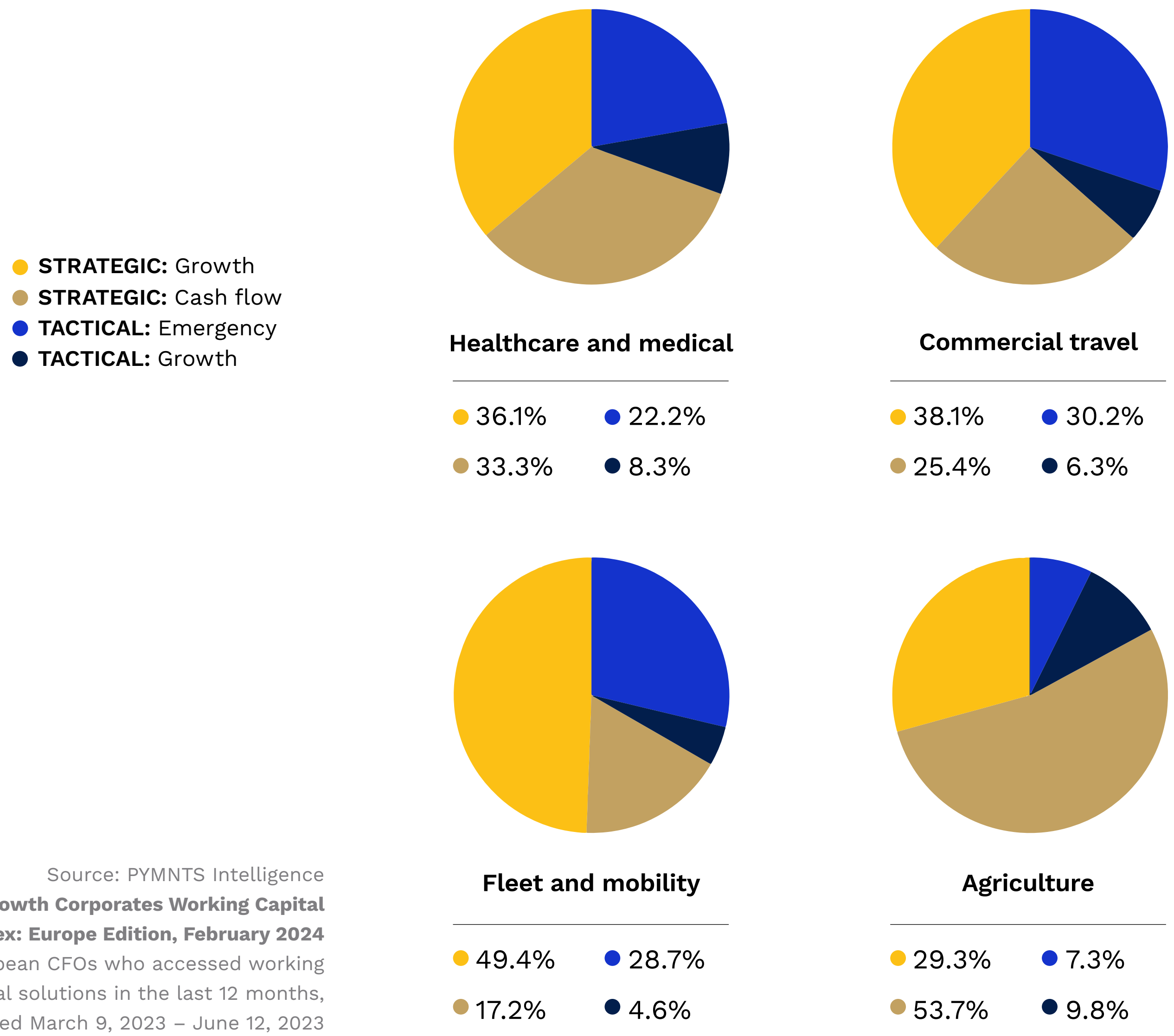
Using external working capital solutions for either strategic or tactical purposes can mean the difference between being operationally efficient or not. In Europe, data shows that this is currently a bit of a mixed bag: While 1 in 3 commercial travel Growth Corporates in the region accessed external financing primarily for emergencies, another 38% tapped financing to fund strategic growth initiatives.

Due to seasonality, unexpected shortfalls are less common in the agriculture industry, likely driving more strategic use of external capital. The most strategic use of external capital for the purposes of covering expected cash flow gaps was among agriculture Growth Corporates in the region, at 54%. For comparison, only 17% of fleet and mobility Growth Corporates in Europe accessed working capital for expected cash flow gaps; 49% of these Growth Corporates accessed external working capital to strategically grow their businesses in the last year, which is the highest rate of utilization in the region allocated for planned growth initiatives, such as capital investments in company assets and organic business expansion.

FIGURE 3:

Drivers of working capital usage in Europe

Share of European Growth Corporates citing the most important reason for using working capital solutions in the last 12 months



Source: PYMNTS Intelligence
2023–2024 Growth Corporates Working Capital Index: Europe Edition, February 2024
N = 153: European CFOs who accessed working capital solutions in the last 12 months, fielded March 9, 2023 – June 12, 2023

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PART IV: INVESTING IN GROWTH

Seventy-three percent of top-performing Growth Corporates in Europe used financing strategically to grow their business.

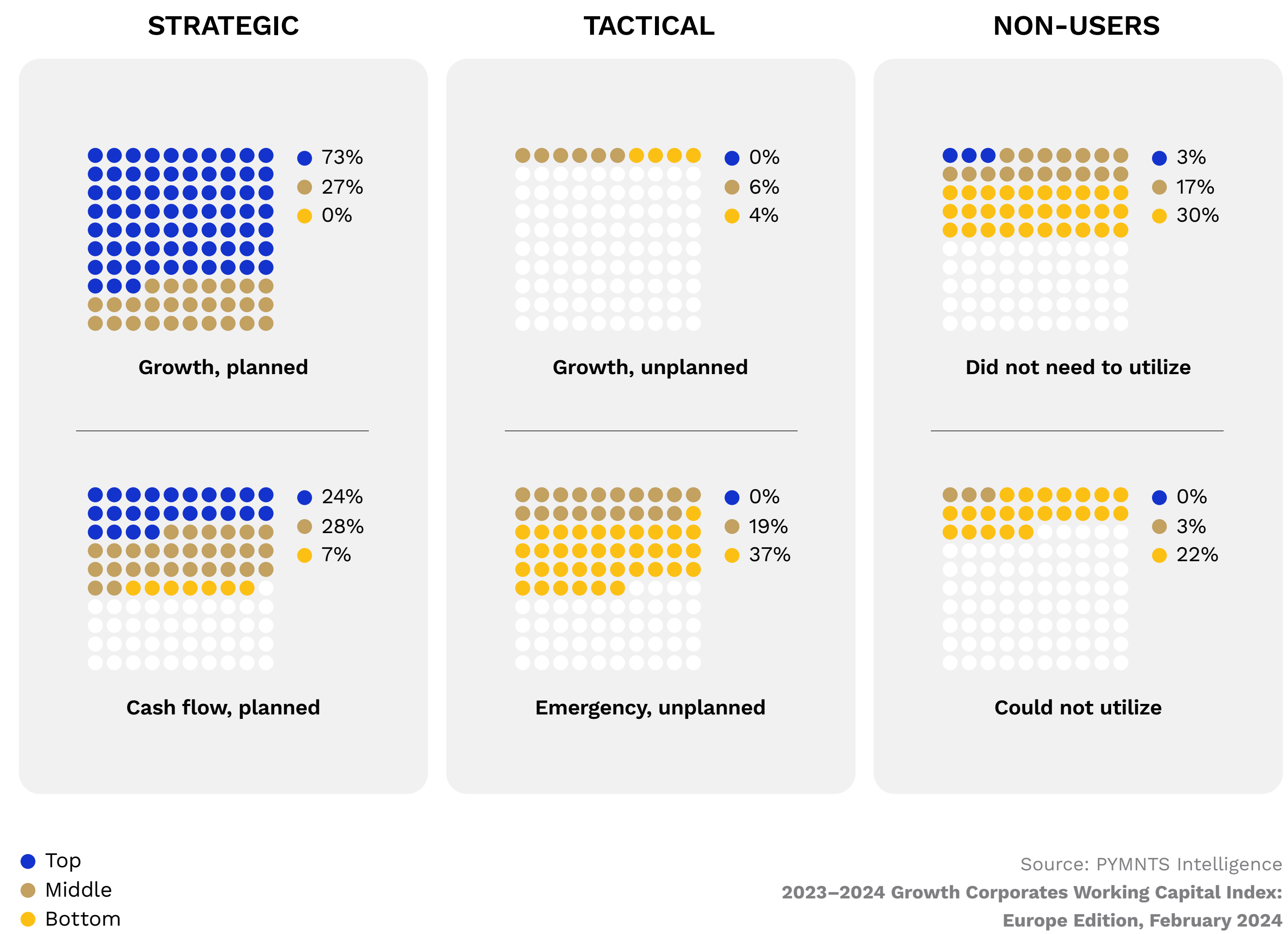
Top-performing Growth Corporates in Europe operate similarly to top performers in other regions analyzed in our index in that they predominantly use external working capital solutions for strategic purposes; 73% for growth initiatives and 24% for expected cash flows. Interestingly, no top-performing Growth Corporates in the region used these solutions for unexpected gaps or opportunities. Top performers in commercial travel tapped external capital for strategic growth initiatives; in fact, 100% of top performers in our study tapped working capital for this reason. Following suit, 91% of top-performing fleet and mobility Growth Corporates in the region strategically used working capital solutions.

Conversely, 37% of bottom-performing Growth Corporates in Europe accessed external working capital solutions for emergencies last year. Survey data shows that 19% of middle-performing Growth Corporates in the region used working capital solutions for emergencies. This trend suggests that financial emergencies can hinder Growth Corporates' ability to use financing in strategic ways, because reacting to an unexpected and urgent need can take precedence. In contrast, strategic cash flow utilization — leveraging working capital to cover expected and predictable cash flow gaps — was highest among middle performers. Twenty-eight percent of this group of Growth Corporates accessed it for this reason, compared to 24% of top performers and 7.4% of bottom performers.

FIGURE 4:

Working capital use motivators — and deterrents

Share of European Growth Corporates that cite select reasons why they did or did not access external working capital in the last year (2022–2023), by index performance tier



Source: PYMNTS Intelligence
2023–2024 Growth Corporates Working Capital Index: Europe Edition, February 2024
N = 195: Whole sample of European CFOs, fielded March 9, 2023 – June 12, 2023

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PART V:
WORKING CAPITAL PREFERENCES

One-third of Growth Corporates in Europe are planning to tap working capital loans in the next year as their primary working capital solution, but only 6.3% of these future users are top performers.

Among the region's preferred external working capital solutions for last year, letters of credit or bank guarantees were particularly popular among top-performing Growth Corporates; though only 5.1% of all Growth Corporates in Europe plan to access these solutions the most this year, 30% of them are top performers. Third-party revolving credit solutions are also popular among top performers, as 4.6% of Growth Corporates in the region say this is the solution they will choose the most this year, with 22% of them being top performers.

As for virtual cards, 24% of Growth Corporates in Europe are planning to use them this year, and 7.2% noted that this solution will represent their primary solution. Virtual cards are particularly popular with top performers; 45% plan to use them in the next year and 5% say the cards will likely be their most used solution.

FIGURE 5:

Working capital plans
Share of top-performing firms that plan to take select actions in the next 12 months

	Projected users of each solution in 2024 Share of European Growth Corporates very or extremely likely to use a respective solution the most next year	**Projected users of each solution in 2024 (top performers only)** Share of top-performing European Growth Corporates very or extremely likely to use a respective solution the most next year	**Share of top performers among projected users** Top performers as a share of all European Growth Corporates planning to use a respective solution the most
• Draw against unused corporate credit line	4.1%	0.0%	0.0%
• Letter of credit/bank guarantee	5.1%	15.0%	30.0%
• Corporate/virtual credit card	7.2%	5.0%	7.1%
• Invoice financing/factoring	8.7%	5.0%	5.9%
• Third-party revolving credit facility	4.6%	10.0%	22.2%
• Overdraft from corporate bank account	16.9%	20.0%	12.1%
• Bank lines of credit	14.4%	25.0%	17.9%
• Working capital loan	32.8%	20.0%	6.3%

Source: PYMNTS Intelligence
2023–2024 Growth Corporates Working Capital Index: Europe Edition, February 2024
N = 195: Whole sample of European CFOs, fielded March 9, 2023 – June 12, 2023

The least popular solution option for top performers in Europe is drawing against unused corporate lines. None of the top performers in the region are planning on accessing this solution this year; nevertheless, 4.1% of Growth Corporates in the region plan on tapping these tools.

CONCLUSION

Growth Corporates in Europe face myriad economic, financial and regulatory headwinds as they navigate a unique regional context where many countries share unified policies and currency. With inflation and a notably slow economy impacting all industries and sectors in Europe, the challenging environment for firms in this region has been pushing local Growth Corporates to tap into and effectively use external working capital solutions to finance strategic and tactical expenses.

Although 8 in 10 Growth Corporates in Europe see external financing as critical for obtaining favorable terms for capital when launching new business ventures, the use of these solutions for planned growth is expected to decrease by 4% this year relative to last year. This poses a conundrum for the region's operational management efficiency stance; with it having the lowest WCI score among all five regions in this study, not focusing more on strategic use of external working capital solutions will likely keep the region underperforming. There is potential, however: Top-performing Growth Corporates in Europe are a small percentage, and it is likely that more can join their ranks if they act like top performers, deploying working capital in strategic ways, integrating more suppliers in their payment systems and adjusting their mix of solutions to prioritize more efficient options such as virtual cards.

METHODOLOGY

The 2023–2024 Growth Corporates Working Capital Index: Europe Edition is based on a telephone survey conducted between March 9, 2023, and June 12, 2023, of 124 respondents holding the position of corporate CFO or treasurer at companies that Visa calls Growth Corporates — those generating revenues between $50 million and $1 billion. The report examines the working capital solutions available to Growth Corporates to raise short-term cash or credit, the preferred use of these proceeds and the impact these solutions can have on their operational efficiency and business performance.

ABOUT

VISA

Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network — enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device, for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information, visit visa.com, usa.visa.com/solutions/visa-business-solutions.html and Visa Commercial Solutions: Overview | LinkedIn.

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists includes leading economists, econometricians, survey experts, financial analysts, and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

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