

Entrepreneurship Statistics  
2009-2012

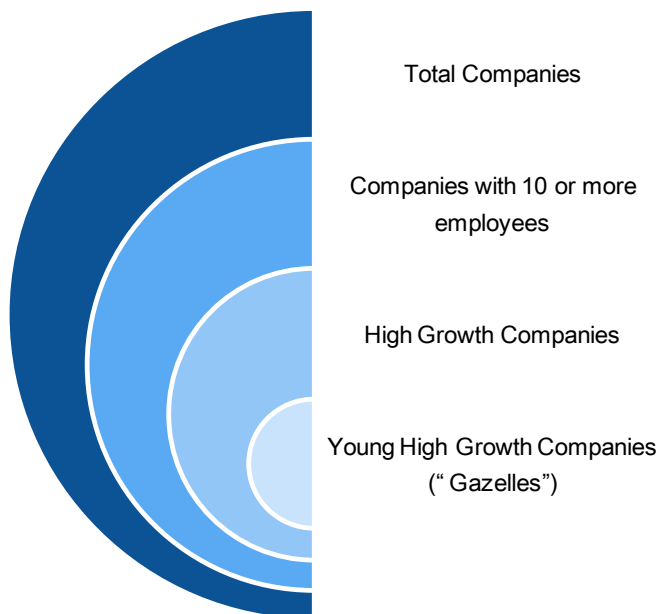
**High growth companies: larger and more exporting**

The number of High Growth Companies (HGC) decreased between 2009 and 2012.

In 2012, more than half of these companies were concentrated on the Manufacturing (21.7%), Distributive Trade (19.6%) and Construction (13.2%) sectors. Around 52% of their GVA<sub>mp</sub> was generated in the Lisbon region.

Some differentiating features in relation to the total companies arose, showing High Growth Companies as larger and more exporting companies with a higher expenditure in research & development.

The number of Young High-Growth Companies (Gazelles) has also decreased over the given period, yet their share on the total HGC has increased to 19.5% in 2012, 2.3 p.p. higher than in the previous year.



**What are High Growth Companies?**

Companies, with at least 10 employees, that achieve an average annual growth of 20% over three years, measured in terms of number of employees or turnover growth.

Young High Growth Companies, or "Gazelles", are a subset of the first, restricted to companies up to 5 years old.

## 1. COMPANIES CHARACTERIZATION AND CLASSIFICATION CRITERIA

Throughout this study, the analysis of High Growth Companies (HGC) was based on the number of employees growth criterion, being consensual at the European level that it ensures a better intersectorial comparability of data. Nonetheless, we present the main economic indicators based on both criteria, concluding that if the turnover growth criterion was applied it would result in a larger number of HGC, with different characteristics from those observed when using the number of employees growth criterion. As such, some conclusions may vary according to the criteria used.

### The importance of High Growth Companies decreased between 2009 and 2012

In 2012, based on the number of employees growth criterion, High Growth Companies accounted for a small share of total companies with 10 or more employees (2.5%), corresponding however to 5.5% of the persons employed and 4.3% of the GVA<sub>mp</sub> generated.

With both criteria, High Growth Companies and Gazelles have reduced its contribution to the main economic indicators (turnover and GVA<sub>mp</sub>) between 2009 and 2012, contrary to the trend observed in the total companies with 10 or more employees.

**Figure 1 - Companies' main economic indicators (2009-2012)**

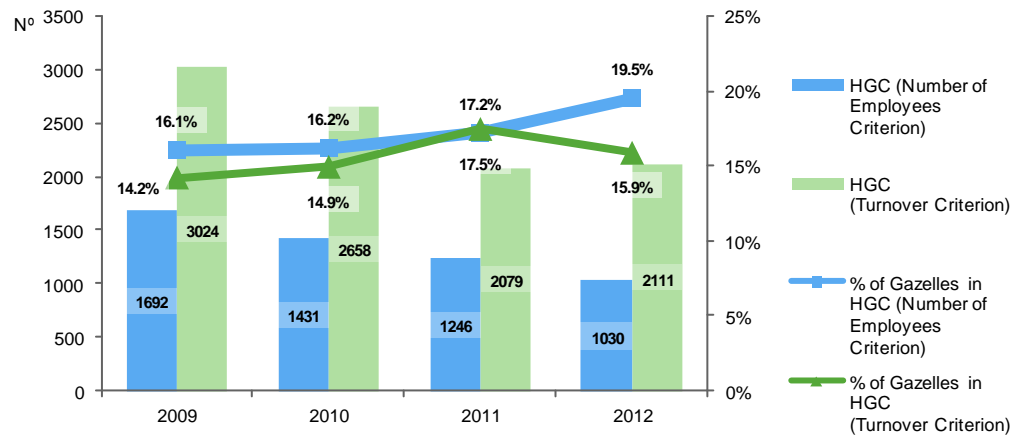
Company type	Year	Companies		Persons Employed		Turnover		GVA <sub>mp</sub>	
		Nº	%	Nº	%	10 <sup>6</sup> Euros	%	10 <sup>6</sup> Euros	%
Total Companies	2012	353 611		2 695 317		310 680		70 038	
	2011	360 588		2 863 552		329 965		75 563	
	2010	360 279		2 935 468		336 850		80 557	
	2009	366 180		2 976 744		319 869		79 256	
With 10 or more employees	2012	40 644	11.5	1 913 269	71.0	245 806	79.1	57 438	82.0
	2011	44 551	12.4	2 046 668	71.5	260 848	79.1	61 556	81.5
	2010	46 390	12.9	2 108 620	71.8	264 596	78.6	65 240	81.0
	2009	47 525	13.0	2 132 743	71.6	250 926	78.4	63 699	80.4
Criteria: <u>Turnover</u> annual average growth of 20% over the last 3 years									
High Growth Companies	2012	2 111	5.2	134 482	7.0	21 243	8.6	4 501	7.8
	2011	2 079	4.7	142 789	7.0	18 042	6.9	4 538	7.4
	2010	2 658	5.7	217 311	10.3	28 123	10.6	6 318	9.7
	2009	3 024	6.4	220 792	10.4	28 078	11.2	6 838	10.7
Gazelles	2012	335	0.8	16 180	0.8	1 326	0.5	361	0.6
	2011	363	0.8	16 734	0.8	2 272	0.9	429	0.7
	2010	397	0.9	20 525	1.0	1 893	0.7	467	0.7
	2009	430	0.9	24 079	1.1	1 572	0.6	498	0.8
Criteria: <u>Number of employees</u> annual average growth of 20% over the last 3 years									
High Growth Companies	2012	1 030	2.5	105 933	5.5	9 952	4.0	2 498	4.3
	2011	1 246	2.8	151 482	7.4	15 005	5.8	3 605	5.9
	2010	1 431	3.1	194 995	9.2	19 001	7.2	5 052	7.7
	2009	1 692	3.6	203 274	9.5	20 176	8.0	4 965	7.8
Gazelles	2012	201	0.5	14 142	0.7	1 014	0.4	282	0.5
	2011	214	0.5	13 709	0.7	1 495	0.6	330	0.5
	2010	232	0.5	18 501	0.9	1 541	0.6	403	0.6
	2009	272	0.6	20 194	0.9	1 149	0.5	416	0.7

Source: Statistics Portugal, IBAS

The number of High Growth Companies reduced significantly between 2009 and 2012, in line with the slowing down of economic activity. When the criterion used is turnover growth,

a slight increase in the number of HGC between 2011 and 2012 is observed that does not occur when the growth measure is the number of employees.

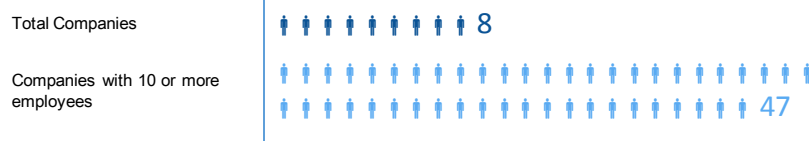
**Figure 2 - Number of High Growth Companies and share of Gazelles (2009-2012)**



High Growth Companies were in average larger than the total companies with 10 or more employees in both criteria, although the difference increases when using the number of employees growth criterion. In 2012, based on this last

criterion, High Growth Companies had an average of 103 persons employed whilst Gazelles had 70, well above the average of 47 persons employed of the total companies with 10 or more employees.

**Figure 3 - Average size of companies (2012)**  
(Number of persons employed per company)



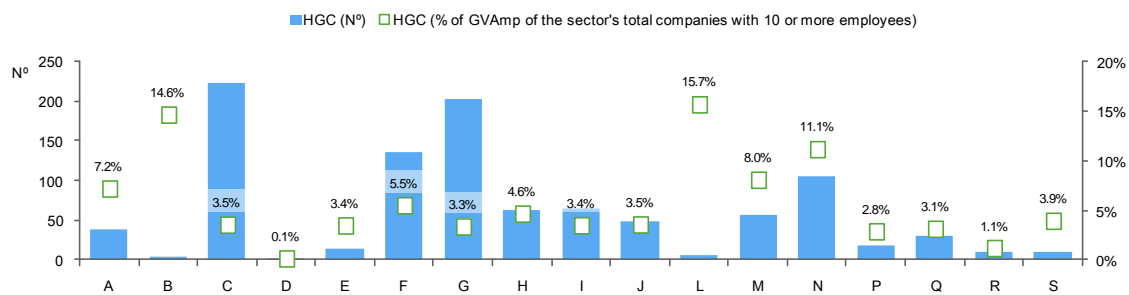
Source: Statistics Portugal, IBAS

**More than half of High Growth Companies were concentrated in 3 business sectors**

In 2012, 54.4% of High Growth Companies belonged either to Manufacturing, Construction or Distributive Trade. High Growth Companies of the Real Estate, Mining and Quarrying and Administrative and Support Service Activities'

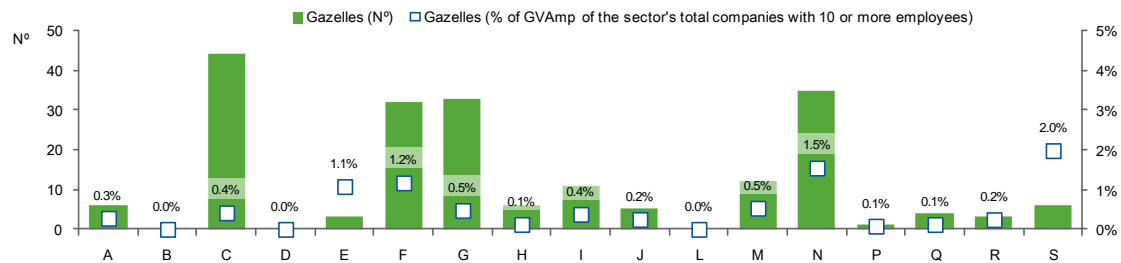
sectors had an above average relevance in generating value added, accounting for 15.7%, 14.6% and 11.1% of the GVA<sub>mp</sub> of the total companies with 10 or more employees of the respective sectors. Gazelles had a higher relevance in terms of GVA<sub>mp</sub> in the Other Service Activities, Administrative and Support Services, Construction and Water sectors.

**Figure 4 - Number and % of GVA<sub>mp</sub> of High Growth Companies by business sector (2012)**



Source: Statistics Portugal, IBAS

**Figure 5 - Number and % of GVA<sub>mp</sub> of Gazelles by business sector (2012)**



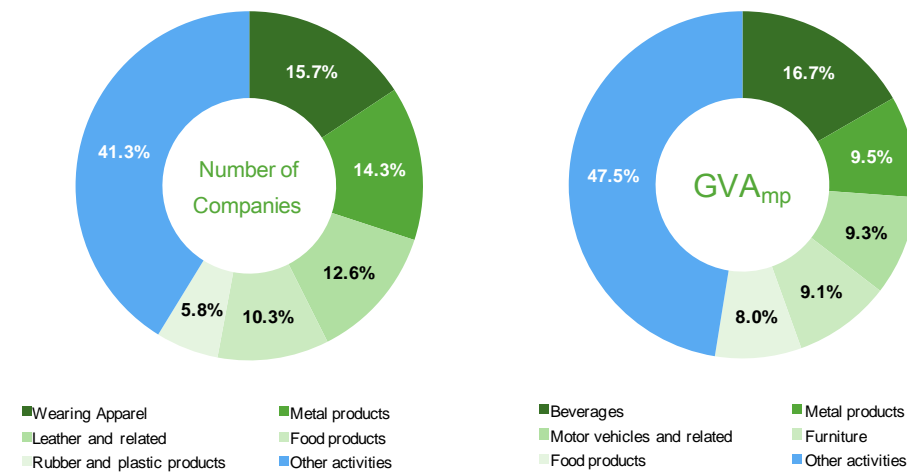
A - Agriculture and fishing; B - Mining and quarrying; C - Manufacturing; D - Electricity; E - Water; F - Construction; G - Distributive Trade; H - Transportation and storage; I - Accommodation and food service; J - Information and Communication; L - Real Estate; M - Professional, scientific and technical activities; N - Administrative activities; P - Education; Q - Human health and social work; R - Artistic activities; S - Other service activities

Source: Statistics Portugal, IBAS

Within the Manufacturing Industry (the sector with the highest number of High Growth Companies), the manufacture of Wearing Apparel, Fabricated Metal Products, Leather and Related Products and Food Products accounted for more than half of High Growth Companies (52.9%).

The  $GVA_{mp}$  of the sector's High Growth Companies was distributed differently from the number of companies, with the Beverages Industry generating 16.7% of the total  $GVA_{mp}$  despite not being among the group of activities with the highest number of HGC.

**Figure 6 – Manufacturing activities with higher weight of HGC (2012)**

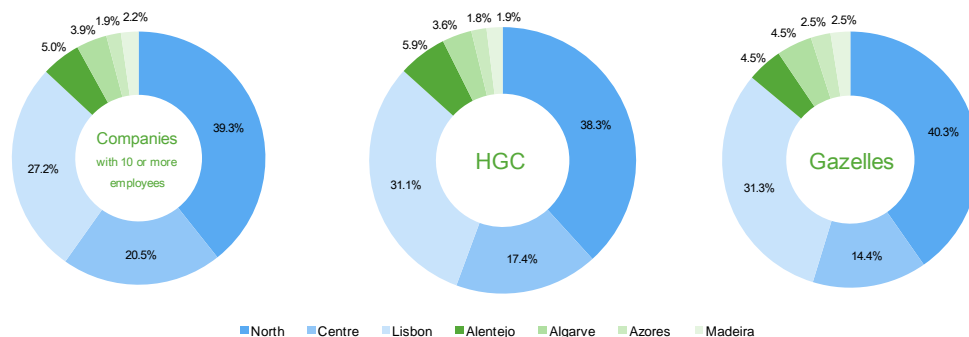


Source: Statistics Portugal, IBAS

**More than half of the  $GVA_{mp}$  of High Growth Companies was generated by companies with head office in Lisbon**

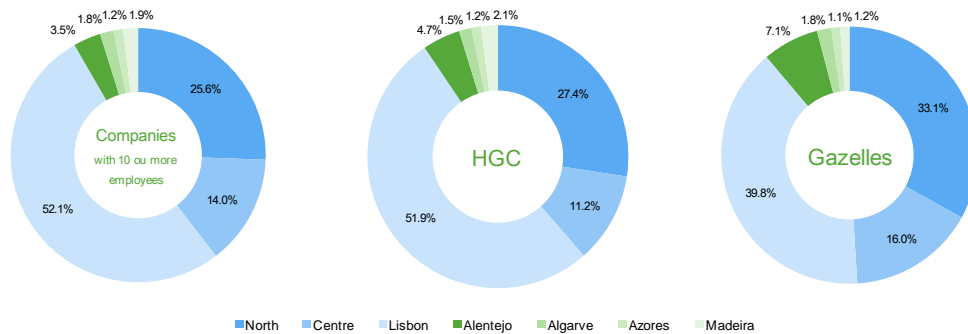
Although the greater part of High Growth Companies had their head office in the North region (38.3%), companies located in Lisbon have contributed more to the total  $GVA_{mp}$  of High Growth Companies, reaching 51.9%.

**Figure 7 - Companies' distribution by head office location (2012)**



Source: Statistics Portugal, IBAS

**Figure 8 - GVA<sub>mp</sub> distribution by head office location (2012)**

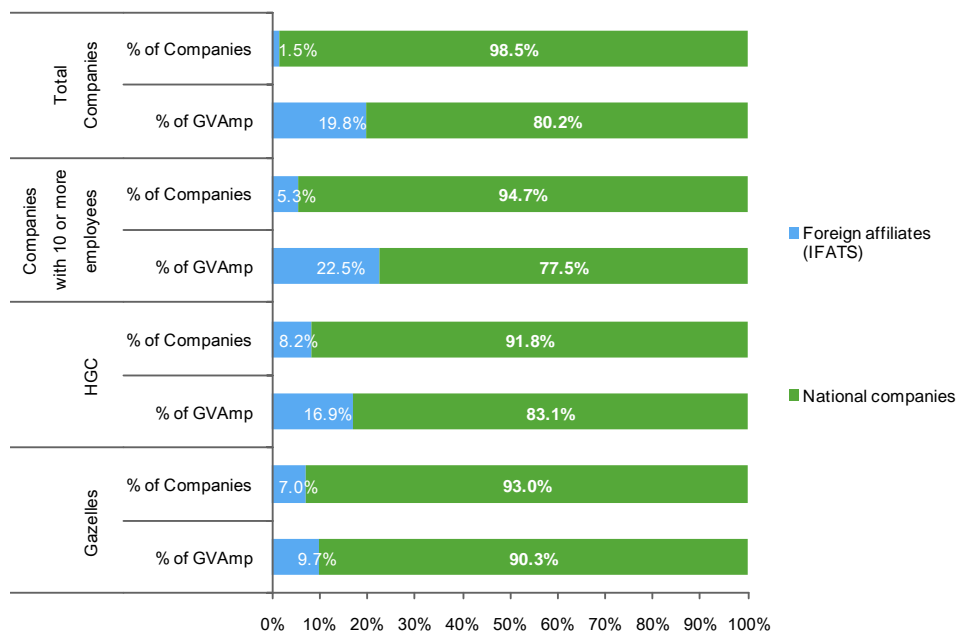


Source: Statistics Portugal, IBAS

The share of inward foreign affiliates (IFATS) was higher in High Growth Companies (8.2%) and in Gazelles (7.0%) than in the total companies with 10 or more employees (5.3%). The countries of origin with a higher weight on equity control of High Growth Companies in Portugal were France and Spain.

Foreign affiliates corresponded to only 1.5% of the companies but generated almost a fifth of the GVA<sub>mp</sub>. On High Growth Companies and Gazelles the difference was not so significant, nonetheless, the HGC that were foreign affiliates (8.2%) generated 16.9% of the GVA<sub>mp</sub> of HGC.

**Figure 9 - Share and weight in GVA<sub>mp</sub> of Inward Foreign Affiliates (2011)**



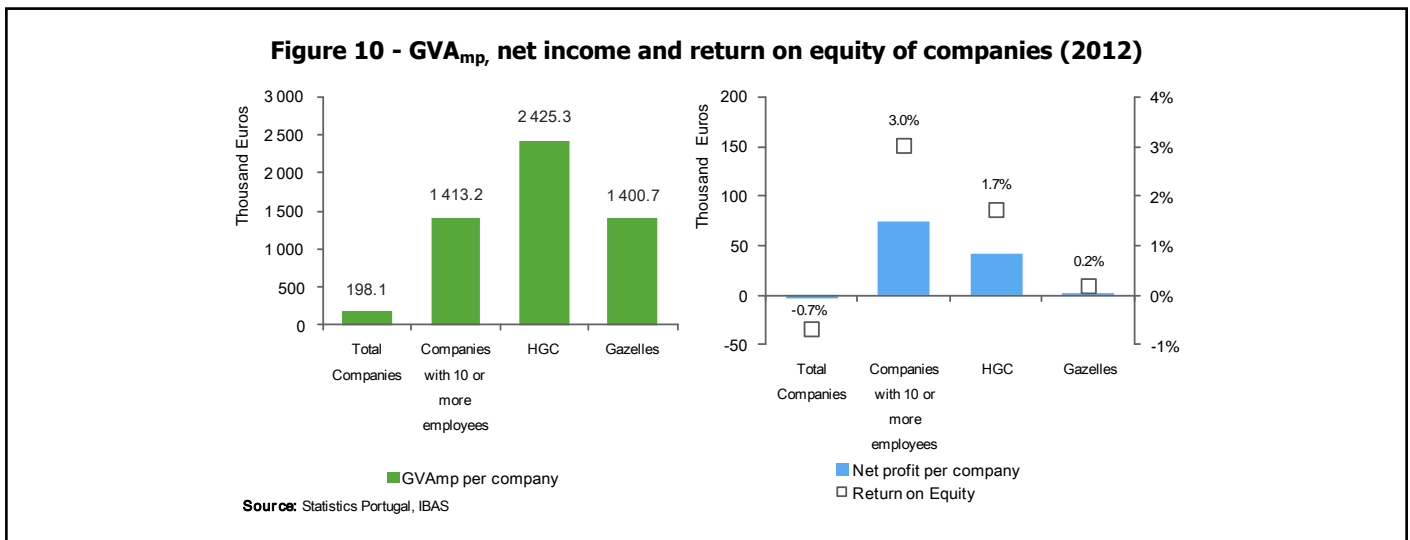
Source: Statistics Portugal, IBAS

## 2. ECONOMIC AND FINANCIAL PERFORMANCE

High Growth Companies generated, in average, a 2.4 million euro  $GVA_{mp}$  per company, about a million above the average  $GVA_{mp}$  of total companies with 10 or more employees.

In line with the net income trend, the return on equity was lower for the High Growth Companies (1.7%) and Gazelles

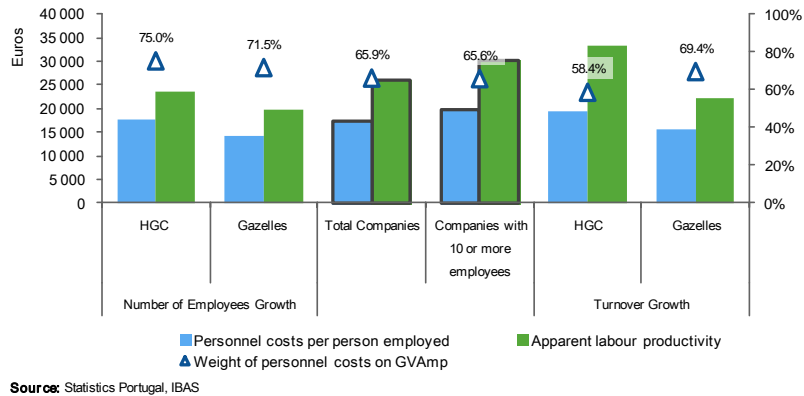
(0.2%) when comparing to the total companies with 10 or more employees. These companies still held positive returns which did not occur, however, for the total companies.



In 2012, according to the number of employees criterion, the weight of personnel costs in  $GVA_{mp}$  was higher in High Growth Companies (75%) and Gazelles (71.5%) than in the total companies with 10 or more employees (65.6%). Personnel costs by person employed and apparent labour productivity were lower on these subsets of companies.

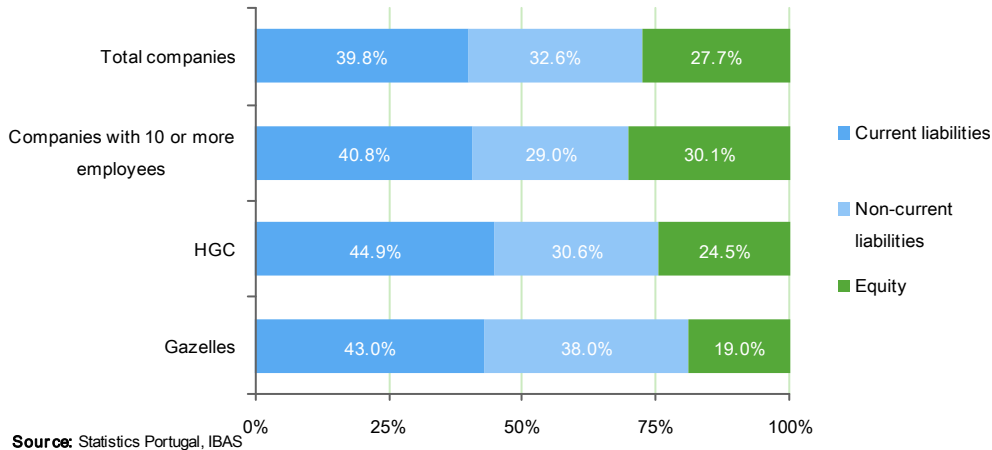
According to the turnover growth criterion conclusions are different, being observed a lower weight of personnel costs in  $GVA_{mp}$  (58.4%) and a higher apparent labour productivity in HGC.

**Figure 11 - Personnel costs per person employed and as percentage of the GVA<sub>mp</sub> and apparent labour productivity of companies (2012)**



In 2012, the weight of debt was higher in High Growth Companies (75.4%) and particularly in Gazelles, where the lowest weight of equity was observed (19.0%).

**Figure 12 - Financial structure of companies (2012)**



**High Growth Companies have invested 18 times more in R&D**

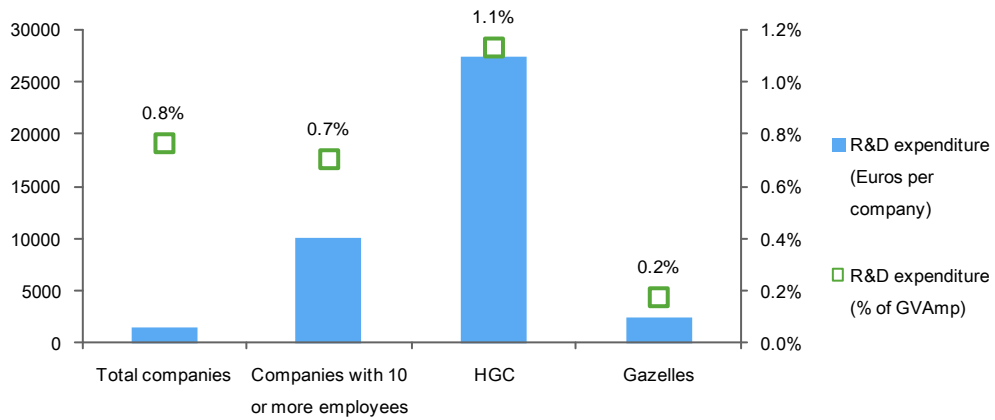
High Growth Companies' investment in R&D was well above the average expenditure of the total companies, having spent

over 25 thousand Euros per company in 2012 (1.1% of these companies' GVA<sub>mp</sub>).

The subset of Gazelles, companies up to 5 years old, had a much lower average investment in R&D (0.2% of the GVA<sub>mp</sub>).



**Figure 13 - R&D expenditure per company and as percentage of GVA<sub>mp</sub> (2012)**



Source: Statistics Portugal, IBAS

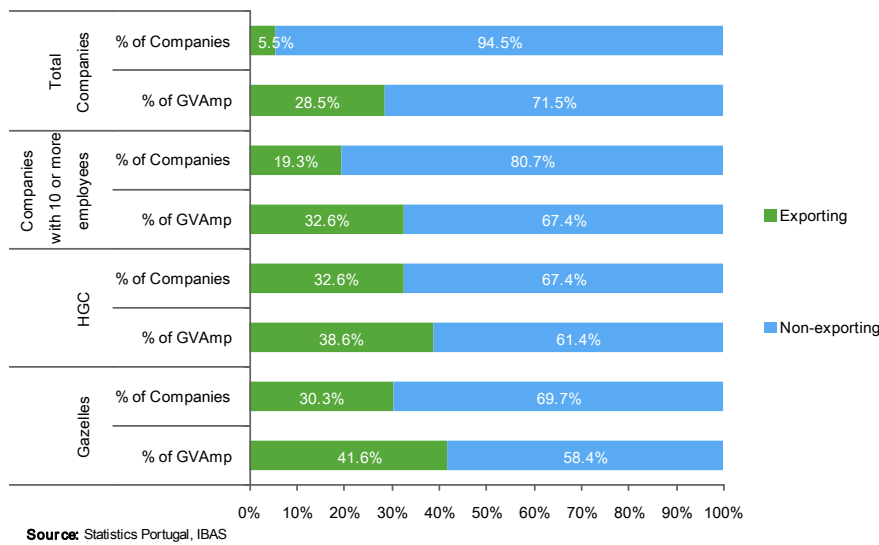
**High Growth Companies were more exporting**

Over 30% of High Growth Companies and Gazelles exported goods and services in 2012, well above the 5.5% of the total

companies or the 19.3% of total companies with 10 or more employees.

Exporting companies generated 38.6% of the High Growth Companies' GVA<sub>mp</sub> and 41.6% of the Gazelles'.

**Figure 14 - Exporting profile of companies (2012)**



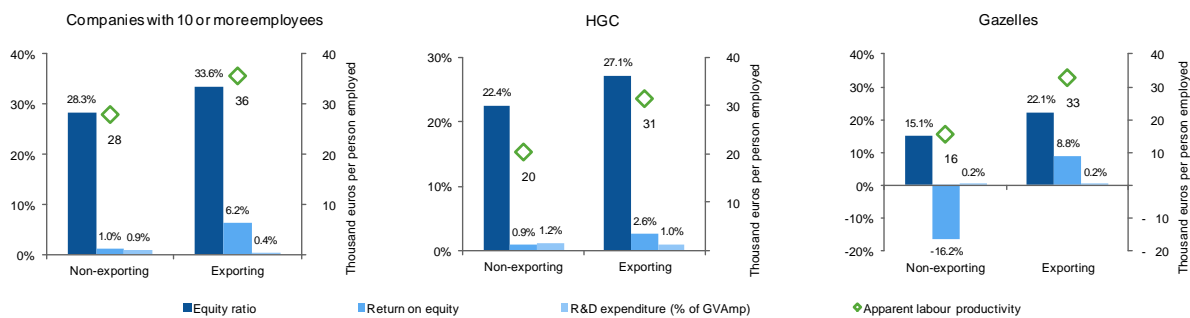
Source: Statistics Portugal, IBAS

The analysis of economic and financial ratios indicated a better performance of exporting companies comparing to non-exporting companies. The equity ratio and return on equity were higher on exporting companies. Emphasis should be given to the gap in the return on equity ratio between exporting and non-exporting Gazelles. Apparent labour productivity was likewise higher in exporting than in non-

exporting companies, with HGC and Gazelles having the largest differentials (about 11 and 17 thousand Euros per person employed, respectively).

Research and Development costs as a percentage of GVA<sub>mp</sub> were slightly lower (0.2 p.p.) in exporting HGC than in non-exporting HGC, following the trend of total companies with 10 or more employees.

**Figure 15 - Economic and financial ratios by exporting profile of companies (2012)**



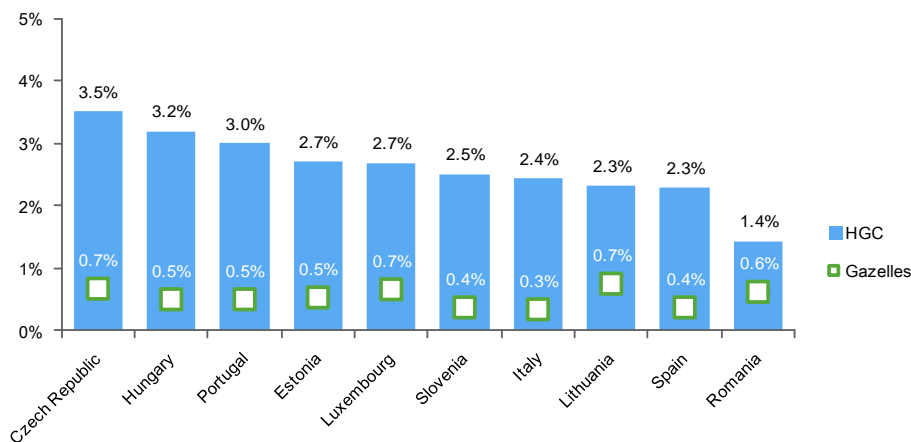
Source: Statistics Portugal, IBAS

### 3. INTERNATIONAL COMPARISON

Only for countries where information was available, Gazelles corresponded to less than 1% of the total enterprises with 10 or more employees in 2010.

In Portugal, the share of HGC in the total enterprises with 10 or more employees was 3.0%, only below Czech Republic (3.5%) and Hungary (3.2%).

**Figure 16 - Share of HGC and Gazelles in the total companies with 10 or more employees (2010)**



Source: Eurostat

#### For more information check:

##### Statistical data:

- [Enterprises by geographic localization, economic activity and legal form](#)
- [Employees in enterprises by economic activity and legal form](#)
- [Gross value added of enterprises by economic activity and legal form](#)
- [Personnel expenses of enterprises by economic activity and legal form](#)
- [Equity of enterprises by economic activity and legal form](#)
- [Net profit of the period of enterprises by economic activity and legal form](#)
- [Enterprises with mostly foreign capital by economic activity](#)
- [Proportion of enterprises with mostly foreign capital by economic activity](#)
- [Proportion of gross value added of enterprises with mostly foreign capital by economic activity](#)

##### Press Releases:

- [Foreign Affiliates in Portugal - 2011](#)
- [Entrepreneurship in Portugal-Business Demography Indicators - 2004 - 2007](#)

##### Publications:

- [Enterprises in Portugal - 2012](#)

## Methodological note:

Statistics Portugal (INE) disseminates the main statistical findings characterizing the structure and evolution of High Growth Companies and Young High Growth Companies ("Gazelles") in Portugal between 2009 and 2012.

In the current economic environment, where high company birth rates do not always result in equally high growths, it is increasingly important to pay attention to companies that grow on an annual average of 20% over a 3 year period. These companies, whose growth can be measured in terms of number of employees or turnover, are named High Growth Companies.

The disseminated statistical data was obtained from the Integrated Business Accounts System (IBAS), which results from a business statistics integration process, based on administrative data, with a focus on the Simplified Business Information (IES).

In this study, only companies from section A to S (except K and O) of NACE-Rev.2 were considered.

## Main concepts and definitions:

**High Growth Companies:** Companies with an average annual growth, over a three year period, higher than 20%. This growth can be measured by number of employees or turnover.

**Young High Growth Companies ("Gazelles"):** Companies up to 5 years old, with an average annual growth, over a three year period, higher than 20%. This growth can be measured by number of employees or turnover.

**Exporting company:** Companies that exported goods and services and comply with the following criteria:

- Companies where at least 50% of the turnover originates in exports of goods and/or services or,
- Companies where at least 10% of the turnover originates in exports of goods and/or services and the total value of exports exceeds 150.000€.

## Economic and financial ratios:

**Apparent labour productivity** =  $GVA_{cf} / \text{Number of persons employed}$

**Average size of companies** =  $\text{Number of persons employed} / \text{Number of companies}$

**Equity Ratio** =  $\text{Shareholder's equity} / \text{Assets}$

**Personnel costs per person employed** =  $\text{Personnel costs} / \text{Number of persons employed}$

**Personnel costs weight on  $GVA_{mp}$**  =  $\text{Personnel costs} / GVA_{mp} * 100$

**R&D expenditure as percentage of  $GVA_{mp}$**  =  $\text{R\&D expenditure} / GVA_{mp} * 100$

**Return on Equity** =  $\text{Net profit} / \text{Equity} * 100$

## Acronyms:

**$GVA_{cf}$** : Gross value added (cost of factors)

**$GVA_{mp}$** : Gross value added (market prices)

**HGC**: High Growth Companies

**IBAS**: Integrated Business Accounts System

**IFATS**: Inward Foreign Affiliates

**p.p.**: Percentage points

**R&D**: Research and development