



How SME Acquisitions Are Financed in Europe

Past, Present & Future

***Brought to you by Archimax, supporting entrepreneurs
and companies buying and scaling SMEs across Europe.***

What every entrepreneur, investor, and advisor needs to know, from bank loans to earn-outs and beyond.

Keep scrolling to discover the financing strategies that are reshaping the European SME acquisition landscape.

The Pre-2020 Era: When Debt Was King



High Leverage Environment

Up to 90% loan-to-value ratios were common in several European markets, making bank financing the dominant acquisition tool.



Attractive Interest Rates

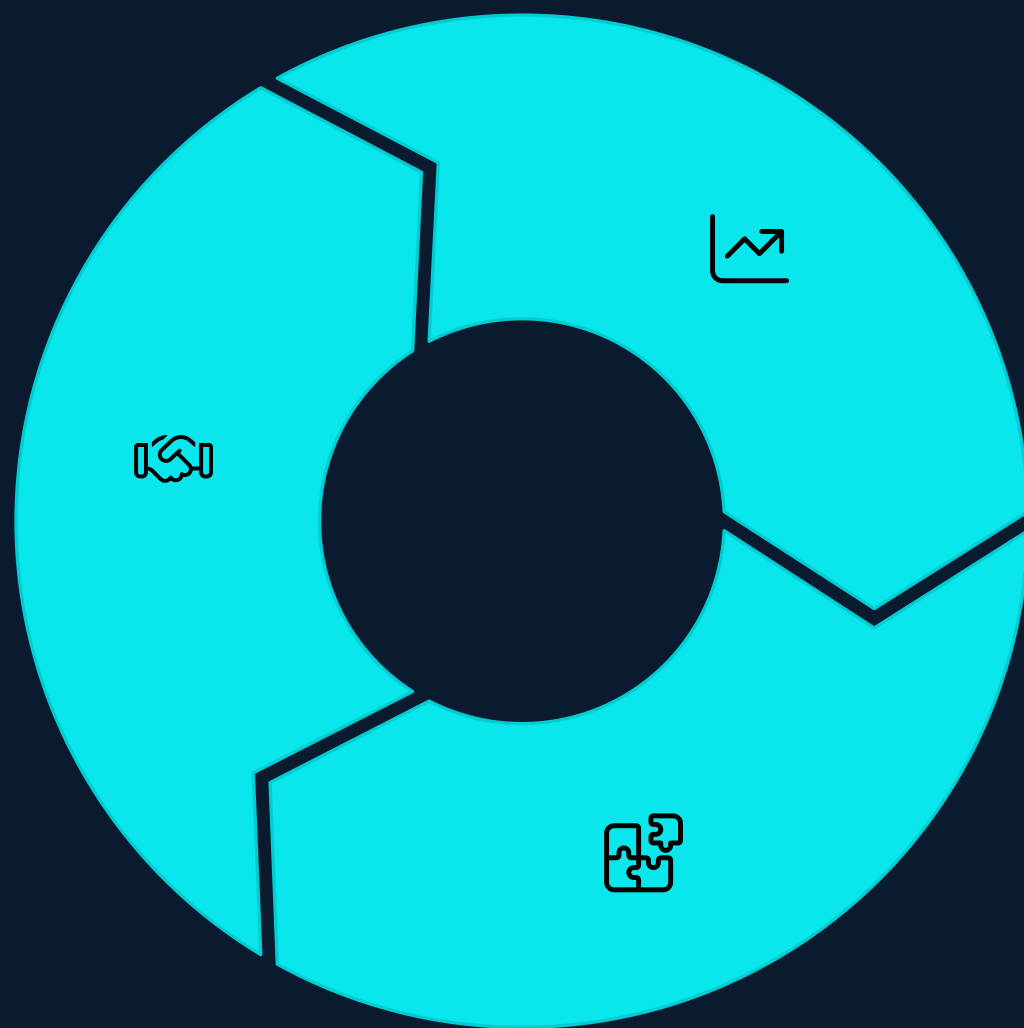
With rates below 5%, leveraged acquisitions offered compelling returns for buyers across the continent.



Government Support

Institutions like KfW (Germany) and Bpifrance (France) actively supported SME lending with guarantees and subsidized rates.

Seller Financing: The Reliable Backstop



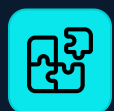
Deal Enabler

10–30% of transaction prices typically carried via seller notes



Higher Returns

Interest rates historically above bank loans, benefiting sellers



Gap Bridger

Effectively addressed valuation gaps to close otherwise stalled deals

Seller financing has always been a cornerstone of European SME transactions, particularly for deals under €5 million where banking relationships might be less established or bank appetite more limited.

2023–2025: The Era of Creative Deal Structures



Expensive Debt

Bank loans now typically exceed 6–9% interest



Financing Gap

Seller notes and earn-outs filling the void

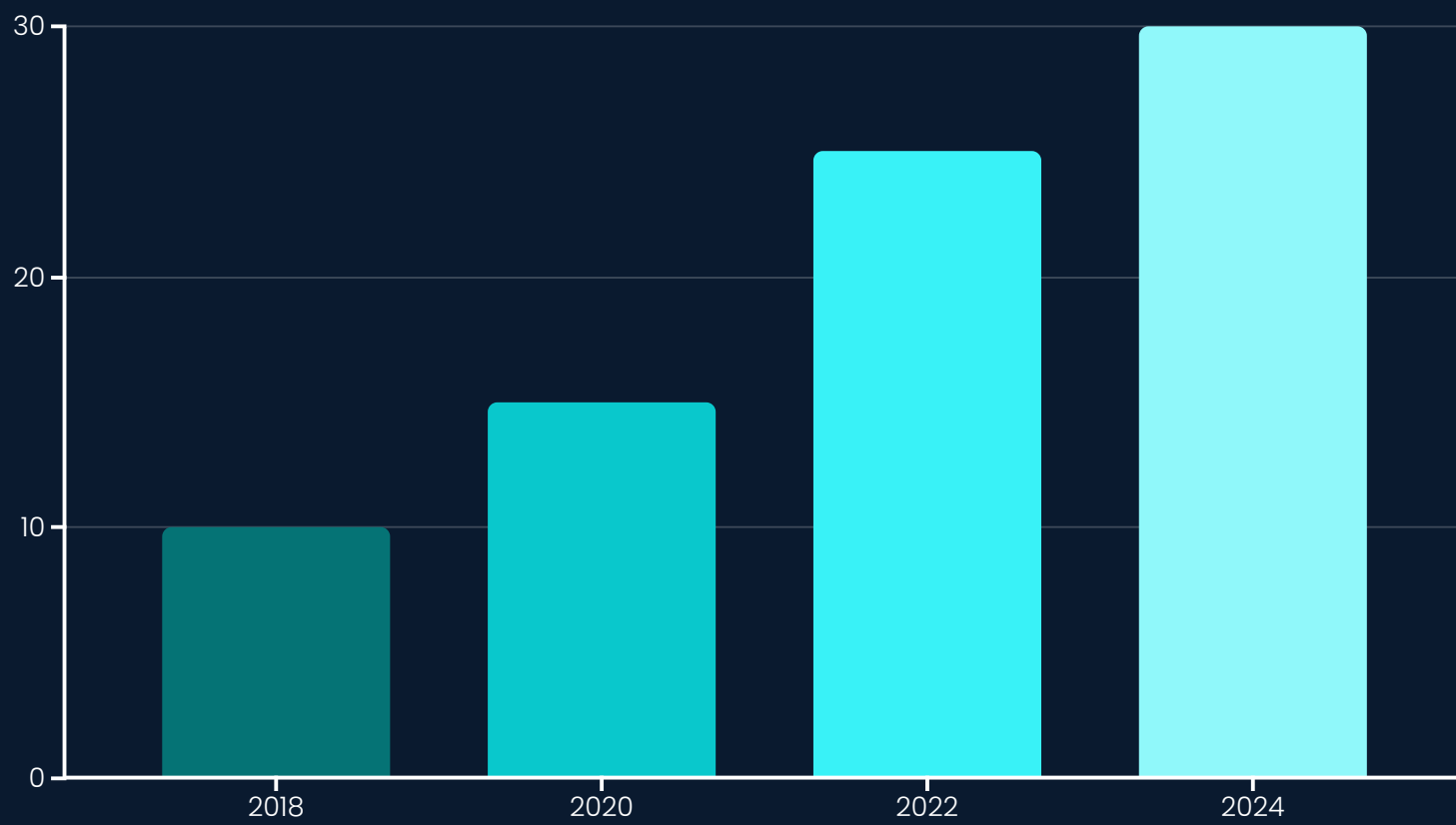


Stacked Deals

Combination of debt, equity, and deferred payments

The high interest rate environment has fundamentally transformed how European SME acquisitions are structured, with all-cash closings becoming increasingly rare.

Earn-Outs: From Exception to Expectation



Risk Mitigation

Commonly deployed when future performance is uncertain, giving buyers increased confidence



Structured Incentives

Typically span 1-3 years with payments tied to revenue or EBITDA targets

Earn-out usage has tripled in many European markets, becoming a mainstream component of acquisition financing strategy.

Seller Notes: The New Standard

Substantial Portion

10–20% of purchase prices now typically financed by sellers directly, unlocking deals that would otherwise stall

Competitive Rates

In today's high-rate environment, some seller notes are structured below bank rates to facilitate closings

Buyer Advantage

This trend has created a material advantage for buyers who can negotiate favourable seller financing terms

What was once considered a bonus element in deal structures has become an expected component of nearly every European SME acquisition.

Equity Rollovers: Keeping Sellers in the Game

57%

PE-Backed Deals

Percentage of private equity SME acquisitions using equity rollovers in 2023

10–20%

Retained Ownership

Typical equity percentage sellers maintain post-acquisition

3–5 yrs

Involvement Period

Average duration sellers remain actively engaged post-transaction

Equity rollovers have surged beyond traditional private equity deals to become common even in individual buyer transactions. This approach creates alignment between buyer and seller while reducing upfront capital requirements.

Alternative Financing Solutions on the Rise



Private Capital

Private debt funds and revenue-based lenders stepping in where traditional banks have retreated



UK Growth Guarantee

The UK's Growth Guarantee Scheme has replaced the Recovery Loan Scheme, supporting acquisitions nationwide



Continental Support

Bpifrance and KfW remain vital players in France and Germany respectively, with dedicated acquisition programmes

As traditional banking becomes more restrictive, a diverse ecosystem of alternative financing options has emerged to support European SME acquisitions.

Search Funds: The Emerging Force



UK Leadership

The United Kingdom has emerged as Europe's search fund capital, with London-based funds acquiring businesses across the region



Spanish Growth

Spain has seen remarkable search fund adoption, particularly in Madrid and Barcelona's business services sectors

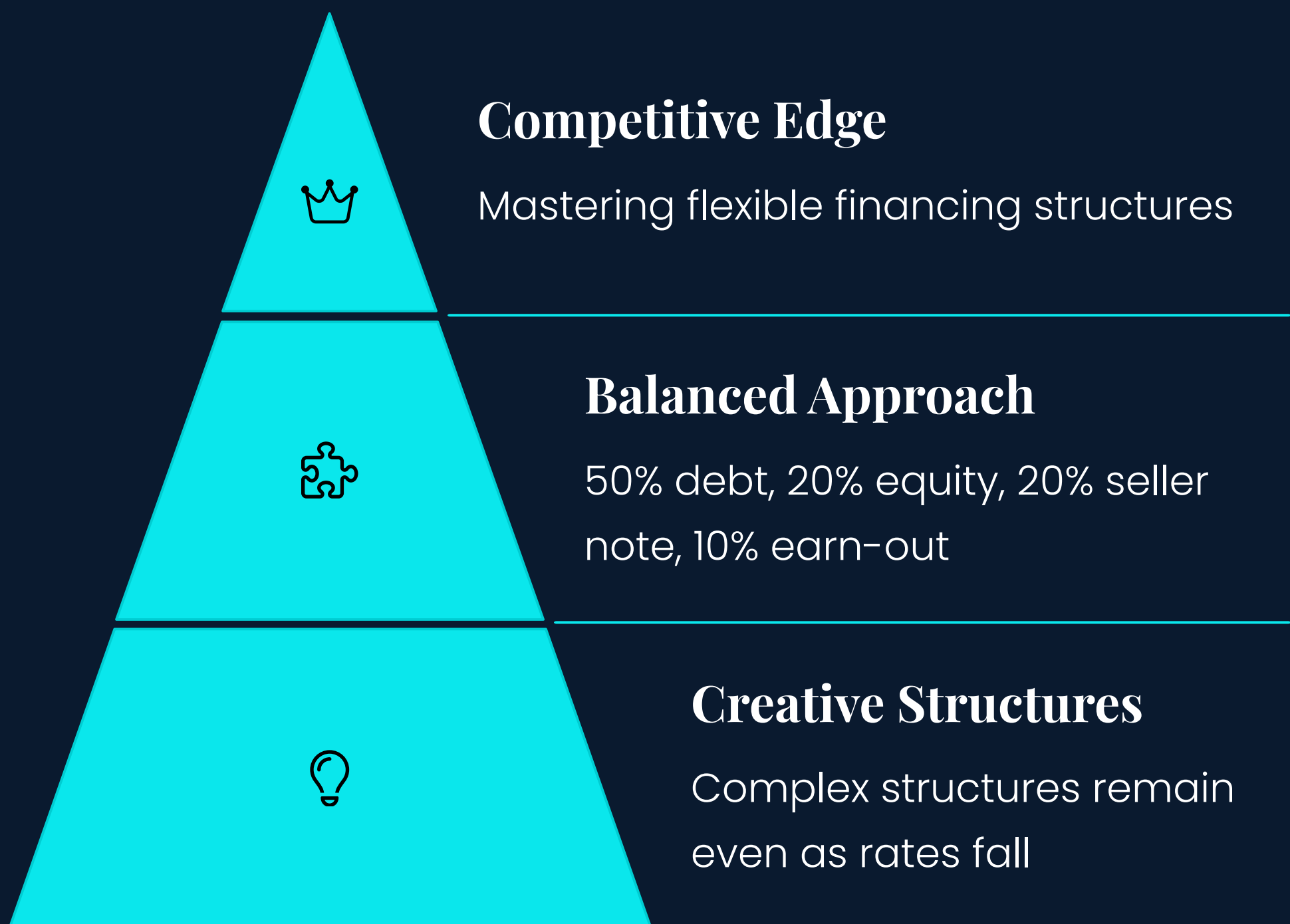


French Momentum

France's entrepreneurial ecosystem has embraced the search fund model with strong institutional backing

The typical European search fund structure combines approximately 50% debt, 25% equity, 15% seller note, and 10% earn-out, blending institutional capital with entrepreneurial drive.

Future Outlook: Hybrid Structures Win



While interest rates may eventually decrease, the creative financing structures that have evolved during this high-rate environment are likely to persist. Buyers who can navigate these complex arrangements will maintain a significant advantage in competitive acquisition processes.

Entrepreneur's Acquisition Playbook for 2025



Build a Financing Stack

Combine bank financing, seller participation, equity investors, and performance-based earn-outs for maximum flexibility



Negotiate Creatively

Focus on structure, not just price, as the key to unlocking value in challenging transactions



Leverage Local Resources

Know your country's support programmes (KfW, Bpifrance, EIF, UK schemes) and how to access them effectively

Successful entrepreneurs will approach acquisitions with multiple financing options, understanding that flexibility and creativity in structuring will often determine which deals close successfully.

Archimax supports acquisition entrepreneurs and companies through strategic advisory, capital structuring, and post-acquisition growth.

Stay Ahead of the Financing Curve



Master Deal Structures

Develop expertise in creative financing arrangements that address both buyer and seller priorities effectively



Build Trust

Cultivate genuine relationships with sellers to facilitate more complex, trust-dependent financing structures



Capital Stacking

Combine multiple financing sources effectively while managing the complexity of stakeholder relationships

The European SME acquisition finance landscape continues to evolve rapidly. Those who can navigate its complexities while building trust-based relationships will find tremendous opportunities in this dynamic market.

Master European SME Acquisition Financing

The European SME acquisition landscape is transforming with hybrid financing structures becoming increasingly essential. Whether you're an entrepreneur, investor, or advisor, staying informed about these financing trends is crucial for your success.

Follow for more insights on SME acquisition trends, financing strategies, and market intelligence. Tag someone who could benefit from understanding these European financing dynamics!



Let's Talk About Your Acquisition Journey

Ready to acquire a business or support someone who is, with a full strategic partner at your side?

From origination
to deal execution
to post acquisition growth,

Archimax provides advisory services tailored for acquisition entrepreneurs and companies looking to buy and grow through acquisition.

Let's build something enduring.

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