



# EU Equity Financial Instruments for Financial Intermediaries

23 March 2018, Lisbon



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European Investment Fund



# What is the EIF?



We provide risk financing to stimulate entrepreneurship and innovation in Europe



## OBJECTIVE

To support **smart, sustainable** and **inclusive** growth for the benefit of European SMEs

## HOW

By offering a wide range of **targeted products** to support SMEs and mid-caps, ranging from venture capital to guarantees and microfinance

## WHERE

Working with financial intermediaries across the **EU-28 and EFTA countries, candidate and potential candidate countries**

# EIF in a nutshell



// We are a value-driven institution with over 440 staff, committed to EU policy objectives and financial sustainability.



## Shareholders

59.9% EIB  
28.1% EU/EC  
12.0% by 29 public and private financial institutions (FIs)

## Strong capital base

of EUR 4.5bn

## AAA-rated

by the three major rating agencies

## Over 20 years

of market experience in SME financing

# EIF is the largest fund-of-funds investor in European VC, who explores way to reach new intermediaries



*In 2017 ca. €1.6bn committed to 50+ VC funds in Europe, in most cases as a first closing cornerstone investor*



20 years on European VC market

Invested in 300+ VC funds holding 4000+ portfolio companies

More than 170+ VC fund manager relationships

Over €5bn Outstanding Equity Investments in European Venture Capital funds

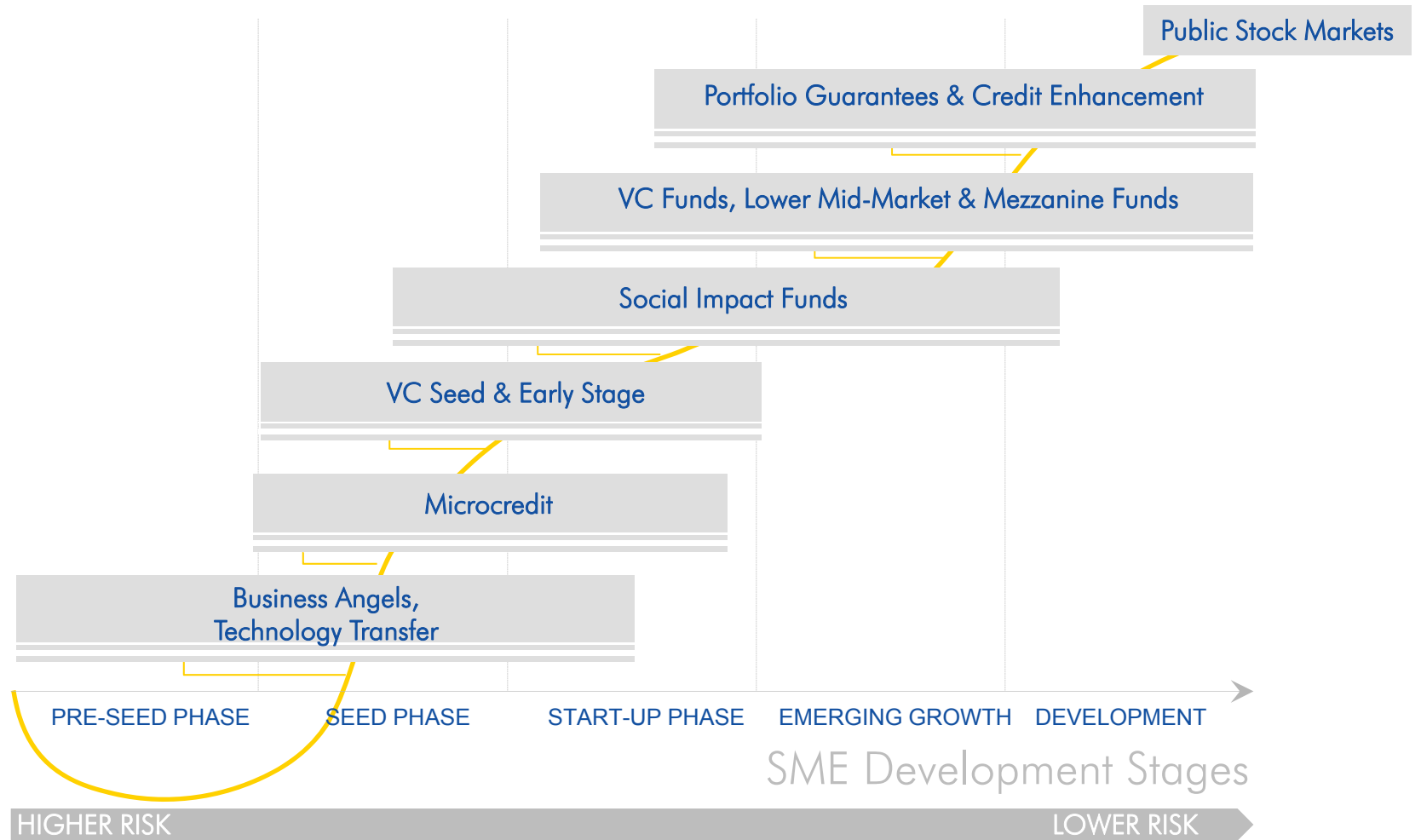
Manager of various fund-of-fund mandates

Country dedicated initiatives and program

First mover in Europe's emerging markets and technology sectors

Reinventing itself to work with new intermediaries, incl. BAs and Family Offices

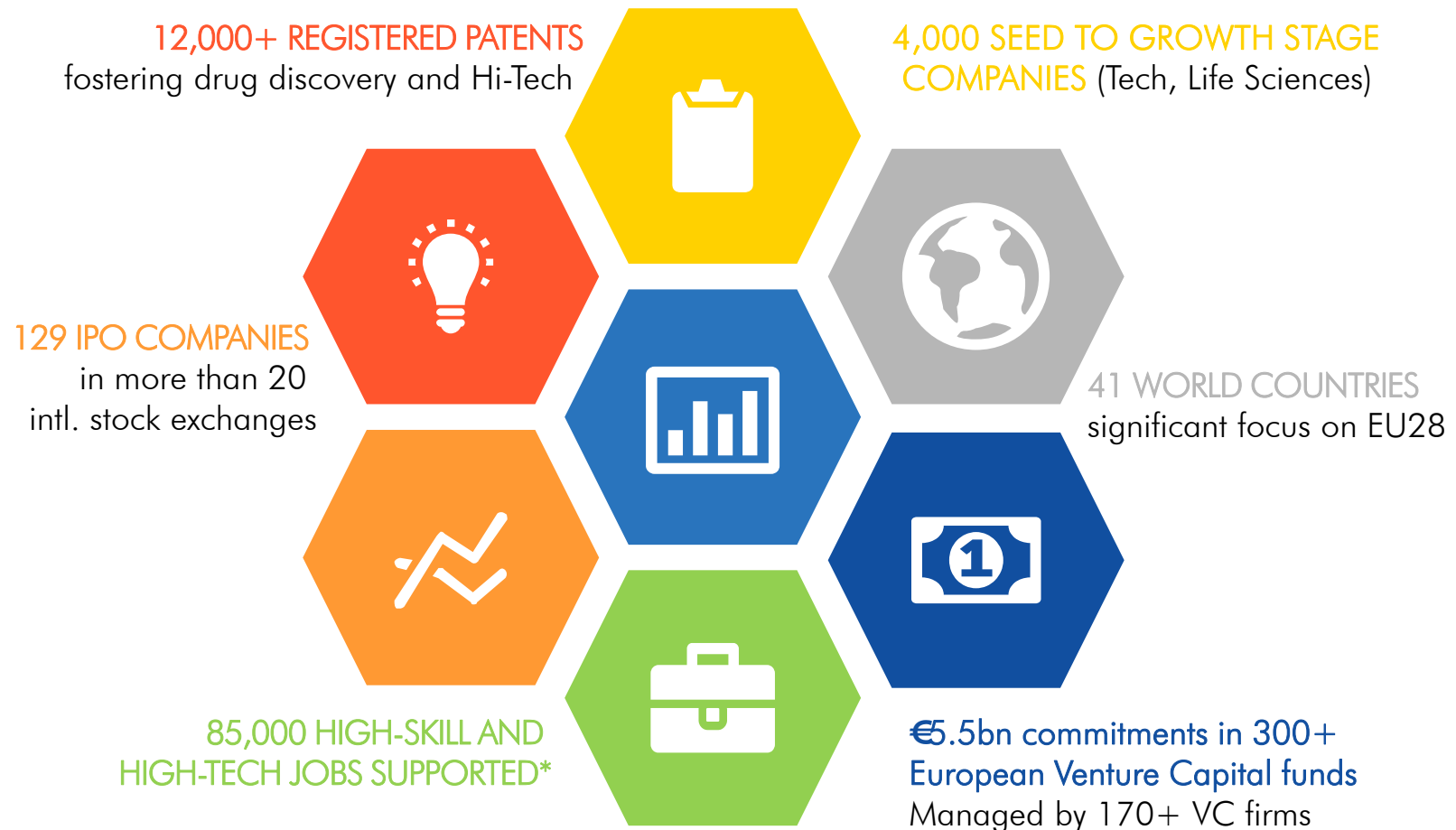
# EIF helps businesses at every stage of their development



# EIF in the equity space



“Europe’s largest and most influential investor in European Venture Capital”



\* Data subject to review and change



European Equity Instruments for  
R+D and social landscape

# EFSI

## Expansion & Growth Window



Focus on expansion and growth stage

Deployment with InnovFin in multi-stage investments

Type of FIs: funds, FoFs, co-investment scheme, SPV...

EU28

EIF co-investment 5% + other resources, excluding COSME

Demand-driven + thematic investments

Max commitment: €50m\*

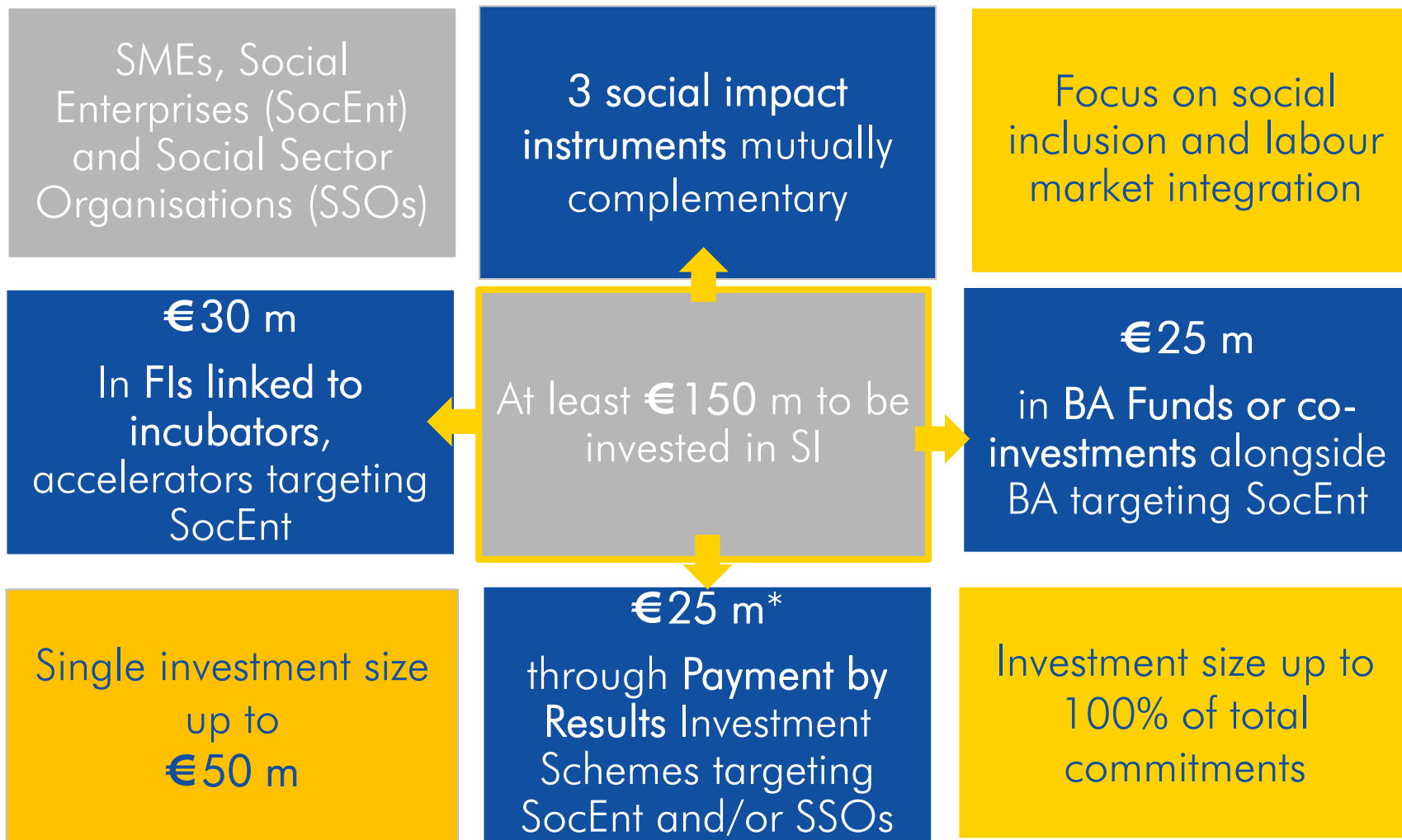
2X – 2/3 rule  
Eligible beneficiaries: SMEs, small mid-caps, social enterprises

$7.5\% \leq \text{ticket size} \leq 25\%^{**}$  of % target final recipients



# EFSI

## Social Impact



\*Only through the Expansion and Growth Stage Window



## New tools for impact investing

Investments in/alongside intermediaries linked to incubators/accelerators targeting social enterprises

Investments in business angels funds or co-investments alongside business angels targeting social enterprises

Payment by Results investment schemes targeting social sector organizations at large

Since 2014, 9 social impact fund investments EUR 95m committed

Impact Ventures UK

social impact  
ventures NL

PhiTrust

ANANDA  
SOCIAL VENTURE FUND

BONVENTURE

IMPACT  
PARTENAIRES

CITIZEN  
CAPITAL

Oltre  
VENTURE

# COSME EFG



Investment funds/vehicles, private equity funds

Focus on companies in their expansion & growth phase

Sector generalist

Pari-passu, at least 30% investment from private investors

Investment size up to EUR 30m  
Up to 25% of total commitments

Associated Countries: EU 28, Iceland, Montenegro, Turkey, FYROM, Albania, Serbia

Average ticket €11m, average commitment 9%, average target fund size €120m\*

12 operations signed since inception, 5 operation approved to be signed\*

Addressing Multi-stage funds with InnovFin SME VC (single Call for EI)

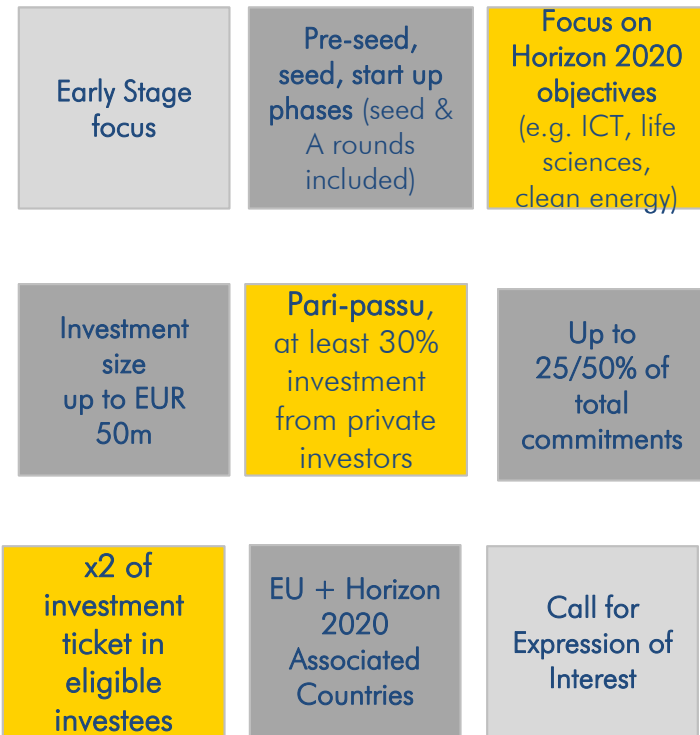
*\*reflecting implementation figures as of Nov 2017*



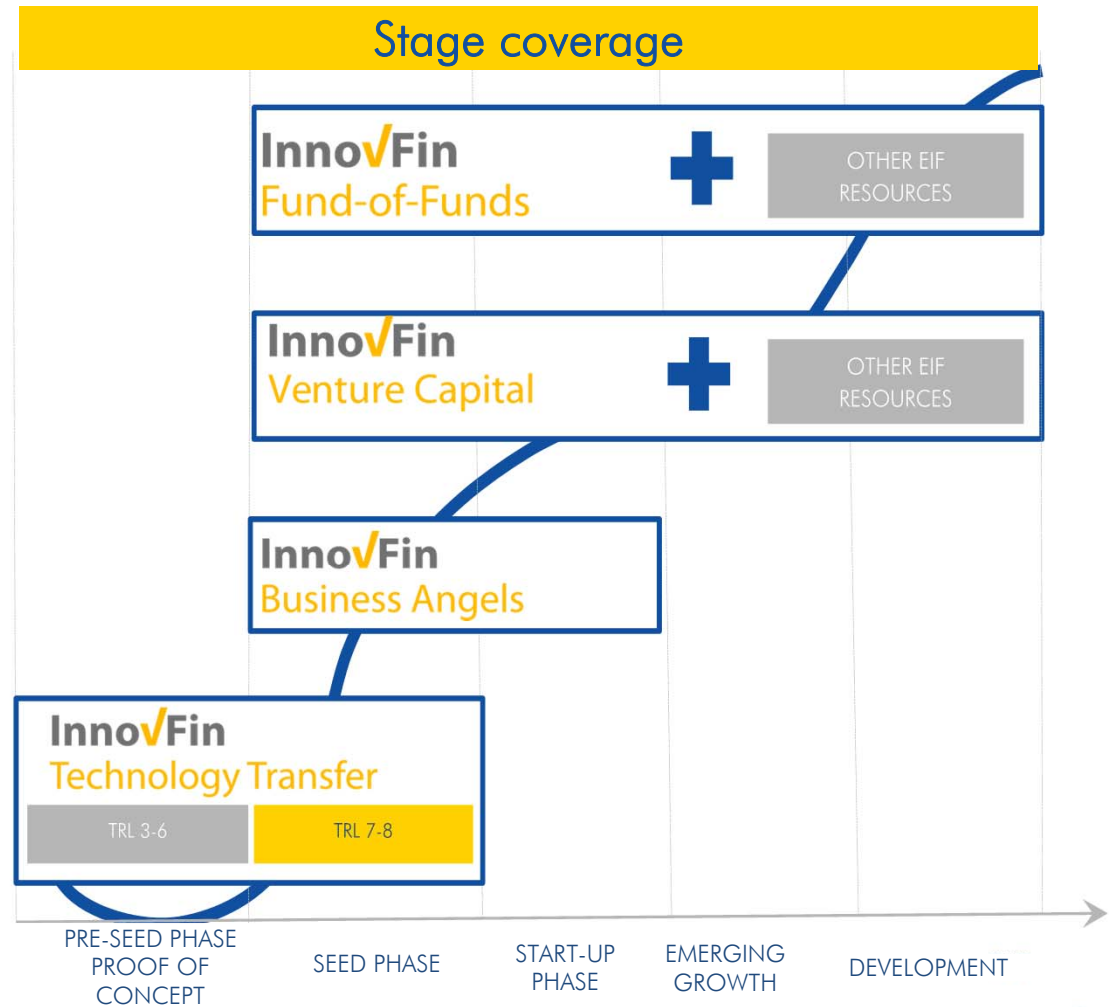
# InnovFin Equity



## Basic features



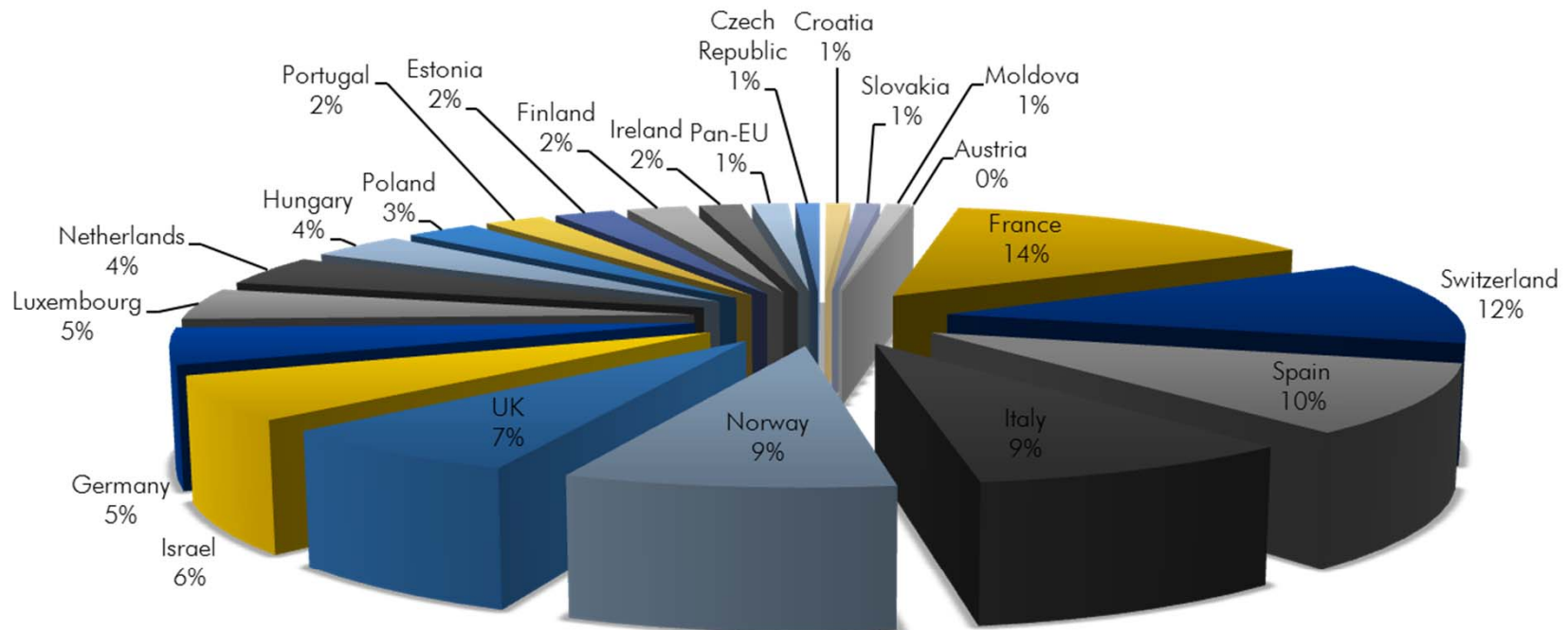
## Stage coverage



# InnovFin Equity implementation status\*



## InnovFin - portfolio and pipeline by fund location



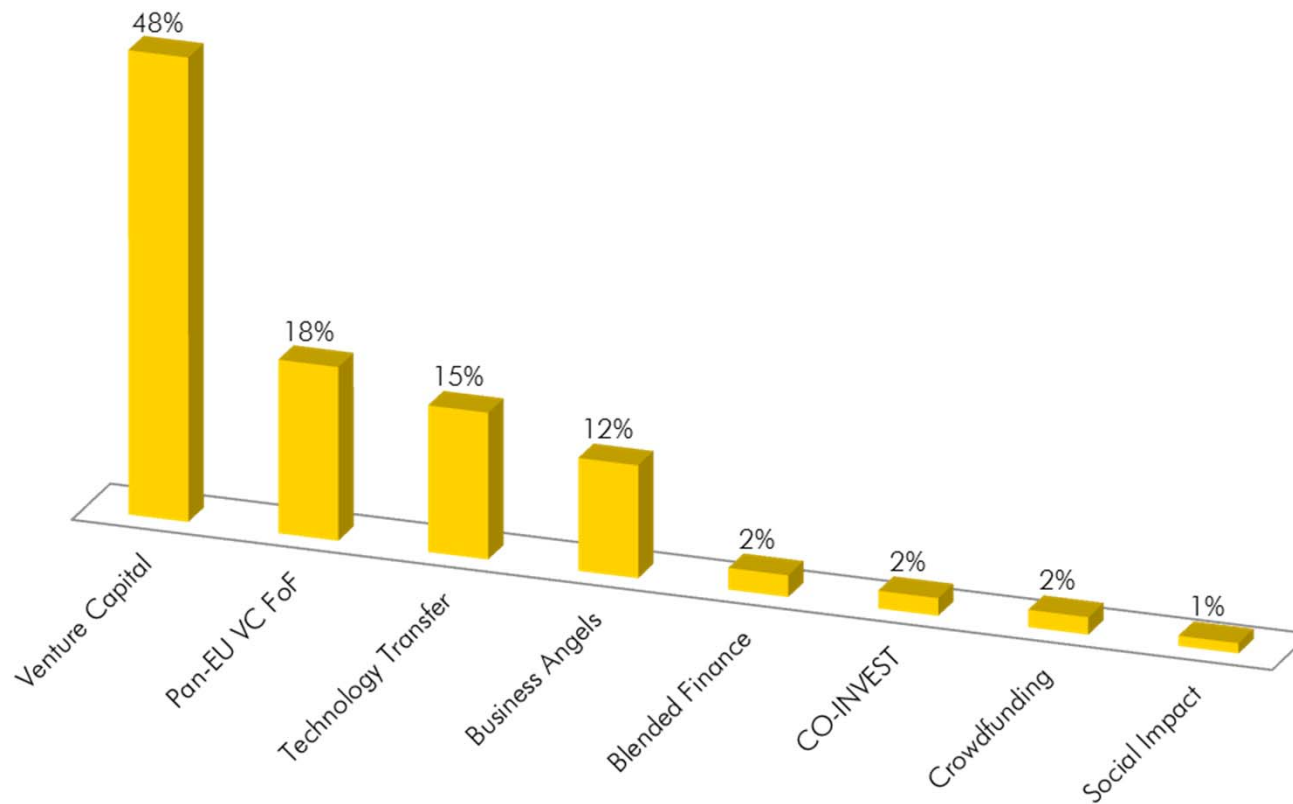
\* figures at 20/03/2018

# InnovFin Equity

implementation status



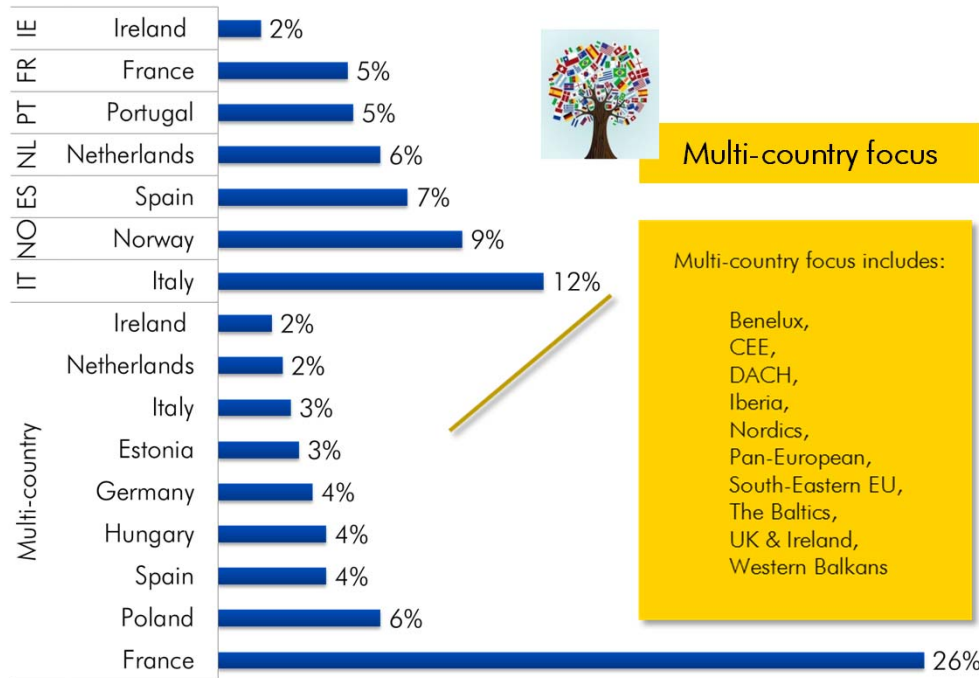
InnovFin – pipeline & portfolio type of funds



\* figures at 20/03/2018

# InnovFin Equity – where we stand

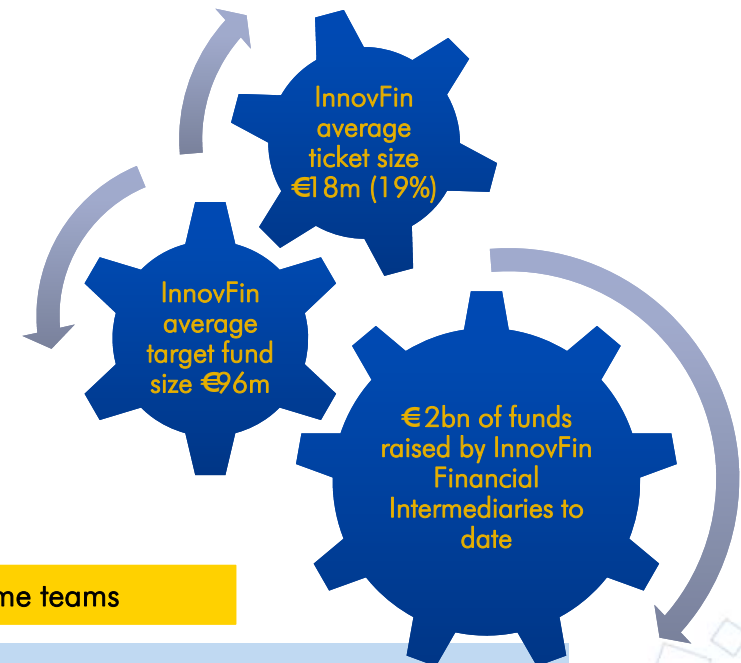
## implementation status \*



28 funds signed at €495m of commitments



Catalytic – 75% first closings



Pipeline & portfolio: c.58 funds for €1,045m exp. commitments



35% First time teams

\* figures at 20/03/2018

# EU Equity financial intermediaries\*



\* A sample of operations signed as of 20/03/2018





# InnovFin Venture capital and InnovFin Fund-of-Funds

# InnovFin VC



Early stage focused  
Venture capital funds  
and co-investment  
funds

Available also for first-  
time or emerging  
investment teams

Investment size  
typically up to 25%,  
but not higher than  
50% of total  
commitments

Open to multi-stage  
strategies  
(combining other EIF's  
managed resources)

**InnovFin**  
**Venture Capital**

Focus on one or more  
H2020 sectors

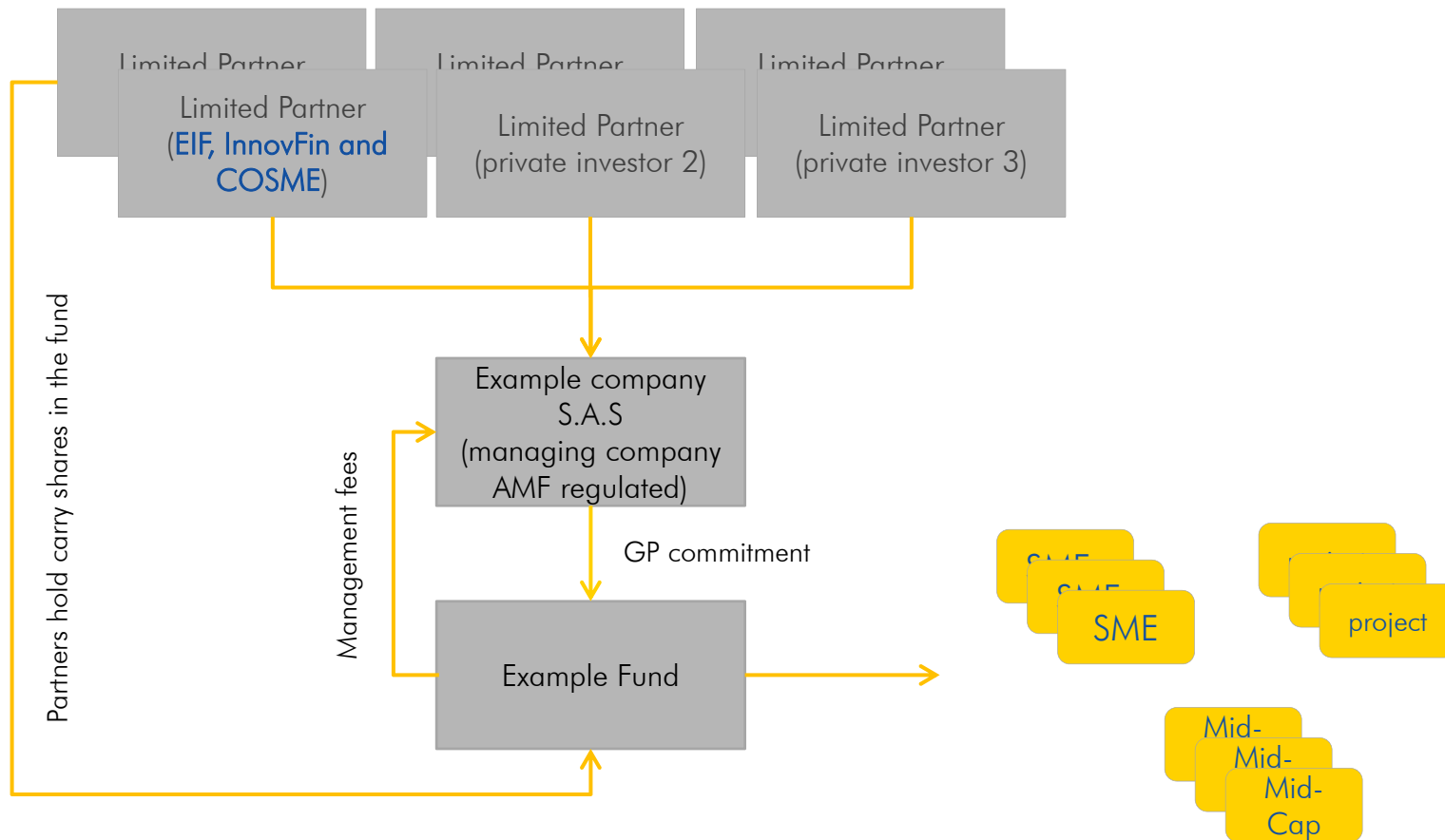
Seed stage and series  
A rounds, series B on  
case by case basis

First closing preferred,  
other closings if  
catalytic

Investment size up to  
EUR 50 million

# InnovFin VC

multi-stage VC fund using COSME EFG and InnovFin Equity



# InnovFin FoFs



FoF targets at least 4 countries (EU and/or H2020 Associated Countries)

Commitments to venture fund-of-funds

Investment size up to EUR 50 million (typically up to 25% of total FoF's commitments)

Investee funds should focus on H2020 sectors

**InnovFin**  
Fund-of-Funds

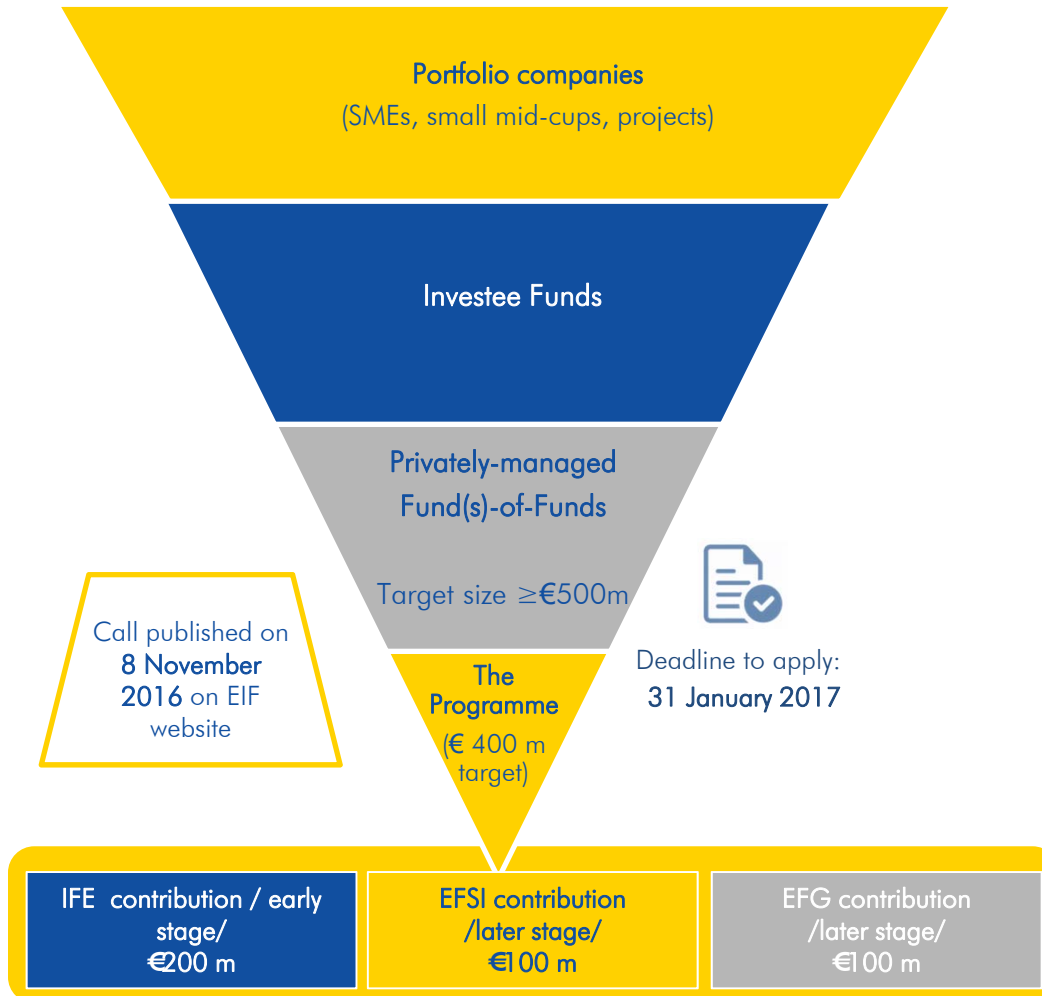
Investee FMs established or operating in EU or H2020 Associated Countries

At least 50% aggregate investee funds investable amounts to be placed in EU

Open to multi-stage strategies with significant (>30%) early stage allocation

Effective & transparent FoF governance

# Pan-European VC Fund(s)-of-Funds Programme



- One or more **privately-managed pan-EU VC Fund(s)-of-Funds** each with target fund size  $\geq$ €500m
  - With **broad geographical scope**
  - Mobilising majority of commitments from **independent private investors**
- EIF can commit **up to 25% of the aggregate commitment** to any single FoF, but  $\leq$  €300 m
- Companies:  $\geq$ 50% in EU and  $\geq$  30% **early stage**
- **Pro-rata** from InnovFin Equity, EFSI Expansion and Growth Window and COSME EFG depending on stage focus of the FoF
- **Joint evaluation of investment proposals** by EC (policy fit) and EIF (own investment process + FoF ranking).
- **17 applications received.** Expected public announcement and first signature in coming weeks.

# InnovFin Technology Transfer



Promotion of IP,  
licensing, spin offs,  
spin-outs

Pre-seed and seed  
funds, including  
affiliated with TTOs,  
ROs, HEIs

Open to Proof of  
Concept pockets

Investment size up to  
50% of total  
commitments

**InnovFin**  
Technology Transfer

Investment size up to  
EUR 50 million

TRL 3-8

At least 30% of fund  
from private investors

SMEs, JVs, projects

# InnovFin TT

## implementation status



- InnovFin TT is the second largest InnovFin Equity product comprising **10 technology transfer funds** in its pipeline and portfolio, out of which **7** have already been signed:
- TT target amount of EUR 80m set at programs' inception **have doubled to date with currently ~ €170 m** estimated to be committed.
- New deals encompass investments in the riskiest early stage phases - **Proof-of-Concept and pre-seed investments**.
- InnovFin TT is allowing EIF to strengthen and consolidate important alliances with new type of financial intermediaries such as funds linked or cooperating with **EU Research Technological Organisations**.

# Key success factors

long-term, sustainable vehicles with like-minded investors

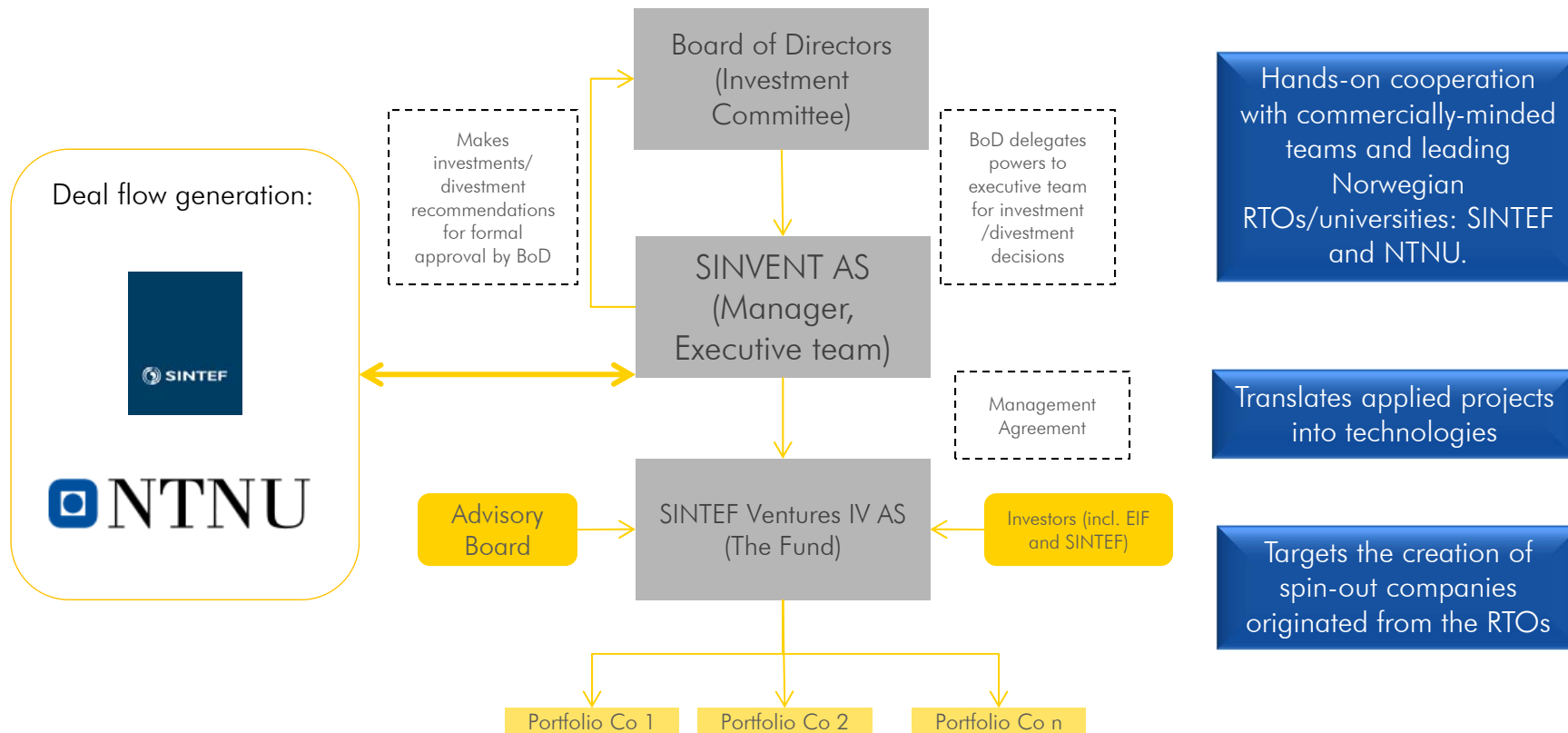


- ✓ Close collaboration of investment vehicle with TTO
- ✓ Access to good science
- ✓ IP adequately protected under relevant legislation
- ✓ No direct financing of research
- ✓ Governance - no investor involvement in investment decisions
- ✓ Independence and non-competition of management team
- ✓ Adequate incentives to management team
- ✓ Alignment of interests with long-term focus, up to 15-20yrs
- ✓ Min critical size ca. EUR 30m. Typically, EIF can take up to 50%

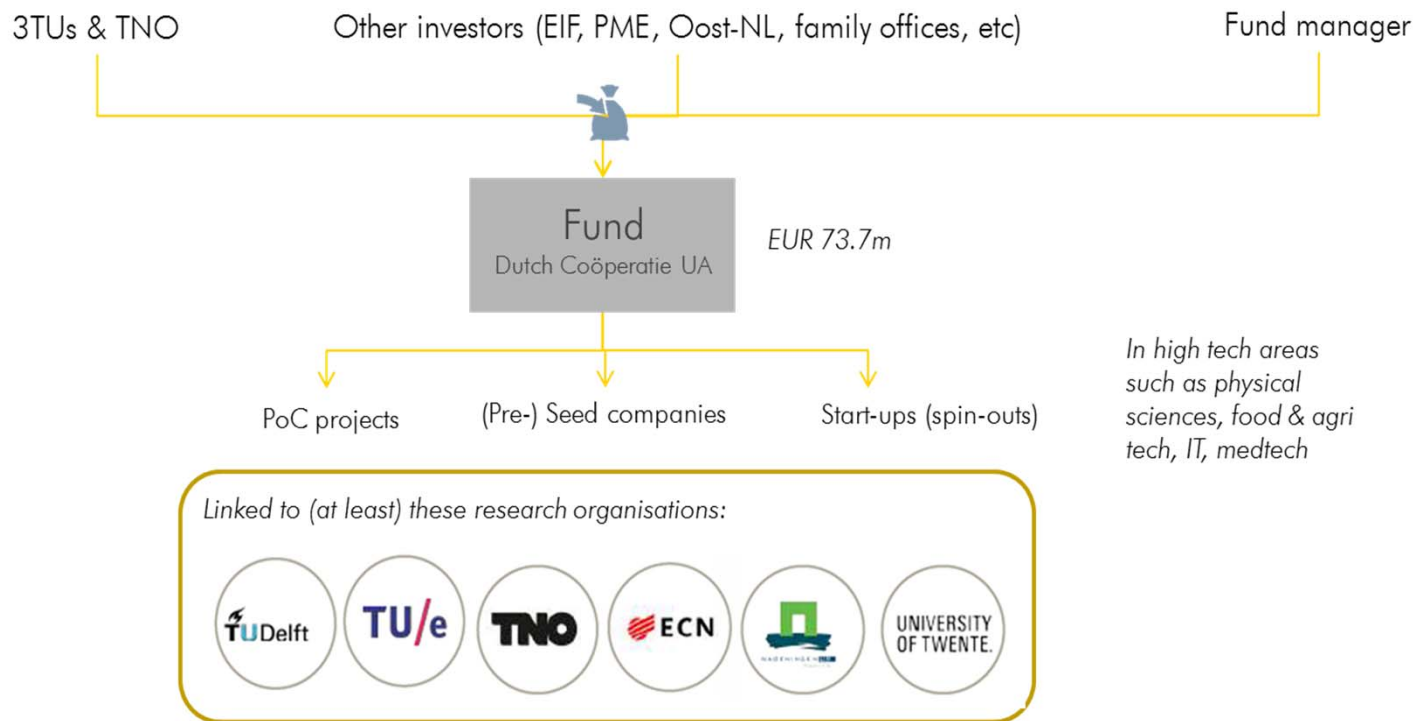


# SINTEF Venture (NO)

- a captive independently managed fund



# Innovation Industries Fund Cooperatief U.A. (NL) – independent fund linked to multi ROs



*In high tech areas  
such as physical  
sciences, food & agri  
tech, IT, medtech*

Partnership with the top technical universities and applied ROs in the NL and their respective TTOs or incubators

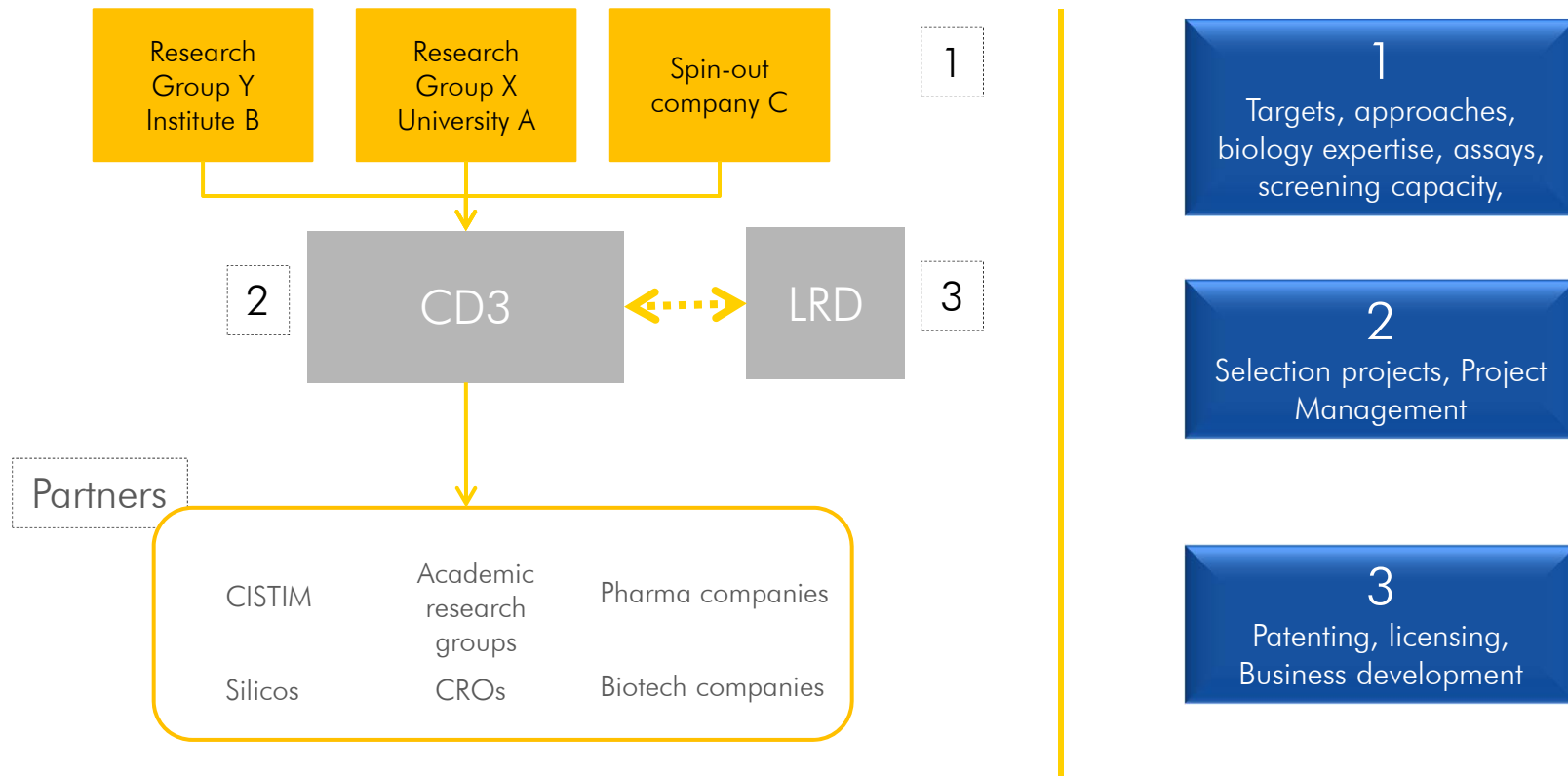
availability of a PoC window for testing new concepts.

converting the output of research to commercialisable products

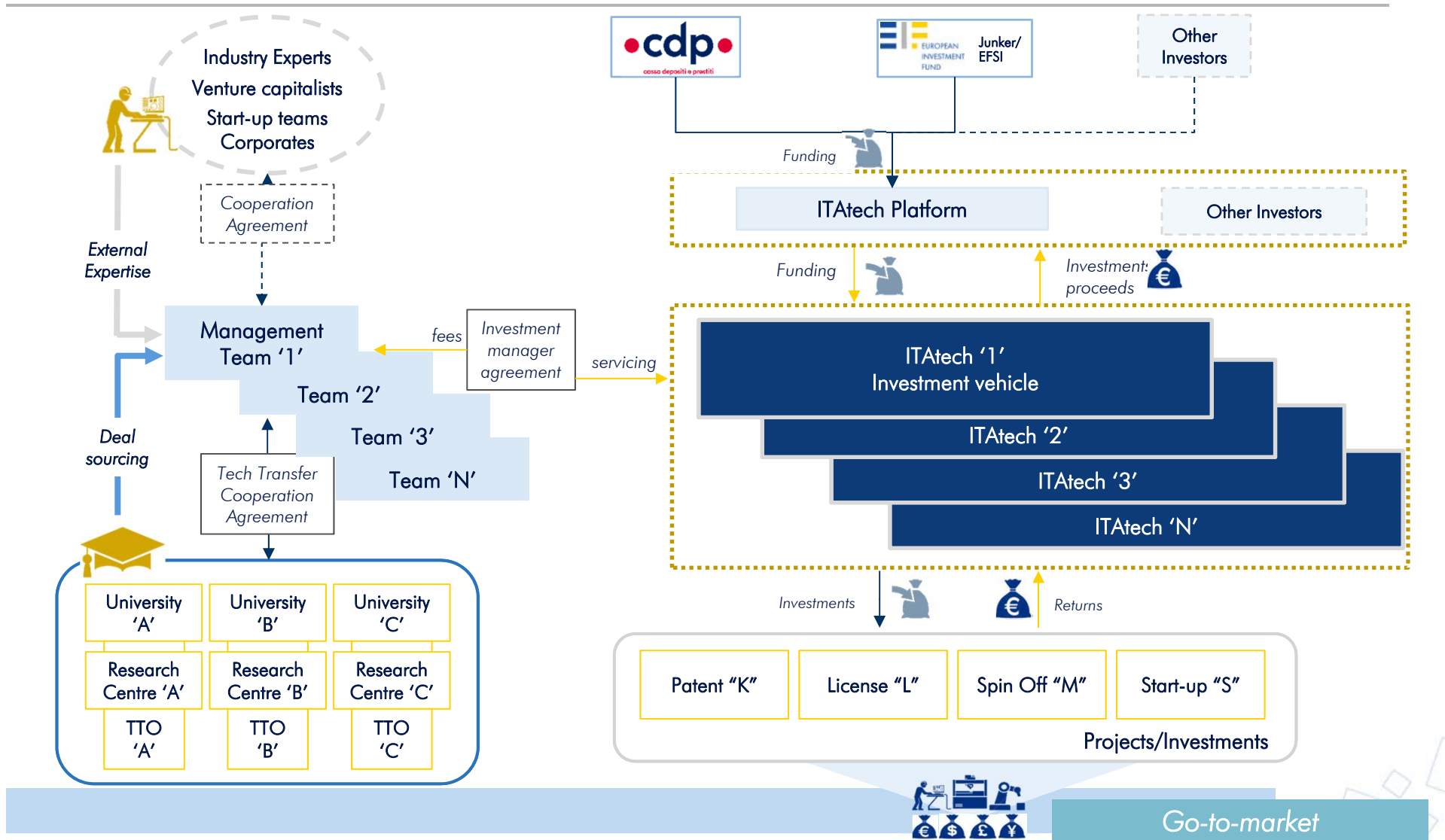
Partner Institutions themselves shall be direct investors into the Fund

# Centre for Drug Design & Discovery (BE)

- collaborative agreement – JV model



# ITAtech (IT) – platform model with an NPI



# InnovFin BA



Business Angel  
managed funds and  
co-investment funds

Open for experienced  
business angels  
wishing to team up  
and set up their first  
BA funds

Investment size  
typically up to 50% of  
total commitments

BA Funds are expected  
to take investment  
decisions, rather than  
passively co-invest

**InnovFin**  
**Business Angels**

May invest >50% fund  
size if the co-  
investment ratio is not  
higher than 50% on  
deal by deal basis

Investment size up to  
EUR 50 million

Focus on ICT and  
other H2020 sectors

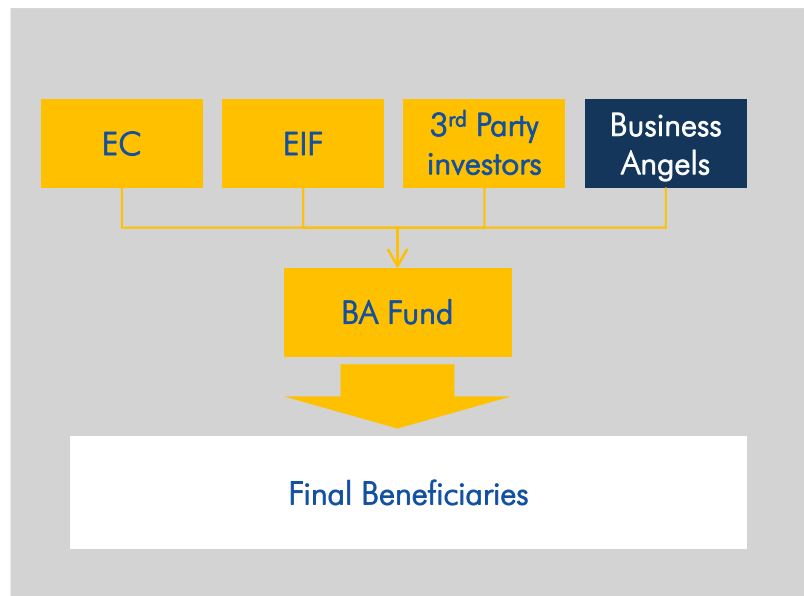
Emphasis on seed and  
start up stage, may  
include social  
enterprises

# Business Angels

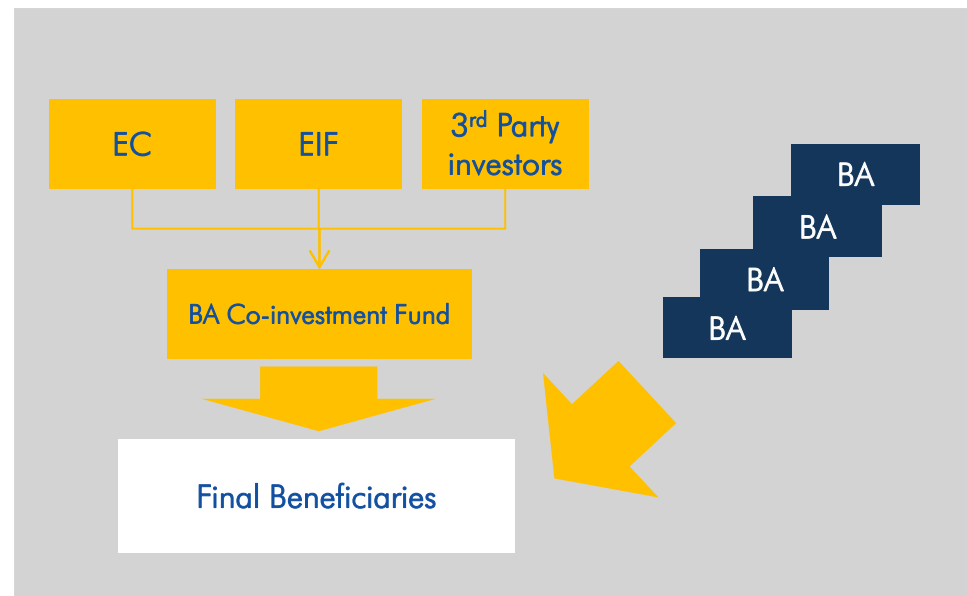
cooperation modalities



## BA managed fund

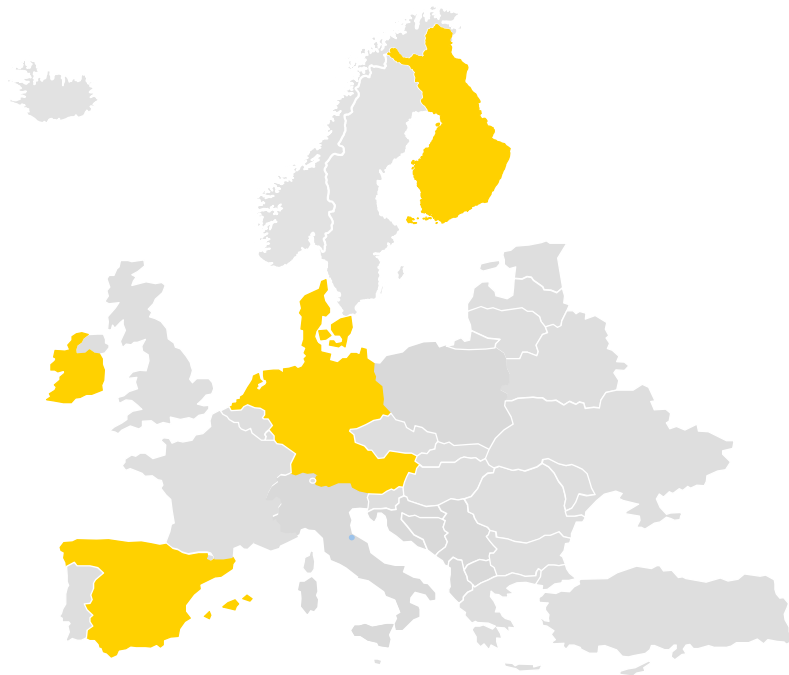


## BA co-investment fund



# European Angel Fund

by the end of 2017 has achieved strong progress



7 countries: DE, AT, ESP, NL, IRL, DK, FIN

319M EAF euros fund volume

> 200M EAF euros committed

80 BAs with 300+ companies

almost 40M EAF euros invested

# EAF for WHO and WHAT is it?



## NON-INSTITUTIONALS INVESTING OWN/FAMILY \$\$\$

- Business Angels - individuals or syndicates
- Family Offices
- Other private investors



## DOUBLE "FIRE-POWER" AND PORTFOLIO RISK SHARING

- 2x \$\$\$ = 50:50 matching BA:EAF
- €0.25-5m per investor from EAF
- 3-5 years to invest and 5 more years to follow-on and divest
- Ability to build diversified portfolio



## INVESTORS WITH TRACK RECORD



- Well performing **active** BA portfolio
- Credible and successful exit experience

## INVESTMENT STRATEGY SET BY BAs



- No specific sectors
- No specific deal size
- Innovative **start-ups** and **scale-ups** (broadly defined)
- Up to 30% can be **abroad**





# EIF's investment process

First Screening

Second  
Screening

Due Diligence

Board  
Approval

Understand  
Concept

Based on preliminary  
questionnaire / pitch  
book/ PPM.

Investment readiness

Physical meeting  
(typically in  
Luxembourg);  
chance to articulate  
investment opportunity  
and understand EIF.

Stress testing and  
verification

EIF team conducts on  
site visits (min. 2 days).  
May, or may not lead  
to term sheet.

Legal documentation

After EIF BoD  
approval, legal  
negotiation;  
EIF review;  
Importance of legal  
counsel.

# EIF's assessment

investability vs eligibility



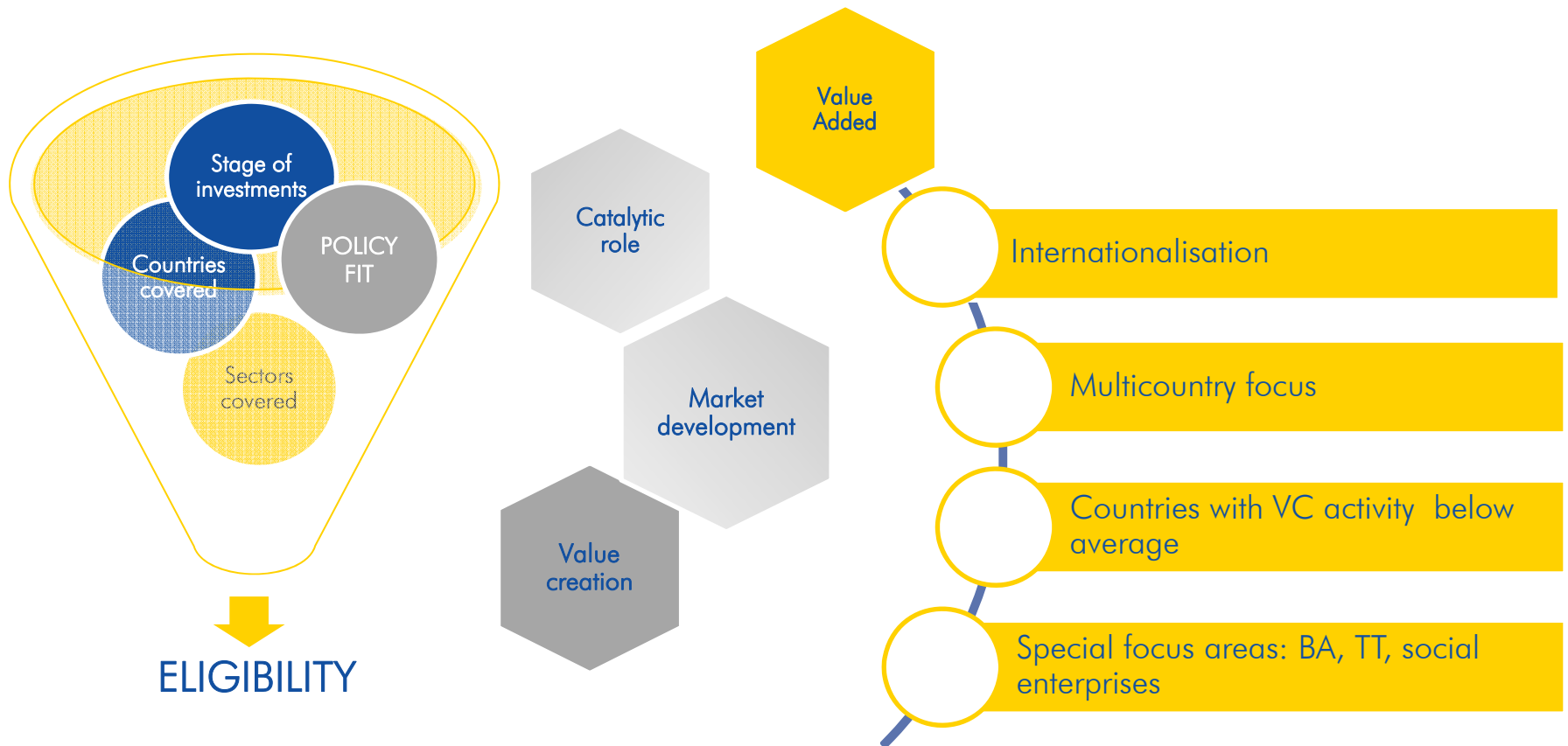
## Investability

- Team and Track Record (*WHO?*)
- Market Opportunity (*WHY?*)
- Investment Strategy (*HOW?*)
- Fund Parameters (*WHAT?*)

## Eligibility/Policy Fit

- STAGE FOCUS
- GEOGRAPHY
- SECTOR
- POLICY FIT

# Eligibility and Policy Fit assessment



# The “Magic Triangle of Due Diligence”

## Investment Strategy:

- Focus
- Value creation / Unique Selling Point
- Coherence with the market opportunity, the team and the fund parameters

WHO?

Team/Track-Record

- Adequate skill-set
- Track-record
- Cohesion /stability/succession
- Carry split
- Team commitment
- Governance structure: independence/ conflict of interests
- Reputation (referencing)

HOW?

Strategy

Market Opportunity

WHY?

- Competition
- Deal flow and deal pipeline

Fund Parameters

WHAT?

- Fund model: fund size / diversification / reserve policy / investment pace
- Terms and conditions
- Management company budget
- Legal structure / compliance

# The market

## ■ Analysis of market opportunity

- Macro-economic trends
- Regulatory environment
- Market deal-flow
- Competition
- Ranking



# The strategy

- Geographical Focus
- Stage Focus
- Deal sourcing / Deal flow
- Portfolio Construction
- Value proposition
- Policy fit

## Analysis angle:

- Adequacy between investment strategy and market opportunity
- Adequacy between strategy and team profiles
- Distinguishing factors: high degree of involvement of the team, syndication strategy, portfolio management skills,
- Proven strategy (are there exists or purely unrealized?)
- Comparison with other market players



# The team

- Management team profiles and roles
- Collective experience, cohesion
- Succession issues
- Governance structure, decision making process
- Total remuneration and carry split
- Reputation



## Analysis angle:

- Assessment of team potential
- Team skill set appropriate for the strategy
- Combination of skills set and team stability
- Proper remuneration and incentive scheme aligning team members
- Independence/conflict of interest
- Referencing



# The track record

- Past performance assessment, Q-reports
- Benchmarking
- Final expected performance assessment
- Reference calls

## Analysis angle:

- Relevance, portability
- Value creation
- Proven/unproven,
- evolution over time ( fund I, II, III...)
- Attribution to the team
- Vintage analysis
- Prospects of current portfolio



# Terms and conditions

- Fund size: min, target
- Diversification, investment pace
- Terms and conditions
  - Protective measures, removal for cause/no-cause
  - Key-man provisions, defaulting LP clauses
  - Alignment of interest, Carried interest /distribution, GP investment
  - Avoidance of conflict of interest (GP/LP roles, parallel funds, fee offset, etc)



## Analysis angle:

If structuring is coherent with all previous elements:

- portfolio model with strategy & market opportunity
- team with budget and management fee
- LP protections if things go wrong

# Lessons learned

## IT IS NOT ONLY ABOUT INVESTMENTS!

Fund manager = portfolio manager  
Carefully select your syndication partners.

Don't be too greedy!

Size matters...



## BE TRANSPARENT!

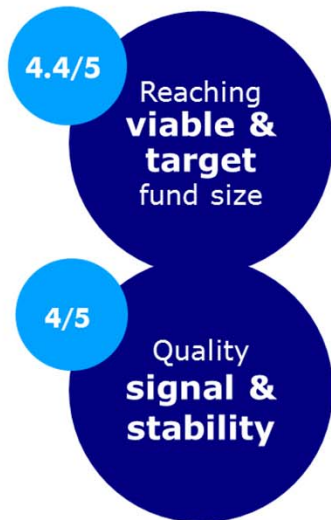


## OWN YOUR STORY!



# EIF's impact

## Fund raising



## Structuring



## The role of EIF in



## Added value



Respondents from groups:

Successful  
(n=216)

Successful  
(n=216)

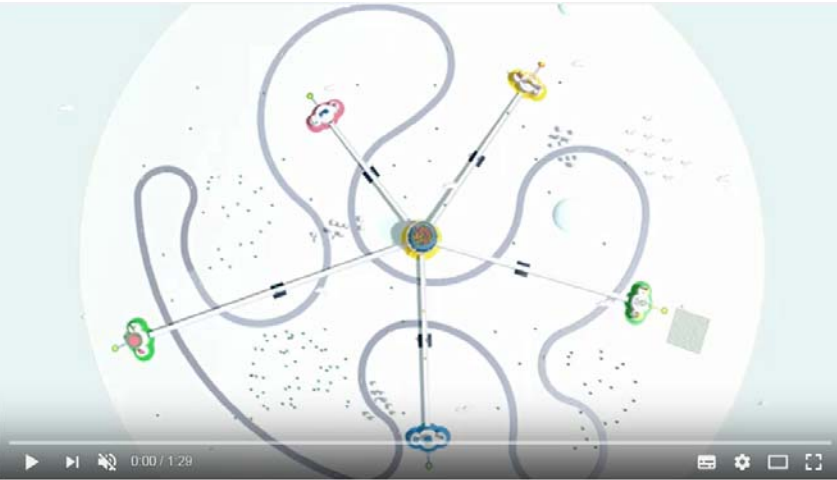
Successful  
Familiar  
(n=361)

Successful  
(n=216)

# Supporting ideas that matter



The EU at work: Innovation in Spain



The future is small - How EIF supports SMEs across Europe



Accelerating growth in the Western Balkans: Drytools

# Gateway to EIF financing





# Q&A

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