



InnovFin: EU Finance for Innovators Questions and Answers

1. What is InnovFin?

Under Horizon 2020, the EU Research and Innovation (R&I) programme for 2014-20, the European Commission and the European Investment Bank Group (EIB and EIF) have launched a new generation of financial instruments and advisory services to help innovative firms access finance more easily. Until 2020, "InnovFin – EU Finance for Innovators" will offer a range of tailored financial and advisory products for research and innovation by small, medium and large companies and the promoters of research facilities. InnovFin also includes a number of thematic products addressing the specific financing needs of certain innovative sectors. InnovFin financial products are backed by funds set aside by the EU (under Horizon 2020) and by the EIB Group (from its own resources).

2. Why are the EU and the EIB Group supporting innovative companies and projects?

The EU lags behind most other regions in terms of both private and public investment in research and innovation. However, innovation is a key ingredient for driving sustainable growth, creating jobs and ensuring Europe's long-term competitiveness. That is why the EIB Group and the European Commission have made it a top priority to facilitate access to finance for innovative businesses in Europe. We are helping to do more with less by mobilising investment from other parties for the benefit of innovation across Europe.

3. What are the objectives of InnovFin?

InnovFin aims to facilitate and accelerate access to finance for innovative businesses and other entities in Europe.

One of the key factors constraining the implementation of R&I activities is the lack of available financing on acceptable terms to innovative businesses since these types of companies or projects deal with complex products and technologies, unproven markets and intangible assets. In order to overcome these difficulties, the EU and the EIB Group have joined forces to provide finance for research and innovation to entities that may otherwise struggle to access financing. We offer financing options tailored to a wide range of clients from small start-ups to large enterprises, universities or public institutions promoting R&I activities.

4. What InnovFin products are available and who can benefit from them?

InnovFin financing has been developed as a series of integrated and complementary financing and advisory tools, consisting of a suite of debt and equity products and covering the entire value chain of research and innovation investment. All products are demand-driven instruments, provided across all eligible sectors, countries or regions. Firms and other entities or projects located in EU Member States and Horizon 2020 Associated Countries¹ are eligible as final beneficiaries.

¹ http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf



Early-Stage Enterprises		SMEs		Corporate	Science	Thematic Finance	Advisory
InnovFin Technology Transfer	InnovFin SME Guarantee	InnovFin Emerging Innovators	InnovFin Science	InnovFin Energy Demo Projects	InnovFin Advisory		
InnovFin Business Angels		InnovFin MidCap Guarantee		InnovFin Infectious Diseases			
InnovFin Venture Capital		InnovFin Corporate Research Equity		InnovFin Thematic Investment Platforms			
InnovFin Fund-of-Funds							
Early-Stage Enterprises, SMEs and Small Midcaps < 500 Employees	SMEs and Small Midcaps < 500 Employees	SMEs, Midcaps, Large Caps, SPVs	Research Institutes, Universities, Research Organisations	SMEs, Midcaps, possibly Large Caps, SPVs	Public and Private Sector Promoters		
Intermediated Equity Financing	Intermediated Debt Financing	Direct and /or Intermediated Financing (including equity type)	Direct Financing (including equity type)	Direct and/or Intermediated Financing (including equity type)	Financial Advisory		

Direct products
 Indirect products
 Direct or Indirect products

Note: InnovFin Large Projects succeeded by InnovFin Emerging Innovators
 InnovFin MidCap Growth Finance is deployed under the European Fund for Strategic Investments (EFSI) since November 2016

Early-stage and SME financing

InnovFin Equity comprises the whole spectrum of early stage investing and includes the following products: *InnovFin Technology Transfer*, *InnovFin Business Angels*, *InnovFin Venture Capital* and *InnovFin Fund-of-Funds*. Through or alongside selected funds, EIF provides risk capital financing to enterprises in their pre-seed, seed, start-up and other early-stage phases allowing them to set up or reach their next stage of development. *InnovFin Equity* investments focus on innovative sectors covered by Horizon 2020 including ICT, medical technologies, biotechnologies, green technologies, nanotechnologies, etc. In addition, Horizon 2020 objectives address societal challenges through areas such as resource efficiency, bioeconomy, health and demographics, and climate change.

- ***InnovFin Technology Transfer*** targets investments in technology transfer funds focusing on pre-seed (including proof of concept) and seed stages. It aims to accelerate technological innovations, especially in areas of key enabling technologies (including but not limited to ICT, nanotechnology, biotech, cleantech, and medtech) and other Horizon 2020 objectives, including promotion of intellectual property (IP), licensing and spin-off activities.
- ***InnovFin Business Angels*** targets investments in business angel managed funds or co-investment funds which focus on ICT and other sectors covered by Horizon 2020, including social impact, and invest in early-stage enterprises at regional, national or cross-border level.
- ***InnovFin Venture Capital*** targets investments in venture capital funds that provide funding to enterprises in their early-stage operating phase in Horizon 2020 innovative sectors.
- ***InnovFin Fund-of-Funds*** targets investments in funds of funds which hold or aim to build a portfolio of underlying investee funds with significant geographical spread and early-stage focus. InnovFin also provides funding to the separately managed Pan-European Venture Capital (VC) Fund(s)-of-Funds Programme.

InnovFin SME Guarantee provides guarantees and counter-guarantees on debt financing of between EUR 25 000 and EUR 7.5m, in order to improve access to loan finance for innovative small and medium-sized enterprises and small midcaps (up to 499 employees). This facility is being deployed through financial intermediaries. Under *InnovFin SME Guarantee*, financial intermediaries are guaranteed or counter-guaranteed against a portion of their potential losses by the EIF.

Corporate financing

InnovFin Emerging Innovators bridges the R&I investment gap in Moderate and Modest Innovator EU Member-States (per the European Innovation Scoreboard²) and Horizon 2020 Associated Countries by improving availability of risk finance for fast-growing or R&I-driven enterprises, R&I infrastructure, innovation-enabling infrastructure and other entities. The product is deployed by the EIB or through a financial intermediary via loans and equity-type financing starting at EUR 7.5m.

InnovFin MidCap Guarantee provides guarantees and counter-guarantees on debt financing of up to EUR 50m, in order to improve access to finance for innovative midcaps (up to 3 000 employees) which are not eligible under the *InnovFin SME Guarantee*. This is being deployed through financial intermediaries such as banks and other financial institutions. Under *InnovFin MidCap Guarantee*, financial intermediaries are guaranteed against a portion of their potential losses by the EIB.

InnovFin Corporate Research Equity increases the supply of equity-type financing under the European Fund for Strategic Investments³ to large R&I programmes and to innovative large midcaps. It addresses the market gap for large equity-type investment in the form of contingent loans, in particular with mid to long-term repayment profiles that are directly linked to product development cycles. The investments are deployed by the EIB or through a financial intermediary and target amounts of EUR 75m.

Science

InnovFin Science aims at supporting R&I investments by research institutes, universities and research organisations (public or private), including the financing of buildings and other infrastructure directly related to R&I activity. InnovFin Science will be deployed directly by the EIB in the form of debt or equity-type financing from EUR 25m.

Thematic financing

InnovFin Energy Demonstration Projects provides loans, loan guarantees or equity-type financing typically between EUR 7.5m and EUR 75m to innovative demonstration projects in the fields of energy system transformation, including but not limited to renewable energy technologies, smart energy systems, energy storage, carbon capture and storage or carbon capture and use, helping them to bridge the gap from demonstration to commercialisation. The product is deployed directly by the EIB.

InnovFin Infectious Diseases Finance Facility provides financial products ranging from standard debt to equity-type financing for amounts typically between EUR 7.5m and EUR 75m, to innovative players active in developing new vaccines and drugs, innovative medical and diagnostic devices or novel research infrastructure for combatting infectious diseases. Project costs may include clinical trial costs, commercialisation such as market access, development of prototypes or industrial roll-out of novel equipment, pre-clinical R&D costs and working capital requirements. This facility is deployed directly by the EIB.

InnovFin Thematic Investment Platforms will catalyse third-party financing for thematic areas, such as the circular bioeconomy. The platforms will provide access to finance via debt or equity-

² http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en

³ <http://www.eib.org/efsi>

type products to innovative projects in specific thematic areas and will be managed by financial intermediaries and fund managers selected through open calls for expression of interest.

Advisory

InnovFin Advisory aims to improve the “bankability” and investment-readiness of large projects that need substantial, long-term investments. It also provides advice on improving the conditions for access to risk finance for R&I and on the set-up of thematic investment platforms. The main clients foreseen are promoters of large R&I projects that meet Horizon 2020’s Societal Challenges⁴. *InnovFin Advisory* has a large portfolio of horizontal activities and a strong track record in advising innovative companies to enhance access to EIB and/or other financing.

Past experience has demonstrated that many R&I projects face difficulties in securing access to finance although their fundamentals are good. Advisory support helps them to capitalise on these fundamentals and adjust elements such as governance, funding sources, financing structure, etc. to improve their access to finance and, eventually, their chances of being implemented. Designed to act as a complementary tool in tandem with Horizon 2020 financial instruments, *InnovFin Advisory* is intended to advise clients on how to structure their R&I projects in order to improve their access to finance.

5. Is InnovFin also available for projects outside of EU Member State countries?

Projects or companies eligible for InnovFin financing may be located in any EU Member State and in the Horizon 2020 Associated Countries⁵. Projects can be located elsewhere if carried out by entities incorporated in any of the 28 EU Member States or in the Horizon 2020 Associated Countries.

6. What type of R&I activities can be financed under InnovFin?

InnovFin Science: EIB finance is based on a R&I investment project, which can consist of a promoter’s R&I programmes (typically over three to four years), including related capital expenditure (facilities, prototypes); activities falling under the scope of the EUREKA network, the European Research Area (ERA) or the Euratom fission programme; innovation (deployment of innovative technologies – in particular key enabling technologies (KETs)), including capital expenditure related to the commercial launch; research and innovation facilities (both multi-country and national) and R&I enabling infrastructure.

InnovFin Emerging Innovator, *InnovFin MidCap Guarantee*, *InnovFin Corporate Research Equity*, *InnovFin Equity* and *InnovFin SME Guarantee*: for these products, when offered to SMEs or midcaps, the concept of an “innovative counterpart” is one of the key references for eligibility. For each of the products, a list of criteria has been established to determine whether the SME or midcap is innovative or not. It is sufficient for potential final beneficiaries to comply with a single criterion. The criteria are listed on our website www.eib.org/innovfin.

InnovFin Equity, *InnovFin Infectious Diseases Finance Facility*, *InnovFin Energy Demonstration Projects* and *InnovFin Thematic Investment Platform*: please refer to Question 4.

7. How much financing support can the EIB Group provide?

The EIB Group can provide from as little as EUR 25 000 to early-stage enterprises and SMEs, (indirectly through banks and other financial institutions). For midcaps and larger firms the EIB can directly provide loans starting at EUR 7.5m to innovative or fast-growing counterparts and

⁴ Such challenges being: health, demographic change and wellbeing; food security, sustainable agriculture and forestry, marine, maritime and inland water research, and the bioeconomy; secure, clean and efficient energy; smart, green and integrated transport; climate action, the environment, resource efficiency and raw materials; Europe in a changing world - inclusive, innovative and reflective societies; secure societies - protecting freedom and security of Europe and its citizens

⁵ http://ec.europa.eu/research/participants/data/ref/h2020/grants_manual/hi/3cpart/h2020-hi-list-ac_en.pdf

starting at EUR 25m to R&I-driven projects. Typically, the EIB provides up to 50% of the project or investment cost and is often key in attracting other investors in the public or private sector. Experience with the RSFF showed that for this particular type of financing, the EIB's support was usually between 35% and 50%, the remainder of the financing being provided by other banks and financial institutions and from project promoters' own funds.

8. How long does it take to receive approval for InnovFin financing?

The EIB's due diligence process involves the assessment of the company's or project's eligibility, techno-economic viability and environmental soundness and the promoter's financial situation and outlook. Subject to the completeness of the information/documentation available and the nature of the financing, the time elapsing between a first contact with the EIB and the signing of a financing contract will typically vary between three and six months.

For *InnovFin Equity*, *InnovFin SME Guarantee* and *InnovFin MidCap Guarantee*, which are delivered through financial intermediaries, the latter's due diligence process will determine the time elapsing between the first contact and the signing of a financing contract.

9. Is there any extra information or results available on InnovFin's predecessor, the Risk-Sharing Finance Facility (RSFF)?

InnovFin builds on the success of the former Risk-Sharing Finance Facility developed under the seventh EU framework programme for research and technological development (FP7). Comprehensive information on the results of the RSFF programme is available online on the programme's evaluation page⁶.

10. Do you have examples of innovative businesses supported by the EIB?

The innovative projects and companies supported range from large research facilities, such as the European Spallation Source, a European Research Infrastructure Consortium based in Lund (Sweden), to innovations in the field of telecommunications such as the development of Tunisia's 4G mobile network, undertaken by Tunisie Telecom, or Gorenje's research facilities based in Slovenia, the Netherlands, Sweden and the Czech Republic for the development of improvements in energy consumption and use of resources and enhanced end-of-life recyclability for the firm's Major Domestic Appliances product range.

InnovFin also supports innovations in the fields of infectious pathogens diagnosis, such as the Spanish Stat-Dx' advanced molecular diagnostic system designed to help combat meningitis and other infectious diseases, and untapped clean energy sources, such as wave energy, with Finnish start-up AW-Energy's waveroller device. For more examples please consult our dedicated website www.eib.org/innovfin.

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⁶ https://ec.europa.eu/research/evaluations/index_en.cfm?pg=rsff