



InnovFin

EU Finance for Innovators

Luxembourg Launch Event

8 July 2014





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EU Finance for Innovators

The new generation of Horizon 2020 financial instruments

New EU Framework Programme for R&I (2014-20)

- 1) A core part of Europe 2020, Innovation Union & European Research Area:
 - Responding to the economic crisis to invest in future jobs and growth
 - Addressing people's concerns about their livelihoods, safety and environment
 - Strengthening the EU's global position in research, innovation and technology

- 2) A single programme bringing together three separate programmes/initiatives(*)
- 3) €79 billion (current price) for 3 main priorities:
 - Excellent science
 - Industrial Leadership
 - Societal Challenges

- 4) Emphasis on innovation; Strong focus on SMEs; R&I as critical vector for growth and jobs

(*) The 7th Research Framework Programme (FP7), innovation aspects of Competitiveness and Innovation Framework Programme (CIP), EU contribution to the European Institute of Innovation and Technology (EIT)

Horizon 2020 - Industrial Leadership Priority

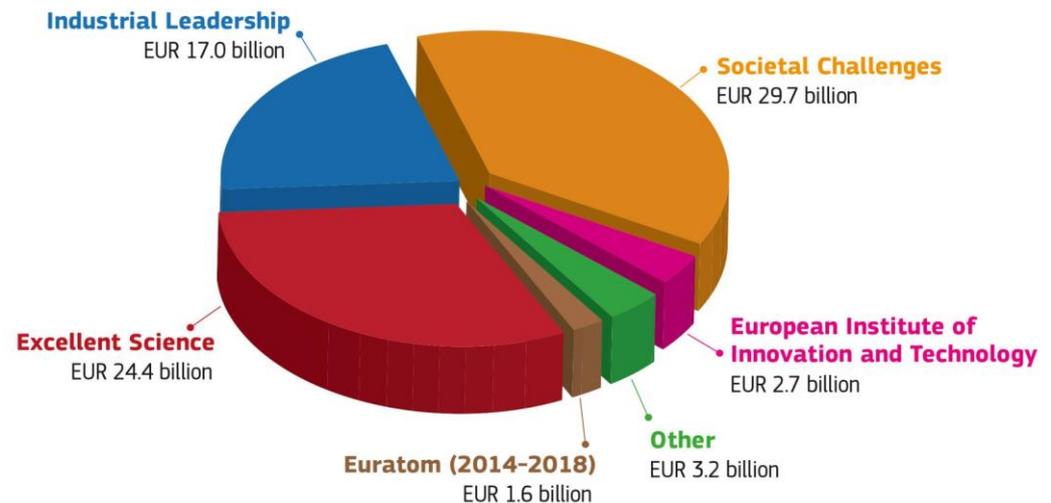
Because:

- Strategic investments in key technologies

(e.g. advanced manufacturing, micro-electronics) underpin innovation across existing and emerging sectors.

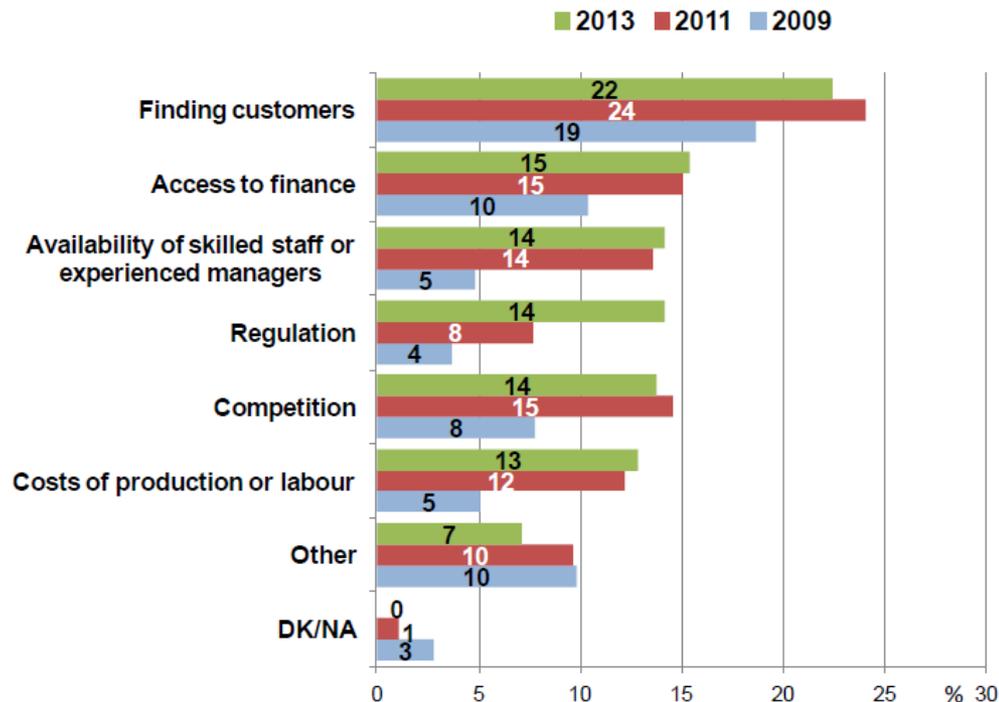
- Europe needs to attract more private investment in research and innovation
- Europe needs more innovative small and medium-sized enterprises (SMEs) to create growth and jobs

HORIZON 2020 BUDGET (in current prices)



Access to Risk Finance Programme

- The most important EU programme ever to support debt and equity investments in R&I (twice FP7 Debt FI budget)
- At least 1/3 of the budget to support innovative/RDI-driven SMEs



Source: EC and ECB, SMEs' Access to Finance Survey 2013 Analytical Report (14 November 2013).

Horizon 2020 Access to Risk Finance - Basics

1) What support will be on offer?

- Risk-sharing in the form of loans and guarantees
- Risk finance in the form of equity

2) For who or what?

- RDI-driven/ innovative SMEs & small midcaps
- Ambitious RDI projects carried out by a variety of recipients (companies, stand-alone projects etc.)

3) To serve which purpose?

- Stimulate more investment in research and innovation, notably by the private sector
- No market distortion: intervention only to address financing gaps in the R&D&I delivery chain (notably due to high risk), and as such help translate R&D results to the market (/innovation)

New Generation of Debt and Equity Instruments

- Succeeding FP7 debt (RSFF, RSI) and CIP early stage equity (GIF1) FI
- But more ambitious, in size (almost €3 billion) and in scope (from early stage to expansion/growth stage)
- Part of the Horizon 2020 "Access to Risk Finance" programme (Industrial Leadership priority)
- Implemented by a Delegation Agreement between the EU and the EIB Group (EIB and EIF), on the basis of a partnership based on experience, trust and professionalism where:
 - EIB and EIF act as EU Entrusted Entities
 - EIB Group is matching EU financial contribution
 - EU and EIB Group are risk-sharing partners

New Horizon 2020 Delegation Agreement



Signature on 12/06/2014 in Athens by
EU Commissioner Geoghegan-Quinn (centre)
EIB VP de Fontaine Vive (left) and EIB CEO Mr. Gilibert (right)



InnovFin Product Overview

SMEs	Mid-Caps	Large Caps	Advisory
InnovFin SME Guarantee	InnovFin MidCap Guarantee	InnovFin Large Projects	InnovFin Advisory
InnovFin SME Venture Capital	InnovFin MidCap Growth Finance		

 direct products

 indirect products



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EIB Group Product Presentations

InnovFin - Key Figures

- InnovFin builds on the success of the Risk-Sharing Finance Facility (RSFF): 114 R&I projects to the tune of EUR 11.3bn and loan guarantees worth over EUR 1.4bn between 2007-2013
- Until 2020, EU will contribute close to EUR 3bn as a risk buffer to InnovFin. EIB Group commits the same amount
- This will result in total debt financing of > EUR 24bn, of which > EUR 5.5bn to SMEs and small MidCaps
- The overall economic impact in terms of investment in Research & Innovation in Europe over the next 7 years will EUR 48bn
- Expected number of transactions: **ca. 300** (of which ca. 110 direct operations with midcaps)



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Enhancing a successful pilot initiative

InnovFin SME Guarantee

- Based on RSI pilot guarantee scheme under RSFF - managed by EIF - to improve access to debt finance of innovative SMEs and Small Mid-Caps (< 500 FTEs): deployed in 18 countries by 36 financial intermediaries
- EIF will provide guarantees and counter-guarantees to selected financial intermediaries, thus allowing them to provide loans, financial leases and loan guarantees to innovative SMEs and Small Mid-Caps with reduced risk and regulatory capital consumption.
- ***InnovFin SME Guarantee*** will boost by almost 4 times the RSI initiative, therefore enabling to provide an amount of EUR 9 to 10 billion of financing to benefit innovative SMEs and Small Mid-Caps over the next 9 years.
- Within the upcoming days, EIF will publish a Call for Expression of Interest to which interested financial intermediaries across Europe are invited to apply.

InnovFin Products for MidCaps

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MidCap Guarantee

- Rolled out through financial intermediaries. Financial intermediaries will be guaranteed against a portion of their potential losses by the EIB.
- Guarantees and counter-guarantees on debt financing <€50 million
- For innovative midcaps (< 3000 FTEs) which are not eligible under the InnovFin SME Guarantee

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MidCap Growth Finance

- Direct long term senior, subordinated or mezzanine loans from EIB
- Amount between €7.5 million < €25 million
- For innovative midcaps (< 3000 FTEs), but also SMEs and small midcaps
- First InnovFin MidCap Growth Finance transaction with Rovio (EUR 25 million facility to support Rovio's technological innovations in various entertainment sectors.)



- Delivers direct loans and guarantees from EIB for larger projects
- Loan amount between EUR 25-300 million
- For R&I projects emanating from larger firms; universities and public research organisations; R&I infrastructures (including innovation-enabling infrastructures); public-private partnerships; and special-purpose vehicles or projects (including those promoting first-of-a-kind, commercial-scale industrial demonstration projects)
- First InnovFin Large Projects transaction with Belgian biopharmaceutical company UCB to provide “at-risk co-development funding” of €75 million for the development of selected UCB compounds.



InnovFin Advisory

Activities

Project advisory work

- Improve the bankability and investment readiness of large, complex R&I projects
- Advise specific public-private consortia, R&I driven companies (midcaps or larger), Joint Technology Initiatives, PPPs, R&I clusters, EC and MS

Horizontal activities

- Improve framework conditions for access to finance (web-based portal, criteria notes,...)
- Prepare studies to improve effectiveness of H2020 FI to address specific sectors/R&I projects needs
- Develop “business case” for new financing mechanisms to support specific R&I policy objectives

Facilitate access to RDI funding



Roundtable: How can we support innovative companies in the region?