Supporting Innovation in Scotland

Glasgow, 22nd February 2016
Welcome addresses:

**Professor Sir James McDonald**
Principal,
University of Strathclyde
Welcome addresses:

Jonathan Taylor
Vice-President,
European Investment Bank (EIB)
Overview of the EIB Group financing options

Theda Fuchs
Deputy Advisor,
EIB London office
The EIB Group

EIB Group financing 2015

EIB in 2015: EUR 77.5bn

EIF in 2015: EUR 7bn

Record for the EIB Group: EUR 84.5bn

Providing finance and expertise for sound and sustainable investment projects

Leading developer of risk financing for innovative SMEs
**EIB at a Glance**

We are the world’s largest International Financial Institution

<table>
<thead>
<tr>
<th>1958</th>
<th>Shareholders</th>
<th>Source of funds</th>
<th>AAA-rated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established to support long-term investments primarily in the European Union. We have over 50 years’ experience in financing sustainable projects.</td>
<td>Owned by the 28 Member States of the European Union.</td>
<td>We raise long-term funds on the international capital markets and as a non-profit organisation we pass favourable borrowing conditions to our clients.</td>
<td>We’re triple-A rated by all major rating agencies and have a sizeable callable capital of €221bn.</td>
</tr>
</tbody>
</table>
Locations

Our Luxembourg Headquarters are home to some 2,900 staff

Specialists
Among our staff we have bankers, engineers, sector economists, socio-environmental experts and lawyers.

Local offices
We have over 30 representative offices worldwide.
EIB’s Activities

We support some **450 projects** each year in over 160 countries

<table>
<thead>
<tr>
<th><strong>Lending</strong></th>
<th><strong>Blending</strong></th>
<th><strong>Advising</strong></th>
<th><strong>Countercyclical role</strong></th>
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<td>Vast majority of our financing is done through <strong>loans</strong> but we also offer guarantees, quasi-equity type instruments, etc.</td>
<td>We blend EU with EIB funds to <strong>enhance our risk-taking capacity</strong>.</td>
<td>Lack of finance is only one barrier to access to finance. We can advise on <strong>administrative</strong> and <strong>project management matters</strong> to help <strong>catalyse</strong> investments.</td>
<td>Addressing market needs by acting as a <strong>countercyclical</strong> investor in challenging economic times.</td>
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</table>
EIB lending breakdown in 2015

We focus on our key priorities:

- **ENVIRONMENT**: EUR 19.6bn
- **INFRASTRUCTURE**: EUR 18.9bn
- **INNOVATION**: EUR 18.7bn
- **SME**: EUR 29.2bn
EIB lending breakdown in 2015

We deliver impact where it’s needed:

**JOBS**
4.1m jobs in small businesses

**HEALTH**
9.8m people with access to improved health services

**EDUCATION**
1.5m students benefitting from EIB projects

**WATER**
21m people benefitting from safe drinking water

**TRANSPORT**
380m additional passengers

**ENERGY**
2.3m households powered by EIB projects

**URBAN**
3.2m people benefitting from urban upgrades

**DIGITAL**
15.3m people with new or upgraded connections
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 midcaps, 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 360 staff, committed to EU policy objectives and financial sustainability.

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<th>Shareholders</th>
<th>Strong capital base</th>
<th>AAA-rated</th>
<th>Over 20 years</th>
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<td>61.3% European Investment Bank (EIB), 26.5% European Commission (EC), 12.2% by 29 public and private financial institutions (FIs)</td>
<td>of EUR 4.5bn</td>
<td>by the three major rating agencies</td>
<td>of market experience in SME financing</td>
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EIF’s Counterparts

“

We work with a wide range of counterparts to support SMEs.

”

Resources and Mandators
- European Investment Bank
- EIF own resources
- European Commission
- Member States/regions
- Managing authorities
- Corporates/Private
- Public institutions
- Other third parties

Intermediaries and Counterparts
- Fund managers
- Commercial banks
- Development and promotional banks
- Guarantee institutions
- Leasing companies
- Corporates
- Business angels
- Microfinance institutions

micro-enterprises, SMEs and small mid-caps
Types of EIB financing

- **Direct Loans**
- **Intermediated Loans**
  - (PPP) Project finance with direct project risk
  - Other financial instruments (in partnership with EC)
- **Equity through Funds**
- **Borrower**
- **Banks**
EIB as a Key Contributor to R&D/Innovation

Here are just some of the companies we have financed:

- ARQIVA
- IMPERIAL INNOVATIONS
- IP GROUP
- VAN DE WIELE
- UCB
- NORGINE PHARMACEUTICALS
- OXFORD INSTRUMENTS PLC.
- GAMESA
- ROLLS ROYCE
- JOHNSON MATTHEY
- SPECTRIS
Overview of Universities supported by the EIB

1. Imperial College London
2. Oxford University
3. Manchester University
4. University of West England
5. University of York
6. Strathclyde University
7. Aston University
8. Birmingham University
9. Swansea University
10. Edinburgh University
11. Leicester University
12. East Anglia University
13. Exeter University
14. Bath University
15. Lincoln University
16. University of Hull
17. University of Ulster
18. University of Bangor
19. Imperial College London
20. University of Kent
21. Oxford University
22. UCL
23. West of England University
EIF’s Exposure in United Kingdom

Notable success stories exist both in Guarantees, Equity and Microfinance and we are open and ready for more to come…

- First EIF operation in UK: **1996**
- 14 financial partners and guarantee providers
- 145 supported Private Equity funds investing in UK SMEs

Guarantees, Equity & Microfinance transactions in UK

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<th>Transaction Type</th>
<th>Catalysed Amount</th>
<th>Signed Amount</th>
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<tr>
<td>Equity</td>
<td>3,673</td>
<td>3,491</td>
</tr>
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<td>Microfinance</td>
<td>48</td>
<td>15</td>
</tr>
<tr>
<td>Guarantees</td>
<td>497</td>
<td></td>
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EIF exposure in the United Kingdom

In EURm

- **20,537**
Investment Plan for Europe: context

The Investment Plan for Europe consists of three strands:

1. **Improved investment environment**: regulatory and structural reforms at EU and national levels for predictability, removing obstacles, aiming at a friendlier investment environment

2. **Making finance reach the real economy**: stepped-up technical assistance / advisory by establishing European Investment Advisory Hub (EIAH) in EIB and by EC facilitating a project directory

3. **Mobilising finance for investment**: The EFSI, via EIB, to better address the current shortage of (higher) risk-financing in EU

Aim: to mobilise at least €315 billion in investment across the EU
European Fund for Strategic Investments (EFSI)

**EU Guarantee EUR 16bn**

**EIB EUR 5bn**

EFSI - European Fund for Strategic Investments EUR 21bn

**Infrastructure and Innovation Window EUR 16bn**

Deployed by **EIB**

Financing: approx EUR 49bn

Final investments EUR 240bn

**SME Window EUR 5bn**

Deployed by **EIF**

Financing: approx EUR 12bn

Catalytic effect

Blended multiplier effect of x15

Final investments EUR 75bn
EFSI eligible counterparts

- Corporates of all sizes
- Utilities
- Public sector entities
- SMEs (<250 employees) or MidCaps (<3,000 employees)
- National Promotional Banks (NPBs) or commercial banks for intermediation
- Dedicated investment platforms possible
EFSI eligible operations

Wide eligibility criteria - operations consistent with Union policies that support any of the following general objectives:

- Commercially sound
- Economically and technically viable
- Added value (additionality)
- Investments boosting employment and growth
- Bank intermediation is possible
- Pricing commensurate with the risk – no subsidy element

- Typically higher risk profile than EIB’s standard operations
- Risk-absorbing products to foster the implementation of additional projects and to support the development of SMEs and MidCaps
European Fund for Strategic Investment in 2015

- Approved and/or signed projects: 42 Projects
- Total financing under EFSI: EUR 5.7bn
- Mobilising total investment of: EUR 25bn

EIB

- 84 Operations
- EUR 1.8bn
- EUR 25bn

EIF
Objectives and Opportunities of the InnovFin Programme

**Samuel Maenhout**  
Policy Officer, DG Research & Innovation, European Commission

**Paul Samsonoff**  
Structured Finance Manager, EIF

**Marc D’hooge**  
InnovFin Programme Manager, EIB

**Alessandro De Concini**  
Advisor, EIB
InnovFin: A Quantum Leap

InnovFin builds on the success of RSFF but will be much larger and broader

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**EU and EIB Group Contributions**

- RSFF: 1.20 EUR bn
- InnovFin: 3.00 EUR bn

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**Loans, Guarantees and Equity**

- RSFF:
  - Loans: 1.4 EUR bn
  - Guarantees: 11.3 EUR bn
  - Equity: 0.5 EUR bn
- InnovFin:
  - Loans: 5.5 EUR bn
  - Guarantees: 18.5 EUR bn
  - Equity: 0.5 EUR bn
## InnovFin Product Overview

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<th>Midcaps</th>
<th>Large Caps</th>
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- **direct products**
- **indirect products**
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- SMEs and small Mid-Caps < 500 Employees
- Intermediated SME/Mid-Cap Financing
- Mid-Caps < 3,000 Employees
- Large Caps Typically > 3,000 Employees
- Intermediated and/or direct Corporate lending
- Direct Corporate Lending
- SPV, Mid-Caps and Large Caps
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- Public and Private Sector Promoters
- Financial Advisory
InnovFin SME Guarantee

This guarantee instrument covers the risk related to losses of a portfolio.

- **Up to 50% loss coverage (Principal + Interest 90D)**
- **Full Delegation to Financial Intermediaries**
- **Automatic Coverage/Inclusion**
- **Attractive Guarantee Terms**
- **Favourable Capital Treatment**
- **Guarantee and Counter-Guarantee**
What Transactions can be supported?

Purpose of Financing: Loans, Credit Lines, Leases and Bonds

- **Loan amount:** min EUR 25k – max EUR 7.5m (only Senior Debt)
- **Loan maturity:** min 1 year – max 10 years
- **Currency:** EUR and local currency
- **Max Portfolio:** EUR 400m per intermediary – EUR 1bn per intermediary group
Key Guarantee Terms

- Financial Intermediaries are required to transfer the Financial Benefit to SMEs & Small Mid-caps.
- Financial Intermediaries are selected on a “first come, first processed” basis.

Guarantee Fee:
- SME: 0.50% p.a.
- Small Mid-Cap: 0.80% p.a.
Transfer of Benefit (indicative example)

**Without InnovFin**
Financing at 4%

- **Cost of Risk**: 1.5%
- **Margin**: 1.5%
- **Fixed Costs**: 0.5%
- **Funding Costs**: 0.5%

Total = 4%

**With InnovFin**
Financing at 3.5%

- **Cost of Risk**: 0.5%
- **Margin**: 1.5%
- **Fixed Costs**: 0.5%
- **Funding Costs**: 0.5%

Total = 3%

**Reduction of Cost of Risk with InnovFin**

- 0.5% (or 0.8% for small midcap)

**Cost of the guarantee**: 0.5% (or 0.8% for small midcap)
InnovFin SME Venture Capital - Key Features

- VC, BA funds focusing on companies in Early Stage (pre-seed, seed, start up)
- Focus on Horizon 2020 objectives (e.g. ICT, life sciences, clean energy, technology)
- Pari-passu, at least 30% investment from private investors
- Investment size up to EUR 30m, up to 50% of total commitments (catalytic)
- Open Call for Expression of Interest Single EU Equity Financial Instrument until 30/09/2020
- 4 transactions signed as of February 2016
InnovFin Product Overview

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- Thematic Finance
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- Advisory
  - InnovFin Advisory
  - Public and Private Sector Promoters
  - Financial Advisory
How does the MidCap Guarantee work?

- 50% loss coverage for new mid-cap loans of up to EUR 50m not covered under InnovFin SME Guarantee
- Can be complemented with EIB funding (global loan)
- Pari-passu sharing of risk and pricing
- Full delegation to financial intermediaries
- Favourable capital treatment
How does MidCap Growth Finance work?

- Direct long term debt and mezzanine finance: EUR 7.5m – EUR 25m
- Loans can be structured as economic equity (silent participation)
- For innovative Mid-Caps and SMEs (eligible counterparty concept)
- EIB can finance up to 50% of all investments over 3 years
- Streamlined EIB approval process
MidCap Growth Finance – Signed transactions (2013 – YTD)

1. EVS (2013) EUR 12m Senior term loan
2. MARPOSS (2013) EUR 25m Senior term loan
3. ROVIO (2014) EUR 25m Senior term loan
4. MANZ (2014) EUR 20m Mezzanine loan
5. PHARMATHEN (2014) EUR 25m Senior term loan
6. WELLTEC (2014) EUR 25m Senior term loan
7. PRAMAC (2014) EUR 8m Senior term loan
8. MAIER (2014) EUR 7.5m Senior term loan
9. eNET (2014) EUR 12m Subordinated loan
10. NOVABASE (2014) EUR 14m Senior term loan
11. MARANGONI (2014) EUR 10m Senior term loan
13. SAES (2015) EUR 10m Senior term loan
14. PLANON (2015) EUR 12m Senior term loan
15. KIOSKED (2015) EUR 15m Quasi-equity
16. DANOBAT (2015) EUR 10m Senior term loan
17. BIOSURFIT (2015) EUR 12m Quasi-equity
18. JENNEWEIN (2015) EUR 12m Quasi-equity
19. DOPPELMAYR (2015) EUR 25m Senior term loan
21. PUNCH (2015) EUR 25m Senior Term Loan
22. FIGEAC (2015) EUR 25m Senior Term Loan
23. QWANT (2015) EUR 25m Quasi-equity
24. eViiSION (2016) EUR 13.5m Quasi-equity

Signature pipeline for H1 2016
Advantages

No crowding out. Complementary finance to house banks

EIB signaling effect to attract other banks & investors (quality stamp)

Long-term lending at attractive terms (no subsidised)

Growth finance without dilution of shareholders
InnovFin Product Overview

**SMEs**
- **InnovFin** SME Guarantee
- **InnovFin** SME Venture Capital

SMEs and small Mid-Caps < 500 Employees
- Intermediated SME/Mid-Cap Financing

**Midcaps**
- **InnovFin** MidCap Guarantee
- **InnovFin** MidCap Growth Finance

Mid-Caps < 3,000 Employees
- Intermediated and/or direct Corporate lending

**Large Caps**
- **InnovFin** Large Projects
- **InnovFin** Direct Corporate Lending

Large Caps Typically > 3,000 Employees

**Thematic Finance**
- **InnovFin** Energy Demo Projects
- **InnovFin** Infectious Diseases

SPV, Mid-Caps and Large Caps
- Project Finance and/or Direct Corporate Lending

**Advisory**
- **InnovFin** Advisory

Public and Private Sector Promoters
- Financial Advisory

Direct products
- Indirect products
How does InnovFin Large Projects work?

- Senior debt (pari-passu with other senior lenders)
- Eligible project required. EIB finances up to 50% of R&D and innovation investments
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation
Advantages

- Long term loans at attractive terms (pari-passu)
- Signaling effect and quality stamp (technical expertise)
- Co-financing with house-banks preferred
- No cross selling & hold to maturity strategy
InnovFin Product Overview

- **SMEs**
  - **InnovFin SME Guarantee**
  - **InnovFin SME Venture Capital**
  - SMEs and small Mid-Caps < 500 Employees
  - Intermediated SME/Mid-Cap Financing

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- **Large Caps**
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- **Advisory**
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  - Public and Private Sector Promoters
  - Financial Advisory
Which projects can be supported?

- Pre-commercial stage; technology needs to be scalable
- Loan: EUR 7.5m – EUR 75m; EUR and local currency; maturity of max 15 years; EIB finances up to 50% of project costs.
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation
InnovFin Product Overview

**SMEs**
- InnovFin SME Guarantee
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**Advisory**
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**Direct products**

**Indirect products**
Which projects can be supported?

- Projects which have passed pre-clinical stage and for which clinical validation is needed for further development

- Loan: EUR 7.5m – EUR 75m; EUR and local currency; Loan maturity of max 7 years; EIB finances up to 50% of project costs.

- Broad range of products - standard debt instruments (i.e. senior, subordinated, and mezzanine) to risk sharing instruments (RSL) with forgiveness options

- Comprehensive due diligence including project due diligence (technical, financial, economic)

- EIB standard documentation
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**direct products** | **indirect products**
Enable maximum access to finance for innovative projects

Projects Advisory
- Improve bankability/investment readiness
- Enable earlier/faster access to finance
- Light Project Advisory

Horizontal Activities
- Improve framework conditions for financing
- Develop “business case” for new financing mechanisms in RDI sectors
- Prepare studies on increasing effectiveness of financial instruments to address specific sector/RDI policy objectives

Arctic Arc
Fuel Cells and Hydrogen Joint Undertaking (H2M)
Philips Health Continuum

Circular Economy (CE)
Key Enabling Technologies (KETs)
Infectious Diseases Financing Facility (IDFF)
Bio-economy
RTOs/EARTO

Synergies between Projects Advisory and Horizontal Activities
InnovFin Advisory
Visit www.eib.org/innovfin
Objectives and Opportunities of the InnovFin Programme

Question & Answer Session
Case study:
Financing the evolution of great ideas into world-changing businesses

Greg Smith
CFO,
IP Group
Case study:
Matching the needs of growth companies

*Matthew Hare*
CEO,
*Gigaclear*
Case studies:

Question & Answer Session
Concluding remarks:

Rhona Allison
Senior Director, Company Growth, Scottish Enterprise