



# InnovFin – EU Finance for Innovators

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- Synergies between H2020 and EFSI

# New Generation of Debt and Equity Instruments

- 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 1.6bn between 2007-2013
- 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

# 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)

# InnovFin - Key Figures

- 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)

# InnovFin Product Overview



SMEs	Mid-Caps	Large Caps	Thematic Finance	Advisory
<b>InnovFin</b> SME Guarantee	<b>InnovFin</b> MidCap Guarantee	<b>InnovFin</b> Large Projects	<b>InnovFin</b> Energy Demo Projects	<b>InnovFin</b> Advisory
<b>InnovFin</b> SME Venture Capital	<b>InnovFin</b> MidCap Growth Finance		<b>InnovFin</b> Infectious Diseases	
SMEs and small Mid-Caps < 500 Employees	Mid-Caps < 3,000 Employees	Large Caps Typically > 3,000 Employees	SPV, Mid-Caps and Large Caps	Public and Private Sector Promoters
Intermediated SME/Mid-Cap Financing	Intermediated and/or direct Corporate lending	Direct Corporate Lending	Project Finance and/or Direct Corporate Lending	Financial Advisory

- direct products
- indirect products



Project advisory services;  
Horizontal activities

# InnovFin SME Guarantee: Enhancing a successful pilot initiative

- **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.
- Call for Expression of Interest to which interested financial intermediaries across Europe are invited to apply: **Demand > Supply!**

## What Transactions can be supported?

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

**Tangible &  
Intangible  
Assets**

**Working  
Capital**

**Business  
Transfers**

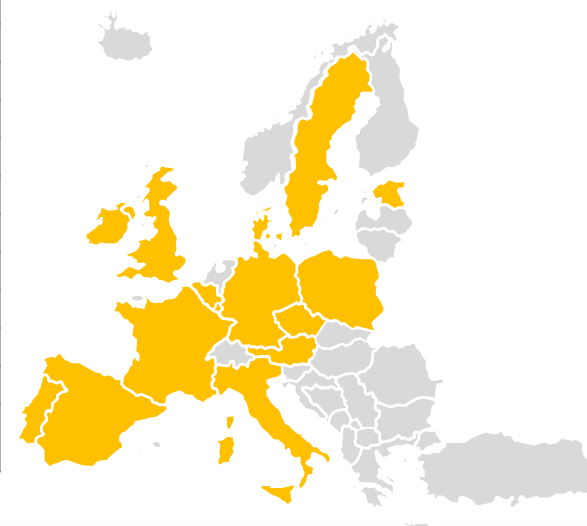
- Loan amount: min **EUR 25k** – max **EUR 7.5m** (only Senior Debt)
- Loan maturity: min **1 year** – max **10 years**
- Currency: **EUR and local currency**
- Max Portfolio: EUR 400m per intermediary – EUR 1bn per intermediary group



# InnovFin SME Guarantee: Signed (Counter-)Guarantee Agreements (as of 31/08/2015)

#	Financial Intermediary	Country	Type of Guarantee	Guarantee Amount (EURm)	Portfolio Amount (EURm)
1	Vaeksfonden	Denmark	Direct	67.5	135.0
2	Bankinter	Spain	Direct	100.0	200.0
3	Banco BPI	Portugal	Direct	100.0	200.0
4	Almi	Sweden	Direct	66.0	132.0
5	AWS	Austria	Counter	48.0	96.0
6	LHV	Estonia	Direct	25.0	50.0
7	Ceska sporitelna	Czech Republic	Direct	50.0	100.0
8	Komerční	Czech Republic	Direct	75.0	150.0
9	Anthilia Capital Partners	Italy	Direct	25.0	50.0
10	Bpifrance fin.	France	Direct	200.0	400.0
11	Bürgschaftsbank	Germany	Counter	17.5	35.0
12	L-Bank	Germany	Counter	20.0	40.0
13	Belfius	Belgium	Direct	50.0	100.0
14	DB	Germany	Direct	150.0	300.0
15	ING Luxembourg	Luxembourg	Direct	25.0	50.0
16	Bank of Ireland	Ireland	Direct	50.0	100.0
17	Idea Bank SA	Poland	Direct	10.0	20.0
18	Santander UK	United Kingdom	Direct	70.0	140.0
19	Credito Emiliano	Italy	Direct	110.0	220.0
20	BIL	Luxembourg	Direct	30.0	60.0
21	BPER	Italy	Direct	50.0	100.0
<b>Total</b>				<b>1,339</b>	<b>2,678</b>

- Very strong demand from the market leveraging on FP7 RSI
- **15 countries** targeted



# InnovFin SME Venture Capital

- **early stage window** in the Single EU Equity Financial Instrument (together with COSME)
- **focusing on venture capital funds and other investment vehicles** investing or cooperating with business angels.
- supports venture capital funds **targeting start-ups**, i.e. companies with no commercial turnover at the time of the first investment.
- EIF may also make investments in **multistage funds** and will focus on innovative sectors including life sciences, clean energy and high-tech sectors.

- Signed on 15 June 2015
- The **EUR 430m** early stage allocation will target enterprises located in the 28 Member States and Horizon 2020 Associated Countries.

# InnovFin Products for MidCaps

## InnovFin

### 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
- **3 pilot transactions** signed with Commerzbank, ING Belgium and KBC Bank.

## InnovFin

### 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**
- gradual shift from senior-debt growth financing to mezzanine and equity-type financing (1st equity-risk operation signed in Q1 2015)

- 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 thematic finance ('top-up')

## ➤ Energy Demonstration Projects (EDP)

- enables the EIB to finance innovative **first-of-a-kind demonstration projects** in the field of **renewable energy and hydrogen/fuel cells**. The EIB provides loans **between EUR 7.5m and EUR 75m**.
- financing of **pre-commercial** stage development of new technologies for which other sources of funding are not available.
- **150m** contribution for 2015-2017

## ➤ InnovFin Infectious Diseases (ID)

- enables the EIB to provide **between EUR 7.5m and EUR 75m** to innovative **players active in developing vaccines, drugs, medical and diagnostic devices, and research infrastructures for combatting infectious diseases**.
- projects that have passed the pre-clinical stage and for which **clinical validation** is needed for further development.
- **200m** contribution for 2015-2017

**More 'top-up'!** *Business Angels with DG Connect (to come)...*

# Innovation Finance Advisory helps to improve access-to-finance conditions

## Project Advisory

- Improve the bankability and the investment readiness of companies/projects needing funding to make significant R&I investments
- Clients include R&I driven companies (midcaps or larger), public-private consortia, Joint Technology Initiatives, PPPs, R&D clusters, EC and EU Member States

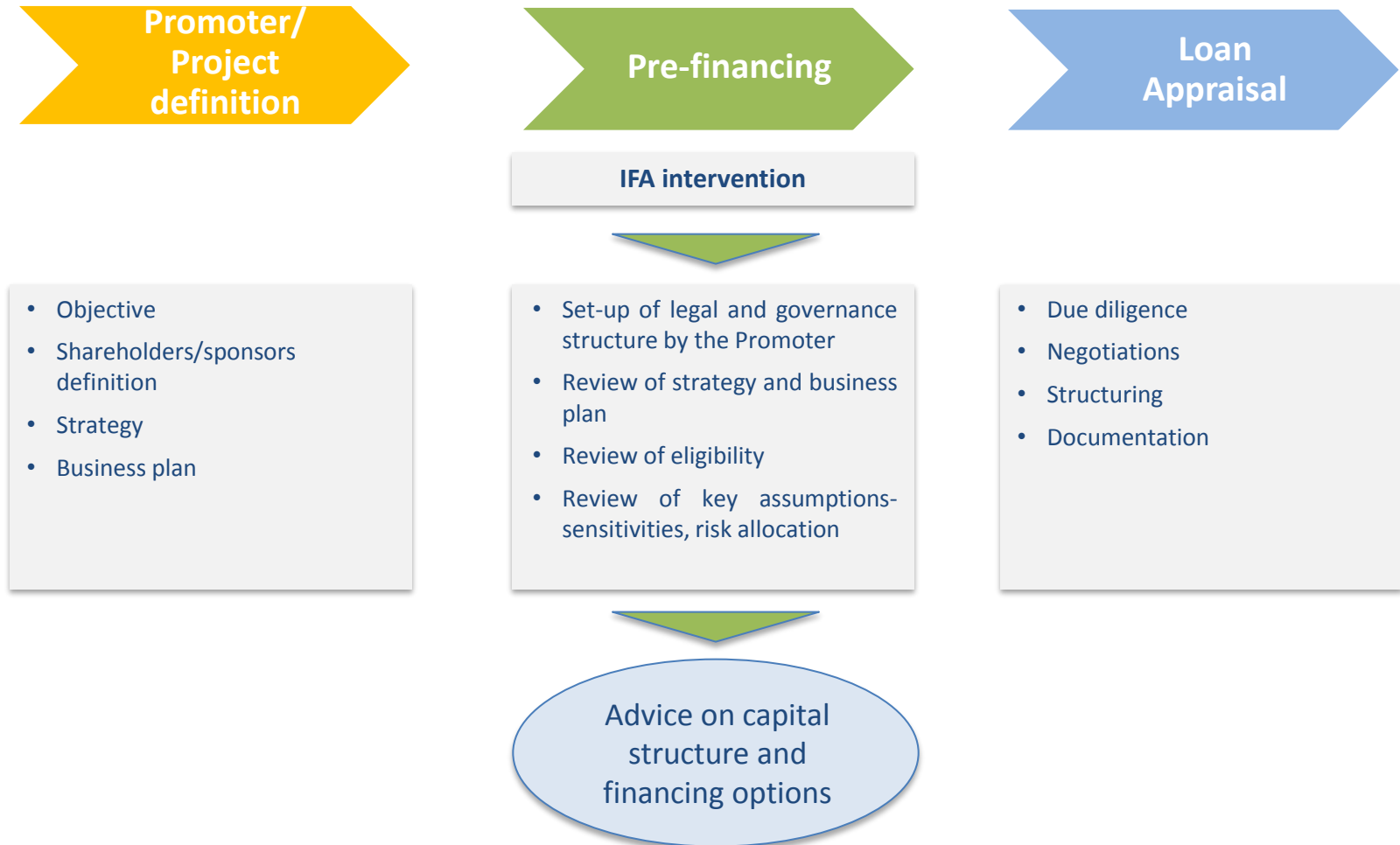
## Horizontal Activities

- Prepare studies on increasing effectiveness of financial instruments to address specific sectors/R&I projects' needs
- Develop “business case” for new financing mechanisms to support specific R&I policy objectives

- Business model
- Debt capacity analysis
- Capital structure
- Funding strategy
- Classic or innovative (public) financial instruments
- Funding sources and their eligibility criteria
- Governance
- Stakeholder engagement



# IFA intervenes once the project is broadly defined but bankability is not yet established



# SME Initiative

- Investment Plan for Europe calls on Member States to make better use of the EU budget by:
  - Shifting away from traditional grants to using loans and guarantees;
  - Member States to double the use of innovative financial instruments within their allocation of European Structural Funds.
  
- Configuration of SME Initiative:
  - Complements new EFSI;
  - Comes on top of EU programmes such as the Connecting Europe Facility, Horizon 2020 and the 'COSME' programme.
  
- How does the SME Initiative work:
  - 1 - An uncapped portfolio guarantee;
  - 2 - Securitisation instrument (work-in-progress).

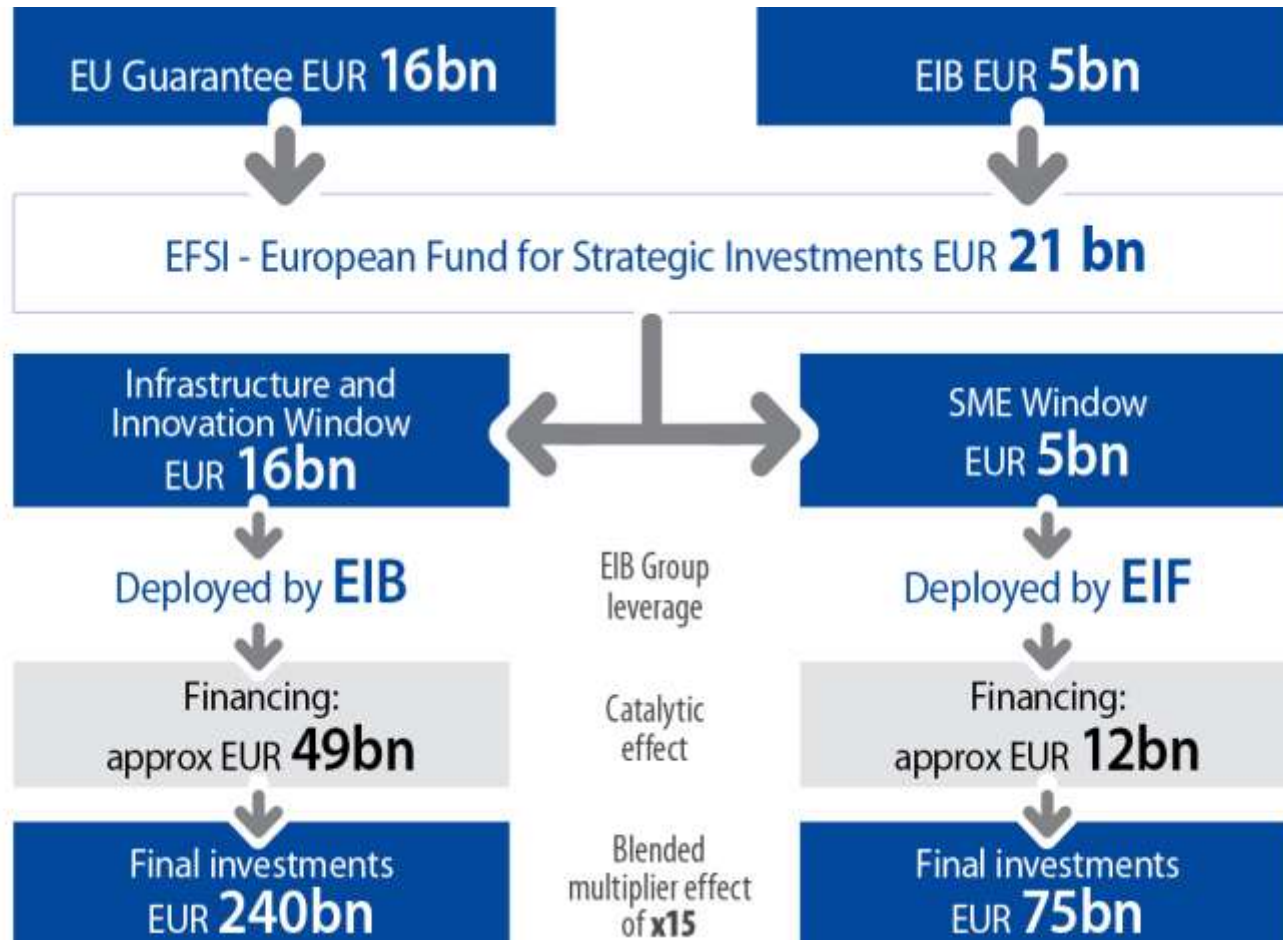


## **SME Initiative** – i.e. Implementation Update in Spain

- On 1 October 2015, the European Investment Fund (EIF) signed a new guarantee deal under SME Initiative with six Spanish banks: Bankia, Banco Santander, CaixaBank, Banco Sabadell, Banco Popular Español and Bankinter.
- This agreement will enable Spanish SMEs to benefit from €4bn in new loans over the next two years. Up to 40,000 SMEs and start-ups that are in need of finance are expected to benefit from this deal. It will contribute to innovation, internationalisation and enhanced competitiveness of Spanish SMEs.
- Alongside ESIF resources contributed by Spain, the SME Initiative is co-funded by the EU through Horizon 2020 resources, as well as EIB Group resources.

➤ **Strong demand from the market**

# European Fund for Strategic Investments (EFSI)



## Two "windows" of EFSI

- (1) Implemented by the EIB, the **Infrastructure & Innovation Window** (IIW) and
- (1) Implemented by the EIF under mandate from the EIB, the **SME Window** (SMEW).



The synergies between H2020 and EFSI.

The SMEW is to be implemented by the EIF under mandate from the EIB. It covers small midcaps, provides debt and equity financing with a particular focus on higher-risk, innovative or research-intensive companies.

# EFSI SME Window enhances InnovFin SME Guarantee

- **additional finance** under a specific window, enables ramping up the total number of deals and loan volume

EURm

Report as of:

Sep 2015

## InnovFin SMEG Financial Intermediaries

Name	Signature Date	Country / Region	Signature	of which EFSI (*)	Max Portf. Volume	Investments Triggered (est.)	Volume of SME / Small Mid-cap Transactions (*)
Bpifrance financement PI FEI IFSMEG 2015	Apr 2015	France	160.0	32.0	320.0	448.0	-
Bpifrance financement start-up IFSMEG 2015	Apr 2015	France	40.0	8.0	100.0	140.0	-
Santander UK IFSMEG 2015	Jun 2015	United Kingdom	69.0	13.8	138.0	193.2	-
BANIF - IFSMEG 2015	Jun 2015	Portugal	10.0	2.0	20.0	28.0	-
BIL Luxembourg IFSMEG 2015	Jun 2015	Luxembourg	30.0	6.0	60.0	84.0	-
BPER - IFSMEG 2015	Jul 2015	Italy	50.0	10.0	100.0	140.0	-
Novo Banco IFSMEG 2015	Jul 2015	Portugal	100.0	20.0	200.0	280.0	-
Sowalfin IFSMEG 2015	Sep 2015	Belgium	10.0	2.0	20.0	28.0	-
BCP Millennium IFSMEG 2015	Sep 2015	Portugal	100.0	20.0	200.0	280.0	-
Barclays UK IFSMEG 2015	Sep 2015	United Kingdom	82.3	16.5	164.7	230.5	-
			<b>651.3</b>	<b>130.3</b>	<b>1,323</b>	<b>1,852</b>	-

(\*) Estimate : 20% of guaranteed amount

# InnovFin – EU finance for innovators

- **Video (duration 3:15 min) -**  
<http://www.eib.org/infocentre/videotheque/innovfin-eu-finance-for-innovators.htm?lang=enhtm>

**Many thanks  
for your attention!**

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## EIB Group:

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## More Information:

- Horizon 2020
  - ❑ <http://ec.europa.eu/programmes/horizon2020/en/area/smes>
  - ❑ <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/access-risk-finance>
  - ❑ <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/innovation-smes>
- EASME – <http://ec.europa.eu/easme/sme/>
- Eurostars - <http://www.eurekanetwork.org/activities/eurostars>
- SME Techweb – [http://ec.europa.eu/research/sme-techweb/index\\_en.cfm](http://ec.europa.eu/research/sme-techweb/index_en.cfm)
- Financial Instruments
  - ❑ Finance for Innovators (InnoVFin products)  
<http://www.eib.org/products/innovfin/products/index.htm>
- EU Access to Finance – <http://www.access2finance.eu>