

Backing visionary entrepreneurs

The European Innovation Council
EIC Fund

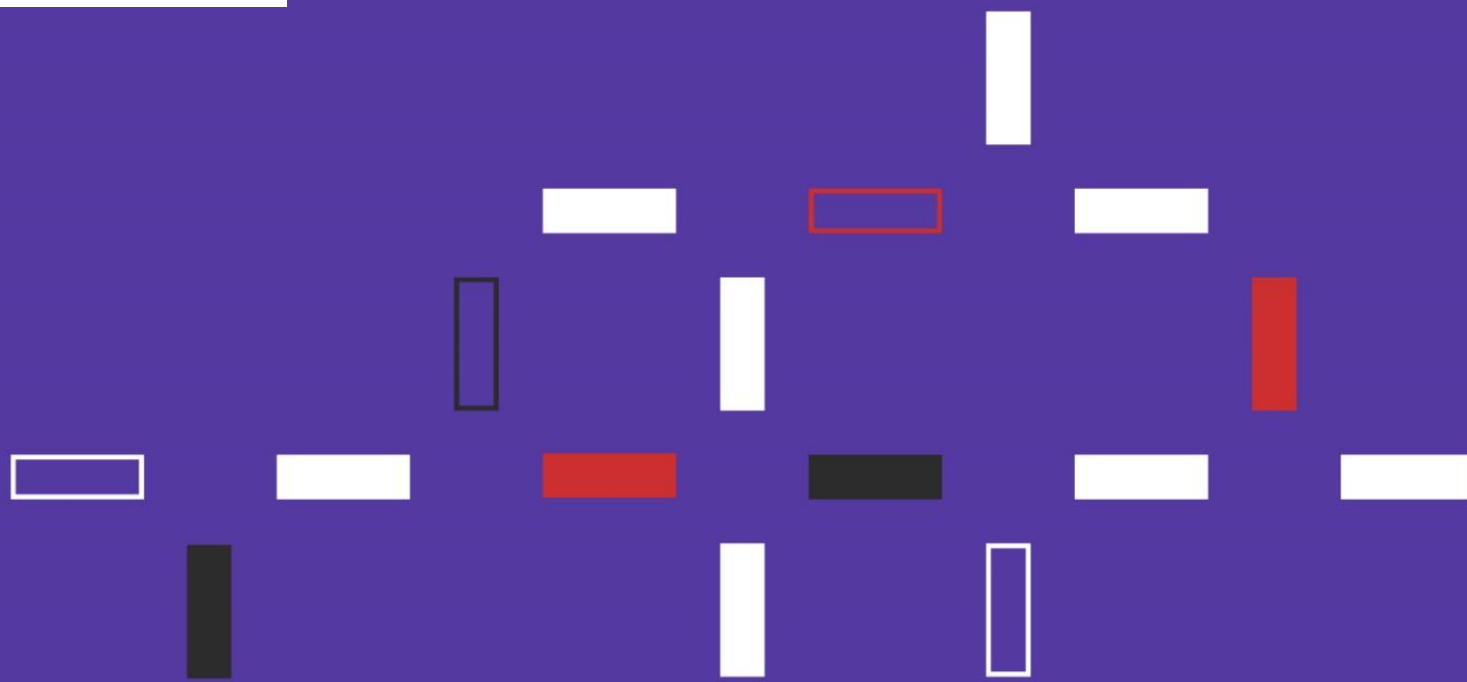
Martin Bruncko

European
Innovation
Council





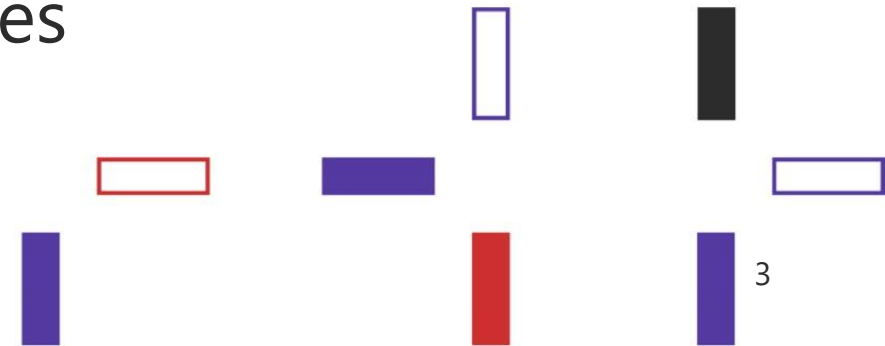
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Policy rationale

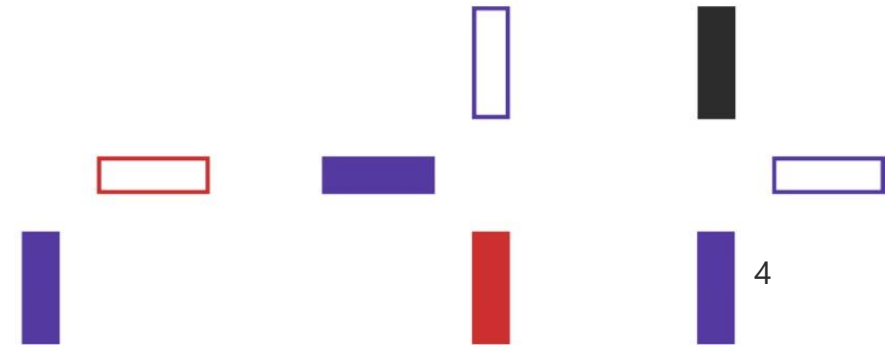
- Innovative start-ups and scale-ups play a central role in job creation.
- Enabling technologies are at the heart of the next industrial revolution: IoT & sensors, AI, drones & robotics, new materials, biotechnology...
- Deep-tech can solve major societal and environmental issues.
- COVID 19 is a palpable example: mRNA vaccines
- Technological independency.





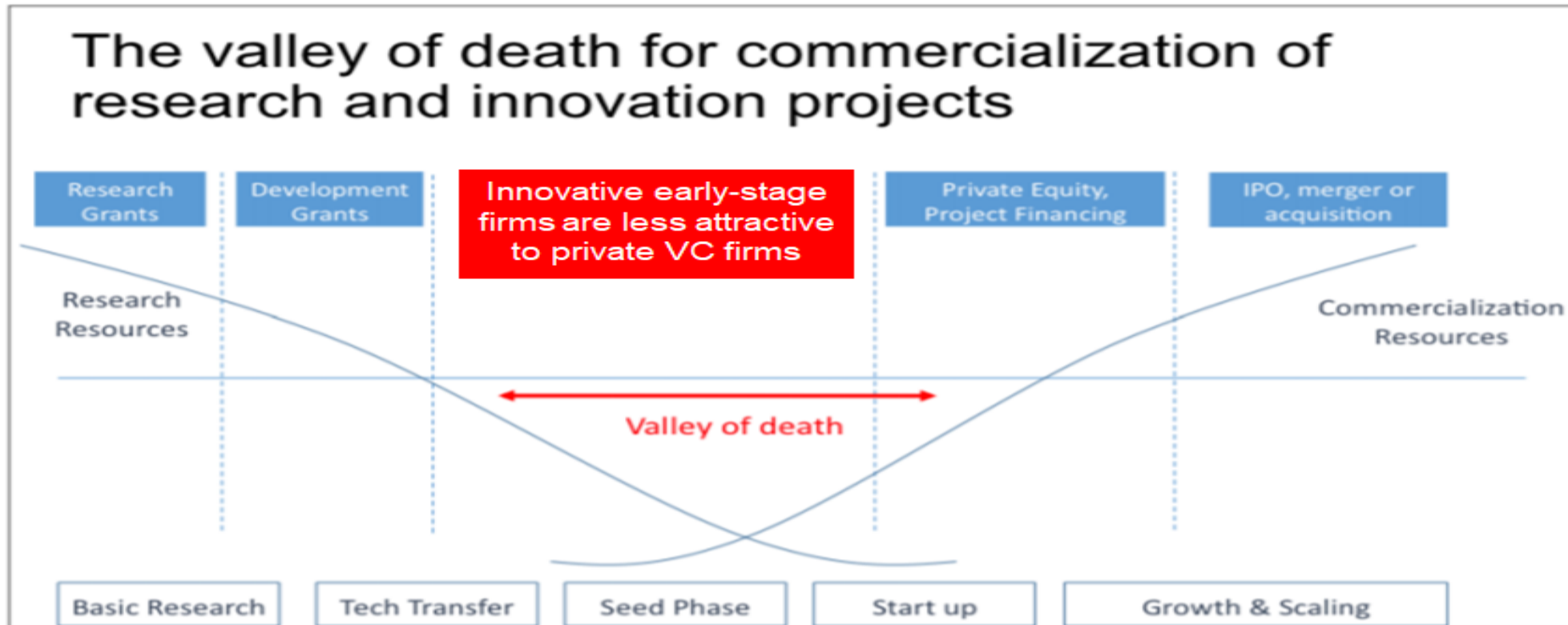
Innovative early-stage firms are less attractive to VCs

- Deep-tech companies: high **capital** intensity and higher technology **risk**
- Severe information asymmetry
 - uncertainty about the technology
 - lack of financials track-record
 - concerns around scalability
 - concerns around the business model
- Lack of internal cash flow and collaterals





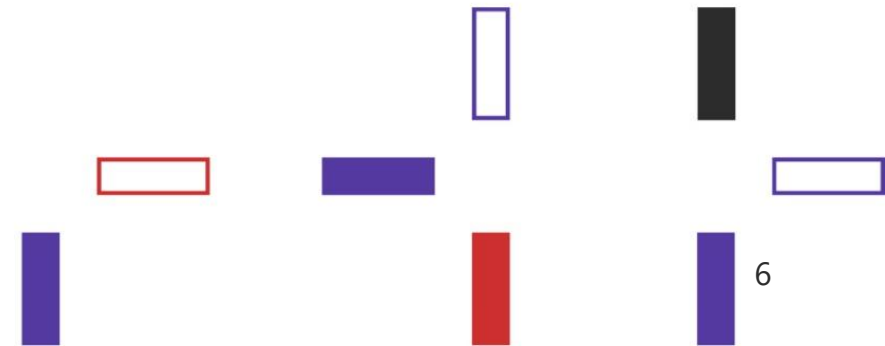
The "Valley of Death"





Blended finance

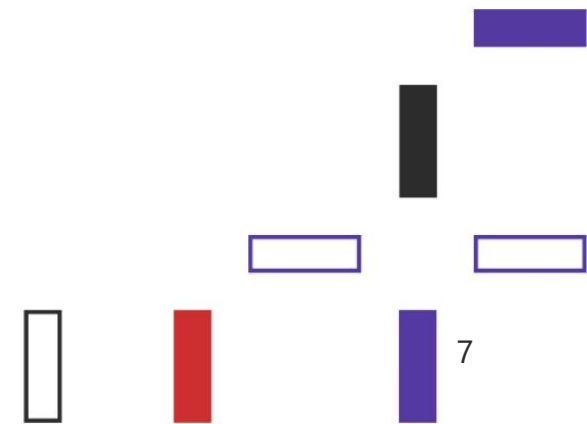
- **Different funding for technologies at different levels of development**
- **Blended finance (combination of grant with equity, debt investments or insurance-like products):**
 - **More suitable for commercially oriented projects** (not basic research) and/or later stage innovation projects compared to traditional grants (follow-on to traditional grants);
 - Built-in **risk-sharing mechanism** with the beneficiaries of the blended instrument or private investors (in the latter case, to facilitate their engagement at earlier stage of innovative projects/companies, and to leverage private funding);
 - Introduction of a **repayment mechanism** for public funding.





The Fund

- The EIC Fund **is a venture capital fund.**
- **The European Commission is the shareholder.**
- It is a **flexible** instrument (Reserved Alternative Investment Fund, RAIF): multiple compartments (umbrella), different assets.
- It was **established in June 2020.**
- The EIC Fund is an open-ended fund.





Mission

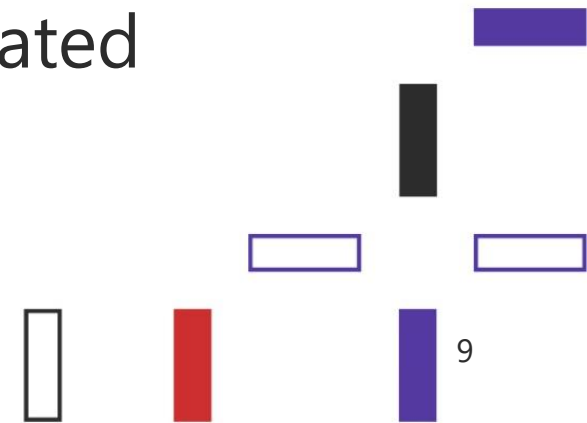
- To **bridge the critical financing gap** faced by innovative science and engineering based companies when bringing their technologies to the market.
- To scale up breakthrough European innovations.
- To crowd in other investors, further sharing risks.
 - To build a **large network of capital providers and strategic partners** suitable for co-investments and follow on funding.
 - To provide a single point of access to an **aggregated (Europe wide) deal flow of relevant investment opportunities.**





Investment component

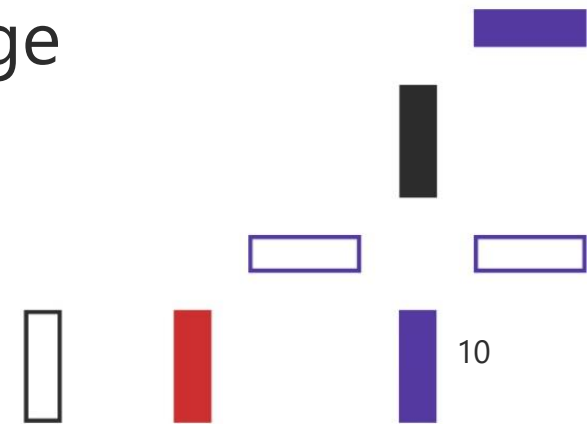
- The EIC Fund provides **patient capital** in the form of equity or quasi-equity.
- The Fund invest in **start-ups** with potentially market-creating innovations, whether based on **breakthrough disruptive technologies** originating from research (deep-tech) or on social innovation.
- From **any sector**, across **all EU countries** (and associated countries).

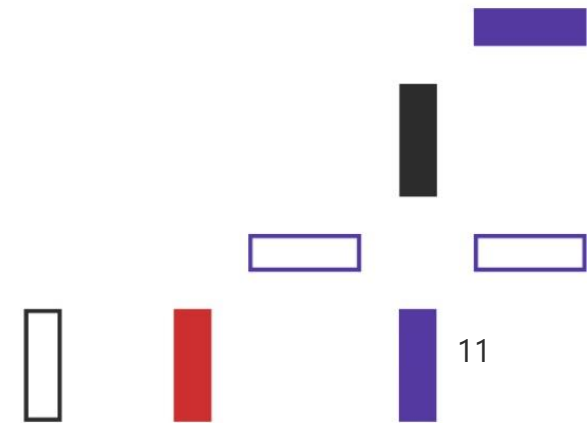
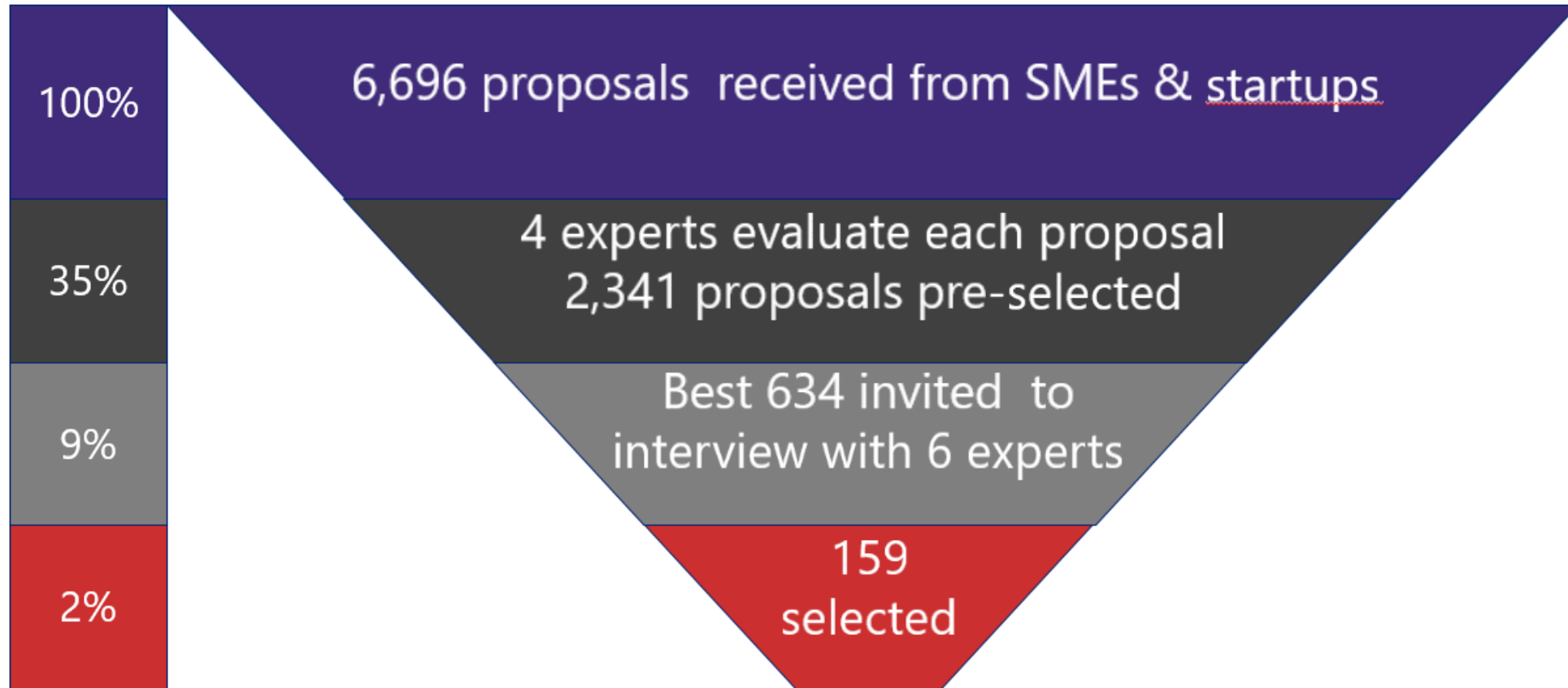




Investment component

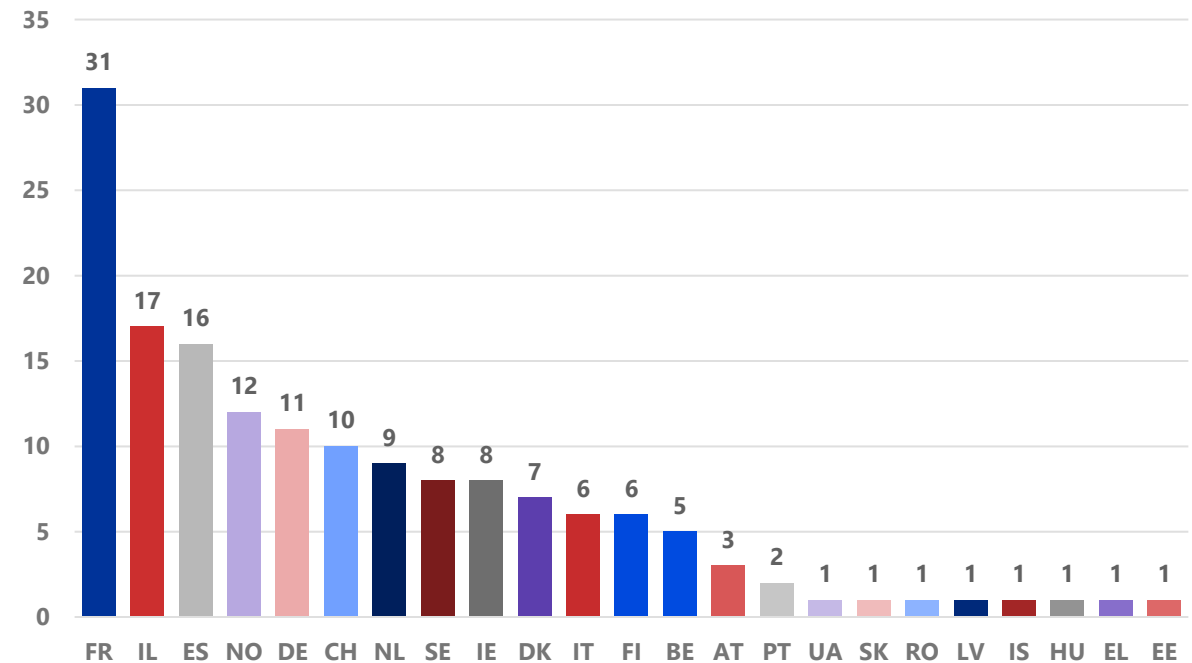
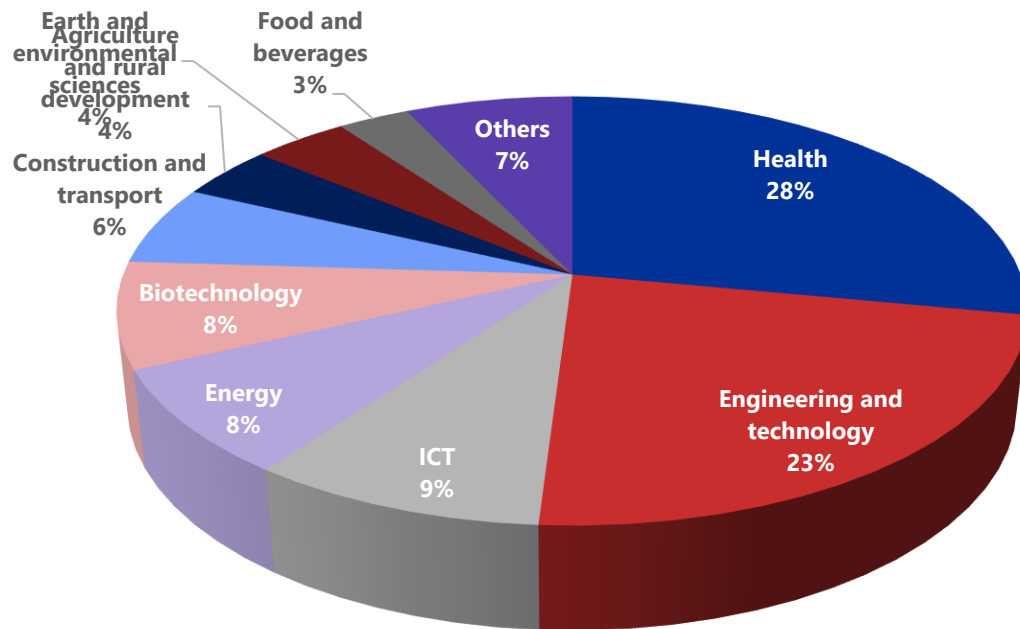
- The EIC Fund invests at **early stage** (seed, start-up, scale-up) from €0.5 to 15 million.
- The Fund may reserve **follow-on capital** to invest in subsequent series.
- The Fund usually targets **minority ownership** stakes, and up to a blocking minority in cases identified by the EC as of strategic interest for the EU.
- Investments will normally be made with a long average perspective (7-10 years) with a maximum of 15 years.





EIC Fund deal flow from pilot phase (2019-20)

- The EIC Fund is building a portfolio of 159 early-stage technology companies (€680 million investment, €4.3 million average)





Due diligence

- The European Investment Bank (EIB) performs exhaustive due diligence prepares the investment recommendations:
 - Risk assessment, compliance and KYC
 - Product and technology
 - Market and competition
 - Commercialization strategy
 - Business plan and financial projections
 - Management
 - Board and governance
 - Ownership and capital structure
 - Optimal investment structure





EIC Fund: Investment Process



The EIC Fund Investment Committee



Nicklas Bergman



Kerstin Bock



Martin Bruncko



José Fernando
Figueiredo



Laura González-
Estefani



Heidi Kakko



Kinga Stanislawska

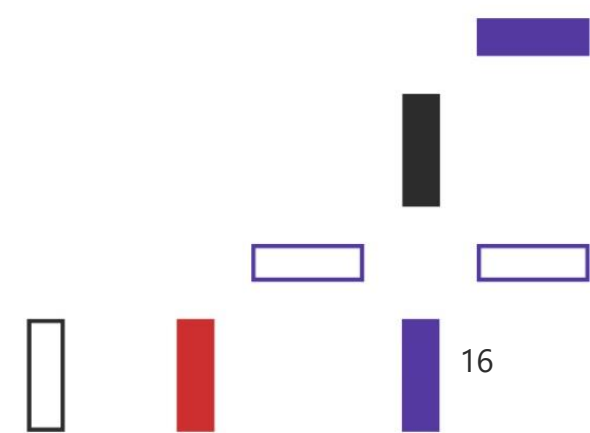
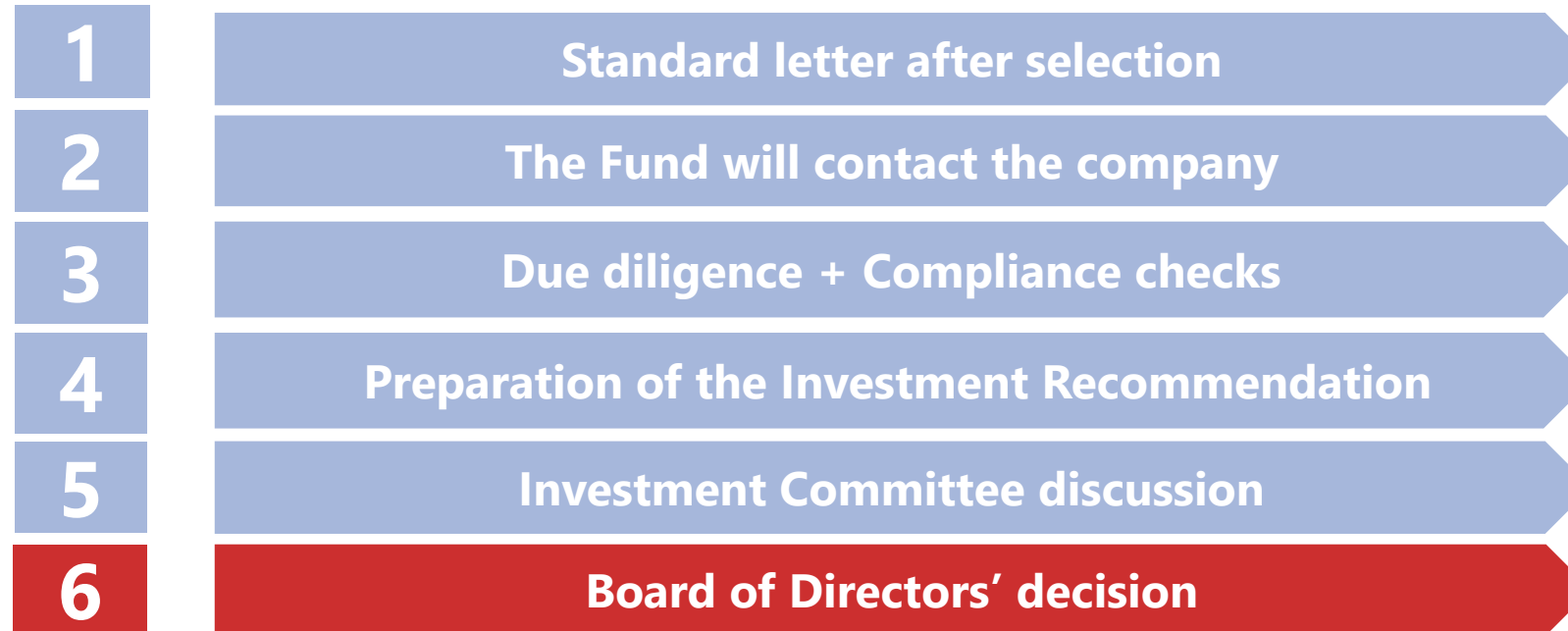


Stéphane Ouaki
CHAIR





EIC Fund: Investment Process





The EIC Fund Board of Directors



Jean-David Malo
CHAIR



Kerstin Jorna



Hermann Hauser



Laurie-Anne
Takerkart



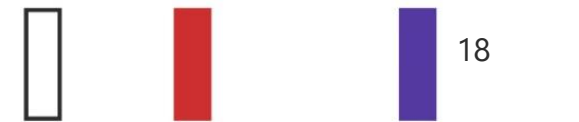
Philippe
Salpetier





Crowding in: why so important?

- The EIC **does not aim to replace/displace the market** but to de-risk the projects and attract other investors.
- Strategic investors **dramatically increase the chances of the companies to succeed**: provide expertise, mentoring and networking in specific industries and markets, key enabling technologies and business models:
- The EC Fund strives for larger rounds, thereby **multiplying the value of taxpayers' money** (EIC Advisory Board, Vision Paper: goal is to generate a **leverage effect** equal to 3 to 5 times).





Crowding in

- In the application, companies will be offered the opportunity to share certain data and information with investors.
- The Fund will start looking for other investors during the due diligence.
- The EIC Fund will support the companies through a dedicated matching platform.
- When looking for co-investors, the EIC Fund will also incentivise other investors to provide mentoring tasks and independent advice to the company.





Thank you!

@EUeic

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