European Investment Fund: Fostering Entrepreneurship & Innovation in Europe

Europe’s Leading Developer of Risk Financing for Entrepreneurship & Innovation

Public Private Partnership
European Investment Bank, European Commission and 23 financial institutions
EUR 3bn share capital

EUR 12bn of assets under management of which EUR 7bn in venture capital and growth funds

Policy and Financial Return
objectives driven AAA rated

Addressing market needs by acting as a countercyclical investor in tough economic times
Helping SMEs at every stage

SME Development Stages

PRE-SEED PHASE  |  SEED PHASE  |  START-UP PHASE  |  EMERGING GROWTH  |  DEVELOPMENT

Higher Risk  |  Lower Risk

- Portfolio Guarantees & Credit Enhancement
- Formal VC/PE Funds & Mezzanine Funds
- Business Angels, Technology Transfer
- Microcredit
- VC Seed & Early Stage
- Public Stock Markets
Intermediated model

“We work with a wide range of counterparts to support SMEs”

Fund providers and Mandators
- European Investment Bank
- European Commission
- Member States
- Managing Authorities
- Funds of Funds
- Corporates/private
- Public institutes

Intermediaries and counterparts
- Commercial Banks
- Development & Promotional Banks
- Guarantee Institutions
- Leasing Companies
- Fund Managers
- Microfinance Institutions

micro-enterprises, SMEs and small mid-caps
EIF-managed Fund-of-Funds and Holding Funds across Europe

**Fund-of-Funds Activity**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Investment Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK FTF: GBP 200m</td>
<td></td>
</tr>
<tr>
<td>ERP (DE): EUR 1000m</td>
<td></td>
</tr>
<tr>
<td>LFA-EIF (DE): EUR 100m</td>
<td></td>
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<tr>
<td>Dahlia (FR): EUR 300m</td>
<td></td>
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<tr>
<td>NEOTEC (SP): EUR 183m</td>
<td></td>
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<tr>
<td>PVCi (PT): EUR 111m</td>
<td></td>
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<tr>
<td>iVCi (TR): EUR 160m</td>
<td></td>
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<tr>
<td>BIF (LT, LV, EE): EUR 100m</td>
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<tr>
<td>DVI (NL): EUR 150m</td>
<td></td>
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<tr>
<td>PGGF (PL): EUR 90m</td>
<td></td>
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<tr>
<td>Future initiatives</td>
<td></td>
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<tr>
<td>LFF (LU): EUR 150m</td>
<td></td>
</tr>
</tbody>
</table>

**Holding Funds Supported by Structural Funds (JEREMIE)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Investment Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>BULGARIA: EUR 349m</td>
<td></td>
</tr>
<tr>
<td>CALABRIA (I): EUR 45m</td>
<td></td>
</tr>
<tr>
<td>CAMPANIA (I): EUR 90m</td>
<td></td>
</tr>
<tr>
<td>CYPRUS: EUR 20m</td>
<td></td>
</tr>
<tr>
<td>EXTREMADURA (ES): EUR 10m</td>
<td></td>
</tr>
<tr>
<td>GREECE: EUR 250m</td>
<td></td>
</tr>
<tr>
<td>LANGUEDOC ROUSSILLON (FR): EUR 30m</td>
<td></td>
</tr>
<tr>
<td>LITHUANIA: EUR 180m</td>
<td></td>
</tr>
<tr>
<td>ROMANIA: EUR 100m</td>
<td></td>
</tr>
<tr>
<td>MALTA: EUR 10m</td>
<td></td>
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<tr>
<td>PACA (FR): EUR 20m</td>
<td></td>
</tr>
<tr>
<td>SLOVAKIA: EUR 100m</td>
<td></td>
</tr>
<tr>
<td>SICILY (I): EUR 60m</td>
<td></td>
</tr>
<tr>
<td>SICILY ESF (I): EUR 15m</td>
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</tbody>
</table>
PE Fundraising

€ Bn

'98  '99  '00  '01  '02  '03  '04  '05  '06  '07  '08  '09  '10  '11  '12

6.7  12.8  25.1  15.9  8.9  5.9  9.2  12.5  22.7  89.6  71.3  74.2  3.7  3.2  5.2  3.6

Buyout  VC

EUROPEAN INVESTMENT FUND
IPO for F/rite Air

By April 2000, the dot.com bubble was rapidly deflating. This didn't deter hundreds of Dutch investors from lining up to buy shares in F/rite Air, which was being billed as a hot new technology company backed by supporters such as Bill Gates, Paul Allen, and George Soros. The announcement about the company's IPO was posted on iex.nl, a financial web site for Dutch investors. It was reported that shares in the IPO could be reserved for $18 each by email, although it was said that analysts anticipated the stock soaring to above $80 on the first day of its filing. The company seemed like a sure thing, and almost immediately orders worth over $7 million flooded in. The orders didn't stop coming in even after the newspapers had revealed the IPO to be an April Fool's Day joke. F/rite air was a pun for 'Fried air' (i.e. Hot Air).

April Fool's Day Categories: Business, Fictitious Companies, Netherlands/Belgium, 2000
PE contributes to Europe’s economy and society (source: EVCA)

1. Gives Competitive Edge
2. Stimulates Innovation & Patent Filing
3. Fosters Entrepreneurship and Creation of Start-ups
4. Supports SMEs and Boosts their Growth
5. Increases Capex & Profitability
6. Reduces Default Rate
7. Increases Efficiency & Productivity
“More successful business transfers will have immediate beneficial effects for Europe’s economy. Existing companies conserve on average five jobs whereas a start-up generates on average two jobs. Moreover, the success rate of transfers is higher than that of start-ups.”

“…the succession in or acquisition of an existing enterprise should consistently be promoted as an alternative to starting up. In each case where start-ups are promoted it should be considered if the same initiative will also be applicable to transfers.”

“In some countries initiating more start-ups might currently appear more urgent, but conditions that help the continuation of businesses are also a stimulus for the entrepreneurial initiative.”
### EIF’s VC impact

**“Europe’s largest and most influential investor in European Venture Capital”**

<table>
<thead>
<tr>
<th>Invested in</th>
<th>3800+ Portfolio companies</th>
<th>More than</th>
<th>99% visibility on European venture market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>260+</strong> Venture Capital <strong>funds</strong></td>
<td><strong>Portfolio companies</strong></td>
<td><strong>170+</strong> VC fund manager <strong>relationships</strong></td>
<td><strong>active</strong> European VC funds</td>
</tr>
<tr>
<td>Invested in</td>
<td><strong>€3.8bn Investments</strong> in</td>
<td>Backing first time funds</td>
<td>First mover in <strong>Europe’s emerging markets and technology sectors</strong></td>
</tr>
<tr>
<td><strong>80%</strong> of</td>
<td>European Venture Capital</td>
<td>managed by tomorrow’s <strong>top quartile</strong> teams</td>
<td></td>
</tr>
<tr>
<td>active European VC funds</td>
<td>funds</td>
<td>teams</td>
<td></td>
</tr>
</tbody>
</table>

First mover in Europe’s emerging markets and technology sectors
Creation of European VC success stories

Companies surpassing USD 1BN in valuation in that year

Source: Holtzbrinck Ventures, EIF
Equity Impact – Leverage (1/2)

- EIF’s activity embedded in sophisticated food chain of equity funding for SMEs
- Co-investment effect at funds' level and companies’ level scales capital mobilised for SMEs to 21.8 times EIF’s commitment
- Annual risk capital mobilised in EIF-backed transactions is substantial (>EUR 20bn) – but what is EIF’s catalytic effect in this?
Equity Impact – Leverage (2/2)

Gross financing volume mobilised in EIF backed funds

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>LMM</th>
<th>VC</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>5.6</td>
<td>6.7</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Elimination of:
- Amounts of prior EIF-backed closing
- Investments from promotional agencies
- Negative replies on catalytic effect assessment (survey)
- 50% of eligible amounts in C “catalytic effect” graded funds
What the figures tell

Total

- EIF can demonstrate a directly attributable catalytic effect accounting for 55% of all capital mobilised in EIF backed VC and LMM funds

LMM/VC Comparison Fund Level

- Catalytic effect at VC fund level biased by bigger tickets taken in VC funds (53% of VC funds vs. 13% of LMM funds with stakes > 25%)
- Dual value added objective: Catalytic effect in fundraising and cornerstone investments to get funds to critical size

LMM/VC Comparison Company Level

- At final beneficiary level, multiplier in VC space naturally bigger than in LMM because of intensity of deal syndication for risk sharing
- As a result, multiplier at VC company level is 5.1x funds’ commitment versus 1.9x funds’ commitment in LMM space (overall multiplier of 3.9x)
EIF catalysing funding flows in VC/LMM space

First Time Teams going concern

- 55% of all first time teams funded by EIF between 2001 and 2008 succeeded in raising a successor fund
- 36% still in investment mode with positive outlook on going concern
- 9% did not succeed in raising a successor fund

Internationalisation

- 50% of funds gained additional international investors
- 41% gained access to institutional investors

Cross-Border Activity

- 50% of VC funds and 31% of LMM funds have investment strategies focusing on several countries / pan-European
PE as a stimulus

- **Growth/ Employment and start-ups**
  - 53% of companies experienced growth both in turnover and employees
  - Average annual turnover increase of 29.6% in VC space and 11.8% in LMM space
  - VC backed companies: 23% are seed investments and 53% are start-ups

- **Innovation for VC investees**
  - 50% of all VC investees filed one or more patent applications
  - Total patent applications filed average 6.6 per VC investee (outlier adjusted)

- **Internationalisation of SMEs**
  - 48% of companies had exports within EU, 44% outside EU
  - 85% of all investees qualified as SMEs under the EU definition at the time of investment
Build a sustainable European VC ecosystem in a globalised world

• **Move the needle** – maximise value added and impact
• **Leverage EIF’s financing capacity** through partnerships
• **Involve and work** with all relevant actors

**NEW**

DVI

**NEW**

Non institutional investors (BAs and Family Offices)

**NEW**

Corporates
Dutch Venture Initiative - DVI

Key facts

- Fund-of-funds investing in VC/PE funds focussing on Dutch innovative SMEs
- First closing size of EUR 150m, target size of EUR 300m
- Portfolio of some 10 to 15 funds
- Managed by EIF

Solid partners

- PPM Oost
- Ministerie van Economische Zaken, Landbouw en Innovatie (EL&I)
European Angels Fund – a new approach to Business Angel financing

Key facts

- Co-Investment Fund targeting Business Angels, Family Offices and other non-institutional investors (“BAs”)
- First pilot in Germany started March 2012 with EUR 70m
- European-wide roll-out in 3 – 4 years time frame

Working mechanism

- Pre-defined co-investment commitment (50:50)
- Full delegation of decisions to the BA
- Proper alignment of interest
Bring together what belongs **together** through an efficient, facilitated and **trusted collaboration platform**

**SMEs**

**Corporates**

**Investors**

**Platform Partners**

**EIF Corporate Innovation Platform**
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