

HORIZON 2020

Access to Risk Finance



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Access to Risk Finance Programme

- **Horizon 2020** (the new EU Framework Programme for R&I, 2014-2020), with a budget of **79 bn** (in current price),
- Total budget for Access to Risk Finance: **2.8 bn**
- The most important EU programme so far to provide **debt and equity finance for investments in R&I: 2.5 bn** via financial instruments (twice FP7 Debt FI budget)
- At least **1/3 of the budget to support innovative/RDI-driven SMEs**
- **Top-up contributions** likely to address targeted needs

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 whom 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)

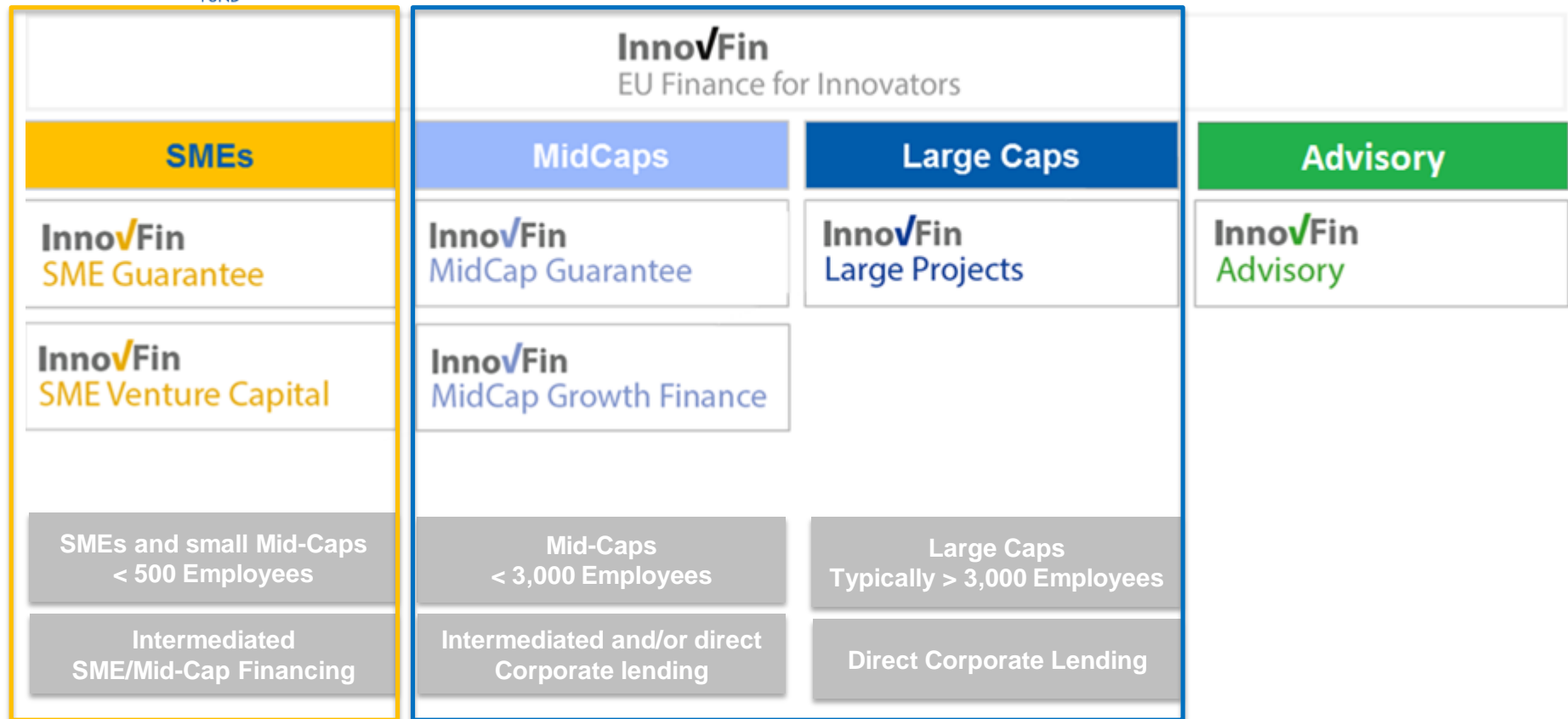
New Generation of Debt and Equity Instruments

- **Succeeding FP7 debt (RSFF, RSI) and CIP early stage equity (GIF1) FI:**
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
- **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

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)
- **More if top-up contributions** for targeted needs

InnovFin Product Overview



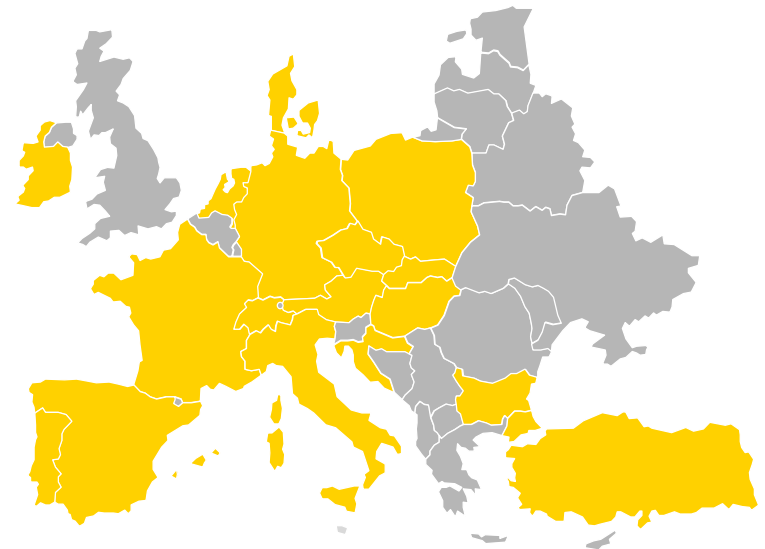
Enhancing a successful pilot initiative

- 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 issue **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.
- ***InnovFin SME Guarantee*** will boost by almost 4 times the RSI initiative, therefore enabling to provide an amount of **EUR 8 to 10 billion of financing** to benefit innovative SMEs and Small Mid-Caps over the next 7 years.
- EIF published a **Call for Expression of Interest** to which interested financial intermediaries across Europe are invited to apply:
[http://www.eif.org/what we do/guarantees/single eu debt instrument/innovfin-guarantee-facility/index.htm](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/index.htm)

Continuation of FP7 pilot action (Risk Sharing for Innovation RSI)

- **40** guarantee contracts signed (including **4** increases)
 - covering **18** countries
 - for a total guarantee amount of EUR **1,563m**
- Enabling over EUR **3.2bn** of loans/ leases to innovative SMEs and small mid-caps
- Which intermediaries, in which countries?

http://www.eif.org/what_we_do/guarantees/RSI/Rsi_intermediaries.htm



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*

InnovFin MidCap Growth Finance

- **Direct** long term senior, subordinated or mezzanine loans from EIB
- Amount between **€7.5 million < €25 million**
- for innovative larger 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

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

Horizon 2020 Early-Stage Equity Facility

- Under Horizon 2020: **early-stage equity facility** to improve access to risk finance by early-stage **RDI-driven SMEs (and small midcaps)** located in Member States or in Horizon 2020 Associated Countries
- **Support to early-stage risk capital funds (via the EIF)** that invest, on a predominantly cross-border basis, in individual enterprises.
- The **COSME programme's Equity Facility for Growth (EFG)** complements this facility by focusing its support on growth stage SMEs.
- In the case of **multistage funds** (i.e., covering both early- and growth- stage investments), funding will be provided pro rata from InnovFin SME Venture Capital and COSME's growth-stage equity facility (EFG).
- With an **EU financial contribution of around €0.4 billion** (2014-2020), the leverage effect expected is of a minimum of 5 (i.e. total investments of the VC funds supported equal to at least **€2 billion**).
- Signature and launch of this facility foreseen **before the end of 2014**.

Contacts at European Commission



Horizon 2020 Financial instruments management

InnovFin
Large Projects
InnovFin
MidCap Guarantee

InnovFin
MidCap Growth Finance
InnovFin
Advisory

InnovFin
SME Guarantee

InnovFin
SME Venture Capital

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More Information (1)

- **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>
- **InnovFin & RSI Pilot**
 - ❑ EIB: <http://www.eib.org/products/innovfin/index.htm?lang=en>
 - ❑ EIF: InnovFin SME Guarantee (incl. Call for Expression of Interest)
[http://www.eif.org/what we do/guarantees/single eu debt instrument/innovfin-guarantee-facility/index.htm](http://www.eif.org/what_we_do/guarantees/single_eu_debt_instrument/innovfin-guarantee-facility/index.htm)
 - ❑ RSI Pilot under FP7 (list of intermediaries):
[http://www.eif.org/what we do/guarantees/RSI/Rsi intermediaries.htm](http://www.eif.org/what_we_do/guarantees/RSI/Rsi_intermediaries.htm)
- **EU Access to Finance** - www.europa.eu/youreurope/business/index_en.htm
- **SME Techweb** - http://ec.europa.eu/research/sme-techweb/index_en.cfm