



EIC Fund

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EIC Fund

DG RTD EIC TF.3 Financial Instruments

EIC Fund-high-impact innovation – Key facts

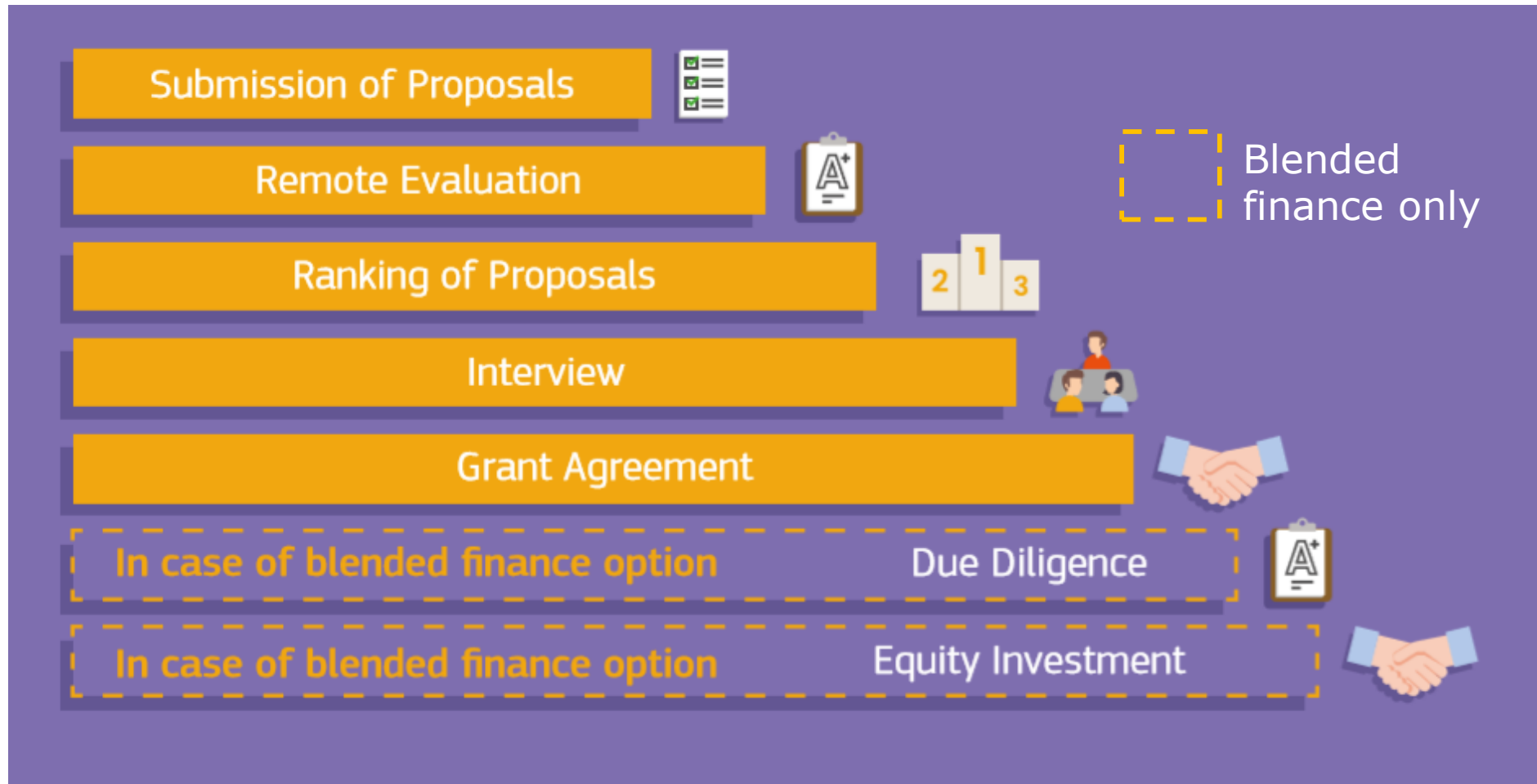
- Incorporated on 22 June
- First time European Commission invests directly via equity in companies
- Will invest from €500k to €15m per operation
- To help most innovative start-ups & SMEs rapidly scale up & enter markets
- Budget: > €600m in current pilot (2020); > €3bn in Horizon Europe
- EIB Group entrusted EIC Fund investment advisor (for the due diligence)

Investment strategy

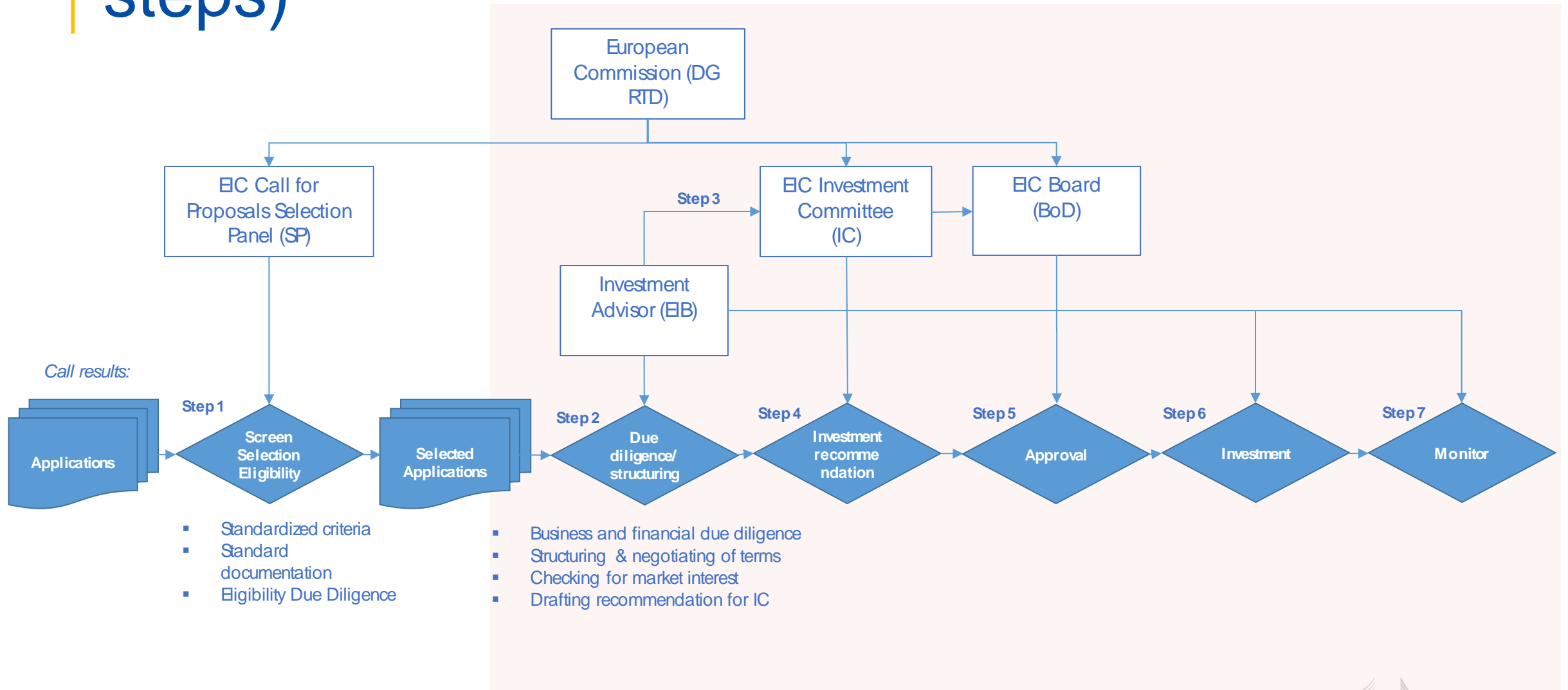


- **Impact investment**, rather than maximizing return on the investment
- **Patient capital**, with a **long average perspective** on return on the investment (7-10 years) with a maximum of 15 years.
- **Founder's friendly** – preference to convertible notes if investing alone (postpones dilution). Non-intrusive. In general ownership stakes of 10-25%
- **Exit strategy**: case-by-case (eg IPO, management buyout, secondary sales)

How do we select?



EIC Fund – equity investment process (key steps)



EIC Fund: current portfolio

- 140 projects pre-selected
- Average size of those pre-selected
 - ✓ Grant €1.9 million
 - ✓ Equity €3.9 million
- Total proposed investment of them
 - ✓ €399.4 million

Thank you

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Due diligence



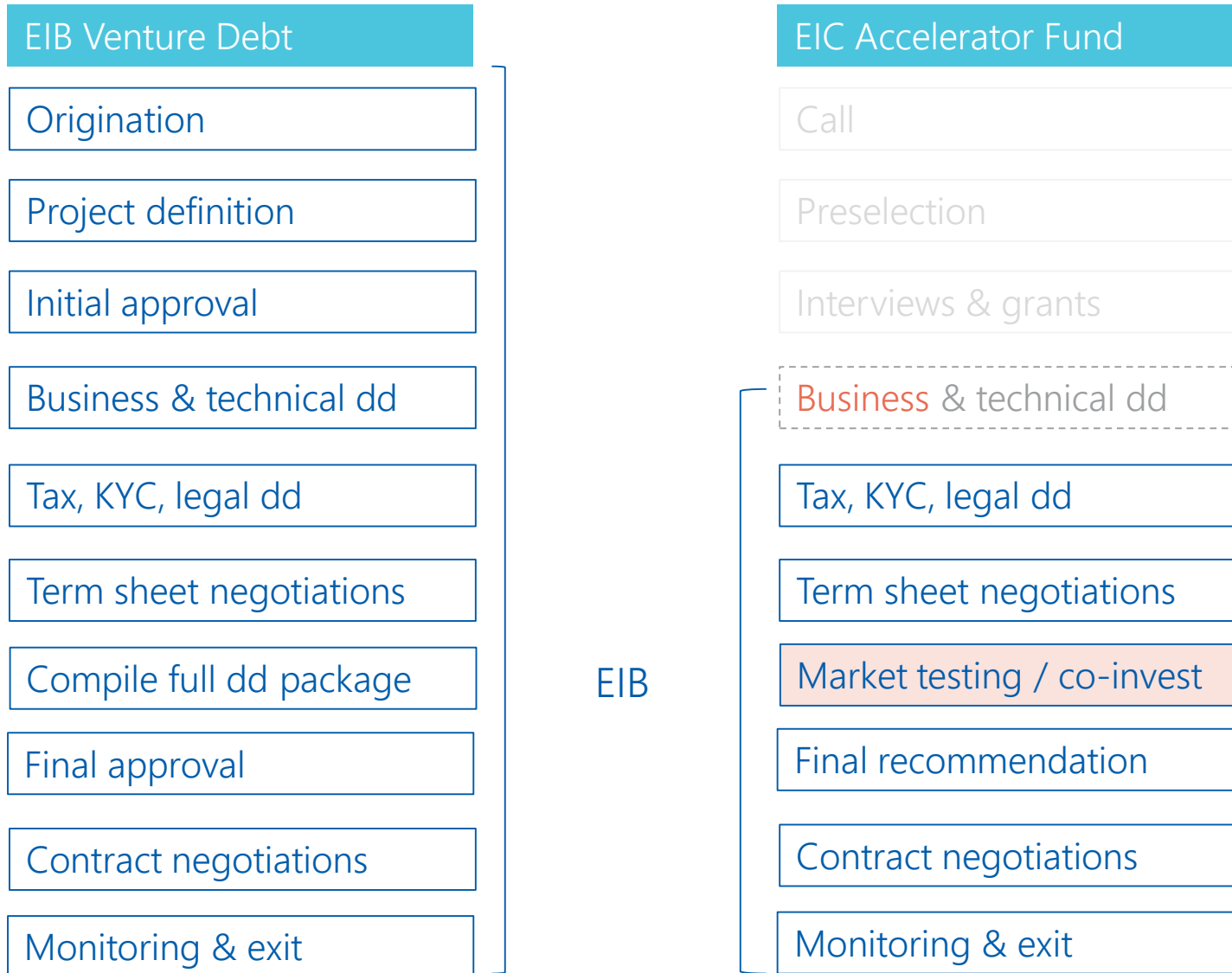
- Performed by the **EIC Fund**
- Goal: **define tailor-made investment** fitting company and project needs – **structuring of financing**
- Focus on: governance & quality of the company's management, capital structure and financial planning, business strategy and competition

Equity investment: the EIC Fund



- The European Commission takes the investment decision
- Up to €15 million
- Different forms of equity type instruments: shares, convertibles, other equity types
- Non-intrusive equity
- EIC Fund advisor: EIB Group

EIB venture debt vs EIC Accelerator Fund roles for EIB teams (simplified)



EIC Fund: Governance

2/2

- EIC Fund Board of Directors
 - Manages the EIC Fund
 - Composed of 3 members
- EIC Fund Investment Committee
 - Makes proposals to the Board regarding investments/divestments
 - Composed of 7 independent experts / 1 EIC Advisory Board member as an observer / 1 Commission official from DG R&I
- Investment Advisor (EIB)
 - Among others, assists the Board and IC in execution of investments:
 - ✓ Identifies appropriate financing structure
 - ✓ Negotiates investment terms, matchmaking with co-investors
 - ✓ Closes the final investment agreement

Match-making co-investors to crowd-in



- A community of trusted VCs and investors
- The company will be presented to VCs that may express the interest to invest
- The company will have a final say
- Investors could replace the EIC Fund, co-invest alongside the EIC Fund or provide mentoring

Market testing strategy for EIC Accelerator Fund

EIC Accelerator Applications

Selected applications

EIB Group

EIC Fund:
Due diligence process

CO-INVEST

Market testing and co-investments:

- I. Co-invest with existing or known future equity investor(s)
- II. Contact directly investors on the basis of:
 - the needs of the companies, and
 - the EIB Group's proprietary knowledge of the EU ecosystem (EIF's VC and EIB's corporate and NPB networks)
- III. Set-up a digital portal to connect prequalified investors and companies ensuring efficient dissemination of information and price discovery

DIRECT

Direct investment through equity and/or convertible instrument

*Determine the most appropriate funding structure vis-à-vis the company's funding needs, capital structure, and economic alignment of interest.
Funding structure to accommodate future equity rounds*

200 + European VCs

Corporates

NPBs

Non-EU investors
Private offices
Foundations etc.

Preliminary operating activity

- 1st cut-off (19 October 2019): 35 proposals, EUR 128.1m potential investment:
 - ✓ 100% contacted by the EIB advisory team
 - ✓ 100% Due Diligence Questionnaires sent
 - ✓ Term sheets already drafted and ready to be sent to EIC Fund (some of them have been already preliminarily agreed with the target companies)
- 2nd cut-off (8 January 2020): 21 proposals, EUR 96.9m potential investment:
 - ✓ 100% contacted by the EIB advisory team
 - ✓ Due Diligence Questionnaires sent
- 3rd cut-off (20 March 2020 - COVID & non Covid): 46 proposals (Eur 174.4m potential investment)