

# Introduction to the EIC Fund

The European Innovation Council  
**Backing visionary  
entrepreneurs**

**Luis Sánchez**  
EISMEA-EIC Fund

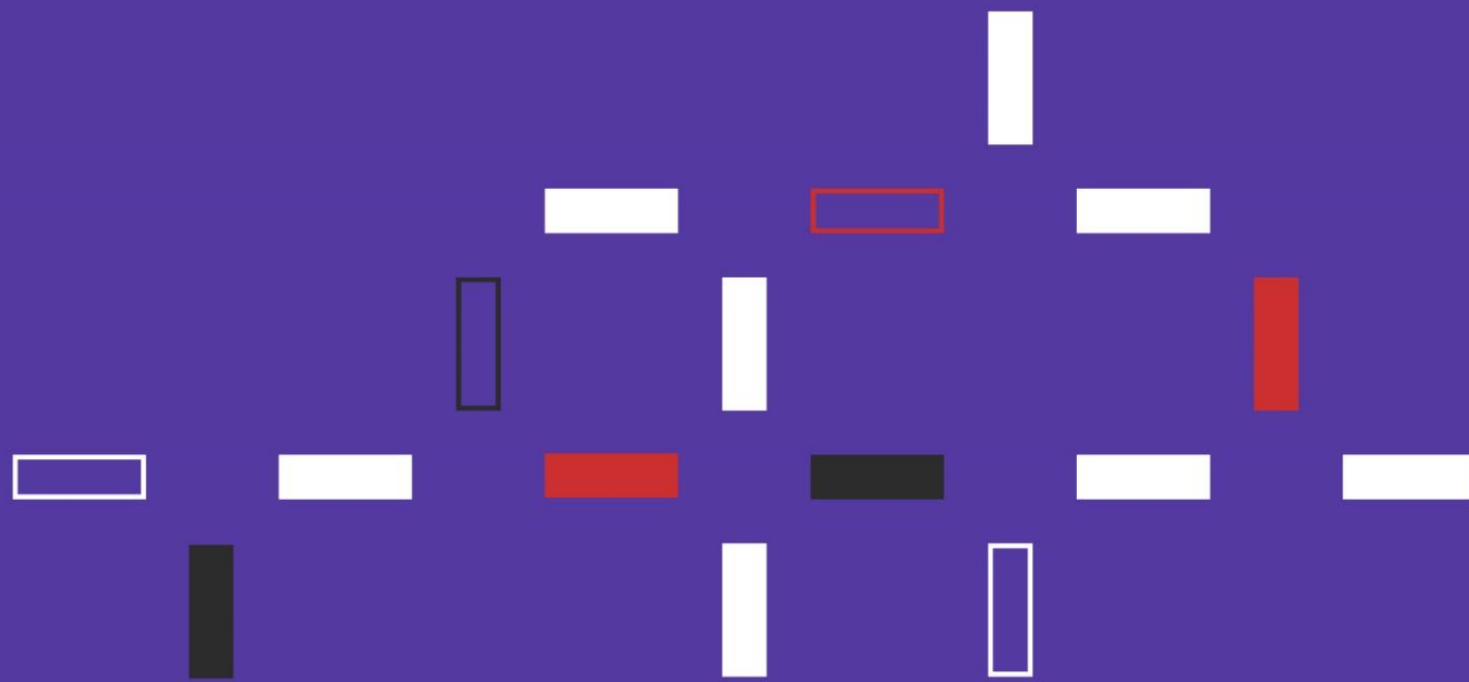
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European  
Innovation  
Council





# The European Innovation Council – why?





# What's holding back European innovation?

## Innovation performance

- **Strong research performance not translated** into innovation
- **Lack of breakthrough/ disruptive innovations** that create new markets

## Innovation funding

- Financing gaps (2 "valleys of death") in
- **Transition** from lab to enterprise
  - **Scaling up** for high-risk innovative start-ups

## Innovation ecosystem

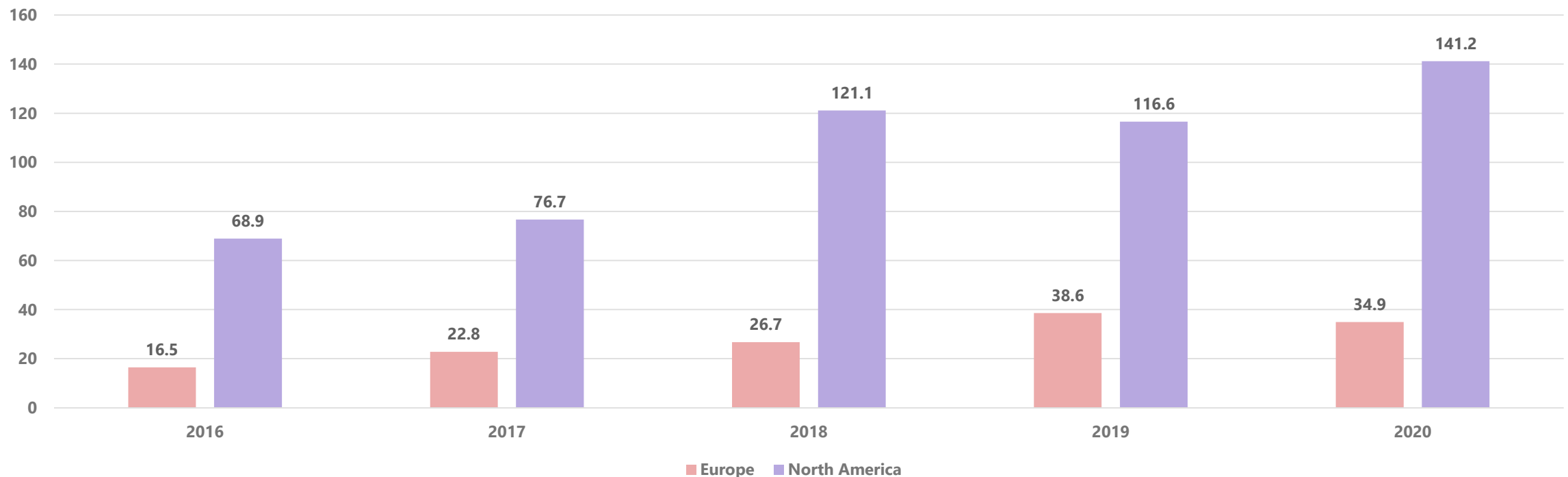
- Many national & local ecosystems, but **fragmented at European level**
- Need to **include all regions and all talent** (especially female)



# Funding gap for scaling up highly innovative startups and SMEs

US venture capital investments are 4-5 times higher than EU

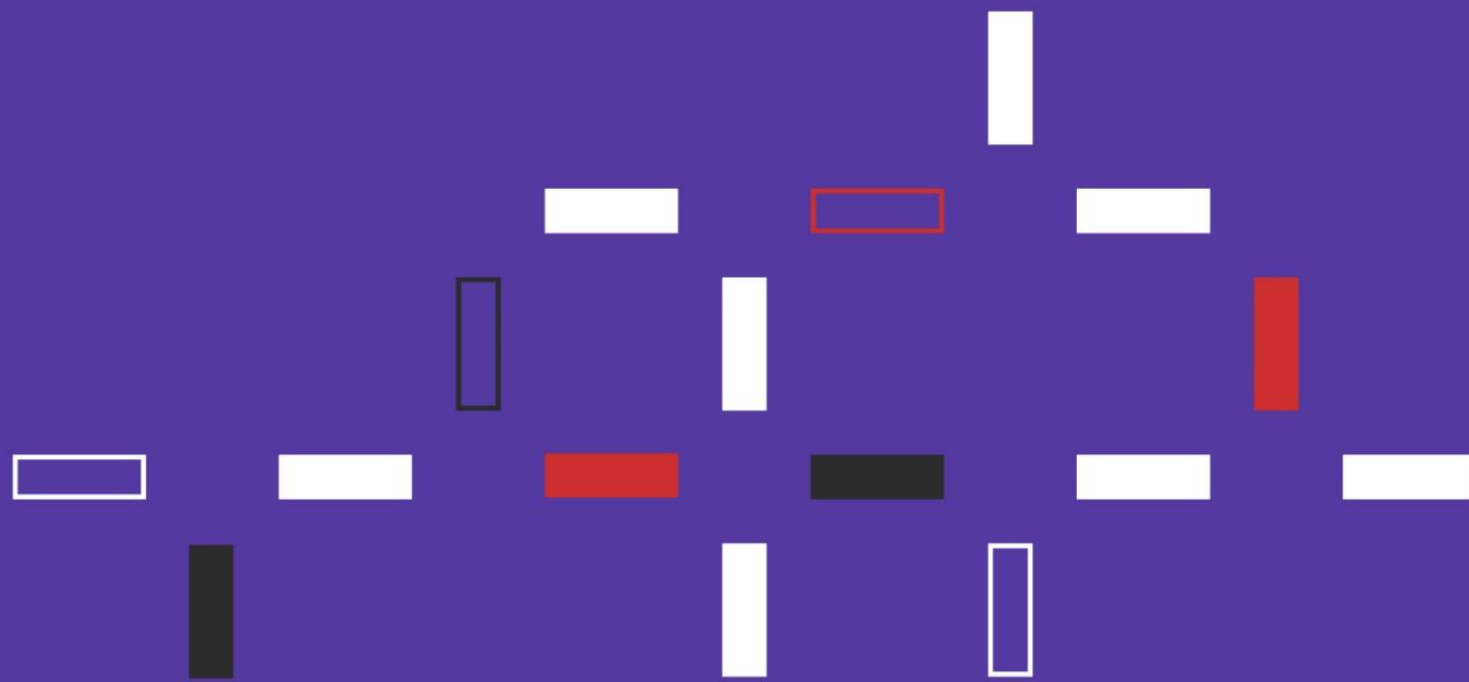
Capital invested by year (B\$)



Source: [Invest Europe, Pitchbook]



# The European Innovation Council - what





# Europe's most ambitious innovation initiative

- **€10 billion** programme to identify, develop and scale up breakthrough technologies and disruptive innovations in Europe
- **Unique** in the world to combine research on emerging technologies with Accelerator for startups, SMEs and scaleups
- **EIC Fund** largest VC deep-tech investor in Europe (over €3 billion)
- **Innovator-centric** steered by Board of leading innovators
- **Pro-active approach** with flexible funding
- Enhances the **European innovation ecosystem**





# EIC main instruments and characteristics

## Pathfinder

- **Early stage research** on breakthrough technologies
- Grants up to €3/4 million
- Successor of FET (Open & Proactive)

## Transition

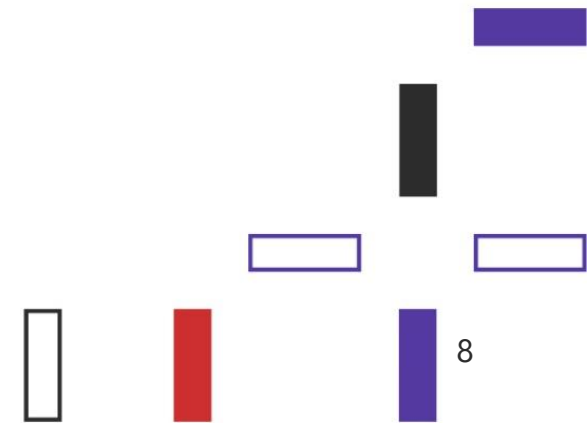
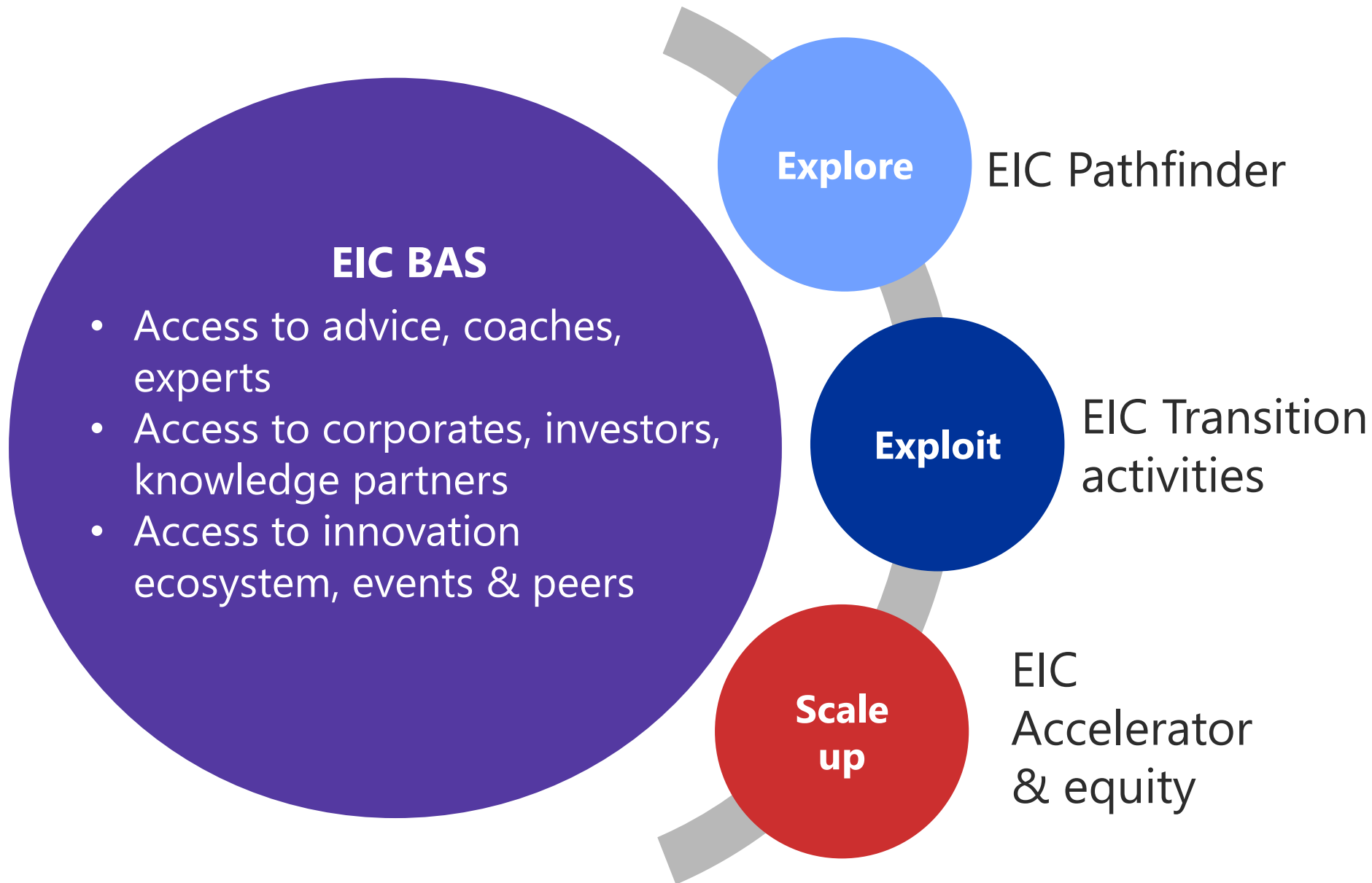
- **Technology maturation** from proof of concept to validation
- **Business & market readiness**
- Grants up to €2.5 million

## Accelerator

- **Development & scale up** of deep-tech/ disruptive innovations by startups/ SMEs
- Blended finance (grants up to €2.5 million; equity investment up to €15 million)
- Successor of SME instrument

- Mission to **identify, develop and deploy high risk innovations** of all kinds
- Focus on **breakthrough, market-creating, deep-tech**
- Steered by **EIC Board** of leading innovators (entrepreneurs, investors, researchers, ecosystem)
- **Business Acceleration Services** (coaches/ mentors, corporates, investors, ecosystem)
- **Pro-active management** (roadmaps, reviews, re-orientations, etc) with EIC Programme Managers
- **Follow up funding for results from Horizon** (ERC, EIT, collaborative) & national programmes

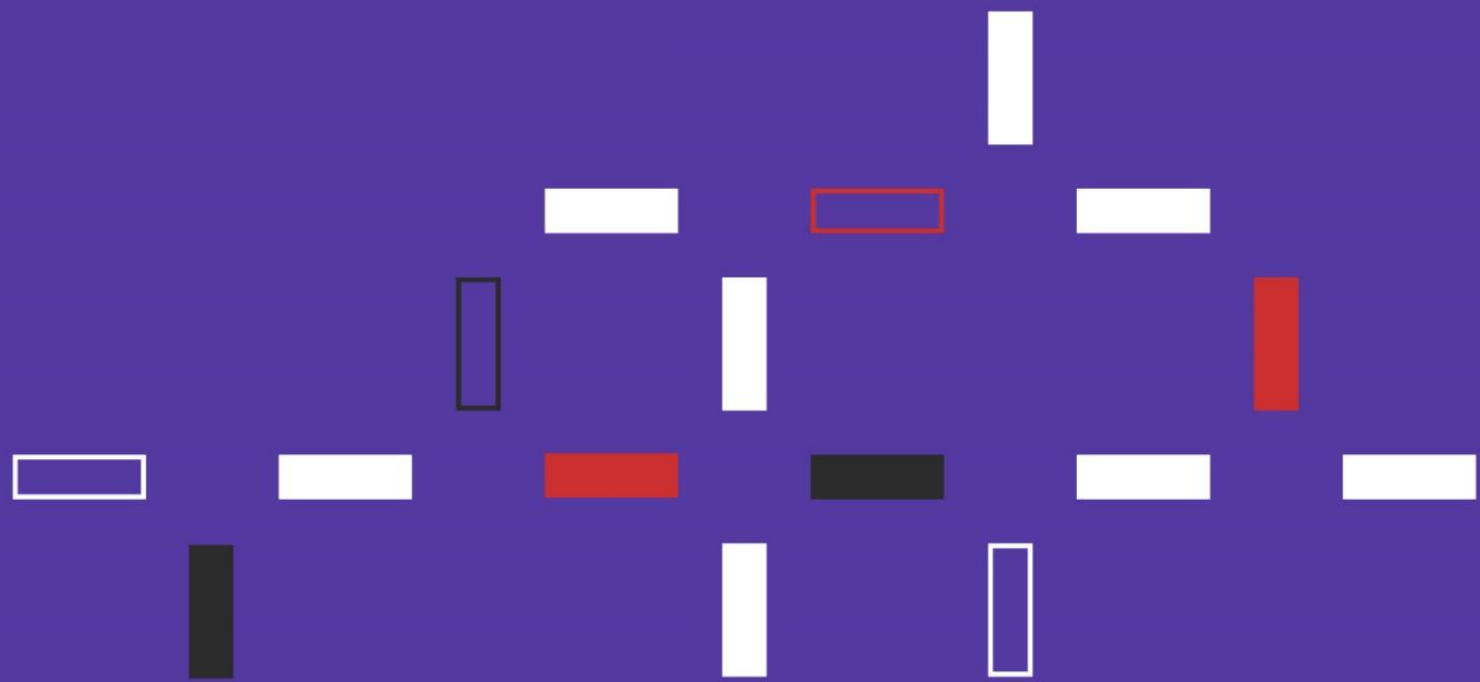
# Business Acceleration Services







# EIC Accelerator





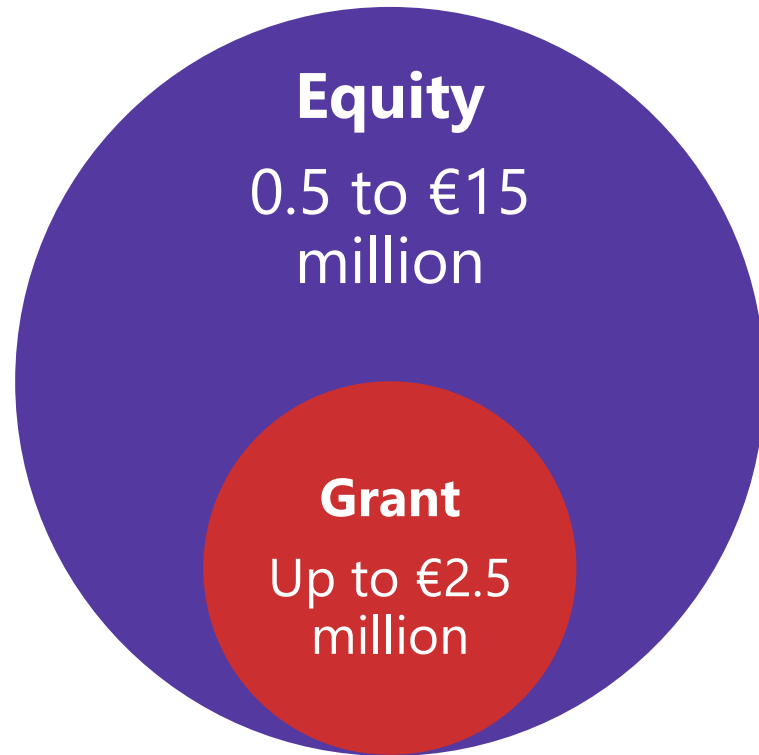
# Accelerator

- Supports **start-ups or SMEs to scale up** high impact innovations with the potential to create new markets or disrupt existing ones
- Focuses on innovations building on scientific discovery or technological breakthroughs (**'deep tech'**).
- Significant funding over a long timeframe before returns can be generated (**'patient capital'**).
- Open to innovations in **any field of technology** or application.
- **Later stages of technology** development as well as scale-up (TRL 5/6 or higher).
- The EIC support will act as a catalyst to **crowd in other investors** necessary for the scaleup of the innovation

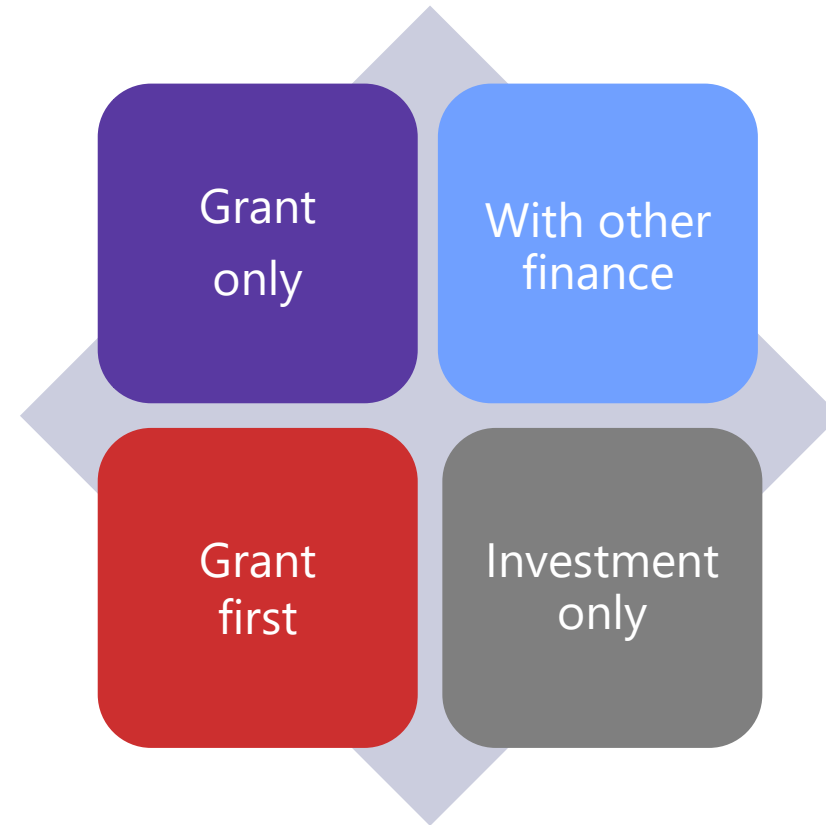


# What can you apply for?

## EIC Blended Finance



## Also





## Who can apply?

- Single SME from a Member State or an Associated Country;
- 'Small mid-cap' (up to 500 employees) only for rapid scale-up (e.g. TRL 9) and only for the investment component;
- One or more natural persons or legal entities:
  - **intending to establish an SME**/ Small mid-cap by the time of signing the Accelerator contract or investment component
  - **intending to invest in a company** provided that a prior agreement exist with the company. The contract will be signed with the beneficiary company only;



# How we select: a four-step evaluation process

1

- You have a disruptive / deep tech idea with a potential to scale up
- **Tell us your story** with short application at any time

2

- You prepare a full application with your **business plan**
- We will help you with a dedicated AI tool and free coaching

3

- **You submit your full proposal** at one of the regular cut-off dates
- Your application will be assessed by expert evaluators matched to your field

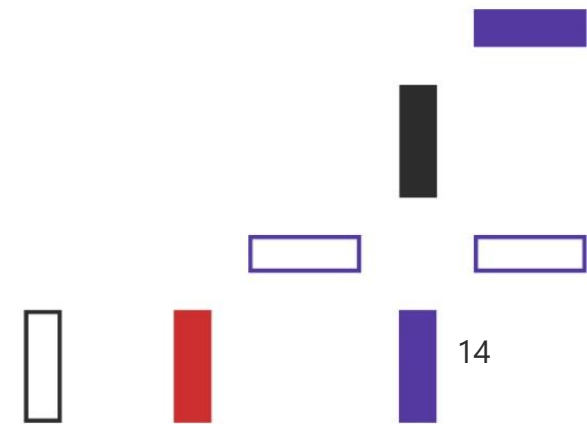
4

- **You pitch** your innovation to a Jury of experienced investors/ entrepreneurs
- If selected, you will sign the grant and start due diligence for the equity



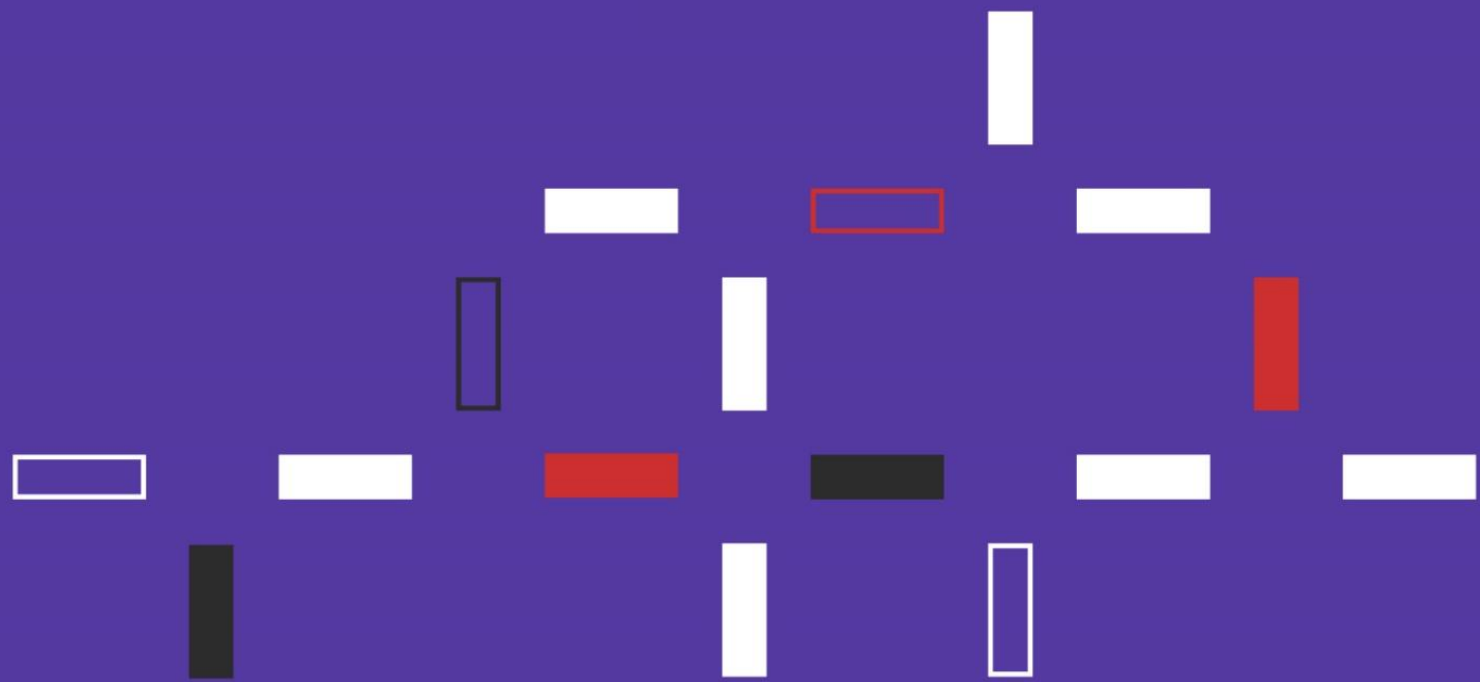
# Next opportunities

- Indicative budget EIC Fund 2021-2027: **EUR 3.5 billion**
- **2021:**
  - **15 June:** closed, UNDER EVALUATION (indicative budget EUR 272 million)
    - 2000 start-ups and SMEs submitted short applications
    - **801** of these progressed to submit a full application (EUR 3.2 billion for equity investment)
  - **6 October:** open (indicative budget EUR 272 million)
- **2022:** under preparation





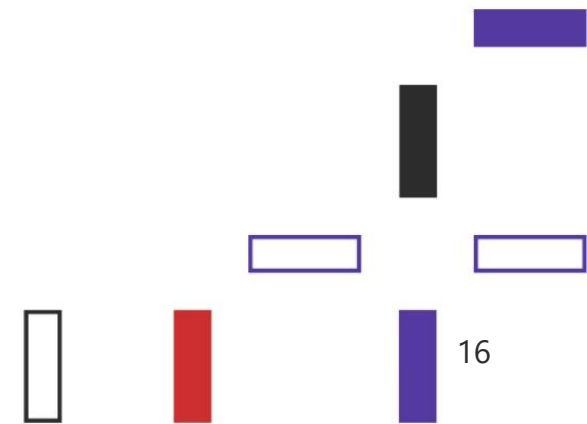
# EIC Fund





# 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 strategy

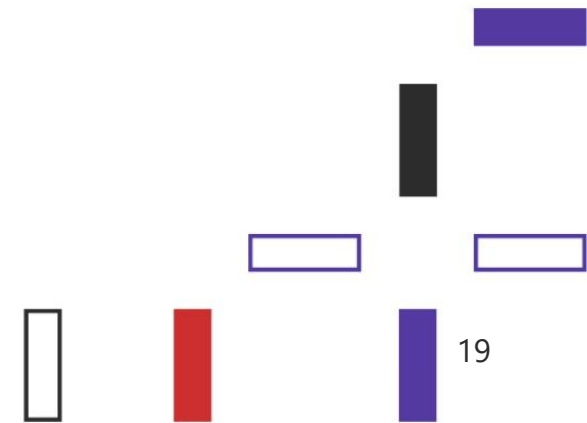
- The EIC Fund invests at **early stage** (seed, start-up, scale-up) from €0.5 to 15 million in the form of equity or quasi-equity.
- The Fund may reserve **follow-on capital** to invest in subsequent series.
- Startups and SMEs with **powerful promising teams** that gather all the skills needed to get the company off the ground and scale-up.
- The EIC Fund invests across **all technologies and verticals**, across **all EU countries** (and associated countries like Israel, Switzerland or Norway).
- The EIC Fund provides **patient capital** (investments will normally be made with a long average perspective (7-10 years) with a maximum of 15 years).
- The Fund usually targets **minority ownership** stakes (from 10 to 25%), and up to a blocking minority in cases identified by the EC as of strategic interest for the EU.





# Crowding-in principle

- 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).





# Qualified investors

- **Professional investors** that are **new, unaffiliated investors to the target company** that make a capital investment in the context of a **larger equity round**.
- The Lead Investor(s) **shall negotiate the terms and conditions** to be applied in the equity round, including valuation, any preferences linked to the issuance of new shares as well as other main terms.
- **Add critical value to a company:** knowledge, expertise, teams and the networks of contacts needed to help investee companies reinforce their teams and business strategies, and achieve a successful commercialisation and scale up in the specific verticals, in accordance with their high-growth potential and ambition.





# Governance: Board of Directors

- **Broadest powers.** The Board oversees the investment strategy and makes the final decision on any single operation having regard to recommendations of the EIC Fund Investment Committee.



Jean-David Malo  
CHAIR



Kerstin Jorna



Hermann Hauser



Laurie-Anne  
Takerkart



Philippe  
Salpetier



# Governance: Investment Committee

- **Makes recommendations** to the Board of Directors on investments, follow-on investments and divestments,
- Seven **independent experts and seasoned investors and practitioners** + European Commission representative as chairperson.



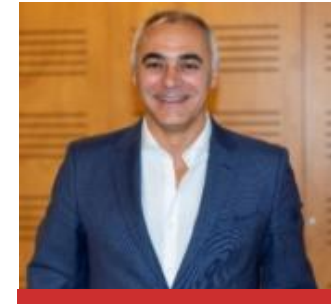
Nicklas Bergman



Kerstin Bock



Martin Bruncko



José Fernando  
Figueiredo



Laura González-  
Estefani



Heidi Kakko



Kinga  
Stanislawska



Stéphane  
Ouaki  
CHAIR



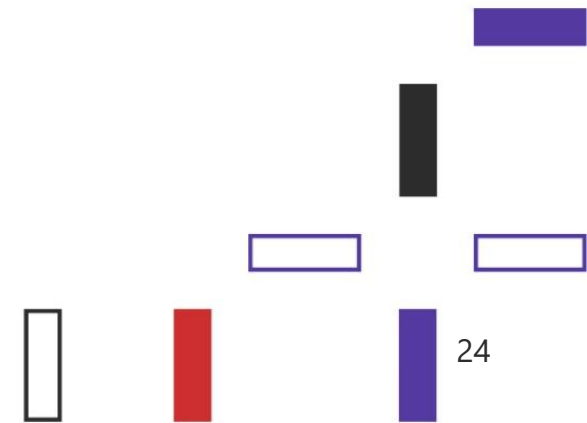
# EIC Fund: Investment Process



# Investment scenarios

- **Bucket 0: No Go**

- Due diligence reports substantial negative issues (fraud, misrepresentation, failure to submit requested information, material adverse changes).
- Where no remedies are possible, the EIC Fund Board will recommend the EC to reject the investment.







# Investment scenarios

- **Bucket 1: low maturity and failure to attract co-investment**

- **Cases that are not sufficiently mature** for regular investors, due to remaining very high risk despite the awarded EIC Accelerator support.

## Two situations:

1. **Essential area of EU interest\***, or addressing a societal need or an EU priority, in particular in the case of strategic technologies. The Fund will proceed with the investment alone

- ✓ First tranche can be a convertible note
- ✓ Second tranche will generally be an equity round
- ✓ Support measures to address shortcomings to a sufficiently high degree
- ✓ Board Member seat in the target companies
- ✓ External mentoring will be sought

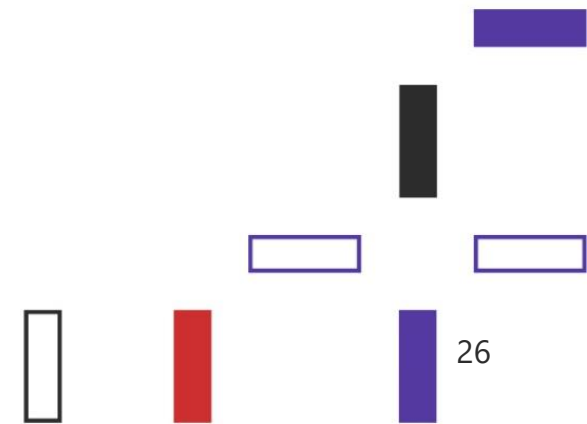
\*EC acquires a blocking minority





# Investment scenarios

- **Bucket 1: low maturity and failure to attract co-investment**
  2. **In all other cases**, the EIC Fund Board will propose to the EC to revert to an uncapped **“grant first”** support to cover up to 70% of total eligible costs of the pre-TRL9 activities, and recommend **milestones that once reached, may attract co-investors** and hence trigger the investment component initially awarded by the EC.





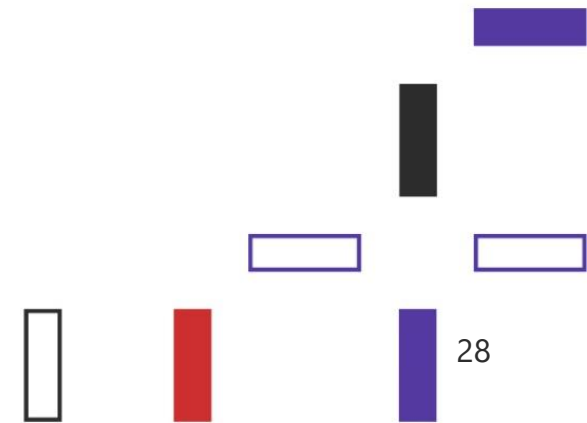
# Investment scenarios

- **Bucket 2: Co-investment opportunities**
  - **Potential investors show immediate interest** in co-investing into EIC selected companies
  - The EIC Fund investment is at least **matched** by these other investors (i.e. which will cover at least **50%** of the round), generally **relying on financial, commercial and technology due-diligence** performed by them and generally seeking to align to their terms.
  - Where the awarded EIC support is conditioned to the acquisition of a blocking minority by the EIC Fund, and in order to align interests, the EIC Fund Board may opt to substitute direct blocking minority by a shareholder agreement providing for similar guarantees regarding EU interests.



# Investment scenarios

- **Bucket 3: Alternate investment opportunities**
  - **Potential investors show immediate interest in providing the full investment**
  - **Possibility to co-invest**, in particular to secure a blocking minority where the **EU interests** cannot be otherwise protected or in the case of strategic technologies.
  - The EIC Fund may also reserve the initially awarded investment as a possible follow-on investment.



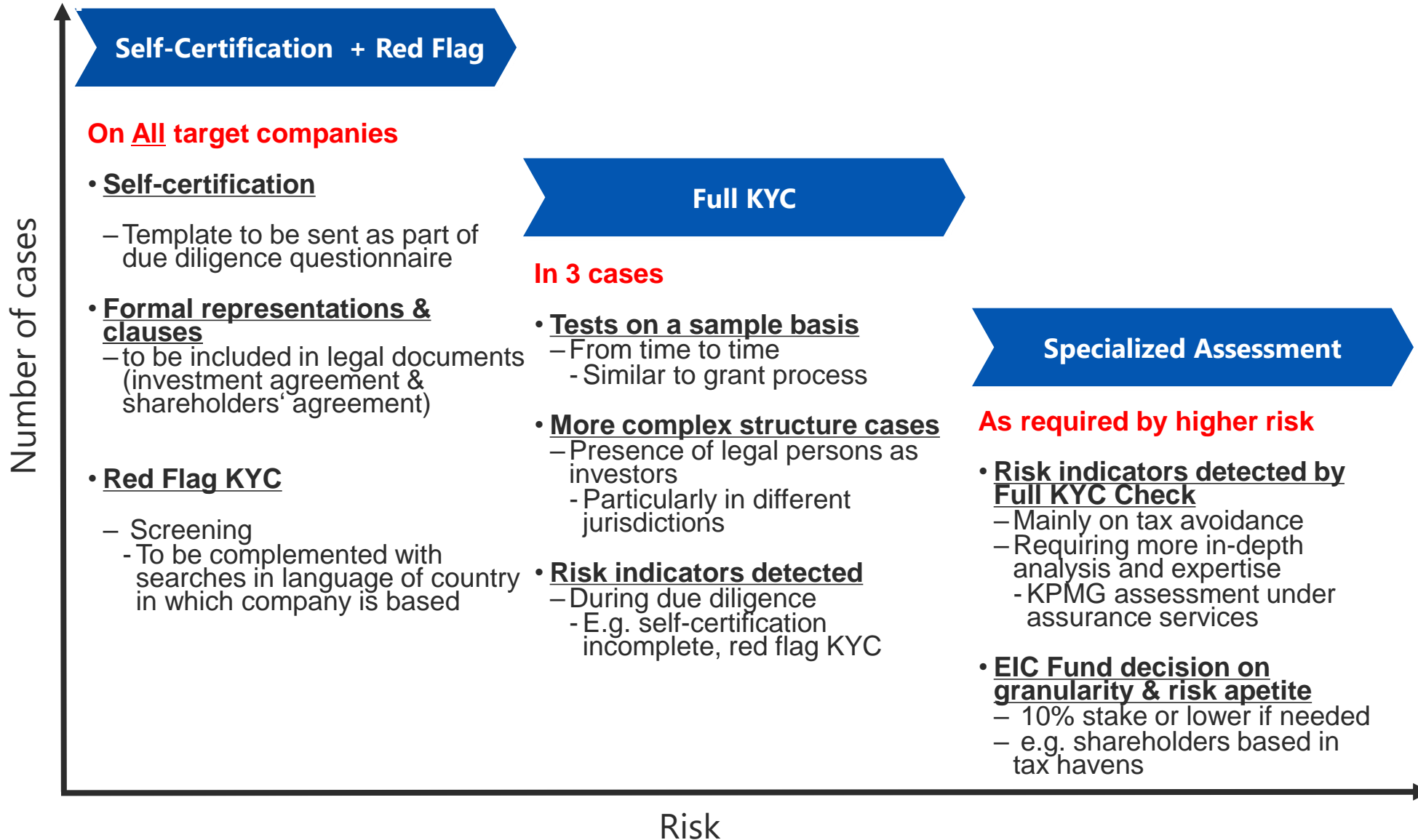


# Due diligence

- 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

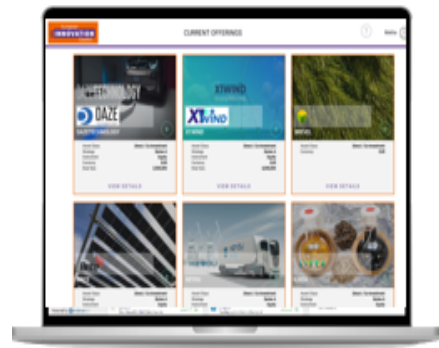


# EIC Fund Risk-based KYC-Compliance Checks Scheme



# The EIC Fund Platform: Connecting Innovations & Investors

Matching promising startups with investors focused on the relevant industry and stage



- Fully searchable according to each investor's sector & thesis
- Enriched with 3rd party data including academic credentials, sustainability & IPR
- Constantly upgraded with new relevant lists



- Networking events:** connect with leading innovators & investors
- Access our **selected portfolio of high potential, hand-picked ventures**
- Get **investment opportunities** through our investors network

## EIC Co-Investor Portal

- 400+ Investors active in EMEA have joined us and are actively responding to our updates showing interests on listed companies and starting conversations
- To date 40+ Companies have been comprehensively listed on the platform, enabling investors to know more about their business model, traction and milestones

## The investor network

- Receive invitations to our networking events and connect with leading innovators & fellow investors
- Benefit from access to the portfolio of high-potential, hand-picked ventures and share with us the best companies you met that do not match your investment strategies.
- Thematic e-pitching events are organised for investors, corporates and startups to connect



# Monitoring and follow-up of investments

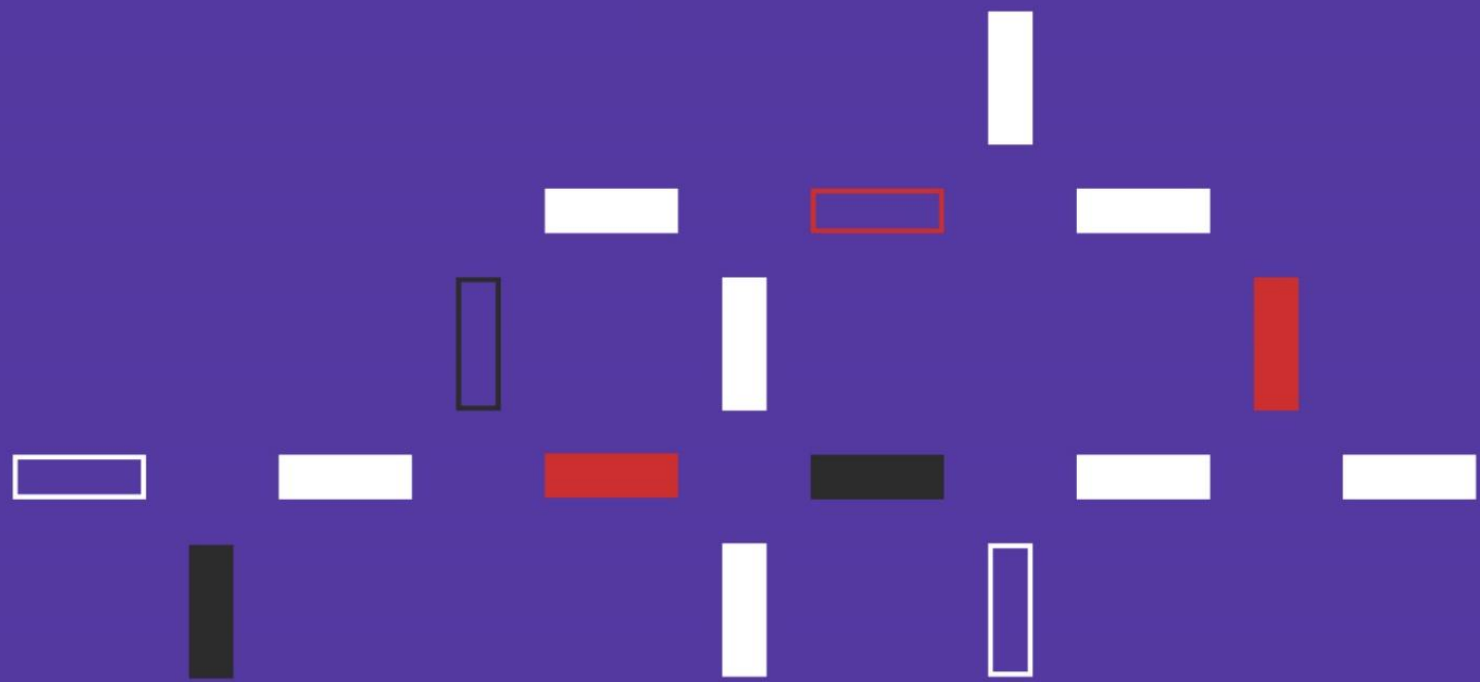
- **Monitoring** and acting on milestone funding, financing events (conversions, top-ups, etc.), write-downs and restructurings, exits, etc.
- Roles such as **representative or observer on boards** of investee companies - qualified EIC Fund representatives appointed for this purpose (discussed during the due diligence
- Possibility of **follow-on investments** on an ad hoc basis to operations that were initially awarded an investment component or a “grant first” support, subject to review by independent experts and advice of the EIC Board.

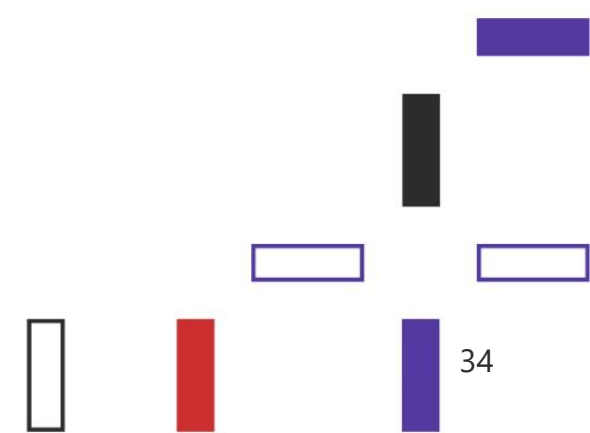
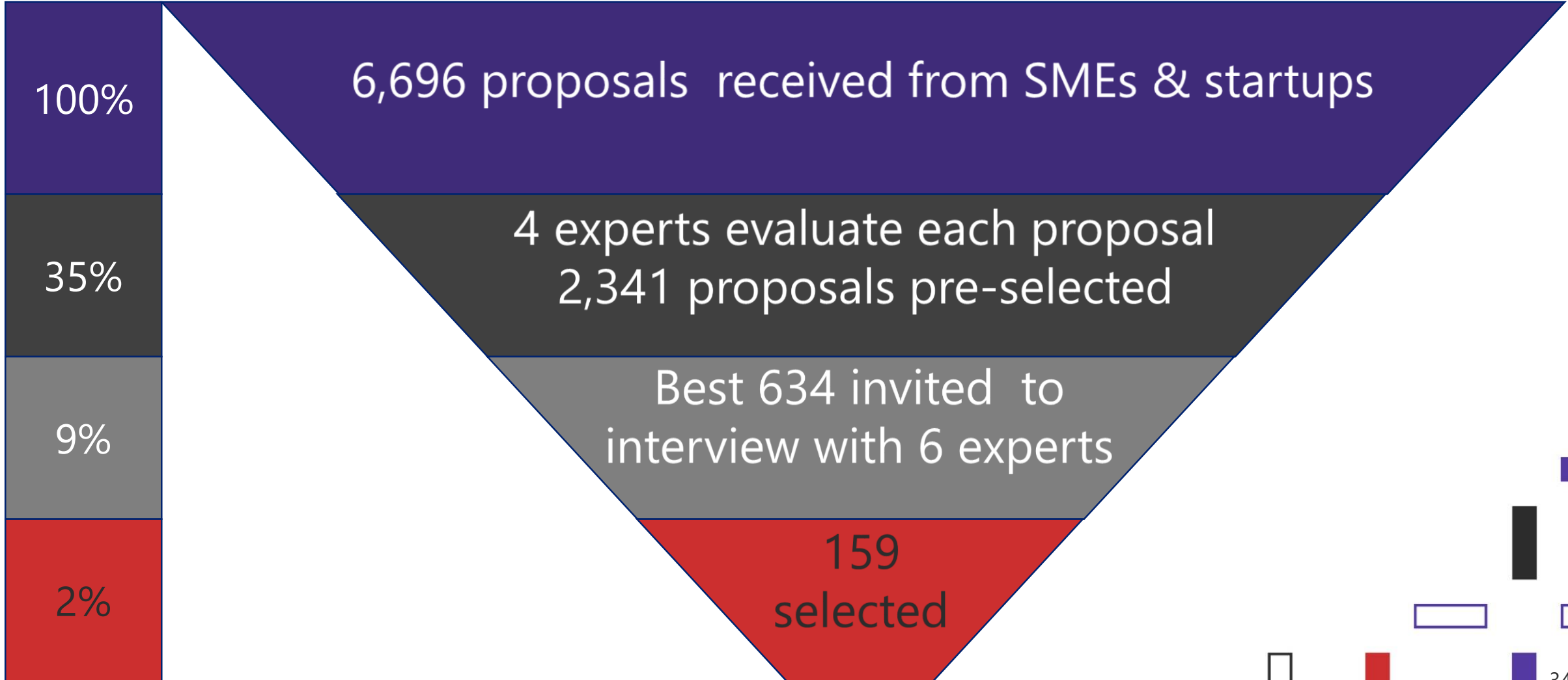






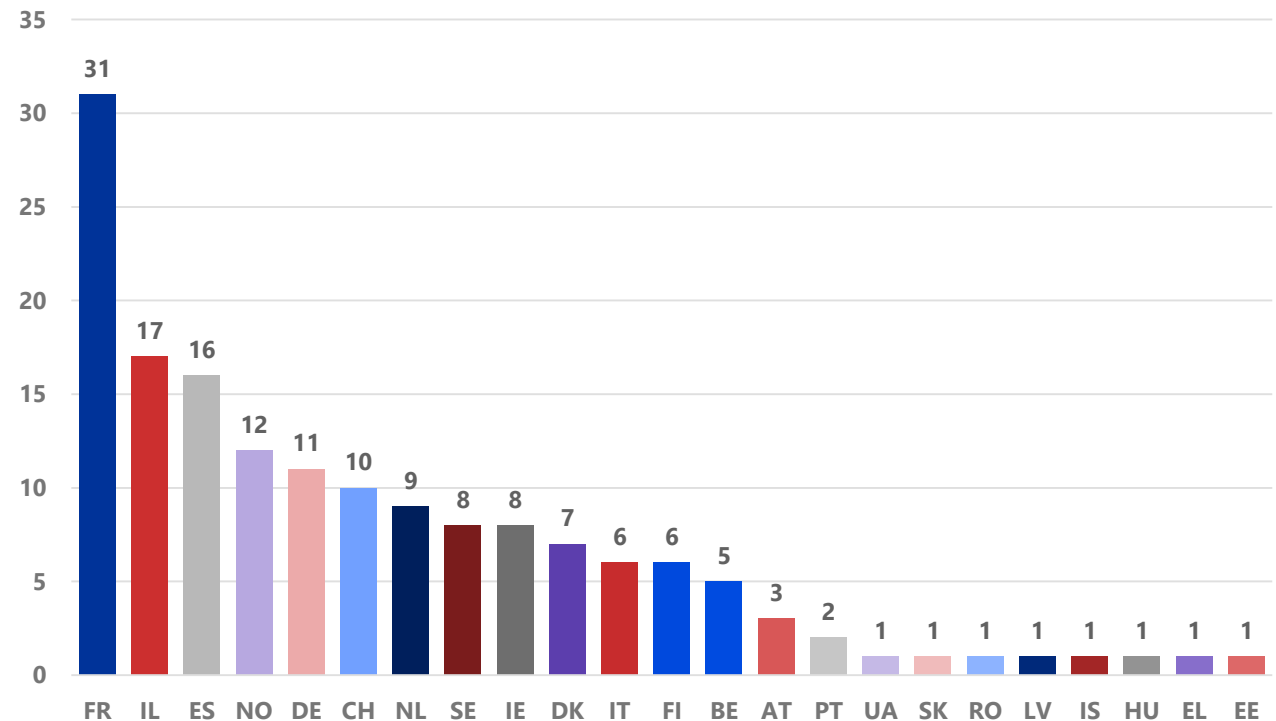
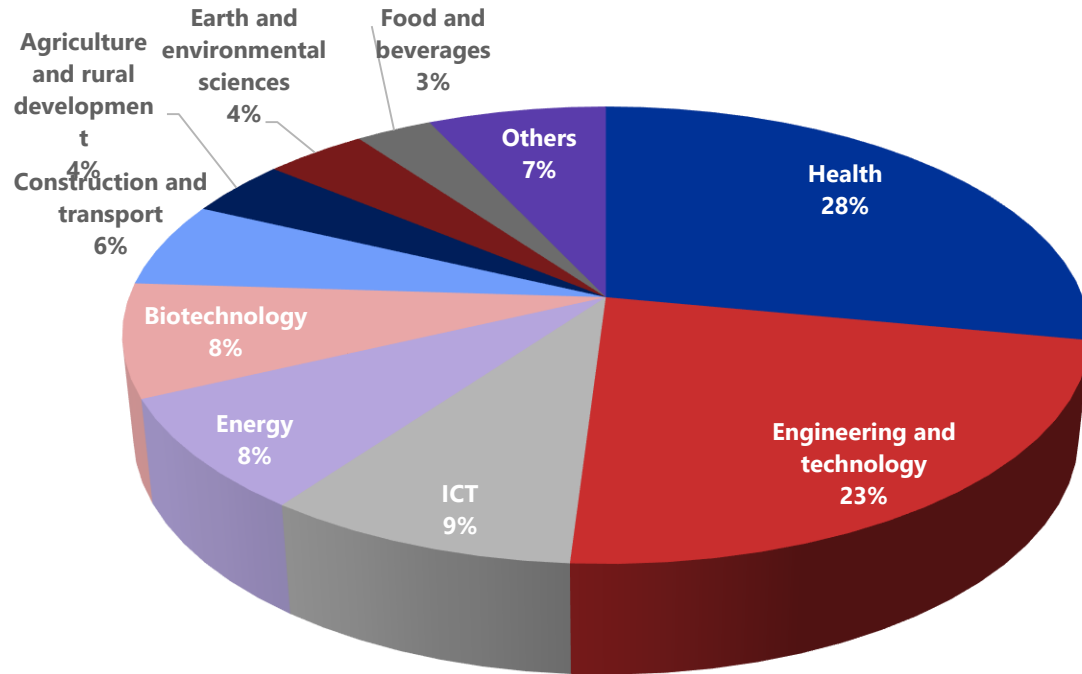
# The experience of the pilot





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

- The EIC Fund is building a portfolio from the 159 selected companies (proposed investment €680 million, €4.3 million average)



# CorWave: Unique Blood Pumps Inspired By Nature

- CorWave **raised €35 million** to finalize the development of its product, build the manufacturing infrastructure as well as complete regulatory testing required to conduct human implants, and start its clinical trials.
- **The €9 million EIC Fund investment** played a critical role by **mobilising additional investors** to unite behind the French SME.
- Bpifrance, Novo Holdings, Seventure, Sofinnova Partners and Ysios Capital, existing shareholders of CorWave and leading investors in life sciences, significantly increased their stake in the company.
- *"We are very pleased with the renewed support of leading healthcare funds and the arrival of new shareholders, including the EIC Fund. With the investment in CorWave, **the European Commission becomes a shareholder for the first time**. It is a great honour to participate in this historic event", Louis de Lillers, CEO of CorWave.*

## SMART4DIAGNOSTICS GMBH: S4DX

*The world's first "digital data-fingerprint" for human blood samples*

- SMART4DIAGNOSTICS successfully closed **five million euros in series A fundraising**.
- **The EUR 1.8 million EIC Fund investment (+EUR 1.48 million grant)** played a critical role by **mobilising additional investors**. Private co-investors include SARSTEDT AG & Co. KG and will be used to help the innovative blood sampling system, which has already been launched in Germany, scale to other markets.
- **Kerstin Bock, Member of the EIC Fund Investment Committee:** *"We are very happy to back the S4DX mission to digitize the entire blood sampling procedure with the EIC Fund. This financial round will help the team to further develop and scale a market-changing product and set new standards for diagnostic decision making."*
- *"As many as three in four medical decisions are based on diagnostic results – often blood samples. Currently, this process is being managed manually which can lead to errors and can cause many issues including slow diagnosis, repeated tests on the patient, and wasted resources. We need to **revolutionise this crucial but underdeveloped area of the healthcare value chain to bring innovation where it can have instant and substantial impact**",* comments Dr. Hans Maria Heyn, CEO and co-founder of S4DX.



# Thank you!

@EUeic

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