



EU support for venture capital

Growth, finally?

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Financing of competitiveness, innovation and
employment policies

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DG Economic and Financial Affairs

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EU venture capital today: Positive signs

Fragmentation along national borders, but improving

Few truly pan-European funds, but more often now. Differences among Member States.

Small fund sizes, but growing

Suboptimal investment size and risk diversification (EU average VC Fund of EUR 60 → 95m vs. US average of EUR 130m).

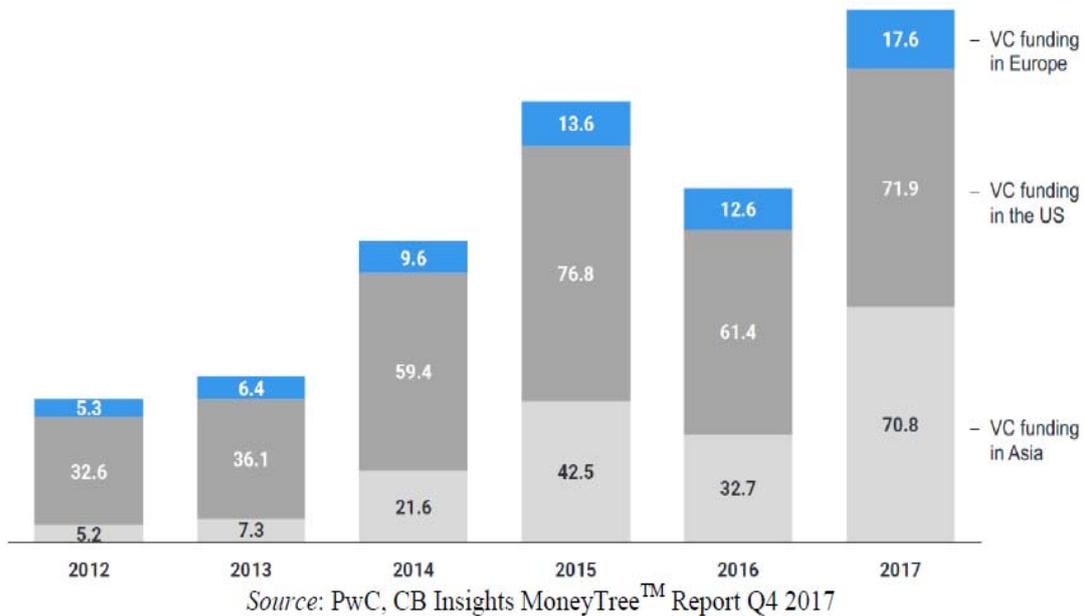
Low returns, but increasing

- ❑ Average returns negative for many years since 1998 vintage funds, only **positive and growing in the last years**.
- ❑ One study has even put **timber*** as a more interesting asset class!

Fundraising difficulties, but easier

- ❑ 2006: Fundraising of 16bn, 10% from government. Then 4-5bn in 2013-2014, with up to 40% from government.
- ❑ 2016-2017: Fundraising of approx 8bn, **29%** from government

* *Venture Capital Review*, US National Venture Capital Association, Spring 2019



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Why EU support for venture capital?

Boutique instrument with fewer than 1% of EU SMEs VC-fundable

BUT

Significant positive externalities:

- Supports innovation (research2business) and growth
- Enhances productivity
- Creates jobs much faster than traditional sectors
- Has a potential to kick-start industrial giants (Microsoft, Apple, Google and Facebook all financed by VC Funds in their early years. EU programmes supported Skype, Spotify, Vivino)



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Main focus of EU support

Fund sizes

Often not sufficient for follow-on investments in best portfolio companies

Fundraising from large institutional investors

Currently large global pension funds / insurance companies / SWFs avoid EU VC

Market development of EU importance

- Consolidation of market practices
- Support for pan-European activities
- Market development in CEE and Southern Europe
- Market deepening/niches in Western and Northern Europe
- First time teams

Administrative obstacles

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What do we do for venture capital?

Increase fund sizes by investing in VC funds, via the EIF

(since 1998, almost 3bn invested in 144 funds)

EFSI Equity Product (launched 2016) and InnovFin IFE (2014-2020)

- targets early and expansion stage SMEs and small mid-caps
- approx. EUR 2bn budget, soon to be increased to 3.1bn

COSME Equity Facility for Growth (EFG) – July 2014-2020

- targets growth and expansion stage SMEs
- approx. EUR 650m of EU budget
- funds co-operating with business angels are also eligible

Other mandates managed by the EIF (RCR, EIF own resources, regional and national mandates, Jeremie, etc.), national programmes (NPBs)

More to come: ESCALAR, InvestEU

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What do we do for venture capital?

Fundraising from global institutional investors

Pan-European VC Fund of Funds (VentureEU)

- ❑ Offers investors the possibility to invest large tickets
- ❑ Better portfolio diversification

Market development of EU importance

EIF as the EU VC investor (EU is a shareholder, nominates 2 Board Members)

Coordination of activities via EIF-NPI Equity Platform (More than 30 NPIs)

- ❑ Sharing best practices
- ❑ Coordinated approach to fundraising/investment
- ❑ Exchange of views on market developments

Specific eligibility criteria, better investment conditions for

- ❑ Technology transfer
- ❑ Social investments (incubators, social business angels)

Administrative obstacles

Capital Markets Union (EuSEF, EuVECA, AIFMD)

Conclusion

- ❑ Alternative finance is a needed and useful complement to bank loans and leasing.
- ❑ EU is an LP in many venture capital funds, via the EIF.
- ❑ EU also uses measures to support market development and deepening and to attract global investors to EU venture capital.
- ❑ Hopefully, the improvements that we see over the last two years are the beginning of a trend.