



THE VOICE OF
PRIVATE CAPITAL
VENTURE CAPITAL
PRIVATE EQUITY
INFRASTRUCTURE
LONG TERM INVESTORS

SECA Panel on PE Risk and Return

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**THE VOICE OF
PRIVATE CAPITAL**

VENTURE CAPITAL
PRIVATE EQUITY
INFRASTRUCTURE
LONG TERM INVESTORS

1983
formed



25
team members
in Brussels

-  PUBLIC AFFAIRS
-  COMMUNICATIONS
-  RESEARCH
-  EVENTS
-  SUPPORT MEMBERSHIP

600
members

500
affiliates



-  VENTURE CAPITAL
-  PRIVATE EQUITY
-  INFRASTRUCTURE
-  LONG TERM INVESTORS

Alternative assets remain on the rise...

Private Equity geographical focus: three primary areas

96%

North America

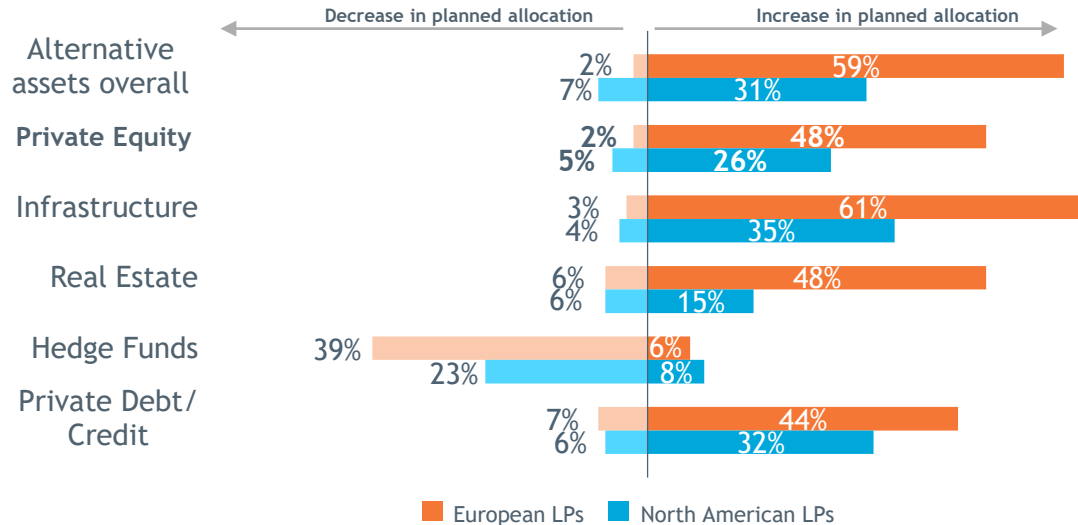
87%

Western Europe

52%

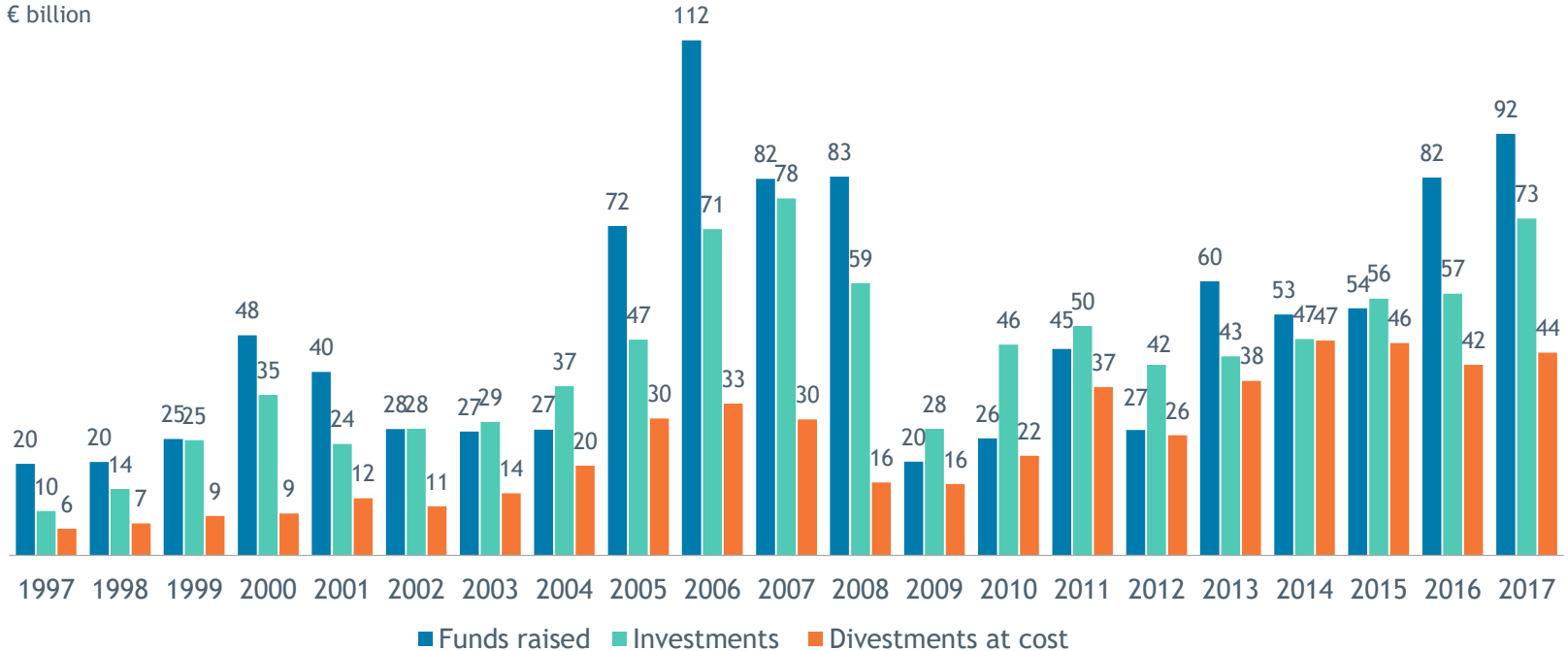
Asia

LPs' target allocations over the next 12 months



... reflected in European Private Equity's buoyant activity

€ billion



Proven ability to create global leaders...

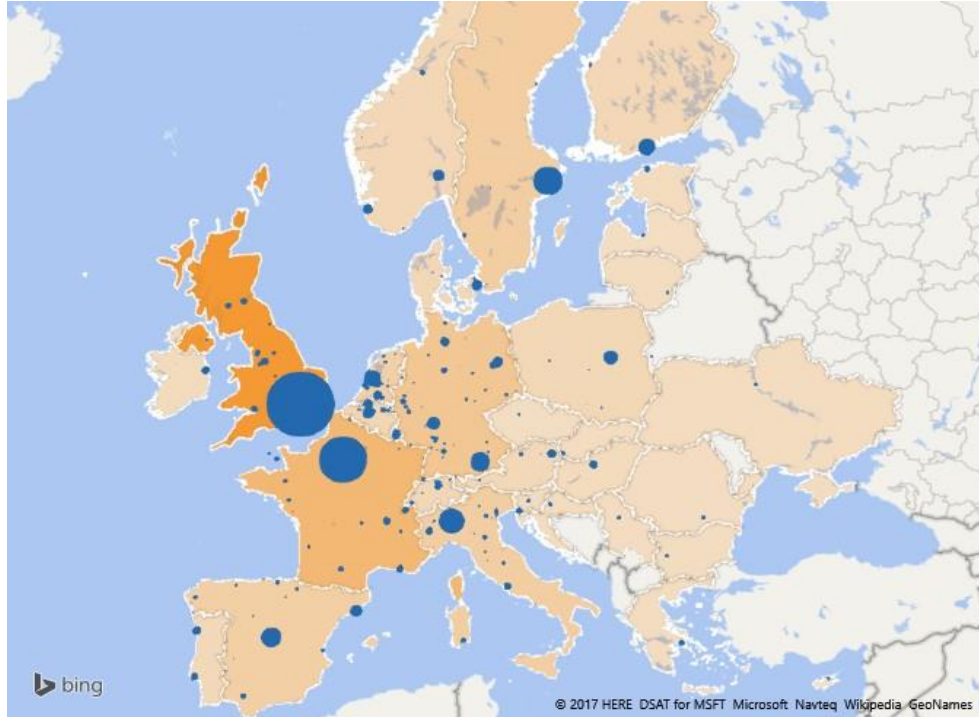
...in Fashion, Music, Fintech, Biotech, B2B and Gaming

Since the financial crisis, European VC has gained traction, investment is rising and European VCs have demonstrated their ability to help build global leaders

Country	UK	Germany	Sweden	France	Netherlands	Denmark	Luxembourg	Russia	Finland	Belgium	Ireland	Italy	Switzerland
No. of unicorns	15	10	6	4	3	3	2	2	2	1	1	1	2
Emerging unicorn foals													

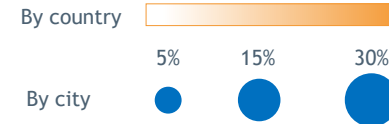
... sourced from local opportunities across Europe

Geographic diversity is key to put capital to work



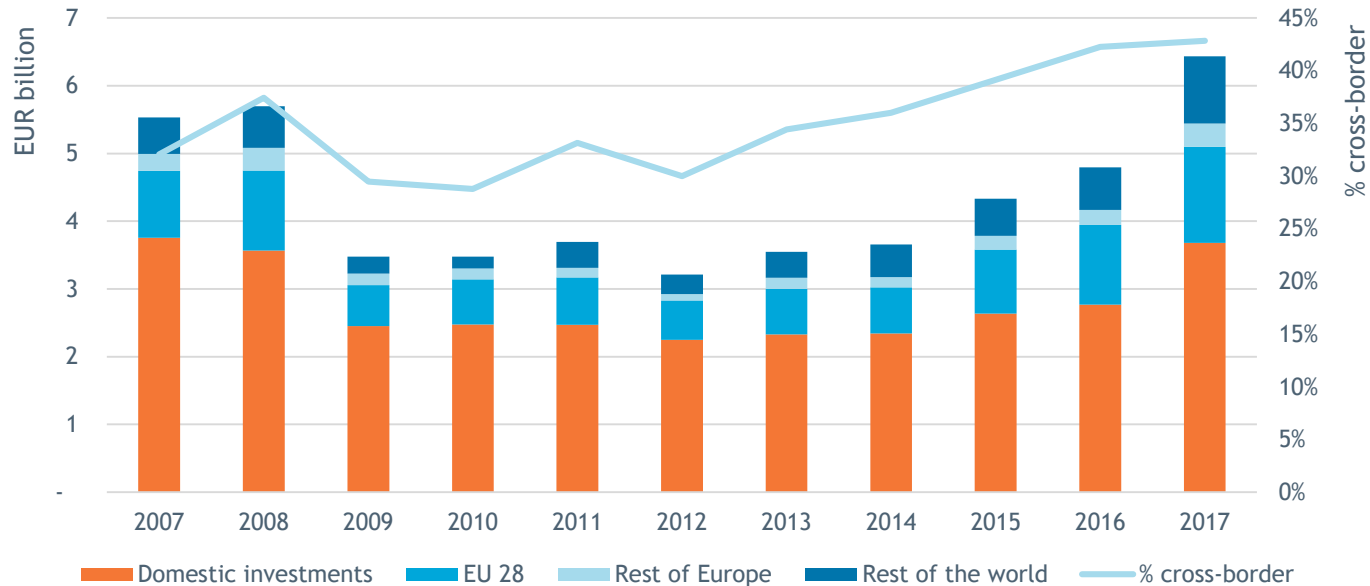
1,250 fund managers are active in Europe every year with over **€640bn Capital under Management**

Concentration of staff working for European fund managers

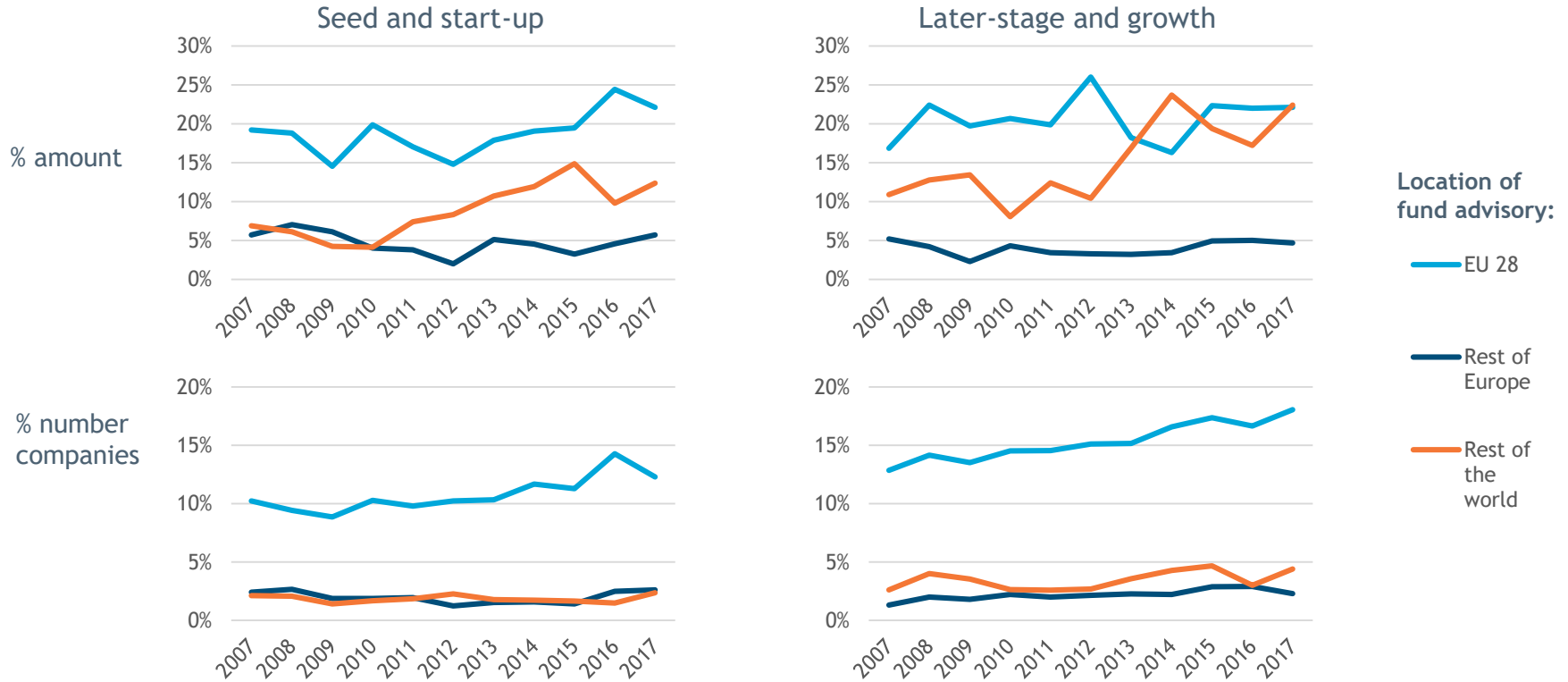


International capital flows are key for growth

VC investments in European companies:
Capital source by location of fund advisory



Scale-up: Importance of international capital flows



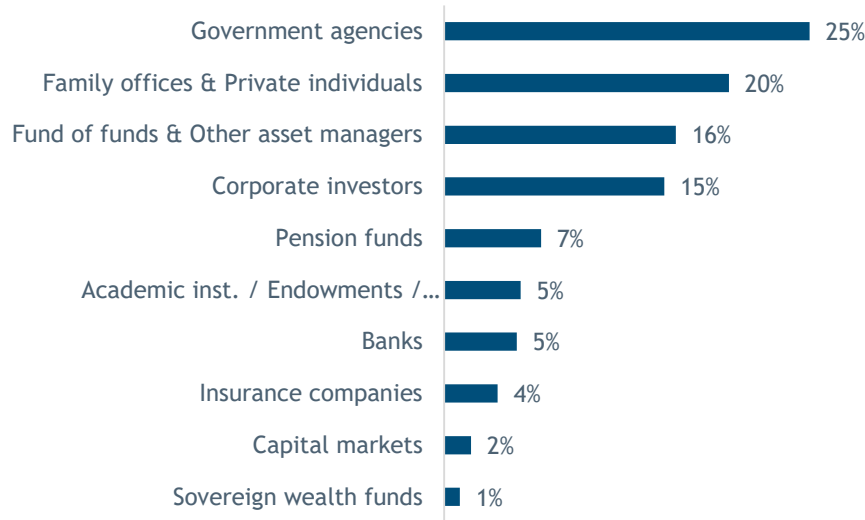
Recognised by the EU's Capital Markets Union

- **Increasing and diversifying** sources of funding and promotion of equity
- **Removing barriers** to cross-border investment within the EU
- **Incentivising** investments into long-term asset classes
- **Improving access to financing** for businesses across Europe including through private equity

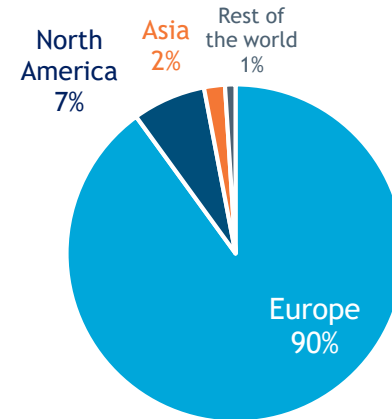


European VC funds require committed investors: Public and private

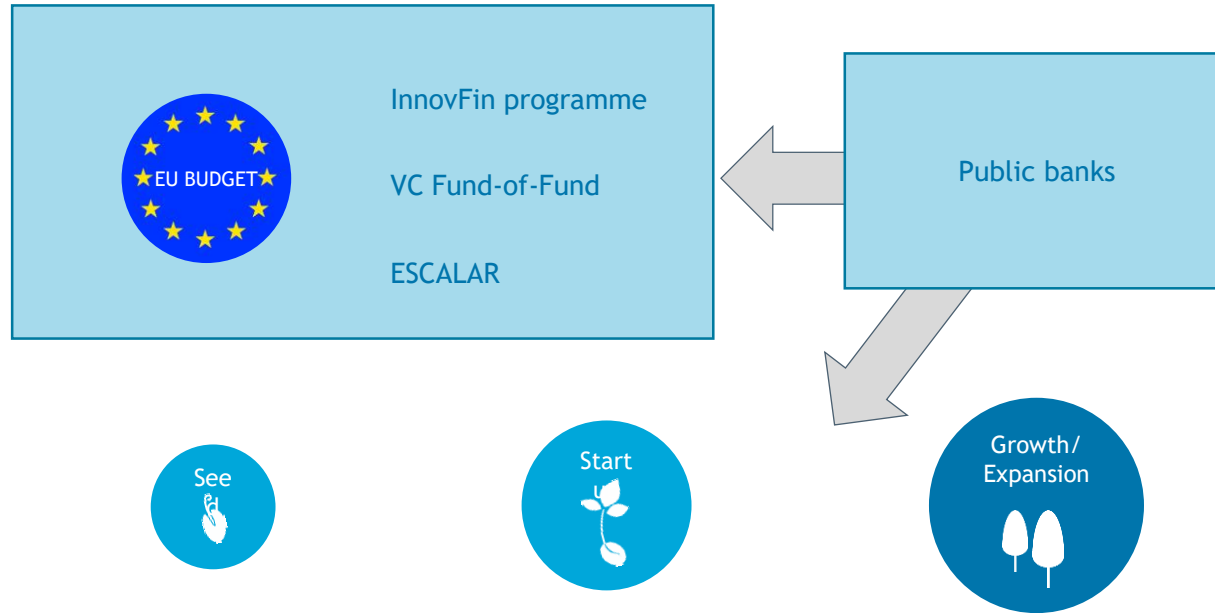
Investors in European VC funds by type
(2013-2017)



Geographic origin of investors
in European VC funds (2013-2017)



Efforts to promote venture capital on the public side



Smart public finance for all sizes of funds

VentureEU programme

2010: Invest Europe presents project

2015: Initial EC commitment

Mar 2018: Programme launched



VentureEU

EU public-private partnership to boost investments in venture capital

Objectives:

- boost VC industry in Europe
- address Europe's equity gap and fragmentation of the VC market
- attract additional private funding to the asset class

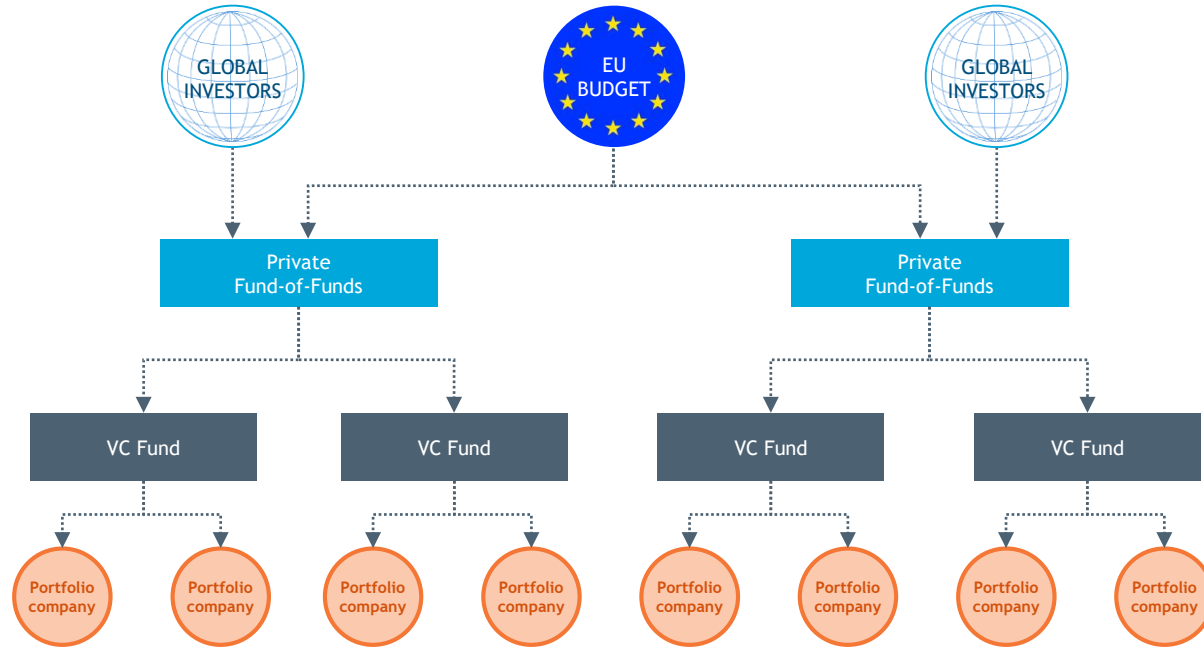
Characteristics:

- €410 million of EU public funding divided between six funds-of-funds
- funds are aiming to raise up to €2.1 billion of public and private investments
- intends to attract more investment from institutional investors and ultimately invest more into VC funds and innovative start-ups/scale-ups across Europe

The programme could trigger an estimated €6.5 billion of new investment in innovative start-up and scale-up companies across Europe, doubling the amount of VC capital available in Europe

VentureEU

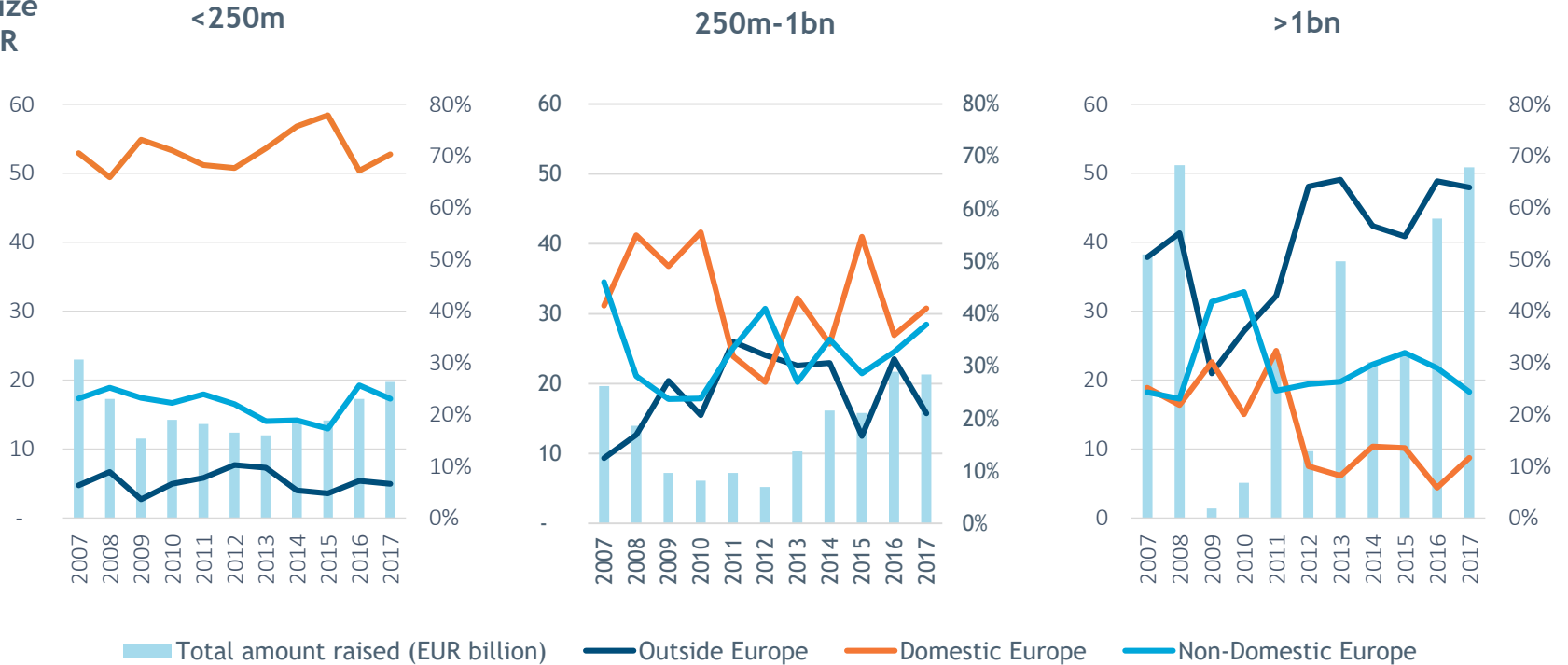
Facilitating institutional investment



Private Equity Fundraising: Cross-border matters

Location of the LP vs. location of the advisory of the fund

Fund size
in EUR



Regulatory items on international capital flows

ESAs Review

Strengthening EU-level supervision of fund managers & investors

Solvency II

Risk weights for insurers' investment in private equity

SME definition

Allowing companies backed by venture capital to benefit from SME status

Tax blacklist

Common EU blacklist of 3rd countries restricting public sector LPs

ESCALAR

European-Scale-up Action Plan for Risk Capital project to boost VC in Europe

Cross border distribution of funds

New definition of 'pre-marketing'; rules on de-notification

Prudential treatment of investment funds

Additional prudential capital requirements; new remuneration obligations

ECB Guidelines on high-risk exposures

Defines 'private equity' & 'venture capital' for purposes of setting bank capital requirements

Understanding tax: New benchmark study across Europe

The 2018 Tax Benchmark study is launched

- 1 Produced **in conjunction with KPMG**, a valuable resource for policymakers, academics and practitioners since 2003.
- 2 Snapshot of the **ever-evolving tax environment for private equity** looking at:
 - Taxation at both **fund and investor levels** (including capital gains tax & withholding tax)
 - Taxation at a **company level** (including corporate tax rate, special SME rates and interest deductibility)
 - Taxation of **employees** (including income tax & social security)
 - **Fiscal incentives** available for private equity & venture capital (incl. R&D)
- 3 Study covers all **28 EU Member States plus Norway, Switzerland and the USA**



European standards: Invest Europe Professional Standards Handbook - 2017/2018 review

Five areas of attention:

ESG & responsible investment

Use of credit facilities

Risk measurement & management

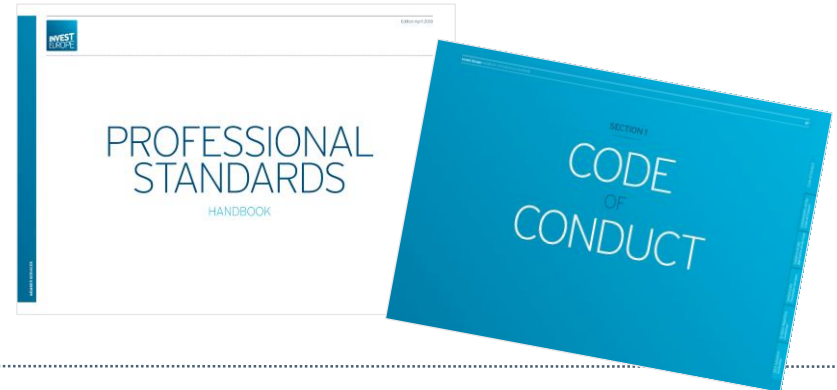
Harassment in the workplace

AIFMD developments

Investor Reporting Guidelines update focus on:

Use of bridge finance & leverage facilities

Tailoring for venture capital, fund-of-funds, infrastructure & secondary funds



Summary

- **European VC has now a proven ability to build global leaders**
- **Scaling-up European companies:**
 - Additional capital pools are needed to be globally competitive
 - International investors play a key role in growing European companies
- **International capital flows matter:**
 - Access to international LPs needs to be improved
 - Foster public support schemes that also attract private investors (e.g. VentureEU)
 - Regulation needs to support and facilitate international capital flows

Thank you for your attention

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