Back ing visionary entrepreneurs
The European Innovation Council
EIC Accelerator

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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’).
Is it right for me?

• Open to innovations in any field of technology or application.
• Later stages of technology development as well as scale-up.
• Technology Readiness Level 5/6 or higher.
• The EIC support will act as a catalyst to crowd in other investors necessary for the scaleup of the innovation.
Can you 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;
What can you apply for?

**EIC Blended Finance**

- **Equity**
  - 0.5 to €15 million

- **Grant**
  - Up to €2.5 million

**Also**

- **Grant only**
- **With other finance**
- **Grant first**
- **Investment only**
Investment component

• In the form of equity or quasi-equity
• More suitable for commercially oriented projects (not basic research) compared to traditional grants (follow-on to traditional grants)
• Intended to finance market deployment and scale up
• The terms of investment will be considered on a case-by-case basis by the EIC Fund.
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 component

- The EIC Fund provides patient capital in the form of equity or quasi-equity.
- The Fund invest in start-ups with potentially market-creating innovations, whether based on breakthrough disruptive technologies originating from research (deep-tech) or on social innovation.
- From any sector, across all EU countries (and associated countries).
Investment component

• The EIC Fund invests at **early stage** (seed, start-up, scale-up) from €0.5 to 15 million.

• The Fund may reserve **follow-on capital** to invest in subsequent series.

• 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.

• Investments will normally be made with a long average perspective (7-10 years) with a maximum of 15 years.
The experience of the pilot
EIC Fund deal flow from pilot phase (2019-20)

• The EIC Fund is building a portfolio of 159 early-stage technology companies (€680 million investment, €4.3 million average)
EIC Fund: Investment Process

1. Standard letter after selection
2. The Fund will contact the company
3. Due diligence + Compliance checks
4. Preparation of the Investment Recommendation
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: Investment Process

1. Standard letter after selection
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5. Investment Committee discussion
The EIC Fund Investment Committee

• For the current compartment, the Investment Committee consists of seven independent experts and seasoned investors and practitioners + European Commission representative as chairperson.

• Makes recommendations to the EIC Fund Board on investments, follow-on investments and divestments
## EIC Fund: Investment Process

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EIC Fund Board of Directors

• Broadest powers.
• Currently, five members appointed by the EC
• Sets the investment guidelines
• Makes investment decisions (the amount and the terms) on the basis of the recommendations made by the Investment Committee and in compliance with the Investment Guidelines
EIC Fund Board of Directors

• As an outcome of the due diligence, following a proposal made by the EIC Fund Board, the Commission may reject the investment and may also request amendments or, in the cases of misrepresentation, terminate the contract.

• If the outcome of the due diligence concludes that the innovation or the company is not yet mature for equity investment, the EIC Fund Board may recommend to the Commission that the company starts with the grant component first.
EIC Fund: Investment Process

1. Standard letter after selection
2. The Fund will contact the company
3. Due diligence + Compliance checks
4. Preparation of the Investment Recommendation
5. Investment Committee discussion
6. Board of Directors’ decision
7. A term sheet is sent to the company
8. Investment agreement preparation
9. Investment agreement signed
Crowding in: why so important?

• 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).
Crowding in

• In the application, companies will be offered the opportunity to share certain data and information with investors.
• The Fund will start looking for other investors during the due diligence.
• The EIC Fund will support the companies through a dedicated matching platform.
• When looking for co-investors, the EIC Fund will also incentivise other investors to provide mentoring tasks and independent advice to the company.
The EIC Fund under Horizon Europe

• The EIC Fund is preparing a **new compartment for Horizon Europe** (the first compartment is the EIC Pilot).

• The new compartment implies **new Investment Guidelines** building on the experience gained during the EIC Pilot (including feedback provided by stakeholders, market professionals and Programme Committee).

• Publication on-line of the draft Investment Guidelines pending official adoption (tbc) end of March/early April.
Thank you!

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