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Supporting innovative SMEs and larger enterprises through equity investment

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Sara Dagostini, Policy Officer, DG REGIO, European Commission

Markus Lehmann, Finance Director, IBB Ventures, Germany

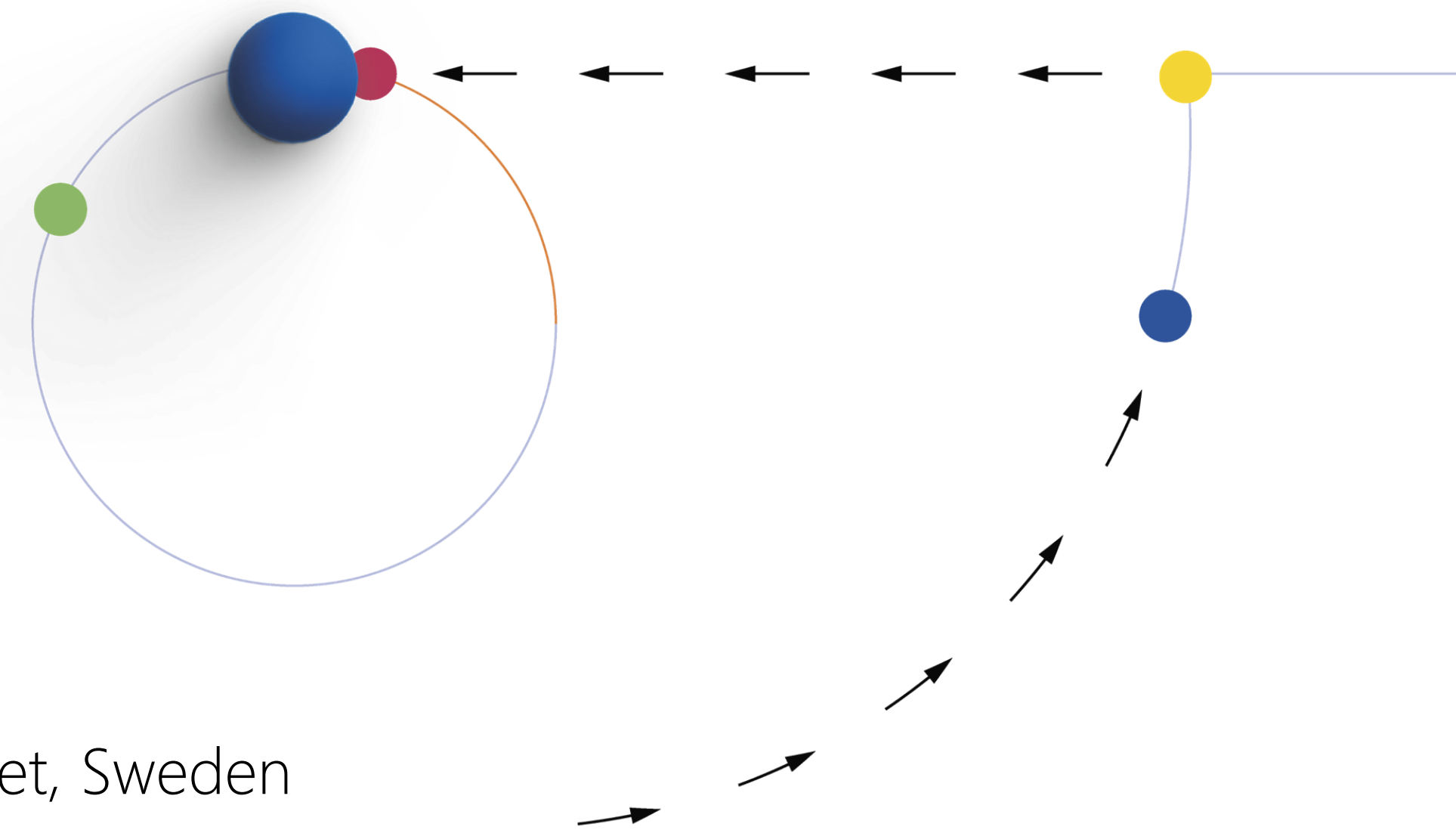
Corinne Uppman Helminen, Government Venture Capital Manager, Tillväxtverket, Sweden

Séverine Nirlo, Deputy General Director for Economy, Région Réunion, France

Enrico Bertoni, Director General, Equiter, Italy

Jack Levy, Partner, MoreVC, Israel

Adrian Mariciuc, Deputy General Director, West Regional Development Agency (ADRVEST), Romania

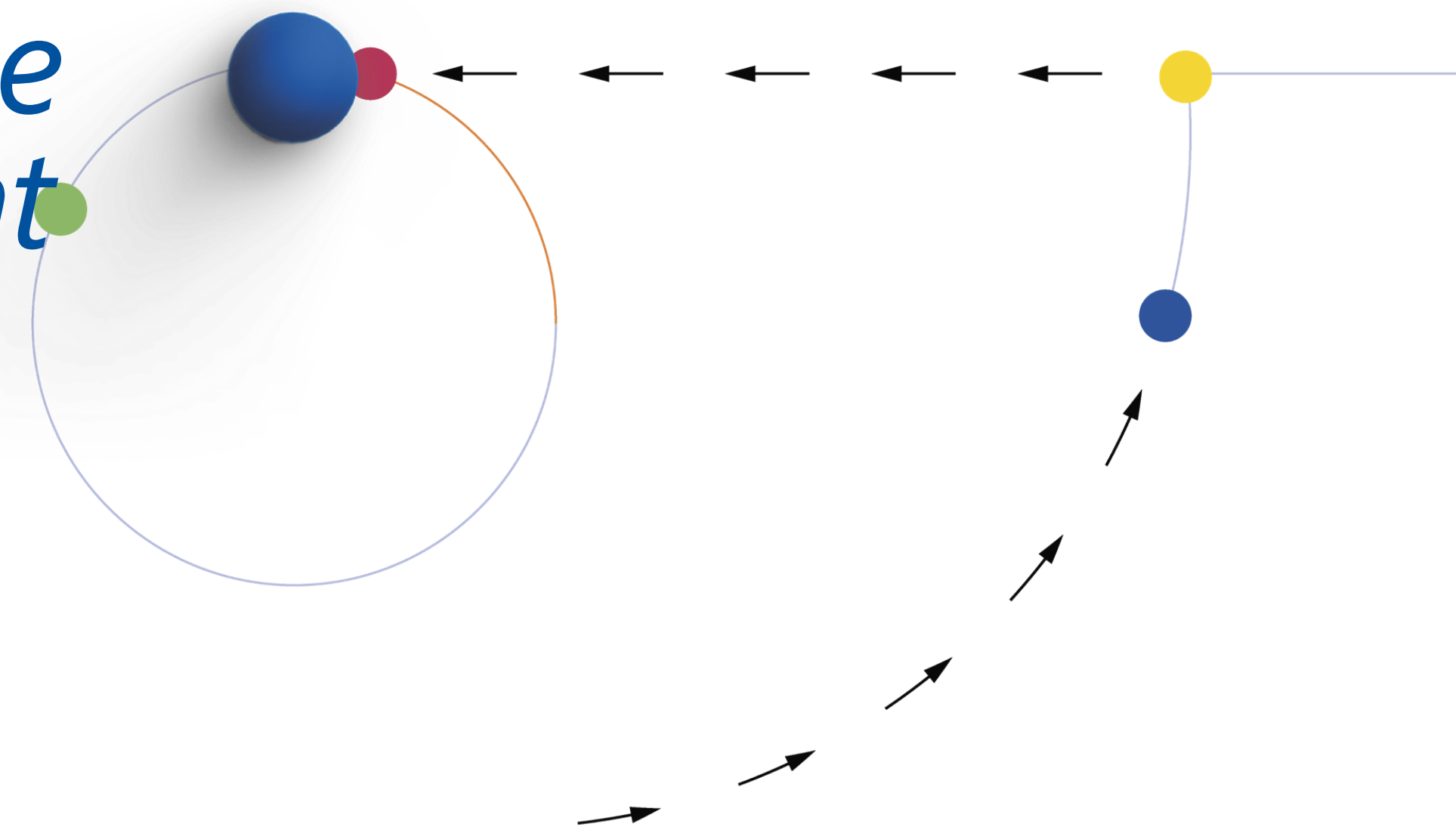




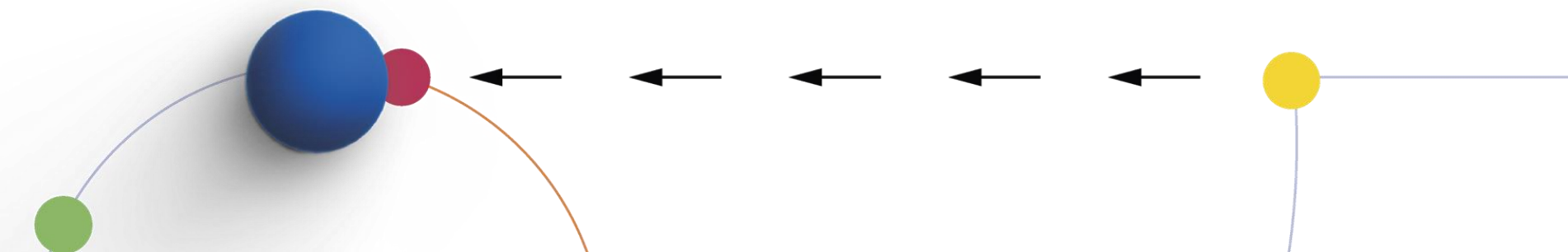
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Supporting innovative SMEs and large enterprises through Equity investment

Sara Dagostini, Policy Officer, DG REGIO, European Commission



What is an innovative enterprise? What is Innovation?



Why Financial Instruments, why Equity?

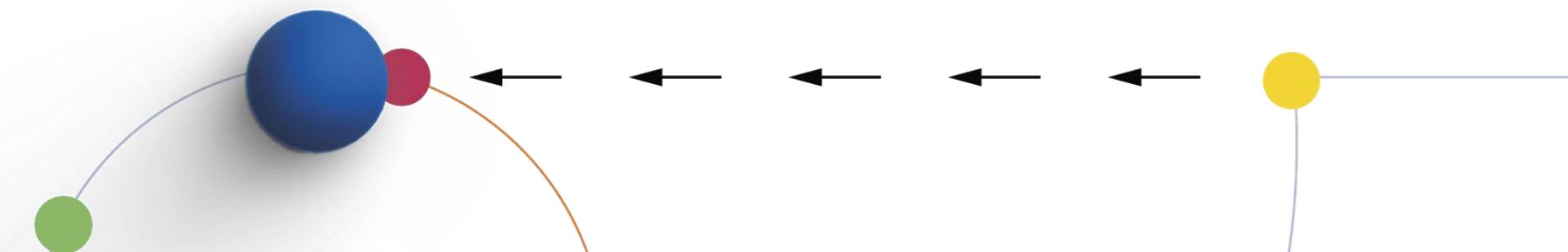


- To support sustainable long term growth in enterprises/regions;
- To develop the European equity ecosystem;
- To ensure long term support to enterprises, possible to use refloos to support follows on

Among the financial products, Equity represents usually around 15% of resources

→ Potential to grow and need to diversify from bank lending (loans are above 50%), but

→ Need to build up or reinforce the European Equity ecosystem

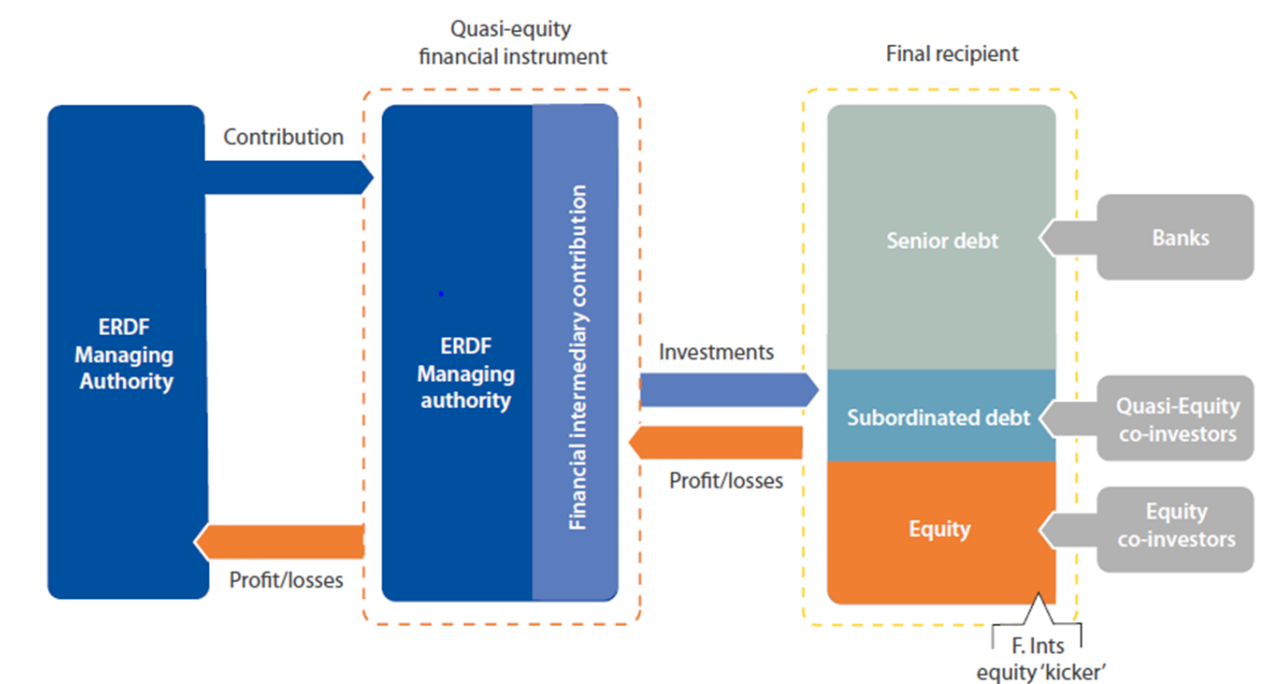


How can Cohesion policy support innovative enterprises

- **Model: Subordinated long term loans for innovative SMEs-mid caps**
- Support with ad hoc training
- Article 68 (2) on continuation
- Peer to peer initiatives, if demand



- Newly originated
- Subordinated long term loans (typical 5-10 years)
- Targeting innovative SMEs and mid caps
- Supporting financially viable investments
- Transfer of benefits: reduction of interest rate or collateral



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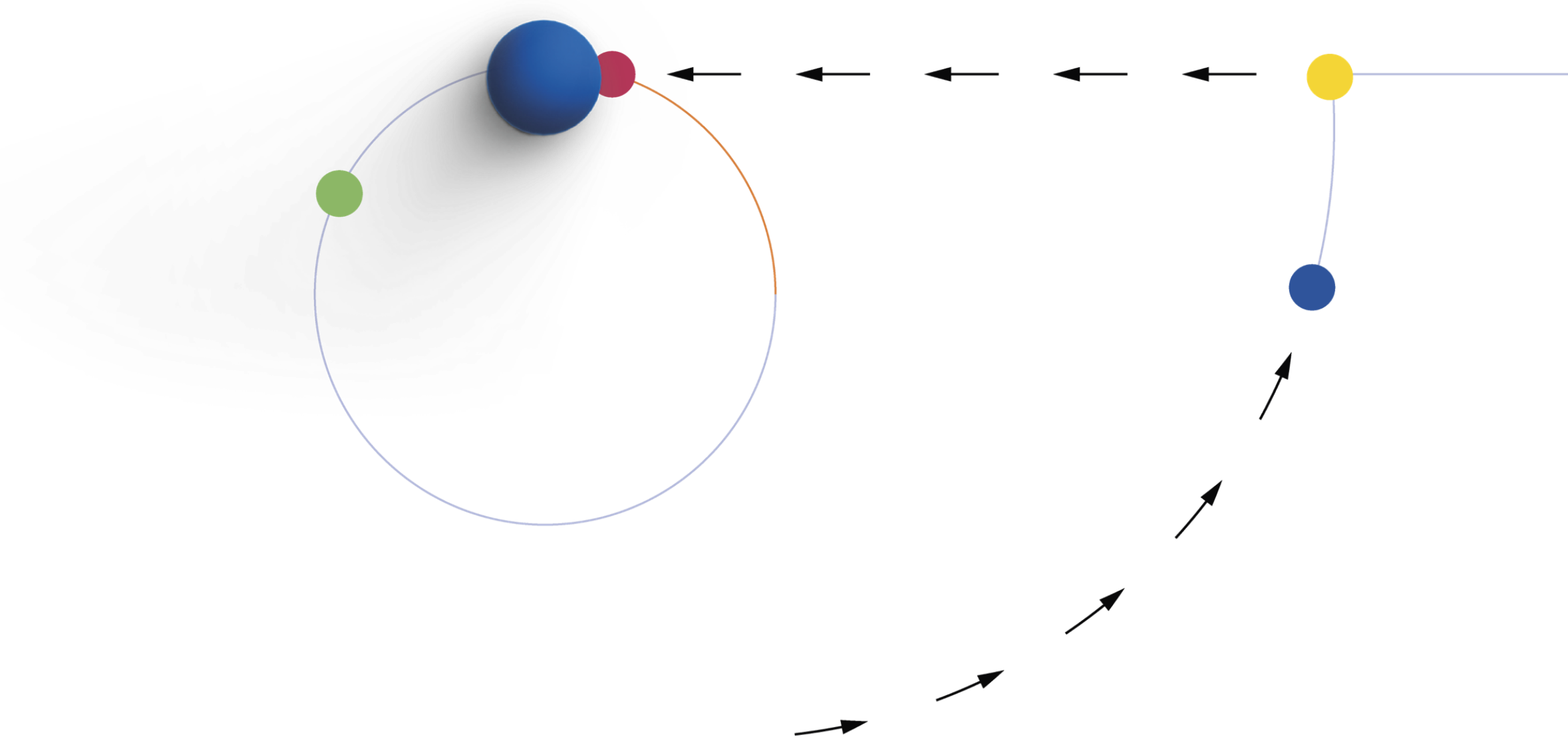
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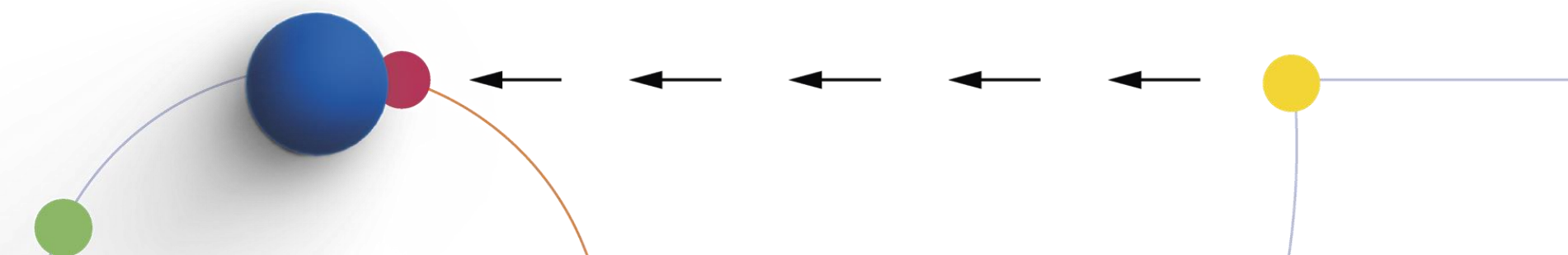
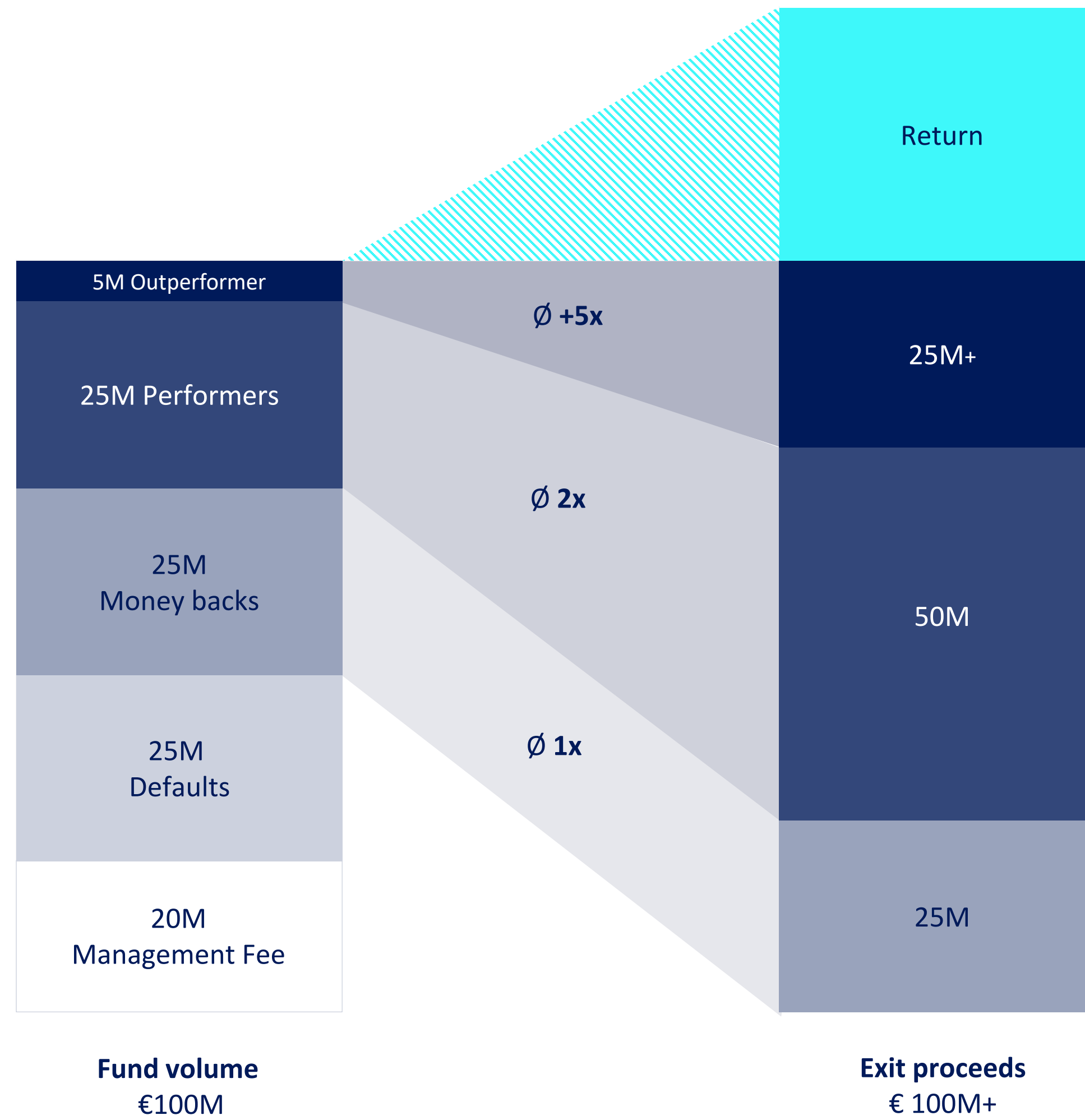
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Supporting innovative SMEs: ERDF VC Funds in Berlin

Markus Lehmann, Finance Director, IBB Ventures, Germany



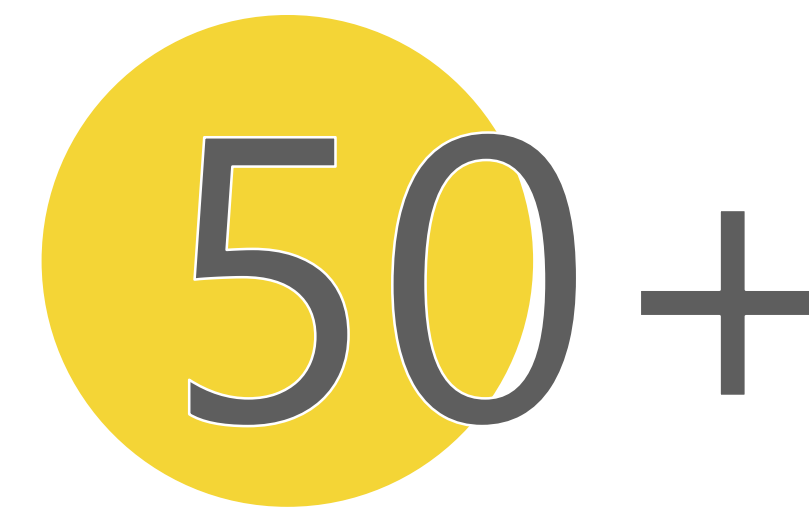
How a Venture Capital fund works



IBB Ventures: ERDF VC Funds in Berlin

- IBB Ventures is the fund manager for public Venture Capital funds of the state Berlin
- Subsidiary of IBB – promotional bank of Berlin
- Management selected by direct award
- Pari-passu-investments on deal-by-deal basis

[Video - ERDF Equity financial instruments in Berlin](#)



Exits in the past ten years



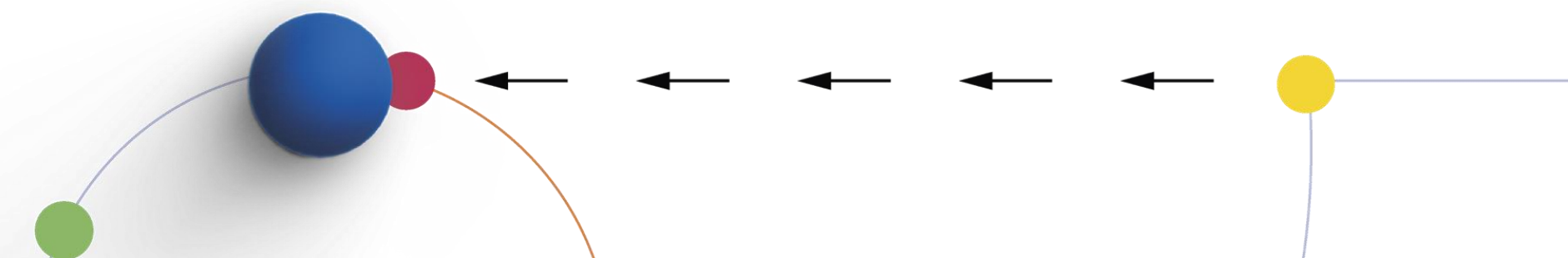
Berlin-based startups financed



million € invested as lead-, co-lead- and co-investor



billion € investment volume in syndicates with strong partners



1 VC fund
1997-2003

EUR 50m
(no ERDF)



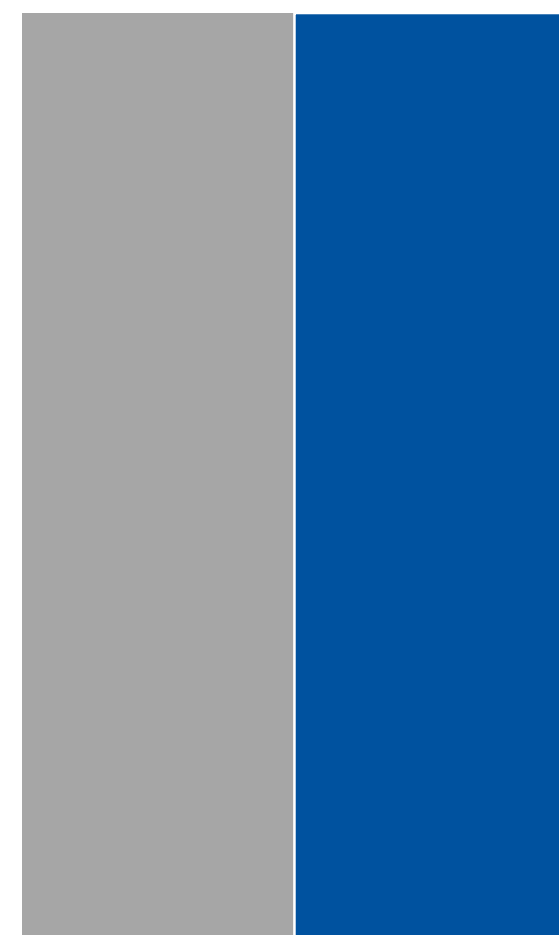
2000-2006 period:
1 VC fund
2004-2007

EUR 20m
(66% ERDF)

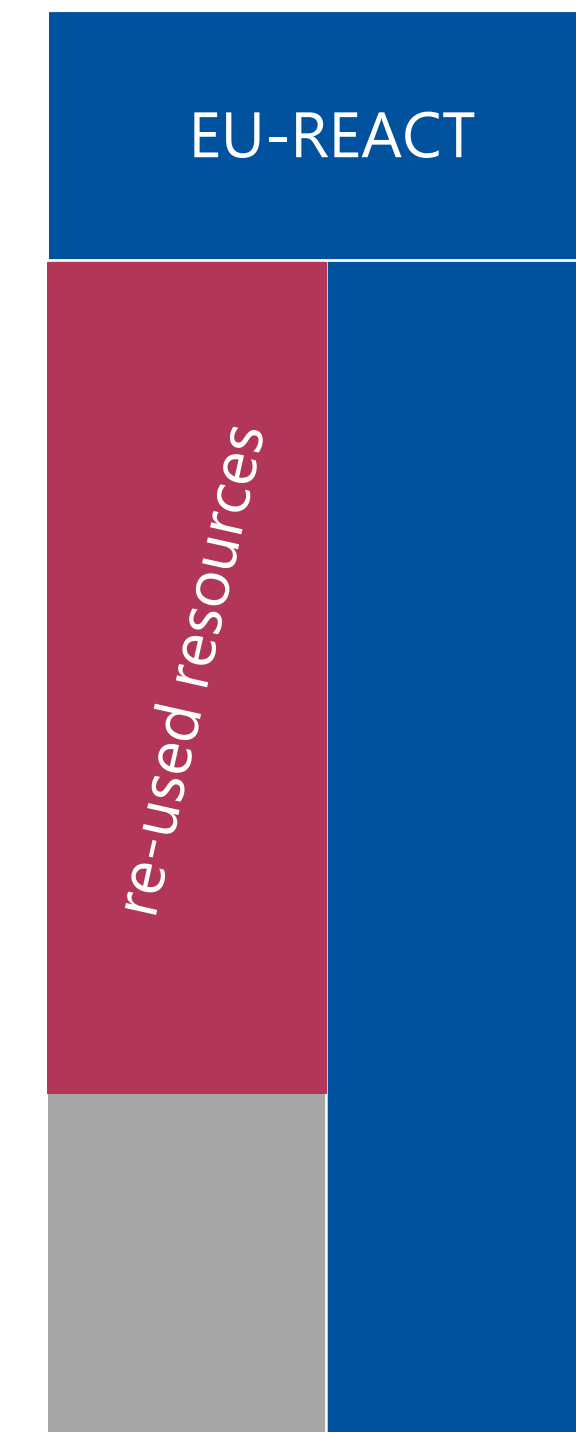


2007-2013 period:
2 VC funds
2008-2014

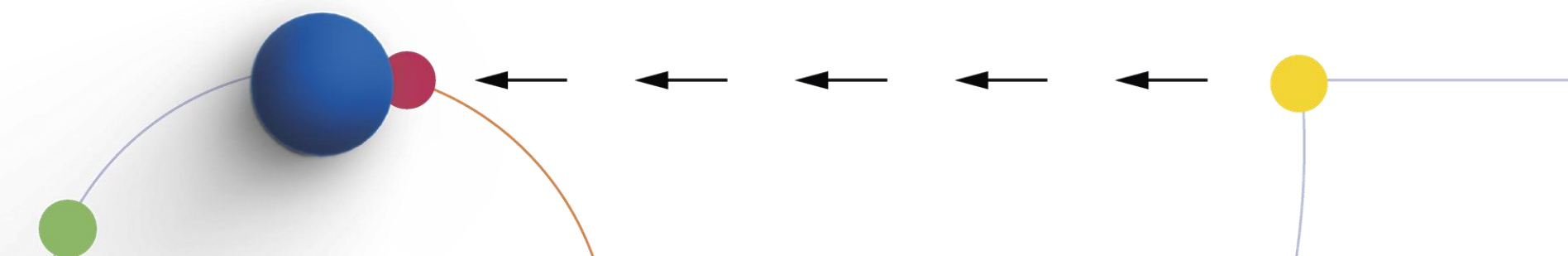
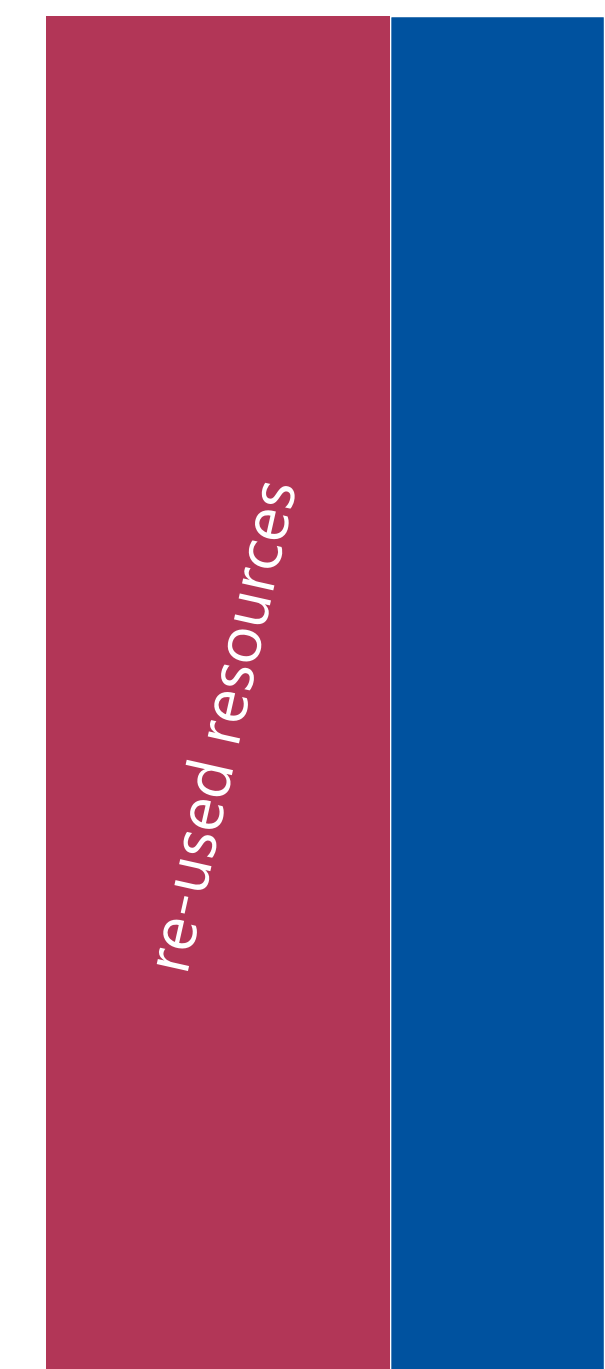
EUR 82m
(50% ERDF)



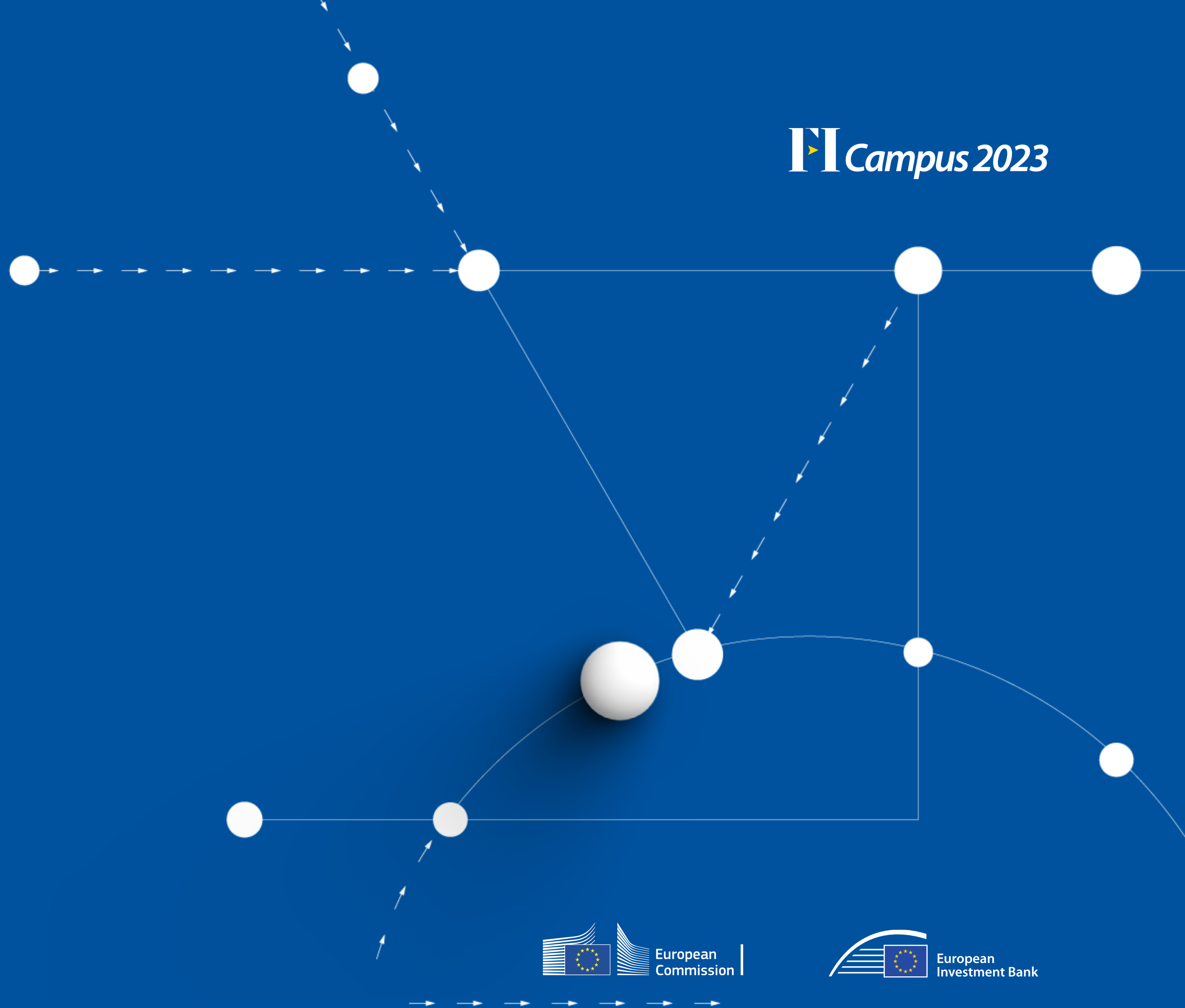
2014-2020 period:
2 VC funds
2015-2022
EUR 126m
(50% - 100% ERDF)



2021-2027 period:
3 VC funds
2023-2029
EUR 120m
(40% ERDF)

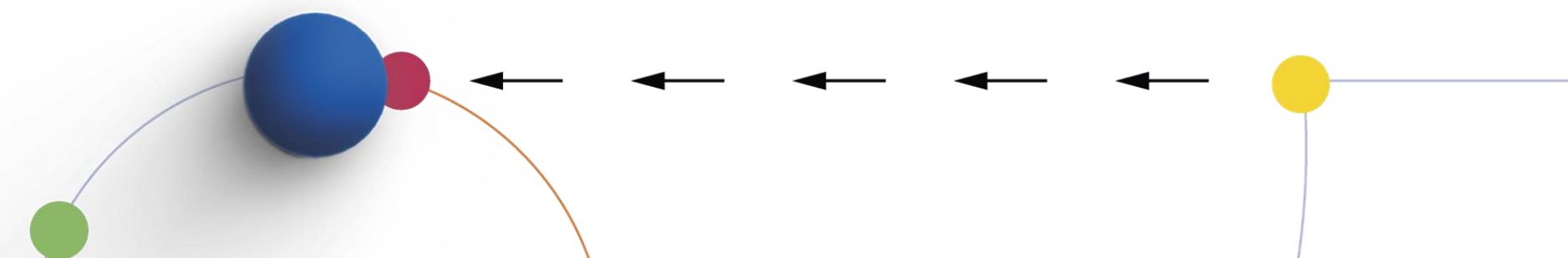


Outlook: Impact VC Fund



- EUR 30m fund targeting impact start-ups
- Focus on Sustainable Development Goals (SDG)

Impact investing:



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Thank you

Markus.Lehmann@ibbventures.de

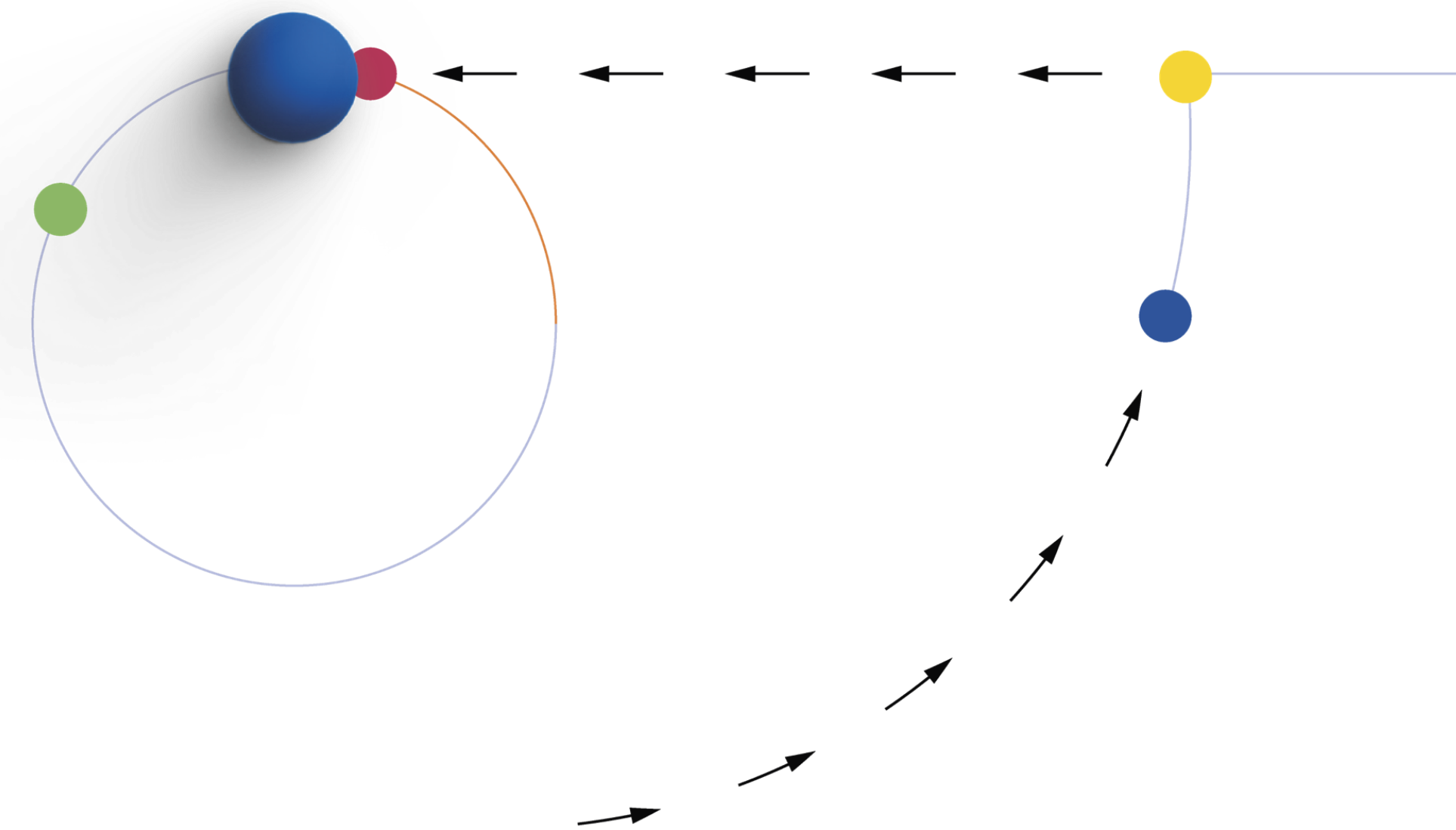




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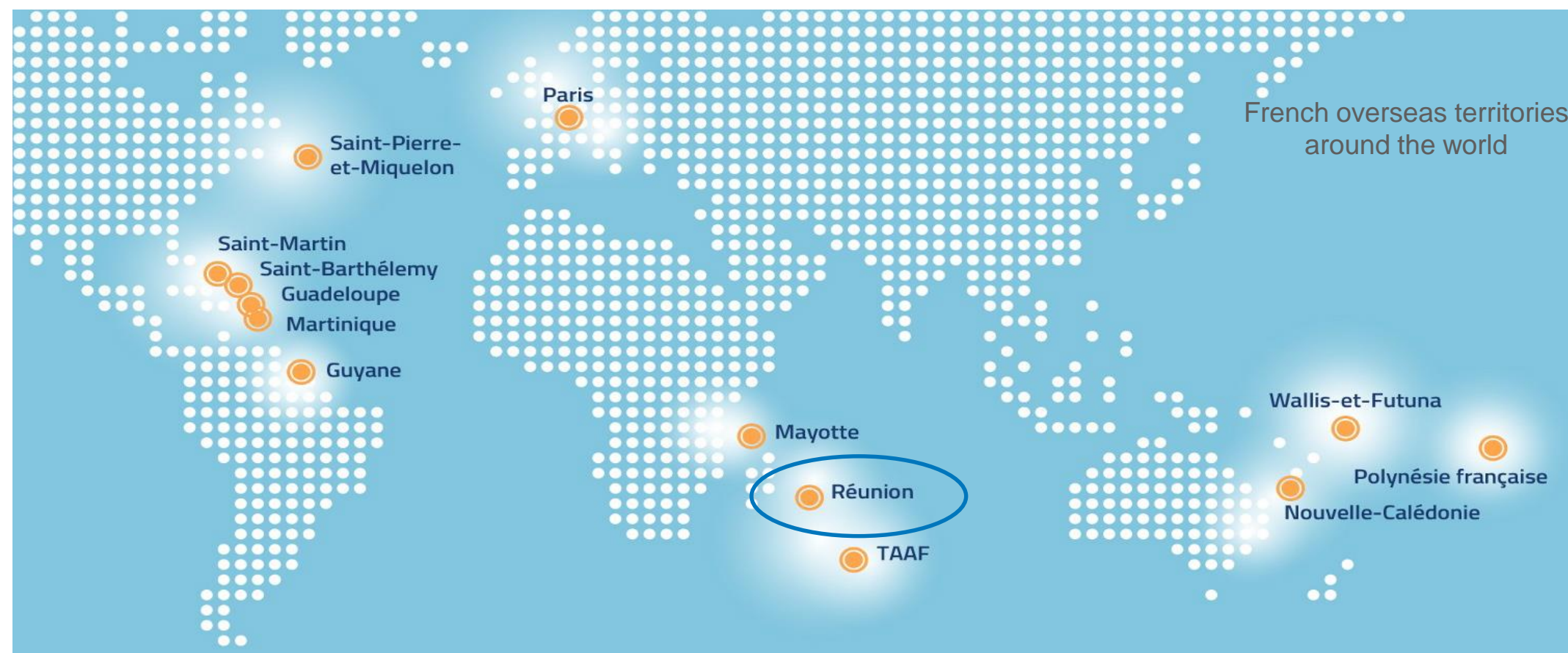
Supporting innovative SMEs through equity investment: Région Réunion's experiences

Séverine Nirlo, Deputy General Director for Economy,
Région Réunion



Key Economic Figures - Reunion Island

Reunion is a French and European outermost region in the Southern Hemisphere. It is the most affluent economy in the Indian Ocean.



Economic Indicators	Values
GDP	€ 20 530 M (2021)
GDP per capita	€ 22 148 (2021)
Population	868 846 (2022)
Global paid jobs	281 254 (2022)
Unemployment rate	18,9% (2022)
Annual tourists	495 473 (2022)
Tourist accomodations	17 241 beds (2021)

Main sectors of excellence in the island :

→ Agri Food

→ Renewable energy & environment

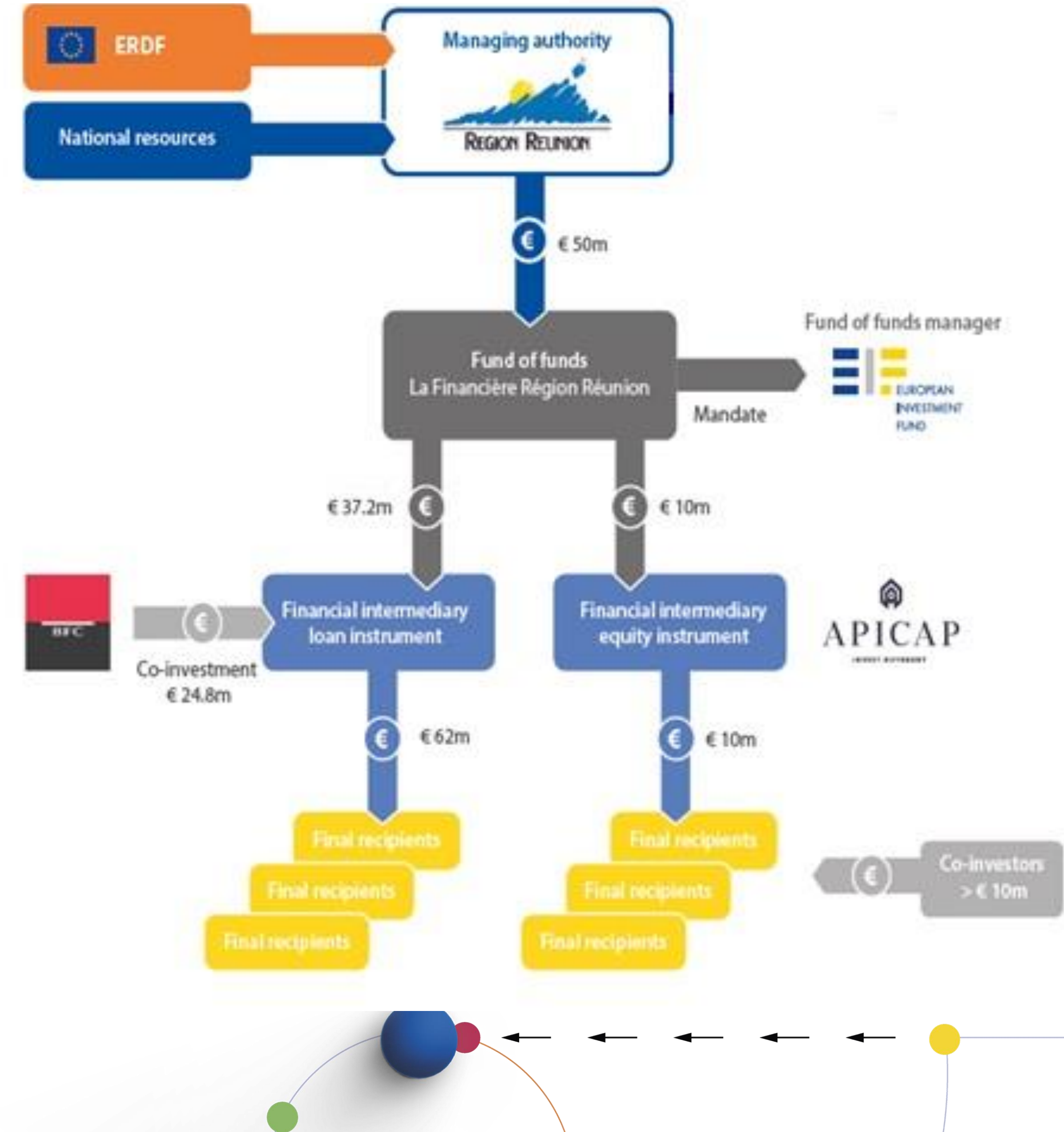
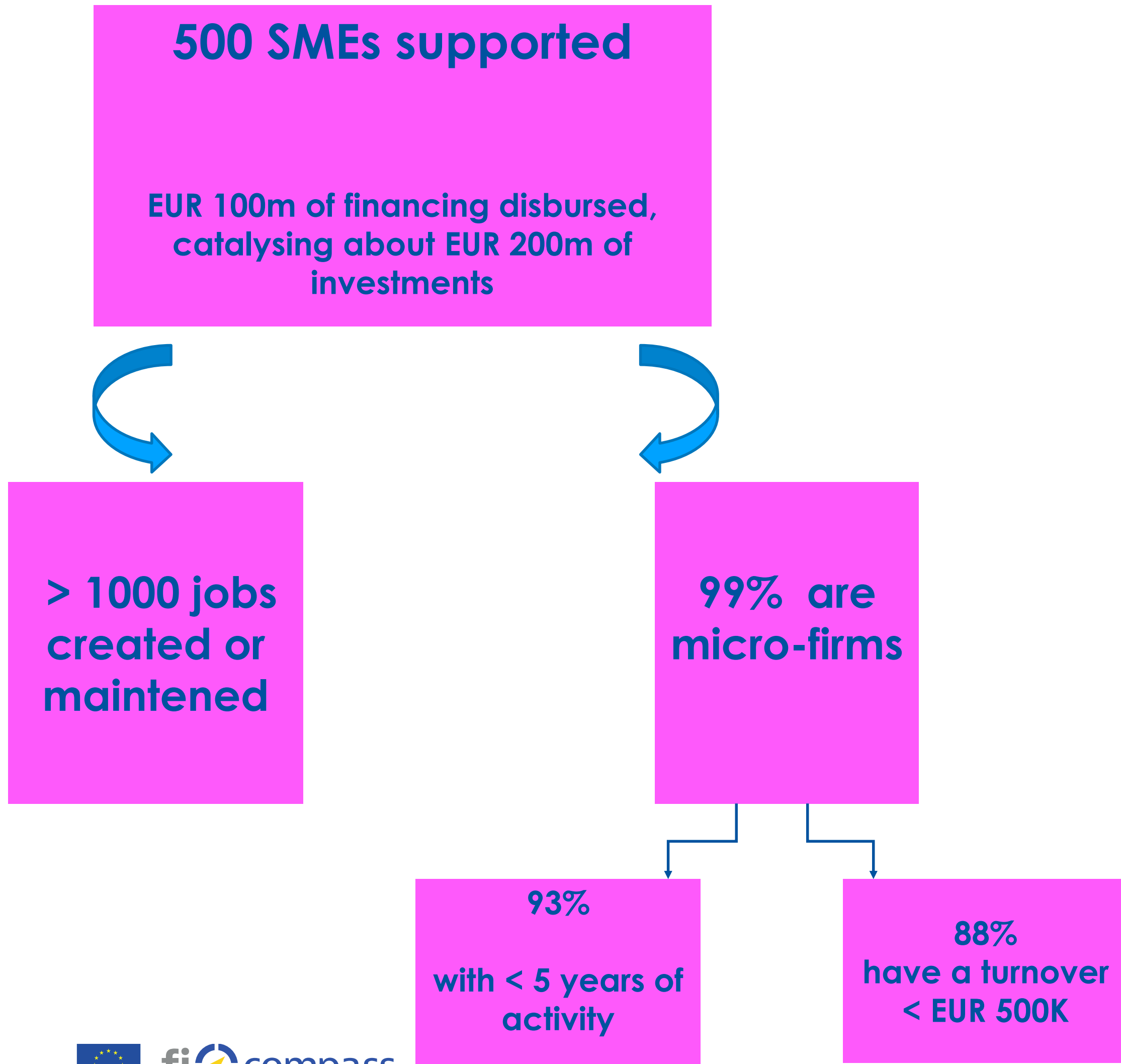
→ Digital technology

→ Tourism

Economic trend

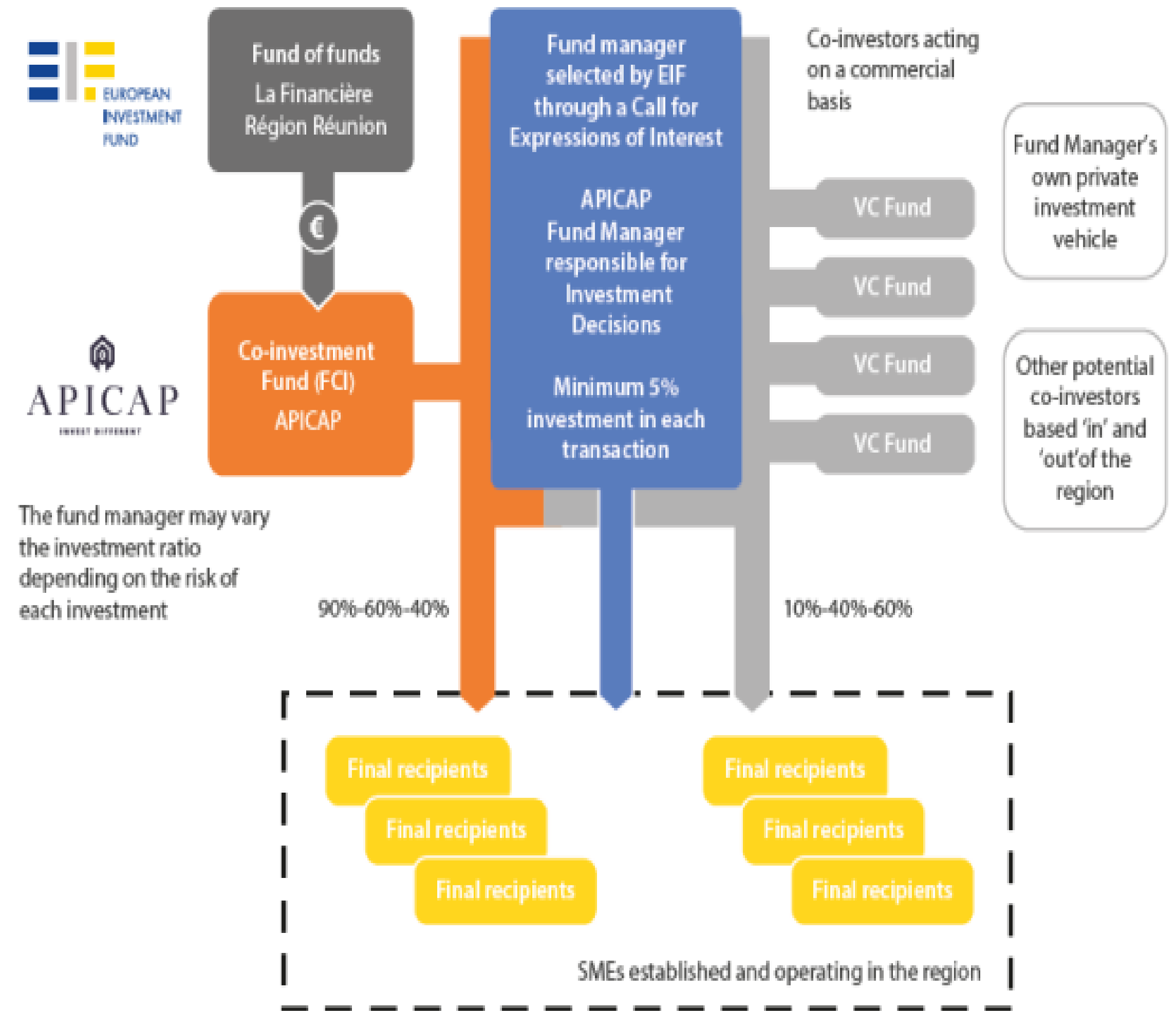
Total Réunion	2004	2021	Evolution	TCAM
Population (hab.)	762 000	869 000	14%	0,8%
Businesses	28 891	63 346 *	119%	4,7%
GDP (M€)	12 442	20 530	65%	3,0%
Exportations (M€)	249,7	347,8	39%	2,0%
Importations (M€)	3155	6191,7	96%	4,0%

Overall state of play of La Financière Région Réunion (Both Equity and Debt instruments)



Main features of the Co-investment instrument (Equity – ESSOR PME)

- Unlisted SMEs with their headquarters, a registered office or an operating site in Réunion Region are eligible;
- Innovative SMEs as well as SMEs with high growth potential are particularly targeted;



Examples of SMEs supported under the Equity instrument

Green Skin



Activity:

- Innovative solution consisting of wrapping buildings with a second skin in green, connected and modular walls, both for the façade of a house or for the roof, for new as well as for rehabilitation.

Purpose of the investment:

- Strengthening sales, production and R & D
- Targeted communication campaign
- Financing the construction of a new platform

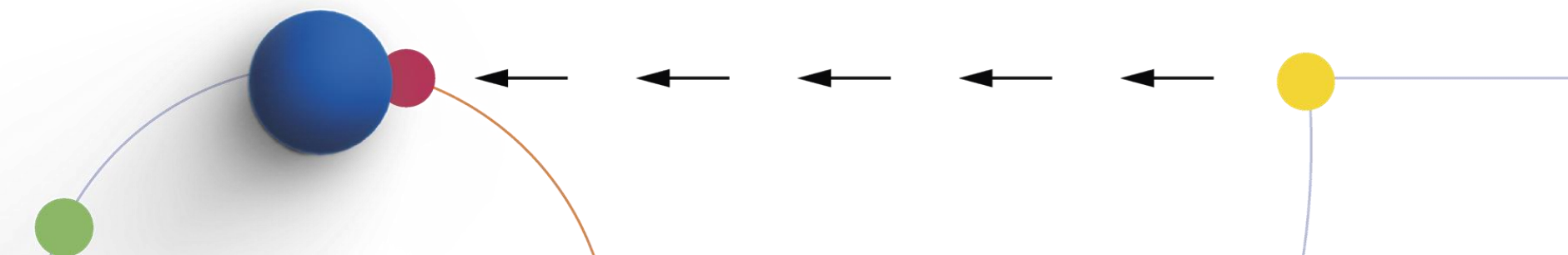
HUB2

Activity:

- Connect4, a Reunionese-based SME has benefited from ESSOR PME La Réunion to develop HUB2, an Application Programming Interface (API) enabling interoperability between mobile money wallets in Western Africa.

Purpose of the investment:

- Accelerate the development of the API on the African market and answer the huge demand for more interoperability in mobile banking and banking systems in Africa,
- Improving and strengthening the team based in Saint Denis (La Réunion)

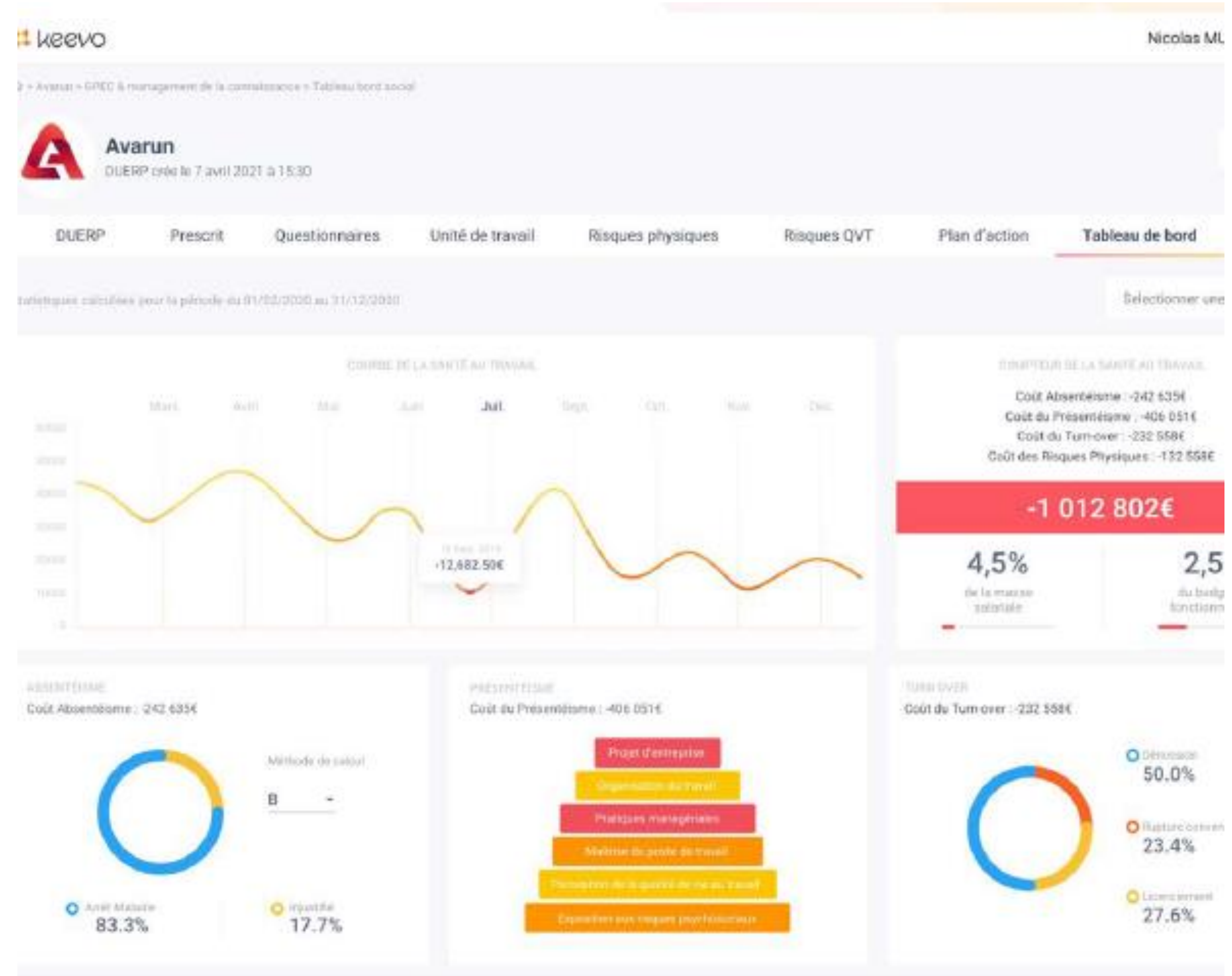


Examples of SMEs supported under the Equity instrument

HUMAPRO

Activity:

- information system focusing on the human resources strategy in health and performance at work and allowing to evaluate and optimize the degree of alignment between business projects and the perception of employees in the workplace.
- Purpose of the investment:**
- Commercial launch of the IT platform.
- Increase in the penetration rate of the Reunionese market and positioning on major metropolitan cities with an SME/ETI target.



Examples of SMEs supported under the Equity instrument

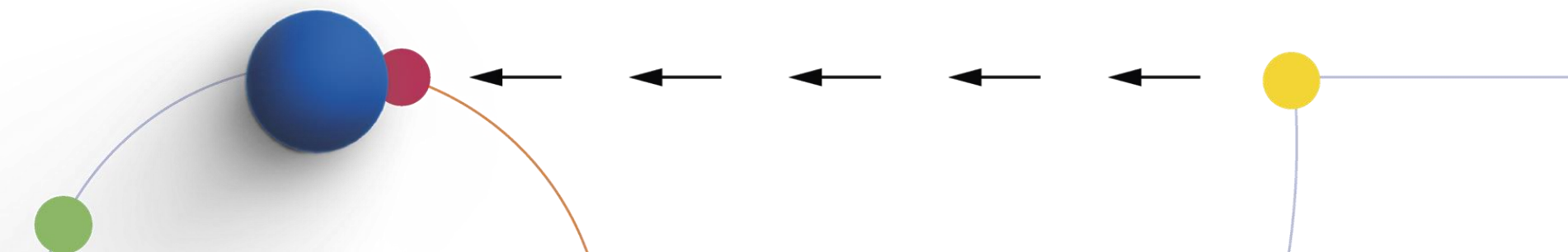
Gaia Photovoltaic

Activity:

- Commercialisation, installation, and maintenance of solar kit.

Purpose of the investment:

- This Reunion based SME is focused on providing self-consumption solutions for households alongside large-scale Photovoltaic (PV) systems for local companies.
- Thanks to APICAP, Gaia has improved its IT system, strengthen its team, and launch an intense marketing and communication campaign.





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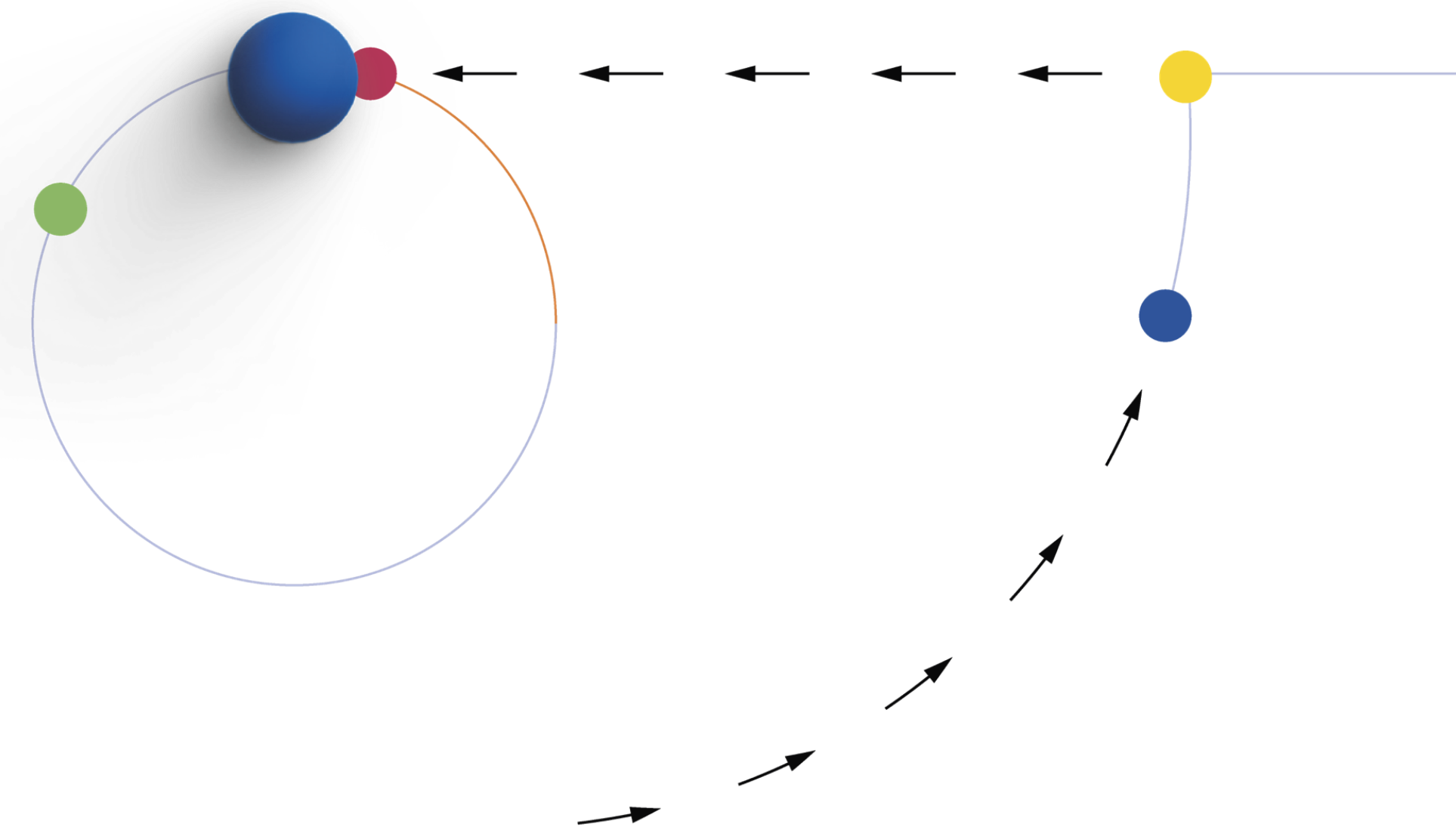
severine.nirlo@cr-reunion.fr



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*Supporting innovative SMEs
and larger enterprises
through ERDF equity
investment in Italy*

Enrico Bertoni, Director General, Equiter, Italy

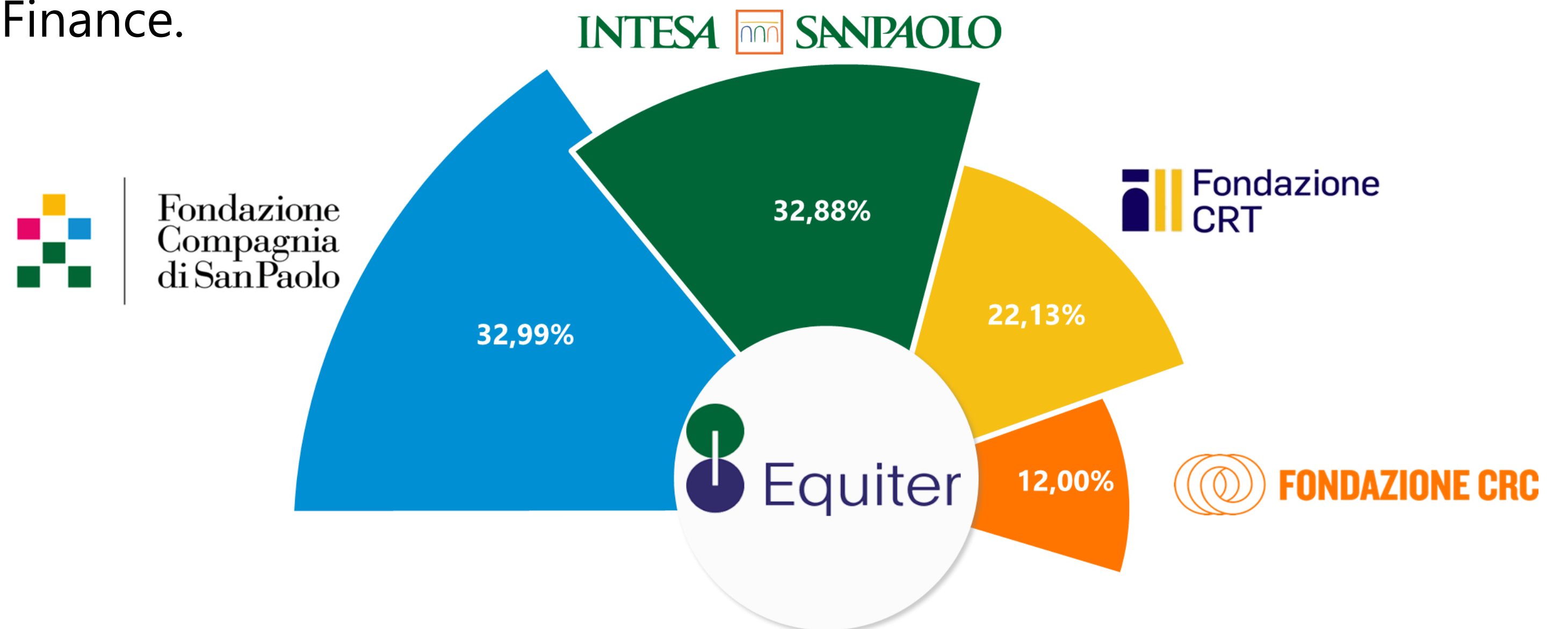


Equiter at a glance: equity investor and financial advisor with robust capital base

Equiter is an **Equity Investor** and **Financial Advisor** in the Infrastructure and Innovation Sectors, with a strong track record in PPP Schemes Investing and management of EU Financial Instruments (e.g. JESSICA Programme 2007-2013, PON R&I 2014-2020).

Equiter is a **holding company** active on structuring the so-called “Mission Related Investments” aimed at socio-economic impacts on the territory and promote sustainable development in the long run, in accordance with the principles of Impact Finance.

Like Equiter itself, all its key shareholders are **Long-Term Investors** with a robust capital base and ability to retain their assets longer than other market players, thus generating beneficial effects on the real economy (**Patient Capital**).



Key figures: a strong and resilient investment platform poised for further growth

~1,3 €bn **AUM**
own financial
resources +
advisory on third-
parties' funds

lean internal **staff**
20 FTE
cross
competences
(*finance,
innovation, ESG*)

205 €m
current size of the
new "**Equiter
Infrastructure II**"
closed-end fund

186 €m
RIF fund managed
on behalf of MUR
aimed at financing
R&D projects

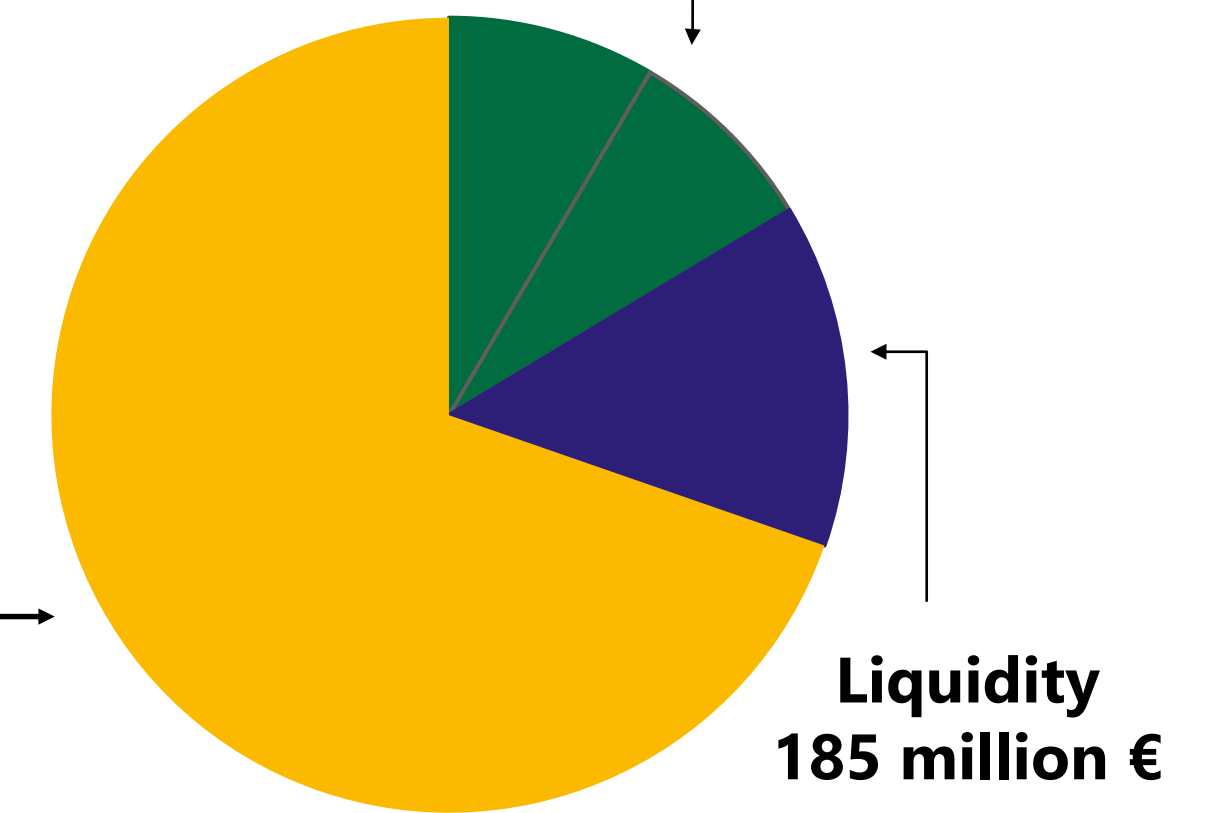
28 €m
committed to **VC**
investments
through the **RIF-T**
vehicle

~ **189 €m**
NRRP resources
managed for
investments in
**Sustainable
Tourism** initiative

~ **154 €m**
NRRP resources
managed for
investments in
**Urban Integrated
Plans**

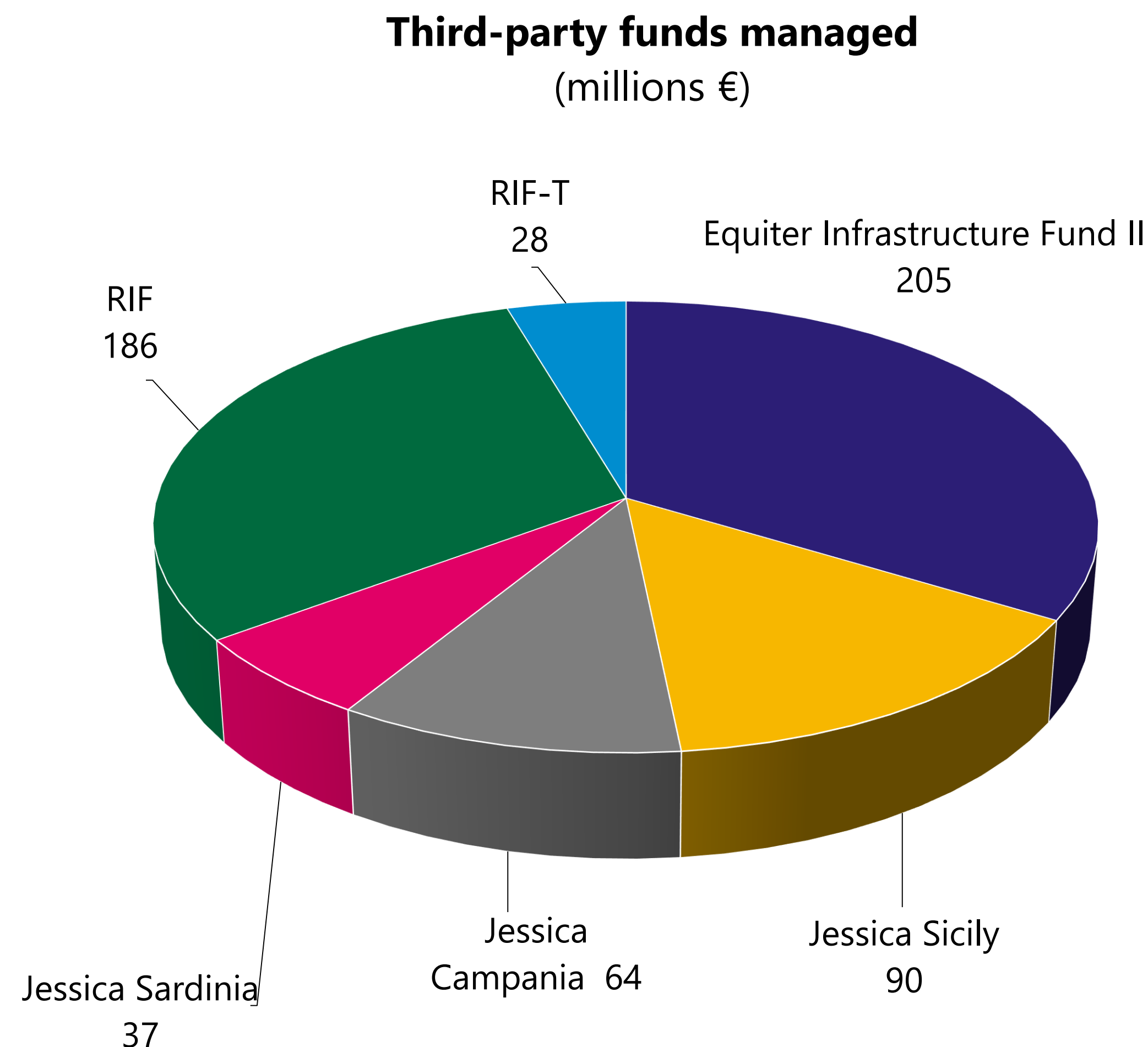
BALANCE SHEET (million €)	2022E
Investment portfolio (<i>balance sheet value</i>)	112
Investment portfolio (<i>embedded value</i>)	105
Liquidity	185
Funds under management (<i>advisory</i>)	924
Total Assets Under Management	1,326

Investment Portfolio
(balance sheet value + embedded value)
217 million €



Funds under management
(Jessica Funds, RIF, RIF-T, Equiter
Infrastructure II Fund, NRRP Funds)
924 million €

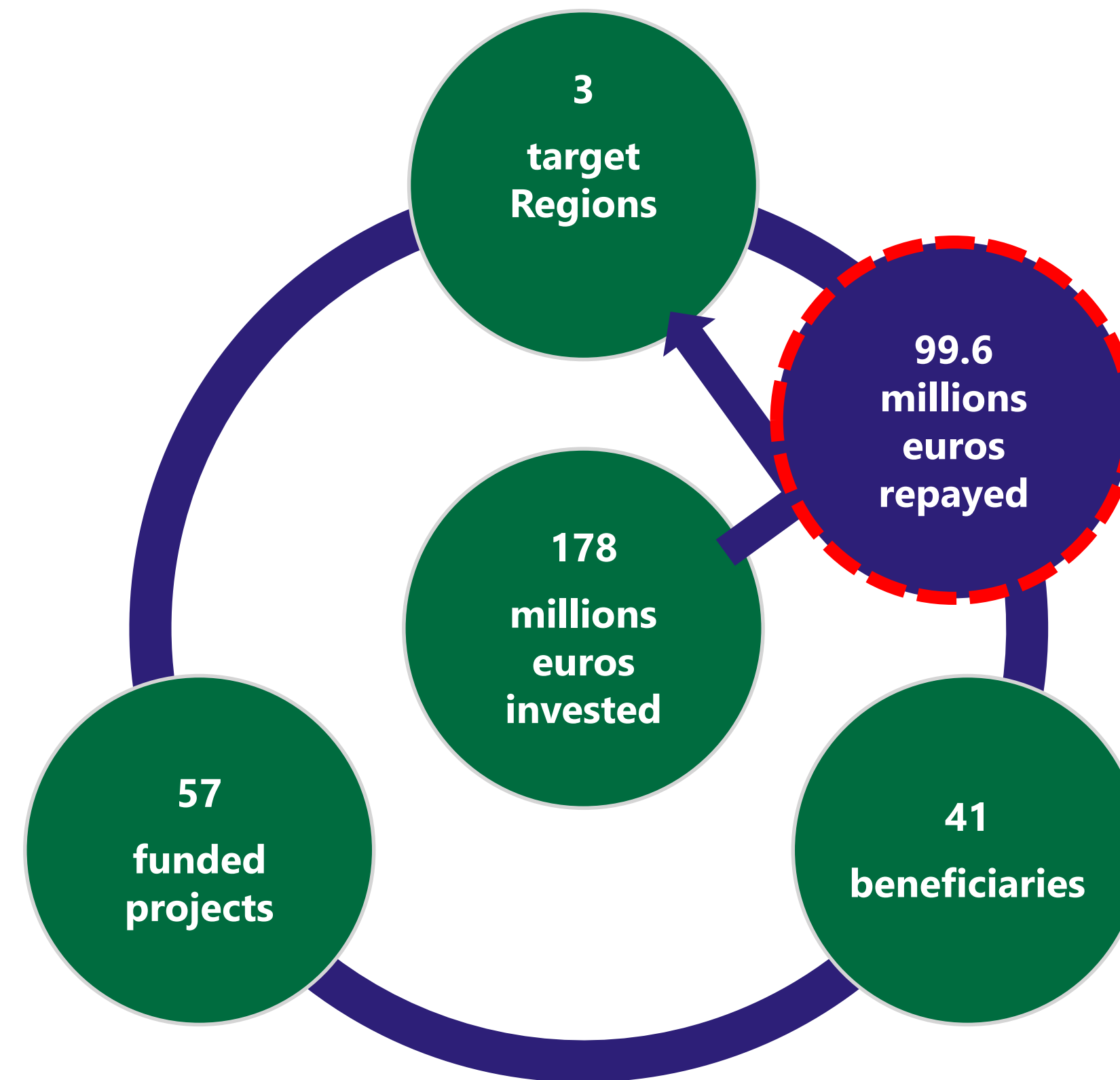
- Advisor of SGR and Funds focused on Alternative Assets (i.e., Infrastructure Funds with major on innovation and impact)
- 1st Financial Intermediary in Italy for EU Funds under management
- Main advisor for the Italian Ministry of Research and Innovation (MUR) managing funds dedicated to financing Research and Innovation Projects targeted in the 8 Italian regions identified by the PON R&I 2014-2020 as historically under-invested



J.E.S.S.I.C.A. Programme – Main achievements

Since 2011 Equiter has managed JESSICA funds and funded **57 projects** focusing on **urban regeneration** in Sicily and Campania and on **energy efficiency** in Sardinia, generating a meaningful socio-economic impact on all **3 target Regions**.

JESSICA Sicily – flagship project
Capo d'Orlando (ME) – Touristic Harbour
Funds: € 48,5 mln, of which
€ 20 mln from JESSICA funds



In 4 years managing JESSICA funds, Equiter has invested a total amount of **178 millions euros**.
At February 2023 **total reflows** from funded projects are equal to **99.6 millions euros**
(= **56% of total invested funds**).

JESSICA Campania – flagship project
Napoli – Urban Regeneration ex Birrificio Peroni
Funds: € 45 mln, of which
€ 27 mln from JESSICA funds



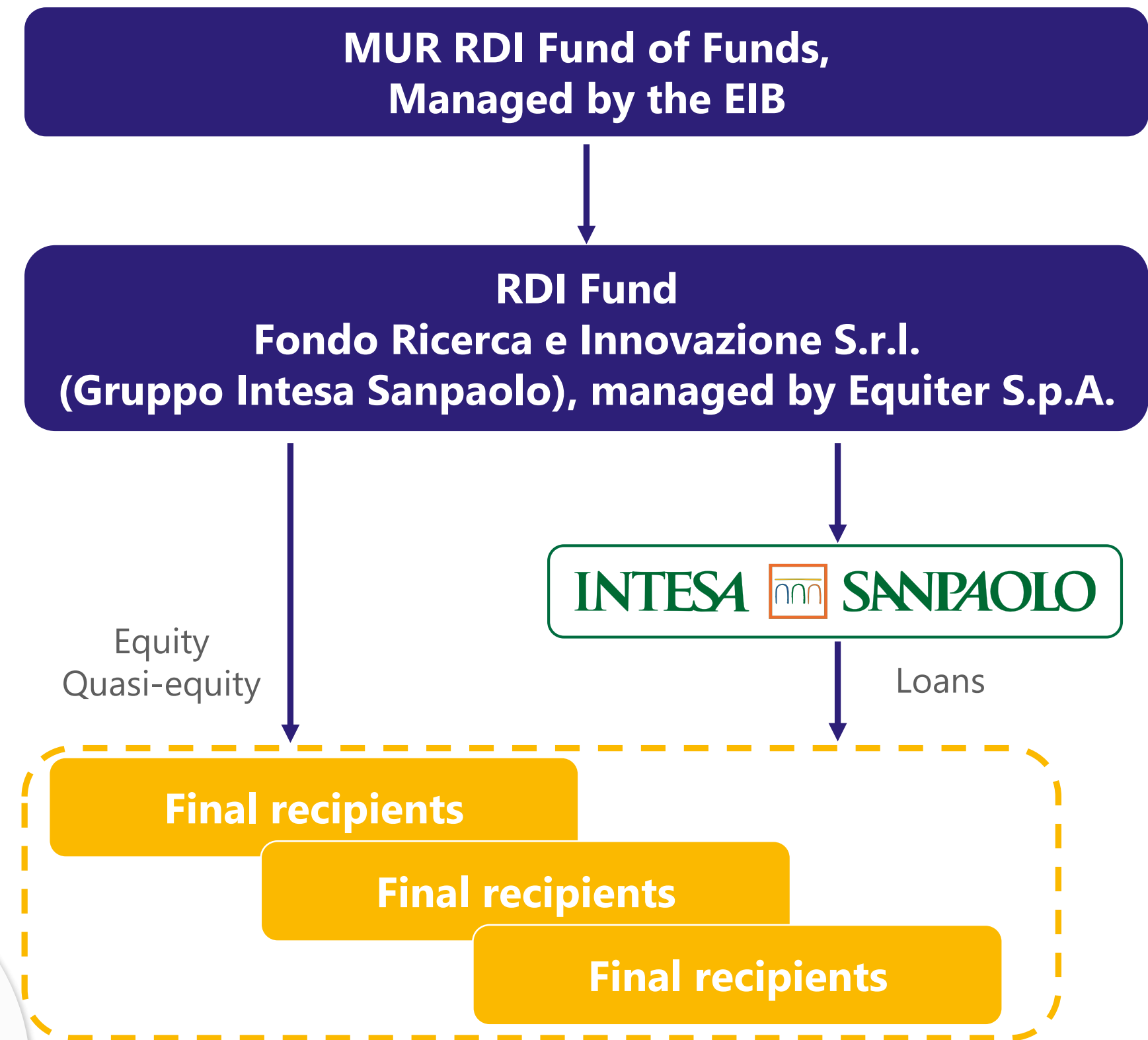
Equiter / Research & Innovation Fund: structure and main results of Equiter's RIF

186 €m
RIF Fund managed on behalf of MUR aimed at financing R&D projects

#249 registered users in the dedicated RIF website

#45 R&D projects processed in an in-depth DD both on innovation contents and on financial sustainability

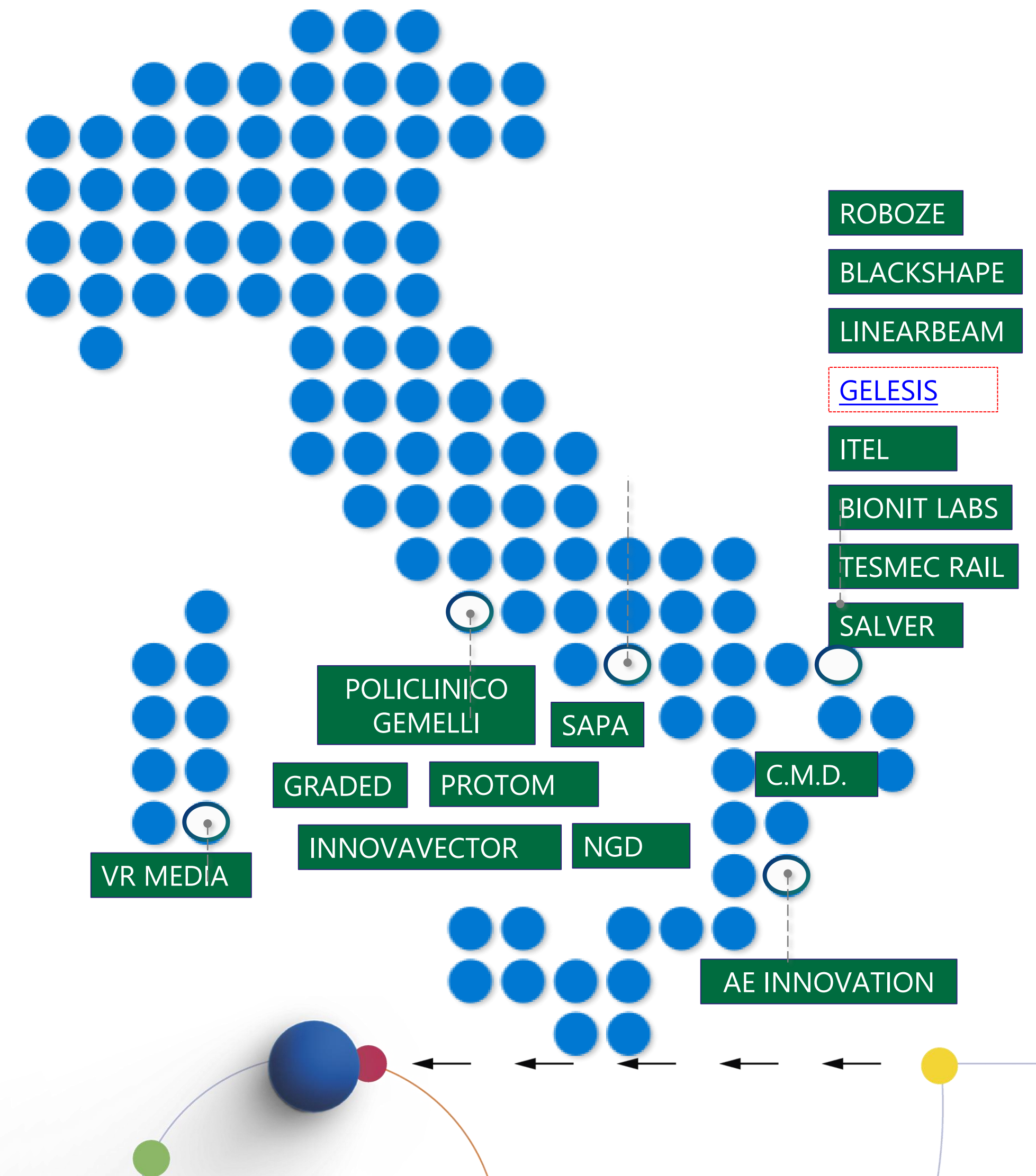
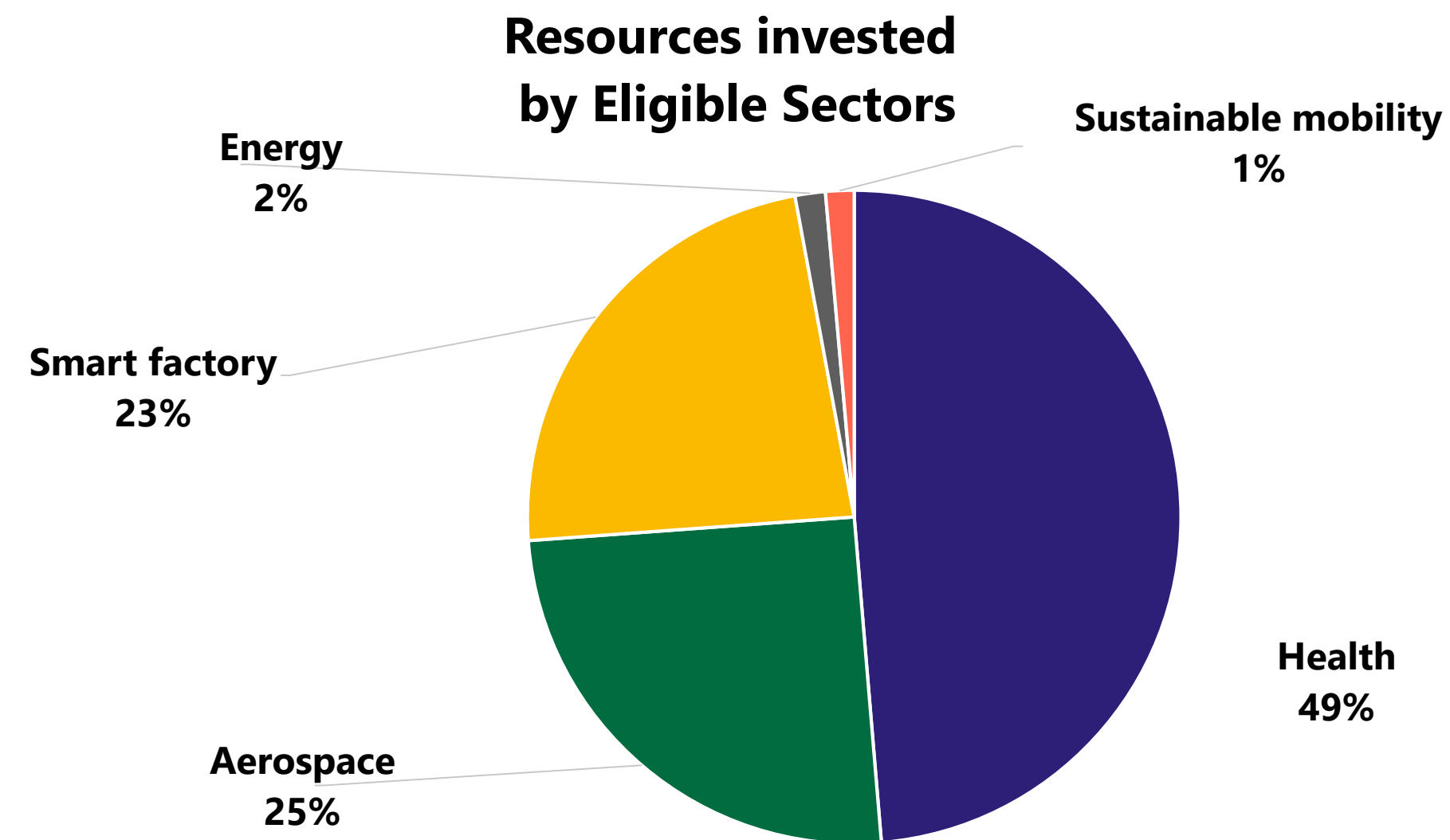
#17 R&D projects invested through equity + quasi-equity (**80%**) / loans instruments (**20%**)



Equiter / RIF: targeting Research & Innovation projects in Southern Italy

At the date, the RIF Fund advised by Equiter has invested **€140 million**, sustaining **17 SMEs** in southern Italy.

The R&I projects, financed by the RIF Fund, are mainly related to the **Eligible Sector «Health»**, both in terms of number of deals and investment amounts.



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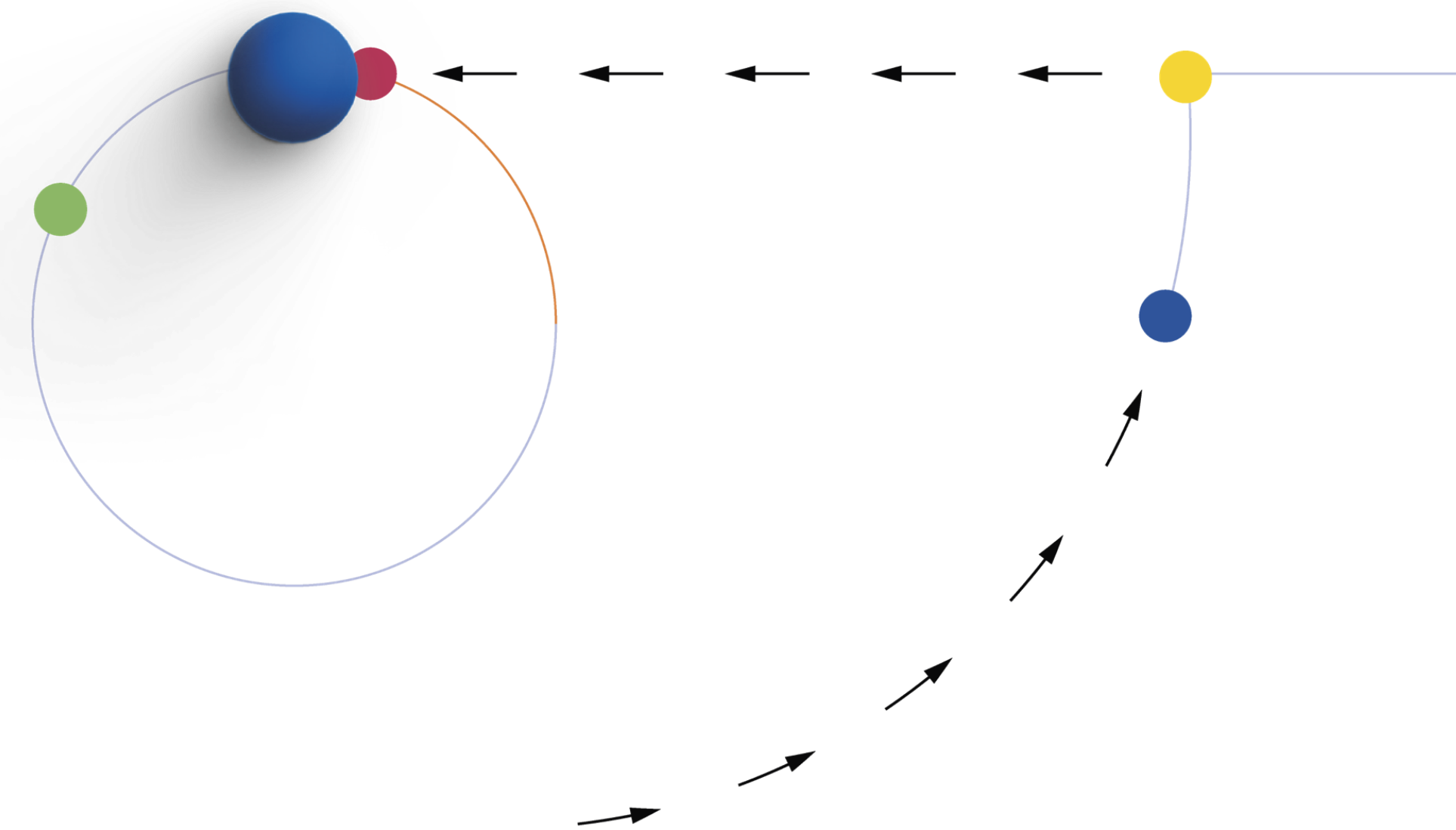
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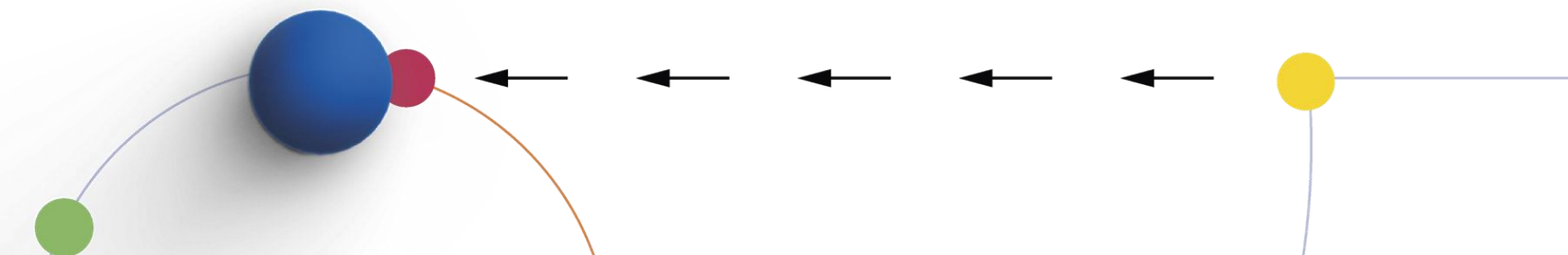
Supporting Romania's West Region's SMEs through ERDF equity instruments

Adrian Mariciuc, Deputy General Director, West Regional Development Agency (ADRVEST), Romania

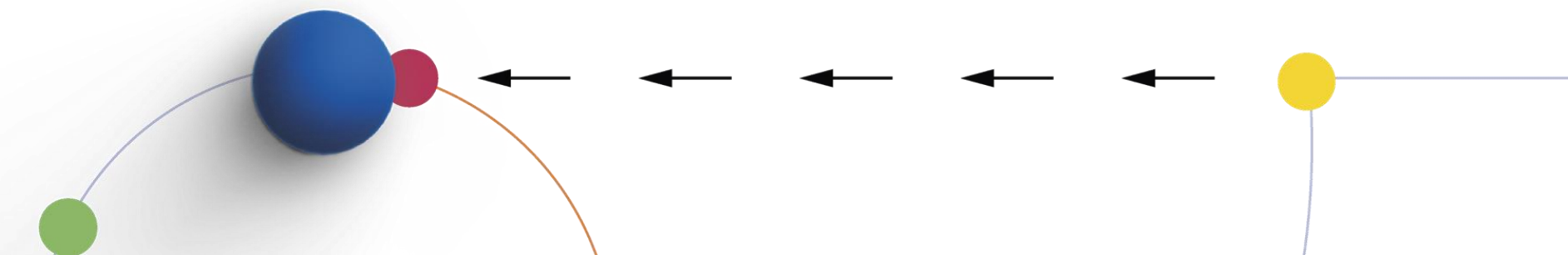


West Region Romania

- 4 counties
- 32.034 km²
- 1.758.582 inhabitants
- 73% from EU GDP average
- 58.988 active SMEs
- 3,5% unemployment rate
- FDIs: 7,5 billion euro
- 10,9 billion euro export
- 0,38% R&D intensity



West S3 economic sectors



Equity / Quasi Equity Financial instruments

Ex-ante evaluation

- **Main problems:**

- ❑ *Low density of SMEs (26/ 1,000) inhabitants*

- ❑ *Reduced level of business sophistication*

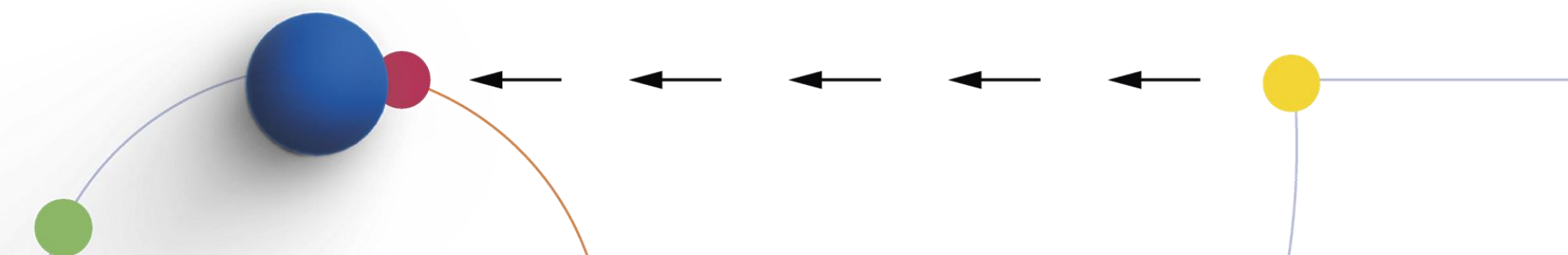
- ❑ *Low and medium level of value added*

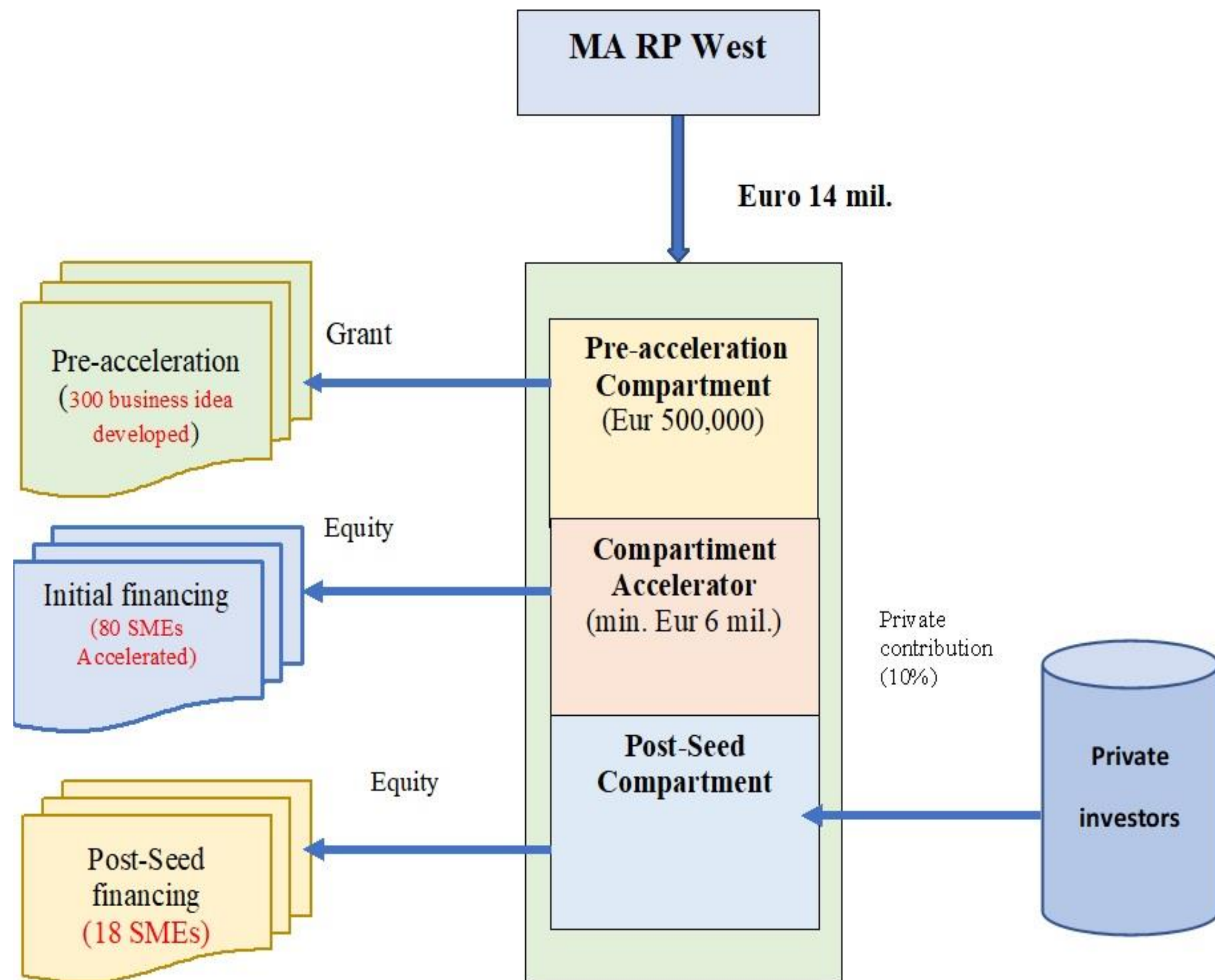
- ❑ *Limited access to diversified financing sources*

- ❑ *One business angel investors platform*

- 2 different instruments for **equity / quasi –equity**

- **Main goal: one UNICORN in 2033**

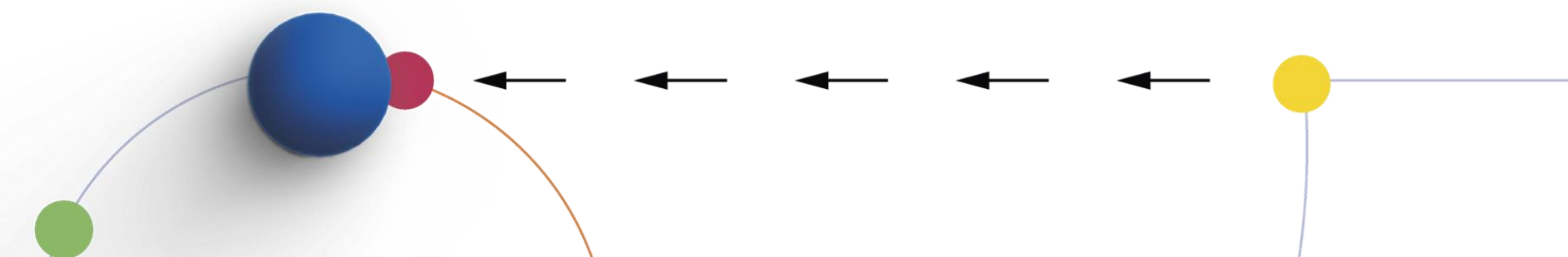




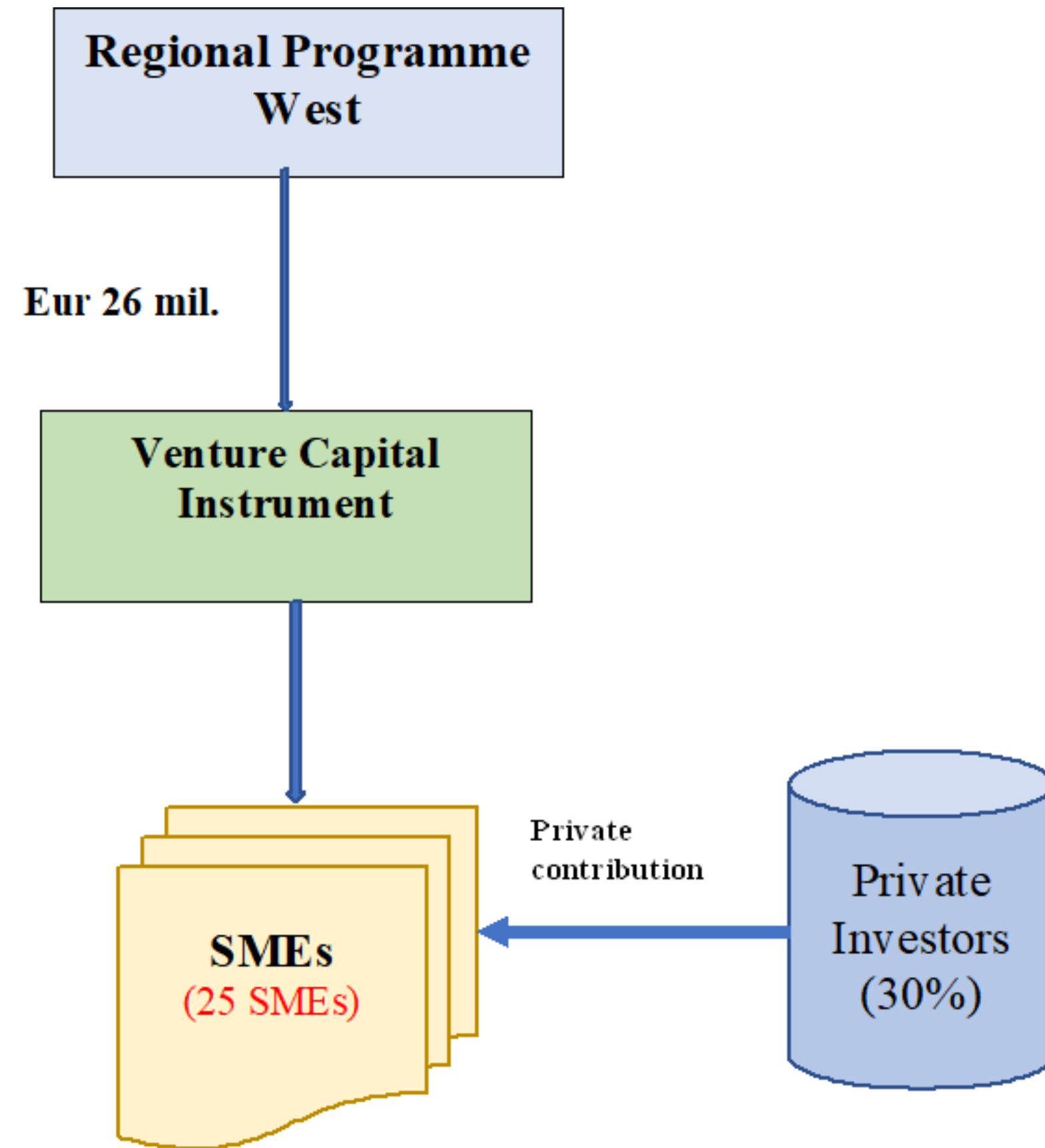
- 3 components:

- ❑ *Pre-acceleration: 15 cohorts*
- ❑ *Accelerator: equity 10.000 – 100.000euro (max 200.000 euro)*
- ❑ *Post seed: equity till 500.000 euro (max. 1 million euro)*

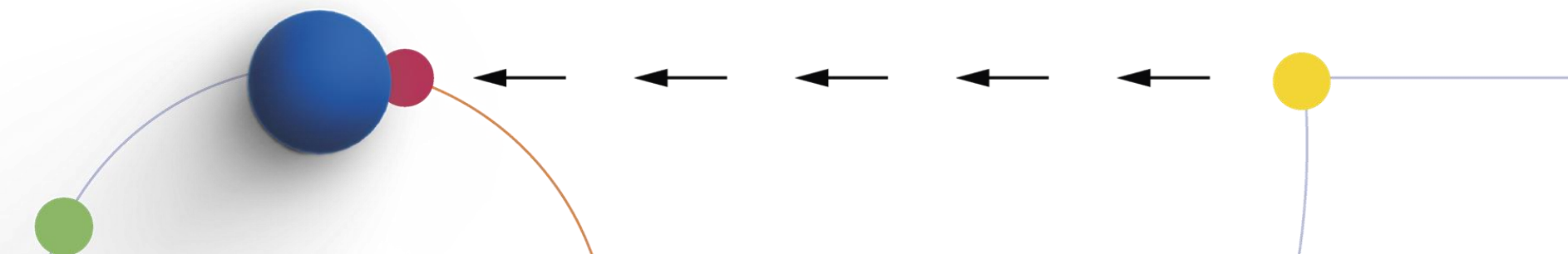
- **Levier effect: 1,30x**



Venture Capital Fund



- Target groups:
 - Start-up with grow potential
 - Companies ready to scale up
 - Export orientated companies
- Equity: till 1,5 million euro
- Levier effect: 1,68x



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