Financial Instruments delivering ESI Funds: Risk Capital for Bulgarian start-ups

Prague, 10 November 2015
JEREMIE Bulgaria: A portfolio approach

Objective:
Develop start-up ecosystem from scratch in Bulgaria through innovative forms of risk capital investing in local start-ups

EUR 350m Holding Fund
5 different financial products are being deployed
Via 12 different financial intermediaries
Producing a leveraging effect of x 2.5
Allowing for a revolving nature to the funds

EUR 22.6m Accelerator/Seed Fund
EUR 361m Guarantees
EUR 390m Funded Products
EUR 50m Co-investment Fund
EUR 20.3m Venture Fund
EUR 22.6m Accelerator/Seed Fund

SME Development Stages

PRE-SEED PHASE
SEED PHASE
START-UP PHASE
EMERGING GROWTH
DEVELOPMENT

Debt products
Equity products
Product under development
Financing Start-ups in Bulgaria: The Missing Ingredients

The key goal of developing **private equity instruments** was to kick-start the development of unique entrepreneurial ecosystem in Bulgaria.

- **No start-up funds**
  - No existence of private equity funds for start-up capital in Bulgaria prior to 2010

- **Lack of angels**
  - The paradigm of angel investing was developing, but in embryonic stage

- **Unstructured mentorship**
  - First-time entrepreneurs had limited access to mentorship from industry captains

- **Limited VC capital**
  - Only one ‘classic’ Venture Capital fund operating domestically
**Key Highlights**

- A dedicated facility two-compartment structure: quasi-commercial accelerator and fully-commercial seed;
- Due to the very high risk no private support could be expected at the facility level;
- Investment limit capped at EUR 200k to allow private investor contribution in follow-on rounds;
- Opened to entrepreneurs from the region to create competition and collaboration across the Balkans.
Acceleration & Seed Funds Process

ACCELERATION STAGE

Application Window

Selection & Funding

Incubation

Graduation day

SEED STAGE

External companies

SEED Portfolio

• Application process: Fully online
• Investment: EUR 25,000 – 50,000
• Equity share: ~10-15%
• Stage term: 3-12 months
• Graduation Goal: Working prototype, beta version

• Investment: up to EUR 200,000 (on aggregate)
• Equity share: 30 - 49% (on aggregate)
• Stage term: 12-24 months
• Goal: Commercialization, internationalization

JEREMIE Investment: 99%
Creating start-up ecosystem from scratch

Two acceleration & seed funds were created in Bulgaria in Q4/2012 with a total budget of EUR 21m. Two and a half years later the developments are as follows:

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<tr>
<th>The Numbers</th>
<th>The Details</th>
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<tr>
<td>More than 4,000 applications for funding mainly from BG but also from the entire Balkans;</td>
<td>The majority of start-ups are in the ICT, digital, engineering and med-tech sectors;</td>
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<td>Investments in 170 start-up companies for a total of EUR 17m;</td>
<td>More than 50 of the companies are already revenue-generating;</td>
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<td>20-30% of start-ups are set-up by non-BG;</td>
<td>Follow-on investors in the companies include Earlybird, TechStars, Y-combinator, Tim Draper;</td>
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<td>Over EUR 10m invested as follow-on in successful companies by business angel, VC and other private investors;</td>
<td>Regional VCs are now looking onto Bulgaria much more opportunistically;</td>
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<td>Over 700 high-paid jobs created;</td>
<td>Sofia is declared an emerging global start-up destination by <em>Wall Street Journal, Forbes Magazine, New York Times, TechCrunch</em> and other global media</td>
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<td>More than 50 entrepreneurial conferences and workshops were held in BG for three years</td>
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Follow-up investment capacity with 3 additional JEREMIE funds

- Two Co-Investment funds and one “classic” VC fund launched with additional EUR 39m JEREMIE budget and targeting equity investments in the range of EUR 500k to 5m
- EUR 59m growth capital injected in fast-growing SMEs, incl. EUR 36m from private investors (as of Sept’15)
New Tech Risk Investors attracted in Bulgaria
Now Sofia is among the top 3 cities in Europe for accelerated start-ups.

Cumulative number of investments by European accelerators since 2004 and by end of 2015.