

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Framework Operation, SMEW RIDW Joint Equity Product – Enabling Sectors Sub-Product

Type of approval: Framework Operation

Type of Financial Intermediaries: primarily venture capital funds established in EU27 with strategies pursuing any of the Target Areas under the SMEW RIDW Joint Equity Product – Enabling Sectors Sub-Product.

Type of Final recipients: Final recipients include projects, seed, start-up, SMEs, Small Mid-Caps, and potentially large small-mid caps.

Country(-ies) of implementation of the operation: Via this Framework Operation, the EIF expects to be able to achieve a significant geographical coverage across Member States.

Short description of the financing or investment operation:

Framework Operation with Sub-Projects to be entered into with financial intermediaries under the Enabling Sectors Sub-Product.

The Sub-Projects under this Framework Operation aim to support the advancement of the European economy in enabling sectors by facilitating and accelerating the access to finance of enterprises, projects, initiatives and innovators operating in critical industries/sectors for sustaining the technological sovereignty of the EU, by, inter alia, securing semiconductor and hardware production and supply. This support is expected to contribute to increasing EU's competitiveness by supporting enterprises or projects active in the sectors driven by strategic technologies to develop (notably through research & development), commercialisation and scale-up innovation as well as securing semiconductor and hardware production and supply.

Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

- **Item 5 of Annex II of the InvestEU Regulation:**
research, development and innovation
- **Item 7 of Annex II of the InvestEU Regulation:**
financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies
- **Item 13 of Annex II of the InvestEU Regulation:**
the development of the defence industry in order to contribute to the Union's strategic autonomy
- **Item 14 of Annex II of the InvestEU Regulation:**

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

space, in particular in relation to the development of the space sector in line with the objectives of the Space Strategy for Europe

The following additionality considerations apply to the Framework Operation.

Item (c) of Annex V A (2) to the InvestEU Regulation:

Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations;

Europe remains by far in the top rankings of fundamental research, IP production and applications, thanks to its number of highly qualified engineers, applied research universities and technological infrastructure (e.g. European Synchrotron Radiation Facility in France, the Research Fab for Microelectronics in Germany, the Mechatronics Prototyping Facility in Italy, the IT4Innovations supercomputing centre in Czech-Republic).

However, transitioning from research to market remains a challenge, mainly because of the reluctance of generalist investors to support such technical and risk exposed projects, the lack of specialised and savvy-tech GPs/LPs with the necessary appetite, the projects requiring long trial and error process, the long-term to return to investors and certainly the “no failure” culture of the European mind-set, just to mention a few market gaps.

With this intervention, the EIF aims to support the advancement of the European economy in strategic technologies by facilitating and accelerating the access to finance of enterprises, projects and innovators operating in critical industries for sustaining the technological sovereignty and independence of the EU and close the financing gap with US and China.

Such investments will notably contribute to the development and competitiveness of a very nascent European space industry and other industries using space data for digital applications (in line with the [European Space Programme](#) and the Space Entrepreneurship Initiative – [CASSINI Facility](#)). In addition, this Framework will be supporting research and tech-based solutions from their very early stages of development all the way to commercialisation in areas of geopolitical strategy for the EU. High-risk and early stage technologies (as from TRL 2 or 3 at times) in the areas of defence, security and resilience sector will be critical to accelerate the evolution of the European defence technological framework and its industrial base, responding concretely to the actions and policy objectives listed in the EC [Defence Action Plan](#), addressed to the EIB and the EIF. The strategy of this Framework includes the fact of contributing to the development of a specialised semiconductor ecosystem across the EU as part of the [Chips Act](#), so as to boost the EU's technological capabilities, ensure security of supply, production and reduce strategic dependencies. All such areas, as much as industrial technologies are by nature linked to high uncertainty for researchers and entrepreneurs, let it be to investors that are willing to invest in early stages. Yet Europe is not equipped with tech-savvy and experienced LPs and even GPs ready to invest large amounts in these sectors. Therefore, public intervention, as mentioned in reports such as [Access-to-finance conditions for Key Enabling Technologies \(KETs\) companies \(eib.org\)](#) and [ESA - Investing recovery and resilience funds in space projects](#) are critical to the technological sovereignty, recovery and resilience of the EU.

The EIF will increase the capital inflows towards early stage projects but also companies operating in key enabling sectors, space and semiconductors which are of strategic importance for the EU and that national and regional public programmes cannot tackle individually given the complexity of their value chains (i.e. raw material, components, design and conception, manufacturing, assembly, customer

services) generally spread across EU countries and requiring cross-border alliances (e.g. Vanguard Initiatives, cooperation with European Space Agency), and therefore pan-European interventions.

Item (d) of Annex V A (2) to the InvestEU Regulation:

Participation in risk-sharing mechanisms targeting policy areas that exposes the implementing partner to higher risk levels compared to the levels generally accepted by the implementing partner or that private financial actors are able or willing to accept

Under this Framework, the EIF will be supporting financial intermediaries whose strategies are exposed to high level of risk due to the uncertainty and maturity of the technology/innovation they invest in; the long term to favourable technological outcomes or time-to-market of such technologies usually subject to pivoting, trial-and-error exercises, piloting and proof-of-concept. Since most of these investors invest in early stages, we will see in most of the cases that GPs take long time to distribute returns, only once the technology or the company proves to have been successful and mature the product or service to the commercial level. Unless we create dedicated incentives, flexible investment requirements and provide patient capital to investors; Europe will continue to be severely underserved and the risk capital market immature and not at the level to answer to the technological output EU companies and research centres produce.

Item (f) of Annex V A (2) to the InvestEU Regulation:

Support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets.

Whilst Europe's start-up environment is maturing and VC investments is making remarkable progress in certain European regions such as France, Germany, Netherlands, Sweden, industry reports, show that we continue to observe great disparity across the EU. In addition, we still observe great shortage of financing in areas such as technology transfer streams, scale-ups that willing to grow in Europe, female led VC teams, to mention a few.

Under this Framework, the EIF proposes a portfolio model that addresses some of these gaps, ensuring diversification and sustainability in the long term contributing also to mature organically and sustain the financing of key enabling deep / industrial technologies from East to West, from North to South. Concretely, we will address a blend of single country and multi-country strategies, backing both emerging teams that are ready to make bold changes in their strategies and first time teams that have a very solid and scientific background and endeavour for the first time to bring together a fund structure.

The following market failures are addressed by the Framework Operation:

Item (a) of Annex V A (1) to the InvestEU Regulation:

Have the nature of a public good for which the operator or company cannot capture sufficient financial benefits (such as education and skills, healthcare and accessibility, security and defence, and infrastructure available at no or negligible cost).

Under this Framework we have two layers of deficiencies, the first relates to the difficulties VC and PE GPs face when fundraising the necessary levels of financing to deploy their strategies; they are exposed to technical uncertainty, long-term timelines to achieve meaningful returns, not enough tech-savvy investors available or not sufficient scientists equipped with the financial acumen. The second layer relates to the companies in this sector, which are exposed to extremely challenging strategies, i.e. scientific insecure backdrops, legal and regulatory constraints, patent filling, dependency on external providers not always available within reach, lack of financing and complexity in the application process for grants and financial schemes.

Item (b) of Annex V A (1) to the InvestEU Regulation:

Externalities which the operator or company generally fails to internalise, such as R&D investment, energy efficiency, climate or environmental protection.

Companies operating in the space of deeptech generally rely on a number of factors to some extent outside the remit of their control, or their capacities. There is a high amount of working capital required to be able to run operations and oftentimes these companies do not have the financial capacity to run interlay the research and require external providers. A capital injection from a VC fund allows them breathing space and the necessary means to operationalise their business plan.

Item (c) of Annex V A (1) to the InvestEU Regulation:

Information asymmetries, in particular in case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.

Although in recent years, we have seen a positive trend in risk capital investments in the early stage in the deep tech sector, studies such as *Financing the Deep Tech Revolution: How investors assess risks in Key Enabling Technologies (KETs)* (eib.org) show that the volumes of risk finance available in Europe are far from satisfying the technological demand and offer. A particularly steep gap exists also in tech transfer (where ventures rely mostly on IP/intangible assets) and the scale-up segment (where US is clearly ahead of EU, hence European gestated companies depart from Europe at that stage). VC/PE firms willing (and incentivised) to take the challenges and complexities of pre-revenue stages can offer an attractive source of capital and operational experience to meet those needs at the point when they are undergoing operability tests, and adapted to EU industrial and commercial standardisation. Therefore, public intervention, at all levels is critical to ensure that the full business chain becomes organically sustainable, and in the long run, less dependable on public funding.

Item (e) of Annex V A (1) to the InvestEU Regulation:

Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.

We expect that this Framework will trigger an important catalytic effect expected around 4 times the initial investment by the EC. We expect some portfolio funds to establish alliances with other ecosystems agents such as for instance innovation hubs, clusters, the European Space Agency (ESA) or other industrial research infrastructures, which may provide qualitative and economic input to the portfolio companies.

Technical advice may be provided directly by the EIF teams, and some other actions may be coordinated with the EIB Advisory Hub. Additional workshops, matchmaking events or external industry experts (e.g. ESA or European Institute of Innovation and Technology (EIT)) will be at their disposal.

The scale of financing expected to be made available by the financial intermediary to final recipients (i.e. leverage) is estimated on average 4x, based on the identifiable pipeline of Sub-Projects, in accordance with the “InvestEU Leverage and Multiplier Effect Calculation Methodology” as approved by the InvestEU Steering Board.

With respect to the benefits generated by the Framework Operation for the final recipients, it is worth highlighting in particular the following key features:

- (i) Flexibility of draw-downs

- (ii) Financing in local currency within the EU
- (iii) Contribution to diversification and stability of final recipient's funding
- (iv) Availability of equity financing
- (v) The transfer of experience, know-how and network by the financial intermediary to portfolio companies, therefore helping their internal & external growth and internationalization

The expected portfolio funds will be investing in portfolio companies with a thick tech/innovation base; usually very close or also eligible under certain grant schemes due to the riskiness or in occasions the low to medium expected returns. In the absence of these funds, beneficiary companies would struggle severely in accessing VC funding which have no policy considerations in their strategy. Under Enabling Sectors framework, the EIF will ensure such funds fulfil the objective and address the policy priorities (i.e. investing patient capital, investing early stage, in sectors which are politically strategic for the EU, in female founders, in less developed regions to mention a few).

There is going to be a significant impact on the ecosystem as the fund managers and portfolio companies to create and realize value of their investments will cooperate and connect with national space agencies/ ESA ecosystems (for space applications), collaborate with public and private research organizations and research institutes, as well as public research innovation, defense agencies.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)

Pillar 4 - Financial and technical contribution by the Implementing Partner (Excellent)

Pillar 5 - Impact of the financing or investment operation (Very Good)

Pillar 7 - Complementary indicators²

Key characteristics	Expected as of time of submission	Comments
Leverage Effect (at target fund size)	Indicative average c.4x	Preliminary estimation, subject to achievement of target fund sizes
Multiplier Effect (at target fund size)	Indicative average c. 10x	
Expected amount of investment mobilized	Indicatively 7x of EIF investment expected to be mobilized at the level of final recipients of the Sub-Projects	
SMEW specific Indicators		
Number of enterprises supported (expected)	c. 180-250 enterprises	Preliminary estimation
Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission	Predominantly SMEs	
RIDW specific indicators		
Number of enterprises carrying out research and innovation projects		Not known at the time of the submission

ESG aspects

² The InvestEU methodology is used in order to calculate figures presented in this document. Such figures are of indicative nature only and presented at the level of the Framework Operation.

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.