

European Investment Bank

EIB GROUP SUPPORT TO SUSTAINABLE ENTREPRENEURS

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EIB GROUP AT A GLANCE

The bank of the European Union

- Governed by the 27 **EU member states**
- Driven by **EU policy priorities**

World's largest multilateral institution and leader in green finance

- **EUR 50bn raised** in 2023
- Including over **EUR 14.5bn green bonds** (CABs & SABs)

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- **EUR 75bn lent** in 2023 with a record 60% supporting CA&ES
- Including **EUR 8.5bn outside EU**

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- Specialist provider of **risk finance to SMEs**
- **EUR 15bn financing** provided in 2023

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OUR ELIGIBILITIES

INNOVATION, DIGITAL AND HUMAN CAPITAL	SUSTAINABLE ENERGY AND NATURAL RESOURCES	SUSTAINABLE CITIES AND REGIONS	SMEs AND MID-CAPS
€19.76 billion	€26.80 billion	€21.33 billion	€19.96 billion

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EIB - THE EU CLIMATE BANK

Climate ambition

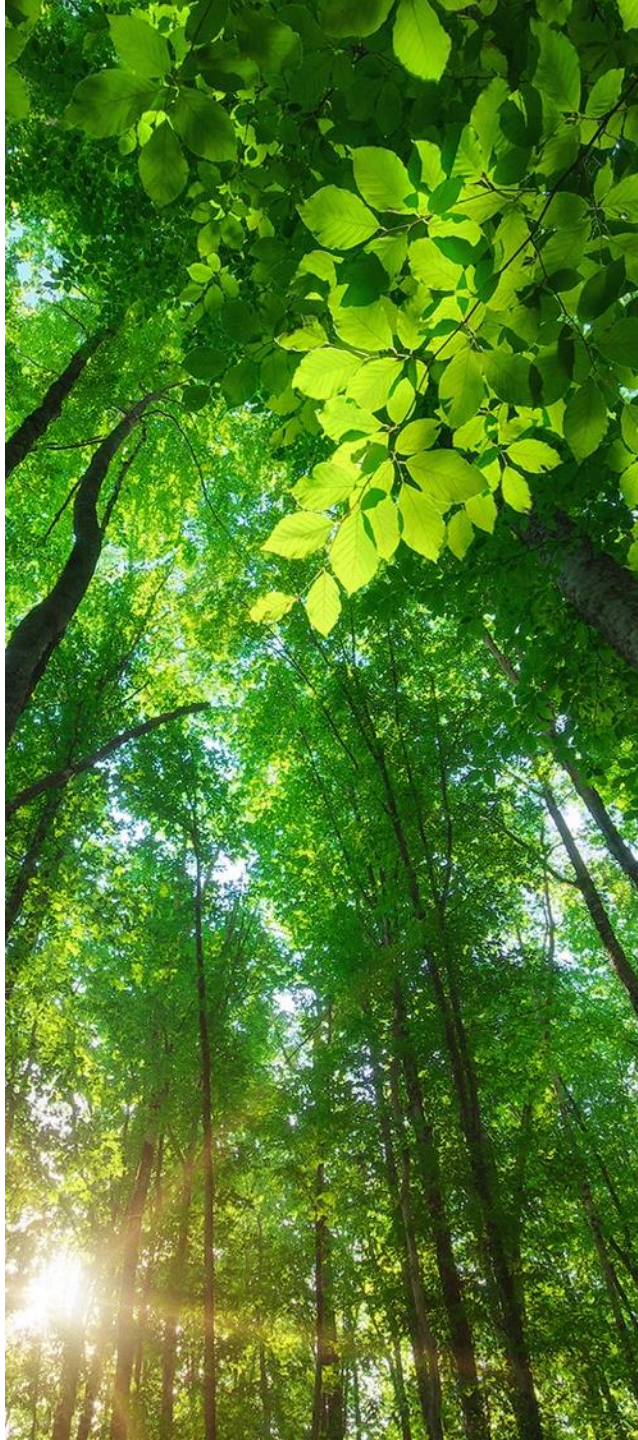
- **Stop financing unabated fossil fuels**
- At least **50%** of EIB financing dedicated to **green** projects by 2025 (of which 15% for adaptation)
- **100%** of EIB financing **Paris Aligned** starting 2021, i.e. compatible with 1.5° scenario
- **EUR 1 trillion** financing mobilised in the decade 2021-2030

Strict climate & environmental safeguards and criteria

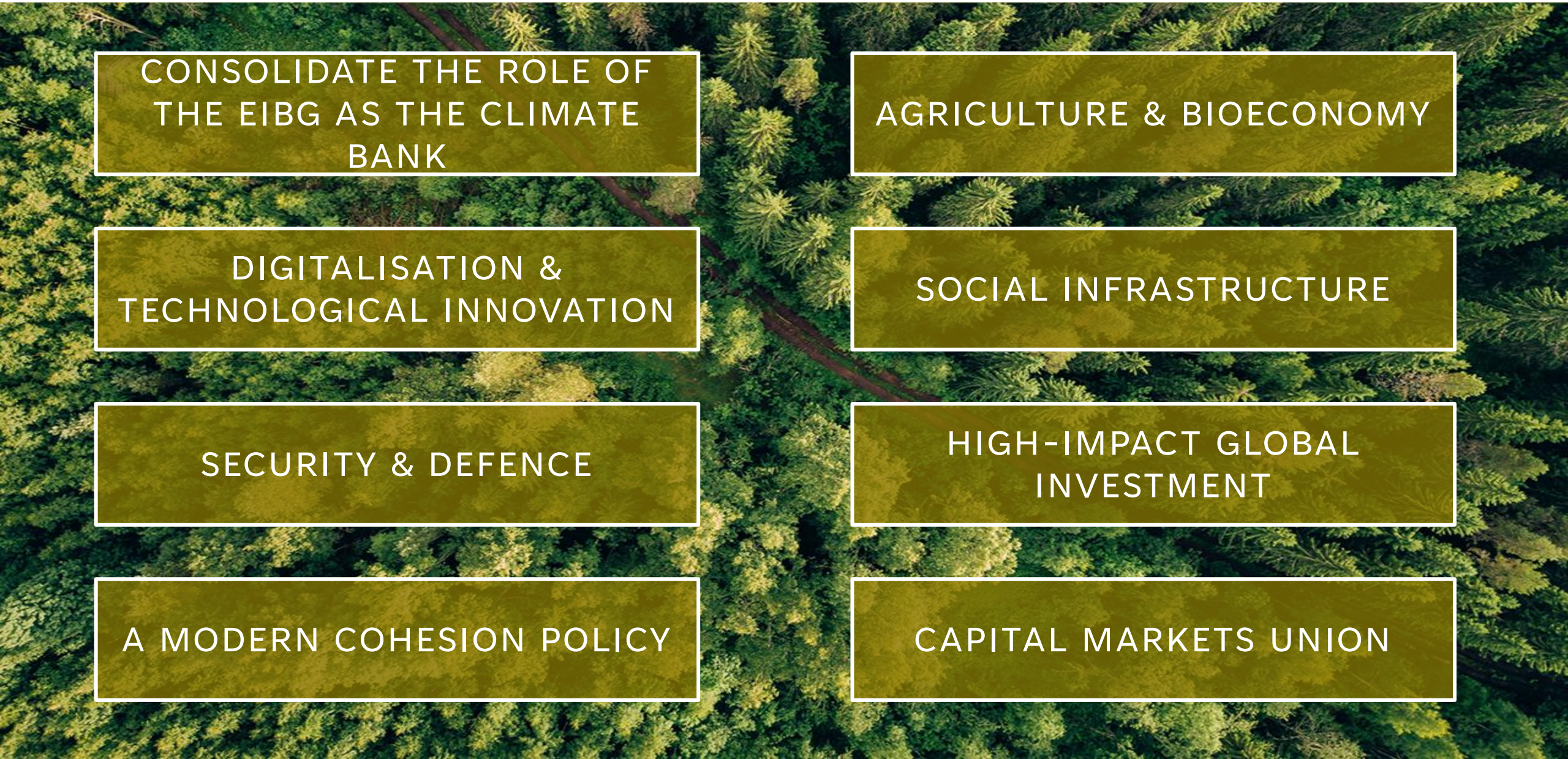
- **EU Taxonomy – key reference point**
- "Do no significant harm" (DNSH) as a floor to Paris Alignment
- EIB green definitions aligned with the EU Taxonomy Substantial Contribution criteria
- Environmental and Social Sustainability Framework -> DNSH and Minimum Safeguards

REPowerEU: tackling the challenges of our time

- An **additional EUR 30bn + EUR 15bn** until 2027 to support **REPowerEU**
- Dedicated to RE, EE, grids and storage, EV charging infra and breakthrough technologies
- Increasing EU focus on green technology manufacturing, supply chain and skills.



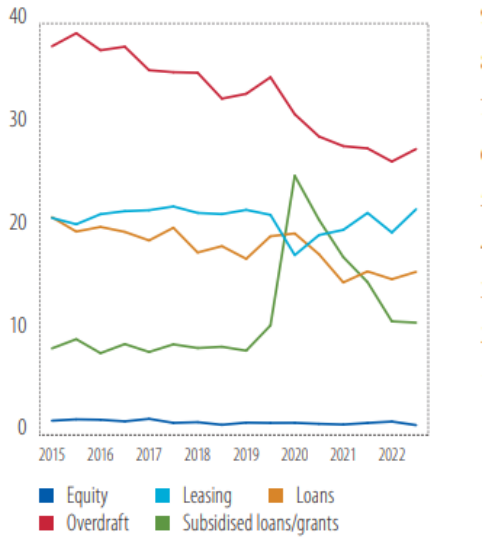
The EIB's eight strategic priorities



SME & SCALE UP FINANCING – EIB INVESTMENT SURVEY

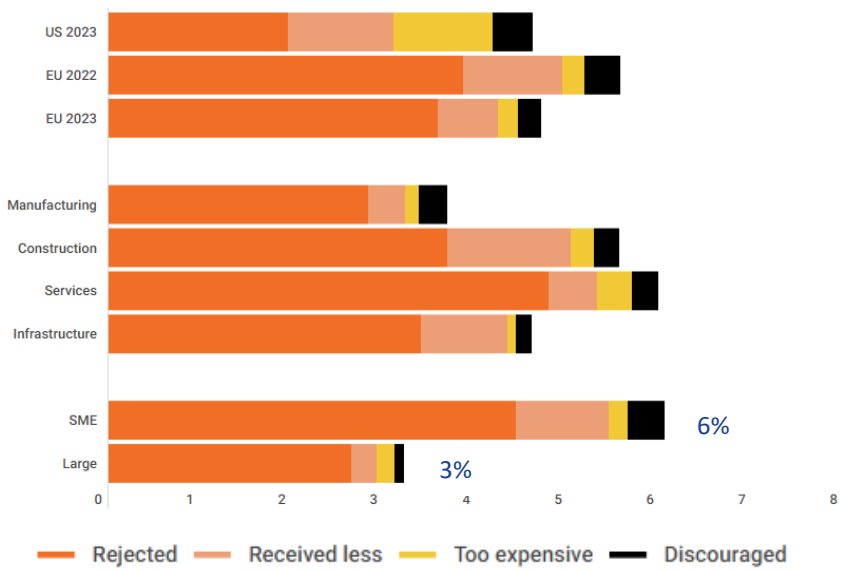
In the EU, SMEs rely strongly on debt in general and on **bank lending specifically**. SMEs tend to suffer from deteriorated access to finance compared to larger companies.

Sources of finance for small businesses in the last six months (% of firms)



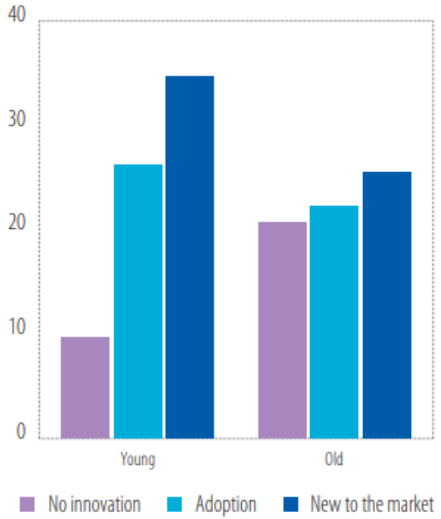
Source: European Small Business Finance Outlook (Kraemer-Eis et al., 2023a) based on SAFE data.

Finance-constrained firms (in %), by region, sector and size



Source: EIBIS 2023.

Firms expecting the availability of external finance to worsen in the next 12 months (in %), **by age and innovation status**



Source: EIBIS 2023.

The worsening of external finance conditions is affecting **young and innovative companies** more severely.

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SME & SCALE UP FINANCING – EIB INVESTMENT SURVEY

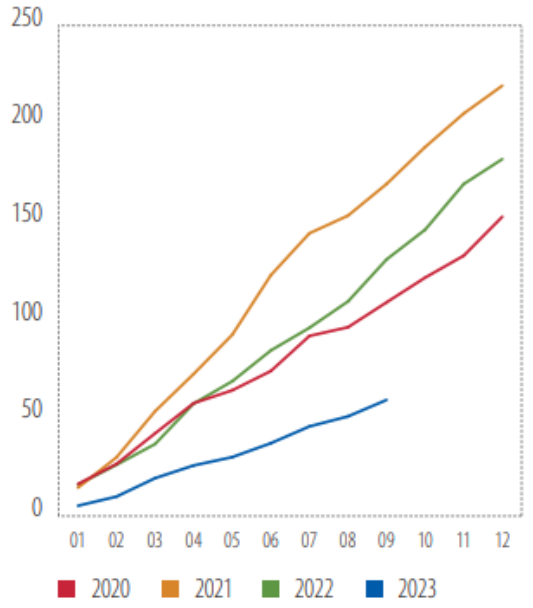
Venture capital finance in the European Union is 6 to 8 times smaller relative to the United States and has been hurt by tighter financial conditions. This particularly affects funding for companies trying to scale up their operations.

In particular, the **number of large scale VC funds** remains insufficient. Large scale VC enable the provision of large tickets while remaining diversified.

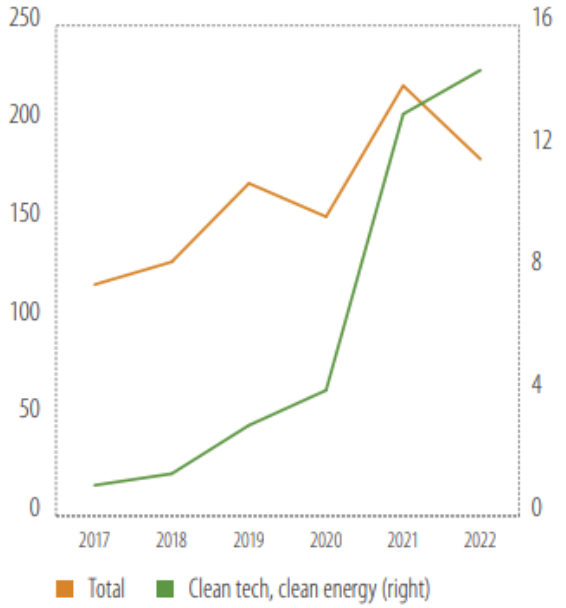
Deepening and **better integrating EU capital markets** would improve exit options through IPOs.

This requires to increase the participation of **institutional investors** into the equity market.

Venture capital investment in the European Union (cumulative, USD billion), **by month**



Venture capital investment (USD billion), **2017-2022**



Source: EIB staff calculations based on PitchBook data, Inc.

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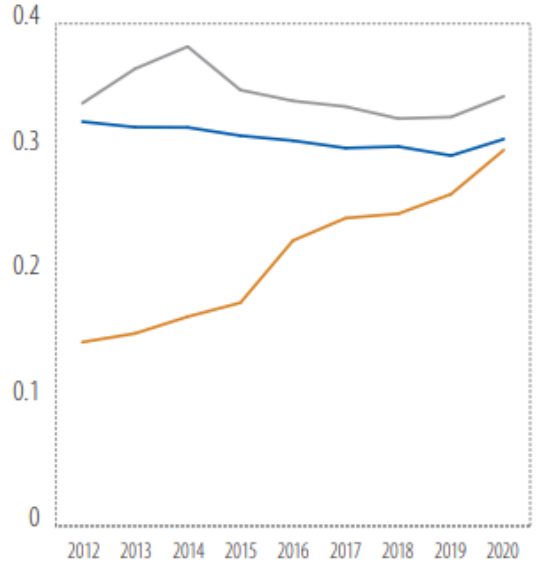
SME & SCALE UP FINANCING – EIB INVESTMENT SURVEY

The lack of financing available to small and younger companies is significantly **weighting on the EU's capacity to innovate**.

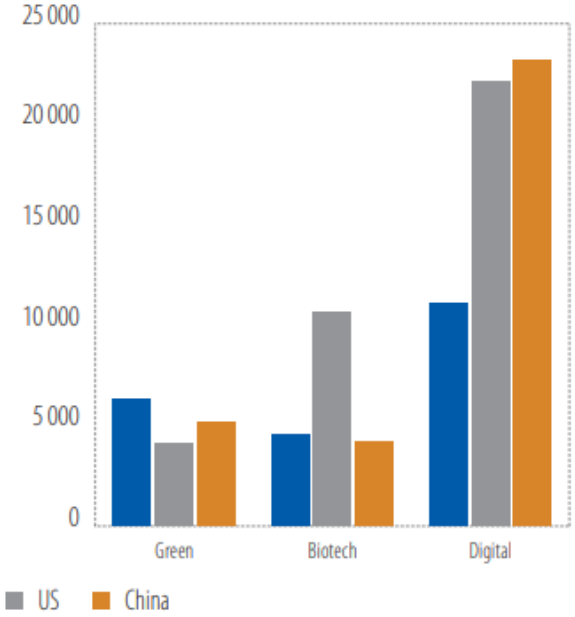
It also increases the risk that companies will **relocate or search for foreign buyers** which weakens the local entrepreneurial ecosystem.

European firms account for 18% of the top 2 500 R&D companies globally, but **only 10% of the new entrants to this group**, vs. 45% for the US and 32% for China

Number of patents issued (weighted by GDP), by region



Number of patents issued in 2020, by technology domain



Source: EIB staff calculations based on Patent Cooperation Treaty (PCT) patents (PATSTAT) in collaboration with the Research and Development Monitoring Research Centre at KU Leuven.

The EU retains a competitive edge **for green technologies,** but China is catching up.

SME & SCALE UP FINANCING – FOCUS ON GREENTECH

The **scale of venture capital investment in greentech** in the EU is comparable to that in the US.

The market benefits from a **supportive policy landscape**.

Energy storage, circular economy and agri-tech are particularly promising segments. Attention needs to be paid to value chain aspects.

Greentech is typically **capital intensive** with a higher technological and regulatory risk which can impact future demand.

It requires **more time and patient capital** than the average firm to be brought to the market.

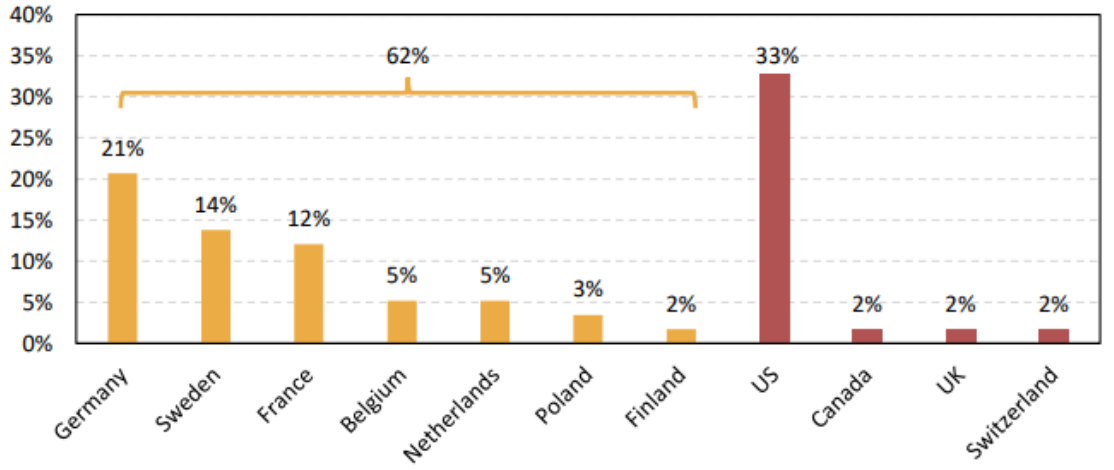
However, EU Greentech scale ups raise financing comparable to other EU venture capital backed companies. **Lack of finance is cited as a major obstacle** for the commercialisation of clean and sustainable technologies as or more often, than for other innovative companies.

SME & SCALE UP FINANCING – EXIT STRATEGIES

Scale-ups choosing to list on a US stock exchange is another sign of the cost to Europe of having capital markets too shallow for scale-ups to grow.

62% of EU scale ups choses to list in Europe, predominantly in Germany. However, the remaining **38% of IPOs occurred on stock exchanges abroad**, with the United States being the preferred destination.

Figure 21. Stock exchange location for IPOs involving EU scale-ups



Source: Authors' calculations based on data from PitchBook Data, Inc.
Notes: The sample consists of EU companies with a deal between 2013 and 2023 with a market valuation of between $500 million and $10 billion and that had an M&A. The data have not been reviewed by PitchBook analysts.

Among the EU scale-ups that were acquired, **the share of foreign buyers is high, above 60%, with most foreign buyers being concentrated in the United States** (the corresponding share for the scale-ups in San Francisco is 13%).

However, relocation affects more the software, tech or biotech/pharma sectors.

EU MARKET FRAGMENTATION

The absence of a well-functioning single market for many products and services holds back innovative industries, due to **lack of market scale**. Relocating to the United States allows to easily access a large, unified market in which they can grow.

This is supported by the **latest EIB Investment Survey**.

Firms were asked whether their key product is subject to differing regulatory requirements and standards (such as consumer protection, health and safety standards, environmental standards for products, etc.) across EU countries.

A majority (60%) of EU exporters report that they have to comply with different standards and consumer protection rules from one Member State to another.

It also **affects the productivity** of the companies and in particular SMEs. 86% of EU firms employ staff dedicated to compliance with regulatory requirements and standards, while 28% of EU SMEs report that more than 10% of their staff are employed to compliance.

IMPORTANCE OF PUBLIC SUPPORT

EU firms had greater access to **policy support, in the form of bank finance on concessional terms or grants** than in the US. Within the EU, targeted finance on concessional terms or grants were predominantly directed towards innovation, digitalisation and the **green economy**.

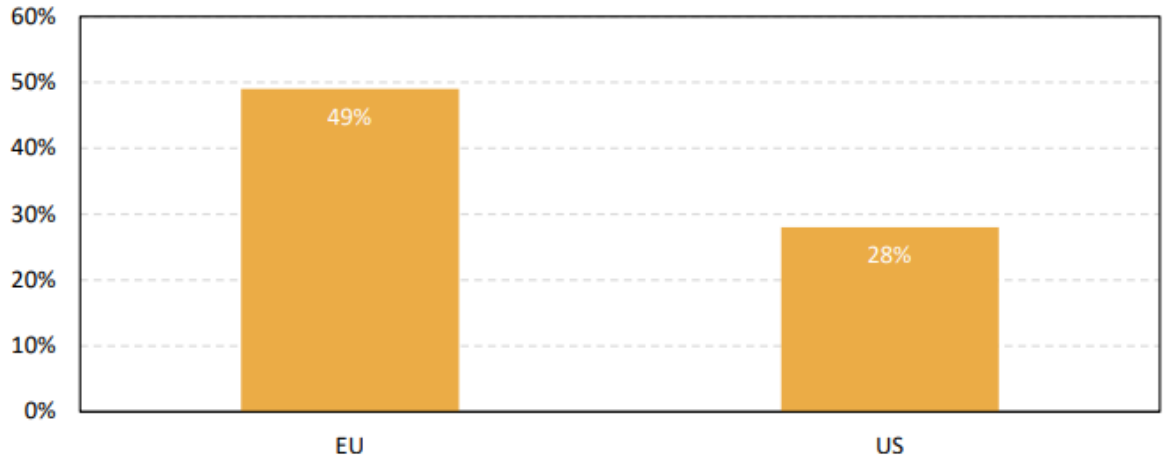
Concessionary capital, such as the Innovation Fund, or accelerator programmes such as the European Innovation Council in the European Union are good sources of funding for industrial startups.

Public sector support tends to compensate for the lack of depth of the private VC scene.

As an example, the EIF contributed between 8% and 10% of total EU and UK VC fundraising over the period 2007-2018.

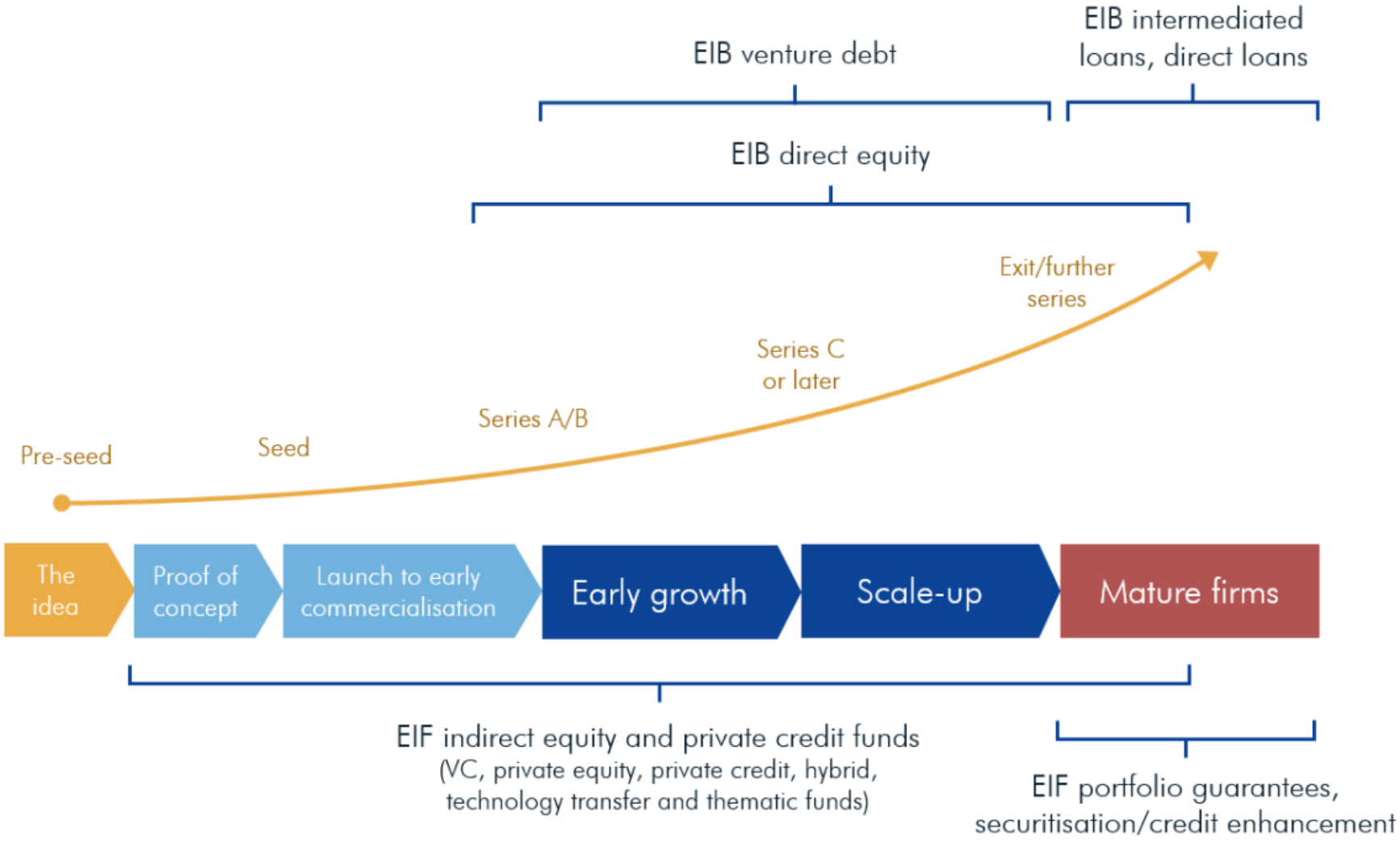
It contributes to **fill the gaps** in the financing landscape for start/scale-ups.

Figure 39. High-growth startups benefiting from public funding

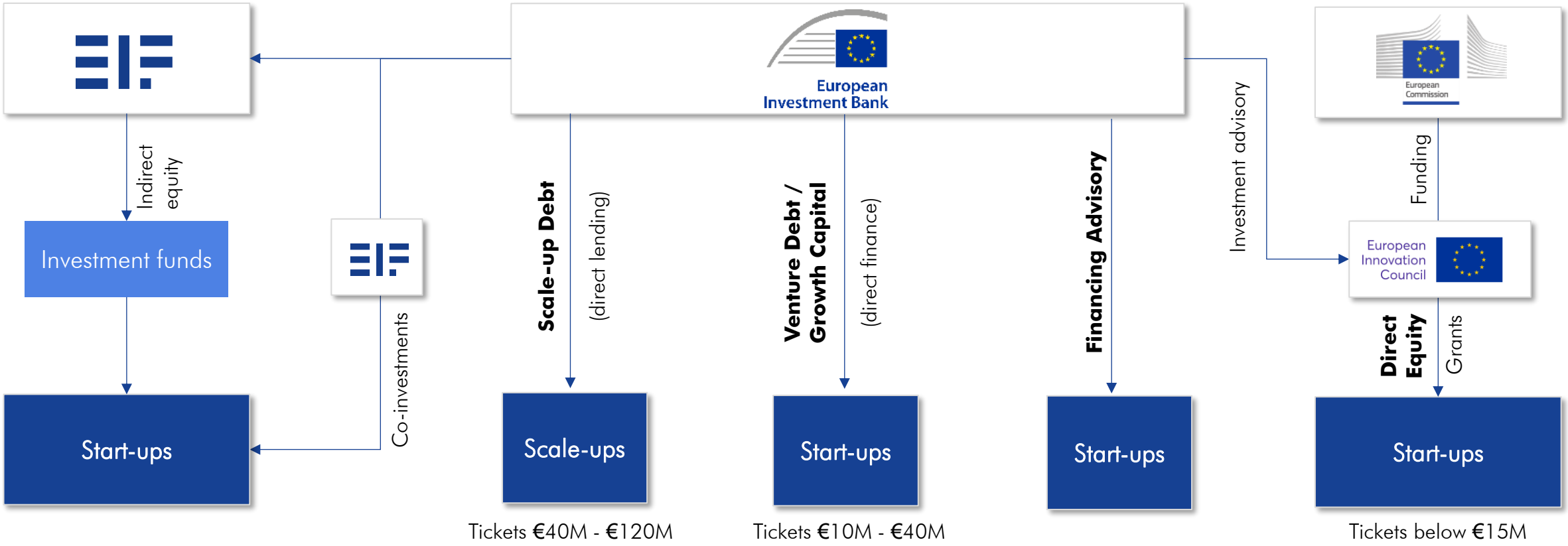


Source: Reypens et al. (2020).
Notes: Share of high-growth startups benefiting from public funding (such as subsidised loans or publicly sponsored venture capital). A high-growth startup is defined as any young firm that reported an average turnover growth of > 60 % over the last three years in the EIB Start-up and Scale-up Survey 2019 (EIB, 2019).

EIB GROUP FINANCING CONTINUUM



TACKLING THE SCALE UP FINANCING GAP



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European Innovation Council

EIC FUND

The EIC Fund is the venture investment arm of the European Innovation Council (EIC). The EIB is an investment advisor to the fund manager and performs the due diligence.

With a budget of EUR 3.5 billion, it supports start-ups through grants and patient capital depending on the maturity of the company to minimize the risk for private investors.

It also catalyses investment through co-financing opportunities.



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EIF SUPPORT TO VC FUNDS

The EIF plays a major role in the venture capital market, acting as lead investor and mobilising private investment. In 2023, it invested **EUR 5.6bn in equity, of which EUR 2.8bn in VC**.

The EIF prioritises **cross-border venture capital firms**, helping to unify Europe's fragmented venture capital markets.

It also supports **emerging investor as well as female led teams** lowering barriers to entry in Europe's venture capital and private equity sectors.

Over the past ten years, EIF commitments have averaged **10-15% of total venture** capital fundraising, and about half of public venture capital funding in Europe (including the UK). The EIF supports 40-50% of venture capital-backed startups in Europe in a typical year.



Main green verticals: energy, smart cities & mobility, agrifoodtech, circular economy, blue economy, water.

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EIF SUPPORT TO GREEN PRIVATE EQUITY

Nascent market with emerging investor landscape

Generalised shortfall across sectors & verticals

- Recent shift towards specialised and thematic funds
- Certain verticals more advanced (Energy efficiency, decarbonization, mobility)
- Other embryonic although strategic (water, blue economy, circular economy)



Financing gap

- Encompasses the whole value chain
- Access to finance issue due to CAPEX heavy business model
- Limited PE size and investment capacity

Uneven geographic coverage across EU

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SELECTED INVESTMENTS IN FUNDS

Venture capital funds

Circular plastics fund I
A pan-European fund focused on the industrial and commercial scale-up of advanced plastic recycling companies

Blume equity fund
A pan-European late growth stage fund focusing on climate and environmental technologies

Private equity funds

Hitec vision II
Energy transition fund

Alder III
Decarbonisation and sustainable industries

Argos Climate
Grey to green

Private debt funds

Heavy Finance
On-farm decarbonization and greener farming practices

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OTHER INITIATIVES

Dedicated initiatives to support scale-ups include the **European Tech Champions Initiative** (ETCI). ETCI is a fund with capital of €3.85 billion, launched in February 2023 by the EIB Group and six Member States to channel late-stage growth financing to promising European innovators.

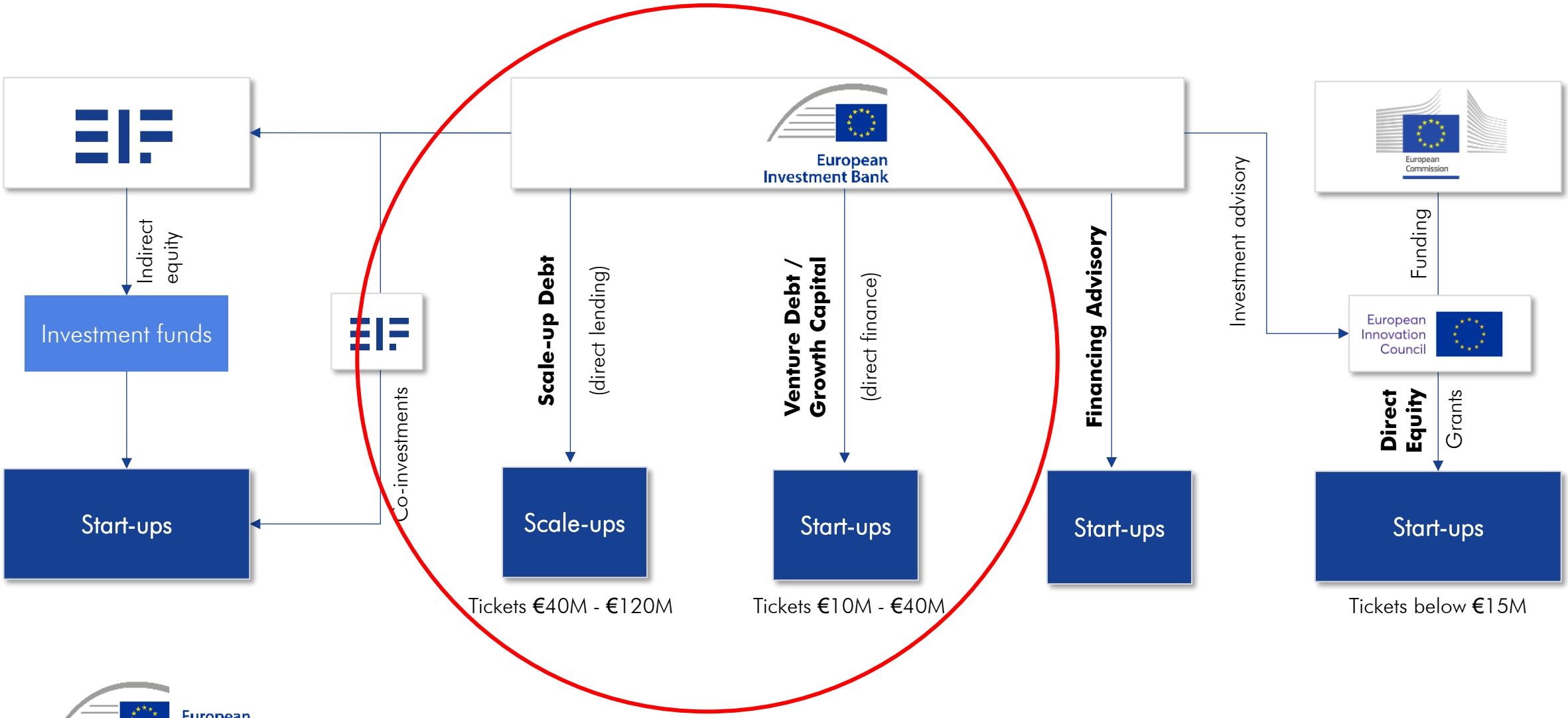
To date, the ETCI has mobilised €10 billion in investments in the investee funds in a market of about EUR 30 billion/year.

The **ESCALAR programme** provides an asymmetric risk return structure with the goal of attracting new categories of investor to the venture capital market.

The **SME IPO Fund** supports funds at the juncture between private and public markets, to ensure a smooth transition between the two.

Decentralised financial instruments – supported by FI-Compass advisory

TACKLING THE SCALE UP FINANCING GAP



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EIB VENTURE DEBT

The EIB is the dominant market player for EU venture debt, a relatively rare financing instrument tailored for early-stage companies.

Venture debt provides essential liquidity to businesses in between equity funding rounds.

To date, the EIB has provided around €6.8 billion in venture debt to about 300 companies.

In 2023, the EIB signed almost €1 billion in venture debt.

The EIB has used growth capital in the form of venture/scale-up debt funding (supported by public guarantees) to fill the financing gap between traditional venture capital and project/corporate finance, with a focus on cleantech, life sciences, deeptech and digital.

EIB CLEANTECH VENTURE DEBT

ENERGY

- Renewable energy technologies (wind, wave, solar, etc.)
- Energy storage
- Demand response and smart grid solutions

And more...

MOBILITY

- New and adapted transport services and infrastructure (e.g. charging networks, drone delivery)
- Digitalisation of the transport sector and manufacturing of green mobile assets
- Alternative fuels for HGV, Maritime and Aviation – Green H2 and Methanol

And more...

CIRCULAR ECONOMY

- Sustainable end-product, byproduct and waste product recycling.

Key sectors include: textiles, plastics, packaging, ICT, batteries, vehicles, construction materials, food, water, critical raw materials, nutrients and energy equipment

BIO-ECONOMY

Sustainability and climate mitigation in food production and supply chains, agriculture, farming, forestry and blue economy

And more...

LOW-CARBON SOLUTIONS

- CCU(S)
- Carbon reduction for energy intensive heavy industry

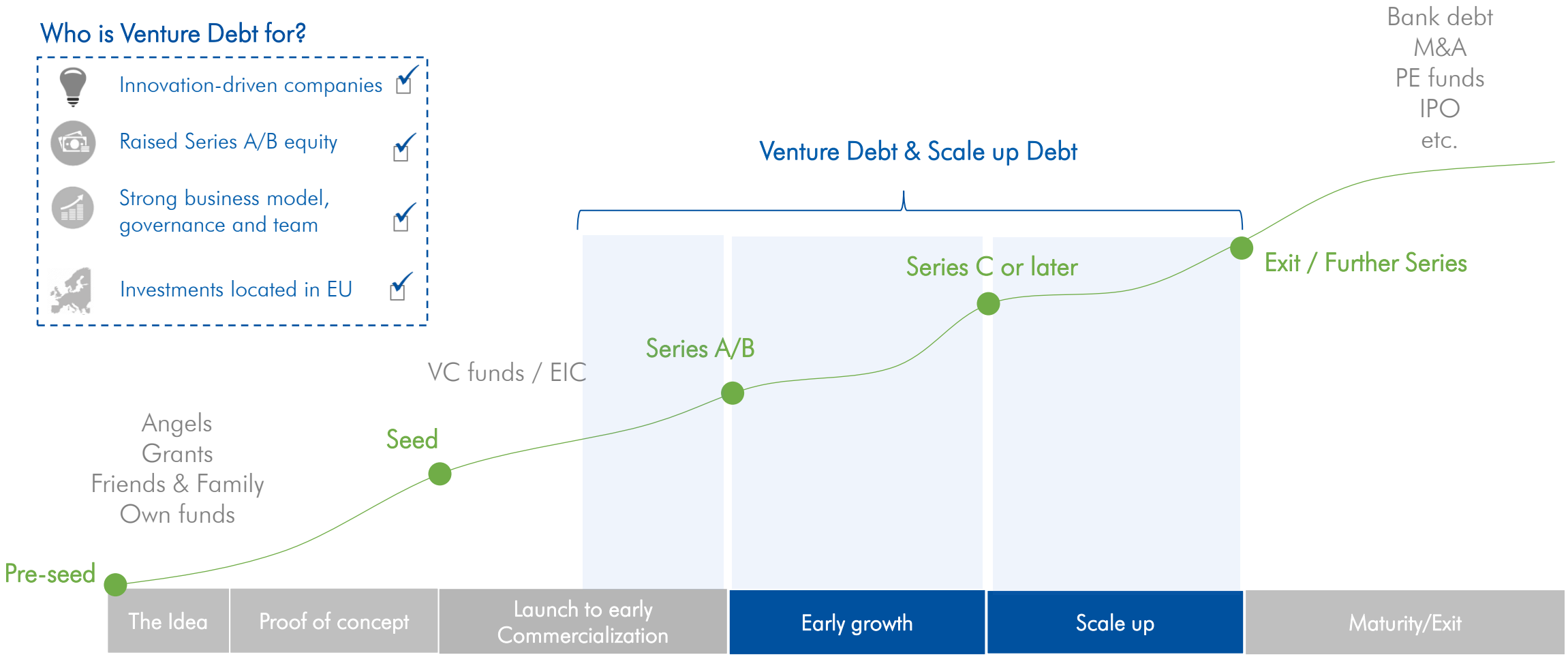
And more...

Public

VENTURE DEBT AS GROWTH CAPITAL
IN THE LIFECYCLE OF A COMPANY

Who is Venture Debt for?

- Innovation-driven companies ✓
- Raised Series A/B equity ✓
- Strong business model, governance and team ✓
- Investments located in EU ✓



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FOCUS ON VENTURE & SCALE UP DEBT

Alternative to Venture Capital – Post VC but extend time until next funding round.

FOR WHOM?	PRODUCT	BENEFITS
• **Start up or established company** with sustainable/innovative business model • **High risk** technologies or markets • **Replicability** • **From demonstration & commercialisation to scale up** • **Innovative technology**	• Upfront commitment with **long availability period** and gradual disbursements • **Bullet structure** • **Upside realised during Exit** (e.g. trade sale/ IPO/conversion) • **Long maturity** to accommodate time to full profitability • **Large tickets** (EUR 10-120m) • **Limited security package** • Remuneration may include **warrants**, interest, PIK, royalties or other • Target IRR commensurate with the risk of the investment	• **Limited dilution** and loss of control • **Extend time to next funding round** • **Market visibility** following EIB investment

CASE STUDIES

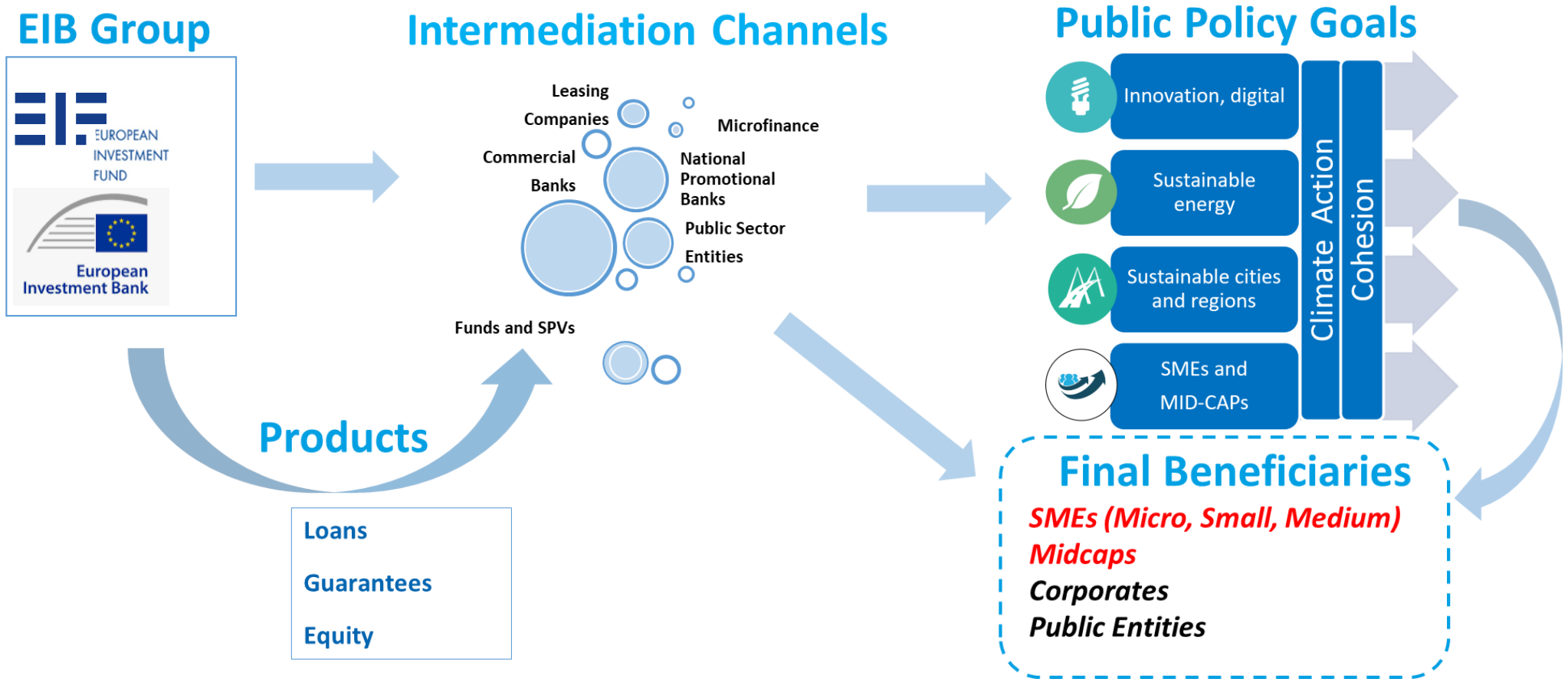
Hydrogen Innovative electolyser stacks	Putting an end to chick culling	Batteries for non-automotive machines	Printed solar cell manufacturing plant	Charging station network
Battolyser Systems	INOVO	Xerotech	EXEGER	ELDRIVE
PROTIX	GDI	sunfire	ENERGYDOME	COLD LAKE
Insect proteins	Batteries Silicon anodes	Hydrogen solid-oxide (SOEC) electrolysers	Batteries CO2 battery	Recirculating aquaculture system

LESSONS LEARNT

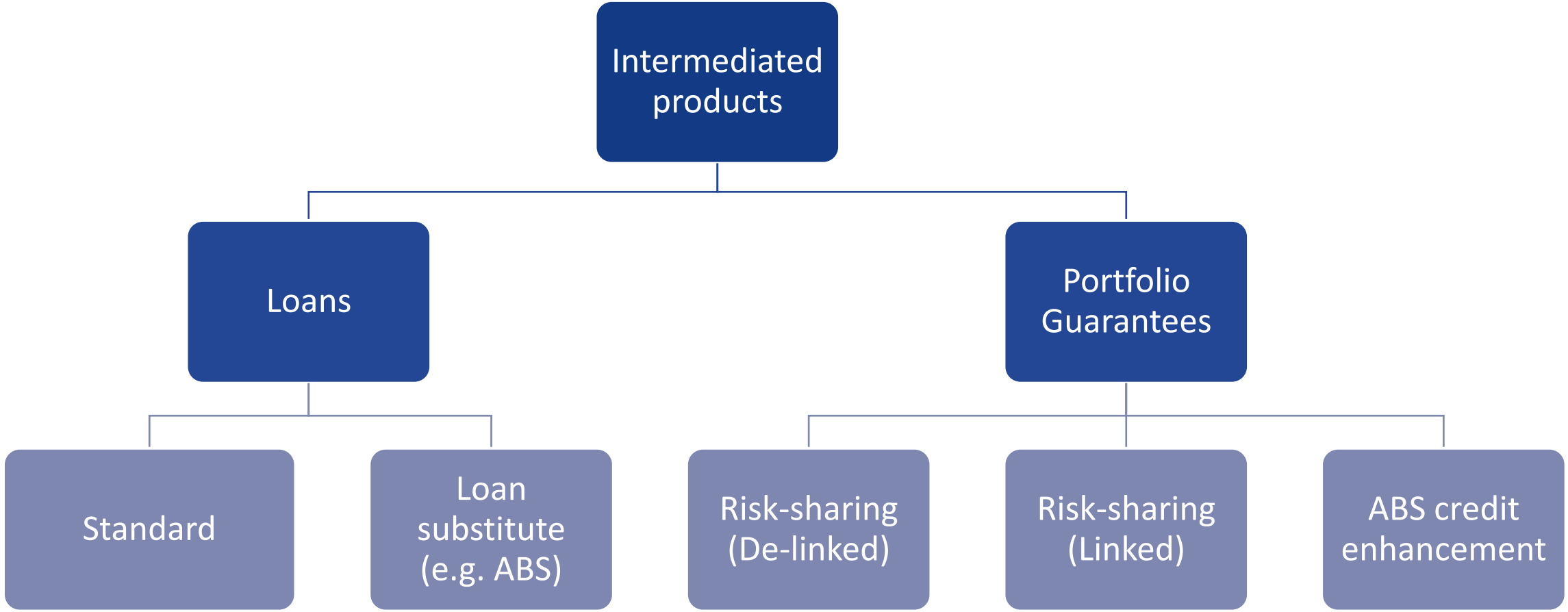
- Importance of clubs/communities, knowledge sharing, coaching
- Importance of financing (early stage)
- Importance of skills
- Consideration of the whole value chain
- The conditions depend a lot on the sector e.g. local/regional level for bioeconomy/circularity (e.g. availability of supply/waste), on the other hand the energy sector is much less dependent on local suppliers
- Big markets conducive (Germany, France) but also strong ecosystems/communities (Sweden, Netherlands)
- VC presence mainly in Western Europe

EIB GROUP INTERMEDIATED PRODUCTS

Intermediated financing is a powerful instrument to facilitate SME/start-ups/scale-ups lending while supporting certain policy goals.



MAIN EIB INTERMEDIATED PRODUCTS



* Equity products are excluded.

IMPROVING ACCESS TO FINANCE

LOWERING FINANCING COST

Product: Intermediated lending, Senior ABS tranches

Intermediary: lower funding cost, increased funding base

Final beneficiary: lower interest rate

CREATING LENDING CAPACITY

Products: Guarantees and SRT ABS

Intermediary: Capital relief/capital efficiency

Final beneficiary: increased lending and/or exposure

INCREASING RISK APPETITE

Products: Guarantees and SRT ABS

Intermediary: Credit risk transfer

Final beneficiary:

- Improved access to finance for riskier counterparties
- Lower collateral requirements
- Counterpart and sector limit support

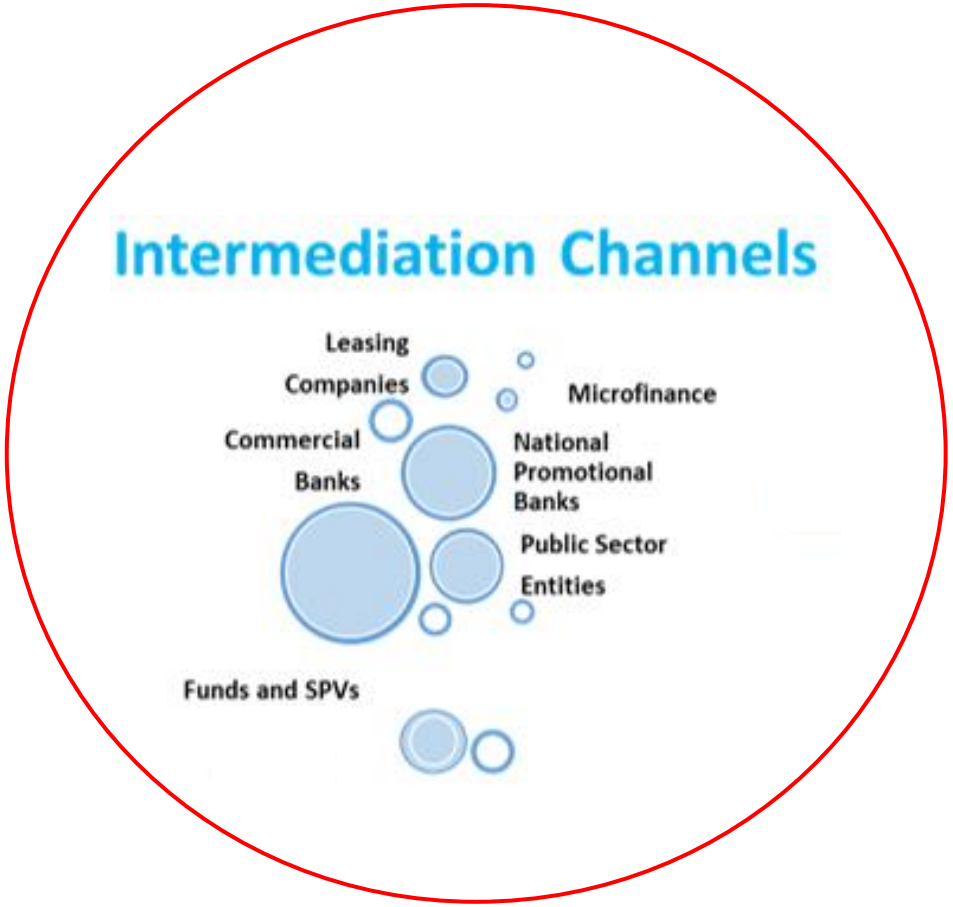
SUPPORTING THE CMU

Product: SRT ABS

Intermediary: developing capital management tools

Final beneficiary: lower IR/increased volume

EIB INTERMEDIATED DEBT PRODUCTS



DIVERSE INTERMEDIARIES

- Commercial banks
- Leasing companies
- National/Regional Promotional Banks
- Other intermediaries & vehicles

=> possibility to offer **blended solutions** in support of selected policy goals

EIB INTERMEDIATED DEBT PRODUCTS

TARGETING PRIORITY SECTORS IN PARTICULAR GREEN

Dedicated windows focusing on:

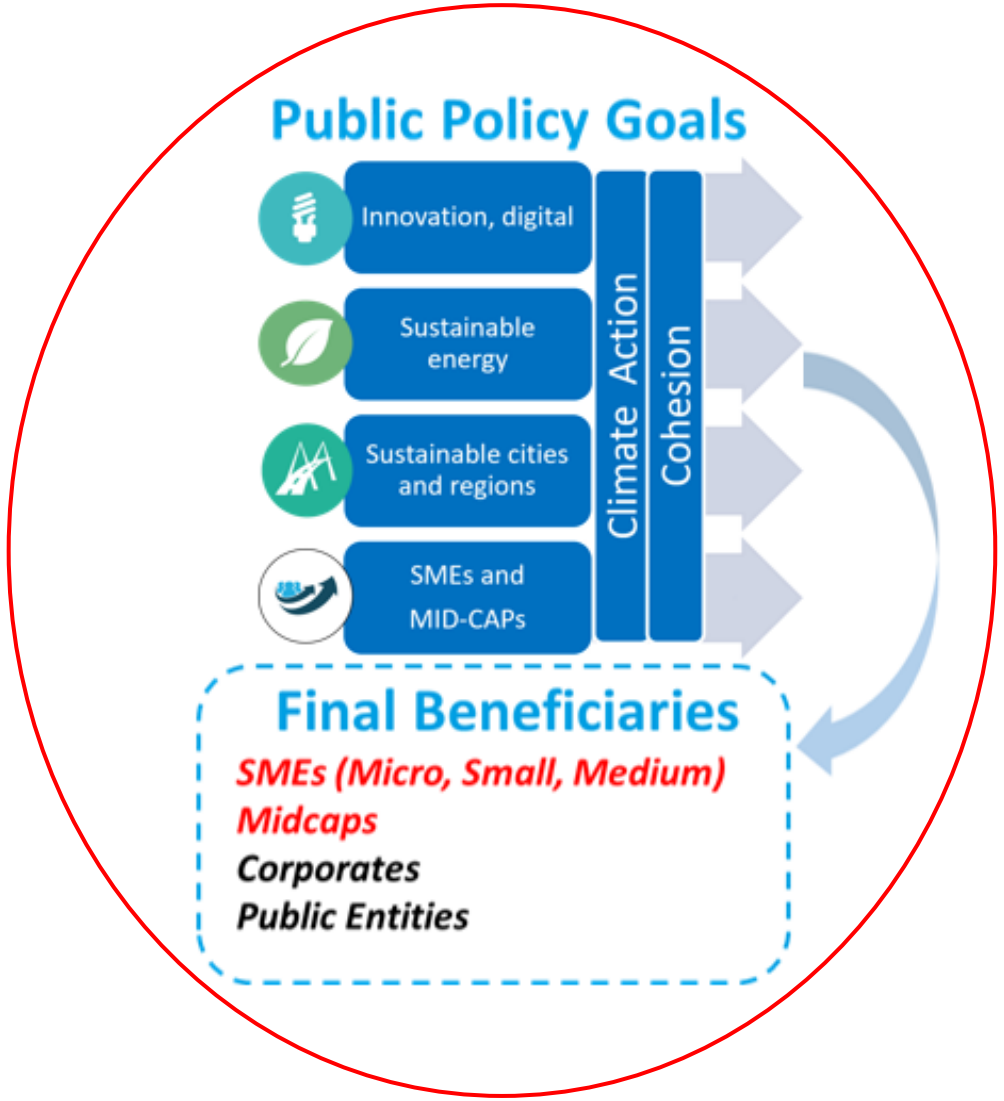
Green investments in line with substantial contribution criteria of the EU taxonomy

Support both green companies and green investments

=> included in most operations and representing roughly ¼ of the total volume signed

Blue economy

Innovation & digitisation



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EIF SUSTAINABILITY GUARANTEE

Supports the green transition of SMEs, Small Mid-caps, natural persons and housing associations

Eligibility criteria are designed to cover the scope of substantial contribution to climate and environmental objectives EU Taxonomy for Sustainable Finance, adapted to EIF's targeted beneficiaries

The product is accompanied by Advisory services support



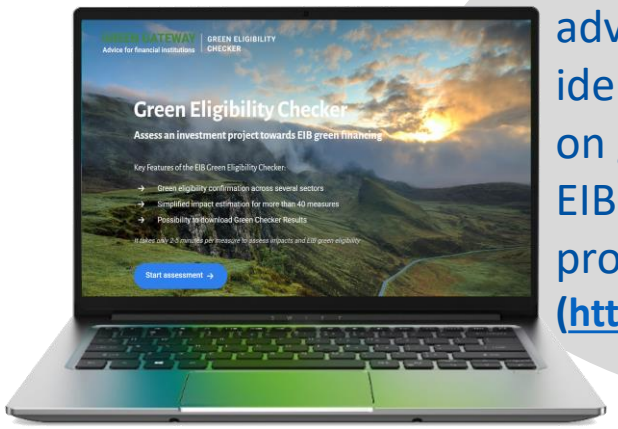
BUILDING CAPACITY

GREEN GATEWAY - ADVICE FOR FINANCIAL INSTITUTIONS

Advisory programme, funded under the InvestEU Advisory Hub, to increase the role of financial intermediaries in EU efforts to transition to a low-carbon and climate resilient economy.

Available to financial intermediaries free of charge

https://greengateway.eib.org/



Green Eligibility Checker: advisory web tool to identify, assess and report on green investments under EIB intermediated finance products **(https://greenchecker.eib.org/)**

Green Gateway web portal
- Green Eligibility Checker
- Guidance & Knowledge
- E-learning programme in development

+

Tailored bilateral support
- Product development
- Project origination
- Support on selected sectors
- Impact reporting and monitoring
- EU Taxonomy support

=

Comprehensive advisory programme to facilitate financing of green investments by SMEs / MidCaps / Public entities / Private entities

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EXAMPLES OF THEMATIC OPERATIONS

Linked risk sharing instrument (up to €140m) to cover up to 50% of the credit risk associated with a new portfolio of **energy efficiency, renewable energy and circular economy** SME projects originated by the Intesa Sanpaolo Group, located in Italy.

Several **MBILs** with DLL small-scale projects carried out by SMEs and mid-caps focusing on green and circular economy, located in Belgium and the Netherlands.




THANK YOU
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