EIF with crucial role in supporting SMEs across Europe

Resources

Institutions

Instruments

Beneficiaries

Existing Model

Equity
– VC Funds / Technology Transfer
– Growth Capital
– LLM/ Mezzanine

Debt:
– Securitisation
– Guarantees
– Microfinance funding

SMEs, entrepreneurs

New proposition

Third party investor

New opportunity to partner with EIF
Equity: Involved throughout the business cycle

Technology Transfer Accelerator
Investing in VC funds
Investing in Growth Capital
Mezzanine

Technology Transfer Proof of Concept Business Angels Seed Stage
Early Stage Business Angels
Expansion/Development Capital
Lower Mid-Market

Provide instruments to stimulate innovation, competitiveness and cross-border investment
Fill funding gap left by institutional investors
Support VC ecosystem and decrease dependency on public finance
Catalyse hybrid debt finance for growth

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

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 350m Holding Fund**
- **EUR 390m Funded Products**
  - **EUR 361m Guarantees**
  - **EUR 50m Co-investment Fund**
  - **EUR 22.6m Accelerator/Seed Fund**
  - **EUR 20.3m Venture Fund**
  - **EUR 390m Funded Products**

SME Development Stages:

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

Debt products, Equity products, Product under development.
The key goal of developing private equity instruments was to kick-start the development of unique entrepreneurial ecosystem in Bulgaria.

- **Start-up funds**: No existence of private equity funds for start-up capital in Bulgaria prior to 2010.
- **Business angels**: The paradigm of angel investing was developing, but in embryonic stage.
- **Structured 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
Creating start-up ecosystem from scratch

Two acceleration & seed funds and three growth capital VC funds were created in Bulgaria in 2012-2014 with a total budget of >EUR 90m. The developments are as follows:

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<th>The Numbers</th>
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<td>More than 5,000 applications for funding mainly from BG but also from the entire Balkans;</td>
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<td>Investments in 210 young Bulgarian companies, including 180 startups;</td>
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<td>20-30% of start-ups are set-up by non-BG;</td>
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<td>Over EUR 20m invested as follow-on in successful companies by business angel, VC and other private investors;</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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<td>The majority of start-ups are in the ICT, digital, engineering and med-tech sectors;</td>
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<td>More than 50 of the companies are already revenue-generating;</td>
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<td>Follow-on investors in the companies include Earlybird, TechStars, Y-combinator, Tim Draper;</td>
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<td>Regional VCs are now looking onto Bulgaria much more opportunistically;</td>
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<td>Sofia is declared an emerging global start-up destination by Wall Street Journal, Forbes Magazine, New York Times, TechCrunch and other global media</td>
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EIF – What’s next in Bulgaria
European EIF-backed VC Investment heatmap

Cross-investments of EIF-backed VC hubs, cumulated values 1996-2014

Investment amounts in EUR 2005 million (log-scale):

- 10
- 50
- 100
- 500
- 1,000

Cross-investment intensity in EUR 2005 million:
- 0.5 to 5
- 5 to 10
- 10 to 20
- 20 to 50
- 50+
What’s next…

### 2016

- **JEREMIE completion:**
  - 100% utilization, 2.6x leverage;
  - Impact on ~10,000 SMEs;
  - Created the VC & PE market.

- **Refloows Investment Strategy development & approval**

- **Top-ups to equity funds:**
  - Mostly follow-on capacity;
  - Selective new investments;
  - Higher alignment with market.

**Overall allocation: ~EUR 50mn**

### 2017

- **Venture Capital Fund/s:**
  - Accelerator component;
  - Ability to invest outside BG;
  - EUR 40mn allocation;
  - Tender launch imminent.

- **R&D Fund/s:**
  - Targets the hardcore R&D businesses;
  - EUR 40mn allocation;
  - Tender launch Q1/2017.

- **Regional Equity Platform:**
  - Blending of funds BG, RO & EIF;
  - Investment in VC/Growth funds.

**Overall allocation: ~EUR 110mn**
EIF coverage in Bulgaria

- 0-1m: Pre/Seed, NEVEQ
- 1-5m: Venture, VC Funds, R&D Funds, LAUNCHub
- 5-15m: Growth, Regional VC/Growth Funds, REEPOWER CAPITAL, BlackPeak CAPITAL
- Beyond: Buy-Out