



***SME Financing –
Key findings from the EIF’s new
“European Small Business Finance Outlook 2021”***

SUERF BAFFI Bocconi E-Lecture

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European Investment Fund (EIF)

Research & Market Analysis

9 December 2021

EIF, a unique approach

*An EU body, dedicated to
improving access to finance
for small businesses.*

*We do not invest or lend
directly. We are not a bank.*

*We use financial instruments
to address gaps, foster
sustainability, multiply
resources and in doing so,
improve access to finance.*

Our shareholders

We have a diverse public and private shareholder base

European Investment Bank (EIB)

59.40%

European Union, represented by the European Commission (EC)

30%

38 Financial Institutions from European Union Member States, the United Kingdom and Turkey (F. I.)

10.60%

Austria



Bulgaria



Croatia



Czech Republic



Denmark



France



Germany



Greece



Hungary



Ireland



Italy



Luxembourg



Malta



the Netherlands



Poland



Portugal



Slovenia



Spain



Turkey



United Kingdom



Our products help small businesses at every stage of development

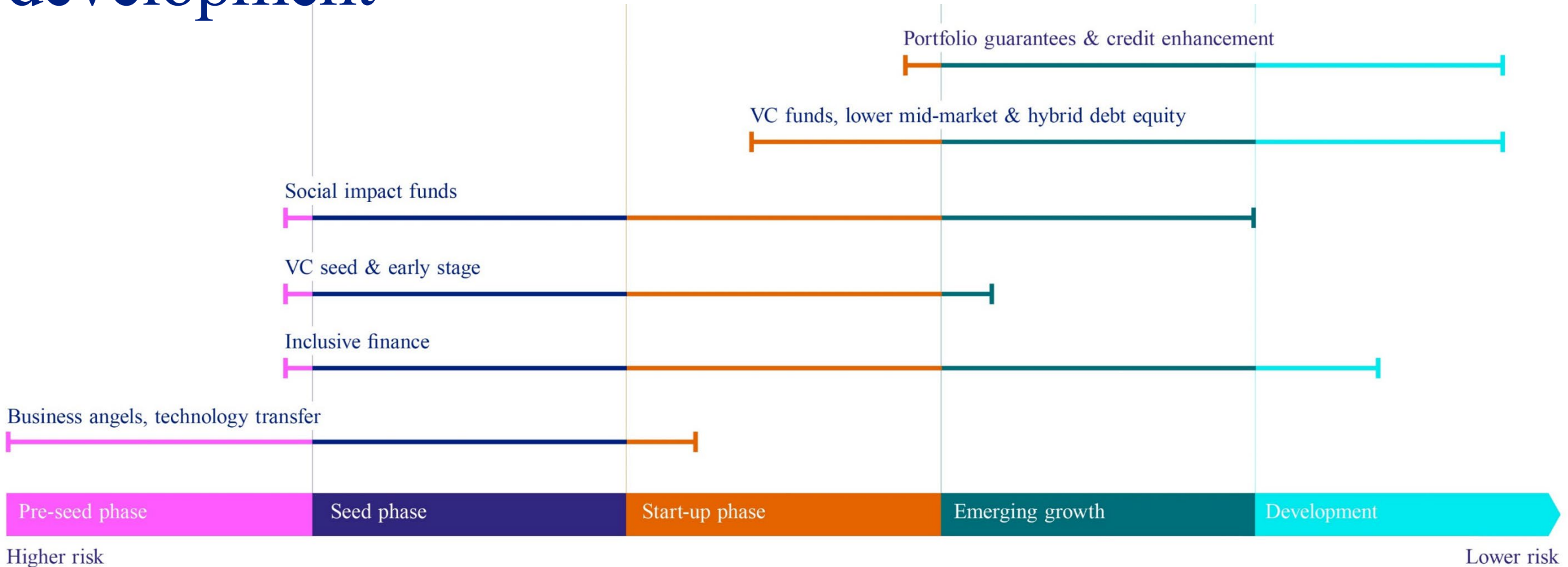


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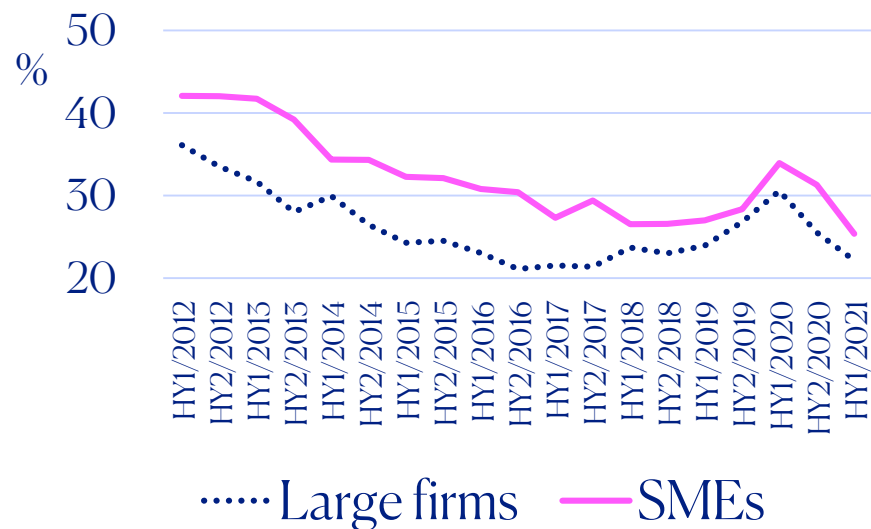
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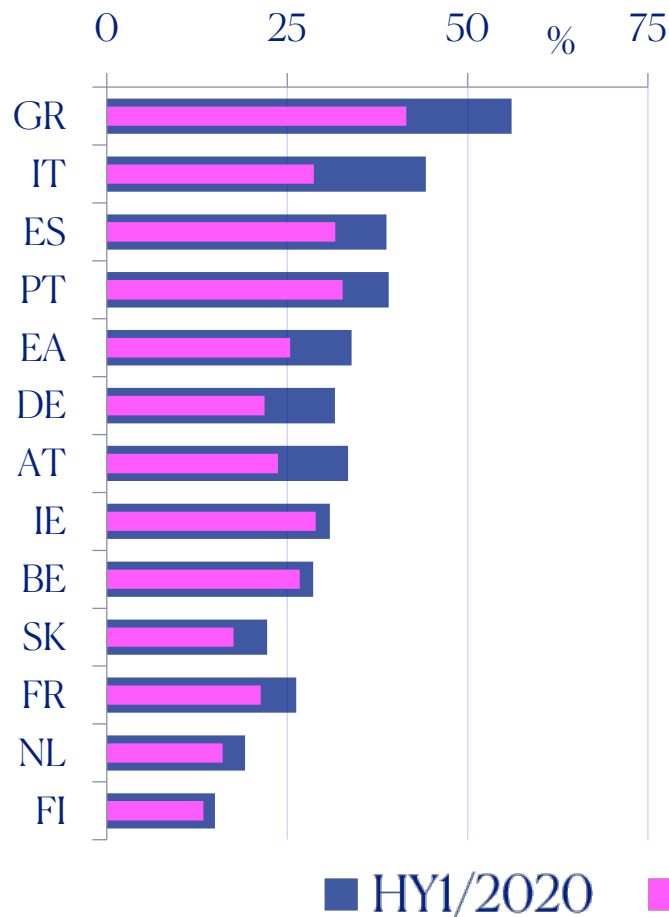
*General
SME
access to
finance*

SME access to finance in Europe: where are we “post”-COVID-19

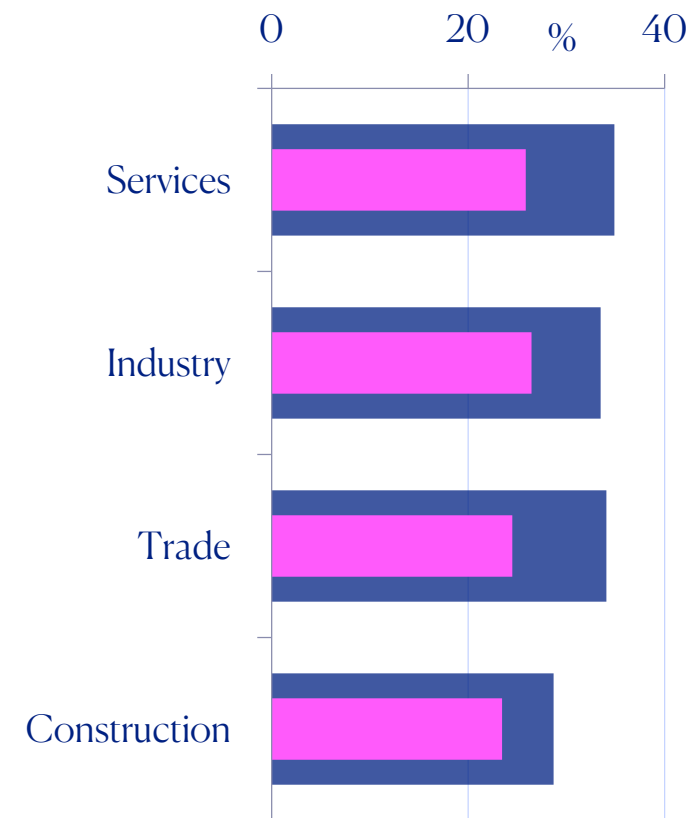
% of SMEs that considered access to finance to be a serious issue:*



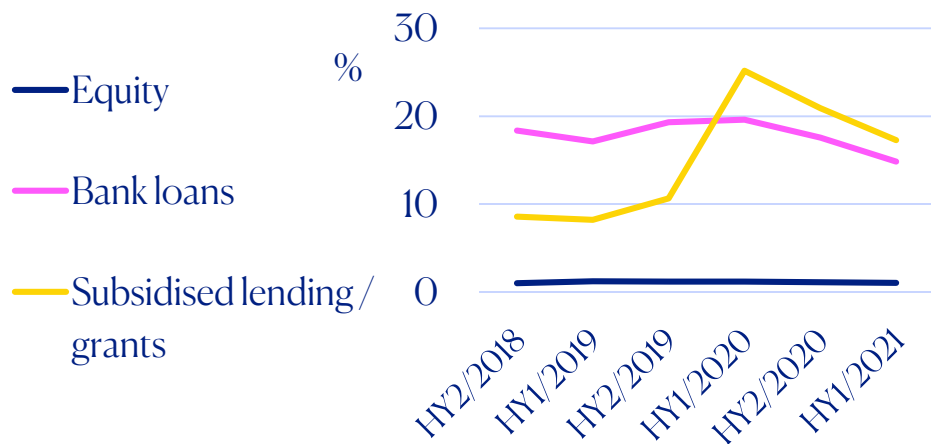
By country:



By sector:



% of SMEs that reported to have used....



*Rating it 7 or more on a scale of ten, 0 being not problematic at all, 10 being extremely problematic

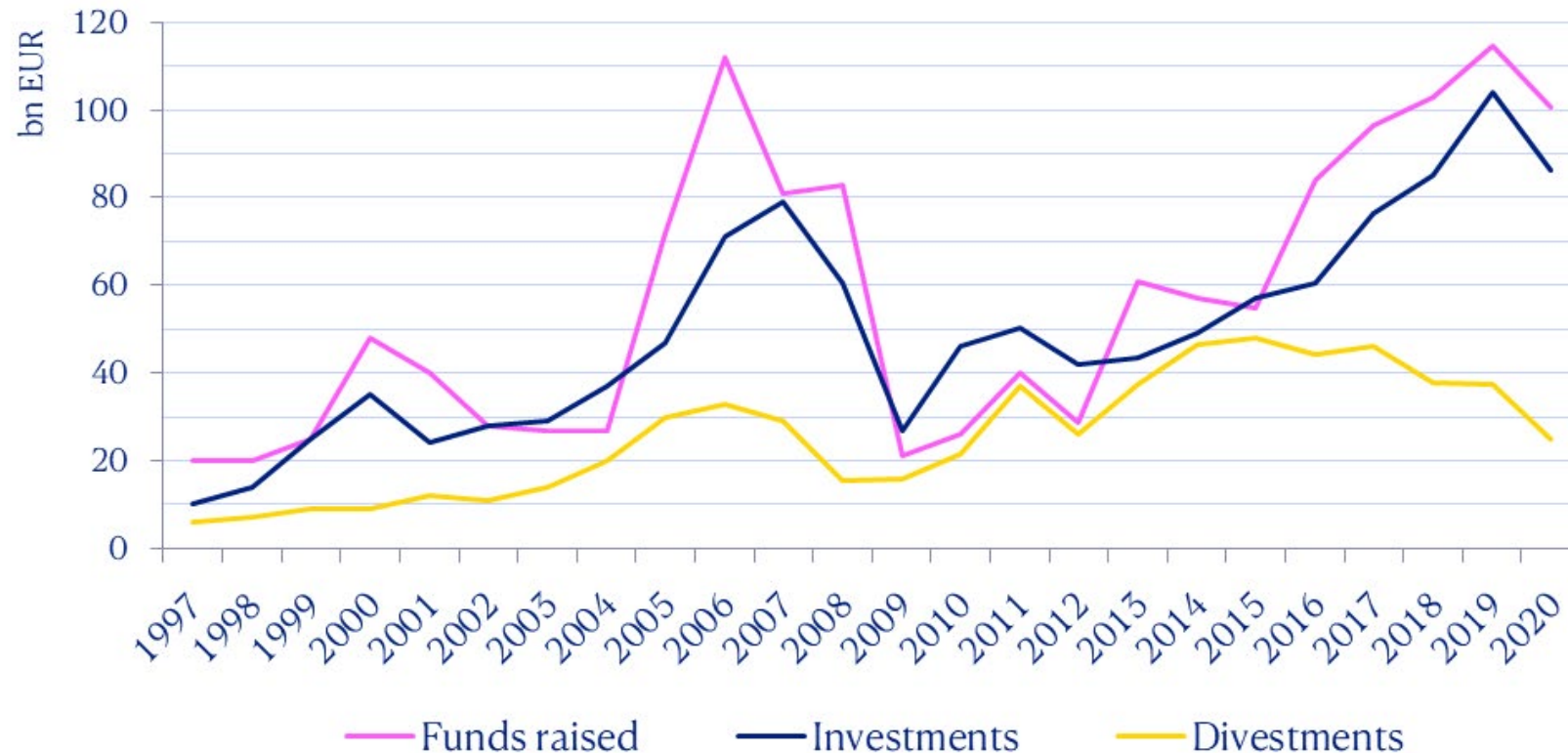
Source (all graphs on this slide): ECB SAFE, 2021.

The European PE/VC market

*A healthy Greentech eco-system
can only thrive in a well-developed
private equity (PE)/venture capital
(VC) environment.*

European Private Equity (PE) market activity

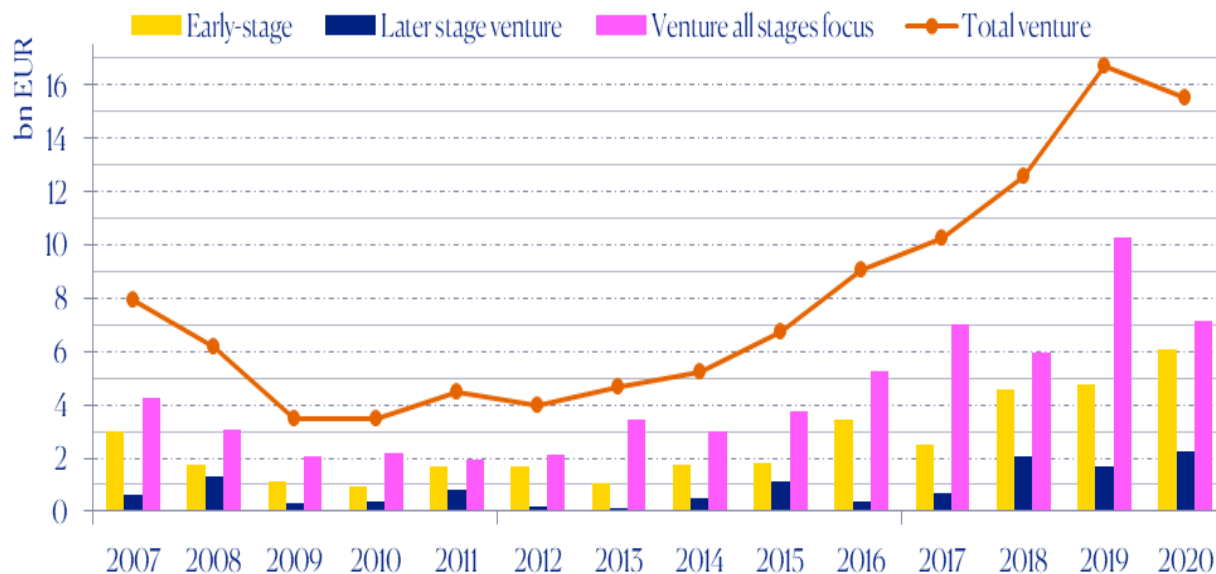
Fundraising, investment and divestment amounts by PE firms located in Europe



- The **COVID-19 crisis** hit at a time when the European PE/VC market was on a positive growth path.
- Overall, the PE/VC ecosystem weathered the crisis reasonably well.

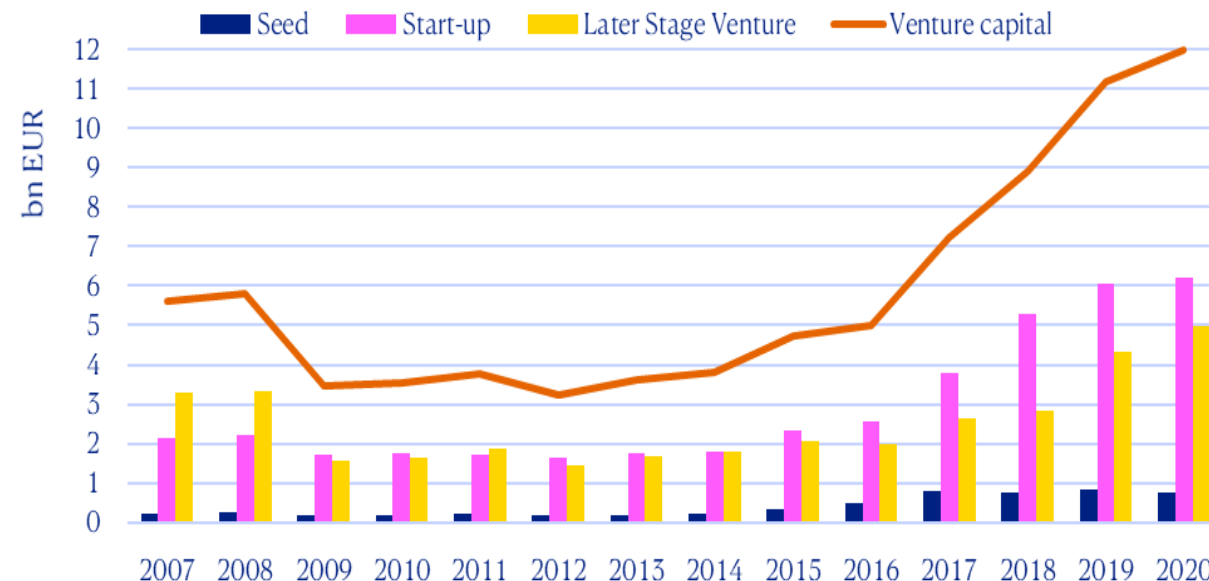
VC investments & fundraising

VC fundraising: amounts raised by VC funds located in Europe



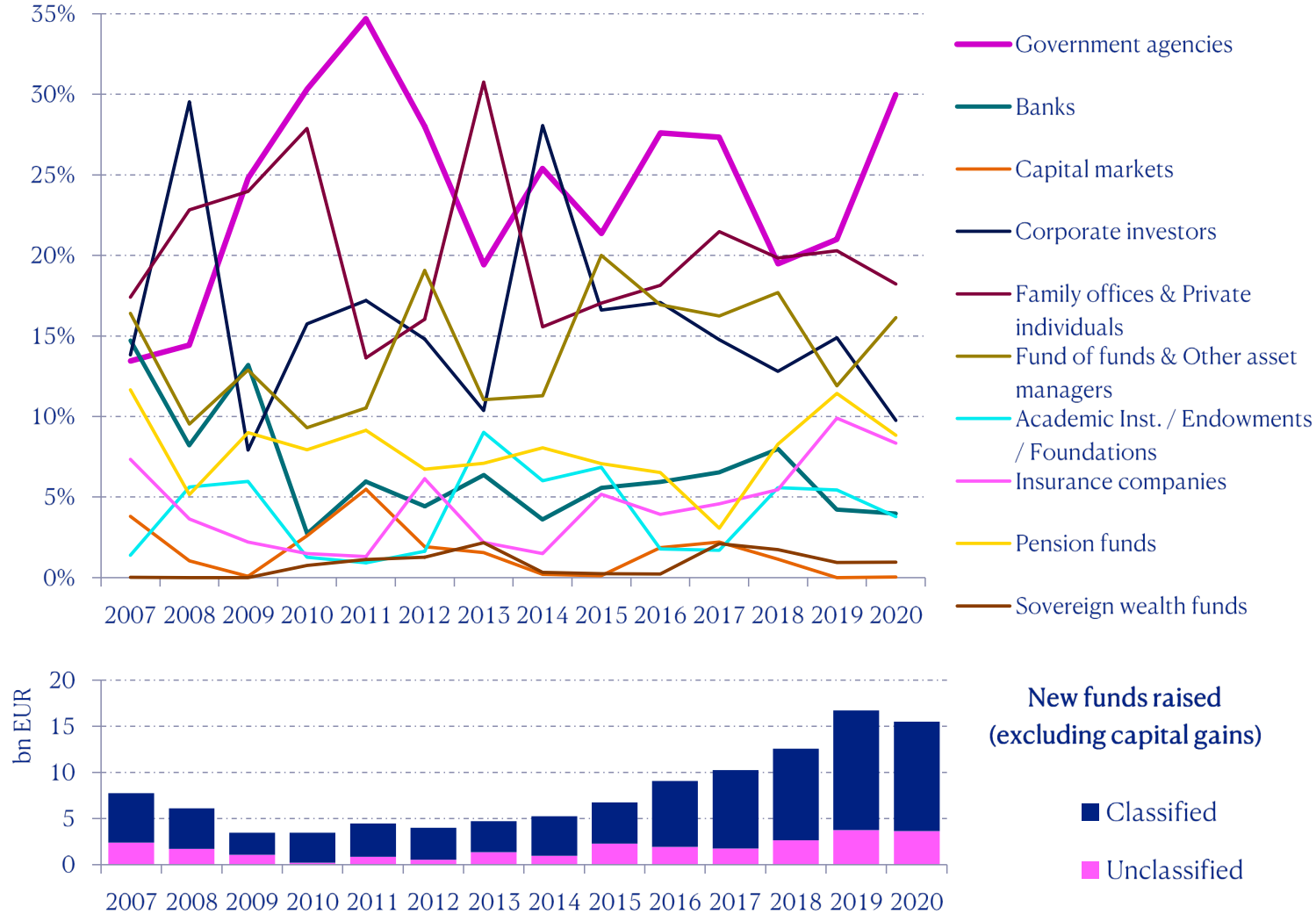
Note: Incremental amounts raised during period

VC investment amounts in Europe by stage focus



- In the European VC market (the PE market segment that is most relevant for risk finance for young, innovative start-ups), investments even exhibited growth during the 2020 crisis year.

Investor base: Share of government agencies in VC fundraising*

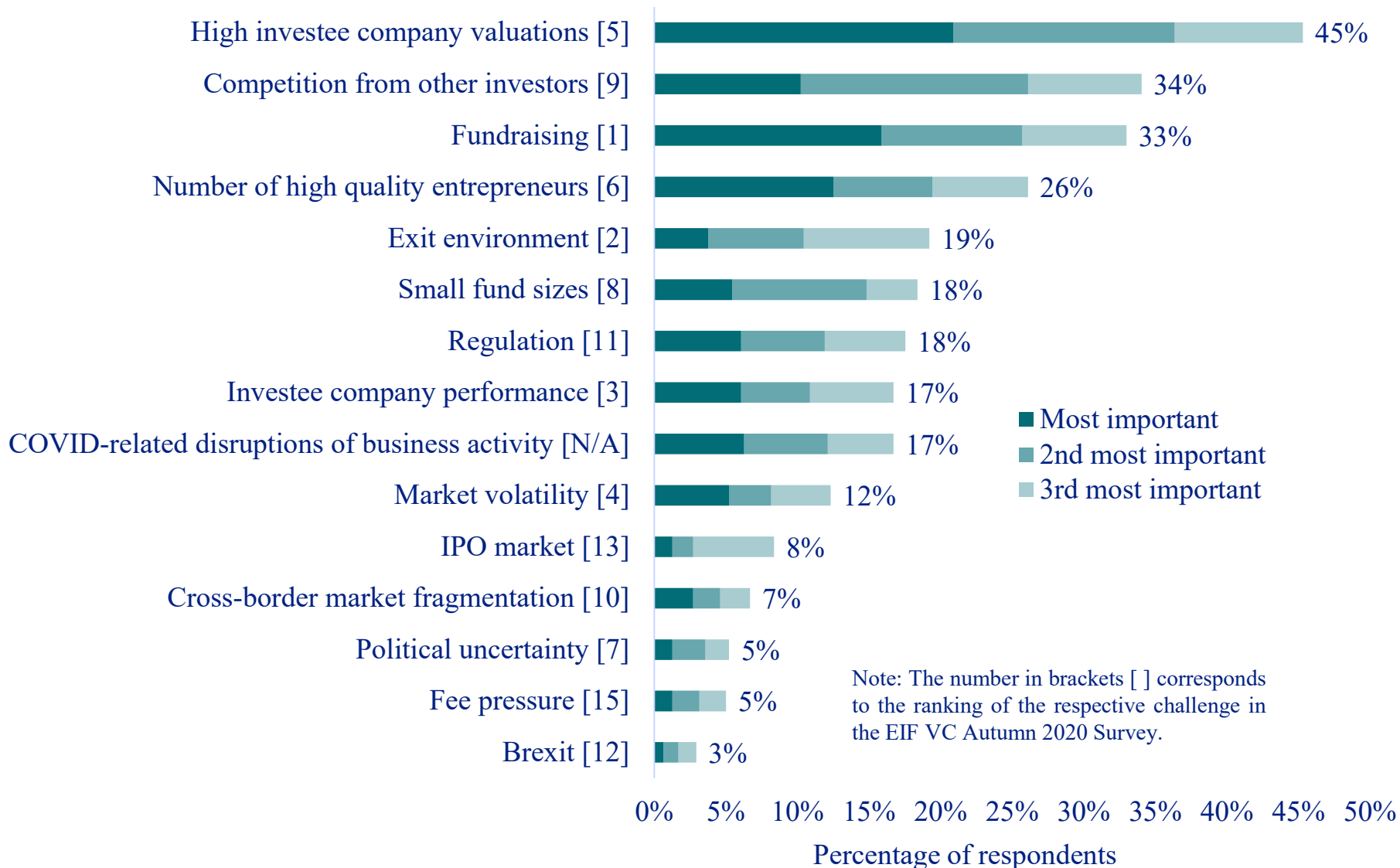


*** Percentage of incremental amounts raised during year (in contrast to final closings only). Excludes capital gains. Unclassified sources of funds have been extrapolated.**

Source: EIF Research & Market Analysis. European Small Business Finance Outlook. October 2021. Available at https://www.eif.org/news_centre/research/index.htm; based on data from Invest Europe and authors' calculations.

Biggest challenges currently seen in VC business

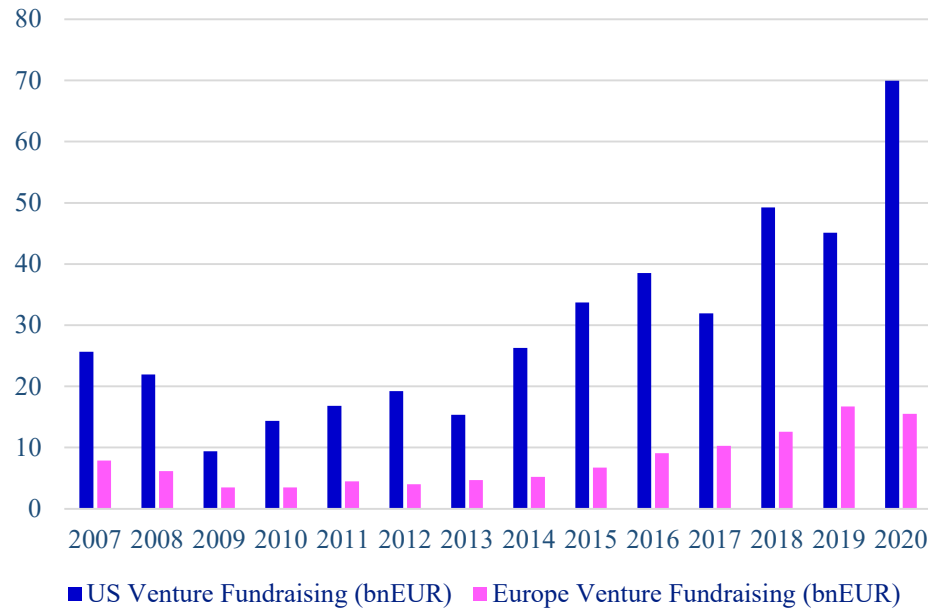
“High investee company valuations”, “Competition from other investors” and “Fundraising” were most frequently stated as important challenges.



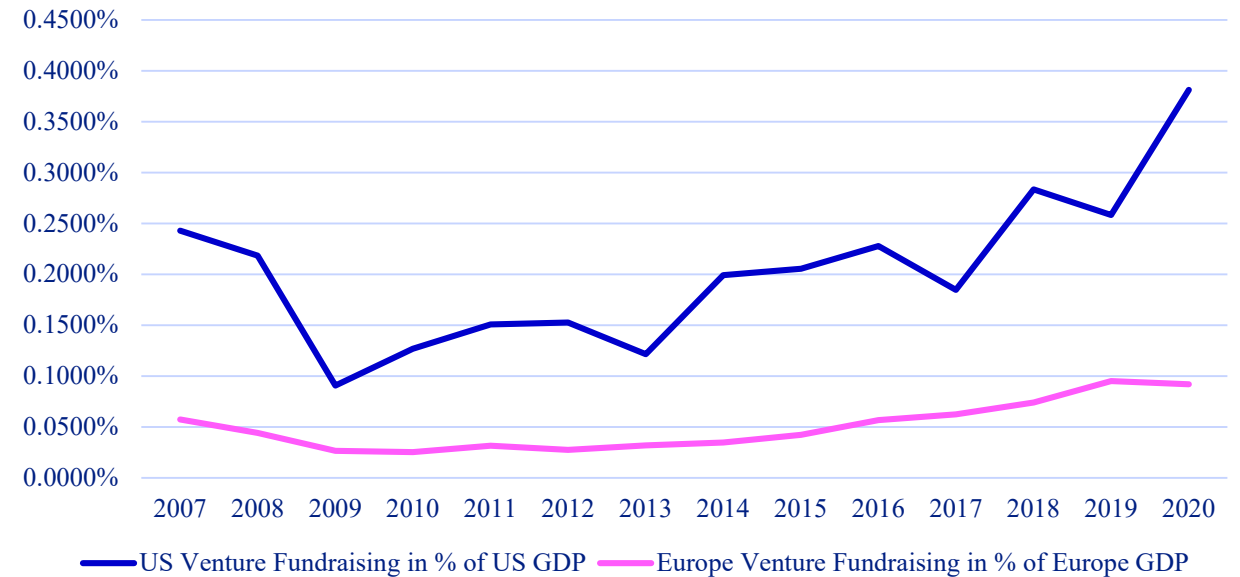
EIF VC Survey question: “Please select the biggest challenges you currently see in the venture capital business.” The graph shows the total percentage of responses with respect to the three most important challenges.

VC fundraising Europe vs US

VC fundraising (in bn EUR)



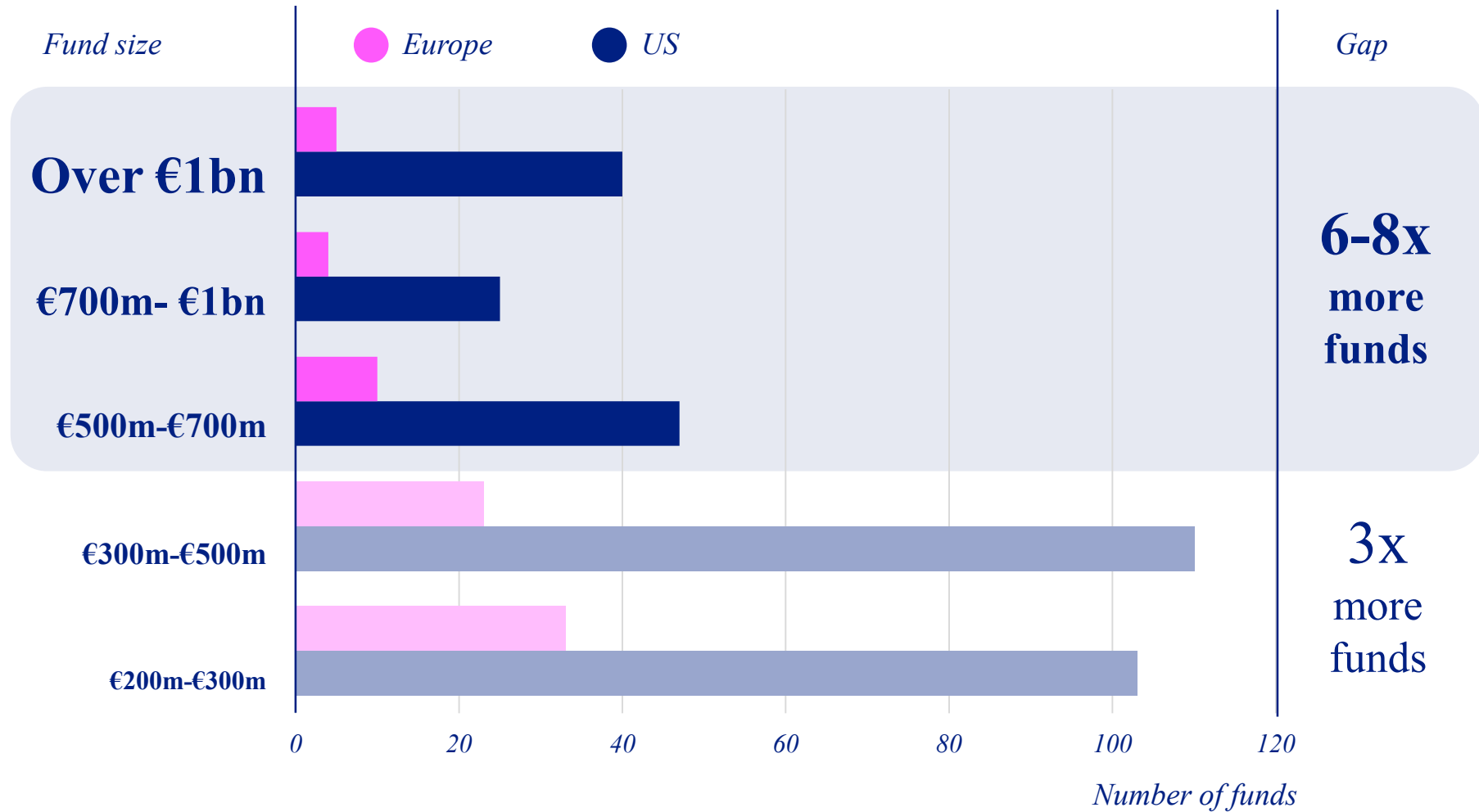
VC fundraising (as % of GDP)



Source: Author, based on data from Invest Europe/EDC and NVCA/Pitchbook.

Please note that the underlying definitions (categorisations) for the collection of European / US data are not identical, hence differences can only be interpreted as approximation

Distribution of fund sizes (vintages 2017 to May 2021)



Source: EIF Research & Market Analysis, based on data from Pitchbook

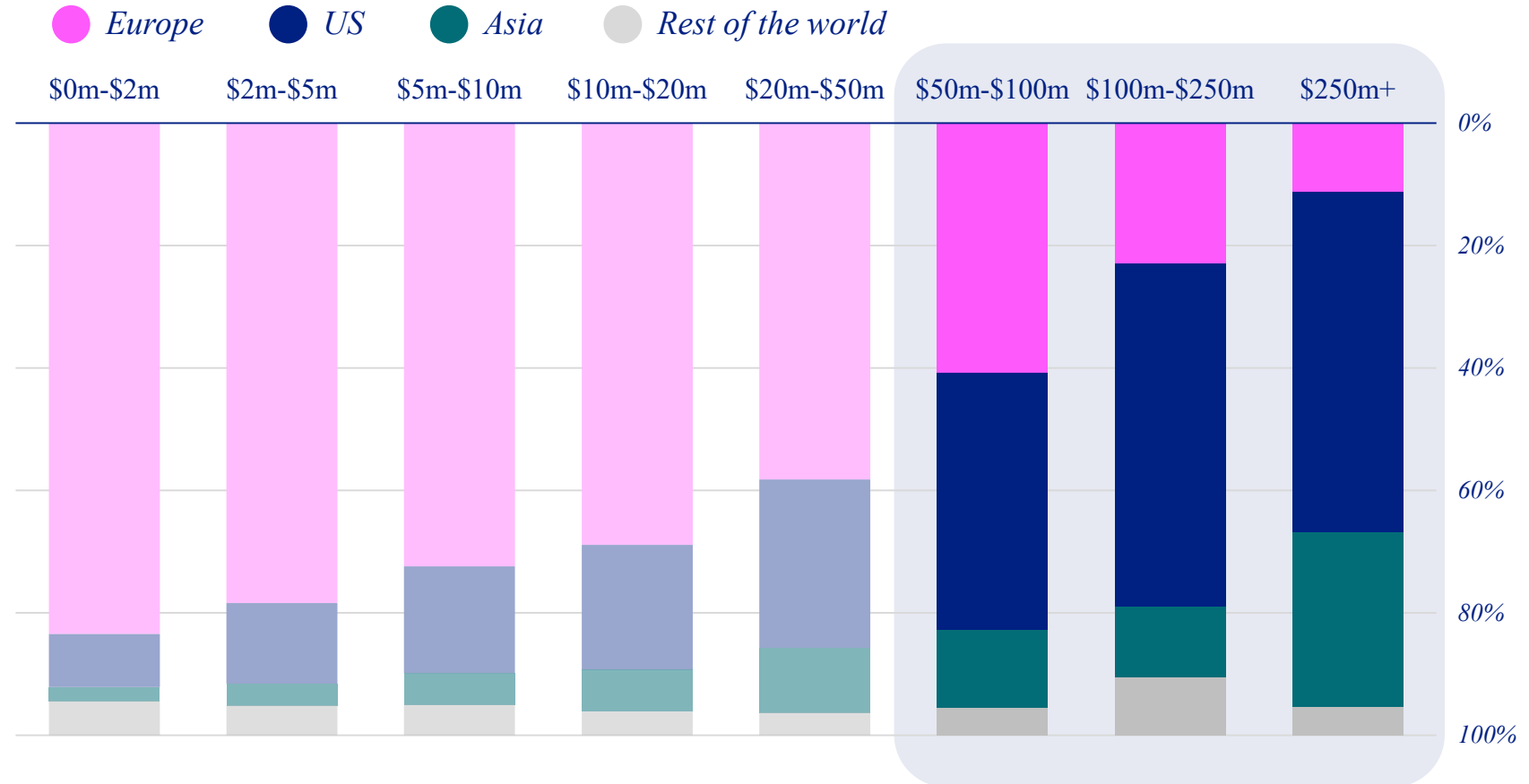
Non-European investors fill the void

More than 50% of European late-stage financing rounds come from outside Europe

High-growth companies in a pre-IPO phase typically need funding of a magnitude surpassing EUR 40m.

As growth financing in Europe is not well developed, many European companies look towards the US or China for funding of a sufficient ticket size.

Share of capital by round size by region



Source: Atomico (2020), based on data from Dealroom

The European PE/VC market

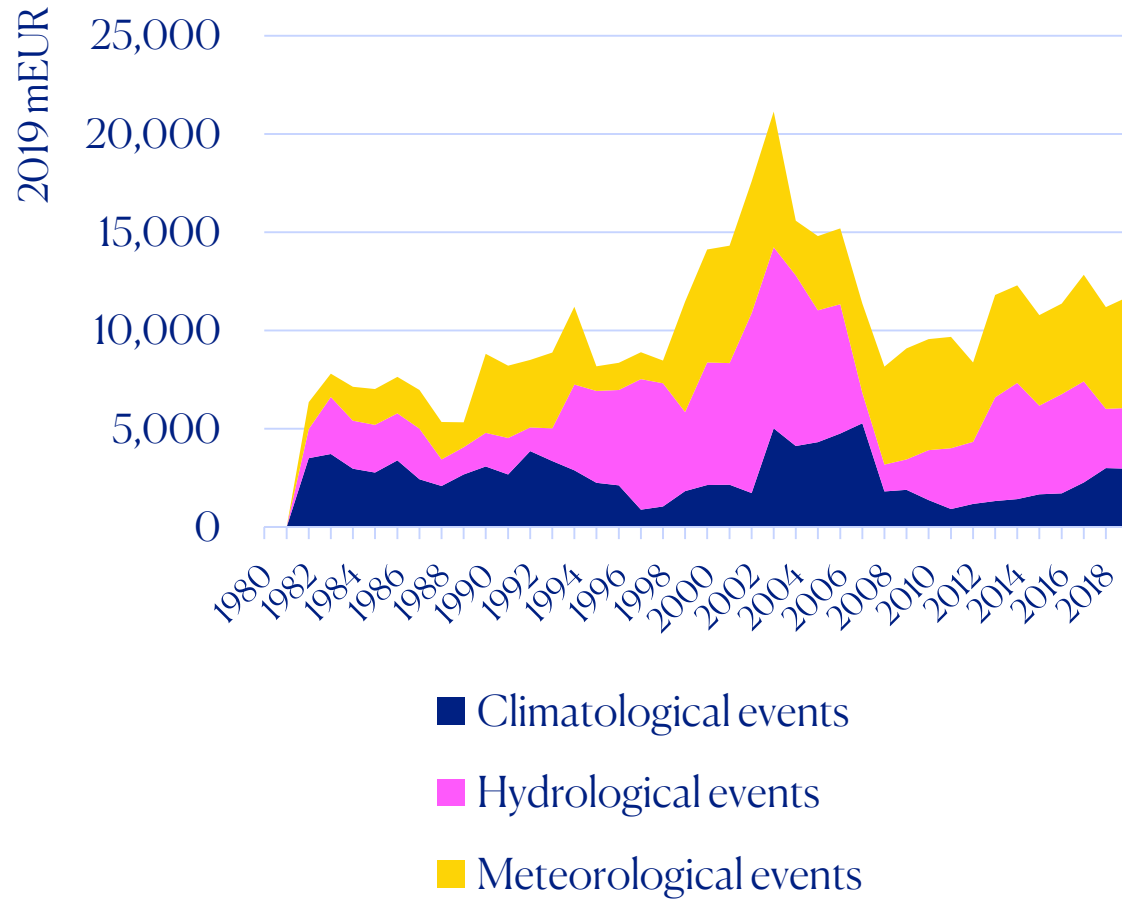
*Overall, the **European PE/VC** ecosystem weathered the COVID-19 crisis well.*

*Important **challenges** remain in terms of fundraising, scale-up financing, exits and the market size compared to other world regions.*

*The EU
Market for
Greentech
VC/PE
financing*

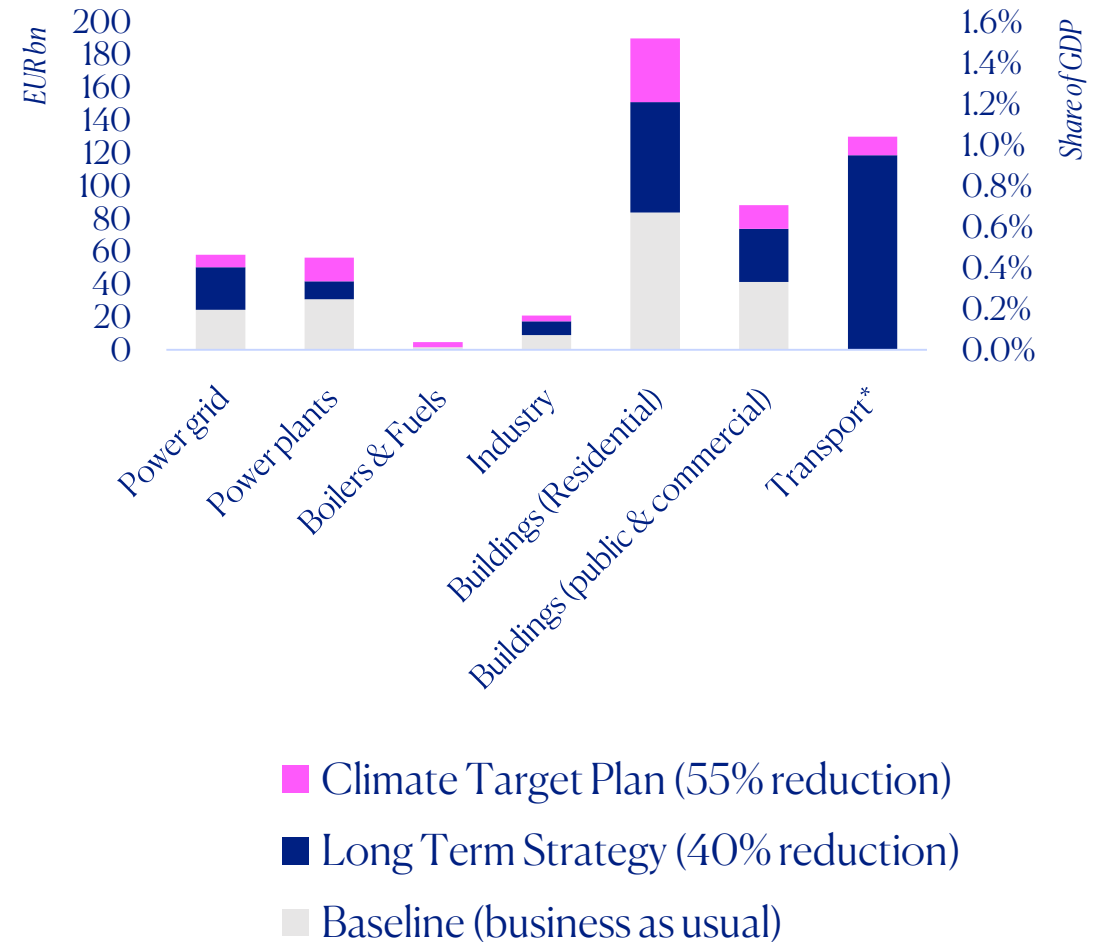
The importance of Greentech Innovation for the EU Green Transition

Financial damage caused by weather events in Europe



Source: Eurostat

Mitigation investments = demand for Greentech innovation

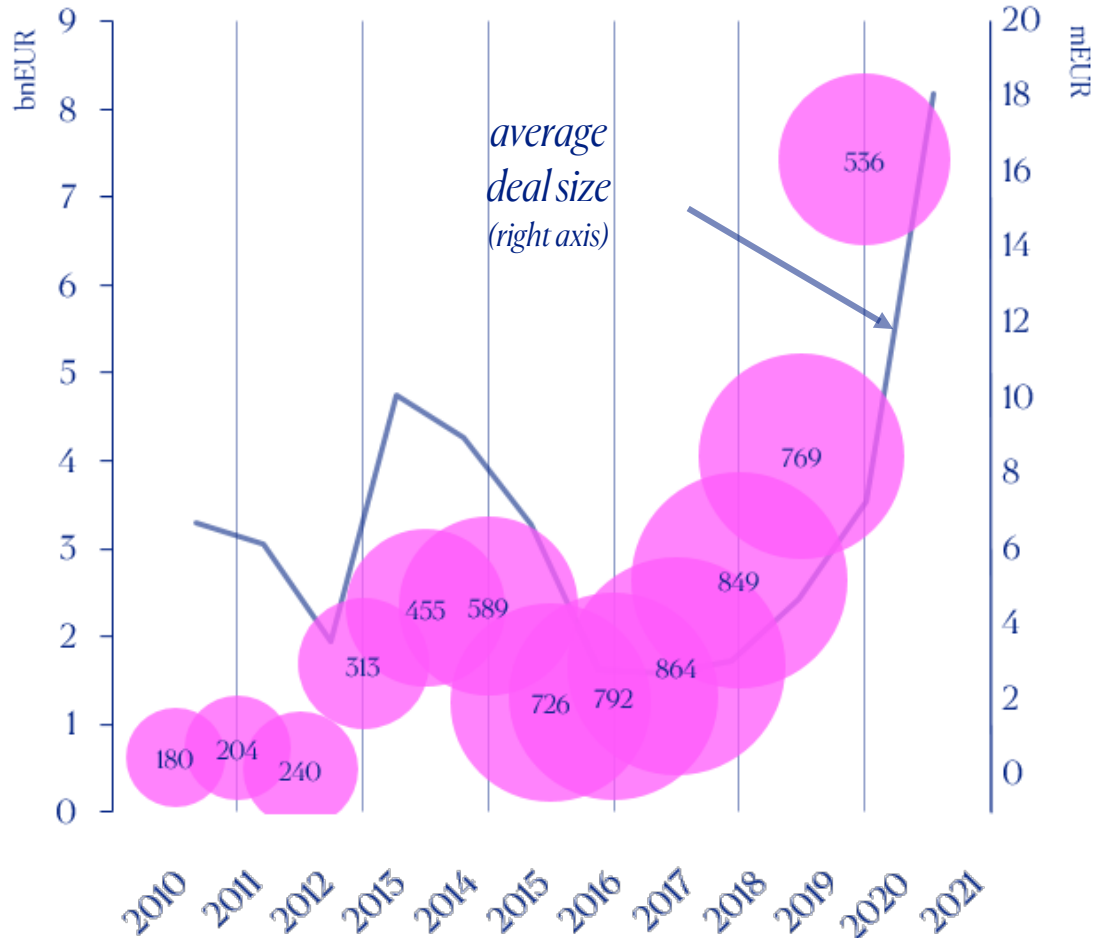


Source: European Commission

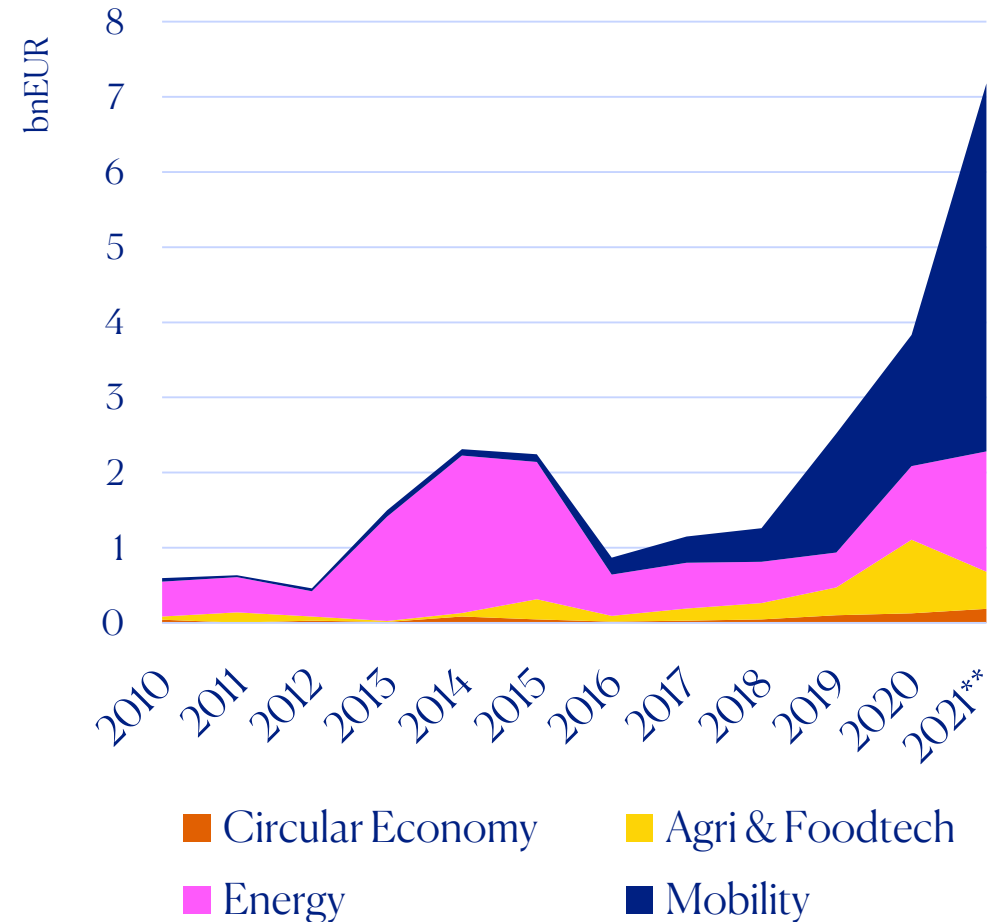
VC/PE finance for European Greentech companies

- 1) Exponential growth
- 2) Maturing market
- 3) Regulation drives investment

Increasing focus on energy system

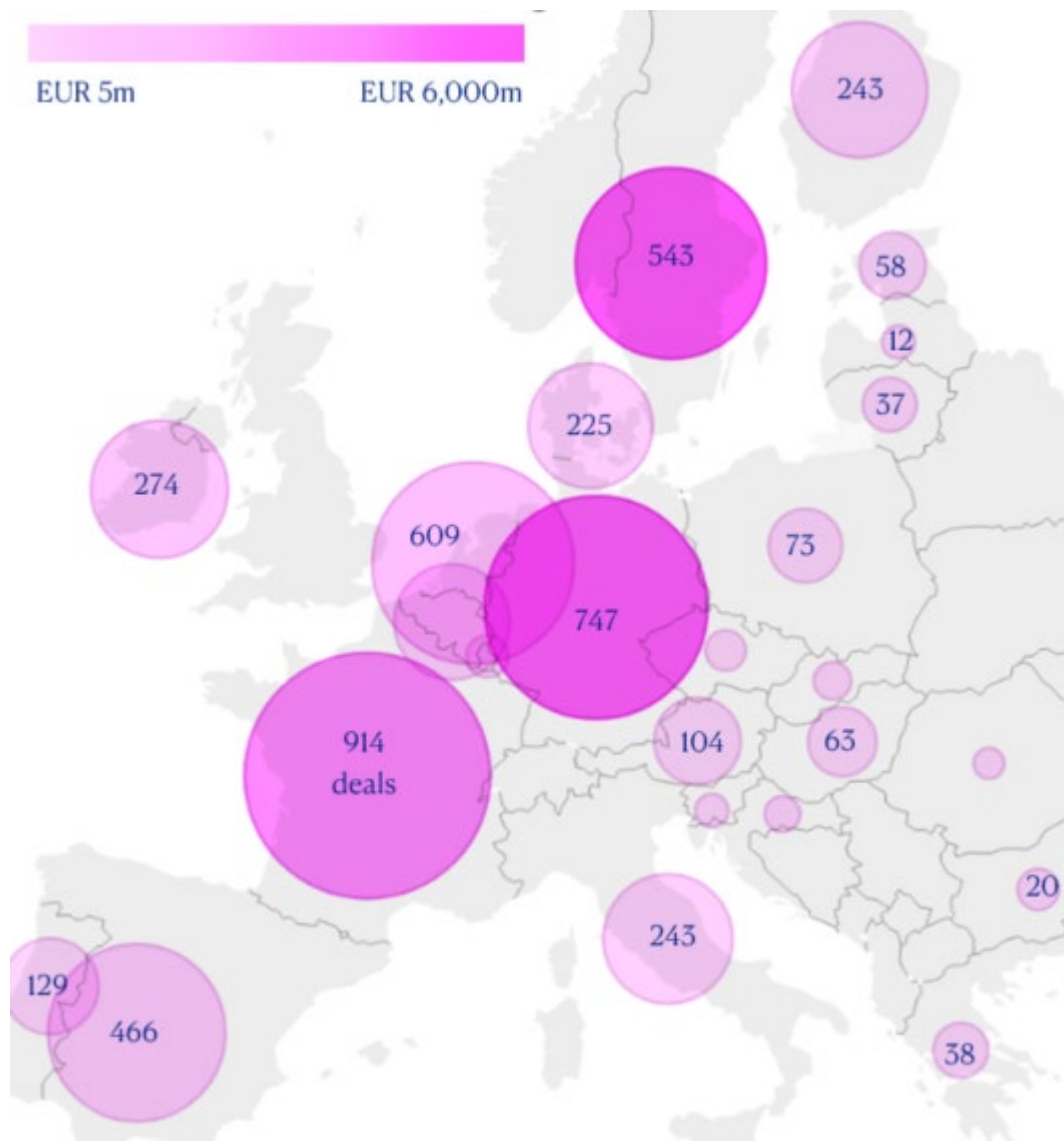


Source: Pitchbook

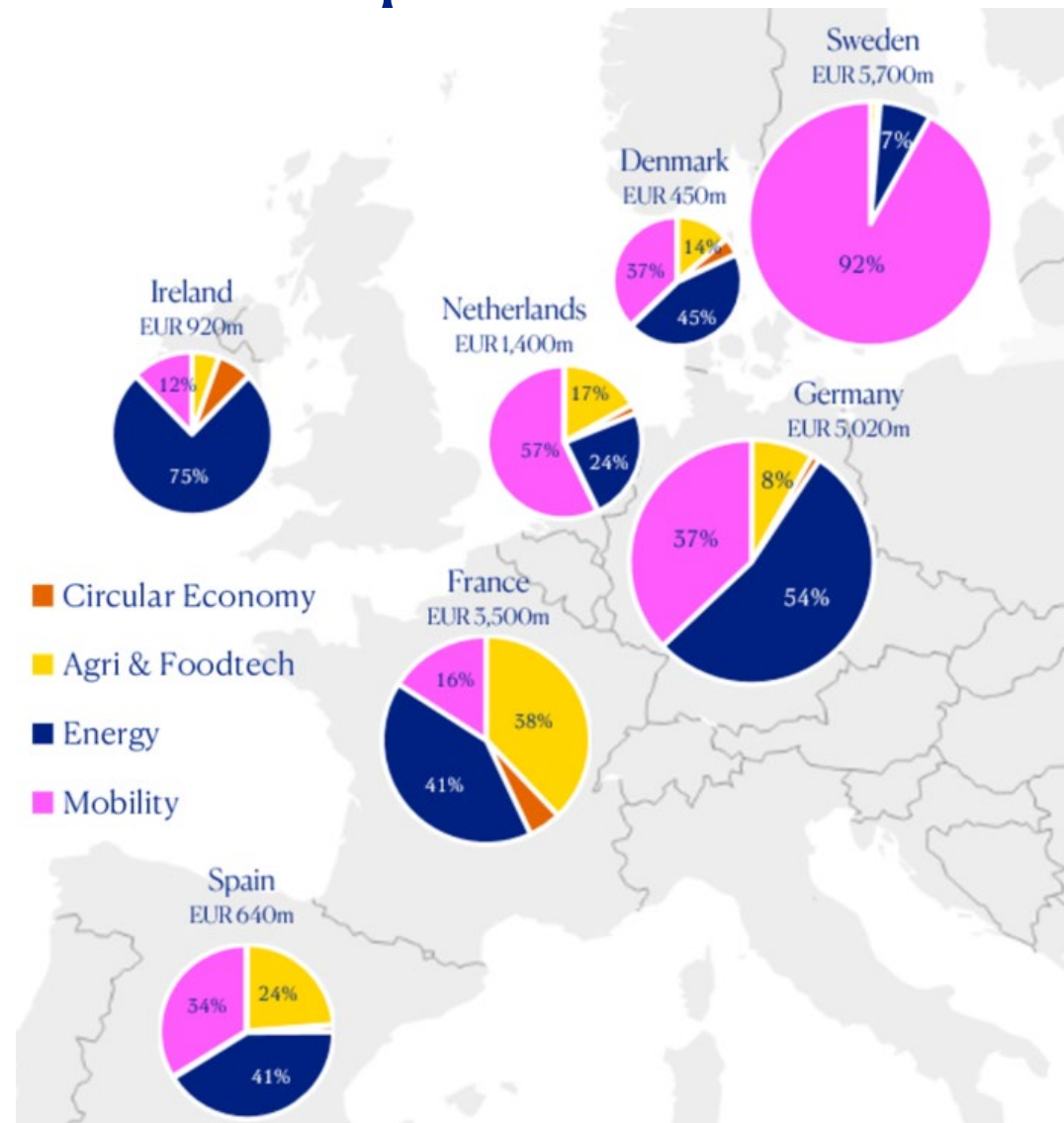


Source: Pitchbook

VC/PE finance for European Greentech companies (2015–Q3/2021)



Source: Pitchbook



Source: Pitchbook

Concluding remarks

- No “black swan” effect on the VC industry in the wake of COVID-19:
 - Crisis-as-opportunity mantra
 - Swift COVID-19 public support measures – including many deployed by the EIF
- A positive outlook :
 - EIF VC surveys: *“VCs confident in the long-term growth prospects of the industry”*
- **But ... structural issues remain**
 - gap with other regions of the World
 - Lagging European scale up and exit markets
 - Fragmentation of EU market
 - Scale-up, patient, financing for deeptech Greentech

**Rationale for continued public support to the European VC/PE ecosystem,
with particular focus on developing Greentech ecosystem**

*If we believe in small
big things can happen*



EIF's
Research & Market Analysis

To find out more please visit us
at: www.eif.org

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