

The use of private market surveys at the EIF

EIF Research & Market Analysis

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SUERF-Banca d'Italia-ECB-EIB Conference “The use of surveys for monetary and economic policy”

Rome, 27 April 2023

EIF

at a glance

*We are an EU body
dedicated to improving
access to finance for small
businesses.*

*Entrepreneurs are the
backbone of the European
economy and a key focal
point for EU policy.*

Our shareholders

We have a diverse public and private shareholder base

European Investment Bank (EIB)

59.8%

European Union, represented by the European Commission (EC)

29.7%

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

10.5%

Austria



Bulgaria



Croatia



Czech Republic



Denmark



France



Germany



LfA FÖRDERBANK BAYERN



Greece



Hungary



Ireland



Italy



Luxembourg



Malta



the Netherlands



Poland



Portugal



Slovenia



Spain



Türkiye

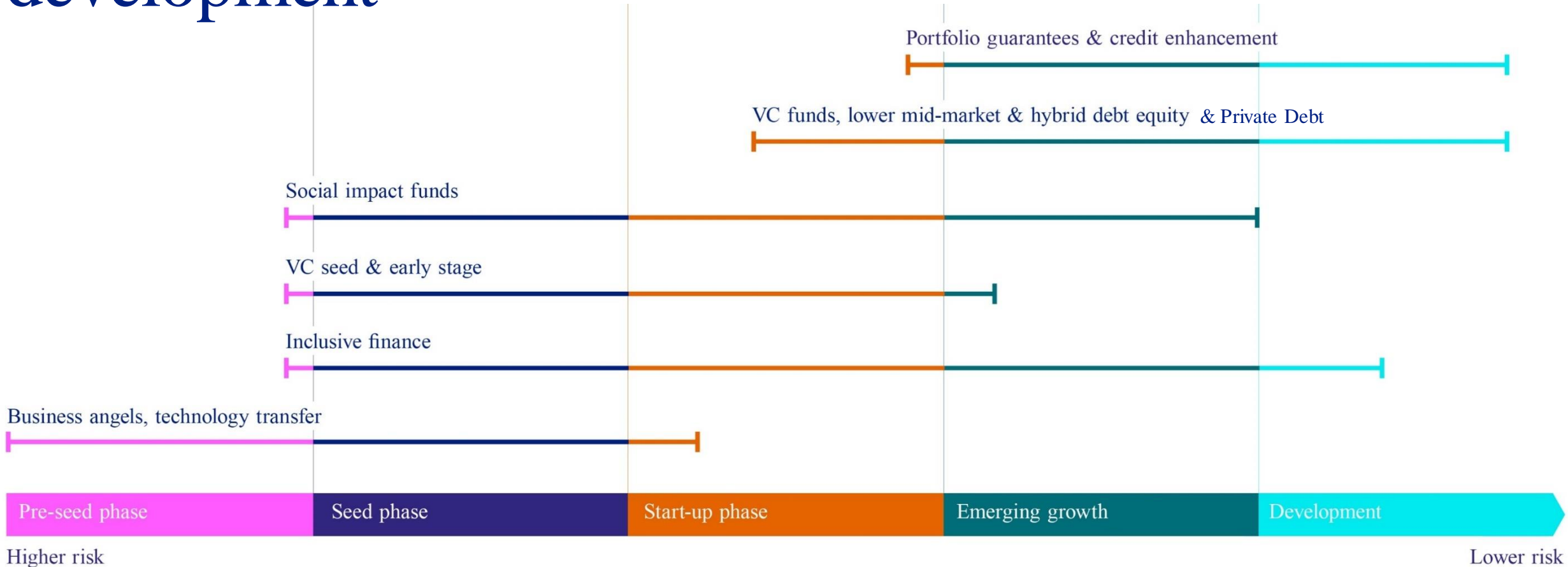


United Kingdom



*As of April 2023, on the basis of the fully subscribed authorised capital of 7,370 shares.

Our products help small businesses at every stage of development



*EIF's
Research &
Market Analysis
(RMA)*

RMA : 4 main pillars

a) Market analysis and information

General market assessments, policy & strategy papers

Surveys (VC, PE MM, BA, Debt Funds)

Internal provider of market information

b) Impact assessment

Quantitative Economic impact assessment (ex-post)

Surveys (VC, BA, PE MM) on EIF's value added

Involvement in internal and external ex-post evaluations & audits

SME Access to finance market assessments (ex-ante)

c) Publicity

EIF Working Papers

Third party papers for external positioning

Subscribers, web blogs, social media

Presentations, external working groups, etc..

d) Cooperation

Relationships with various EIB teams (Economics, Advisory, Institute, Evaluations etc.)

Cooperation / exchanges with external stakeholders / associations

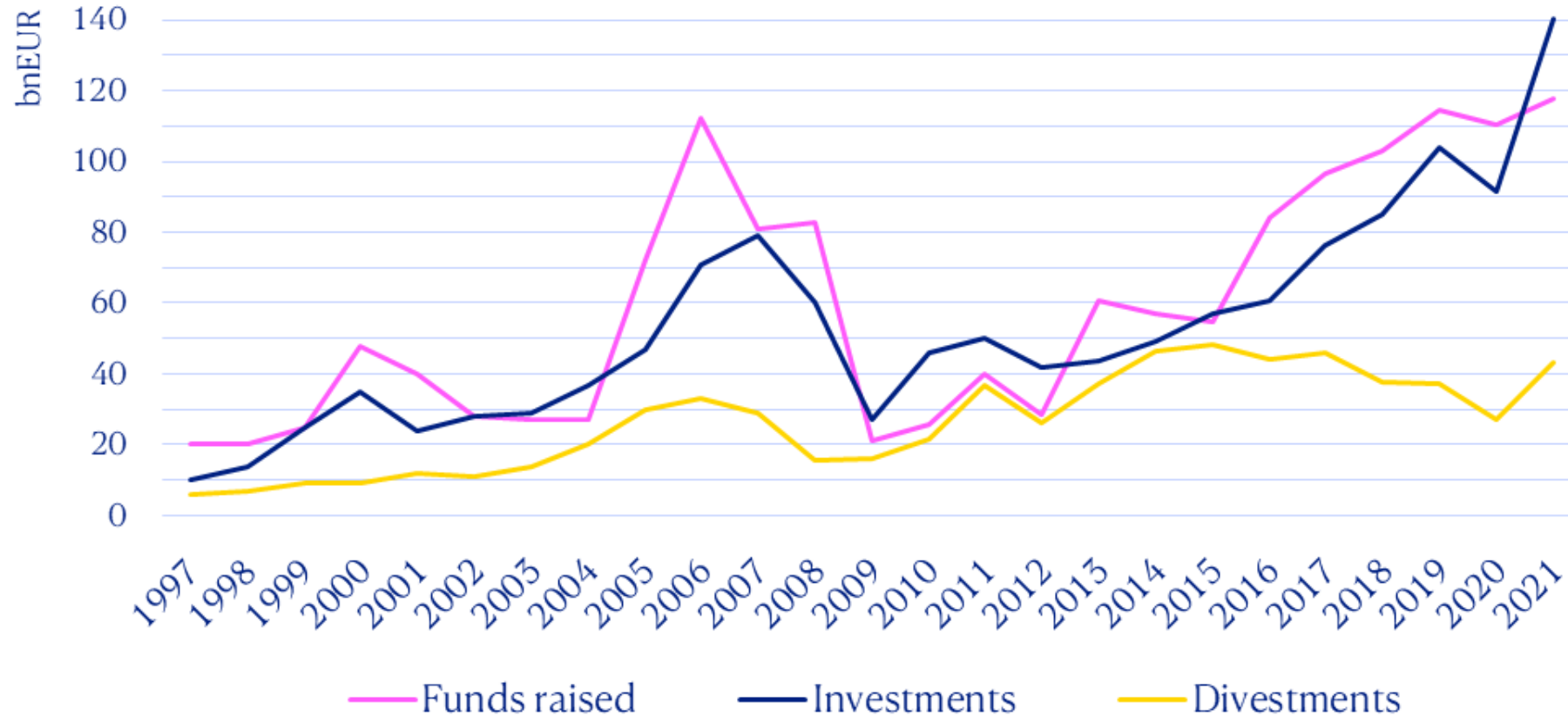
Joint research projects with external researchers

EIF's

*Private Market Surveys:
The Context*

European PE activity

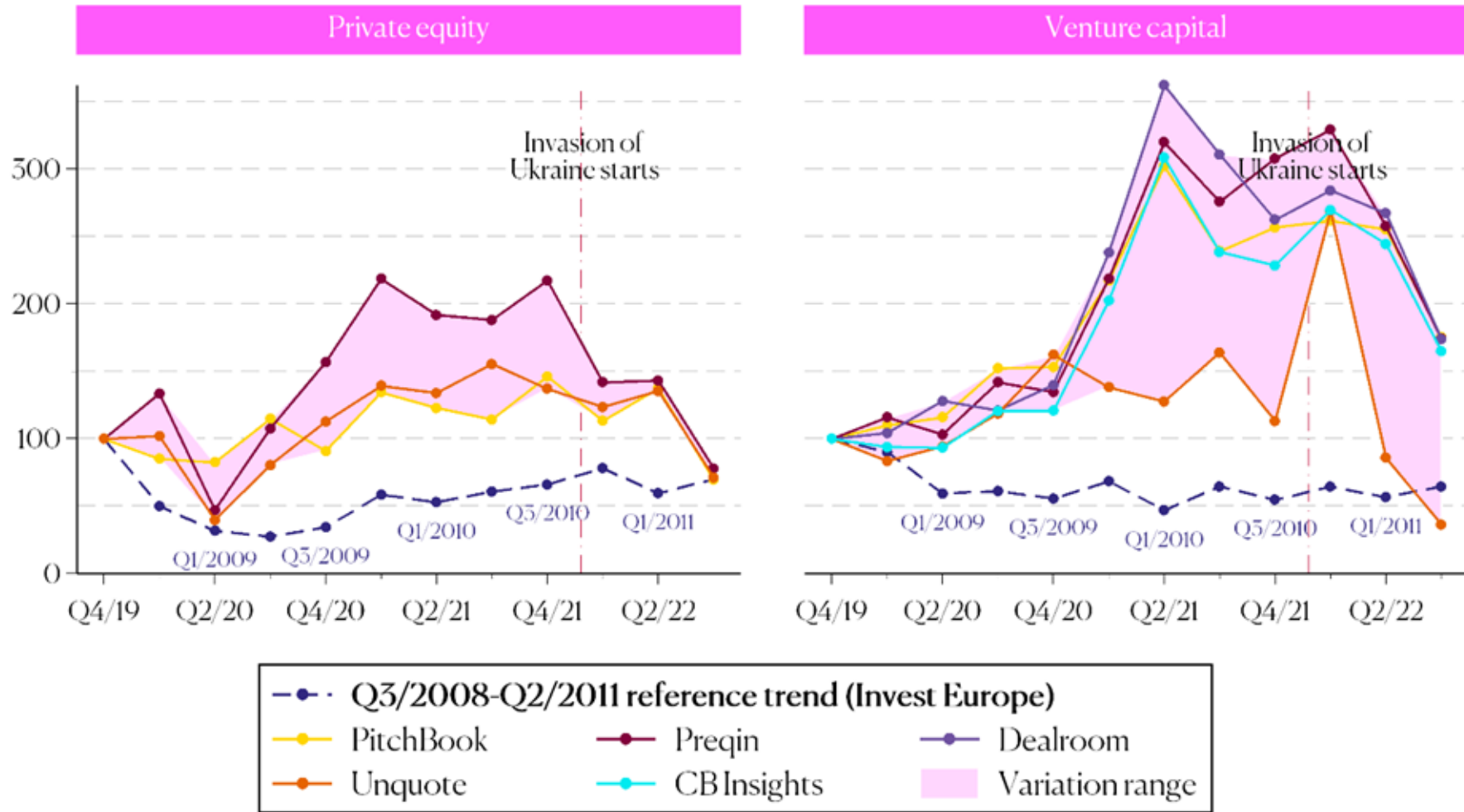
Fundraising, investment and divestment amounts by PE firms located in Europe*



* In this diagram, investment and divestment data are based on the "industry approach" (or "office approach"), i.e. by PE firms located in Europe, in contrast to the "market approach", which is based on the location of the portfolio companies.

European PE & VC activity: Recent trends

European PE/VC activity since the Covid-19 crisis vs during the global financial crisis: Indexed real PE/VC investments in Europe (Q4/2019 = 100), by data provider*



* Real investments mean nominal activity values deflated with the gross fixed capital deflator for the EU.

EIF's

*Private Market Surveys:
Introduction*

General survey features (i/ii)

- Project started 2017 with EIF VC Survey; extended to Business Angels and PE Mid-Market
- EIF Private Debt Survey in 2021
- Cooperation with academic researchers ensures high quality standards
- Online surveys
- Anonymous approach
- EIF & non-EIF counterparts
- Cooperation with key stakeholders enhances survey outreach
- High coverage of underlying survey population, good picture of the market
- Responses mainly from senior people

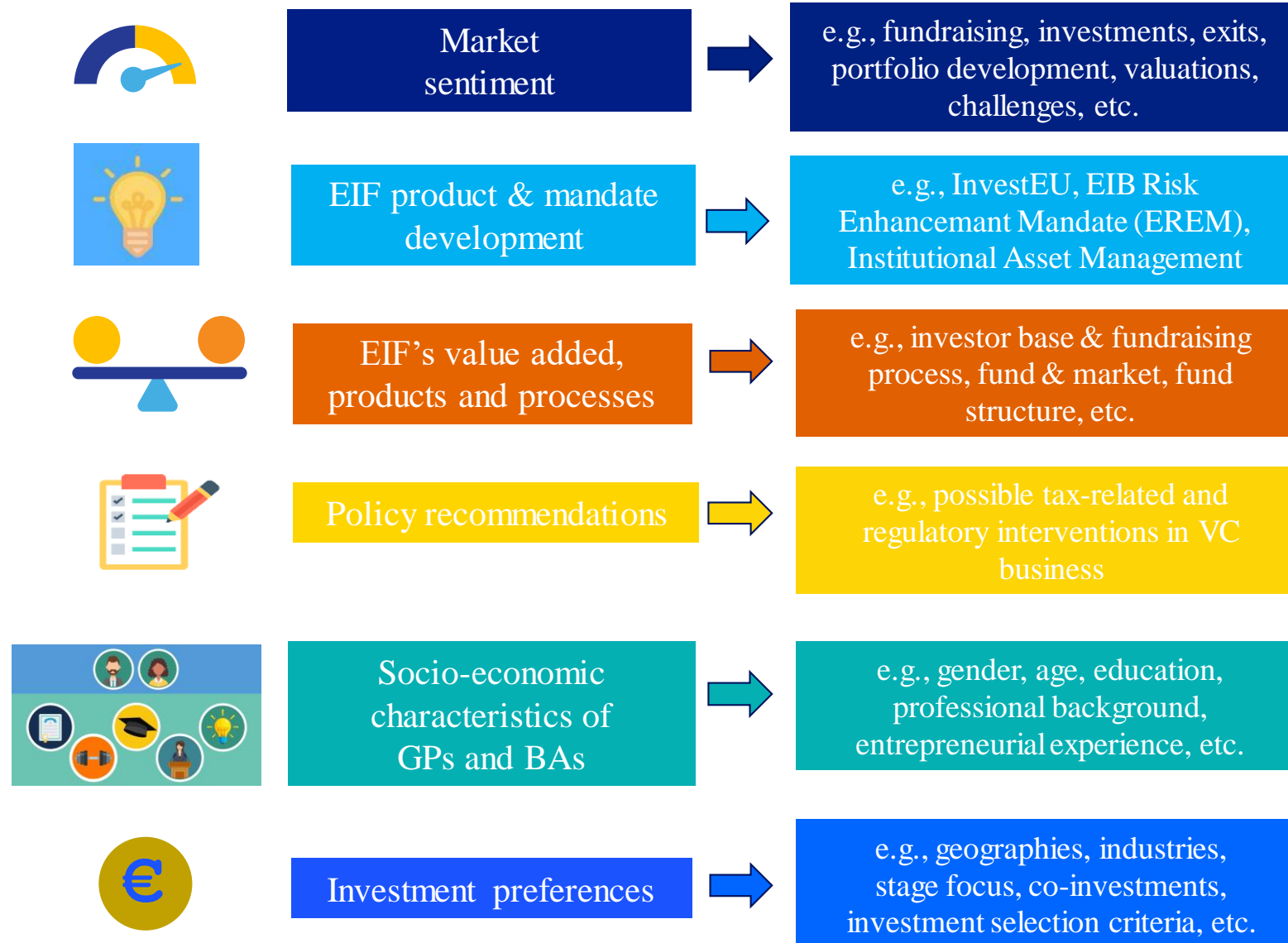
General survey features (ii/ii)

- Regular surveys: Typically once per year
- Exceptional waves and analyses in 2020 (Covid)
- Market sentiment as stable pillar + special topics
- Results are published online at <https://www.eif.org/research>



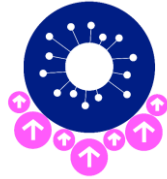
	VC	BA	PE MM	PD
First wave	2018	2019	2020	2021
Number responses (latest)	443	246	224	146
Stakeholders	EIF-internal EIB ECA Invest Europe Academics	EIF-internal EC, BAE, EBAN Academics	EIF-internal Academics	EIF-internal EIB Academics ACC nat'l associations

Survey topics*



*Survey topics since inception.

Survey topics*



Impact of COVID-19



e.g., fund & portfolio impact, fundraising impact, investment impact, policy measures, etc.



ESG & impact investing



e.g., motivation & deterrents, ESG strategies, policies & procedures, impact on investment returns, etc.



Environment and climate



e.g., KPIs, sectors, risks & opportunities, challenges, processes & practices, regulatory aspects (EU Taxonomy, SFDR), etc.



Gender diversity



e.g., policies wrt gender diversity, gender diversity indicators at fund/portfolio level, gender smart investments, etc.

*Survey topics since inception.

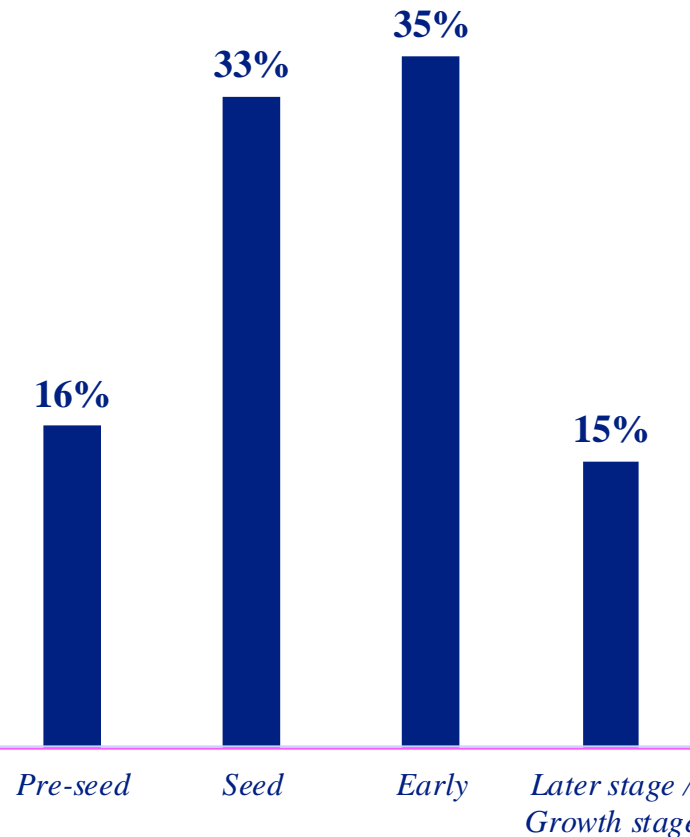
Latest survey results

The EIF VC Survey 2022

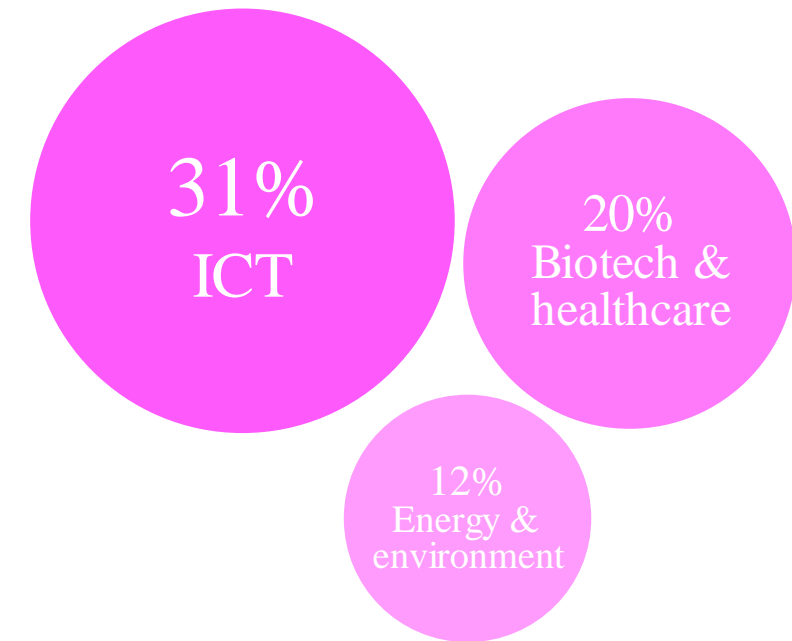
Number of respondents

443

Stage



Top sectors

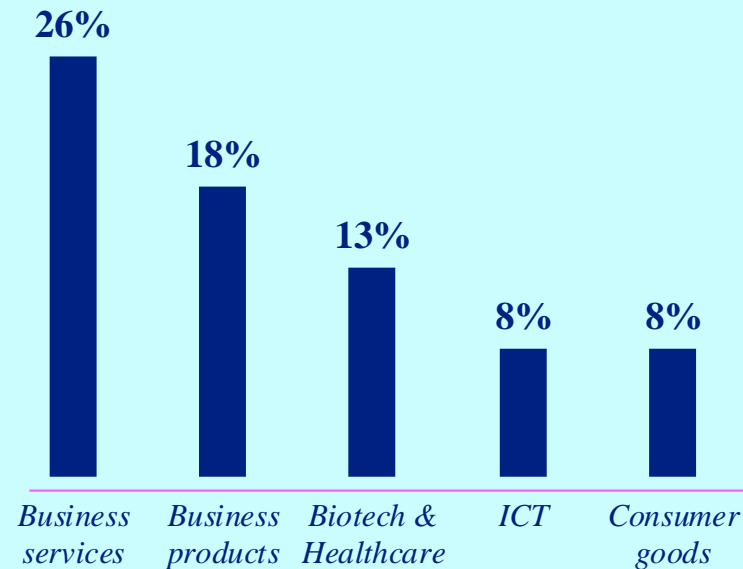


The EIF PE MM Survey 2022

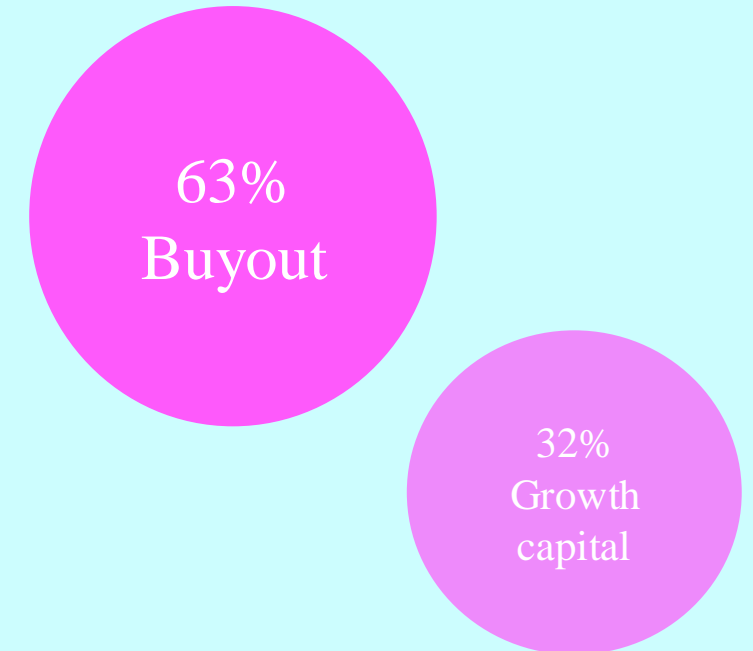
Number of respondents

224

Top sectors

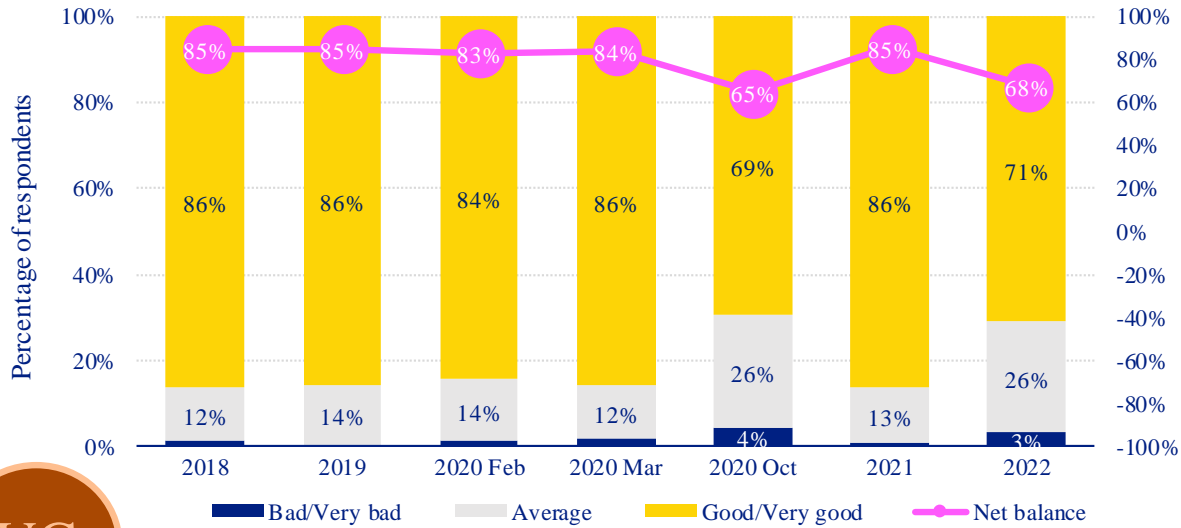


Stage

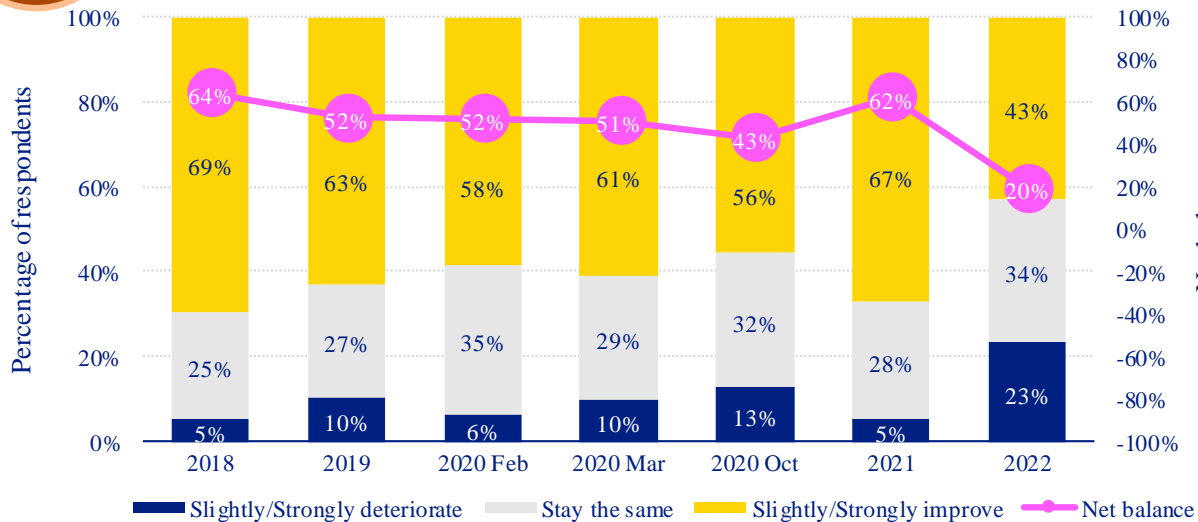


State of business

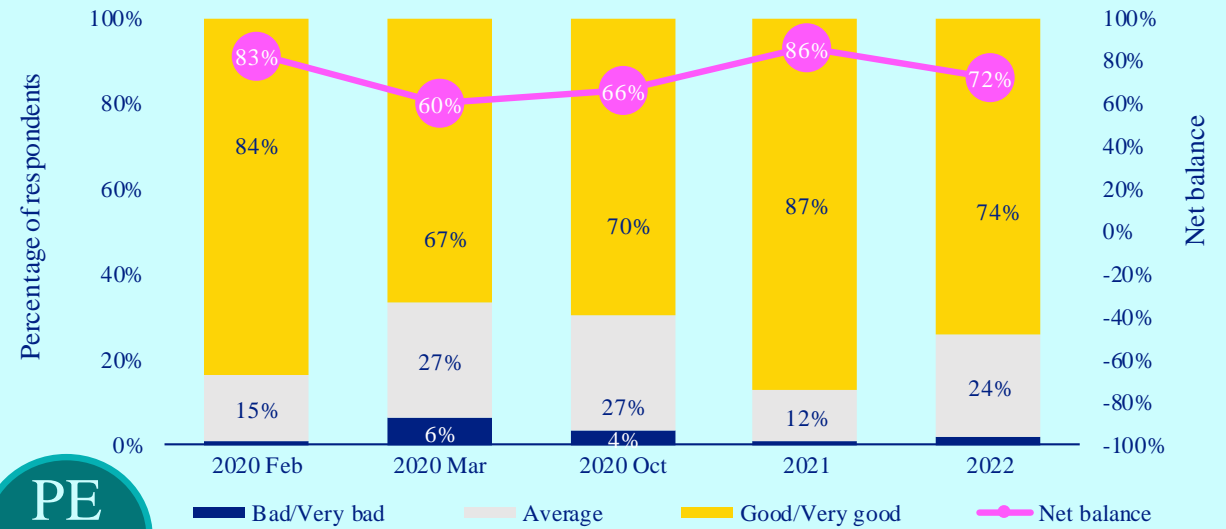
Current situation



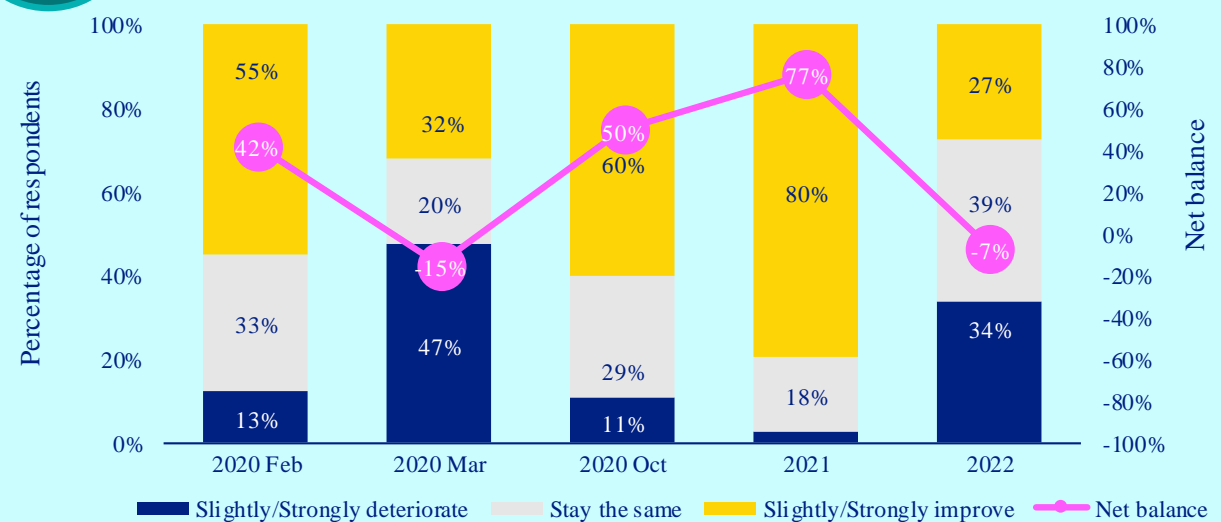
Expectations for the next 12 months



Current situation



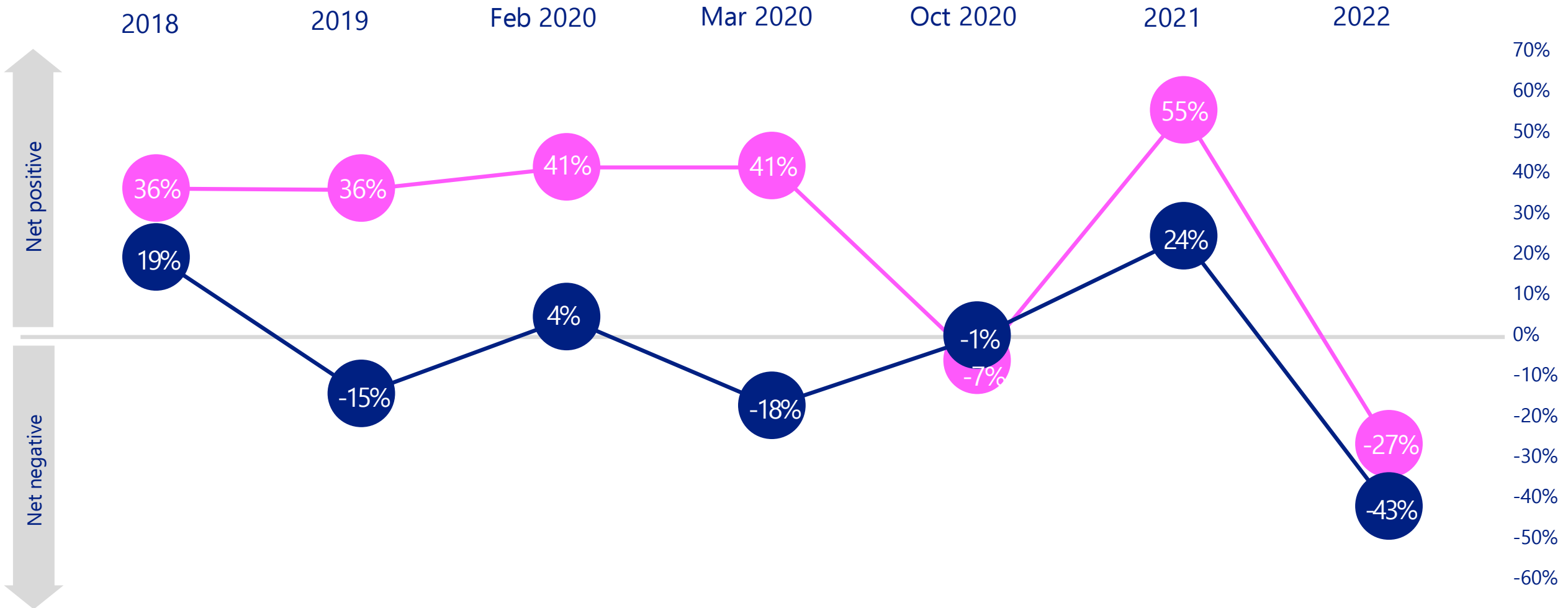
Expectations for the next 12 months



Fundraising environment VC

● Current situation ● Expectations for the next 12 months

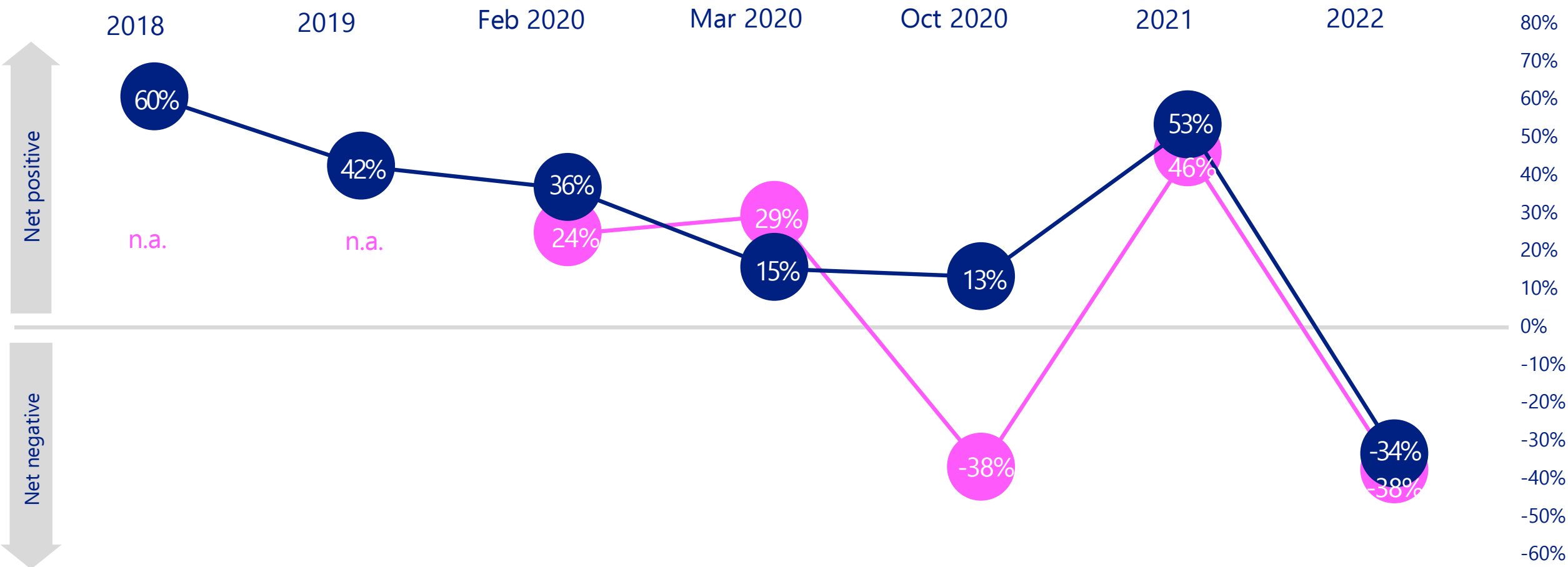
Net % of respondents
% of respondents expressing a positive sentiment minus the percentage of respondents expressing a negative sentiment



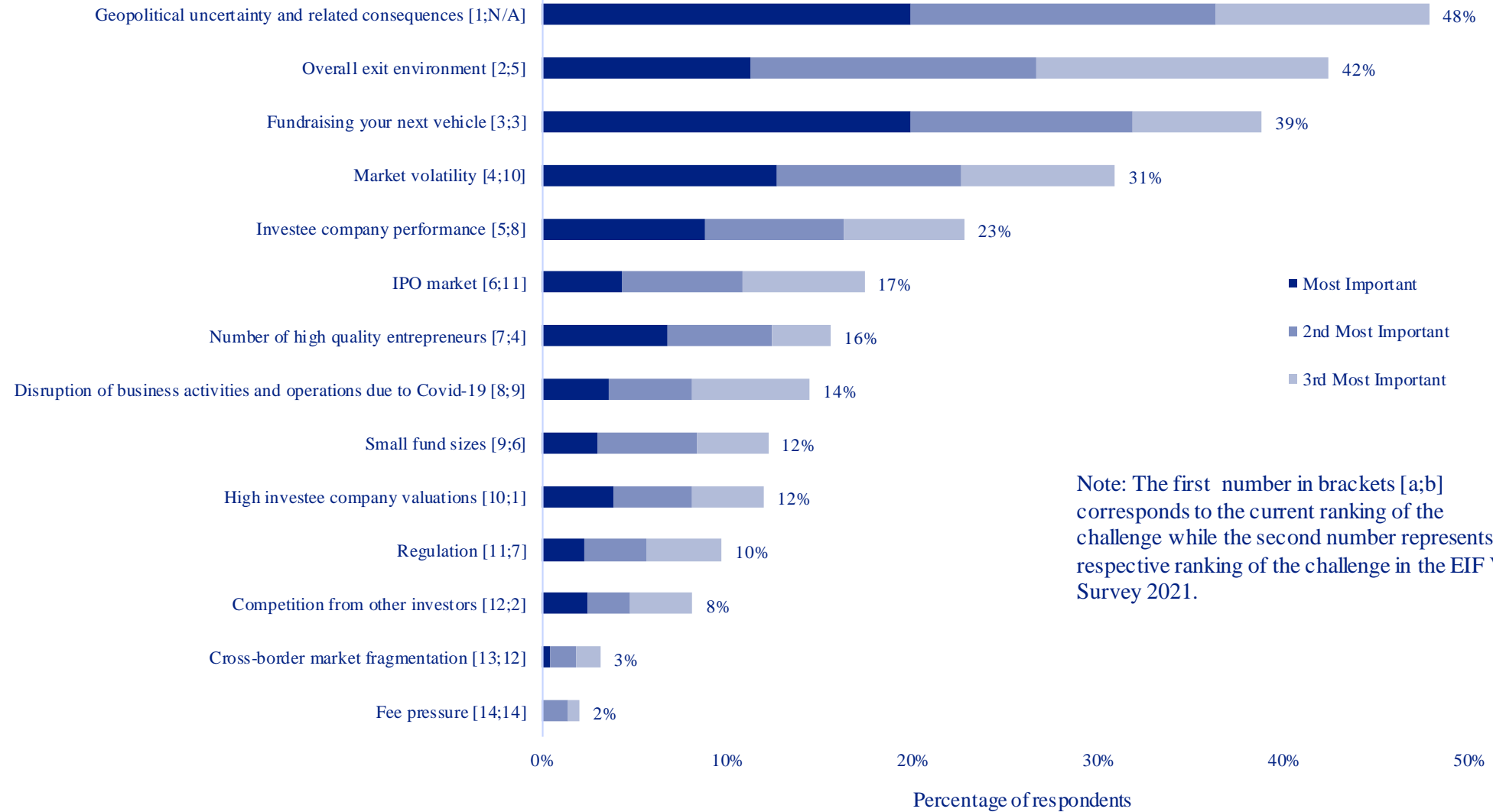
Exit environment VC

● Current situation ● Expectations for the next 12 months

Net % of respondents
% of respondents expressing a positive sentiment minus
the percentage of respondents expressing a negative sentiment



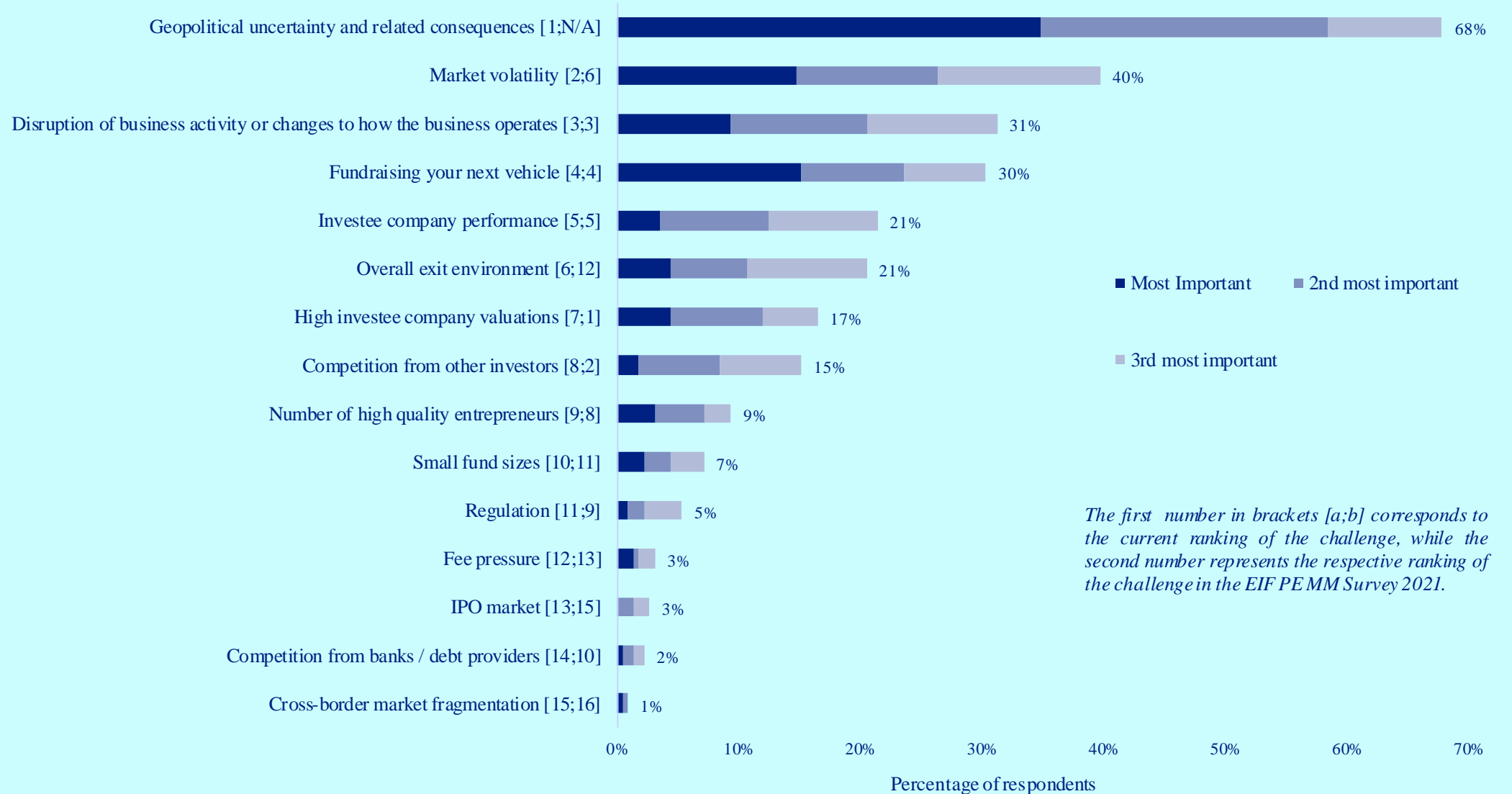
Biggest challenges currently seen in VC business



Note: The first number in brackets [a;b] corresponds to the current ranking of the challenge while the second number represents the respective ranking of the challenge in the EIF VC Survey 2021.



Biggest challenges currently seen in PE M&A business

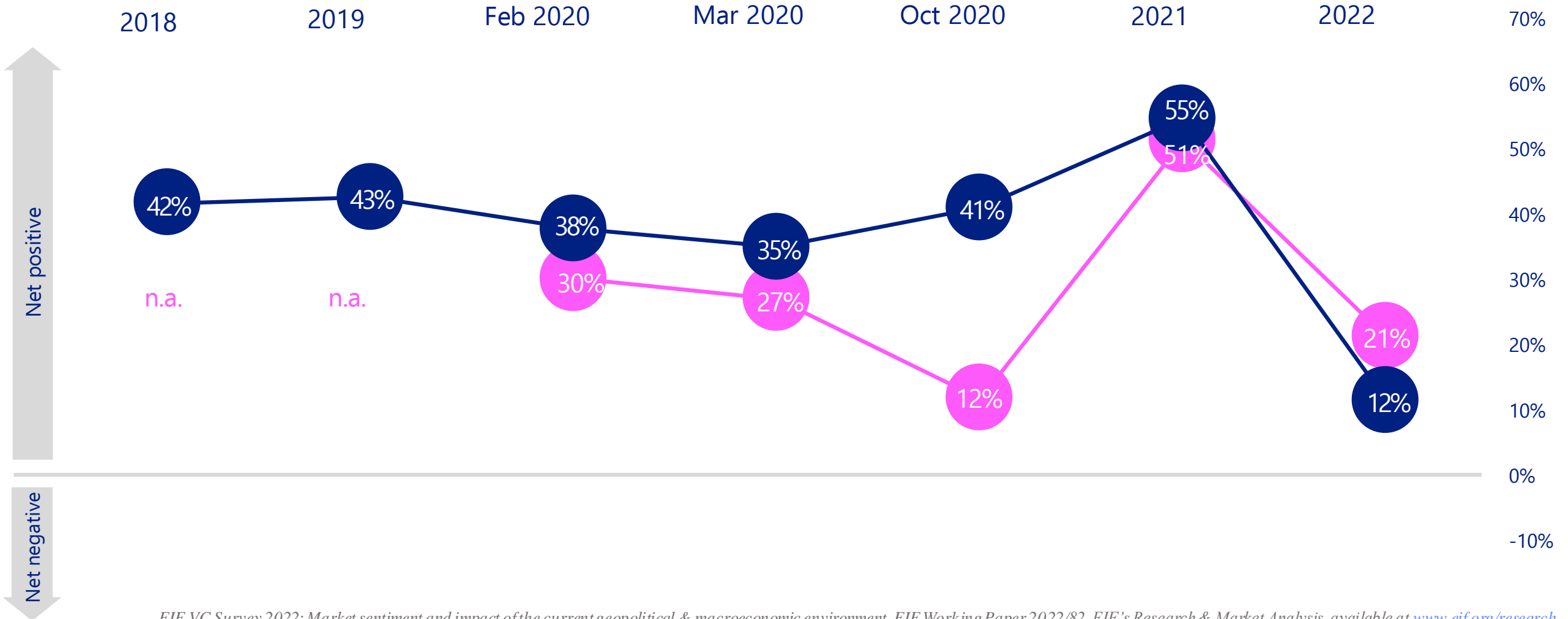




Number of new investments

- Current situation
- Expectations for the next 12 months

Net % of respondents
% of respondents expressing a positive sentiment minus the percentage of respondents expressing a negative sentiment



Most promising sectors/industries in the near future



Key: AI: Artificial Intelligence; B2B: Business-to-Business; SaaS: Software as a Service.

Q: “What sector/industry would you consider as the most promising for venture capital investments in the near future?”
 Note: The graph was generated using Wordcloud whereby the bigger the font size the more frequently the respective answer was mentioned in the free-text field.

Industry long-term growth prospects

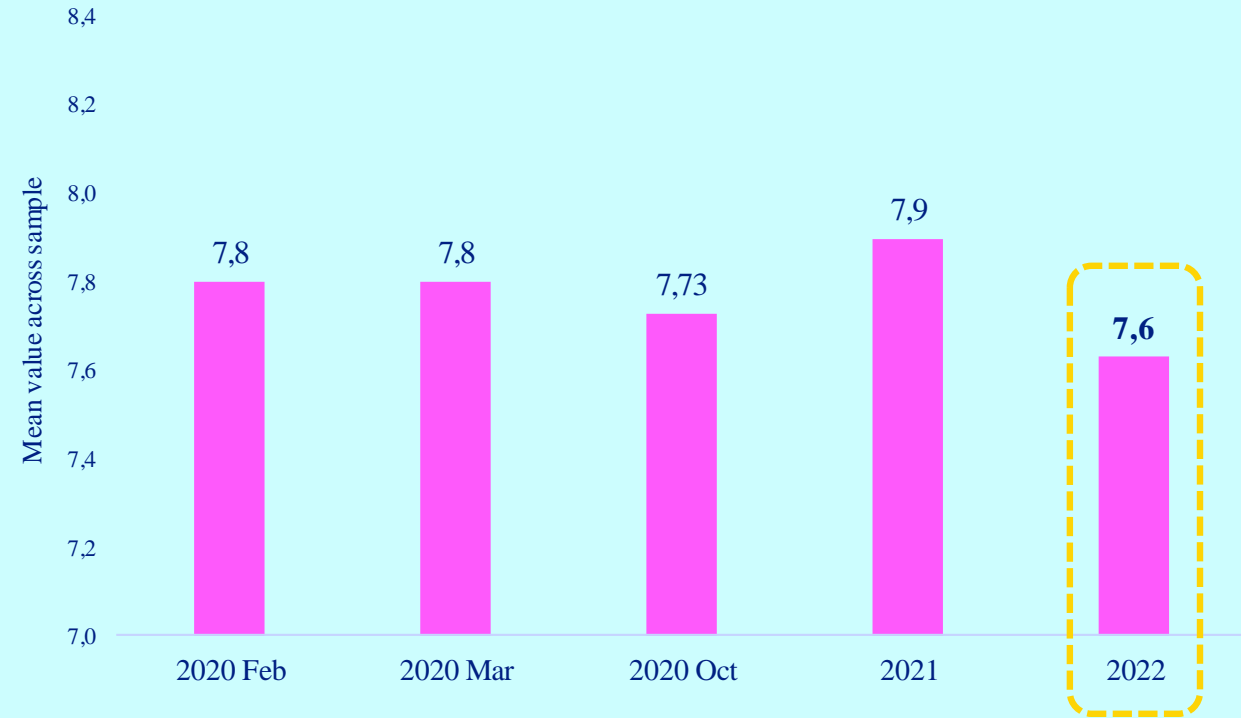
On a scale of 1 to 10, how confident are you in the long-term growth prospects of the VC/PE MM industry in **your market**?



Average confidence over time



Average confidence over time



A more technical analysis

Most important *financing-related* challenges for VC and PE portfolio companies

Financing-related challenges	I	II	III	
	VC (N=443)	PE (N=224)	Test of equality of proportions	
			Difference	p-value
Securing equity financing	77.2%	11.2%	66.0%	0.000
Securing liquidity	71.3%	23.7%	47.6%	0.000
Reduced exit opportunities	64.1%	40.2%	23.9%	0.000
Rising inflation levels	63.2%	87.9%	-24.7%	0.000
Decreases in valuation & multiples	51.7%	36.6%	15.1%	0.001
Rising interest rates	37.9%	48.7%	-10.8%	0.008
Securing debt financing	32.5%	23.7%	8.8%	0.020
Changes in other financing terms and conditions	28.2%	20.5%	7.7%	0.032
Accessing public funding	28.2%	-	-	-

Note: The table displays the combined percentages for the ‘important’ or ‘survival-threatening’ challenges that the portfolio companies of VC and PE investors face. The question asked was: “*Considering the current geopolitical situation and macroeconomic environment, to what extent do the following issues constitute a problem for your venture portfolio companies/ PE mid-market portfolio companies?*”. We report the results separately for VC and PE investors (Column I or II, respectively). Column III displays the differences in percentages and the results of a statistical test of equality of proportions between the two types of investors. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Most important *operational* challenges for VC and PE portfolio companies

Operational challenges	I	II	III	
	VC (N=443)	PE (N=224)	Test of equality of proportions	
			Difference	p-value
Shortage of skilled labour	71.8%	73.7%	-1.9%	0.610
Rising labour costs	64.6%	79.0%	-14.4%	0.001
Supply chain disruptions	57.1%	74.6%	-17.5%	0.000
Rising energy costs	41.1%	80.8%	-39.7%	0.000
Rising production costs (other than labour and energy)	40.9%	71.9%	-31.0%	0.000
Potential energy shortages	38.1%	59.4%	-21.3%	0.000
Increasing regulations and bureaucracy	37.2%	28.6%	8.6%	0.026
Lack of experience with geopolitical and macroeconomic uncertainties	27.5%	19.6%	7.9%	0.025

Note: The table displays the combined percentages for the ‘important’ or ‘survival-threatening’ challenges that the portfolio companies of VC and PE investors face. The question asked was: “Considering the current geopolitical situation and macroeconomic environment, to what extent do the following issues constitute a problem for your venture portfolio companies/ PE mid-market portfolio companies?”. We report the results separately for VC and PE investors (Column I or II, respectively). Column III displays the differences in percentages and the results of a statistical test of equality of proportions between the two types of investors. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Investor reaction: Increase in the importance of specific investment selection criteria

Investment selection criteria	I	II	III	
	VC investors (N=443)	PE investors (N=224)	Test of equality of proportions	
			Difference	p-value
Valuation and deal terms	62.3%	48.7%	13.6%	0.007
Cash-generating capacity	41.0%	42.9%	-1.9%	0.744
Profitability/profitability potential	37.9%	33.9%	4.0%	0.312
Exit potential	36.8%	29.5%	7.3%	0.060
Revenue-generating capacity	34.8%	28.1%	6.7%	0.084
Management team	27.5%	30.4%	-2.9%	0.447
Business model	25.3%	29.5%	-4.2%	0.249
ESG considerations	23.5%	43.8%	-20.3%	0.000
Geographical location of target company	21.7%	27.7%	-6.0%	0.085
Product's value proposition	19.4%	28.1%	-8.7%	0.011
Industry	16.5%	44.6%	-28.1%	0.000
Scalability of the business	16.3%	21.9%	-5.6%	0.075
Past performance/track record	16.0%	14.3%	1.7%	0.557
Our ability to add value	14.2%	23.7%	-9.5%	0.002
Diversity and inclusion considerations	14.2%	16.5%	-2.3%	0.433
Total size of the addressable market	11.5%	13.4%	-1.9%	0.483
Technology	10.8%	26.3%	-15.5%	0.000
Venture stage ^a	10.2%	n.a	n.a.	n.a.
Market leadership ^a	n.a	17.9%	n.a.	n.a.
Strategic fit in investment portfolio	10.2%	12.1%	-1.9%	0.457
Referral by other GPs/investors	8.1%	2.7%	5.4%	0.006

Note: The table displays the importance of specific investment selection criteria for VC and PE investors with the highest importance, and how this importance has changed since the beginning of the war. The question was: "How important is the following criterion for your investment decision, and how has its importance changed since the beginning of the war, given the current geopolitical situation and macroeconomic environment, has the importance of the respective investment selection criteria changed?". We report the results separately for VC and PE investors (Column I or II, respectively). Column III reports the differences in percentages and the results of a statistical test of equality of proportions between the two types of investors. *** p < 0.01, ** p < 0.05, * p < 0.1

^aThe investment selection criterion 'venture stage' ('market leadership') was only included in the VC survey (PE survey).

Concluding remarks

Negative developments in the VC & PE markets in 2022

Market sentiment deteriorated

No “long COVID”; but geopolitical and macroeconomic uncertainties had a negative impact on European VC & PE markets.

GPs face significant challenges ...

Fundraising; Exit environment & exit prices; Finding potential buyers; Financing, market-related & operational issues; Rising costs.

... but also opportunities?

Exceptional times require unique market insight

Evidence-based policy intervention to address challenges and opportunities

- The EIF concentrates on supporting the necessary private sector VC infrastructure to **address market gaps and challenges** as well as to **support opportunities** with the aim to further enhance the **attractiveness of European VC** as an alternative asset class.
- In order to improve the availability of information for **evidence-based policy interventions**, the EIF performs, on a regular basis, the *EIF VC Survey*, the *Private Equity Mid-Market Survey*, and the *EIF Business Angels Survey*. In addition, the *EIF Private Debt Survey* has also been launched in 2021. These surveys are all conducted on an **anonymous basis**. An additional survey of National Promotional Institutions (NPIs) with VC activities is in preparation.
- The already large outreach of the EIF surveys, which are **coordinated by EIF's Research Market Analysis (RMA)**, and the high relevance of the questionnaire topics for both market participants and policy makers have further increased through a **cooperation with Invest Europe** from 2021 onwards. **Cooperation with academics** ensures a high quality level of the surveys.

The EIF surveys provide a unique source of information and insight

- The EIF's private market surveys provide the opportunity to retrieve **unique market insight**. To the best of our knowledge, the combined *EIF VC Survey* and *EIF PE MM Survey* currently represent the **largest regular survey exercise among GPs in Europe**.
- The 2022 wave of the *EIF VC Survey* and the *EIF PE MM Survey* focused on the **impact of the Russian invasion in Ukraine and the geopolitical and macroeconomic implications on the European VC and PE market sentiment**. This enabled us to look at the **current situation, developments in the recent past, and expectations for the future**. We also summarised and compared the findings over time across crises.
- The EIF survey results are published in the **EIF Working Paper series**: www.eif.org/research. Several new survey-related publications are under preparation or have been submitted to academic journals. Topics include Investing in Environment & Climate, Gender diversity, and the impact of the war in Ukraine and the macroeconomic environment on PE/VC.

Thank you for your attention!



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big things can happen*

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In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. EIF manages resources on behalf of the EIB, the European Commission, national and regional authorities and other third parties. EIF support to enterprises is provided through a wide range of selected financial intermediaries across Europe. EIF is a public-private partnership whose tripartite shareholding structure includes the EIB, the European Union represented by the European Commission and various public and private financial institutions from European Union Member States, the United Kingdom and Turkey. For further information, please visit www.eif.org.

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