



STARTUPS

PAN-EUROPEAN VENTURE CAPITAL FUNDS-OF-FUNDS PROGRAMME (VENTUREEU)

On the 10th of April, the European Commission and the European Investment Fund (EIF, <http://www.eif.org/>) have launched the Pan-European Venture Capital Funds-of-Funds programme (VentureEU, http://europa.eu/rapid/press-release_IP-18-2763_en.htm) with the aim to boost investment in innovative start-up and scale-up companies across Europe.

The program has its origins in the Capital Market Union (CMU, https://ec.europa.eu/info/business-economy-euro/growth-and-investment/capital-markets-union_en) and in the Start-Up and Scale-Up initiatives (<https://ec.europa.eu/digital-single-market/en/news/new-initiative-startups-start-and-scale-europe>), respectively launched in September 2015 and November 2016, both trying for building the right ecosystem for European entrepreneurs.

The VentureEu aims to implement the venture capital availability across Europe: indeed, the existing VC investments in EU (6,5 billion) cannot compete with the

US ones (39.4 billion), a gap which drives many European startups to move to other countries.

How the VentureEu works?

According to the program, the EU will provide cornerstone investment up to €400 million, including, namely:

- €200 M from the Horizon2020 innovFin Equity;
- €105 M from Europe's programme for small and medium-sized enterprises (COSME);
- €105 M from European Fund for Strategic Investments (EFSI);
- EIF shall invest €67 M in own resources.

As each EU Investment is capped at 25%, the promoter must raise the remainder 75%, which means an additional investment in the ecosystem around €1.6 billion. The second round of investments will be run by a pool of six fund-managers chosen after a call and a pre-selection procedure which included pre-defined thresholds and criteria covering the expected performance. So far, just two of the pre-selected funds have signed an agreement with the EIF (Isomer Capital and Axon Partners Group), the remaining four being expected to sign in 2018

(Aberdeen Standard Investments, LGT, Lombard Odier Asset Management and Schroder Adveq).

The 6 fund-managers shall inject 2.1 billion in smaller investee funds and shall cover projects in at least four European countries each. The investee-funds, in turn, shall inject venture capital in small and medium-sized enterprises (SMEs) and mid-caps from innovating sectors, such as information and communication technologies (ICT), digital, life sciences, medical technologies, and resource and energy efficiency.

By injecting the cornerstone investment, the European Commission and the EIF intend to trigger a leverage effect, which shall lead to rise up to €6.5 billion of new investments.

The strength of this vehicle lies in the partnership and cooperation between the European Commission as supervisor, the EIF as manager and the fund-managers as intermediaries between large institutional investors and smaller venture capital funds: the purpose is to use public money to attract substantial amounts of private investments.

[How the startups can reach the investments under the VentureEU?](#)

The startups should contact the selected funds in order to understand what criteria they shall meet in order to obtain the investments at the individual fund level.

Since that the funds-of-funds will need some time to complete fundraising and start investing in VC funds, the first investments in investee-funds are expected to take place within one to two years after the funds-of-funds' engagement.

It has been calculated that around 1,500 innovating startups will take benefit from this program.

The injection of VC is expected to reduce the gap between the European Unicorns (26 in 2017) and the US and the Chinese ones (respectively 109 and 59 in 2017).

The VC injection is just one of the measures that the Commission is running in order to foster the investments in European startups. For instance, the Commission introduced, on 1 March 2018, new rules which make easier for fund-managers to run the investee-funds and for companies to benefit from the investments (EuVECA and EuSEF), and is exploring to possibility to establish a single EU VAT area, as well as a Common Consolidated Corporate Tax Base (CCCTB). A European Network (Enterprise Europe Network) has been set up to help startups to find funding opportunities and to access cross-border public procurement.

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