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# Financial Instruments under the JEREMIE Initiative in Languedoc-Roussillon (FR)

*Zagreb 24 November 2015*

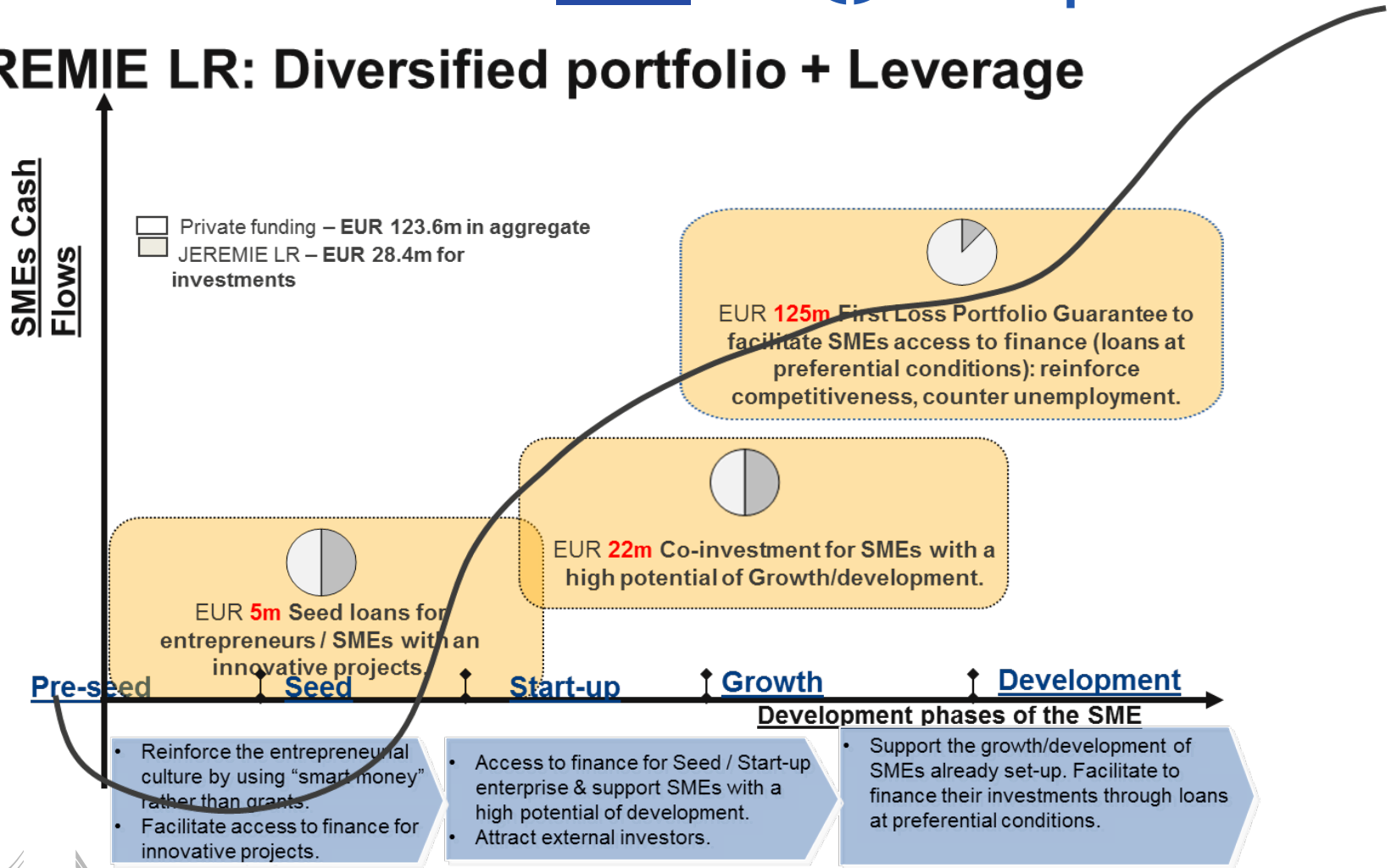




- **Key figures:**
- *2.7m inhabitants* *HR: 4.2m*
- *GDP/inhab. : € 23,500* *HR: \$20,800 PPP*
- *220,000 SMEs* *HR: 91,000*



# JEREMIE LR: Diversified portfolio + Leverage





Europe (ERDF)  
EUR 15m

Region:  
EUR 15m



**JEREMIE Holding Fund (JHF) :**  
EUR 30m in aggregate

EIF  
HF manager



**Seed loans Instrument:**  
  
EUR 2.5m  
Leverage of 2  
i.e.  
EUR 5m for LR's SMEs



**Co-investment Instrument:**  
  
EUR 11m  
Leverage of 2  
i.e.  
EUR 22m for LR's SMEs



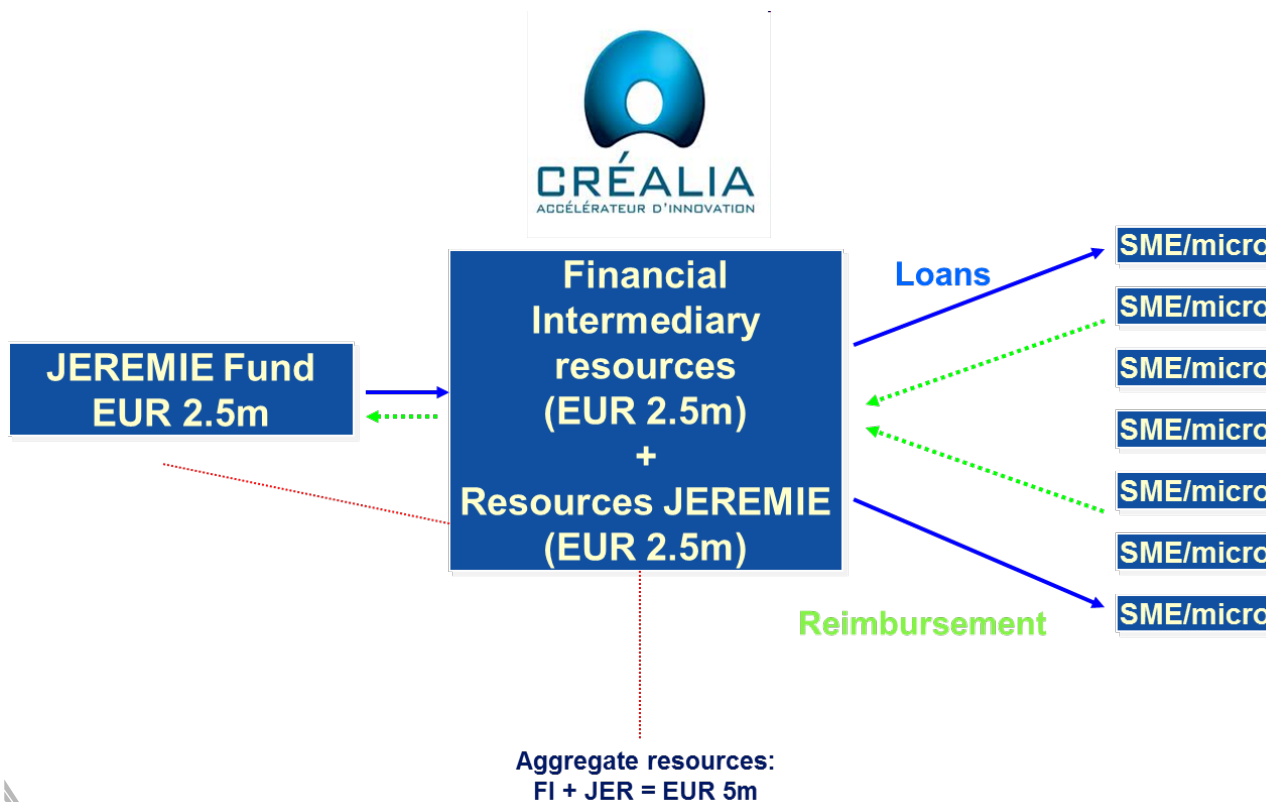
**Guarantee Instrument:**  
  
EUR 14.9m  
Leverage of 8.4  
i.e.  
EUR 125m for LR's SMEs



i.e. a TARGET of EUR 152m for LR's SMEs



# 1. Seed loan instrument (risk sharing on 50/50 basis)



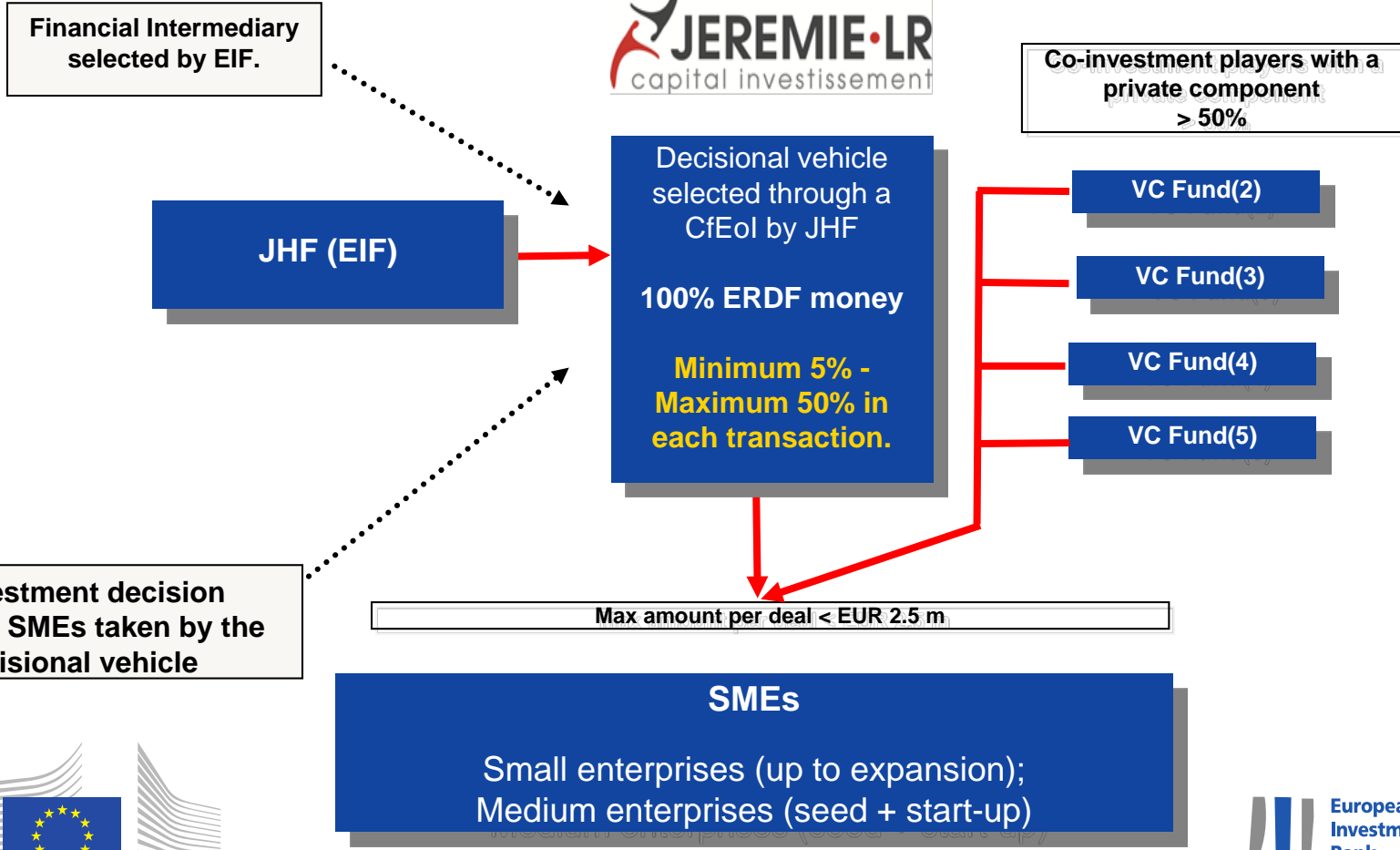


# 1. Seed loan instrument

- **Amount:** EUR 5m
- **Objective:** Support micro and small enterprises with innovative projects, especially newly established;
- **Target:** SMEs less than 3 years old, or young entrepreneurs accepting to create their own SME within 6 months;
- **Target:** SME (less than 3 years since inception, or entrepreneurs with the duty to set up their SME in the next 6 months),
- **Features of each loan:** max EUR 100 000, interest free, no personal guarantee required;
- **Eligibility:** Investments in assets, working capital if linked to an expansion plan;
- **Availability Period:** 36 months;
- **Maturity of the loans:** Min. 6 months, max. 48 months (including grace period of 12 months);
- **Others:** Risk sharing between the JHF and the FI → 50%/50%;
- **State Aid:** De-minimis regulation.



## 2. Co-investment instrument



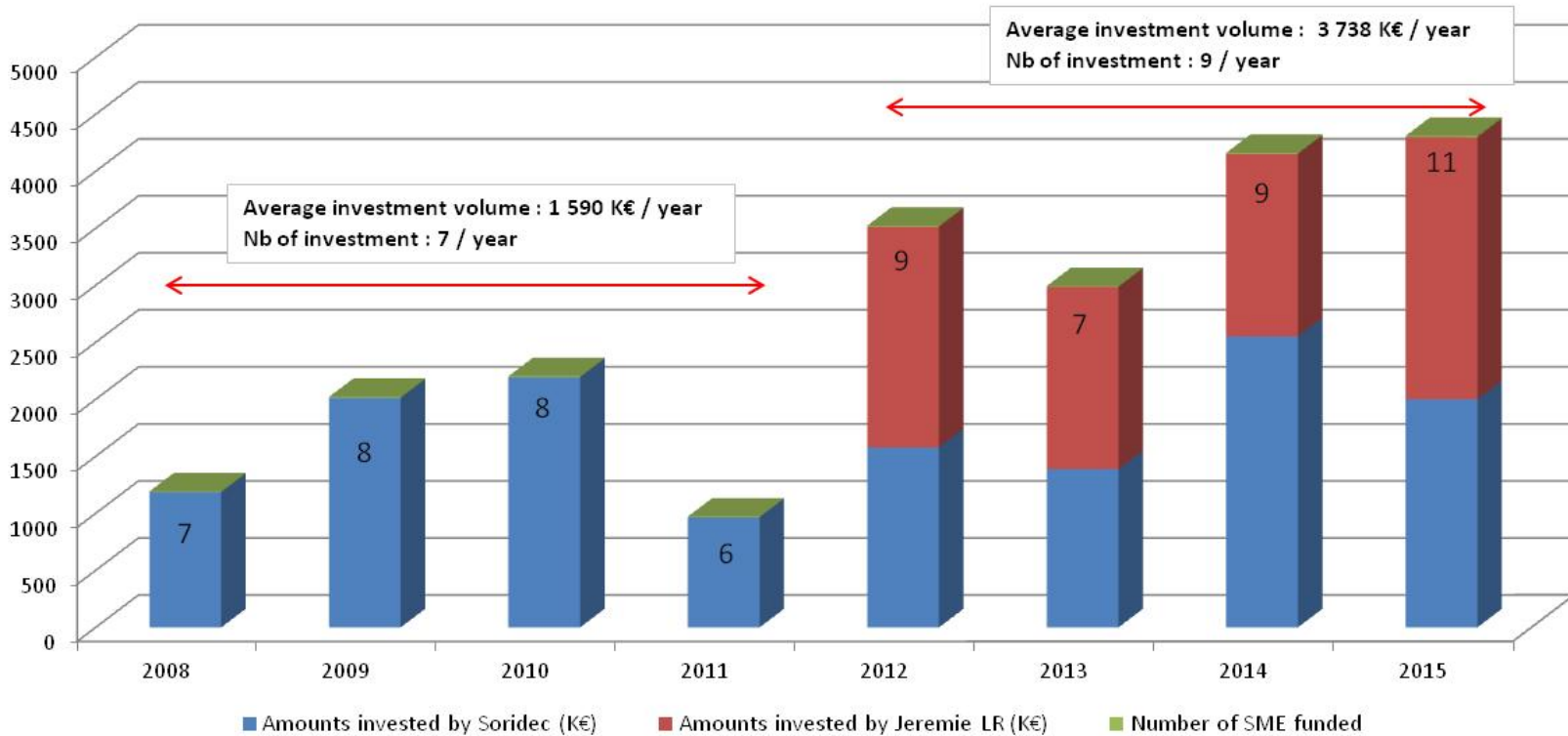


## 2. Co-investment instrument



- **Fund size of the co-investment vehicle:** EUR 11 m;
- **Purpose:** Equity financing to SMEs with high potential;
- **Term of the fund:** 10 years;
- **Max amount per SME:** EUR 2.5 m on annual basis (second rounds possible as needed);
- **Sectors:** Cross-sector. Special attention on innovative and technology SMEs;
- **Investment period:** 31/12/2015;
- **Stage of intervention :** Small enterprises (up to expansion); Medium enterprises (seed + start-up),
- **Co-investment:** vehicle to co-invest with private investors, at least on 50/50 basis, on “pari passu” terms;
- **Returns:** JHF is entitled to receive any distributions from investments (dividends, capital gains), equal to paid-in capital + ‘hurdle’ rate (at least 5%); thereafter carried interest split 80/20,
- **State Aid:** National State Aid Scheme.

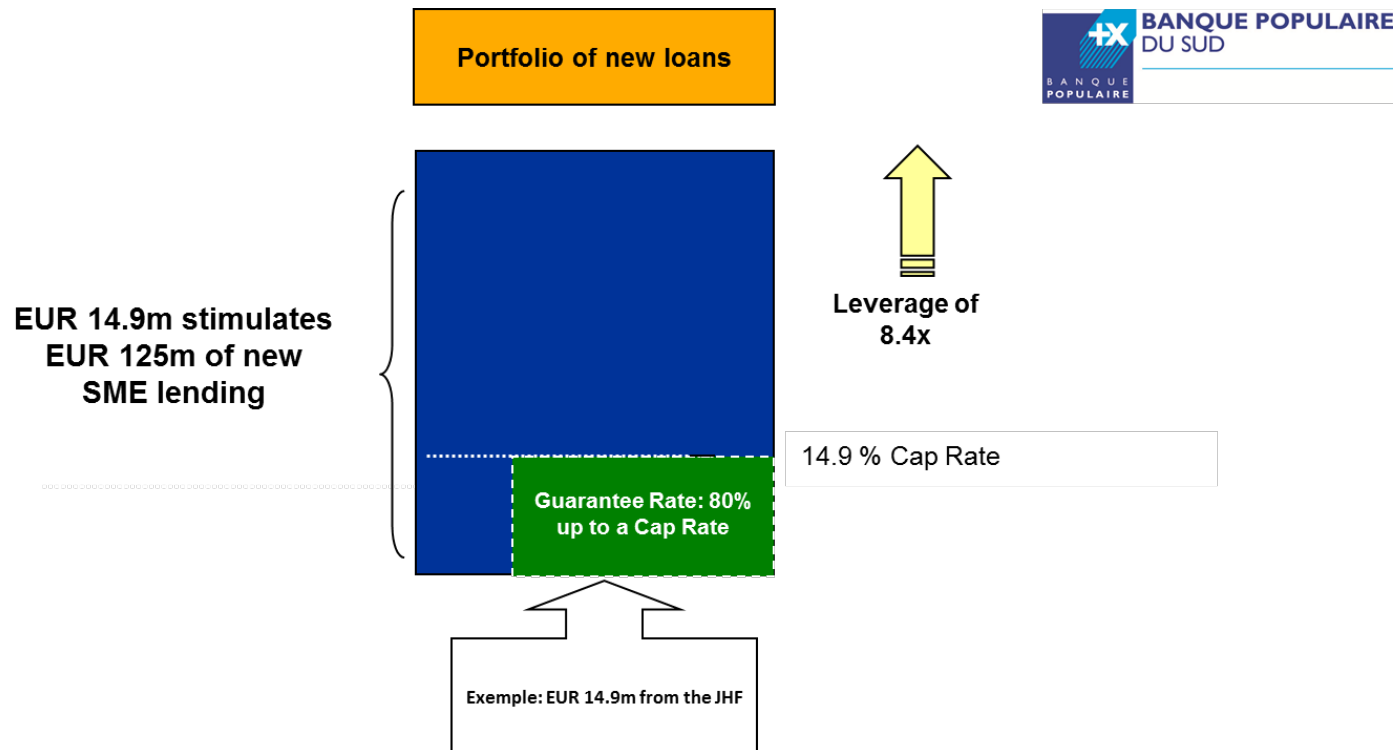




**Co-investment instrument: real additionality vs the past**



### 3. Guarantee Instrument First Loss Portfolio Guarantee (FLPG)





### 3. Guarantee instrument



- **JHF contribution:** EUR 14.9 m;
- **Purpose:** Facilitate access to finance for SMEs by offering them better terms and conditions (price reduction and collateral requirement reduction);
- **Guarantee rate:** 80%, the guarantee covers the first loss up to a certain percentage (cap rate);
- **Leverage:** 8.4x, build up a portfolio of loans for around EUR 125m;
- **Availability period (time to build up the portfolio):** 36 months;
- **Eligible SMEs:** Cross-sector;
- **Eligible Loans:** Investment + working capital (in the framework of an expansion plan);
- **Loans Maturity :** 12 – 96 months;
- **State Aid:** De-minimis regulation.



# Results?



*As at October 2015*

## Seed loan instrument

- SMEs financed: 93
- Total amount: **EUR 4,661,000**
- First reimbursement to the JHF of **EUR 800,000** – reallocated to the instrument.

## Co-investment instrument

- SMEs (co-)financed: 31
- Amount from JEREMIE : EUR 10,643,000
- Total amount (with private co-investors): **EUR 45,772,000** (against target of EUR 22m) – Direct leverage: 4.1x
- Two companies were exited via IPO (Medtech & Awox) – success for a regional scheme

## Guarantee instrument

- SMEs financed: 1,235
- Total amount: **EUR 124,400,000** – Direct leverage : 8.4x

## TOTAL:



**1,359 SMEs financed, for a total amount of EUR 174,833,000**





# Medtech : Success-story

Company specialised in Surgical Robotics

## BEFORE INVESTMENT (2012)

## AFTER INVESTMENT (until now)

Specialised in Neurosurgical



Extend to spine Surgery (huge market)

Staff around **15 employees**



Staff around **40 employees**

Sales in **France and USA**



Sales **all around the world**

Renting Small offices



Built new building

Performed a **seed round**



**Raised EUR 20m** - Listed on Euronext (EUR **65m market cap**)

**EUR 1.9m** turnover



**EUR 20 m** turnover expected in 2016



*From a Small start-up to a promising intermediate-sized enterprise !*



## Economic impacts :

### Meet SMEs' financing needs

- ☐ Strengthen the financial chain financing SMEs ----->

- ✓ 1 359 SMEs
- ✓ EUR 174.8m

### Leverage

- ☐ Financing more SMEs with less public resources ----->
- ☐ Attract private money into LR Region ----->

- ✓ Leverage > 5.7 x

### Alignment of interest

- ☐ Both Public and Private financial involvement ----->

- ✓ Many applications received (18)
- ✓ Risk is shared between Public - Private

### Revolving concept & flexibility

- ☐ Entailing further SMEs to be financed ----->

- ✓ Money already paid back to the Holding Fund
- ✓ Treasury management

### Benefit pass onto SMEs

- ☐ Clear advantage passed, prompting SMEs into investing ----->

- ✓ Interest Rate reduction,
- ✓ Collateral requirements reduction,
- ✓ Strengthen the Capital of SMEs

### Knowledge transfer

- ☐ EIF – MA – FI





## Key lessons to bear in mind:

### Ex-ante analysis key for success

- Assessing the needs of SMEs is paramount
- Access to finance and related gaps are particularly relevant
- Investment strategy to reflect the analysis

### Why a fund of funds?

- Seek critical mass and economies of scale (avoid scattering effect)
- A mid to long term strategy with a fund of funds structure
- Diversification of portfolio and of risks
- Multiplies approach vs SMEs and their different needs and stages

### Choice of the right partners

- Selected FoF must have wide experience in terms of product design&implementation, selection, negotiation, monitoring & reporting
- Selected FoF must be perceived as reliable by the market
- Certain instruments require specific features, e.g. rating of guarantor (EIF AAA)
- Independent, transparent and competitive selection intermediaries (difficult choice)





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# Thank you for your attention !

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