



European Union
Regional Development Fund



Investing in your future



EUROPEAN
INVESTMENT
FUND

EstFund – ESI Fund and EFSD Combination in Estonia

Luxembourg, 16 November 2016

Krisjanis Zarins, EIF

“ We are a value-driven institution with over 400 staff, committed to EU policy objectives and financial sustainability ”



Shareholders

- 59.9% European Investment Bank (EIB)
- 28.1% European Commission
- 12% 30 public and private financial institutions

Strong capital base

of EUR 4.5bn

AAA-rated

by the three major rating agencies

Over 20 years

of market experience in SME financing

“ We are the prime provider of SME financing in Europe ”

Overall commitments

- EUR 3.3bn (2014)
- EUR 7 bn (2015) in equity, guarantees, securitisation and microfinance

Mobilised resources

- EUR 13.9bn (2014)
- EUR 26.9bn (2015)

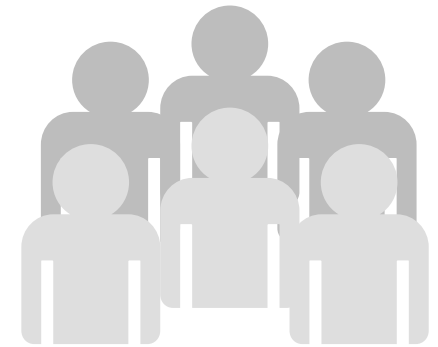
SMEs supported

- over 1.8 million since 1994
- 110,000 in 2015

Partners

- 600 private equity funds
- 400 banks, guarantee and promotional institutions

“ We work with a wide range of counterparts to support SMEs ”



Resources and mandators

- European Investment Bank
- EIF own resources
- European Commission
- Member States/regions
- Managing authorities
- Corporates/private
- Public institutions
- Other third parties



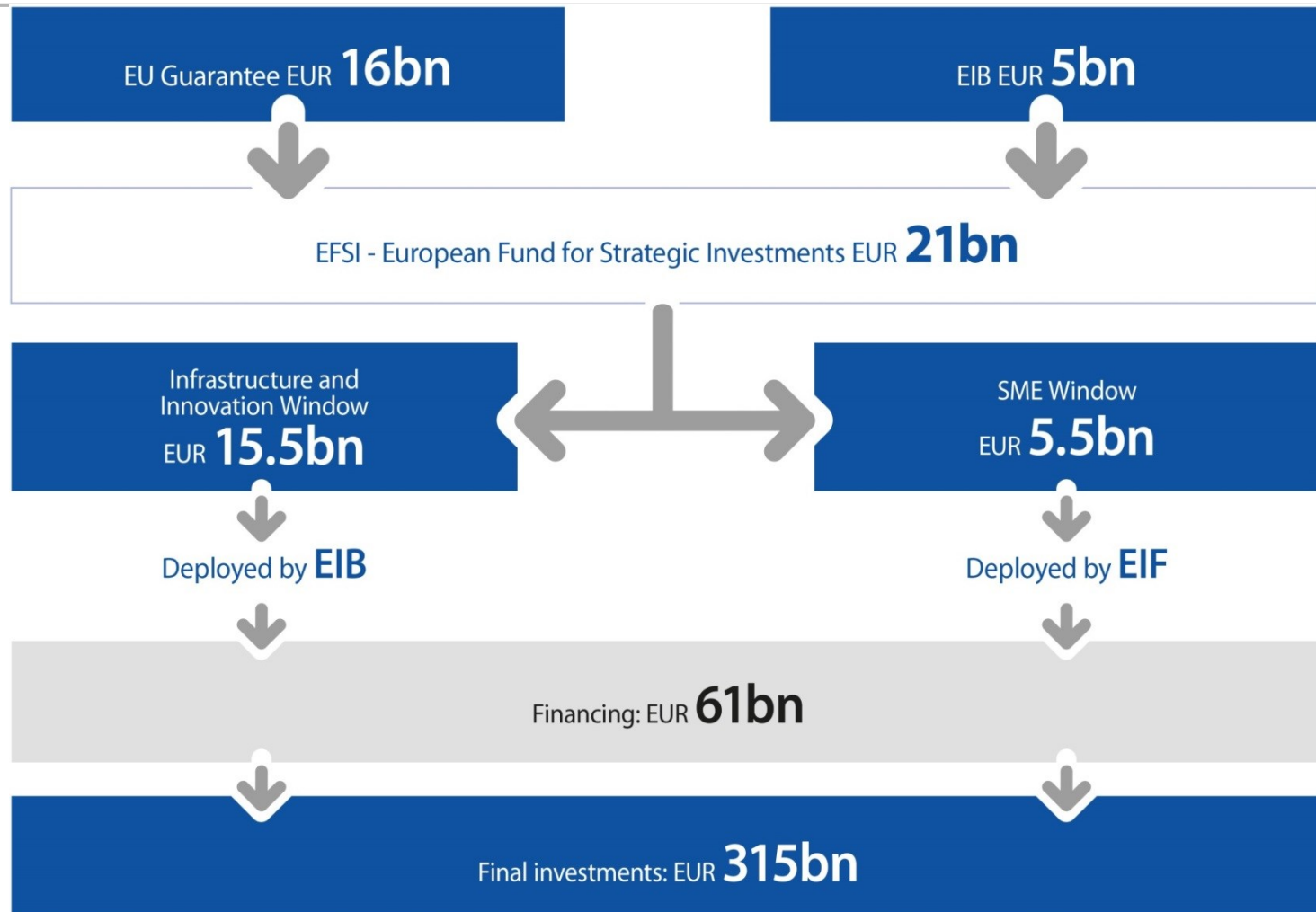
Intermediaries and counterparts

- Fund managers
- Commercial banks
- Development and promotional banks
- Guarantee institutions
- Leasing companies
- Corporates
- Business angels
- Microfinance institutions



micro-
enterprises,
SMEs
and small
mid-caps

European Fund for Strategic Investments (EFSI)



EFSI SME Window

ESIF Co-investment Window (RCR)



- Special EUR 200m window enabling EIF co-investments with ESIF resources via risk capital fund-of-fund structures.

“ESIF Co-Investment Window”

means a dedicated window under the RCR Mandate aimed at financing ESIF Investment Structures, as further detailed in Section 12 of the Strategic and Operational Guidelines

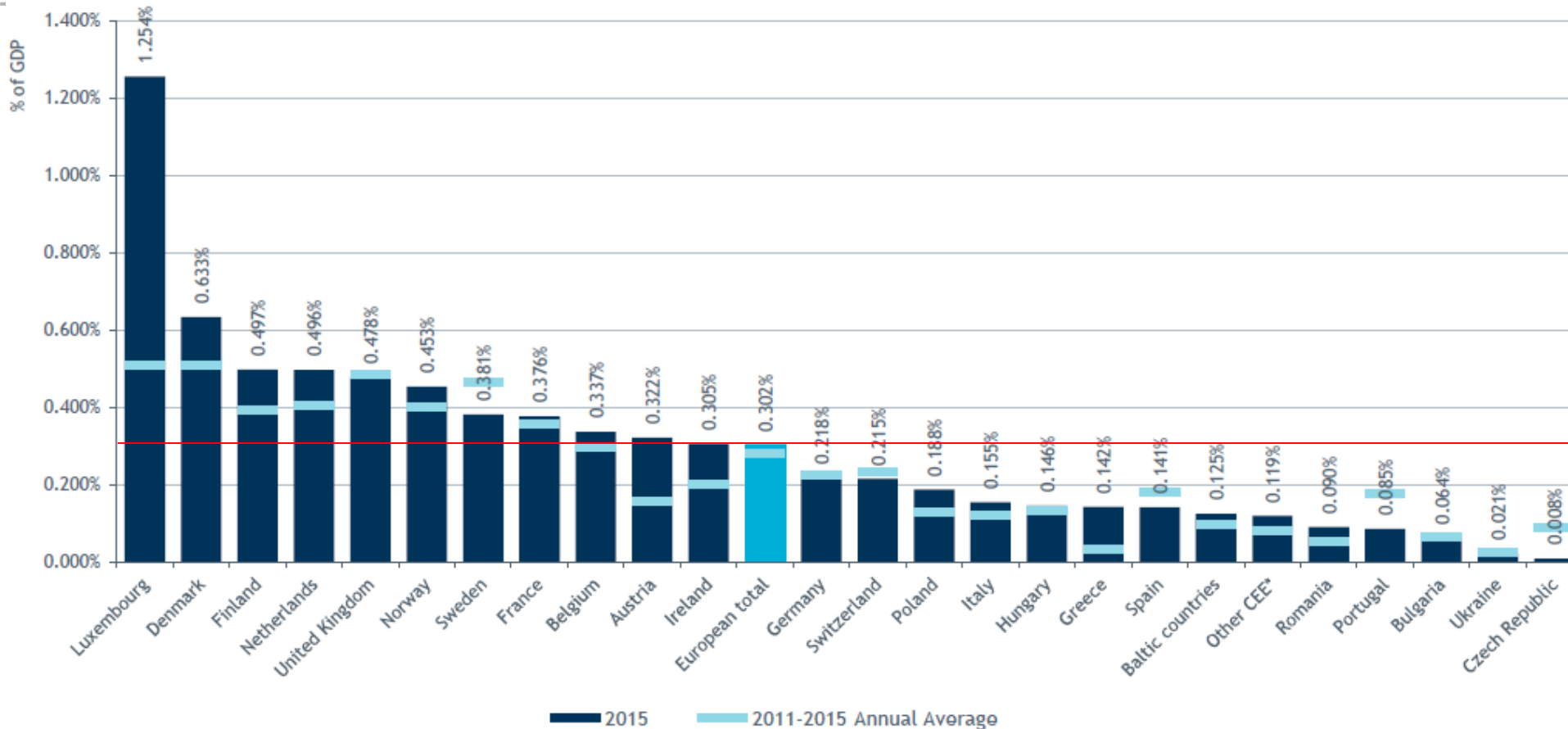
“ESIF Investment Structures”

means an Investment Structure where there are at least the following two investing parties: (i) the EIF, investing ESIF resources on behalf of the relevant managing authority of a Member State, and (ii) the EIF, investing RCR under this Mandate Agreement, and where the EIF also acts as the manager of such Investment Structure

- Unique blending of ESIF and EFSI resources, leveraging up the impact
- Estonia and Sweden served as a pilot, but further interested countries lining up – Czech Republic, Greece, French region, etc

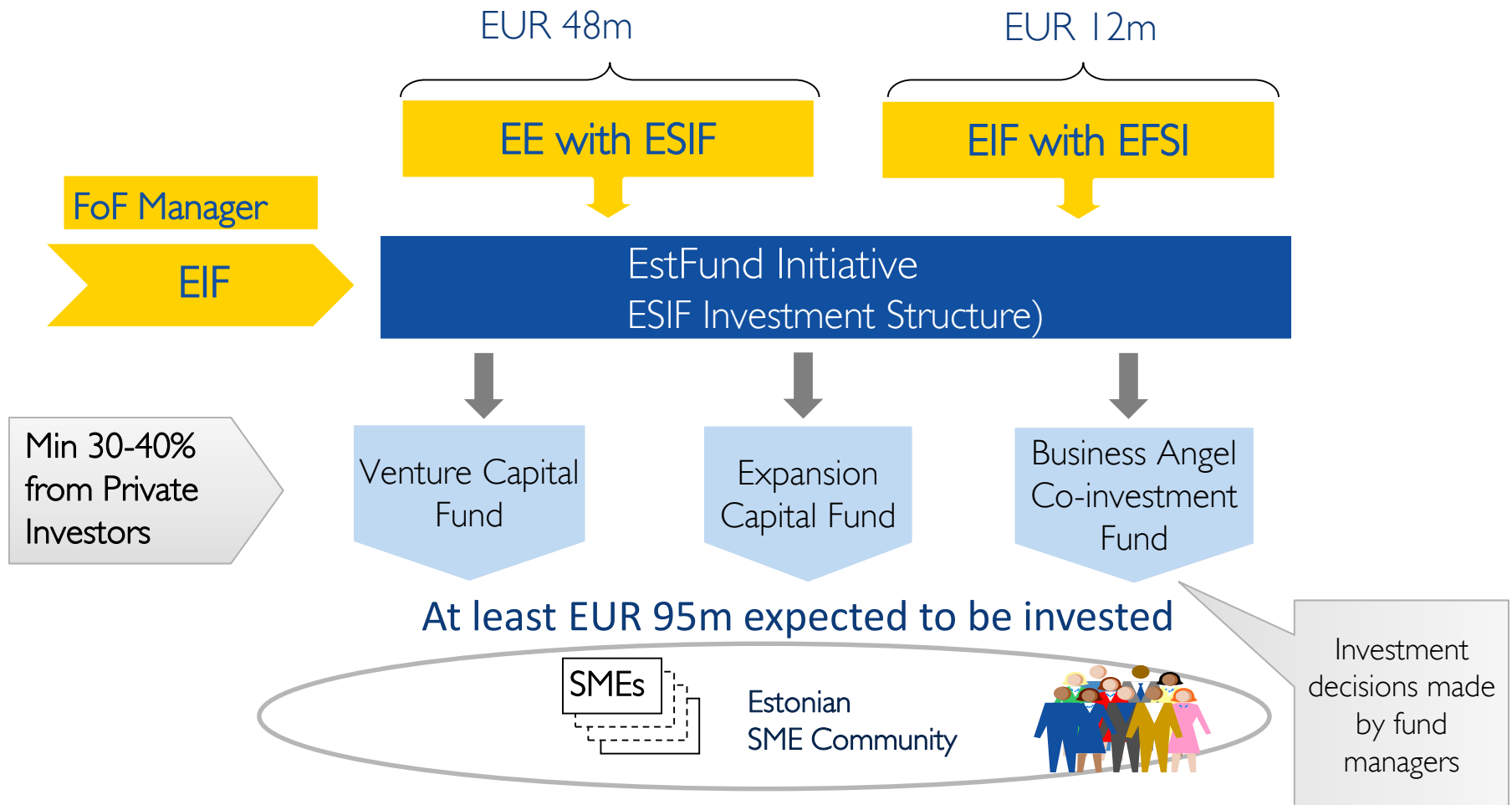
All Private Equity - Investments as % of GDP

2015 - Market statistics: Location of the portfolio company



Source: IMF, World Economic Outlook Database (GDP) / Invest Europe / PEREP_Analytics

What is EstFund?



EstFund process and timeline



- Funding Agreement signed – March 2016
- Investment Board established – April 2016
- Investment Board approval of the call – June 2016
- Launch of call for fund managers Eols – June 2016
- Fund manager Eols arrive – end-August 2016
- Approval of the state aid scheme – September 2016
- Selection process:
 - Eligibility check – September 2016
 - 1st screening – October 2016
 - 2nd screening – November/December 2016
 - Due diligence – December 2016/January 2017
- Fund managers selected – Q1 2017
- Private fundraising – in parallel, to launch funds by end-2017

Main investment criteria

- Team
 - Experience (track record) in the targeted or comparable investment area
 - Well-balanced team, complementing each other in terms of skills and experience, with a proven ability to work together
 - Appropriate participation and market standard incentivizing measures for the whole team
- Fund
 - Coherent investment strategy
 - Commercially viable fund size to ensure the team's stability and the fund's investment capacity
 - Commercial investment approach
 - Clear legal and tax structure for the fund, including market standard terms and conditions*
- Private fundraising
 - The team is capable to attract private investors to the fund

*within applicable rules

Funds under EstFund: Targeting different market segments



- Expansion Capital Fund
 - Invest in expansion-stage companies looking to expand to new products or markets, grow in existing market or strengthen export capability
- Venture Capital Fund
 - Invest in innovative high-growth early stage companies
- Business Angels Co-investment Fund
 - Co-invest with business angels and other non-institutional investors as co-investors into companies from seed to expansion stage

Funds under EstFund: Expansion Capital Fund



- Investor composition
 - Up to 60% of the fund - EUR 15m from EstFund
 - At least 40% of the fund – to be attracted from private investors and team
- Investment strategy
 - Invest EUR 0.5m-3m in expansion-stage SMEs looking to expand to new products or markets, grow in existing market or strengthen export capability
- Preferential private investor treatment
 - If justified to enable private fundraising, otherwise equal terms
 - Net return on ESIF investment capped at 6% p.a. for the benefit of private investors

Funds under EstFund: Venture Capital Fund



- Investor composition
 - Up to 70% of the fund - EUR 30m from EstFund
 - At least 30% of the fund – to be attracted from private investors and team
- Investment strategy
 - Invest EUR 50k-3m in innovative high-growth early stage SMEs
 - Investments in EU, with amount at least equal to 100% of EstFund contribution invested in Estonia
- Preferential private investor treatment
 - If justified to enable private fundraising, otherwise equal terms
 - Net return on ESIF investment capped at 6% p.a. for the benefit of private investors

Funds under EstFund: BA's Co-investment Fund



- Investor composition
 - 100% of the fund - EUR 15m from EstFund and team commitment
 - At least 50% attracted as co-investments on deal-by-deal level
- Investment strategy
 - Invest EUR 50k-1m with business angels and other non-institutional investors as co-investors into SMEs from seed to expansion stage
 - Investments only in Estonia
- Preferential private investor treatment
 - Not foreseen

ESIF, EFSI, EstFund: Recap of the main points



- Estonian EU Structural Fund resources leveraged up with EFSI resources
- Several clearly identified market gaps - segments with insufficient private activity, fitting into Estonian government strategy to strengthen innovative economy
- Fund-of-funds model, achieving three goals
 - Short/medium-term – increase supply of equity capital to enterprises and start-up
 - Long-term – nurture private fund management teams, increasing the level of private market supply of equity capital in future
 - Strategic – leverage in private investors at fund level, multiplying impact
- EIF co-investment extra comfort to private investors => higher leverage
- Knowledge transfer to KredEx acting in a supervisory role, whilst EIF has the executive management role

Questions?

For questions later



European Investment Fund

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