InnoVFin
EU Finance for Innovators

Supporting Innovation in Israel

Tel Aviv, 7th June 2016

Welcome addresses:

Dario Scannapieco

Vice-President,

European Investment Bank (EIB)

Welcome addresses:

Dan Catarivas

Director, Foreign Trade Division,

Manufacturers Association of Israel

Overview of the EIB Group financing options

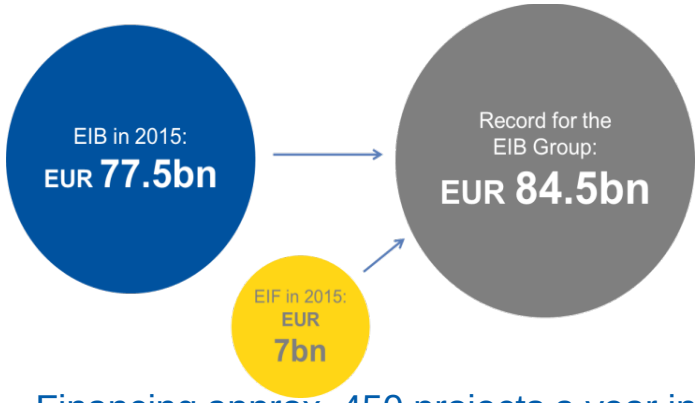
Nathalie Climence
Head of Division 'Corporates',
Neighbouring Countries Department, EIB

The EIB

EU's policy-driven, long-term lending institution since 1958

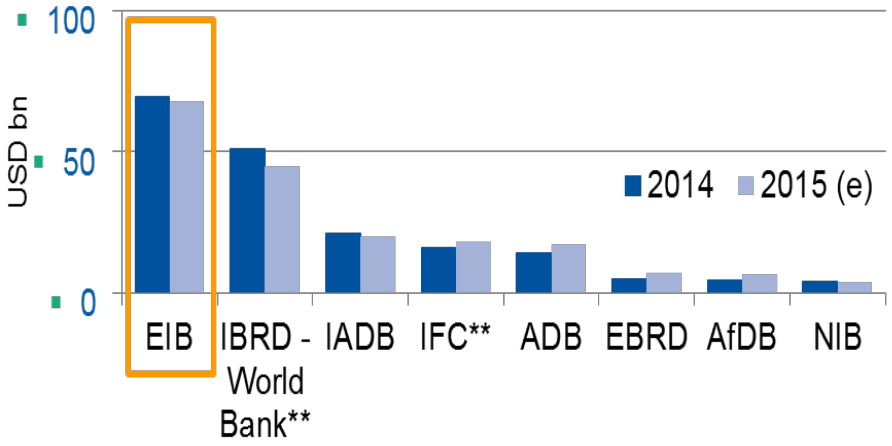
Our shareholders are the 28 EU Member States

Larger multilateral lender in the world



- Financing approx. 450 projects a year in over 160 countries
- Headquartered in Luxembourg with 33 local offices
- Close to 3000 staff (financial specialists, engineers, economists, social and environmental standards specialists

Largest supranational borrower in the world



- Raised € 62.4 billion from capital markets in 2015
- AAA rating
- Subscribed capital of € 243 billion

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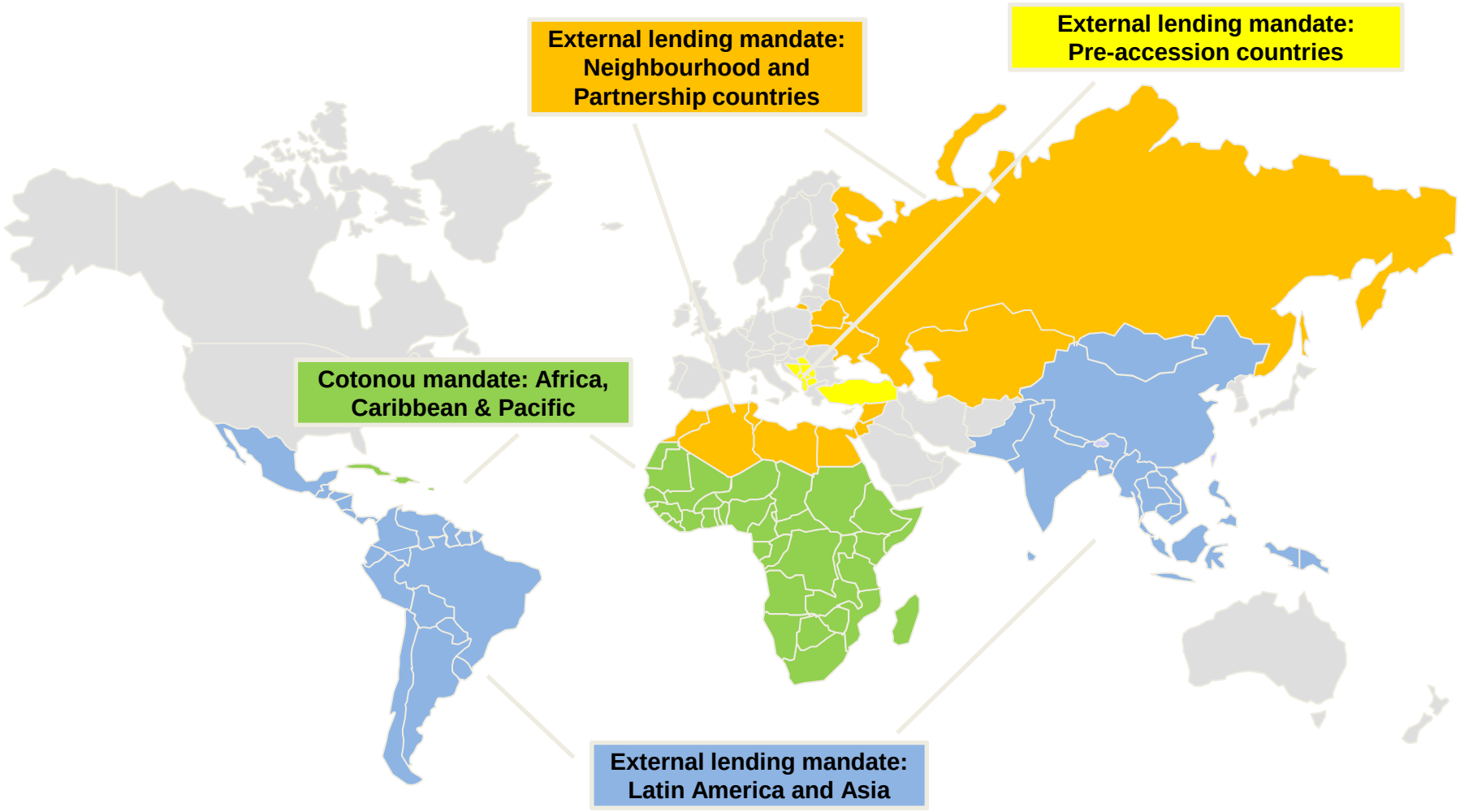
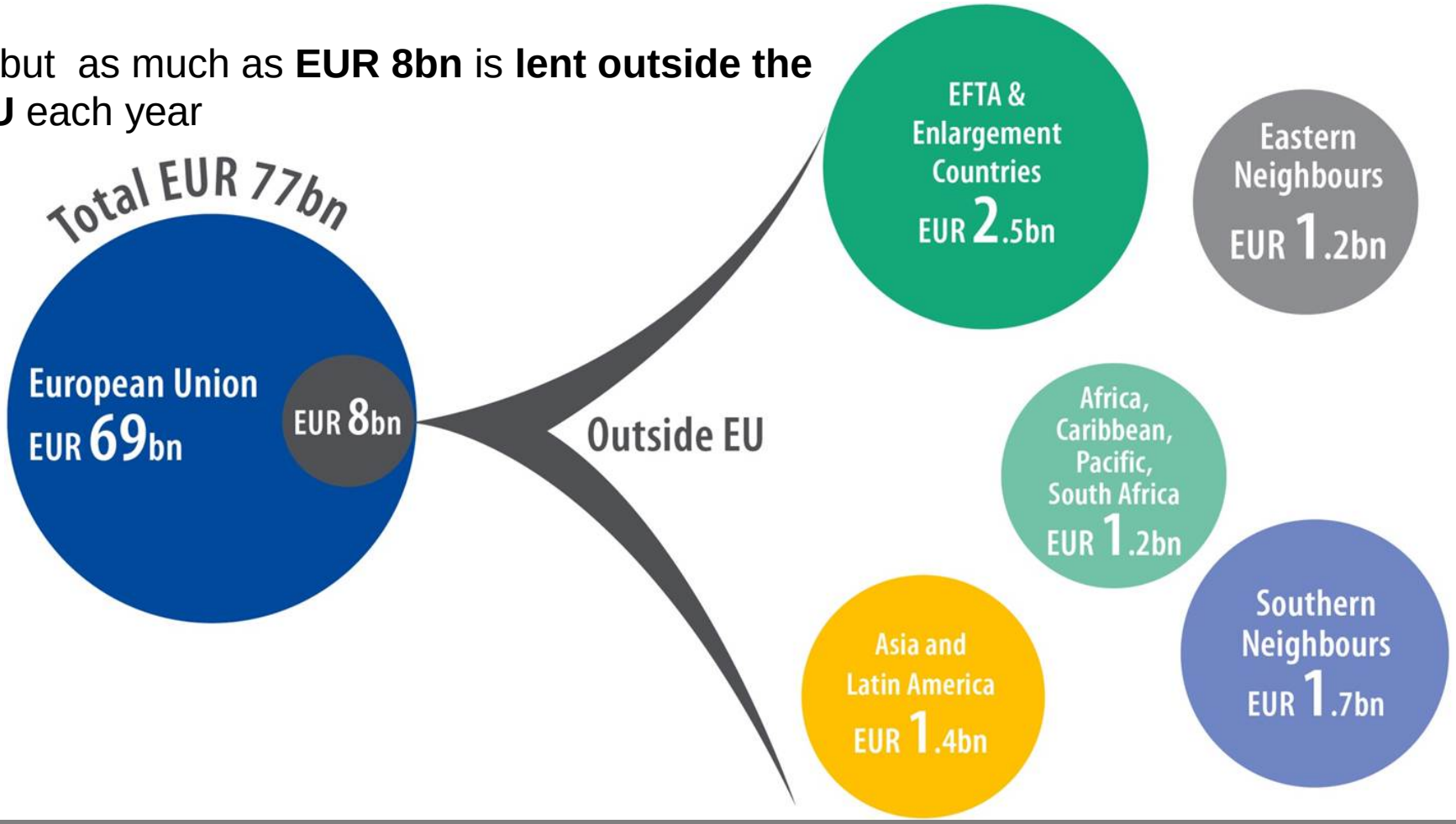
Outside the EU the EIB works under various mandates



EIB outside the EU

90% of the lending is carried out within the EU…

…but as much as **EUR 8bn** is **lent outside the EU** each year



Areas of activity outside the European Union

- Private sector development (including SMEs)

- Upgrading of socio-economic infrastructure in sectors such as transports, energy, water, IT, health and education

- Environmental sustainability and addressing the effects of climate change (renewable energy, energy efficiency and climate mitigation and adaptation projects). EIB was the world's largest provider of climate finance in 2015

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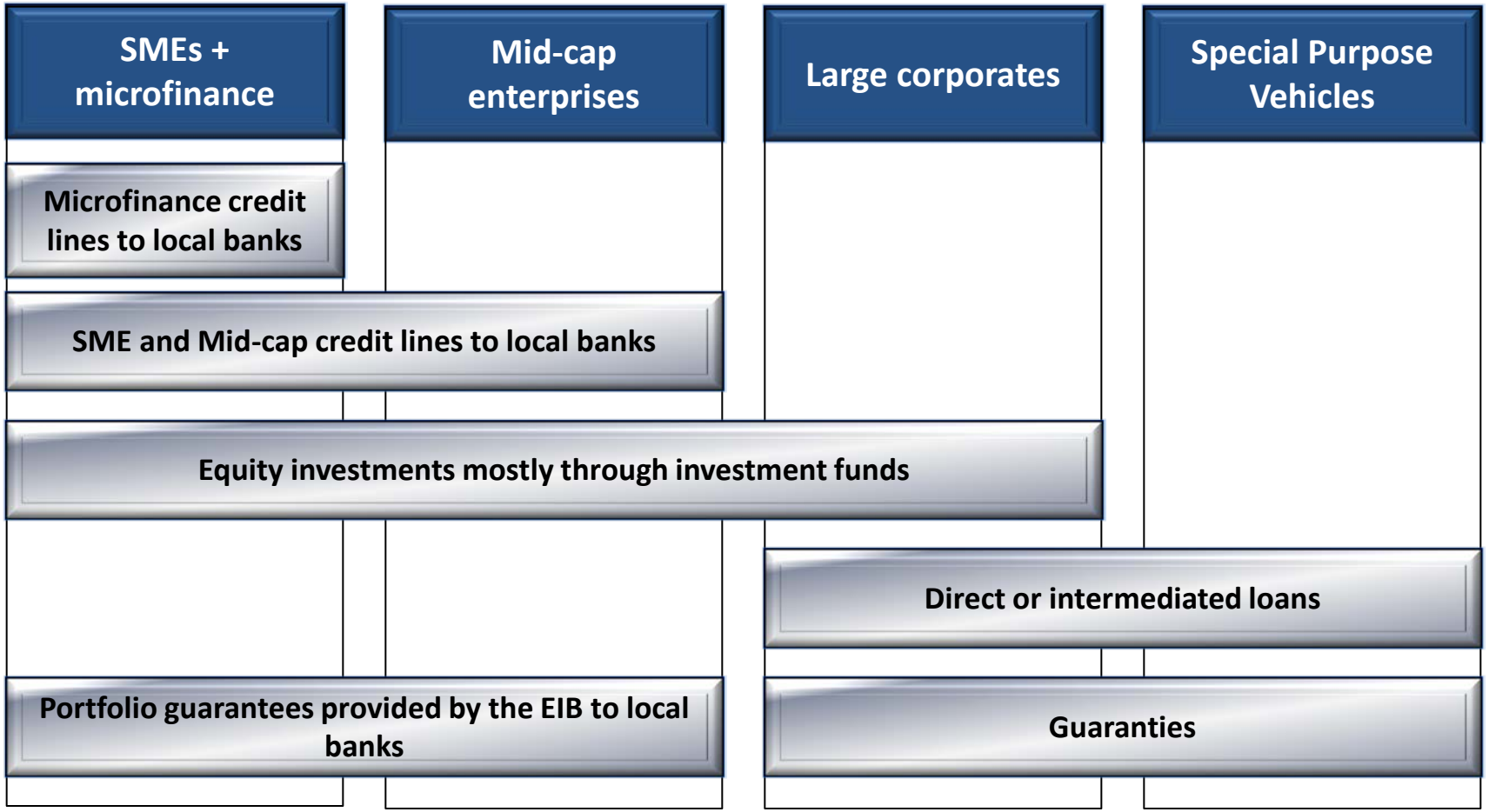
EIB Activities

LENDING	BLENDING	ADVISING
• Loans • Guarantees and risk sharing schemes • Equity participations	• Leveraging EU and Member States budget resources by combining EIB loans and EU grants or EU Member States' contributions	• Strong in-house expertise • Technical and financial advice • Project preparation and assistance for PPPs

Acting as a catalyst to mobilise funds for long term development

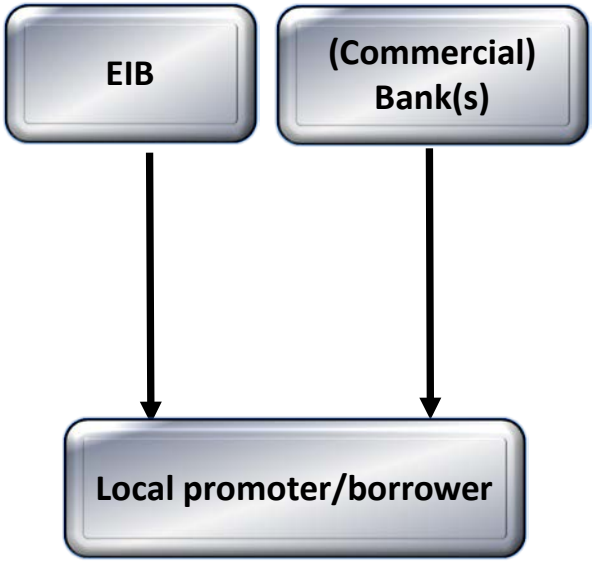
Supporting the entire spectrum of private sector actors



Funding Options

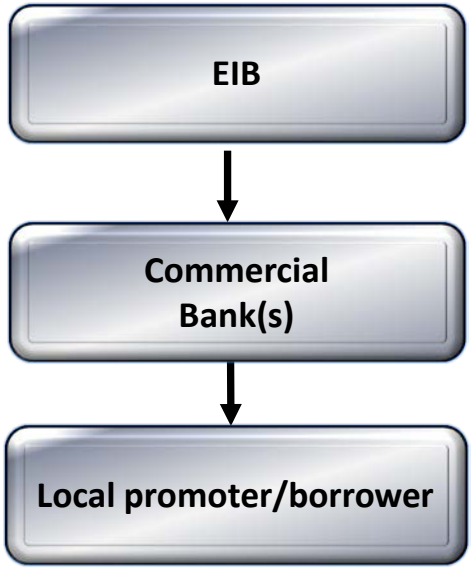
1 Direct loan to promoter

The EIB finances the local promoter directly up to 50% of the project cost.



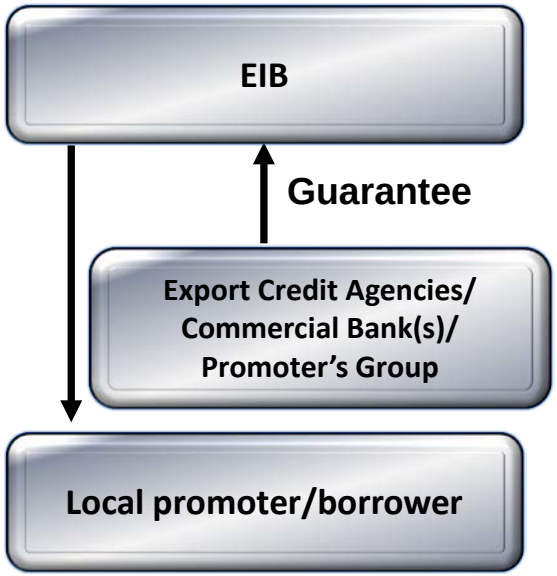
2 Loan intermediated by a bank

The EIB lends to a bank, which on-lends the funds to the promoter, passing on some of the EIB's funding advantage.



3 Guaranteed loan

The EIB lends the funds directly to the promoter and also signs a first-demand guarantee with a commercial bank or with a promoter's group company.



EIB Eligibility criteria

Loan size

- **Up to 50% (75% for renewable energy) of project costs** (including tangible and intangible assets) with a minimum EIB loan size of about EUR 10M or equivalent

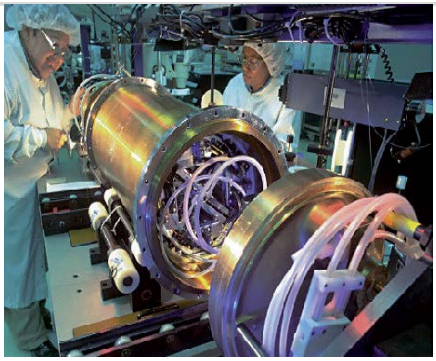
Bankable & sustainable projects

- financially viable, with acceptable economic return and appropriate credit risk
- technically sound, compliant with the principles and standards adopted by the EIB in the **social and environmental** fields, and the EIB **procurement guidelines** (available on the EIB website)
- EIB will perform its financial due diligence and technical appraisal as a commercial bank

Excluded sectors

- Most sectors are eligible in principle, except manufacturing and distribution of arms, munitions and military equipment, tobacco manufacturing and distribution, gambling, detention infrastructure as well as sectors that are ethically compromised and considered to present a significant reputational risk.

The advantages of EIB financing



- **Low financing cost** due to EIB's AAA funding advantage and its not-for-profit nature
- **Long maturities**, in line with the economic life of the project
- Financing package complementing the offer of commercial banks, enabling the **diversification of funding sources**
- **Preferred Creditor Status** as a supra-national lending institution
- Possibility of **blending**: combination of EIB financing with EU grants and advisory programmes
- **EIB sector and product expertise** acquired over 50 years of activity in and outside of Europe
- **Signalling effect:** certification of a project's quality
- Acts as a **catalyst** in mobilising other financiers

Financing for water desalination

- Hadera

EUR 145 million with a maturity of 23 years

- Sorek

EUR 142 million with a maturity of 24 years

- Mekorot Ashdod

EUR 120 million with a maturity of 25 years

Ashalim Solar Thermal Power Plant

- 121 MW thermosolar power plant in the Negev Desert
- Reduced greenhouse emissions in comparison with a conventional power plant
- First application in Israel of an innovative technology
- Long term loan – EUR 150 million with a maturity of 23 years

Objectives and Opportunities of the InnovFin Programme

Jean-David Malo

Head of Unit, DG Research & Innovation, European Commission

Nitan Pathak,

Business Development, European Investment Fund (EIF)

Marc D'hooge

InnovFin Programme Manager, EIB

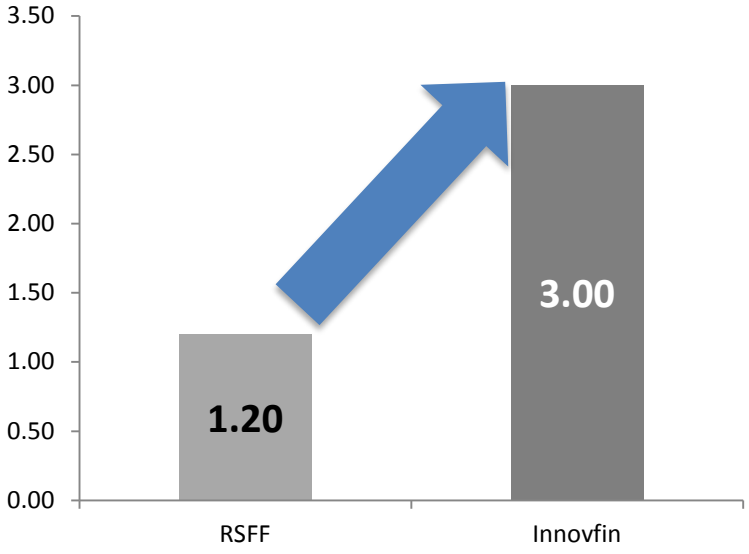
Shiva Dustdar

Head of Innovation Finance Advisory Division, EIB

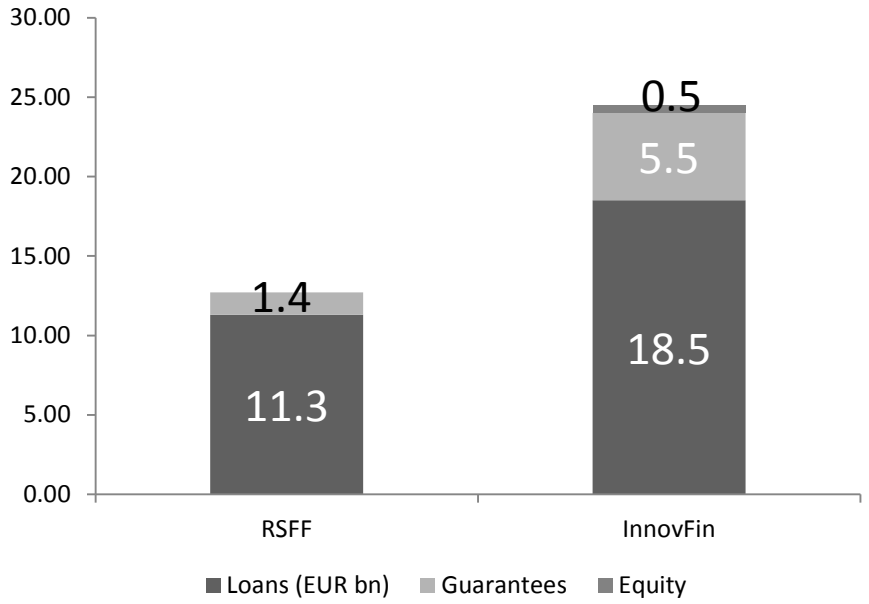
InnovFin: A Quantum Leap

InnovFin builds on the success of RSFF but will be much larger and broader

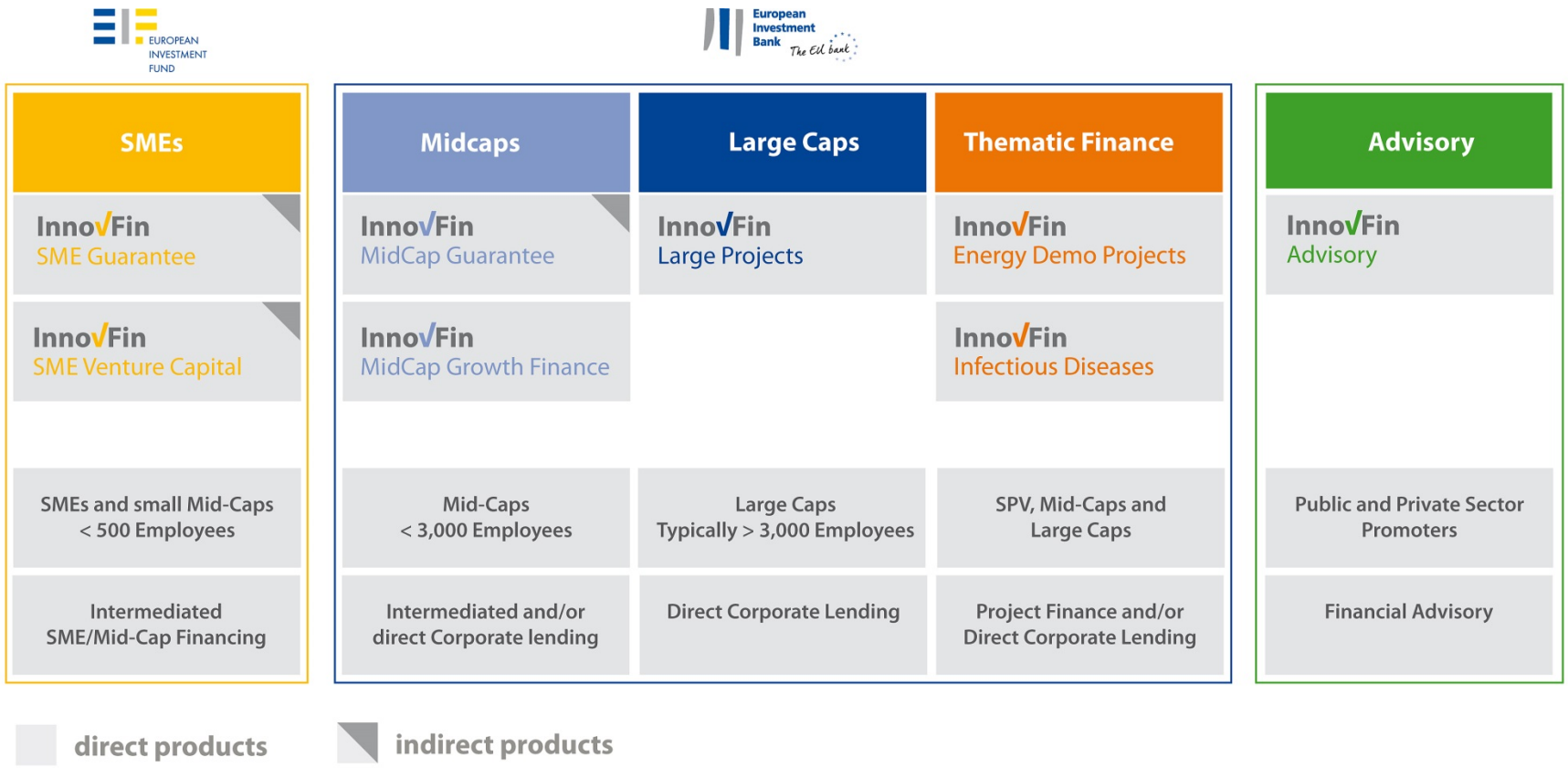
EU and EIB Group Contributions



Loans, Guarantees and Equity



InnovFin Product Overview



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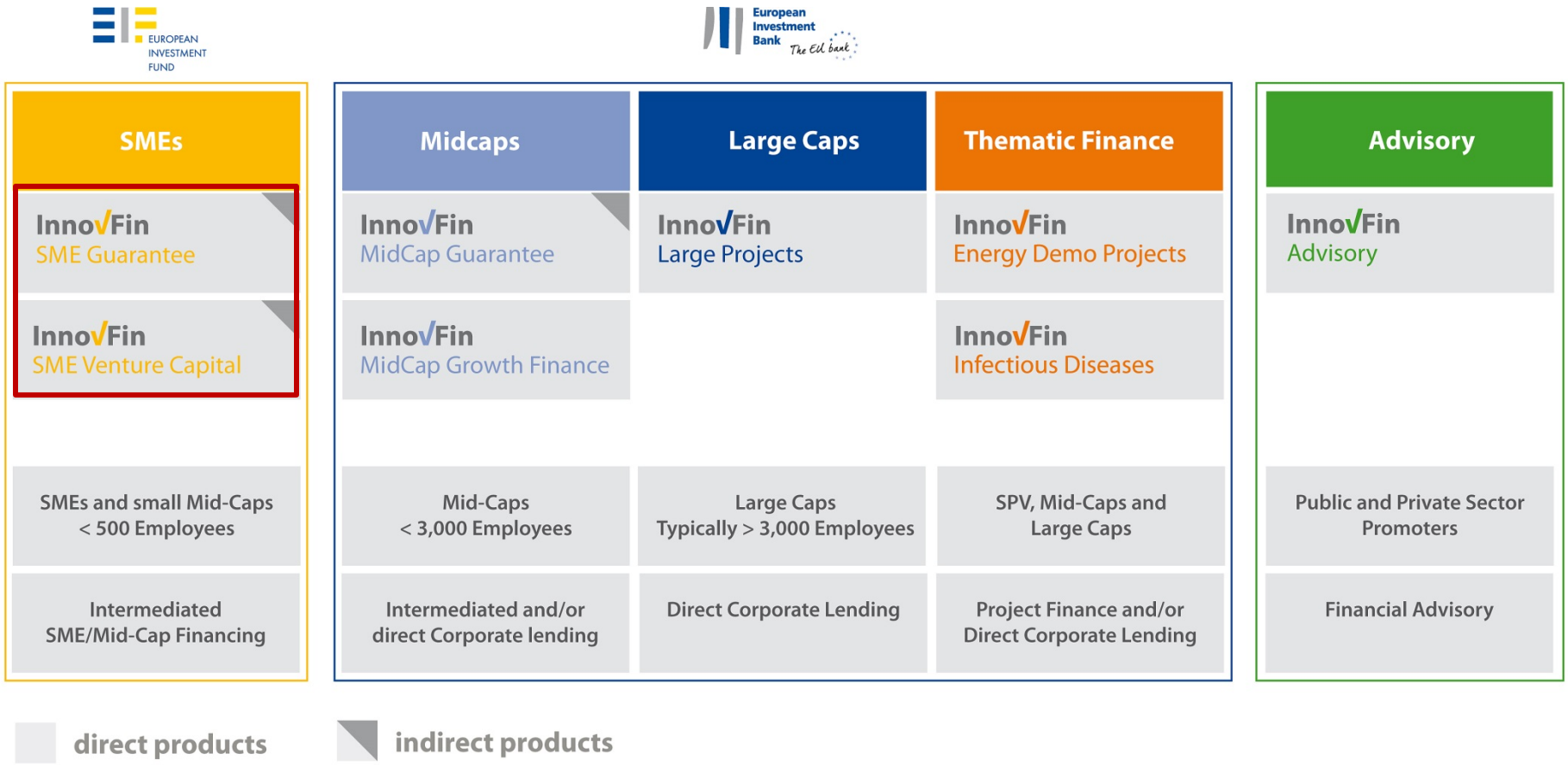
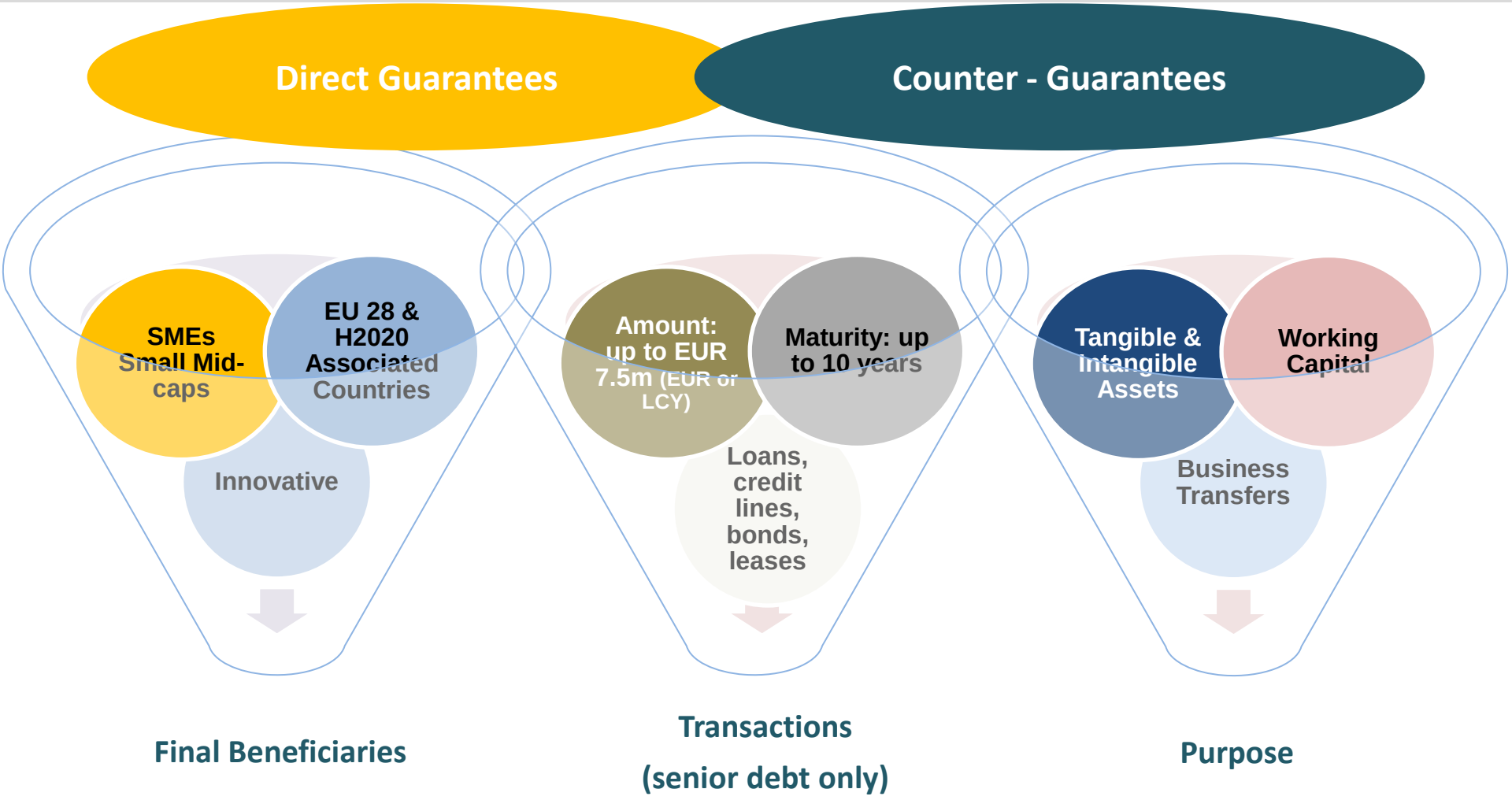


InnovFin SME Guarantee

This guarantee instrument covers the risk related to losses of a portfolio

- Up to 50% loss coverage (Principal + Interest 90D)
- Full Delegation to Financial Intermediaries
- Automatic Coverage/Inclusion 2-3 yr period
- Attractive Guarantee Terms
- Favourable Capital Treatment
- Guarantee and Counter-Guarantee

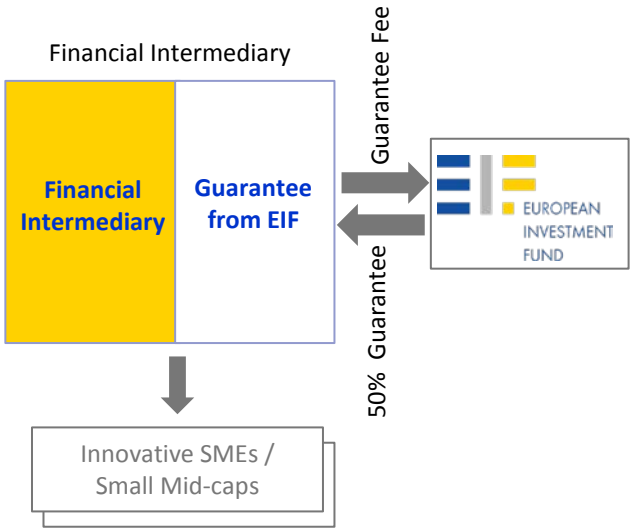
Key Guarantee Terms



Guarantee Fee

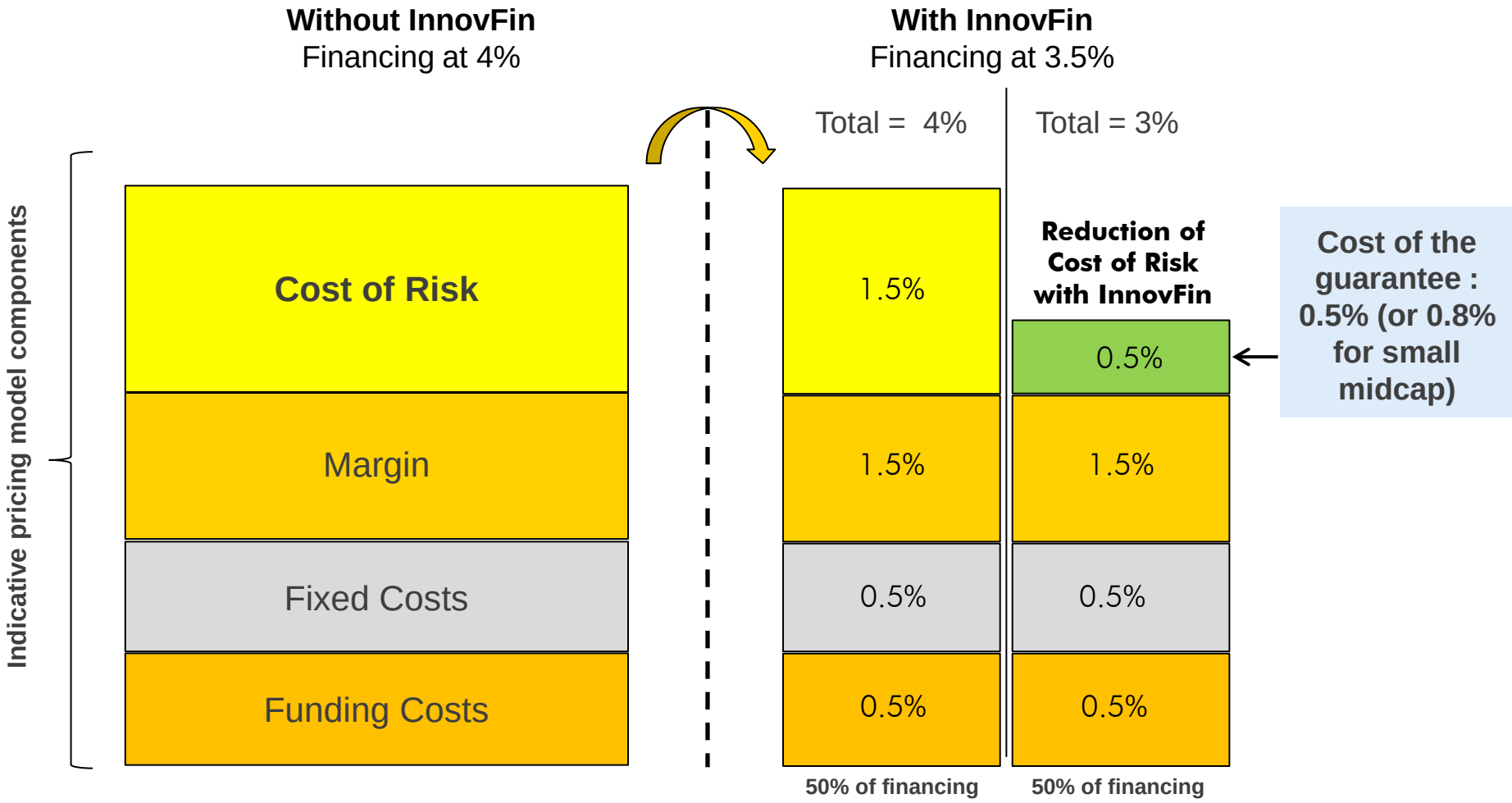
Guarantee Fee: SME 0.50% p.a.

Guarantee Fee: Small Mid-Cap 0.80% p.a.



- Financial Intermediaries are required to transfer the Financial Benefit to SMEs & Small Mid-caps

Transfer of Benefit (indicative example)



InnovFin SME Venture Capital – key features

TT, VC and BA Funds and co-investment Funds focusing on companies in Early Stage

Focus on Horizon 2020 objectives (e.g. ICT, life sciences, clean energy, technology)

Enterprises in pre-seed, seed, start up phases (seed & A rounds included)

Pari-passu, at least 30%* investment from private investors

Investment size up to EUR 30m up to 50%** of total commitments (CATALYTIC)

First 4 transactions signed as of February 2016. Open Call for Expression of Interest until 30/09/2020

* 10% in the case of BA Co-investment Funds
** Up to 70% in the case of BA Co-investment Funds, subject to conditions.

InnovFin SME Venture Capital – EIF's assessment

Investment readiness

Team and Track Record (WHO)

- Adequate skill-set
- Track-record
- Cohesion /stability/succession
- Carry split
- Team commitment
- Governance structure: independence/ conflict of interests
- Reputation (referencing)

Market Opportunity (WHY)

- Deal flow/pipeline
- Competition

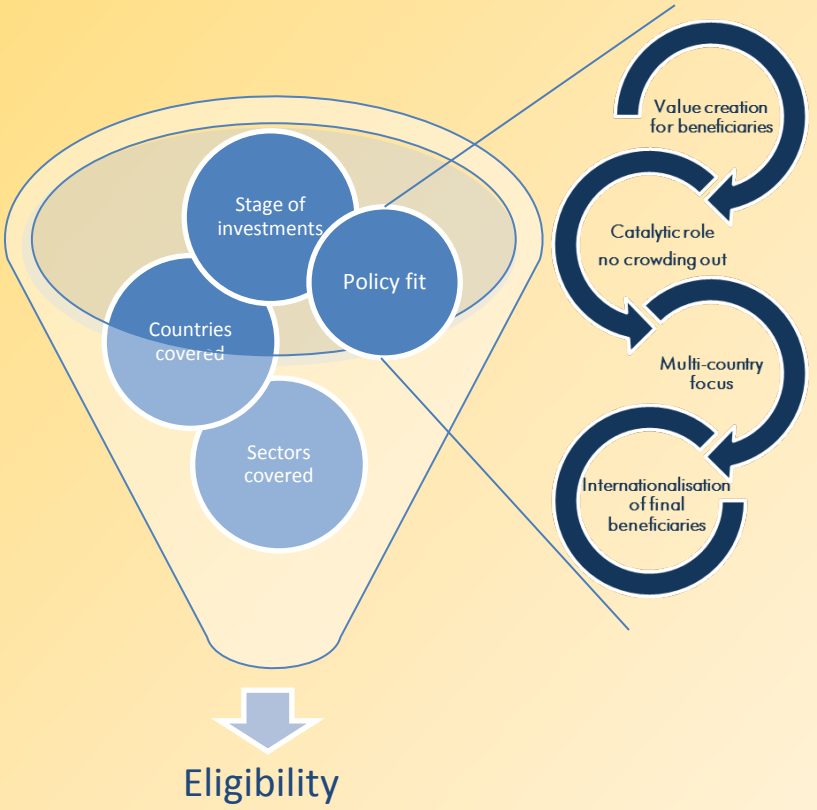
Investment Strategy (HOW)

- Focus, deal flow and pipeline
- Value creation / Unique Selling Point
- Coherence with the market opportunity, the team and the fund parameters

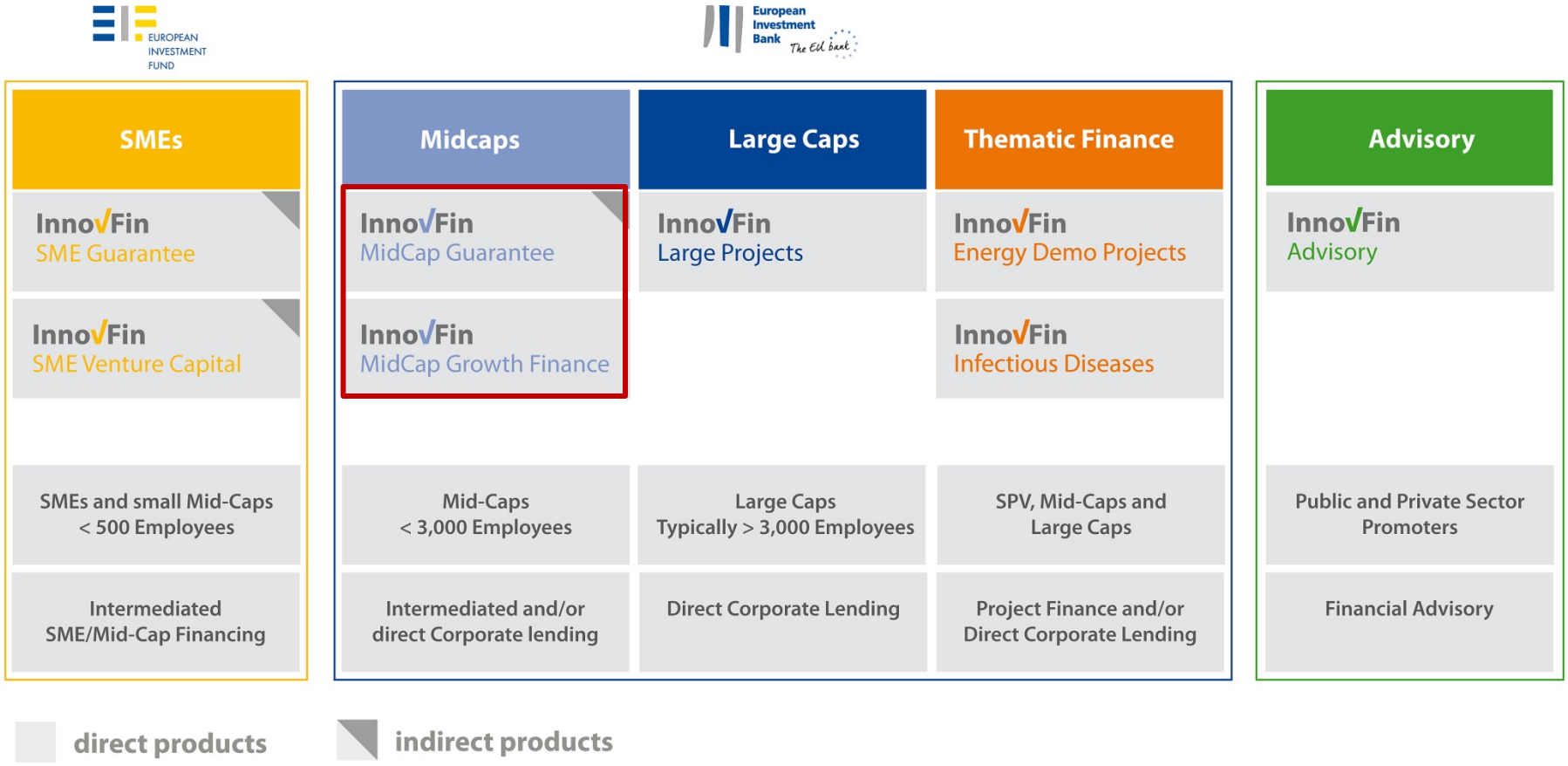
Fund Parameters (WHAT)

- Fund model: fund size / diversification / reserve policy / investment pace
- Terms and Conditions
- Management company budget
- Legal structure / compliance

Fit with the mandate



InnovFin Product Overview



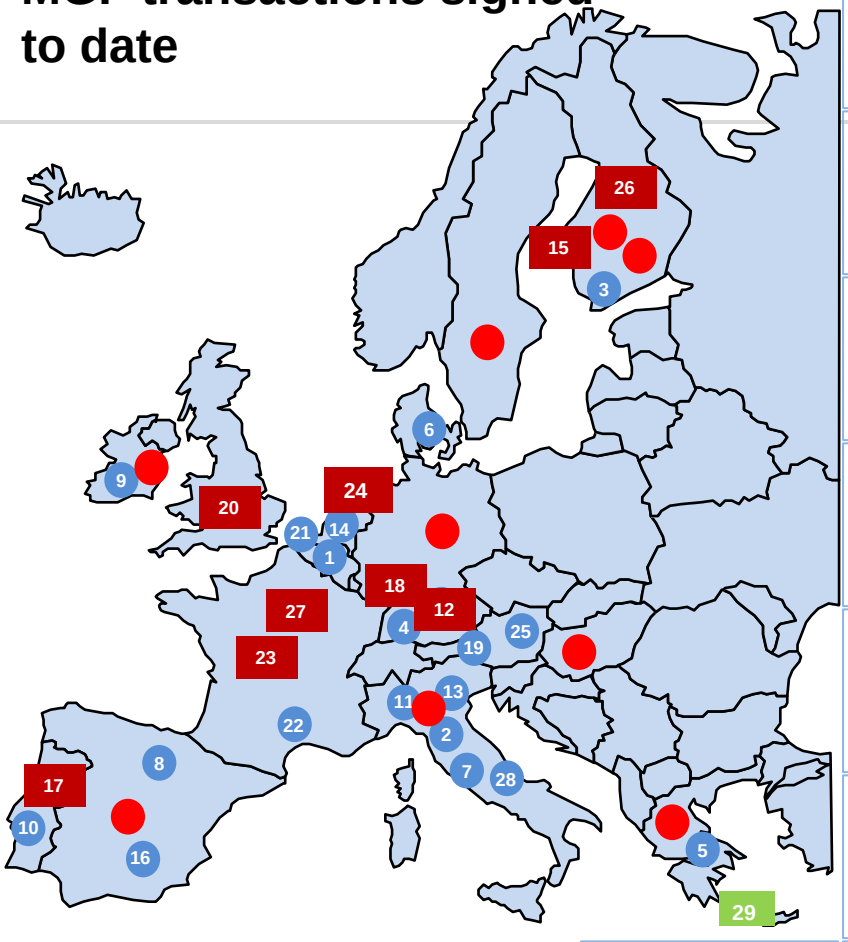
How does the MidCap Guarantee work?

- 50% loss coverage for new mid-cap loans of up to EUR 50m not covered under InnovFin SME Guarantee
- Can be complemented with EIB funding (global loan)
- Pari-passu sharing of risk and pricing
- Full delegation to financial intermediaries
- Favourable capital treatment

How does MidCap Growth Finance work?

- Direct long term debt and mezzanine finance: EUR 7.5m – EUR 25m
- Loans can be structured as economic equity (silent participation)
- For innovative Mid-Caps and SMEs (eligible counterparty concept)
- EIB can finance up to 50% of all investments over 3 years
- Streamlined EIB approval process

MGF transactions signed to date



Quasi-equity
EFSI
Signature pipeline for Q1 2016

1 EVS
EVS (2013)
EUR 12m
Senior term loan

2 MARPOSS
Marposs (2013)
EUR 25m
Senior term loan

3 ROVIO
Rovio (2014)
EUR 25m
Senior term loan

4 manz
Manz (2014)
EUR 20m
Mezzanine loan

5 Pharmathen
Pharmathen (2014)
EUR 25m
Senior term loan

6 Welltec
Welltec (2014)
EUR 25m
Senior term loan

7 PRAMAC
Pramac (2014)
EUR 8m
Senior term loan

8 MAIER
Maier (2014)
EUR 7.5m
Senior term loan

9 enet
E-Net (2014)
EUR 12m
Subordinated loan

10 NOVABASE
Novabase (2014)
EUR 14m
Senior term loan

11 MARANGONI
Marangoni (2014)
EUR 10m
Senior term loan

12 Innocoll
Innocoll (2015)
EUR 25m
Quasi-Equity

13 saes group
Saes (2015)
EUR 10m
Senior term loan

14 PLANON
Planon (2015)
EUR 12m
Senior term loan

15 KIOSKED
Kiosked (2015)
EUR 15m
Quasi-Equity

16 DANOBAT
Danobat (2015)
EUR 10m
Senior term loan

17 biosurfit
Biosurfit (2015)
EUR 12m
Quasi-Equity

18 Jennewein Biotechnologie GmbH
Jennewein (2015)
EUR 10m
Quasi-Equity

19 Doppelmayr
Doppelmayr (2015)
EUR 25m
Senior term loan

20 Gigaclear
Gigaclear (2015)
EUR 25m
Quasi-Equity

21 punch powertrain
Punch (2015)
EUR 25m
Senior term loan

22 FIGEAC AERO
Figeac (2015)
EUR 25m
Senior term loan

23 Qwant
Qwant (2015)
EUR 25m
Quasi-Equity

24 evision
eVision (2016)
EUR 13.5m
Quasi-Equity

25 MAM
MAM (2016)
EUR 25m
Senior term loan

26 NEW ICON
NEWICON (2016)
EUR 8m
Quasi-Equity

27 ARCHOS
Archos (2016)
EUR 12m
Quasi-Equity

28 SYSTEM Group
System Group (2016)
EUR 15m
Senior term loan

29 CRETA FARMS
Creta Farms (2016)
EUR 15m
Quasi-Equity

Advantages

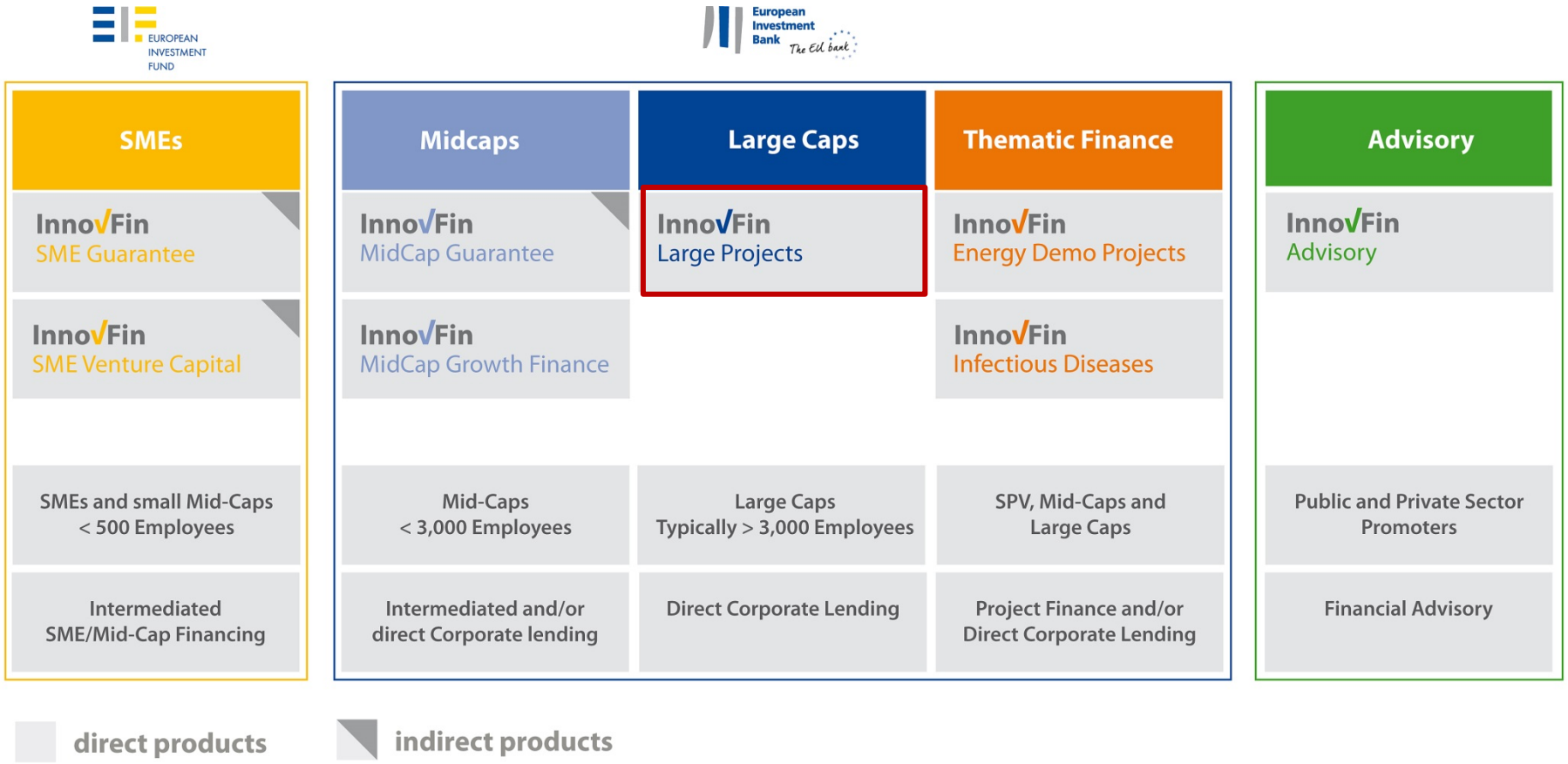
No crowding out. Complementary finance to house banks

EIB signaling effect to attract other banks & investors (quality stamp)

Long-term lending at attractive terms (no subsidised)

Growth finance without dilution of shareholders

InnovFin Product Overview



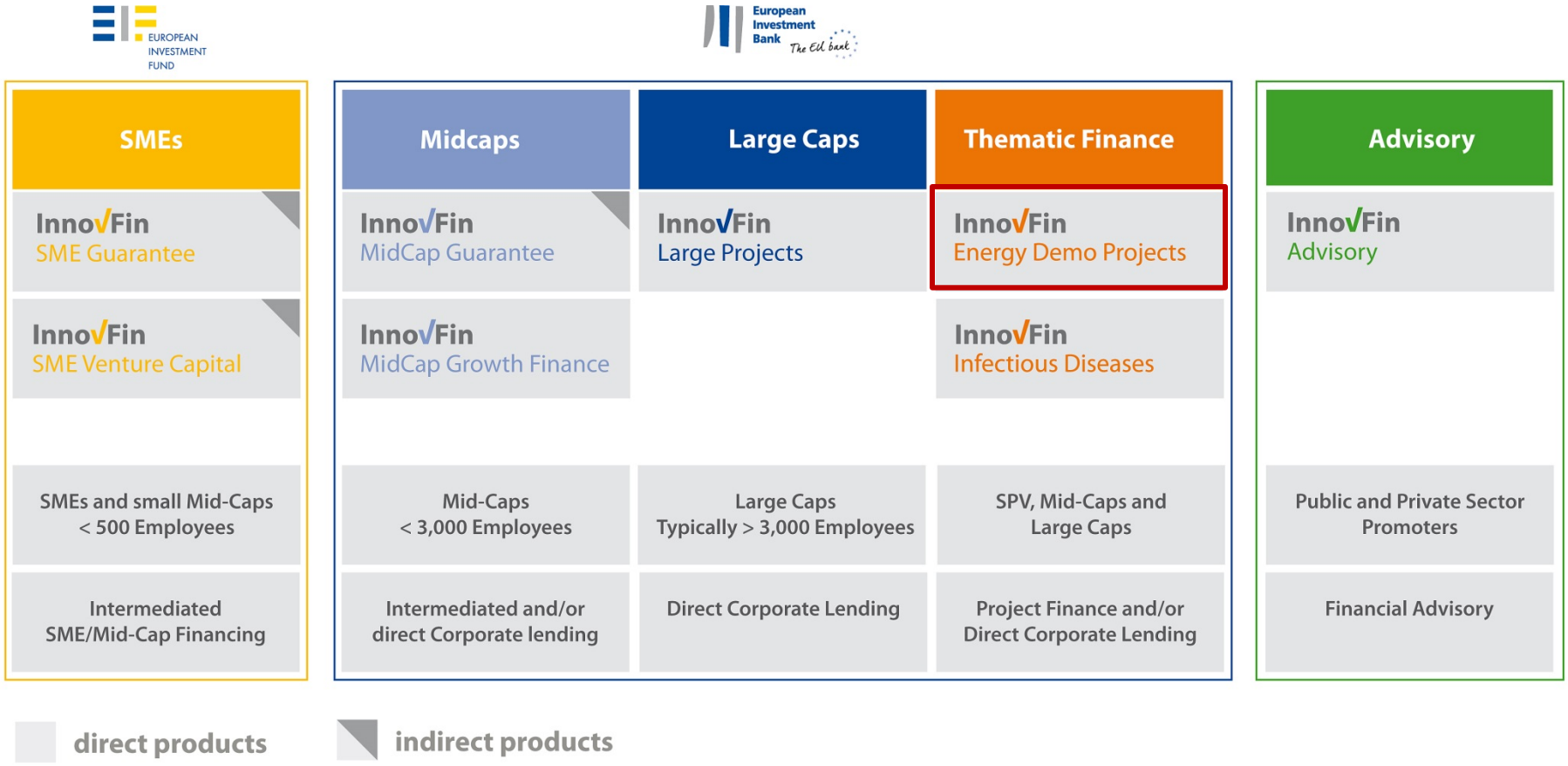
How does InnovFin Large Projects work?

- Senior debt (pari-passu with other senior lenders)
- Eligible project required. EIB finances up to 50% of R&D and innovation investments
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation

Advantages

- **Long term loans at attractive terms (pari-passu)**
- **Signaling effect and quality stamp (technical expertise)**
- **Co-financing with house-banks preferred**
- **No cross selling & hold to maturity strategy**

InnovFin Product Overview



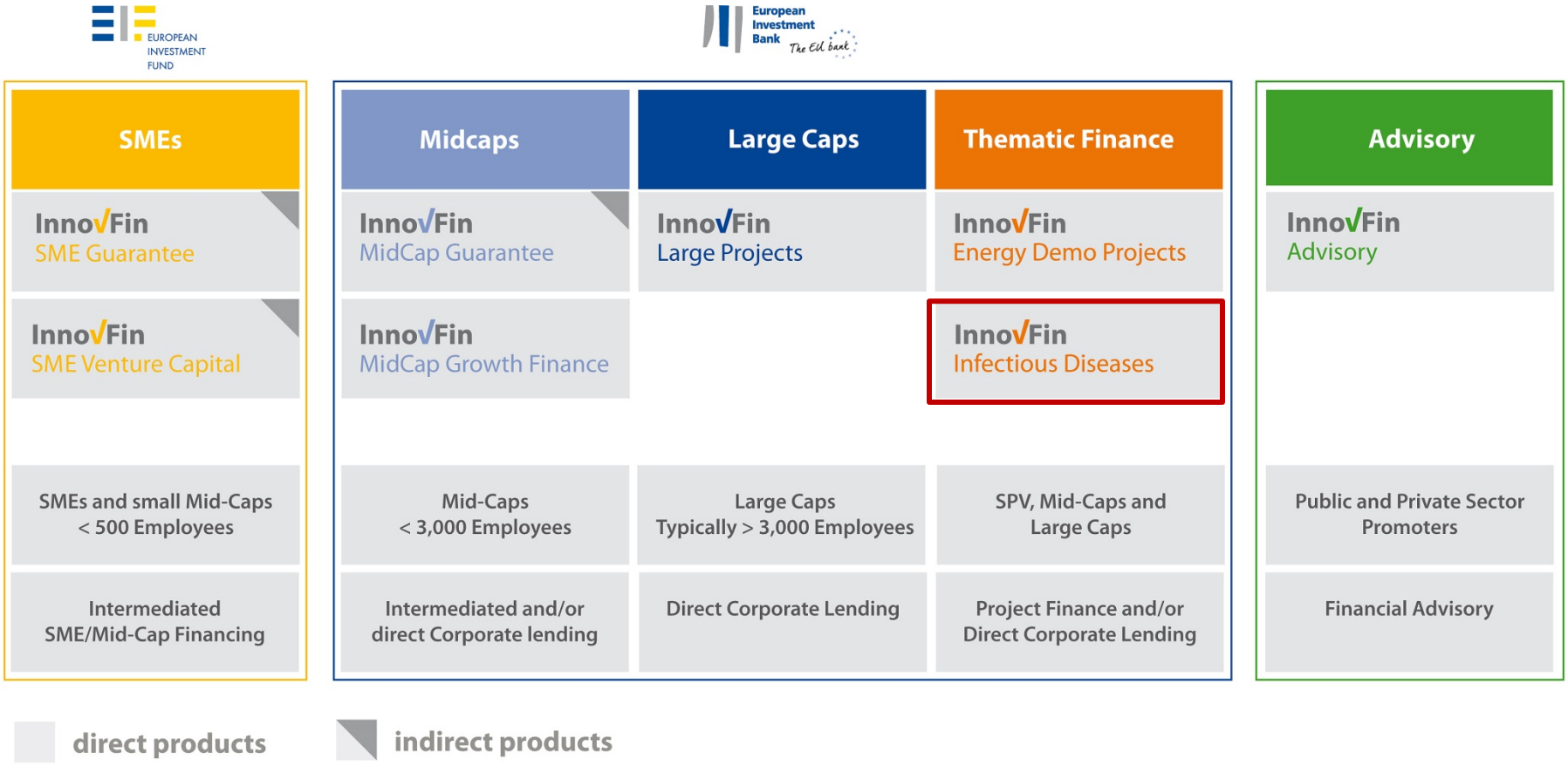
Which projects can be supported?

Renewable energy

Fuel Cells, Hydrogen

- Pre-commercial stage; technology needs to be scalable
- Loan: EUR 7.5m – EUR 75m; EUR and local currency; maturity of max 15 years; EIB finances up to 50% of project costs.
- Comprehensive due diligence including project due diligence (technical, financial, economic)
- EIB standard documentation

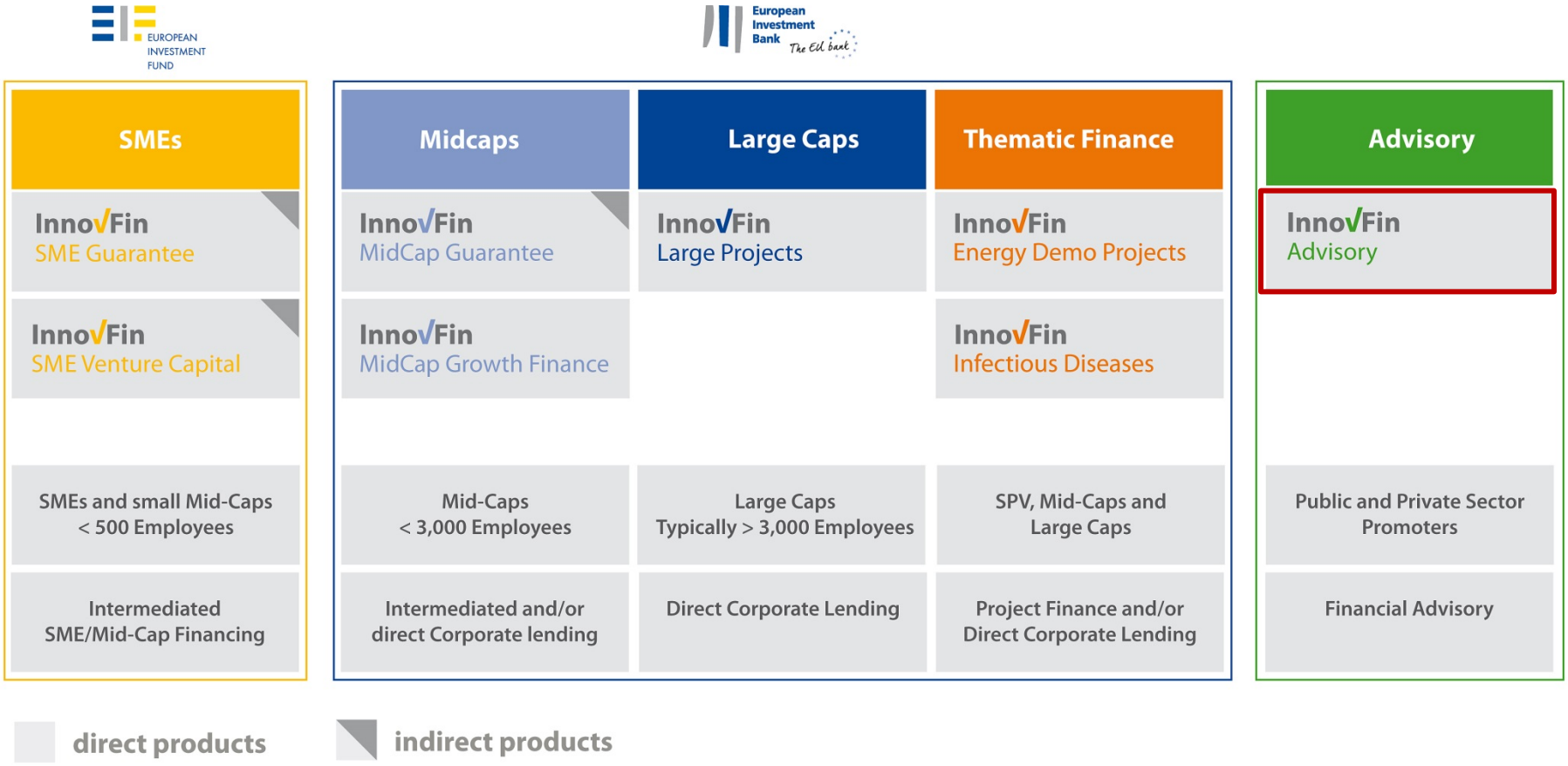
InnovFin Product Overview



Which projects can be supported?

- Projects which have passed pre-clinical stage and for which clinical validation is needed for further development
- Loan: EUR 7.5m – EUR 75m; EUR and local currency; Loan maturity of max 7 years; EIB finances up to 50% of project costs.
- Broad range of products - standard debt instruments (i.e. senior, subordinated, and mezzanine) to risk sharing instruments (RSL) with forgiveness options
- Comprehensive due diligence, including project due diligence (technical, financial, economic)
- EIB standard documentation

InnovFin Product Overview

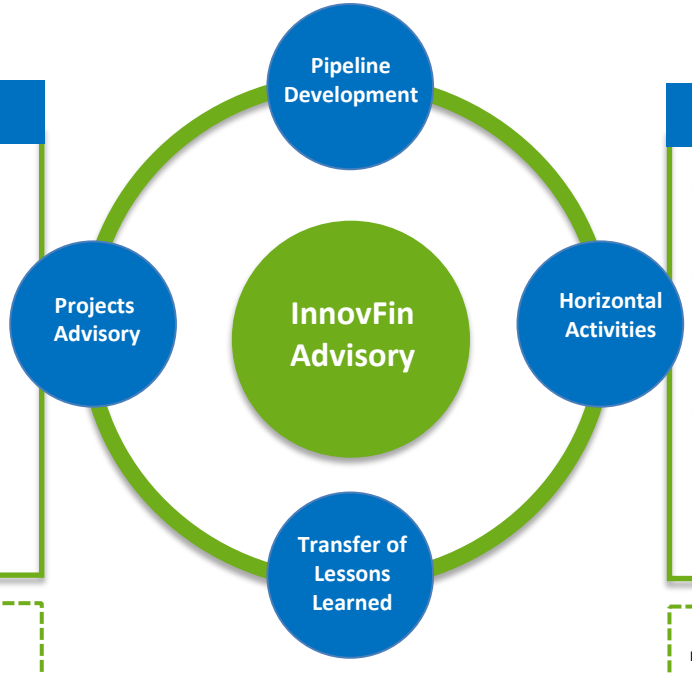


Innovation Finance Advisory- What do we do?

Enable maximum access to finance for innovative projects

Projects Advisory

- **Improve bankability/investment readiness**
- **Enable earlier/ faster access to finance**
- **Light Project Advisory**



Horizontal Activities

- **Improve framework conditions for financing**
- **Develop "business case" for new financing mechanisms in RDI sectors**
- **Prepare studies on increasing effectiveness of financial instruments to address specific sector/RDI policy objectives**

- Arctic Arc
- Fuel Cells and Hydrogen Joint Undertaking (H2M)
- Philips Health Continuum

- Circular Economy (CE)
- Key Enabling Technologies (KETs)
- Infectious Diseases Financing Facility (IDFF)
- Bio-economy
- RTOs/EARTO

Synergies between Projects Advisory and Horizontal Activities

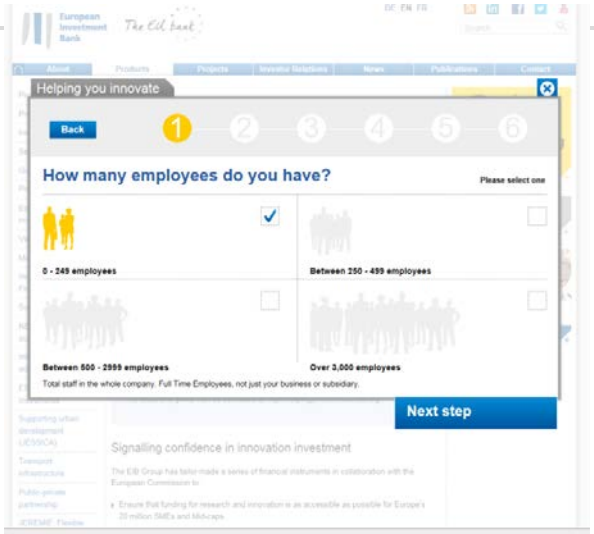
InnoVFin Advisory

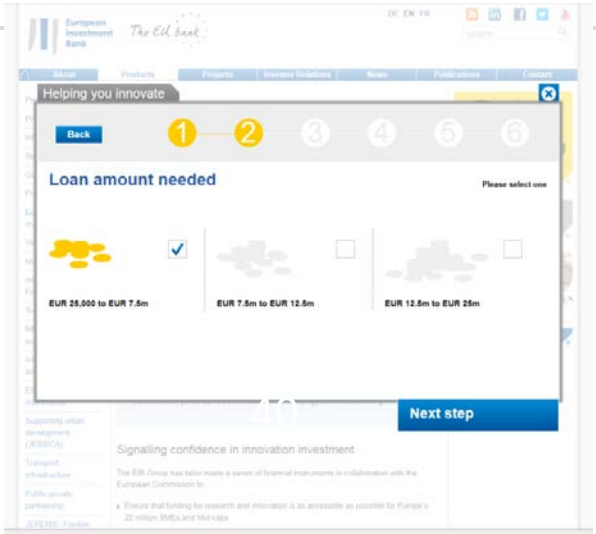
European Investment Bank The EU bank

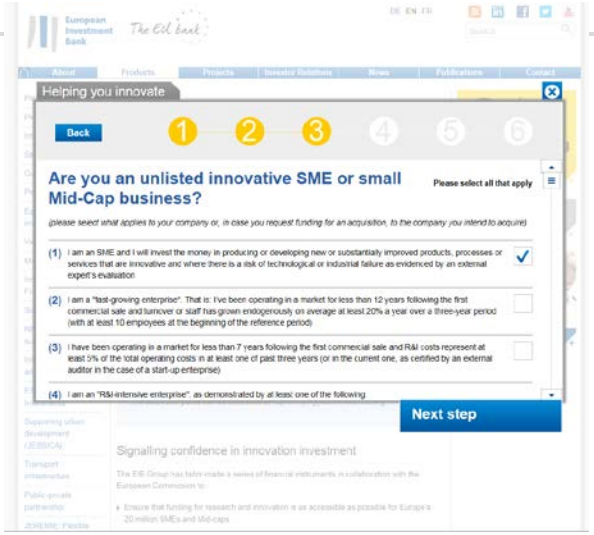
EUROPEAN INVESTMENT FUND

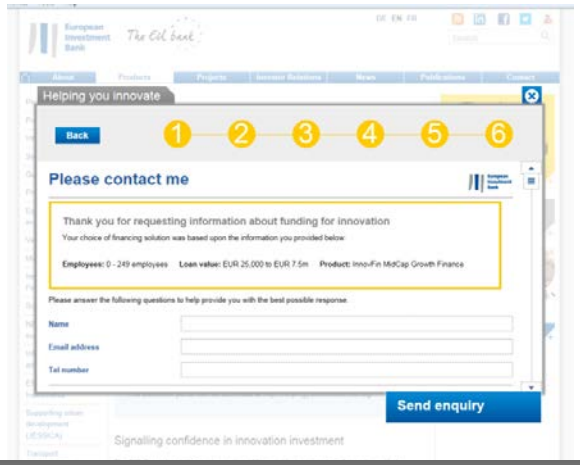
European Commission

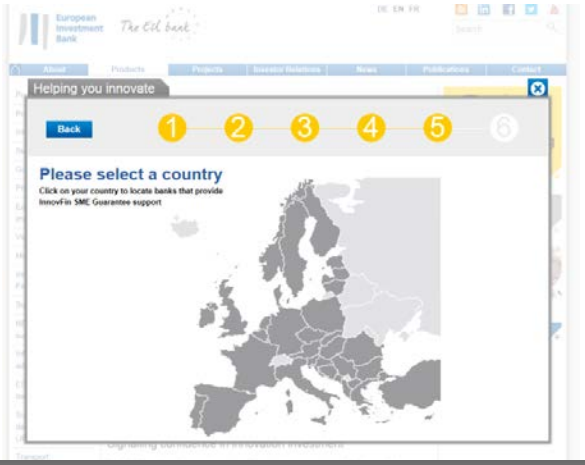
Visit www.eib.org/innovfin

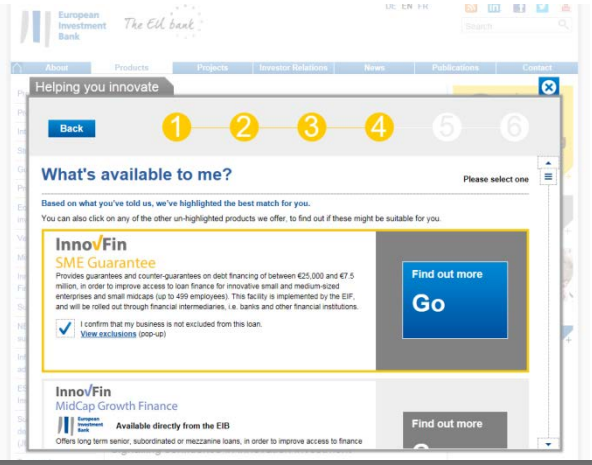












Objectives and Opportunities of the InnovFin Programme

Question & Answer session

Case Study

Financing innovative SMEs in Israel

Noga Shiloach,
VP, Products and Solutions, LeumiTech

Case Study

Financing the needs of larger innovative industries

Michael Hazzan,
Senior VP, Corporate Finance, ICL

Case Studies

Question & Answer session

Concluding remarks

Ze'ev Lavie,

Director, International Trade Relations Division,
Federation of Israeli Chambers of Commerce