

Evaluation of EIB Group equity and quasi equity support for SMEs and mid-caps

Áron Gereben – European Investment Bank, Evaluation

September 12th, 2023



Why public intervention?

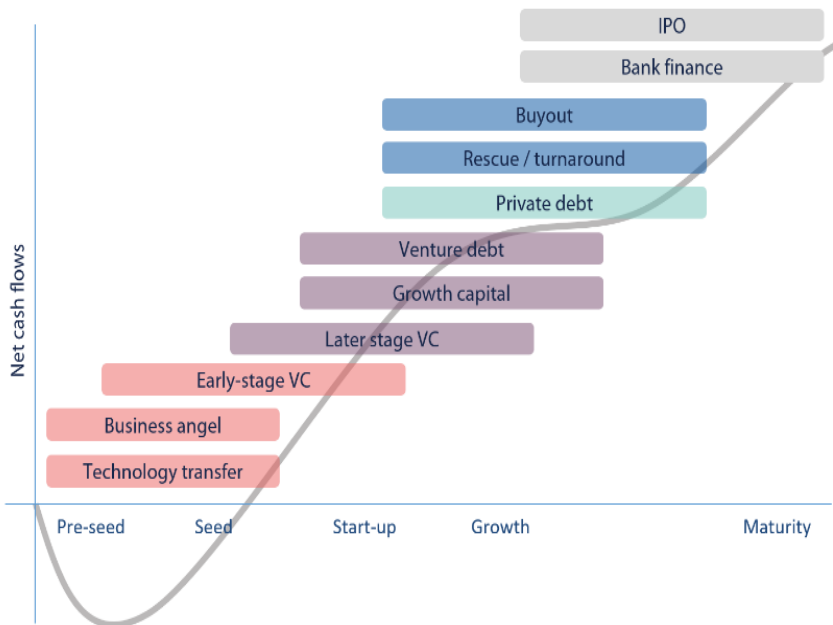
Young, fast-growing, innovative firms drive productivity growth, yet often unable to access funding through the banking system, as they are too risky and costly to monitor.

They require special types of financing, in various forms of venture capital/private equity—private supply is not sufficient

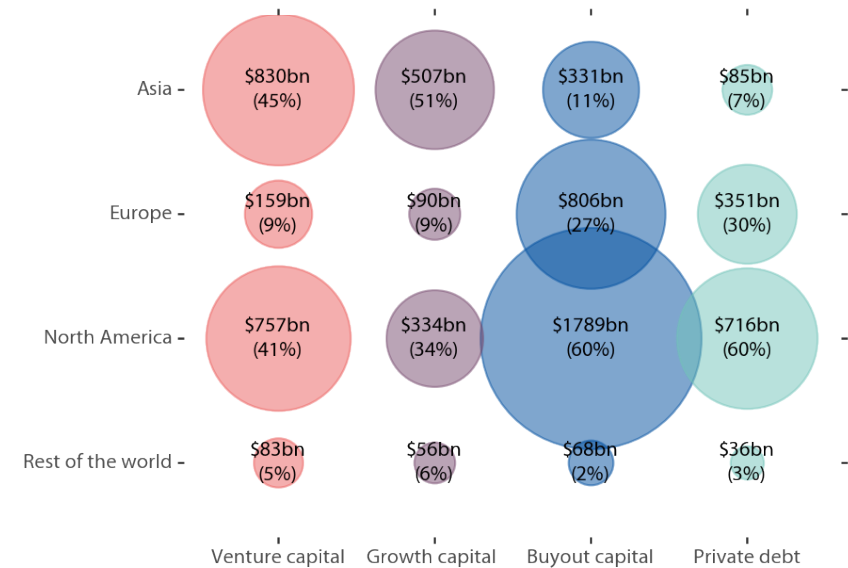
In Europe: PE/VC markets have grown rapidly in the EU over the past 10 years.

- Yet, there is a **structural gap** in risk capital funding in Europe vs the US or Asia.
- In particular **for venture and growth capital** (only 9% of global AUM in Europe).

Financing types by firm development stage



Assets under management at global level in private equity market segments split by regions (2021)



Source: Preqin via McKinsey

EIB Group equity and quasi/equity operations – the scope



Equity/quasi-equity operations



at Group level (EIB and EIF)



supporting SMEs/mid-caps

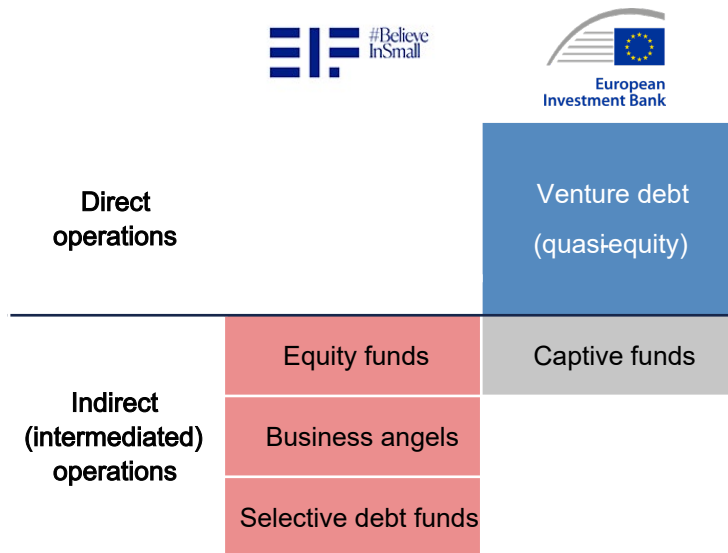


within the European Union

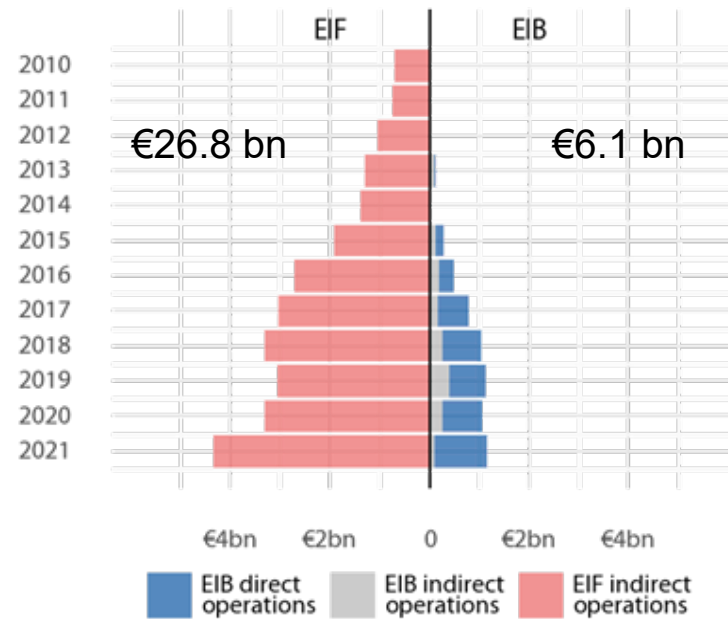


between 2010 and 2021

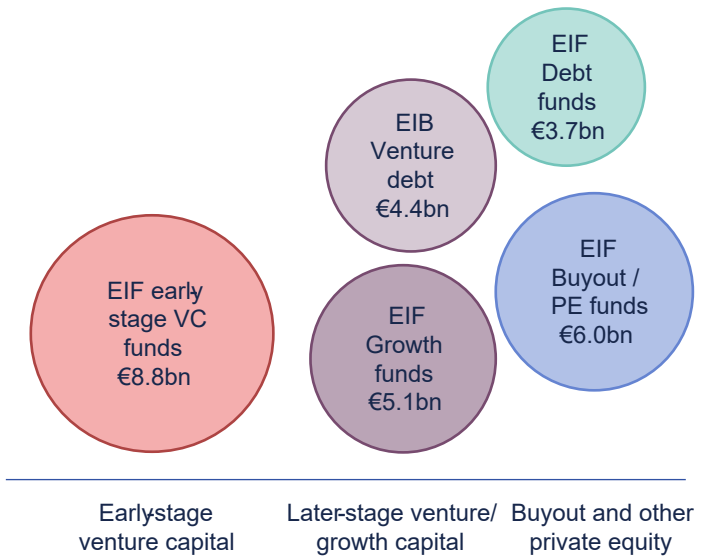
Products included in the scope



Volume of operations



Investments by firm development stage



Key lessons learned for the EIF's (indirect) equity support



Market -building

EIF operations helped:

- implementing best market practice,
- improving governance and reporting,
- strengthening fund management teams, and
- providing opportunities to new teams to enter the market.



Relative support to Cohesion within the EU

In absolute terms, the bulk of the equity investments targeted the more developed EU countries.

Yet, relative to private investors, the EIF overweighted the less developed member states.



Policy contribution vs. financial performance

Later-stage private equity (buyout) investment were

- less relevant
- less additional, and
- less impactful

than earlystage support.

At the same time, they significantly contributed to increase and stabilize the returns of the total investment portfolio.



Impact is as good as for fully private equity

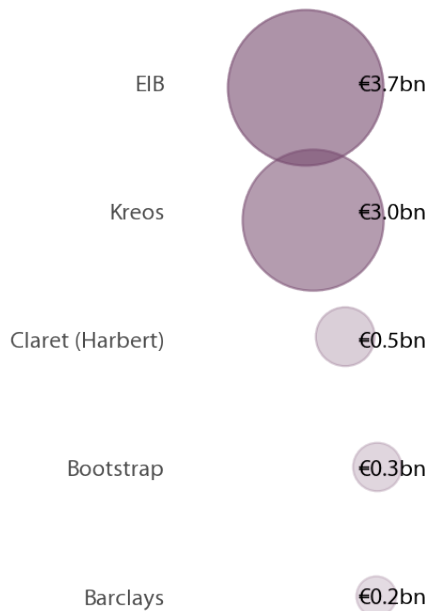
EIFsupported firms

- grow, and
- innovate

as much as firms receiving fully private equity funding.

Key lessons learned for the EIB's (direct) venture debt support

Venture debt in Europe – amounts committed by 2021



Source: Fund managers' websites, Deloitte and EIB estimates



Serving a niche market need

EIB quasi-equity/venture debt operations are targeting a particular, underserved segment of the European market.

In the absence of the EIB quasi-equity financing the supported projects would have either been reduced in scale, or delayed.



Stretching the limits of corporate culture

EIB procedures are not well-suited for venture debt clients.

Time to signature and disbursement longer than the market standard and increased over the last years.

Thank you!

a.gereben@eib.org

