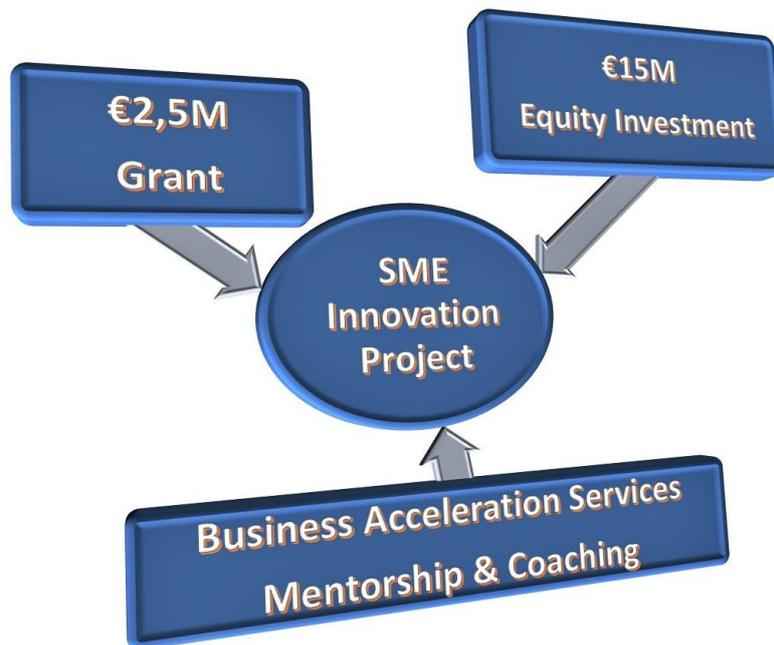


EIC Accelerator Pilot

(formerly SME Instrument Phase 2)



by

Enhanced European Innovation Council Pilot

under

Horizon 2020

Introduction

This mini guide explains the main structure and key components of the EIC Accelerator Pilot program. It is intended to help you adapt and decide

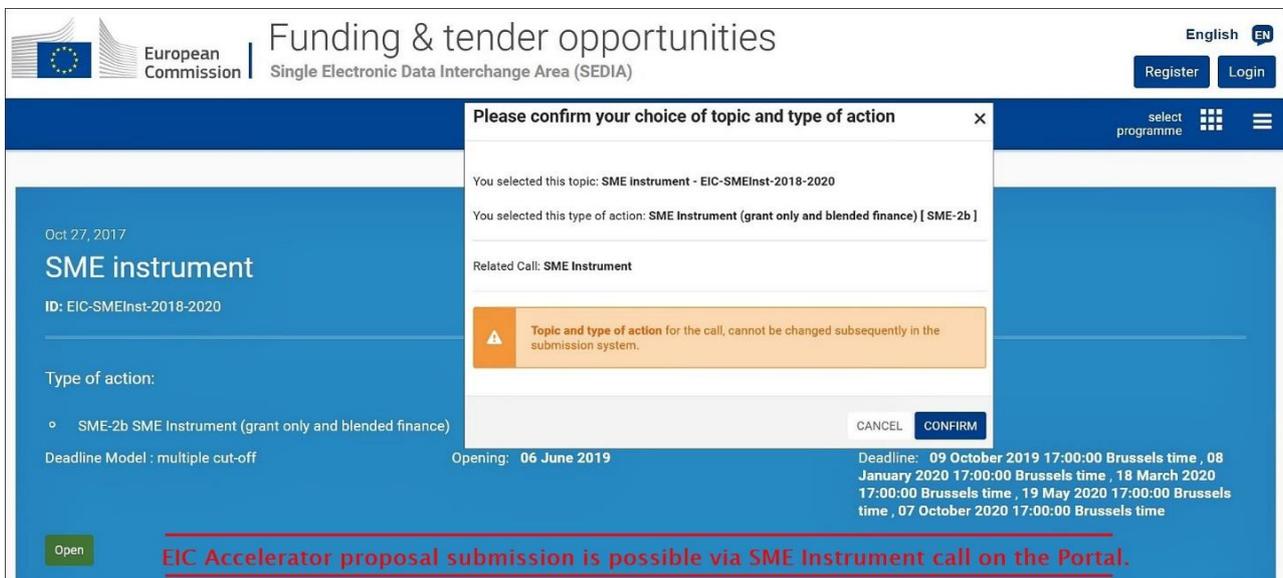
- whether this program is right for your project
- which financing strategy is the most suitable
- how to best craft your proposal.

Please remember that around 75% of the applicants are first-timers. However, 80-85% of above-threshold proposals are resubmissions. Perhaps, most first-timers submit their proposal without sufficient understanding of the program. Unfortunately, most complete their understanding when failed and resubmit a revised proposal.

All my effort is aimed at saving your time and energy while providing convenience. I compiled, summarized, and rephrased all the information here from the references hyperlinked. Please always refer to [EIC Accelerator Call](#) for up-to-date information.

I wish you success and happiness in all your endeavors! Let's help create higher standards of living in all over the world.

Serkan Bolat
serkanbolat.com
September 23, 2019



The screenshot shows the European Commission's 'Funding & tender opportunities' portal. The main page displays details for the 'SME instrument' call (ID: EIC-SMEInst-2018-2020), including the opening date (06 June 2019) and the deadline (09 October 2019). A modal dialog box is open, asking the user to confirm their choice of topic and type of action. The dialog shows that the user has selected 'SME Instrument - EIC-SMEInst-2018-2020' and 'SME Instrument (grant only and blended finance) [SME-2b]'. A warning message states: 'Topic and type of action for the call, cannot be changed subsequently in the submission system.' The dialog has 'CANCEL' and 'CONFIRM' buttons. At the bottom of the page, a red banner reads: 'EIC Accelerator proposal submission is possible via SME Instrument call on the Portal.'

Background

[EIC Accelerator Pilot](#), formerly known as SME Instrument Phase 2, targets high-risk for-profit **SMEs** established in the EU or Horizon 2020 **Associated Countries**, who are in the last stages of their ground-breaking innovation development and aim to create new markets. It is introduced by **European Innovation Council** under **Horizon 2020**.

Having its first deadline on **October 9th, 2019**, the program offers 2 financing options: (1) Grant-only (2) Blended finance (grant and equity).

All beneficiaries shall also access to business acceleration services, mentorship, and coaching.

SMEs (Small- and Medium-sized Enterprises) are who employ fewer than 250 persons AND have EITHER an annual turnover lower than €50M OR an annual balance sheet total lower than €43M.

[Associated Countries](#) are Iceland, Norway, Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, Turkey, Israel, Moldova, Switzerland, Faroe Islands, Ukraine, Tunisia, Georgia, and Armenia.

[Enhanced EIC \(European Innovation Council\) Pilot](#) was launched under Horizon 2020 in 2019 to further support disruptive and market-creating innovations. European Innovation Council was first established as Pilot in 2017 and will be fully functional under Horizon Europe in 2021.

[Horizon 2020](#) is the European Commission's 8th Research and Innovation Framework Program with €80B of funding available from 2014 through 2020. The first one was launched in 1984. The next one, [Horizon Europe](#), with a proposed budget of €100B will be implemented between 2021 and 2027.

Program Highlights

Applications are **open to any sector**. There are not any predetermined innovation topics.

Eligible applicants are **sole SMEs**, including start-ups. Consortia are not eligible. Others (i.e., universities or large companies), including **non-European** ones, can be involved as subcontractors.

Project duration can be 1-2 years.

Applicants should provide detailed information about the current TRL of their project in the proposal, whether it is a **tech** or **non-tech** innovation. As a minimum requirement, the SME must have concluded with **at least TRL 5** activities and be undertaking TRL 6 or higher activities.

EIC Accelerator offers **grant-only** and **blended finance (grant and equity)** support options, from which the applicants should select during online submission. ('Equity-only' option does not exist now but it may be offered under Horizon Europe in 2021.) **Grant** can only be used for **TRL 6-8** activities. Project activities at **TRL 9 and beyond** are only funded through **equity** which is provided to the extent that the SME is **non-bankable**.

Regardless, **all applicants** are expected to detail their **TRL 6-9** activities and to explain how **TRL 9** activities will be **financed** in order to demonstrate their market deployment ability.

TRL 6-8 activities can involve conceptual definition, planning, prototyping, demonstrating, piloting, testing and validation of **new or improved products, processes or services** -except routine or periodic changes- using existing scientific, technological, and business knowledge.

TRL 9 or above cover full-scale operations, market deployment, and scale-up activities, which would focus on **commercialization** including sales, marketing, advertising, distribution, warehousing, and manufacturing **unless** they are associable with and limited to pilot tests and demonstrations.

Additionally, applicants are free to prefer "grant-only" support but also to give their consent to the EC for **change into blended finance** if the evaluators identify that proposal budget mistakenly includes costs of TRL 9 activities that cannot be funded through grant but only equity. In this case, the **grant** amount initially requested for the activities of TRL 9 and above will be **directly transferred** to **equity** amount.

If the SME did not apply for "blended finance", **did not give its consent** to "change into blended finance", and the proposal mistakenly includes costs of **TRL 9** activities, the grant amount will be **reduced to cover only TRL 6-8** activities. Incorrect TRL classification may not immediately exclude the proposal from funding as long as the SME secures funding for these activities from other resources.

TRL assessment will be performed by both remote evaluators and jury members. The jury will propose the reduction and/or transfer.

Applicants can request a **grant** amount between **€0.5M and €2.5M** whether they apply for "grant-only" or "blended finance" option. Financing rate is **70%** of total eligible project budget. 30% co-financing is due to the beneficiary.

Blended finance applicants can request **equity** investment up to **€15M** in addition to a **grant** amount of their need. Though estimated equity investment per applicant is €0.5-5M. Eligible cost and co-financing practices are **not applicable** to equity component. As an asset of the SME, it can be used for **any expense** as well as for 30% co-financing of the grant-supported TRL 6-8 activities. Equity component will be paid **in tranches**, not in one instalment. On average, 5 tranches are envisaged based on the milestones agreed.

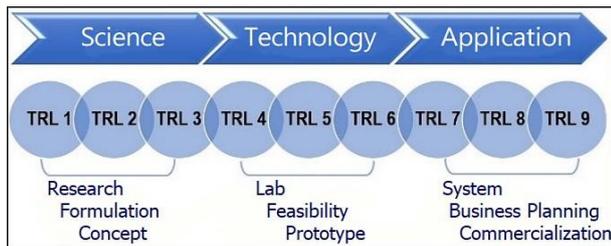
Equity investment aims to provide founder-friendly patient capital on an **impact investment** basis rather than pure Return-on-Investment. **10-25% of the voting rights** may be sought except strategic cases, where **blocking minority** can be acquired. Regarding ROI, **exit may take 7-10 years**, with a maximum of 15 years for certain innovations. There is not any pre-specified financial return.

All beneficiaries will have access to exclusive [business acceleration services](#) including business coaching, mentorship, and EIC networking events.

Applicants **cannot submit** and/or **implement several** proposals at a given time except that beneficiaries of ongoing **grant-only** projects can apply for **blended-finance** for **the same** ongoing project. No restrictions in proposal submission if you are a subcontractor in an **Accelerator** project or a beneficiary in **other H2020-funded** projects. Also, there is **no limit** as to the **resubmissions** of the rejected proposals in the future.

For more: [Guidelines for Applicants Version 1.1](#)

TRL (Technology Readiness Level)



TRL is a **measurement scale** to describe and monitor the progress of an innovation. Without unique TRL definitions of its own, EIC Accelerator refers to below definitions provided in the Horizon 2020 Work Program [Annex](#). Ranging from 1 to 9, from 'abstract discussions on a new concept' to 'fully commercialized product', the higher the level, the closer to real-world application.

TRL (Technology Readiness Level) Definitions

- 1 Basic principles observed
- 2 Technology concept formulated
- 3 Experimental proof of concept
- 4 Technology validated in lab
- 5 Technology validated in relevant environment
- 6 Technology demonstrated in relevant environment
- 7 System prototype demonstration in operational environment
- 8 System complete and qualified
- 9 Actual system proven in operational environment

EIC Accelerator does **not impose** specific guidance or rules for TRL assessment, evidence, or reporting. Based on the project specifications, value proposition, and industry, applicants need to make their **own interpretation** and reasonably explain **project progress and activities** using relevant performance terms and criteria.

It is crucial to appropriately differentiate **TRL 6-8** (development) activities from those of **TRL 9** (commercialization) because an incorrect perspective may lead to **proposal rejection** or, at least, **disapproval of ineligible costs**. Notably, **production costs** of a commercially usable product may only be eligible if a prototype or pilot is **too expensive** to produce only for validation purpose.

Eligible Costs are the costs incurred by the beneficiary in accordance with and used for grant actions, including direct costs of personnel, subcontracting, travel, equipment, goods, services, and a flat-rated indirect cost (25% of all above mentioned costs excluding subcontracting).

Project Administration

EIC Accelerator program is managed by [the EASME \(the Executive Agency for SMEs\)](#), set up by the European Commission, through Program Managers and Project Officers.

All information including call for proposals, proposal submissions, proposal evaluations, grant/investment agreement signatures, and project reports are electronically exchanged via **the Portal**, [Funding & Tender Opportunities](#).

All applicants are notified of their evaluation outcome maximum **4 months** after the corresponding cut-off dates. Once the outcome is communicated, **all beneficiaries** sign a **Grant Agreement** in **2 months** and **start** grant actions. Blended finance beneficiaries also sign an (Equity) **Investment Agreement** within **6 months** of project start. Both grant and equity actions run in parallel in close coordination but are managed separately.

Grant and Investment Agreements outline the rights and obligations of the relevant parties and sets out the conditions for the implementation of the action, such as milestones, reporting, eligible costs, and payments. **Financial reporting** is required only at the end of the grant part of the project. **Monitoring** is performed through regular progress meetings between the beneficiary, the EC and the EIC Fund, if blended finance received. **Approval of work** carried is likely to take 2 weeks.

After the signature of the Grant Agreement, **all beneficiaries** receive an initial **pre-financing**, possibly a second one depending on project duration, and a final payment. At the time of the pre-financing, 5% of the maximum grant amount is retained for the **Guarantee Fund** to protect the interests of the EC in case of fraud. The payment of the balance is subject to the approval of the final report including eligible costs.

Blended finance beneficiaries receive their **equity payments** based on the subsequent Investment Agreement. Number and size of tranches are subject to **individual negotiations** and to milestone accomplishments as well as key performance indicators. Where necessary, **reporting** requirements initially agreed in the Grant Agreement are **adjusted** to those subsequently agreed in the Investment Agreement.

For more: [Model Grant Agreement Version 5.0](#)

Proposal Submission

Applicants can submit their proposal at any time. Proposals are collected and evaluated at certain **cut-off dates**. Applications are not accessible to EIC before cut-off dates. Early submission does not result in early evaluation. You should first [create your personal account](#) and [register your company](#); then, go to [EIC Accelerator call](#) where you can download the **templates** and submit your **proposal**.

Cut-off Dates	Jury Interviews
9.October.2019	18-22 November
8.January.2020	17-21 February
18.March.2020	4-8 May
19.May.2020	29-3 July
7.October.2020	16-20 November

EIC Accelerator Proposal is composed of 2 Parts:

PART A, covering administrative data, is **filled in online** through the submission system. Among the information sought are project abstract/keywords, budget for the grant, ethics questions, support type applied for, and total equity requested, if any.

PART B, detailing the innovation project, is composed of **4 documents** to be separately submitted as .pdf and/or .xls files. Templates for these documents are [downloadable](#) once you register your company on the Portal.

Main Proposal (Document 1)

Main Proposal is composed of **Introduction** part and **3 sections**: Excellence, Impact, and Quality and Efficiency of Implementation. It should be no more than **30 pages** in total. Being **self-sufficient**, your proposal should not rely on hyperlinked websites or irrelevant information placed in the Annexes to by-pass 30-page limit. Annexes are not subject to page limit.

Annex 1. Security and Ethics (Document 2, part a)

Security and ethics issue check; if necessary, relevant documents and ethics self-assessment.

Annex 2. CVs (Document 2, part b)

Resumes of team members.

Annex 3. Others – Optional (Document 2, part c)

Letters of Intent from key partners. Justification of the best value for money for subcontracting, if any.

Annex 4. Financial & Corporate Info (Document 3)

- Revenues, expenditures, cash flow, balance sheet;
- Up-to-date cash and debt data;
- Major financing events for your company;
- Company ownership and capital structure (blended applicants only);
- Information on your current financing round.

Annex 5. Pitch Deck (Document 4)

An overview of the project in [presentation format](#). It will be used by both remote evaluators and the jury. **No file update** is allowed before the interview.

Main Proposal (Document 1) Content

Introduction

Basic proposal information and short description of your company. Summary of your innovation and its relation to company strategy.

Section 1 - Excellence

- Description of your **idea and solution**, the challenges or problems that you seek to address by bringing your innovation to the market.

- Superiorities, significant differences, and **innovativeness** of your innovation as compared to alternatives and in consideration with its timing.

- Current **stage of development** (Technology Readiness Level) including previously achieved results and upcoming activities to take the innovation to the market.

- Technological, practical and economic **feasibility and risks**.

Section 2 - Impact

- Potential **market and customers**, their growth rate, and key differentiation from competitors.

- Commercialization strategy**, regulatory approvals/compliance needed, time to market deployment, and revenue model.

- External strategic partners** required to develop and commercialize your innovation, their roles, competences, and commitment.

- Intellectual Property** rights and freedom-to-operate status.

- Scale up** and market creation potential, projected impact of the innovation on company growth.

- Key performance indicators** for the expected technological, practical, and economic outcomes.

- Broader impact** of your innovation in terms of social, economic, or environmental aspects.

Section 3 - Implementation

- Description of the **team and capabilities**. Its main strengths/weaknesses and the plan to acquire missing competencies.

- Detailed estimation of the total **financing need** and its timing as you develop your innovation including both pre- and post-break-even point.

- If **blended finance requested**, purpose of the requested equity, the equity share you plan to give in return, valuation history and ownership structure of the company. Your estimations regarding exit strategy and return on investment.

- Justification of the **need for EIC support**, your current effort to raise money, and why it has not been possible. Probable consequences if you do not receive financial support from EIC.

- Your mitigation plan for the **risks** identified.

- Overall structure, **approach**, and timing of Work Packages to be executed with the grant.

- Work Packages including TRL 6-9 activities and beyond until break-even point.

- The **resources**, equipment, facilities required for the project and how you will access them.

- Other direct costs breakdown.

- If relevant, explanation and justification of **subcontracting** work.

For more: [Proposal Template Version 3.0](#)

Subcontracting is key to project planning and evaluation. Except that applicants cannot subcontract **project coordination tasks** and to **affiliates**, subcontracting is **not restricted** to a certain part of the action or to a certain percentage of the budget.

Applicants are free to select the subcontractors **before** or **after** proposal submission. In either case, the proposal should explain the subcontracted tasks, their estimated costs, and justification of the need for a subcontractor. In order to observe **best-value-for-money** principle and **best price-quality ratio**, applicants may document a competitive subcontractor selection procedure or an alternative method if justified.

Proposal Evaluation Steps

Step 1: Remote Evaluation

Regardless of the financing type, **all proposals** are evaluated and scored remotely by at least 4 experts on **the same 3 main criteria**: Impact, Excellence, Quality and Efficiency of Implementation. **Overall Consensus Score** for a proposal is the sum of the medians of criterion scores. Proposals are evaluated and funded as they are submitted. There is **no conditional approval**.

To be considered for funding, a proposal must pass the overall threshold of **13 out of 15** points AND the minimum threshold of each 3 criterion, which is **4 out of 5** points. Step 1 will produce a **ranking list** of proposals by Overall Consensus Score in descending order.

Starting from the top of this list, almost **twice** the number of to-be-funded applicants will receive an **invitation to the Jury Interview in Brussels**. There is not a pre-determined threshold score or number of applicants to invite for the jury because overall scores, requested funding amounts, and EIC Accelerator budget are **changeable at each cut-off**.

The rest will receive an **Evaluation Summary Report** with criterion scores and assessments. Above-threshold proposals without an invitation will be awarded **Seal of Excellence**.

Step 2: Jury Interview

All applicants will be interviewed and evaluated in the same manner by the Jury **regardless of their remote evaluation score**.

Applicants are expected to send up to **3 high-level company employees** to the interview. Travel, accommodation, and subsistence expenses of the representatives are **reimbursed**. Therefore, these representatives should create an “expert” profile on the Portal beforehand.

Conducted with investor perspective, the interview is aimed at clarification and further explanation of various aspects of the proposals.

Using the **pitch deck** submitted during proposal application, the representatives will present their project to a **Jury** of at least 5 experts in **10 minutes**. Then, they will reply questions for **30 minutes**. In an open format, the interviews will not follow a standard set of questions. Q&A session for blended finance applicants may take **longer**.

There will be several concurrent Jury sessions, whose members will jointly make **the Panel**. The Jury will prepare a report with an evaluation outcome for each proposal. Then, the panel will review the reports and finalize the decisions in a closed session. Giving “**A**” mark, it will select the proposals for funding.

The rest will be awarded **Seal of Excellence**. Each interviewee will also receive an **Evaluation Summary Report**. This will conclude evaluation process for **grant-only** applicants.

Treated the same, both the blended finance beneficiaries and the beneficiaries whose “change into blended finance” consents are honored will be directed to the EIC Fund for a **due diligence** process. Therefore, both the **grant** support and **equity** investment processes will have been initiated **concurrently**.

Proposal Submission and Funding Stats by Cut-Offs

	Avg. 2018	Jan. 2019	Apr. 2019	Jun. 2019	
Submitted proposals	1.488	1.752	1.765	2.025	100%
Above-threshold	598	709	722	921	41%
Invited for Jury	131	137	174	192	9%
Funded proposals	63	64	78	94	4%
Call budget €	112M	120M	149M	177M	
Funding per project €	1,8M	1,9M	1,9M	1,9M	

Jury interview step in the SME Instrument Phase 2 evaluations was first introduced in 2018. Data collected in the last 7 cut-offs since then show that 38-42% of total proposals submitted remain above-threshold and 9-10% are invited for Jury interview. In the end, **4-5% of total submissions** are funded at each cut-off.

Around **25%** of total applications at each cut-off are **resubmissions**. Interestingly, they account for **80-85%** of all above-threshold proposals.

On average, beneficiaries are **reimbursed for around €100K less** than initially awarded grant amount because of subsequently revised budgets or omitted ineligible costs at project finalization.

Proposal Evaluation Criteria

Impact

- ✚ Potential to create substantial demand, new markets, and market disruption.
- ✚ Target customers, their needs, and preferability of the proposed solution compared to alternatives.
- ✚ Market conditions and growth-rate, competitors and competitive offerings, key stakeholders, and market opportunities.
- ✚ Potential to scale-up the applicant company, underpinned by a business plan and financial needs to ensure the company's success.
- ✚ Alignment of proposal with overall strategy of the SME and a committed team who understands the requirements for commercial exploitation.
- ✚ Strategic commercialization plan and activities covering both during and after the project.
- ✚ European/global dimension of innovation regarding commercialization and competition.
- ✚ Freedom-to-operate status, knowledge-protection strategy, IPR ownership and licensing issues, regulatory and/or standards requirements.
- ✚ Overall criteria assessment.

Excellence

- ✚ Risk, potential, and novelty of the innovation idea; the higher, the better.
- ✚ Current stage of development (undertaking TRL 6 activities, at the least) and clear outline of steps planned to take the innovation to the market.
- ✚ Innovativeness of the solution that goes beyond the state-of-the-art with respect to competition in terms of relevant features and aspects.
- ✚ Understanding of technical and commercial risks/opportunities related to successful market introduction. Technological, practical, and economic feasibility of the innovation.
- ✚ Consistency of the proposal objectives, approach, and activities with its expected impact.
- ✚ Overall criteria assessment.

Quality and efficiency of the implementation

- ✚ Evidence that the applicant SME cannot leverage sufficient investments from the market. If blended finance requested, non-bankability.
- ✚ Technical and business experience of the team, including capacity to lead a growing team. If any, the need for and selection of subcontractors.
- ✚ Availability of resources required (i.e., personnel, facilities, networks). If relevant, stakeholder and partner involvement. If any, the need for and selection of subcontractors.
- ✚ Timeframe and comprehensive description of implementation including Work Packages, Deliverables, Milestones, and Risk Management.
- ✚ Overall criteria assessment.

Jury Interview

In addition to remote proposal evaluation criteria, the Jury will particularly question below aspects:

- ✚ Potential to scale-up.
- ✚ Commercial strategy.
- ✚ Feasibility.
- ✚ Non-bankability.
- ✚ Team.

For more: [Self-Evaluation Form Version 4.0](#)

There are not any predetermined minimal acceptable levels of financial ratios to be fulfilled by the company or project.

Due Diligence and Investment Process

Equity investment will be made through **the EIC (Accelerator) Fund** incorporated as a public limited liability company. Currently, its sole investor is the **European Commission** and its financial resource, initially €100M, comes from the **Horizon 2020** budget. **The EIB** will act as the EIC Fund's investment advisor, manage EIC Accelerator due diligence process, and monitor the SMEs invested. All decisions will be made by the EIC Fund.

Due Diligence

Based on the Investment Policy and Guidelines, due diligence process does **not aim to re-evaluate** the proposal but mainly (1) to verify the integrity of the beneficiary, (2) to perform legal and IP assessments, (3) to assess non-bankability, (4) to perform company valuation, (5) to set milestones and tranches for financing, (6) to negotiate investment terms with the beneficiary.

Existing investors in the SME should provide an **up-front confirmation** that they will accept a blended finance and participate in the equity agreement negotiation.

Other due diligences made earlier and/or by other institutions are **not taken into consideration**.

In addition to the initial application forms, the EIC Fund will request information about financial projections, R&D, competition, market, sales, distribution, and legal matters among others.

Due diligence process will conclude with a tailor-made **investment offer**. The EIC Fund will start **negotiating** with the SME on the terms via its standard **Term Sheet** that will be adapted to the individual investment needs. Particularly, number and size of tranches as well as their associated milestones and key performance indicators will be agreed upon.

If **the SME rejects** the investment terms proposed by the EIC fund **without** securing alternate investment, the EC, on a case by case basis, may **allow** the continuation of the grant or **terminate** it, paying only the costs incurred prior to termination.

If **negative due diligence** determined due to fraud or misrepresentation, the EC **terminates** the entire financing process and demands **full recovery** of the grant amount already transferred.

Non-bankability

A project can be considered as non-bankable if the applicant does **not have sufficient funds** of its own or is **not able to attract sufficient funds** from investors, banks, or granters due to perceived risks or any other reason. Applicants with no turnover and negative EBITDA are welcomed.

Evidence of the non-bankability is the information provided in the proposal and during the jury interview regarding the justification of the SME's financial needs, its efforts to attract funding, and the reasons why it was unsuccessful to raise enough money.

If blended finance requested, non-bankability will also be checked during the **due diligence** process via (1) **additional information** sought from the applicant and (2) actual **match-making events** organized by the EC to search investors.

The SME may be considered non-bankable even if (1) it has co-investors to finance project activities only **partially** or **on the condition** of its receiving EC's equity investment, or (2) it **previously** received investments but cannot raise any money for the **submitted** project.

Co- or Alternate Investor Search

After the due diligence process, the EIC Fund will use its outcome to inform and attract, through a digital platform, pre-checked European investors (accessible via **EFSI**, **InnovFin**, and other networks). If investors are found and the SME **agrees their participation**, the equity investment of the EIC Fund will be **decreased** by the amount of co-investment. If the entire equity need is fulfilled by alternate investors, the EIC Fund may just act as a match-maker and may not offer equity investment.

The SME may also propose alternate or co-investors of its own, **inside or outside of Europe**. These investors will be subject to due diligence and approval by EIC Fund.

If there are no co-investors or no agreement can be reached, the EIC Fund will become the **sole investor** as initially foreseen.

Company Valuation

The EIC Fund does **not have a certain methodology** for company/project valuation due to unique requirements of each project. Though it intends to follow the International Private Equity and Venture Capital Valuation Guidelines (IPEV), which outlines the following methodologies: (1) Price of recent investment, (2) Multiples of earnings, (3) Net assets, (4) Discounted cash flows or earnings (of the underlying business), (5) Discounted cash flows (from the investment), (6) Industry benchmarks.

In the end, the valuation of a company will likely be determined through **negotiations** among the SME, the EIC Fund, and the private co-investors, if any. In case of private **co-investors**, they will **lead** the negotiations on valuation and investment terms.

The EIB ([European Investment Bank](#)) and the EIF ([European Investment Fund](#)) together constitute the EIB ([European Investment Bank](#)) Group. The EIB, founded in 1958, offers loans, guarantees, equity investments, and advisory services to private and public organizations, directly or via a financial intermediary, i.e., a bank or a fund. The EIF, founded in 1994, focuses on SME risk financing and venture capital. Among their joint initiatives with targeted tools are [InnovFin](#) 'EU Finance for Innovators' and [EFSI \(the European Fund for Strategic Investments\)](#), aka Juncker Plan.

For More: [EIC Investment Guidelines 27/9/2019](#)

Investment Principles

The EIC Fund does not have a one-size-fits-all investment model. Identified on a case-by-case basis, **individualized terms** will be offered to the beneficiaries.

The EIC Fund will offer terms to ensure that the value for the SME founders is preserved. It will seek to invest **pari-passu** (in equal rights and conditions) with co-investors, if any.

Where it is the sole investor, the EIC Fund will appoint a **Mentor** to the SME. It may also have an **observer seat** in the governing bodies of the SME but it will **not interfere** in the daily business.

Except for projects of strategic interest for the EC, where the EIC Fund would condition its overall support to a possible **blocking minority**, the EIC Fund will typically opt for **preferred rights**.

The EIC Fund will make **equity** and **quasi-equity** investments. If it invests alone, it will likely make the investment via a **convertible note** provided that it is possible in the given jurisdiction. In other cases, standard valuation and **equity participation** will apply. In both cases, the **ownership structure** of the company may not change.

No drag along rights are foreseen. Tag along rights might be utilized to align the EIC Fund with the terms offered by private investors, if any.

As a shareholder, the EIC Fund can **benefit** from the **revenues** generated by the project only if any **dividend** is paid out of it to shareholders.

The EIC Fund intends to stay in the investment as long as it is needed. During the project lifetime, the SME is entitled to secure additional **co-investors** who may even **substitute the EIC Fund** by buying its share at market price. On the other hand, the EIC Fund may provide **further rounds of financing** in the future if justified by the company and approved by the Commission.

The EIC Fund's **exit strategy** will be based on the specificities of each business plan, founder expectations, industry, and expected holding period among others. Among the factors that may trigger the exit are company growth attracting investors or lack of traction for a certain period.

Exit routes may include IPO, management buy-out, secondary sales, repayment, liquidations, and share get-back (or earn-out) rights.

SME Instrument Phase 2 Proposals by Country, as of Sept.10, 2019

Country	SME Participation in Proposals		Success Rate	Coordination Role	€ Funding Received
	Submitted	Funded			
1 Spain	3.894	232	6,0%	201	273,6M
2 France	1.978	83	4,2%	75	146,8M
3 Germany	1.836	106	5,8%	82	144,2M
4 Italy	3.410	130	3,8%	96	136,3M
5 United Kingdom	2.365	101	4,3%	75	134,1M
6 Sweden	1.268	61	4,8%	55	108,5M
7 Netherlands	1.091	65	6,0%	51	104,3M
8 Finland	1.104	60	5,4%	56	96,6M
9 Denmark	942	67	7,1%	59	95,9M
10 Israel	1.445	51	3,5%	45	84,8M
11 Ireland	558	45	8,1%	39	76,5M
12 Norway	525	42	8,0%	37	65,9M
13 Austria	469	28	6,0%	21	36,2M
14 Poland	419	19	4,5%	14	29,5M
15 Hungary	737	25	3,4%	20	26,9M
16 Belgium	427	15	3,5%	14	26,4M
17 Estonia	294	14	4,8%	12	21,6M
18 Switzerland	419	10	2,4%	10	20,7M
19 Portugal	518	13	2,5%	13	18,2M
20 Iceland	171	10	5,8%	10	17,1M
21 Slovenia	341	16	4,7%	12	15,6M
22 Greece	377	9	2,4%	7	10,6M
23 Turkey	279	8	2,9%	7	7,8M
24 Lithuania	74	3	4,1%	3	4,0M
25 Czech Republic	136	4	2,9%	2	3,8M
26 Ukraine	88	2	2,3%	2	2,2M
27 Croatia	77	2	2,6%	2	1,9M
28 Serbia	62	1	1,6%	1	1,6M
29 Latvia	141	3	2,1%	1	1,4M
30 Slovakia	199	1	0,5%	1	1,2M
31 Bulgaria	244	1	0,4%	1	1,2M
32 Romania	113	1	0,9%	0	0,7M
33 Luxembourg	39	1	2,6%	0	0,7M
34 Cyprus	90	1	1,1%	0	0,6M
35 Malta	42	1	2,4%	1	0,4M
36 Anguilla	11	1	9,1%	0	0,3M
37 Albania	4	0			
38 Armenia	1	0			
39 Bosnia and Herzegovina	3	0			
40 Faroe Islands	5	0			
41 Georgia	1	0			
42 Republic of Moldova	14	0			
43 Montenegro	2	0			
44 North Macedonia	30	0			
45 Tunisia	4	0			
Total	26.247	1.232	4,7%	1.025	1.718,0M

Glossary

AML (Anti-Money Laundering) and **KYC (Know Your Customer)** are complementary processes to investigate and verify beneficiary identity and integrity during Due Diligence.

Common shares represent an (equity) ownership in a company with negotiable voting privileges, including an interest in earnings and dividends.

Convertible Note is one of the most suitable form of debt instruments for early stage investments, which is usually issued when company valuation is not factually possible. So, the investor would be loaning money to a company and receive automatically convertible equity in conjunction with a future event, potentially Series A financing round, when valuation can be properly performed.

Drag-along rights mostly protect the majority shareholders. When the majority shareholders sell their stake in the company, the buyers have the right to force the minority shareholders to join the deal on the same terms and conditions.

IPO (Initial Public Offering) is the sale of a privately held company's shares in stock exchange markets, turning it into a public company for the first time.

PIC (Participant Identification Code) is a 9-digit number automatically assigned to the organizations during registration on the Portal.

Preferred equity holders have no voting rights but have priority over a company's income/dividends and receive relatively predictable returns.

Quasi-equity investment is a form of debt with the characteristics of an unsecured loan and/or a flexible loan repayment schedule. The return received by the investor is set to be dependent on the company's cash flow growth in the future. The greater profitability, the greater return, possibly with a fixed amount of maximum return.

Tag-along rights mostly protect the minority shareholders. When the majority shareholders sell their stake in the company, the minority shareholders have the right to force the buyers to join the deal on the same terms and conditions.

Please be aware that various Horizon 2020 database searches of yours may produce slightly different results for certain aspects. This is mostly due to data update timing and considerations, which are not always footnoted in the search results. Some datasets include the facts at a given moment, for instance, at proposal submission, grant signature, or project completion, whereas some are continuously updated as new information is acquired. Discrepancies in funding and beneficiary statistics may also result from subsequently withdrawn proposals, terminated projects, or amended grant agreements.

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