



Helping to finance innovation and growth – BMW i, EIF and KfW launch new instruments to raise more venture capital in Germany

Today, the Federal Ministry for Economic Affairs and Energy, the European Investment and the KfW launched two new large-scale instruments for funding venture capital. Below you will find information on the operation of these instruments, the so-called ERP/EIF Growth Facility and the ‘coparion’ fund.

Additional information on the ERP/EIF Growth Facility

Overview:

Name: ERP/EIF Growth Facility

Volume: €500m; €330m from the ERP Special Fund (represented by the Economic Affairs Ministry); €170m from the European Investment Fund (EIF)

Structure: Since the EIF does not invest directly in individual companies, fund vehicles are set up. The €500m is spread around these individual funds. One or more private investors is to invest in each individual fund. The investment in an individual company will typically amount to around €20m.

Objective: Facilitating high growth. So far, there has been a supply-side gap in this segment, stifling corporate growth.

Target companies: There are no sectoral restrictions or requirements; the involvement of the private investor is intended to ensure that promising innovative companies are chosen. The headquarters or main focus of business must be in Germany.

Term: Investment period ends on 31.12.2020.

Further information:

By launching the ERP/EIF Growth Facility, the Federal Government is implementing another measure set out in its document of September 2015 containing key points on venture capital. With the new ERP/EIF Growth Facility, the ERP Special Fund and the European Investment Fund (EIF) are building on their very successful cooperation in the area of venture capital and mezzanine financing. Among these tools are the ERP/EIF venture capital fund of funds, the European Angels Fund, and the mezzanine fund of funds for Germany (the latter in cooperation with LfA Bayern and NRW.BANK).

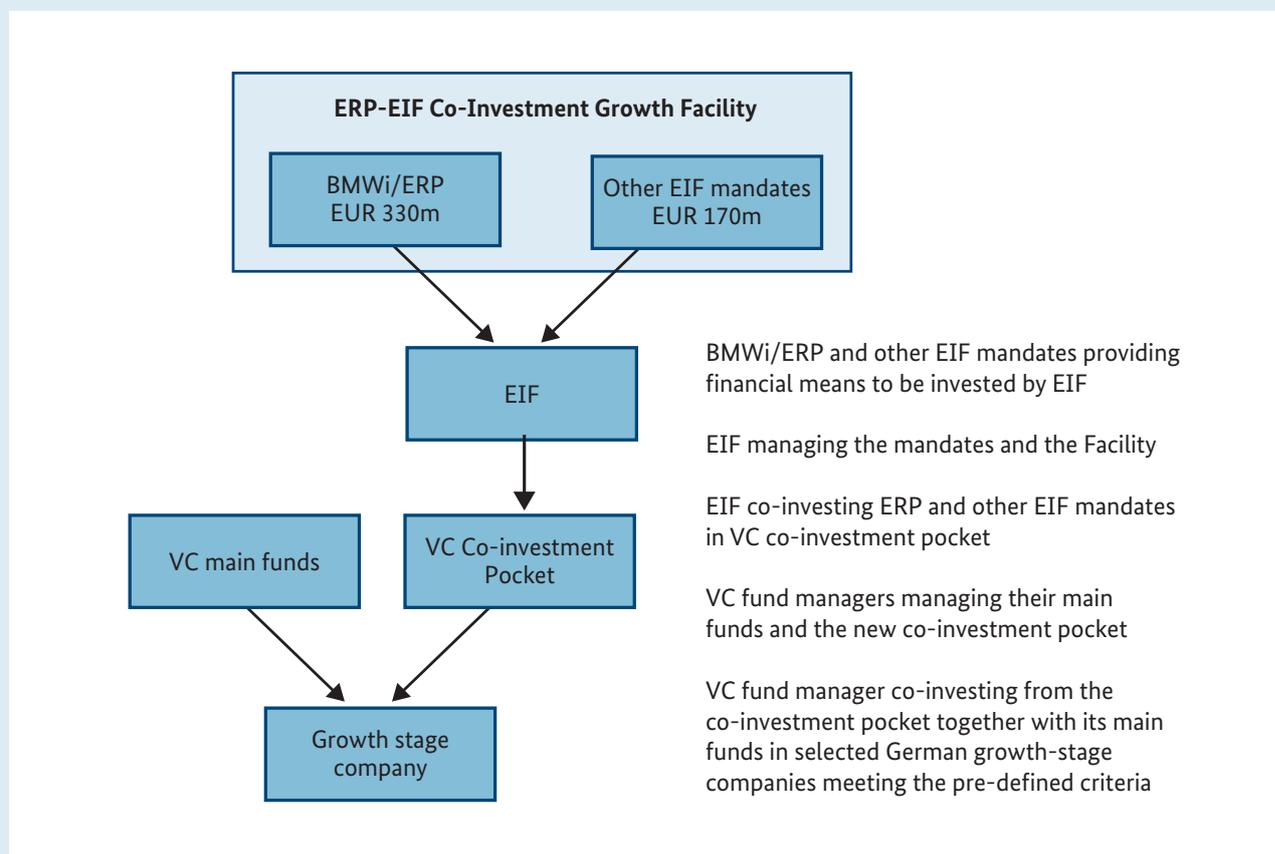
The volume of the ERP/EIF Growth Facility will be significant, totalling €500m. Consequently, the Growth Facility can make a key contribution to funding fast-growing companies in Germany. €330m is provided by the ERP Special Fund, with €170m from the EIF. The new instrument is being launched to support rounds of financing for fast-growing companies which could be underfunded due to a lack of funding available to existing investors in

Germany. This gap between demand and supply can lead to companies limiting their growth and companies with particularly high potential for success and growth having to move or be sold to other markets.

The Facility provides an efficient way for fast-growing companies to access urgently needed capital for their growth. The EIF and the ERP Special Fund will cooperate with other successful venture capital fund investors in the ERP/EIF portfolio and refinance co-investment funds. The co-investment fund, which is managed by a fund manager without the involvement of the EIF and the ERP Special Fund, should invest in at least three innovative fast-growing German companies. The individual investment in a company by the co-investment fund will typically amount to up to €20m. The investment made by the fund will be subject to the same terms as the investment made by the private-sector co-investor (*pari passu*). This will result in a significant leverage effect for the instrument.

The innovative character of the instrument is underlined by the total volume of the facility, the fact that “fast-growing companies” are targeted, the volume defined for each individual investment and the better availability of funding due to the structure of the co-investment fund.

Diagram 1: How the ERP/EIF Growth Facility works



Further information on coparion

Overview:

Fund name: coparion

Volume: €225m; €180m from the ERP Special Fund (represented by the Economic Affairs Ministry); €45m from KfW

Structure: coparion invests in young technology-oriented companies as a co-investment fund together with private-sector lead investors at the same commercial conditions (pari passu approach). Stakes of up to €10m are possible per company.

Objective: To close the gap in venture capital funding for companies in the start-up and growth phase. The new venture capital fund supports innovative start-ups and young technology companies.

Target companies: coparion invests in small and medium-sized technology companies with a permanent establishment in Germany which are no more than ten years old and which are developing new products, processes or services or introducing them to the market. There are no sectoral restrictions/requirements.

Term: 10 years

Further information:

The establishment and launch of coparion implements the decision by the Federal Government – in its document containing key points on venture capital – to move the ERP Start-up Fund into a separate company outside KfW which aims to boost the German venture capital market.

By launching coparion, the Federal Government and KfW are helping to close the funding gap for start-ups and companies in the early growth phase, providing substantial amounts of funding to technology start-ups and young, innovative companies. These companies play a central role for the ability of the German economy to meet the challenges of the future.

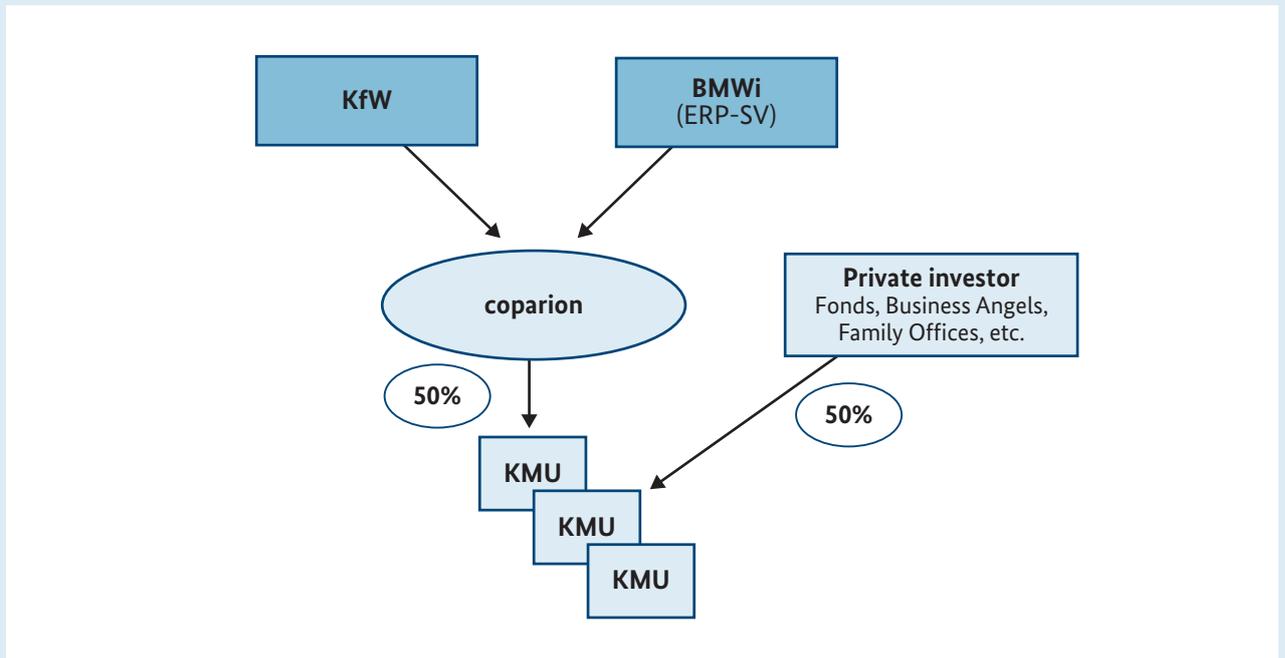
In order to support these companies, the ERP Special Fund – represented by the Federal Ministry for Economic Affairs and Energy – and KfW have set up coparion, is both an investment fund company and a federal holding. Some 80 per cent of the shares are funded by the ERP Special Fund, and around 20 per cent by KfW. The volume of the fund is approx. €225m. The fund is to last for 10 years.

Coparion is to act as a co-investment fund. This means that coparion will team up with lead investors from the private sector. Both partners will invest in innovative start-ups and young technology companies on matching terms. As a general rule, the investment is limited to €10m per company. The type of investment made by coparion will depend on the type of investment the lead investor makes. The type of investment must reflect the return-risk profile associated with the investment so that investors may benefit if the value increases.

The establishment of a venture capital fund close to the market offers various advantages such as short, quick decision-making channels and active support for the investment through to the exit.

By cooperating with all relevant market players (e.g. business angels, family offices, venture capital funds), coparion is making a key contribution to the development of the venture capital market across the board in Germany.

Diagram 2: How coparion works



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