

European Investment Fund

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19 December 2006

European Life Science Circle

Overview Technology Transfer



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- **Recent transactions**



EIF at a glance

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Established 1994

**EU specialised financial institution for SMEs,
acting through: Venture Capital (fund-of-funds),
Guarantees for SME portfolios and financial
engineering**



**European
Investment
Fund**

- Rating

Standard & Poor's: AAA

Moody's: Aaa

Fitch: AAA

- MDB status 0% weighting

- Shareholders

EIB, EU, Financial
institutions

- Subscribed capital

EUR 2bn + EUR 1bn

**Aaa-rated European institution with MDB
status**



EIF instruments correspond to Lisbon objectives

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EIF instruments

**Venture investments
incl. Technology
Transfer**

**SME guarantees
(microcredit,
securitisation)**

**Technical
assistance**

Lisbon Objectives

- **Leveraging funding for start-ups, high growth SMEs**
- **Supporting Research & Innovation**
- **Enhancing finance for SMEs from traditional economy, including smaller ones (microfinance) and from objective regions.**
- **Contributing to social cohesion**



Overview of EIF operations

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- **EIF is one of the major European Fund-of-Funds investors**
 - **EUR 3.5bn committed in over 235 Venture funds across Europe**
 - **Additional funds available**
- **EIF is the leading European early-stage investor (15% EU market share)**
 - **Focus on high technology (IT to life sciences)-**
- **EIF is a lead operator in New Products**
 - **Technology Transfer investor**
 - **Major guarantor for SMEs, microenterprises and microfinance**
 - **EU / periphery / emerging market funds**

EIF implements Lisbon Agenda



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Inefficiency in Tech Transfer is a major issue for the seed funding gap

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1. Mixed results of tech transfer initiatives

- Small “(semi-) captive” seed funds often unsatisfactory
- Many initiatives are sub-scale and lack critical mass
- Many universities struggling: technology transfer not their mission
- Most universities do not have the means to hire professional management
- Incubators have a mixed record at best

•2. Venture often more suited to grow business rather than seed them

- Larger deals more attractive
- Milestone driven approach vs. need for flexibility
- Impaired decision-making as a result of syndication
- Fixed life time of funds



Funding needs to accommodate high risk and small commitments

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Innovation in:

- labs
- universities
- research organisations

Pre-seed

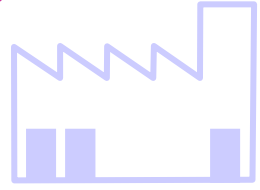
Validate innovation

Seed

Develop business application

Round A

Structure business project



Spin-out / license

~ € 20k - 100k

~ € 100 – 500k

~ € 500k – 2m

Round B / C

- Activity**
- Confirm innovation
 - Initial patenting
 - Identify potential commercial applications

- PCT* filing
- Develop proof-of-concept / prototype
- Build embryo business plan
- Preliminary marketing

- Build founding team
- Create spin off
- Marketing evaluation and validation
- First contracts

- Build management
- Develop operations
- Develop marketing and sales

- Actors**
- Research Institutes
 - National grant systems

- Captive seed fund
- Business angels
- 3F's (family, friends, fools)

- Business angels
- Contracts
- Some VCs

- Venture Finance
- Industry

Note: * PCT = Patent Cooperation Treaty



EIF's Tech Transfer Accelerator ("TTA") improves commercialisation of research

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EIF

Co-
investors

Technology Transfer "Fund"

- Focus on know-how / access to management
- Flexible (projects vs. company, spin-outs, licensing, ...)
- Longer investment horizon

Grub
funding

Seed
funding

Round
A
funding

Innovation in:
- labs
- universities
- research
organisations

Spin-out / license



What is special about this approach?

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- **EIF is setting up partnerships with universities / Research Organizations or supporting companies effectively **focused** on technology transfer**
- **EIF's approach to investing in technology transfer is **flexible**, allowing to address very different situations**
- **Focus on **research organisations** which are leaders in their respective fields and act in an entrepreneurial environment**
- **Accelerate process through **framework agreements** (covering issues such as company valuations, shareholder structure,...) – avoid reinventing the wheel for each deal**
- **Investments made on **commercial terms** complementary with Venture and Business Angel investments**



Tech Transfer opportunities per region

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1 Scandinavia & Benelux

- Universities with track record in research commercialisation
- Working entrepreneurial ecosystems, including financing (public, private VC's, BA's,..) entrepreneurial culture and support structures
- Multiple larger scale private and public technology transfer initiatives arising

1 UK & Ireland

Same points as Scandinavia & Benelux +

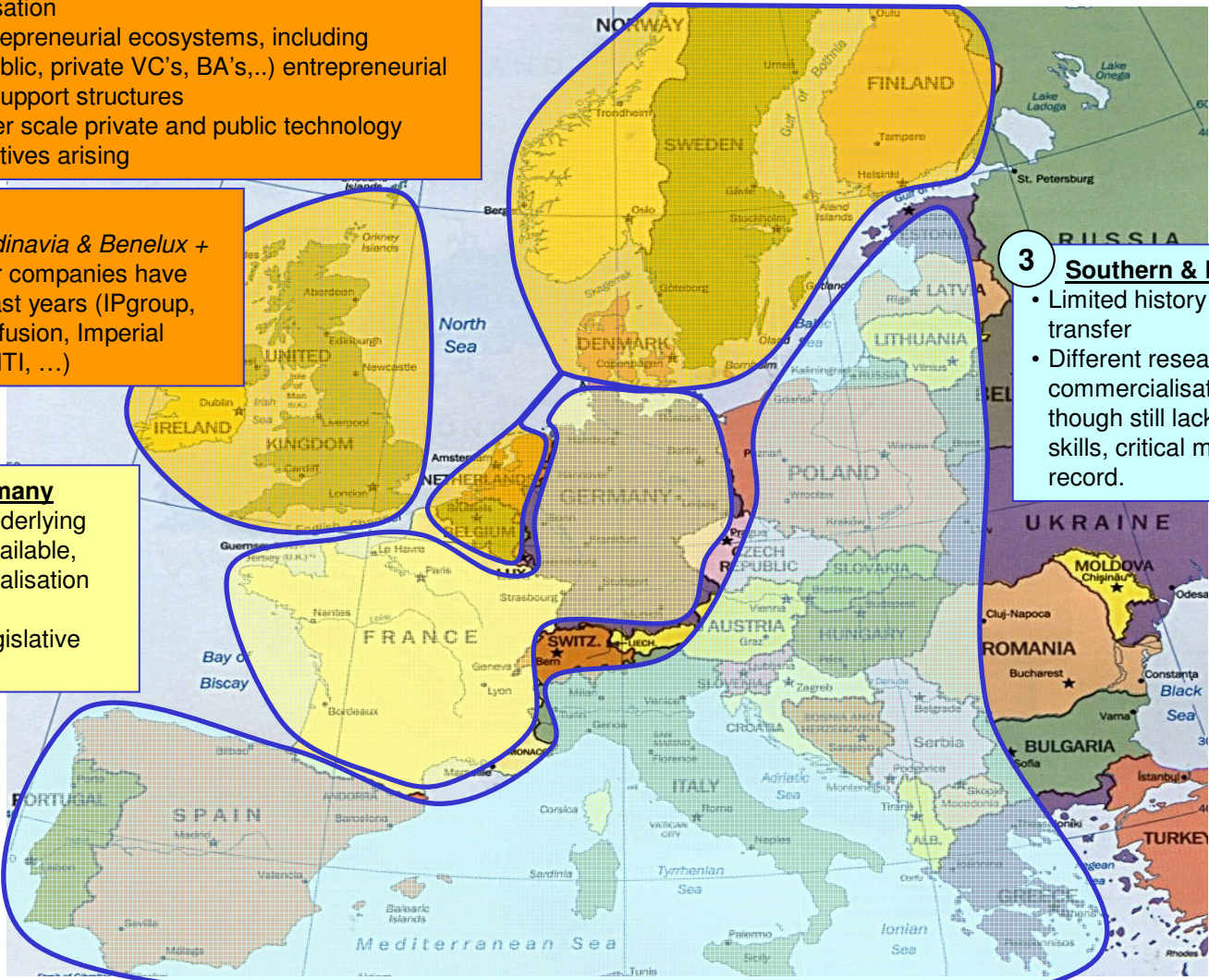
- Several tech transfer companies have emerged over the past years (IPgroup, Amphion, Angle, Biofusion, Imperial innovations, UMIP/MTI, ...)

2 France & Germany

- Large mass of underlying research base available, though commercialisation still in its infancy
- Administrative/legislative hurdles

3 Southern & Eastern EU

- Limited history of technology transfer
- Different research commercialisation initiatives arising, though still lacking organisation, skills, critical mass and track record.



Unmet issues

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- **European patents:** filing is cost intensive and time consuming - EIF is not addressing unmet need in terms of funding patenting costs
- Overall **awareness** and practical solutions to technology transfer issues greater in the UK (and some small countries) than rest of Europe
- Lack of **critical mass** and sprinkling of resources
- Access to **qualified professionals**
- **Different** approaches and **jurisdictions** with the EU



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EIF has entered into a partnership with IP Group; UK business model is the following:

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1. Long-term partnerships

- Group enters into 15-25 year exclusive partnerships with UK universities

2. Full access to deal flow

- Group has full access to all invention disclosures

3. Service component

- Group seconds a team member to each university
- Provide support with regards to
 - i) the identification of novel IP with commercialisation potential
 - ii) facilitating the creation of spin-outs and
 - iii) investments and divestments. It gets sweat equity in return.

4. Funding

- Group provides pre-seed and seed funding for the spin-off companies resulting from the different university partnerships



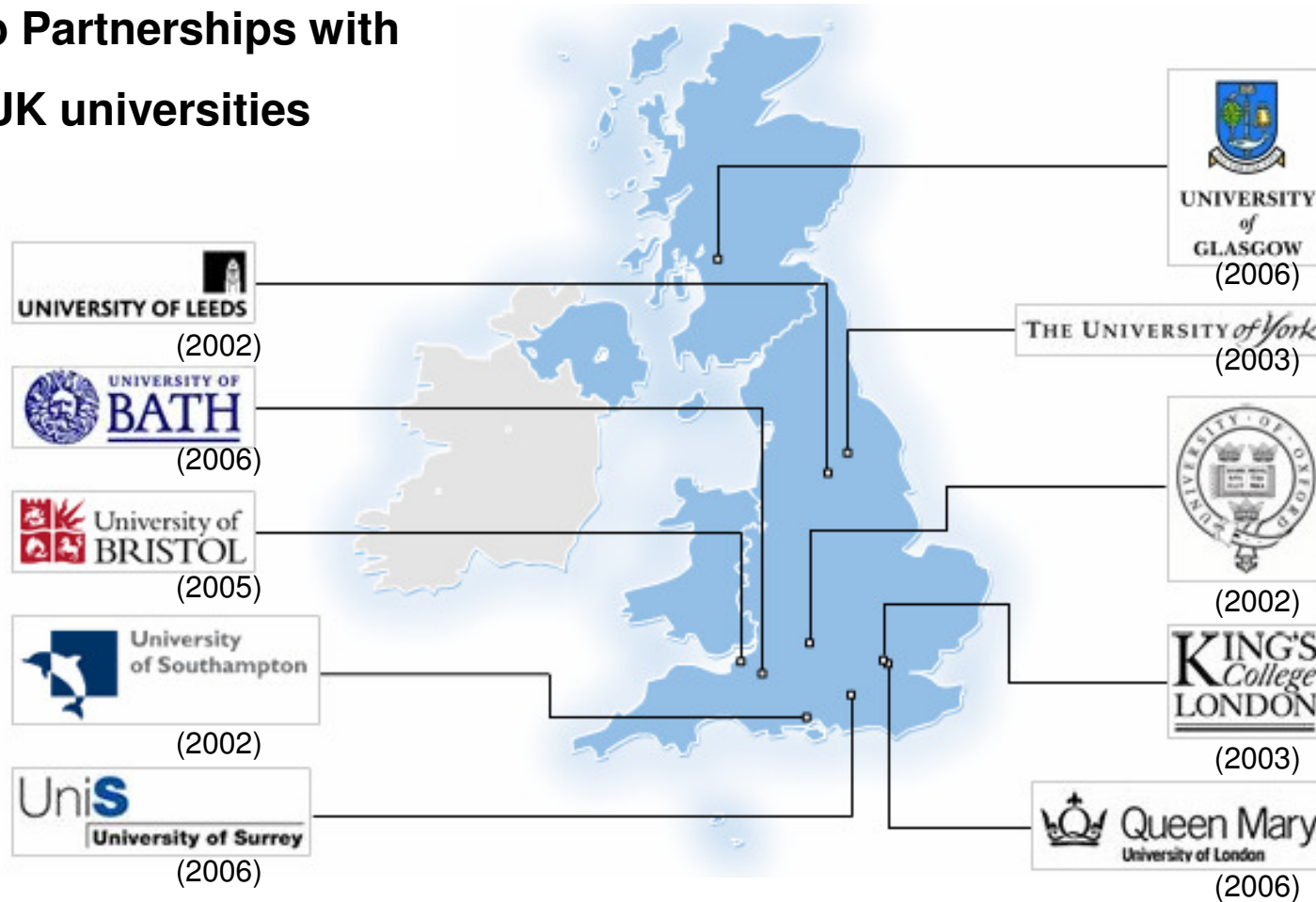
Through the IP Group-EIF partnership, EIF has access to these 10 universities

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IP Group Partnerships with 10 UK universities



IP Venture Fund is the result of the partnership between EIF and IP Group: First TTA Investment

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- **First closing at EUR 23m, with a cap at EUR 45m**
- **Commits to both seed and post-seed financing for IP Group portfolio companies alongside external investors**
- **Clear vision of being able to support start-ups all the way until they reach critical mass**



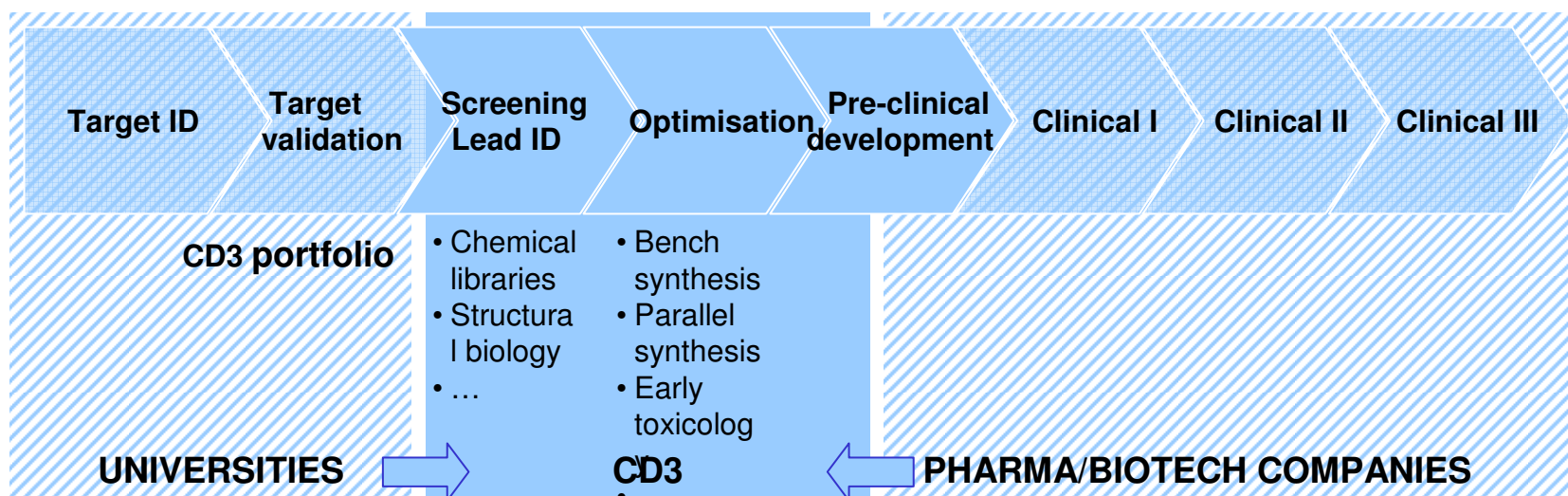
EIF partnership with the KU Leuven: Center for Drug Design and Discovery (CD3)

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Drug development process steps



- CD3 will have projects addressing the unmet need for several severe diseases such as Hepatitis B/C, HIV, Parkinson etc.
CD3 addresses a demand from both ends of the chain
- from Universities: be able to offer more finished drug candidates to the industry
 - from the Industry: enrich their pipeline with more proven candidates



EIF partnership with the KU Leuven: Further information:

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- **Joint-Venture** between EIF and KU Leuven focused on drug design and discovery
- **Autonomous** unit, open to outside companies and labs
- Total **commitment** of **EUR 8m** for CD3 from both EIF and the KU Leuven
- **KUL** has an **outstanding track record** in drug development with more than 5 blockbuster drugs already on the market in several disease areas and 60 active spin-offs
- Long tradition in **technology transfer** (started **1972**)



Outlook

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- Tech transfer **landscape** will evolve dramatically over next 10 years: professionalisation, consolidation, emergence of strong dedicated players, weeding out of inadapted initiatives
- Technology transfer is a **strategic** priority for EIF: it will play a role in the shaping of this emerging market
- EIF has already committed more than **EUR 30m** to 2 technology transfer transactions and other investors have been attracted to this market
- EIF's initiatives in technology transfer will seek to **improve ecosystem** and contribute to a better dealflow for Venture Funds
- **Unmet need**: to help fund **patent costs** in Europe



Contact

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