



SME INSTRUMENT 23 NOVEMBER 2017

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Grants for Innovative Start-Ups? Too Good to be True?

- The SME Instrument provides business innovation support to SMEs in the 28 European Union Member States and Horizon 2020 associated countries. It selects the best companies with the most innovative ideas, a real chance of disrupting the market and a very high growth potential.
- The programme is delivered in 2 Phases. Phase 1 offers a lump-sum grant of €50,000 to carry out a concept and feasibility assessment. Phase 2 invests between €0.5 and €2.5 million in innovation activities such as demonstration, testing, prototyping, pilot lines, scale-up studies and market replication.
- In addition to funding, SMEs receive additional EU support extended via a range of business support services offered for Commercialization Phase 3 (form of training, links to investors, partnering and networking) and free-of-charge coaching service facilitated by the Enterprise Europe Network (EEN).
- *The objective of Phase 1 is to explore the scientific or technical feasibility and the commercial potential of the company's innovative idea and to develop it into a credible and scalable business plan.*
- *In Phase 2, companies develop their business concept further into a market-ready product, service or process aligned with the company's growth strategy. Activities here include test series, prototyping, validation, demonstration and testing in real-world conditions and market replication.*
- *Easy & Fast- 10 pages for Phase 1, 30 pages for Phase 2 and quick results. In 2016 the shortest time to inform applicants was 35 days for Phase 1 and 42 days for Phase 2*
- *Single SMEs allowed or consortia*
- *Continuous open call*
- *No obligation for applicants to sequentially cover all three phases*



The SME Instrument offers small and medium-sized businesses the following:



There is no shortcut to excellence!

Award criteria!

- 1. SME need to prove the market for their innovation and potential customers willing to pay**
- 2. SME has strong knowledge of the market conditions, including the total potential market size and growth-rate (understanding of competitors)**
- 3. SME has a clear commercialization plan and a strategy for protection strategy (IPR), including an analysis of "freedom to operate".**
- 4. SME should show that its idea is a high-risk and high-potential innovation that stands out from competition and outperforms existing solutions.**
- 5. SME`s team has relevant technical/scientific knowledge/management experience and a very good understanding of the relevant market aspects for the particular innovation.**
- 6. SME adequately addresses issues related to climate change or the environment and or brings other important benefits for society**



SME instrument key figures 2014-2016

- ❑ **21 cut-off dates**
- ❑ **31,377 applications (Phase 1 & 2) received in total**
- ❑ **€882 million allocated to 2,457 individual SMEs participating in 2,344 projects in total - €93 million to 1,864 Phase 1 projects - €789 million to 480 Phase 2 projects**
- ❑ **An average of €1.6 million per Phase 2 project**
- ❑ **8.4% of Phase 1 applications were selected for funding**
- ❑ **5.5% of Phase 2 applications were selected for funding**
- ❑ **94% of Phase 1 and 82% of Phase 2 applications were submitted by single companies (instead of consortium)**
- ❑ **15% of selected projects are coordinated by women**

WHAT YOU HAVE TO DEMONSTRATE :

Make sure your proposal is well balanced and covers all the aspects for each evaluation criteria:

Impact (50%): you need to demonstrate that your project will generate revenues and create jobs. Explain the market conditions and the evolution of the competition and prove that your project has an European or international dimension and a clear plan for IPR.

Excellence (25%): you need to convince the evaluators that your innovation is excellent, disruptive, viable and better than existing solutions. Proves that your innovation show added value; explain why is viable and better than existing solutions and demonstrate that you understand the risks.

Implementation (25%): you need to convince the evaluators that you can make it. Describing technical and commercial competence and prove the credibility of your team and of your work plan. Show how your project should fit into a realistic time frame. Respect the best value money principle.



CONVINCE EVALUATORS TO INVEST IN YOUR BUSINESS

WHAT CAN'T BE DONE:

- **SME is too much project focused, not enough business opportunity oriented**
- **The language used is too technical (no easy for evaluator to understand)**
- **SME provide a description of competition not enough convincingly (why would this company succeed and not the competitor?!)**
- **The planned target market users are too wide**
- **SME provide too weak information about the financial projection (where they want to arrive)**
- **Innovation content too low; product exists already on the market (just incremental improvement not enough)**
- **Just ideas, not sufficient proof of existing commercialization concept (TRL not clearly explained or far too low)**
- **IPR strategy not clearly explained**



▶ SME INSTRUMENT ROMANIA

5 PARTICIPANTS OUT OF WHICH: 4 PROJECTS FOR PHASE 1 AND 1 PROJECT FOR PHASE 2

FUNDS ALLOCATED FOR ROMANIA= 942.710.5 EURO OUT OF WHICH:

PHASE 1= 200.000 EURO

PHASE 2=742.710,5 EURO

SME INSTRUMENT ROMANIA SUCCESS RATES= 1%

▶ **SME INSTRUMENT TOTAL VOLUMES AND FUNDING TO DATE:**

1195,21 M EURO ALLOCATED

OUT OF WHICH THE FIRST 5 PARTICIPANTS ARE :

556 PARTICIPANTS SPAIN

470 PARTICIPANTS ITALY

333 PARTICIPANTS UK

204 PARTICIPANTS GERMANY

157 PARTICIPANTS FRANCE



HIGHEST SUCCESS RATES, ARE ICELAND (20%), AUSTRIA (13%), DENMARK (13%), IRELAND (13%) AND SWEDEN (12%)



FURTHER PRIVATE INVESTMENTS

A promising beginning!

1. SME Instrument has a potential for high leverage effect: Only 3 years after the start of SME Instrument, each 1€ invested generated already €1 of private investment
2. Until the end of 2016, among the funded companies, 88 had already earned further private investments that amount to €480.7 million

Being listed on a stock exchange is more than an injection of cash in the company – it's a quality stamp.

Using a less extensive rulebook than the main market, First North provides companies more room to focus on their business and development while still taking advantage of being a listed company.

Two SME Instrument-funded companies had their Initial Public Offerings (IPOs) on Nasdaq's First North after receiving the SME Instrument funding.

Six companies funded by the SME Instrument have been acquired. The acquisitions took place in Denmark, Germany, France and the UK.



► IPOs and acquisitions

ACQUISITION AND IPOs ARE POSSIBLE EXITS FOR INVESTORS.



MY ADVICE:

DO NOT TRY YOUR LOCK!

DEFINETELLY EUROPEAN COMMISION IS FINANCING
ROMANIAN PROJECTS..☺



THANK YOU!

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