



European
Commission



INNOVATION KITCHEN

Horizon 2020 SME Instrument impact report | The highlights
2018 Edition

Horizon 2020

Innovation Kitchen
Horizon 2020 SME Instrument impact report | The highlights - 2018 Edition
European Commission
Executive Agency for Small and Medium-sized Enterprises
Unit A.2

Contact: Bernd Reichert; Agnieszka Stasiakowska
Email: Bernd.REICHERT@ec.europa.eu
Agnieszka.STASIAKOWSKA@ec.europa.eu

European Commission
B-1049 Brussels
Manuscript completed in May 2018

The views expressed in this document refer to the sole responsibility of the authors and do not necessarily reflect the views of the European Commission.

More information on the European Union is available on the internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2018

ISBN: 978-92-9202-346-1

doi: 10.2826/22175

© European Union, 2018

Reuse is authorised provided the source is acknowledged. The reuse policy of European Commission documents is regulated by Decision 2011/833/EU (OJ L 330, 14.12.2011, p. 39).

For any use or reproduction of photos or other material that is not under the EU copyright, permission must be sought directly from the copyright holders. Images purchased from istock.com

EUROPEAN COMMISSION

Innovation Kitchen

Horizon 2020 SME Instrument impact report highlights - 2018 Edition

May 2018



4

years of the
programme



47K

applications



3200

SMEs supported



€1.3B

in funding



750

coaches deployed



SMART MONEY

With us, support to small businesses goes far beyond a grant. We offer companies the backing, the advice and the international network needed to grow fast, conquer new markets and speed up the pace of their innovation. This is what singles us out compared to other funding schemes.

EQUITY-FREE FUNDING

The SME Instrument offers full-cycle business innovation support. Companies can apply for two distinct phases. Phase 1 offers a lump-sum 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.

WORLD-CLASS COACHING

To make sure the companies are ready to meet the challenges of scaling up and going global, the SME Instrument offers 3 to 12 days of free business innovation coaching. Our coaches are experienced

entrepreneurs and investors. They will empower the companies to cope with challenges like defining their strategy, identifying their market segment and attracting the right finance.

BUSINESS ACCELERATION SERVICES

Just as much as getting the right investment, having the right network is key to growing a successful business. Through bespoke matchmaking with corporate and financial partners and international trade fairs, the SME

Instrument helps companies build partnerships with investors and potential clients. Companies join a community of peers to exchange, learn and consolidate their network.

ADAPTED TO THE MARKET



OPEN CALL

4 cut-offs per year
for each Phase



FAST & EASY

10-30 page
application.
Results in around
1 month



ACROSS THE BOARD

Small businesses
from all industries



TRANSPARENT

Independent experts,
clear selection criteria,
constructive feedback



HIGHLY COMPETITIVE

Acceptance rate:
8% for Phase 1
4.8% for Phase 2



MARKET- ORIENTED SELECTION

Focused on impact,
unique ideas,
team's capacity



HIGH-RISK

20% of funded SMEs
are pre-revenue
companies



LEARNING EFFECT

Coaching in Phase
1 boosts market
readiness and
doubles chances for
Phase 2



CONNECTING BUSINESSES

More than 100
events linking
entrepreneurs,
investors, large
companies and more





INVESTORS' CHOICE

The SME Instrument improves the performance of SMEs on the private investment market.

FASTER ACCESS TO INVESTMENT

€ 1,3 BN

PRIVATE
INVESTMENT
ATTRACTED

Thanks to the SME Instrument, companies raise higher investment rounds in a shorter time span. The average time to get a new investment drops from 20 to 8 months and funded companies secure on average €6 million of private investment instead of €4 million prior to the grant.

The SME Instrument is valuable for European investors because it's able to de-risk deep tech companies by validating their product on the market. It can bridge the gap between product validation and commercialisation, where private investors come in.



EWA TREITZ **BLACK PEARLS VC**



LEVERAGE EFFECT

Four years after the start of the programme each €1 invested by the SME Instrument generated €1,6 of private investment



TOP 5 investors backing SME Instrument innovators



Top 5 SME Instrument Innovators backed by investors



10%

8 COMPANIES ON THE STOCK MARKET

of European tech IPOs in 2017 were
companies funded by the SME Instrument

18 COMPANIES ACQUIRED BY BIG PLAYERS

70%

of acquirers are large
companies based in Europe

THE NEXT UNICORNS

TOP 5 valued companies funded by the SME Instrument.



ARCAM
valued at
€609M



ARRALIS
valued at
€200 - 300M



ARSANIS
valued at
€165 - 248M



ADA HEALTH
valued at
€160 - 240M



BONESUPPORT
valued at
€135 - 202M



A BOOSTER FOR GROWTH

With our support, companies grow faster and improve their innovation capacity. We give them the right tools to face the challenges of becoming global market leaders.

IMPROVED INNOVATION CAPACITY

We offer companies tailor-made business coaching that empowers them to face the challenges of becoming market leaders. The Phase 1 feasibility study and the coaching support offered

by the SME Instrument build up strategic and managerial capacity within funded SMEs. It shapes in particular their knowledge of the market and their understanding of clients' needs.

SME Instrument funding and coaching helped companies with (replies out of 10):



FAST GROWTH



118%

increase in
turn-over



158%

increase in
employment



48%

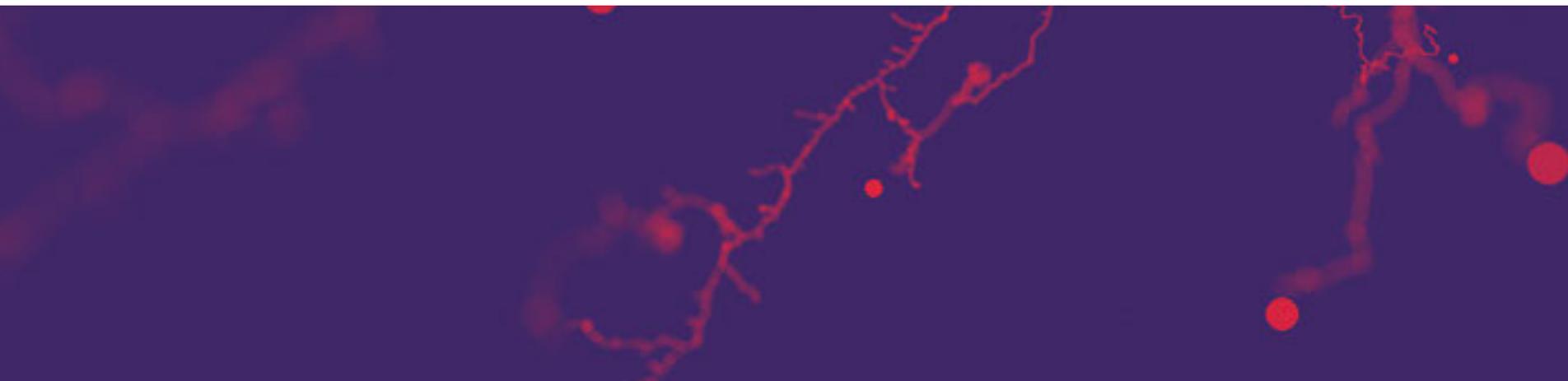
of Phase 2 companies
increased their profitability or
became profitable



MARTIN WEBER INFARM

The European Commission allowed us to build a culture around our vision, which is bringing farming back to cities. Our company has grown to over 100 people. Back when we started our project with the SME Instrument, we were only 12!







A BROADER NETWORK

We believe that having the right network counts just as much as having major investments. With our business acceleration support, the companies we fund can count on a network of business experts, potential partners and prospective customers.

CONNECTING WITH CORPORATES

The SME Instrument connects Europe's most innovative companies with global corporate players.



and more...



When we organised the Airbus Corporate Day with the SME Instrument business acceleration services, initially we wanted to meet 15 companies, but so many attracted our attention that in the end, we ended up inviting twice more! Many are ideal candidates for investment, and we very much look forward to cooperating with them in the future.

FABIAN VON GLEICH AIRBUS

GATEWAY TO GLOBAL MARKETS

The SME Instrument takes funded SMEs to the most prominent trade fairs in Europe and overseas.



and more...

Lagos international trade fair is THE reference for West Africa so when we learnt about the SME Instrument offering us the possibility to join the European pavilion we didn't hesitate. Now we have a product ready for the Nigerian market, good contacts and a hook to potential projects – all you need for a fast start on a new market.



JAVIER BUSTOS GFM

CONNECTING NETWORKS

At SME Instrument our goal is to build a community of top innovators who can connect through an interactive online platform and meet in person in more than 50 events annually.

There are many challenges in the European technology ecosystem: a lack of community, a lack of funding ready to bear the risk, a lack of support to cross the valley of death. In this context, the SME Instrument is not only providing funding but also bringing together a large community.



GEMMA MILNE SCIENCE: DISRUPT



WORLD-CLASS COACHING

We give our companies access to a network of 750 business coaches and innovation experts. Our international coaches fine-tune market strategies, advise the companies on organisational

challenges and help them make the best of their management capabilities and resources. Our partners from Enterprise Europe Network help us select the best fit for each company.

The leadership coaching we have received from the SME Instrument proved to be a very valuable tool in scaling up from 10 to 50 employees. The coaching sessions enabled us to apply best practices for scaling-up and allowed us to get away from the day-to-day business and view things from another perspective.

PIM BREUKELMAN AMPYX POWER





BREAKTHROUGH INNOVATION

The SME Instrument supports breakthrough inventions in the most radical areas of innovation — those that are the most likely to create and shape new markets.

GROUNDBREAKING TECHNOLOGIES

The companies we fund are active in 31 out of the 37 most ground-breaking innovation areas mapped by the MIT and World Economic Forum.

Number of funded companies active in TOP 10 breakthrough innovation areas:

72 **ARTIFICIAL INTELLIGENCE**

45 **3D IMAGERY AND PRINTING**

23 **SOLAR CELLS**

20 **PRECISION FARMING**

17 **GENE-BASED MEDICINE**

16 **NANOTHINGS**

14 **FUELCELL/HYDROGEN VEHICLES**

14 **NEXT-GENERATION-BATTERIES**

13 **SENSE-AND-AVOID-DRONES**

13 **LIQUID BIOPSIES**



Getting approved for the SME Instrument has been very positive for our development because, at the time, we had been working on our technology for quite a while, and getting this type of validation from the EU was a real plus for us. It has both reassured our shareholders and been positive in our conversations with prospective investors.



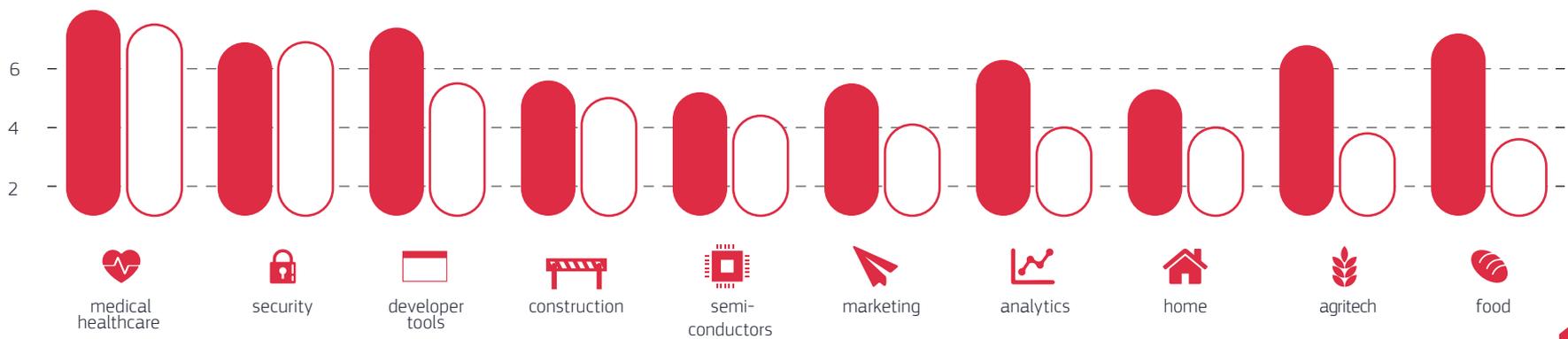
DANIEL NATHRATH ADA HEALTH

HIGH FLYING SECTORS

Industry sectors where SME Instrument-funded companies receive more investments than the peer group.

 Average investment in SME Instrument funded companies

 Average investment in the peer group



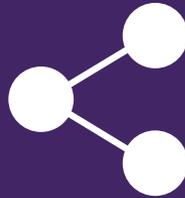


OUR UNIQUE SELLING POINT

Our added-value lies in a timely set of measures and our access to European networks, which makes us complementary to national and local schemes



"EU LABEL"
adds credibility



**ACCESS TO
INTERNATIONAL
NETWORKS**



**MARKET-
ORIENTED
ACTIVITIES**



**HIGH GRANT
WITH
PRE-PAYMENT**



**BACKS
SINGLE
COMPANIES**



**COACHING AND
ACCELERATION
SUPPORT**

THE RIGHT AMOUNT AT THE RIGHT MOMENT

The SME Instrument intervenes at a critical early stage of innovation development, when private investors are reluctant to step in. It gives companies the right financial boost and the business support they need to cross the “valley of death”, validate their product with clients and get ready for scaling up.



ultrahaptics 

ERC
starting and
proof of concept
grants

**ULTRA
HAPTICS**
company
founded

€750K
seed funding

€1.5M
SME Instrument
grant for market
validation

€14M
Series A
round for
business
expansion

BMW
partnership
signed

€21M
Early VC
Move into
virtual
reality

2013

2014

2015

2016

2017



Ultrahaptics is a company that is now four years old. We produce feeling and sensations in mid-air, using focused ultrasonics, which we use us to create buttons, sliders, switches and so on that allows us to create machines and creating objects in virtual and augmented reality. The company received a Horizon 2020 SME Instrument grant 3 years ago which was instrumental in transforming the company from a small technology university spin-out into a commercial business that now employs 80 people

STEVE CLIFFE, ULTRAHAPTICS

STOCKHOLM
WELCOMES
IMMUNOVIA
TO THE MAIN MARKET

SME Instrument was very beneficial for Immunovia. It accelerated the development of our first diagnostic test for pancreatic cancer, it created investor confidence and thereby supported the financing of the company after the grant. It also created confidence among clinical collaborators (leading cancer centers) and supported our agreement efforts in this area. All of this was necessary to be able to be listed on Nasdaq

MATS GRAHN, IMMUNOVIA

IMMUNOVIA
company
founded

€4.2M
share issue for
technology
optimization
and proof of
concept

€4.2M
SME Instrument
grant for clinical
validation

company grows
2-40
employees

**IPO
€6.7M**
from IPO on
Nasdaq First North
Clinical validation
of the pancreatic
cancer test

€24M
from extra share issue
further validation and
upscaling of production
of the pancreas cancer
test

**IPO
€214M**
company valuation
after IPO on
NASDAQ
main list

2014

2015

2016

2017

2018



immunovia



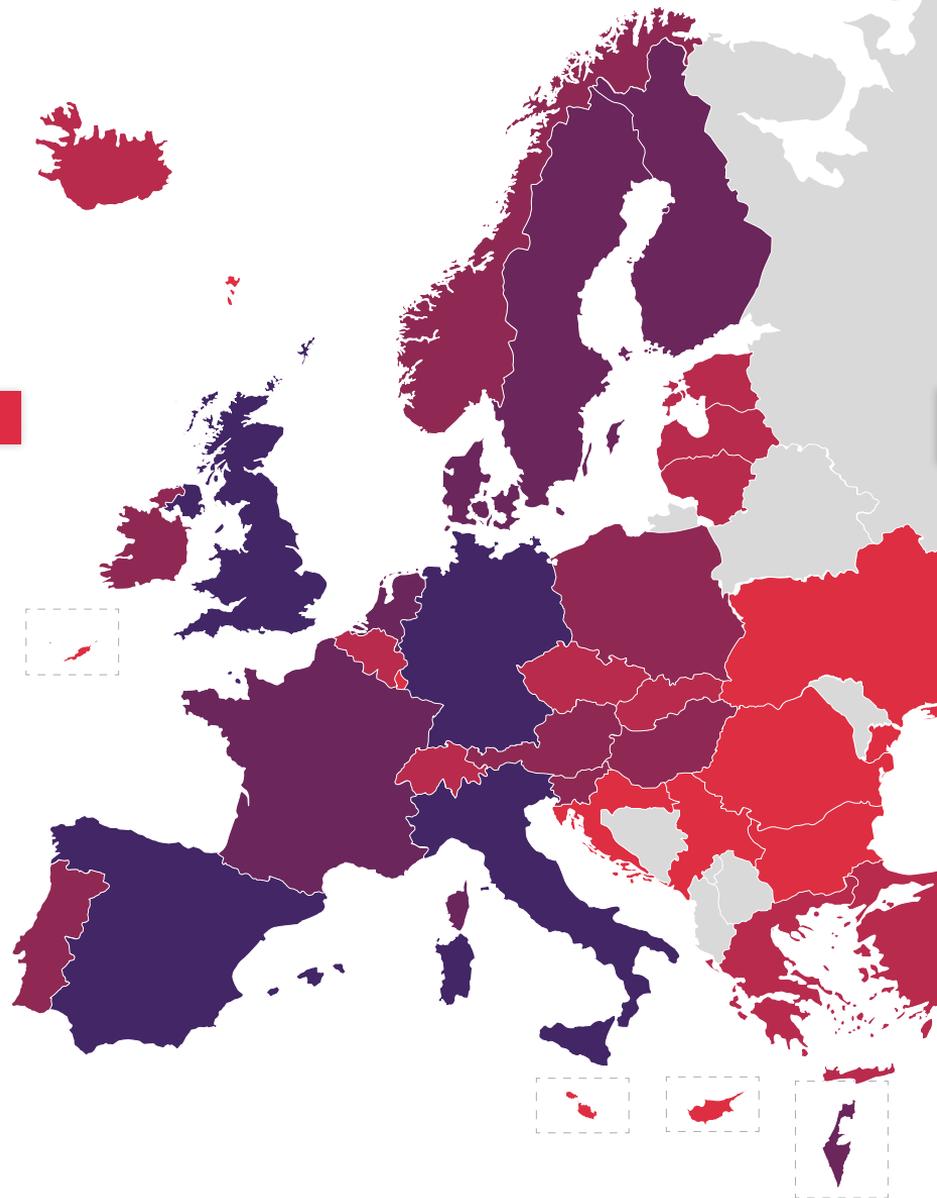
OUR PORTFOLIO

Diversity is our frame of mind. In our portfolio you will find high-fliers, settled market leaders and start-ups working on cutting-edge technology in the most inventive areas of innovation. All of this close to you.

3200 FUNDED SMES

37 COUNTRIES

The highest number of companies supported by the SME Instrument come from Spain, Italy and the UK. However, countries with the highest acceptance rates to the programme are Iceland, Switzerland, Ireland, Austria and Denmark.





57%
of funded companies are
microenterprises (with less than
10 employees)



51%
of funded companies are
startups with less than 6
years on the market



Each year the
SME Instrument
attracts more and
more startups

Age of the companies by year of application

2014

2015

2016

2017

Up to 5 years

46%

47%

55%

57%

6-10 years

31%

31%

25%

25%

More than 10 years

22%

21%

20%

17%



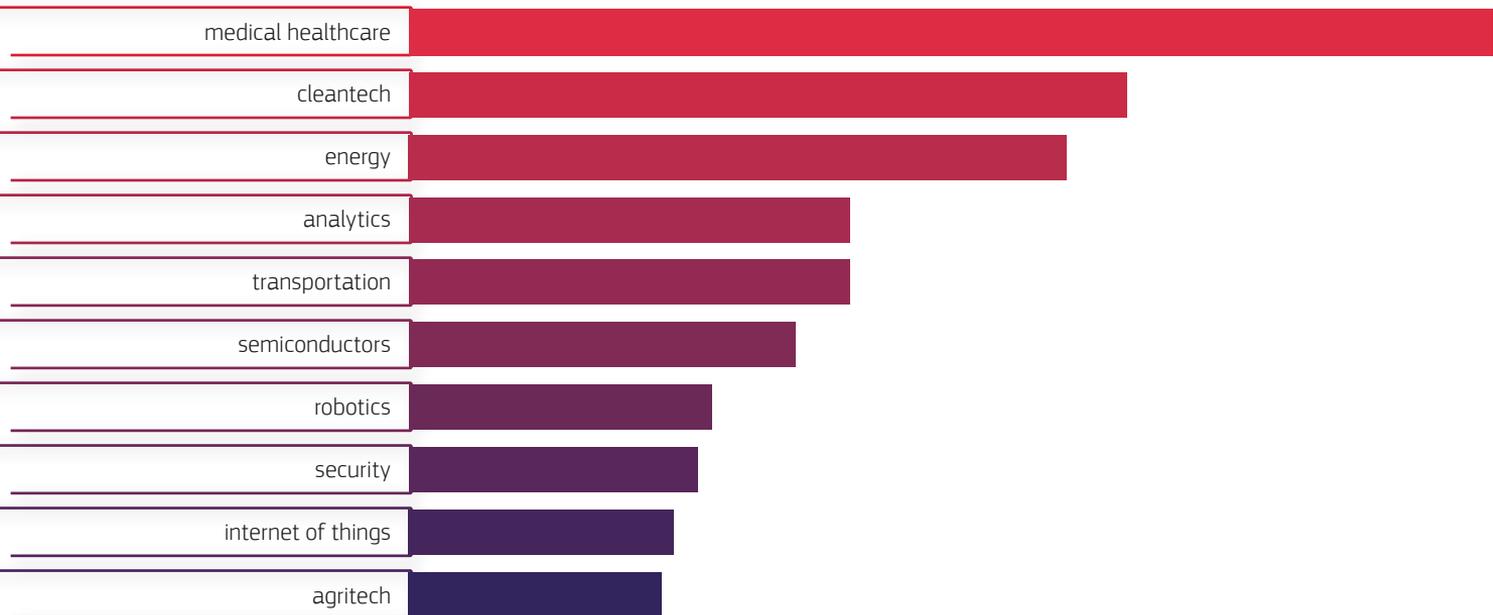
VIRGINIA CORLESS NOVIHUM

The SME Instrument really steps in at a critical moment between seed funding and the next stage of investment that is available once you've proven that you have a commercial technology. That in-between-space is really difficult and it's really valuable that there are public funds there to help companies make that jump.



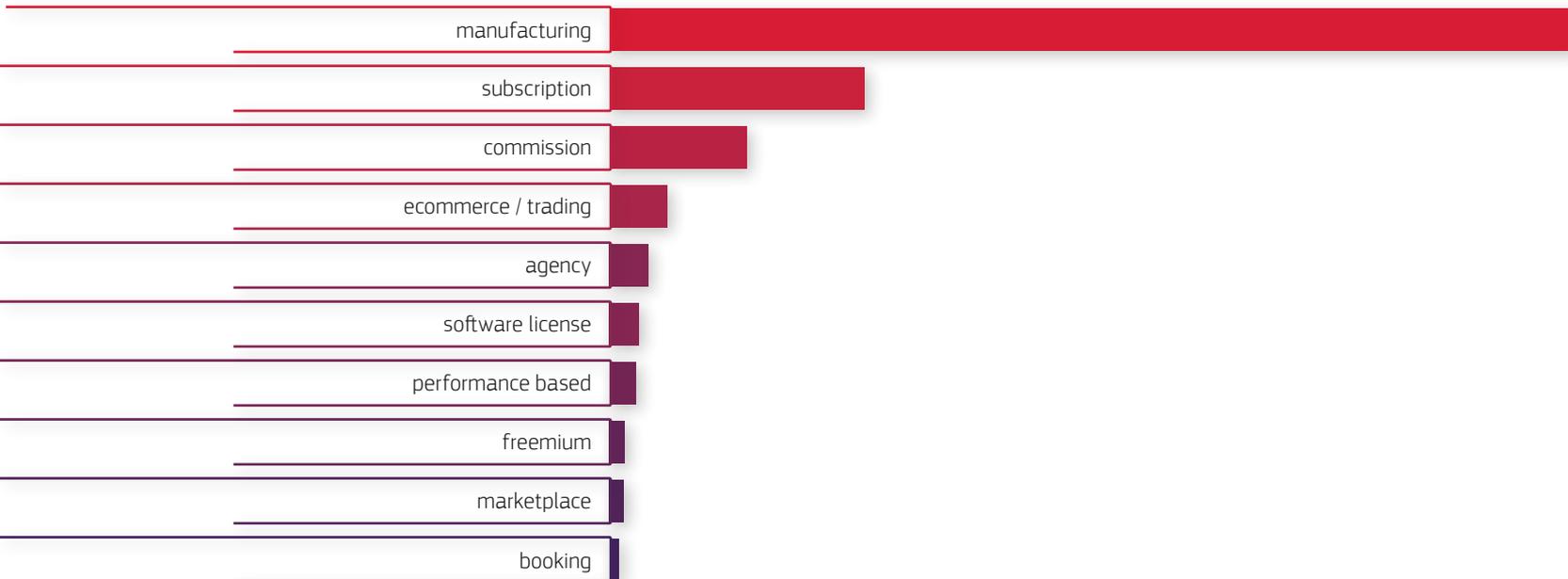
INDUSTRY SECTORS

The industry sectors where most of the funded companies are active in are medical and healthcare (544 companies), cleantech (360 companies) and energy (330 companies).



REVENUE MODELS

The most common revenue model chosen by the funded companies is manufacturing (1141 companies).
300 companies get their revenues through subscriptions and 162 through commissions.



Getting in touch with the EU

IN PERSON

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: <http://europa.eu/contact>

ON THE PHONE OR BY E-MAIL

Europe Direct is a service that answers your questions about the European Union. You can contact this service

- by freephone: **00 800 6 7 8 9 10 11** (certain operators may charge for these calls),
- at the following standard number: **+32 22999696** or
- by electronic mail via: <http://europa.eu/contact>

Finding information about the EU

ONLINE

Information about the European Union in all the official languages of the EU is available on the Europa website at: <http://europa.eu>

EU PUBLICATIONS

You can download or order free and priced EU publications from EU Bookshop at: <http://bookshop.europa.eu>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see <http://europa.eu/contact>)

EU LAW AND RELATED DOCUMENTS

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>

OPEN DATA FROM THE EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en/data>) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.



LEARN MORE

ec.europa.eu/easme/sme



Scan the QR code to read full report



#SMEInstrument | @H2020SME



Executive Agency for Small and Medium-sized Enterprises

The SME Instrument supports market-creating innovation in small and medium-sized businesses with significant growth potential and global ambitions. As part of Horizon 2020 – the EU's €80 billion research and innovation funding programme – it will invest €3 billion in 7 500 companies until 2020. With around 47 000 applications received and over 3 200 small companies funded, in only four years the SME Instrument has emerged as an essential player on the European innovation scene.

The SME Instrument impact report aims to provide first hand insights into the growth trends and profiles of the funded companies. Results and impacts observed in only four years are just a glimpse of the companies' future potential. This report presents cumulative data from 2014 to end of 2017. The sources and methodology are explained in full detail in the main Report.

