Financing Innovation at the Industry-Science Interface

Dr. Michael Bornmann
KfW's Venture Capital Financing in Mio EUR

- **1995**: 494 Investments, 128 Mio EUR
- **1996**: 551 Investments, 201 Mio EUR
- **1997**: 737 Investments, 323 Mio EUR
- **1998**: 1007 Investments, 422 Mio EUR
- **1999**: 1350 Investments, 584 Mio EUR
KfW’s Venture Capital and Innovation Financing in Mio DEM

- 16090
- 13520
- 1017
- 150
- 134
- 281
- 64
- 1489
- 185
- 231
- 195
- 214
- 1603
- 199
- 435
- 103
- 282
- 1642

ERP Innovations Programme
KfW Venture Capital Programme
KfW Participation Fund (East)
KfW/BMWi Technology Participation Programme
ERP-Participation Programme

1.000 Comm.
1.381 Comm.
1.617 Comm.
1.987 Comm.

Legend:
- Yellow
- Green
- Red
- Black
KfW's Venture Capital Financing

Basic Principle

Equity Investment

Equity Investment

SME

Early Stage

Growth

Bridge Financing

MBO / MBI

Equity

Investor

Funding

Funding

~ 50% risk

~ 50% risk
KfW's Fund Financing

Basic Principle

Parallel VC Fund

Loan Fund

Management

Investments

SME 1

SME 2

SME 3

SME n

Private VC Fund

Private Investors

Equity Fund

Management

Company
Requirements for a Financing Model

Mobilization of the required financial resources

Reduction in “time to market”

Incentives for market-oriented research

Distribution of opportun./risks among partners
<table>
<thead>
<tr>
<th>Research Transfer Model</th>
<th>Advantages for Research Institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasible basis for financing spin-offs</td>
<td>Orientation towards markets in research sector</td>
</tr>
<tr>
<td>Enhanced employee motivation</td>
<td>Easier acquisition of highly qualified specialists</td>
</tr>
<tr>
<td>Research Transfer Model</td>
<td>Advantages for Venture Capital-Company</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Valuable quality check by research institution</td>
<td></td>
</tr>
<tr>
<td>Very early access to research results</td>
<td></td>
</tr>
<tr>
<td>Risk diversification</td>
<td></td>
</tr>
<tr>
<td>Information edge for second-round financing</td>
<td></td>
</tr>
</tbody>
</table>
Research Transfer Model

Advantages for Spin-off

- Easier access to financing
- Access to network of VC company
- Management support from VC company
- Access to network of research institution