

# Germany: EIB provides €50 million in risk financing to Wachstumsfonds Bayern 2



- **Transaction is strong signal for the German venture capital market**
- **The EU bank is providing risk financing under the European Fund for Strategic Investments (EFSI), the main pillar of the Investment Plan for Europe**

The European Investment Bank (EIB) will provide up to €50 million in risk financing to Wachstumsfonds Bayern 2 (WBF2), a venture capital fund set up on the initiative of the Free State of Bavaria. WBF2 is run by fund manager Bayern Kapital GmbH. Its target size is €165 million, with LfA Förderbank Bayern ("LfA") having already committed to an investment of up to €115 million. The transaction is the first EFSI-backed project in Germany with a regional promotional bank and will provide another strong signal to the German venture capital market as Germany's VC investments are still below the EU average.

The EU bank is providing this EFSI-backed risk financing as part of the Investment Plan for Europe. EFSI is the central pillar of the Investment Plan under which the EIB and the European Commission are working closely as strategic partners to boost investment and create jobs and growth by making smarter use of new and existing financial resources. The EIB financing, supported by EFSI, will have a significant impact as it provides financial support and flexibility to Bavaria's innovative start-ups in, for example, robotics, digitisation, industrial manufacturing processes, artificial intelligence or life science, enabling them to maintain their early-mover advantage, scale up their business and continue their expansion.

**EIB Vice-President Ambroise Fayolle**, in charge of the EU bank's activities in Germany, emphasised: "I very much welcome the cooperation with LfA Förderbank Bayern to set up WBF2. Highly innovative start-ups are recognised as key sources of employment, productivity growth and sustainable jobs. For the EIB, with the backing of the Investment Plan for Europe, supporting investment that is aimed towards greater competitiveness is a top priority. This counts even more in the current difficult economic environment due to the COVID-19 pandemic."

**Hubert Aiwanger, Bavarian State Minister for Economic Affairs, Regional Development and Energy**, welcomes the EIB's entry into WBF2: "The €50 million from the EIB will make WBF2 even more effective. This means that even more Bavarian start-ups will receive reliable support for large-volume financing rounds and will be able to press ahead with their internationalisation strategies, the opening up of new markets, as well as approval studies and the further development or diversification of their own product ranges. Expansion financing for high-tech companies ultimately benefits the entire

European business space. Many innovative business models are created in various industries of the future, thus also generating a large number of new, future-proof jobs.”

**Executive Vice-President of the European Commission, Valdis Dombrovskis,** said: “I am glad to see the support from the European Fund for Strategic Investments for Bavaria’s Wachstumsfonds Bayern 2, a venture capital fund that will help finance innovative German start-ups in fields like robotics, digitisation, industrial manufacturing, artificial intelligence or life sciences to grow their operations and maintain their competitive edge. Start-ups and innovations remain central to Europe’s future prosperity and a key source of new jobs.”

Technology-focused start-ups located across Bavaria work on innovative business models day in, day out,” said **Dr Otto Beierl, the Chairman of the Management Board at LfA Förderbank Bayern.** “One of the biggest hurdles such companies face is the capital-intensive financing that is needed during the growth phase, the period when companies work to increase the market penetration of their products and expand their market position. Wachstumsfonds Bayern 2, a fund that always acts as a co-investment partner, plays a key role in lining up private investors alongside public sector capital in the financing of start-ups. For this reason, we are really pleased about the European Investment Bank’s decision to mobilise additional capital for innovations ‘made in Bavaria’ by offering this important pillar of financing.”

## **Background information**

### **About LfA**

LfA Förderbank Bayern, founded in 1951, is the specialist promotional bank of the Free State of Bavaria. Its mandate is to use the instruments of a bank to provide financial support for the projects of commercial companies and professions in almost all branches of industry and for other measures designed to improve Bavaria’s economic, transport, energy and environmental structure.

### **About Bayern Kapital GmbH**

Bayern Kapital GmbH, based in Landshut, was founded on the initiative of the Bavarian government in 1995. It is a wholly-owned subsidiary of the Bavarian LfA Förderbank . As the venture capital organisation of Bavaria, Bayern Kapital provides equity capital financing for the founders of young innovative technology companies in Bavaria. Presently Bayern Kapital manages 12 investment funds with a total volume of around €500 million. So far, it has invested roughly €350 million in about 290 innovative companies in various technology sectors including life science, software & IT, medical technology, materials and new materials, nanotechnology and environmental technology. As a result, more than 8 000 long-term jobs in sustainable companies have been created in Bavaria.