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eic European **INNOVATION** Council *BETA*

EUROPEAN INNOVATION ECOSYSTEMS
stakeholder consultation

„A robust innovation ecosystem for the future of Europe"

Research and Innovation

European
Commission

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Jean-David Malo
Director
EIC Task Force

Research and Innovation

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„A robust innovation ecosystem for the future of Europe"

Isidro Laso
Isidro.laso@ec.europa.eu
@Isidro laso
Deputy Head of Unit
Innovation Ecosystems Unit
EIC Task Force

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Innovation

Europe is making big progress in innovation/startups

5 years ago 2010-2014	VS	Now 2015-2019
22 $1B+ VC-backed companies before 2015	$B+ COMPANIES	**99** $1B+ VC-backed companies now
3 countries attracting $1b+ capital per year	UNICORNTRIES	**7** countries attracting $1b+ capital per year
$34B cum. 2010-2014	CAPITAL INVESTED	**$113B** cum. 2015-2019
9 mega rounds in 2014	$100M+ ROUNDS	**40** mega rounds in 2019
10% of rounds in 2014	% OF ROUNDS WITH 1+ US OR ASIAN INVESTOR	**21%** of rounds in 2019
76 2010-2014	EXITS >$100M	**148** 2015-2019
$25B funds raised from LPs	VC FUNDS RAISED	**>$50B** funds raised from LPs
4.7m 4.1m for the United States	PROFESSIONAL DEVELOPERS	**6.1m** 4.3m for the United States
7.2% of capital invested in 2014	% CAPITAL INVESTED IN MIXED/WOMEN TEAM	**8.4%** of capital invested in 2019

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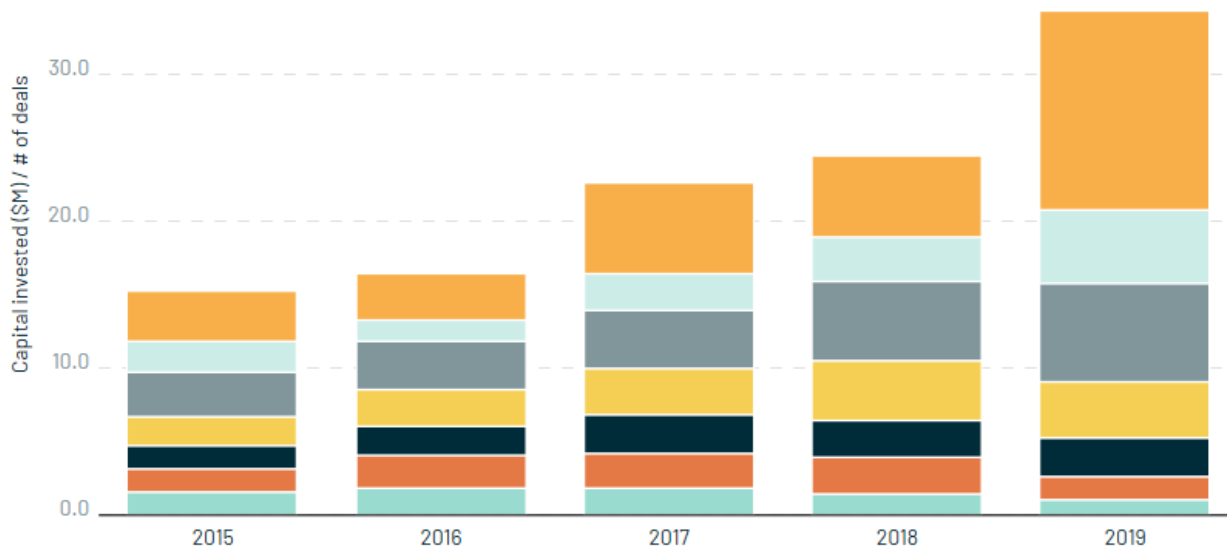
CAPITAL

CAPITAL IS IMPORTANT, BUT IT IS **NOT THE DECISIVE FACTOR**

€100M+ are growing but is not the normal yet

Capital invested ($B) and number of deals by round size

LEGEND

- $0M-$2M
- $2M-$5M
- $5M-$10M
- $10M-$20M
- $20M-$50M
- $50M-$100M
- $100M+

NOTE:

All Dealroom.co data excludes the following: biotech, secondary transactions, debt, lending capital, grants. Please also note the data excludes Israel. 2019 annualised based on data to September 2019.

DATASET Capital invested ($B)

SOURCE: dealroom.co
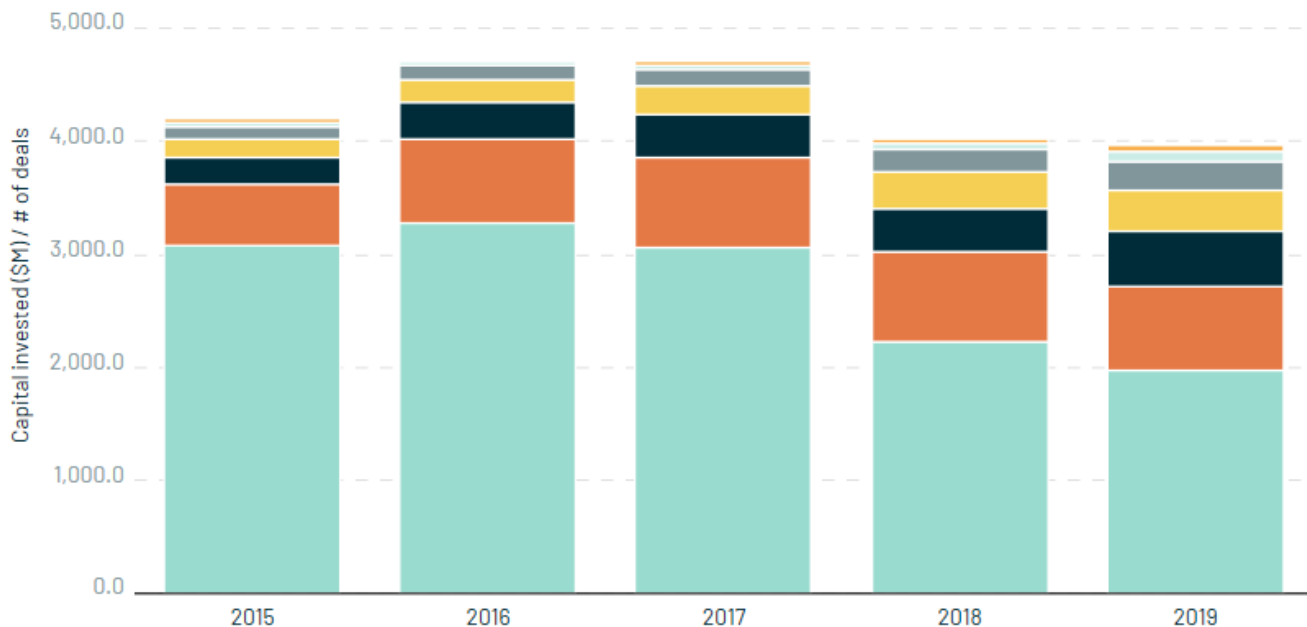
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Although most of the investments are in seed-series A

Capital invested ($B) and number of deals by round size

LEGEND
- $0M-$2M
- $2M-$5M
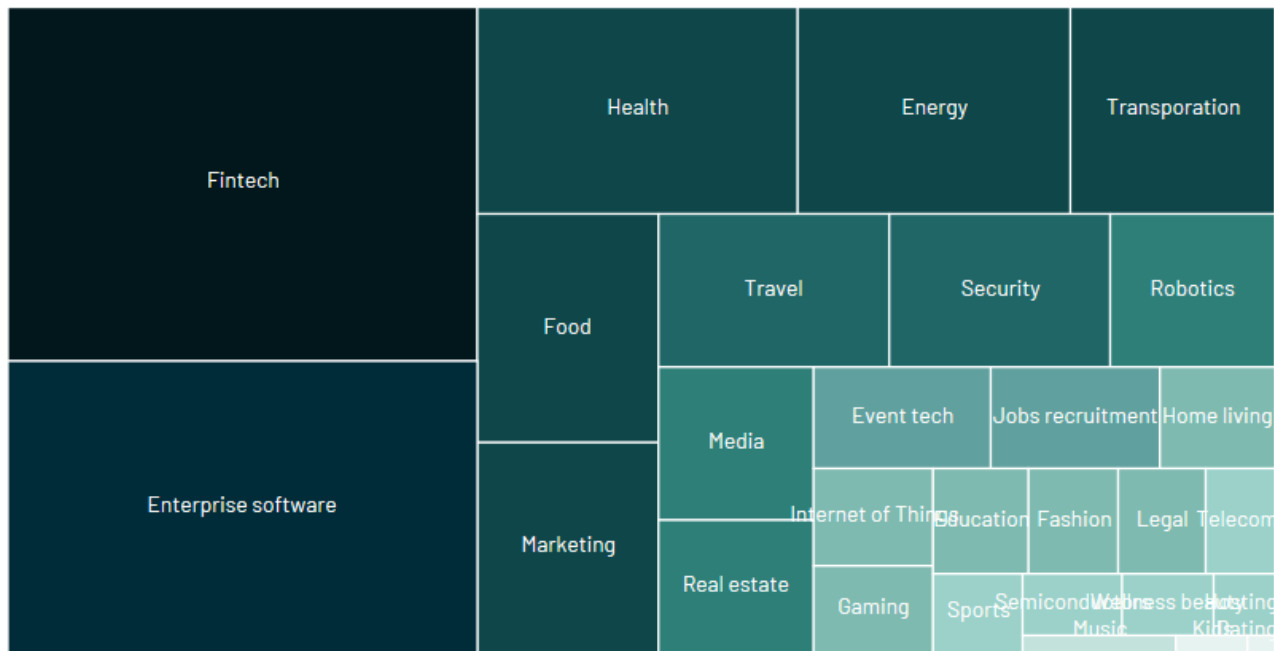- $5M-$10M
- $10M-$20M
- $20M-$50M
- $50M-$100M
- $100M+

DATASET # of deals

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Diversified through sectors

Capital invested ($M) by industry

DATASET: 2019

LEGEND
- up to 10,000
- 4,000 to 8,000
- 2,000 to 4,000
- 1,500 to 2,000
- 1,000 to 1,500
- 750 to 1,000
- 500 to 750
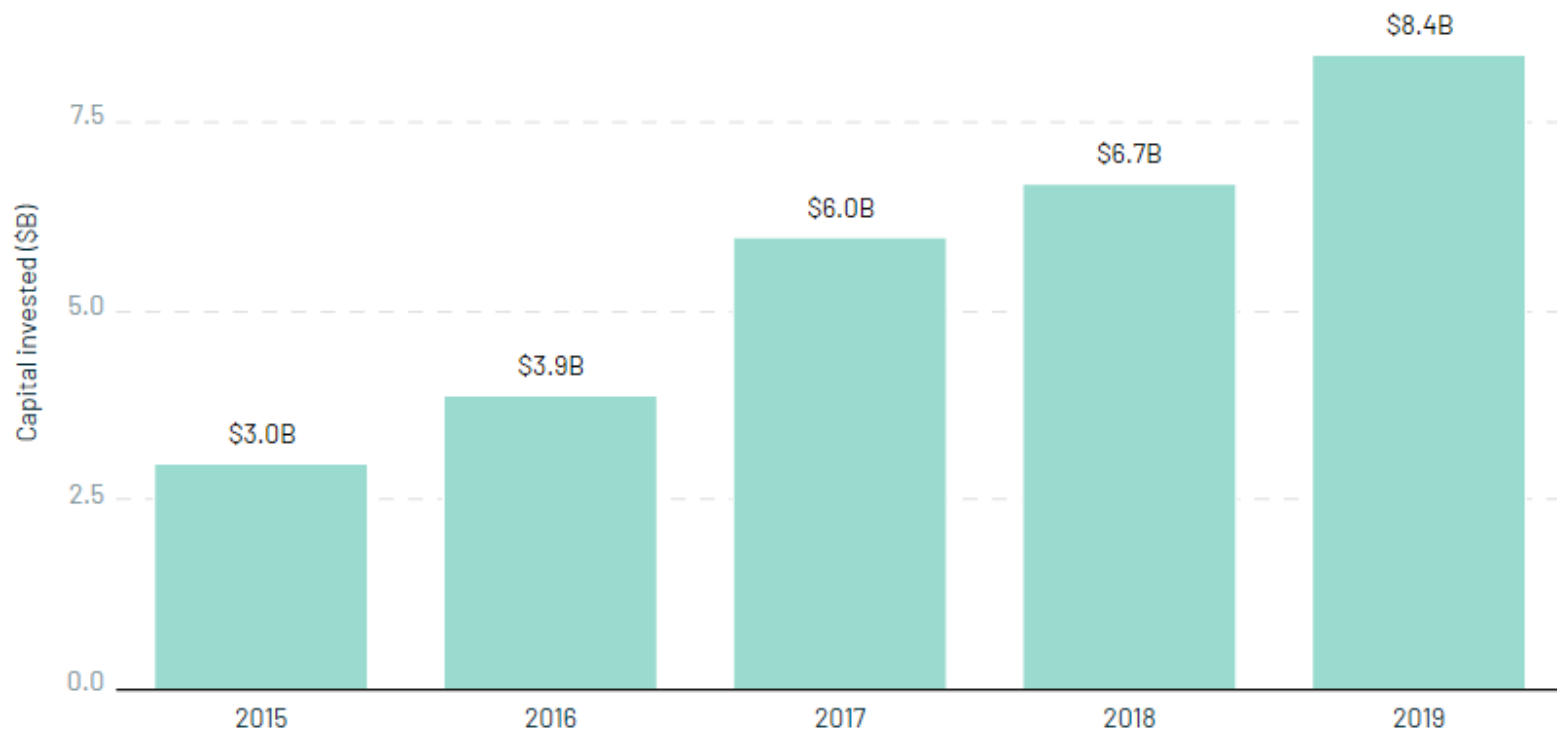- 200 to 500
- 100 to 200
- 0 to 100
- up to 0

NOTE:

All Dealroom.co data excludes the following: biotech, secondary transactions, debt, lending capital, grants. Please also note the data excludes Israel. 2019 annualised based on data to September 2019.
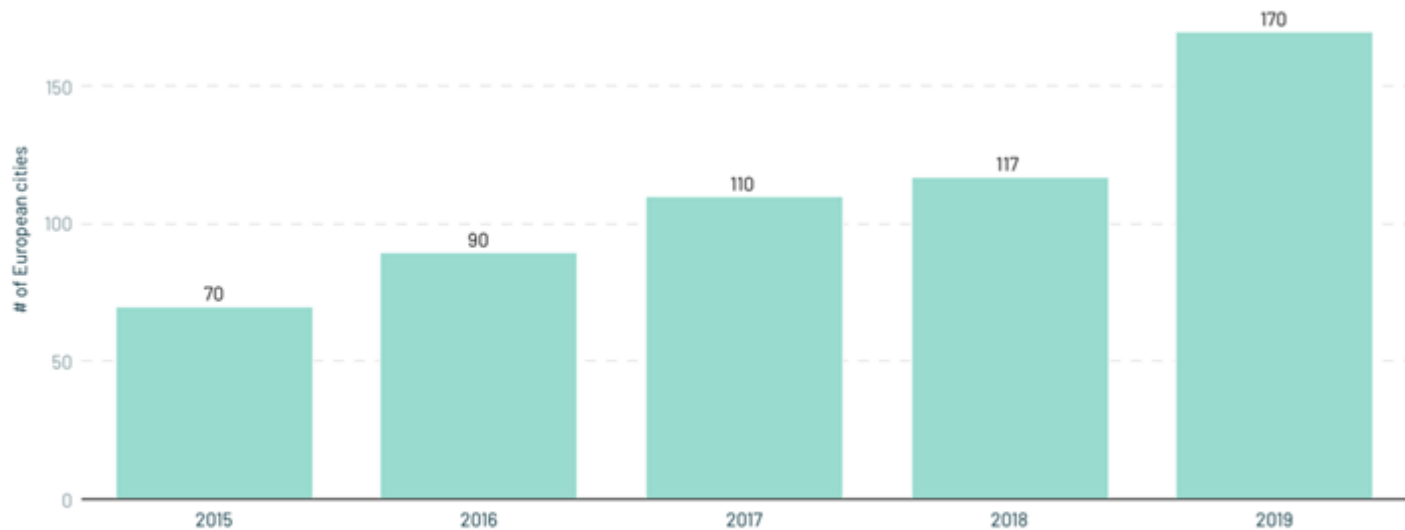
SOURCE: dealroom.co

Treemap sectors: Fintech, Health, Energy, Transporation, Enterprise software, Food, Travel, Security, Robotics, Marketing, Media, Event tech, Jobs recruitment, Home living, Real estate, Internet of Things, Education, Fashion, Legal, Telecom, Gaming, Sports, Semiconductors, Wellness beauty, Music, Kids dating

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Capital investment on deep-Tech (focus of the EIC) is on the rise

100+ European deep tech startups raised funding in 2019.

Diversified geographically. Startups phenomenon is been democratised

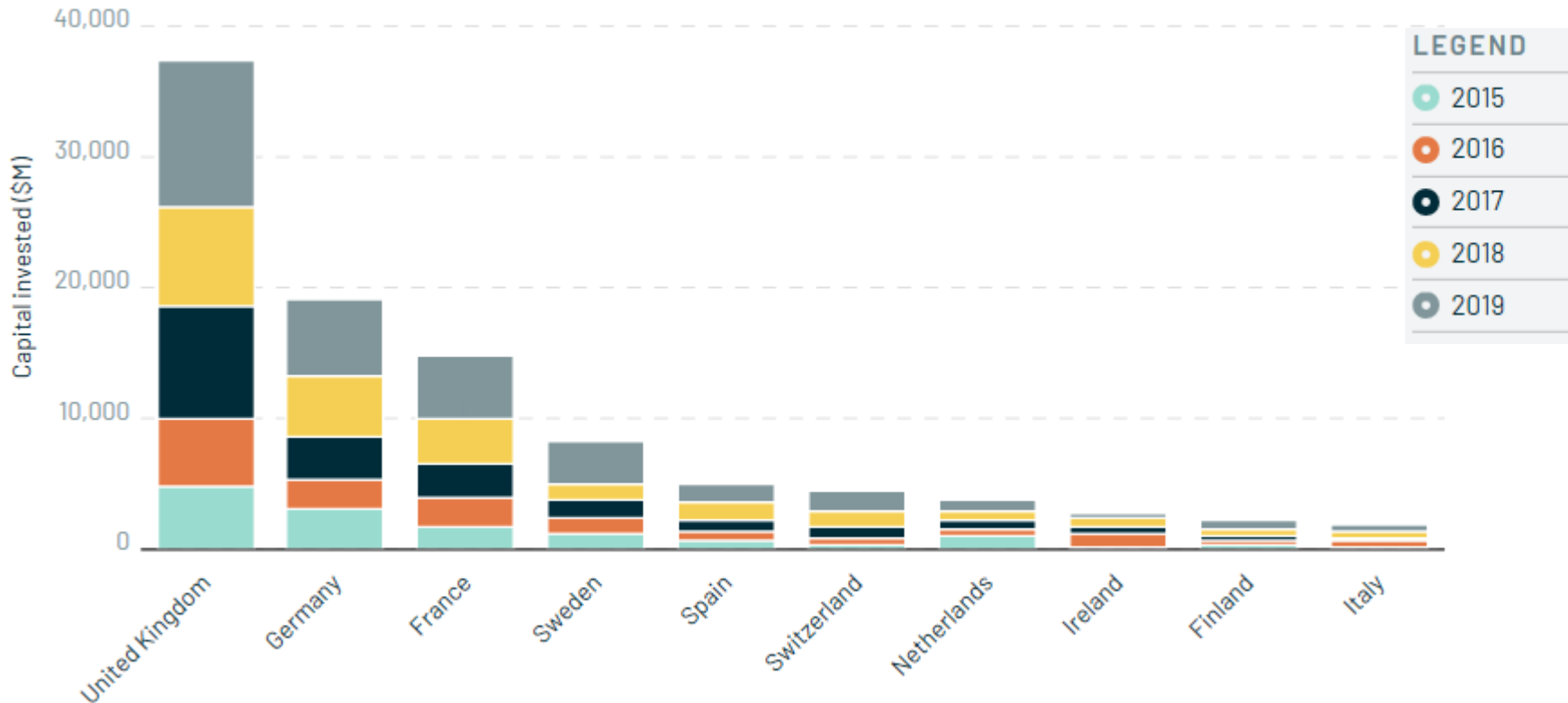**Number of European cities with 100+ tech-related Meetup events per year**

NOTE:

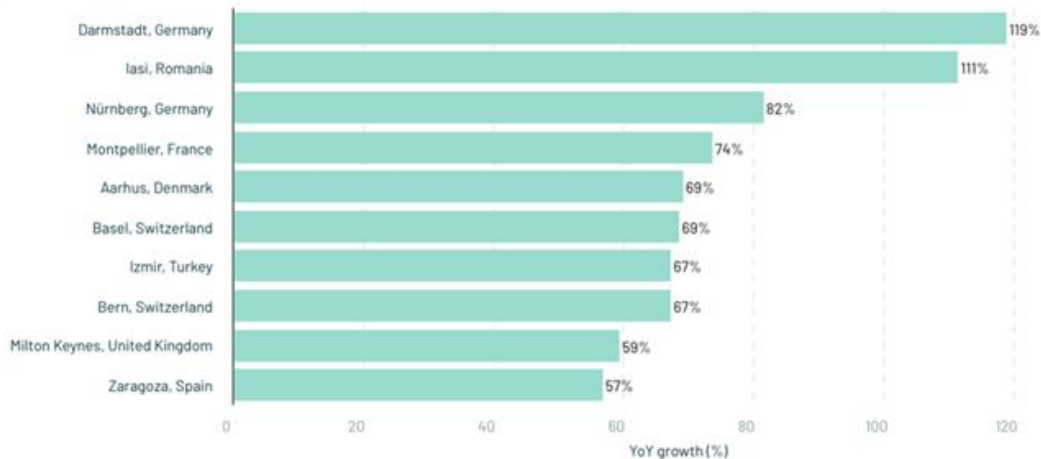2019 annualised based on data to end of September 2019.
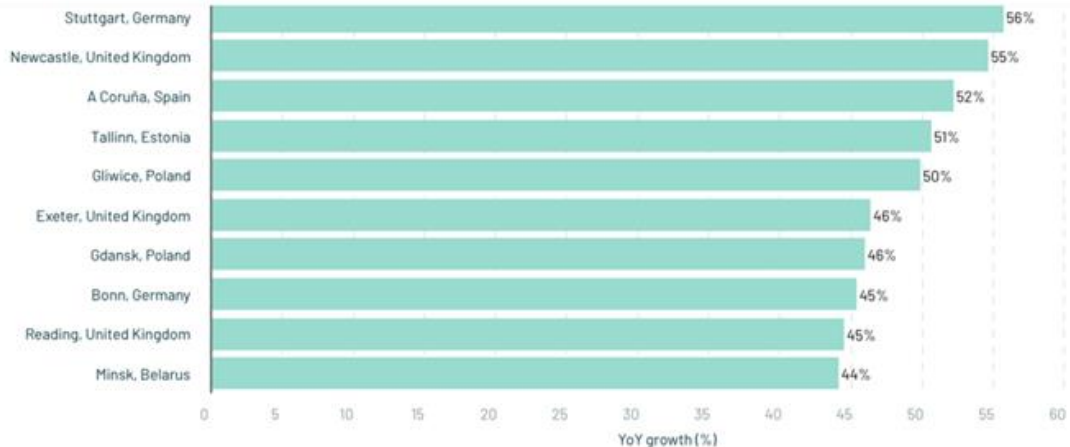
Source: *Meetup*

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Spreading all across Europe

Top 20 fastest-growing tech hubs in Europe by year-on-year growth of attendees to tech-related Meetup events per city

HUBS 1-10

Darmstadt, Germany	119%
Iasi, Romania	111%
Nürnberg, Germany	82%
Montpellier, France	74%
Aarhus, Denmark	69%
Basel, Switzerland	69%
Izmir, Turkey	67%
Bern, Switzerland	67%
Milton Keynes, United Kingdom	59%
Zaragoza, Spain	57%

YoY growth (%)

HUBS 11-20

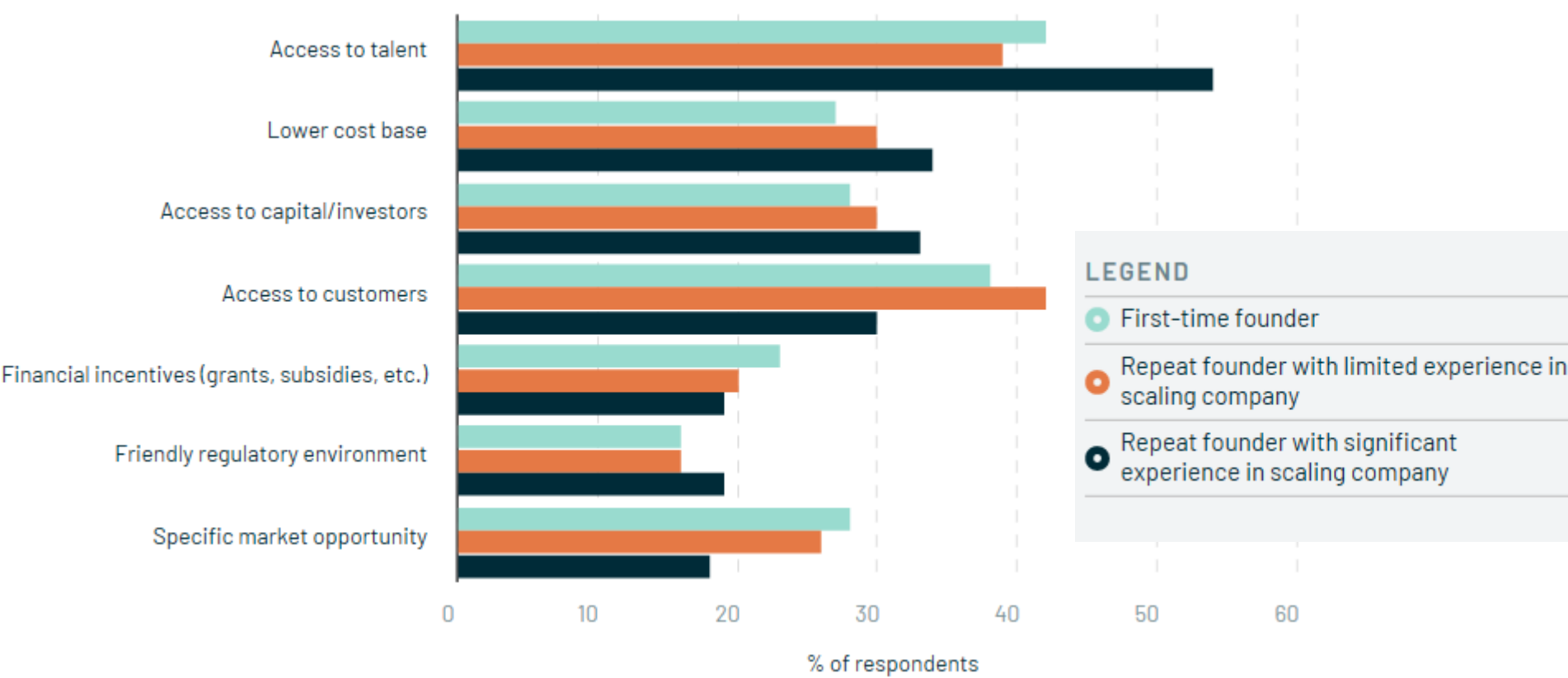|	
Stuttgart, Germany	56%
Newcastle, United Kingdom	55%
A Coruña, Spain	52%
Tallinn, Estonia	51%
Gliwice, Poland	50%
Exeter, United Kingdom	46%
Gdansk, Poland	46%
Bonn, Germany	45%
Reading, United Kingdom	45%
Minsk, Belarus	44%

YoY growth (%)

NOTE:

2019 annualised based on RSVPs to end of September 2019. Only hubs with at least 1,000 RSVPs in 2018 are included.

Source: **meetup**

Competence (talent of the team)

Talent is the decisive factor if it is a part of a strong and supportive ecosystem

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What is the most important aspect for founders to choose the location?

LEGEND

○ First-time founder

● Repeat founder with limited experience in scaling company

● Repeat founder with significant experience in scaling company

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Talent (Competences) is the most important factor

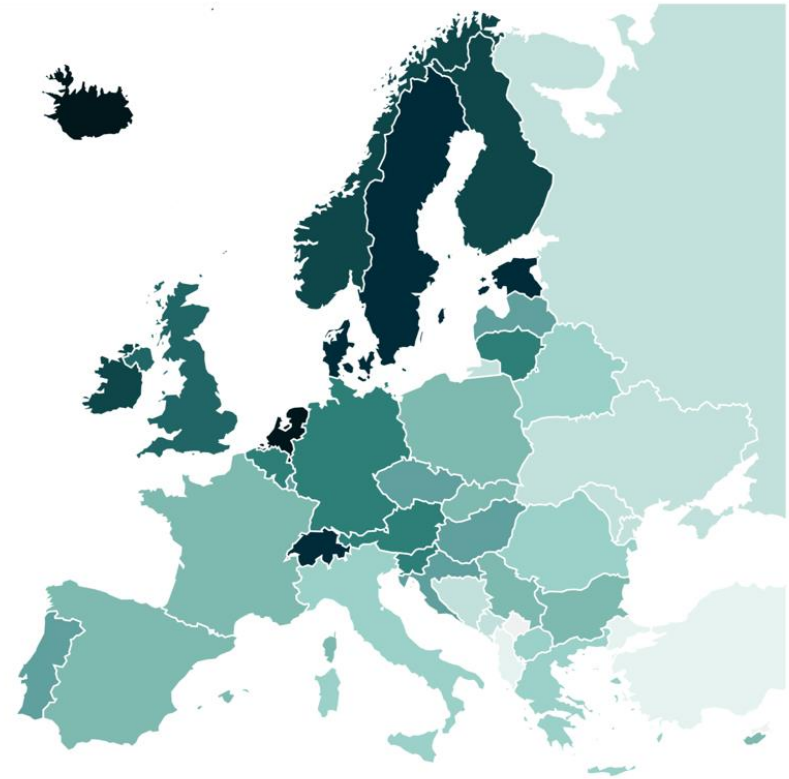Number of professional developers per 1,000 inhabitants

LEGEND
- up to 20
- 16 to 18
- 14 to 16
- 12 to 14
- 10 to 12
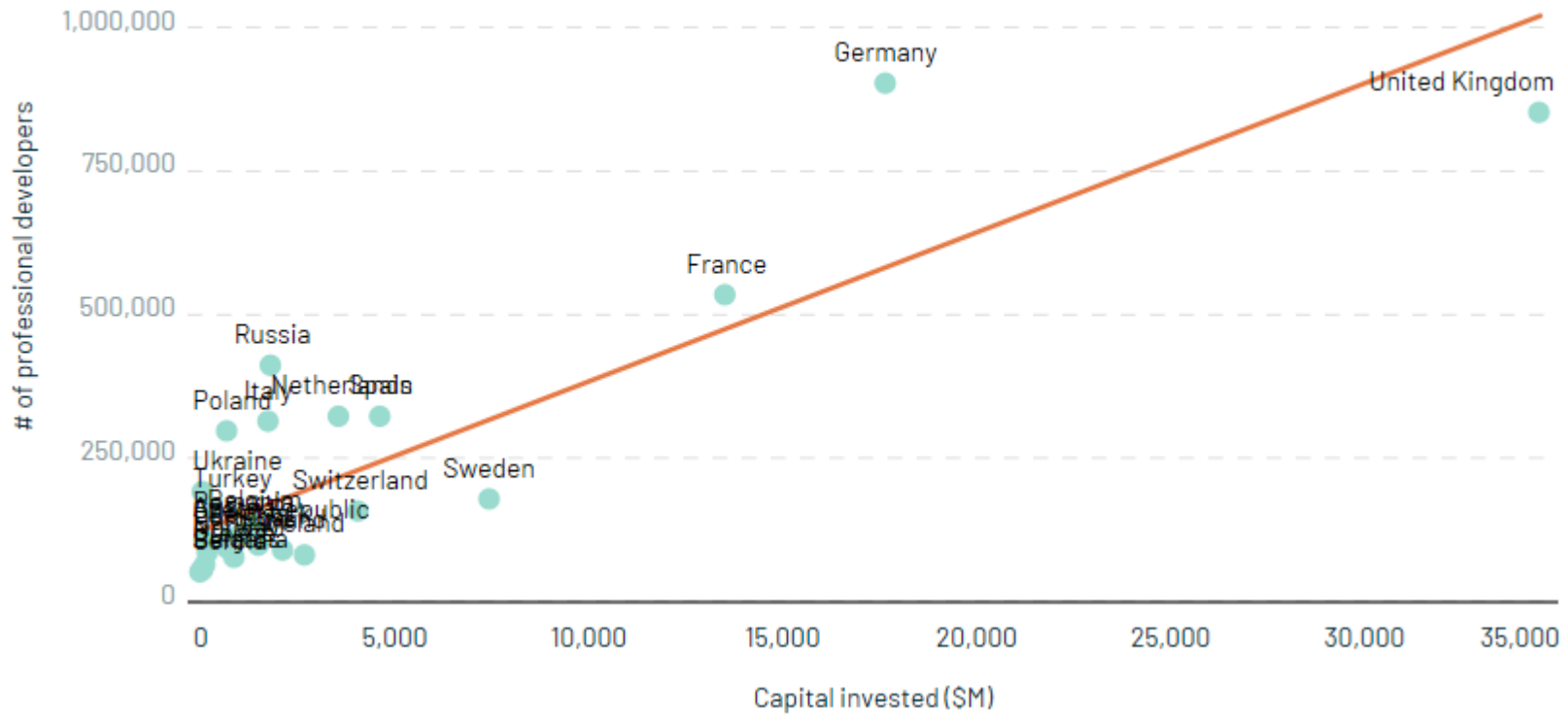- 8 to 10
- 6 to 8
- 4 to 6
- 2 to 4
- up to 2

NOTE:
Calculated based on the total number of professional developers in the country in 2019 divided by the total population. World population figures taken from World Development Indicators using 2018 world population data.

Source: stackoverflow

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Talent is the key. Developers attract capital (not the other way round)

Researchers are the key for having developers

CONNECTEDNESS

A STRONG AND SUPPORTIVE ECOSYSTEM IS THE DECISIVE FACTOR TO CREATE STARTUPS AND SCALEUPS (provided that there is talent = developers in the ecosystem)

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What is the key for a well functioning innovation ecosystem?

Competence

Capital

3 Cs

Connectedness

European Commission

What is in the hands of Innovation Agencies halls to attract founders?

What were the most important personal considerations for you when choosing where to locate your company when you founded it?

LEGEND

- First-time founder
- Repeat founder with limited experience in scaling company
- Repeat founder with significant experience in scaling company

Build Strong and supportive communities

How to create startups?
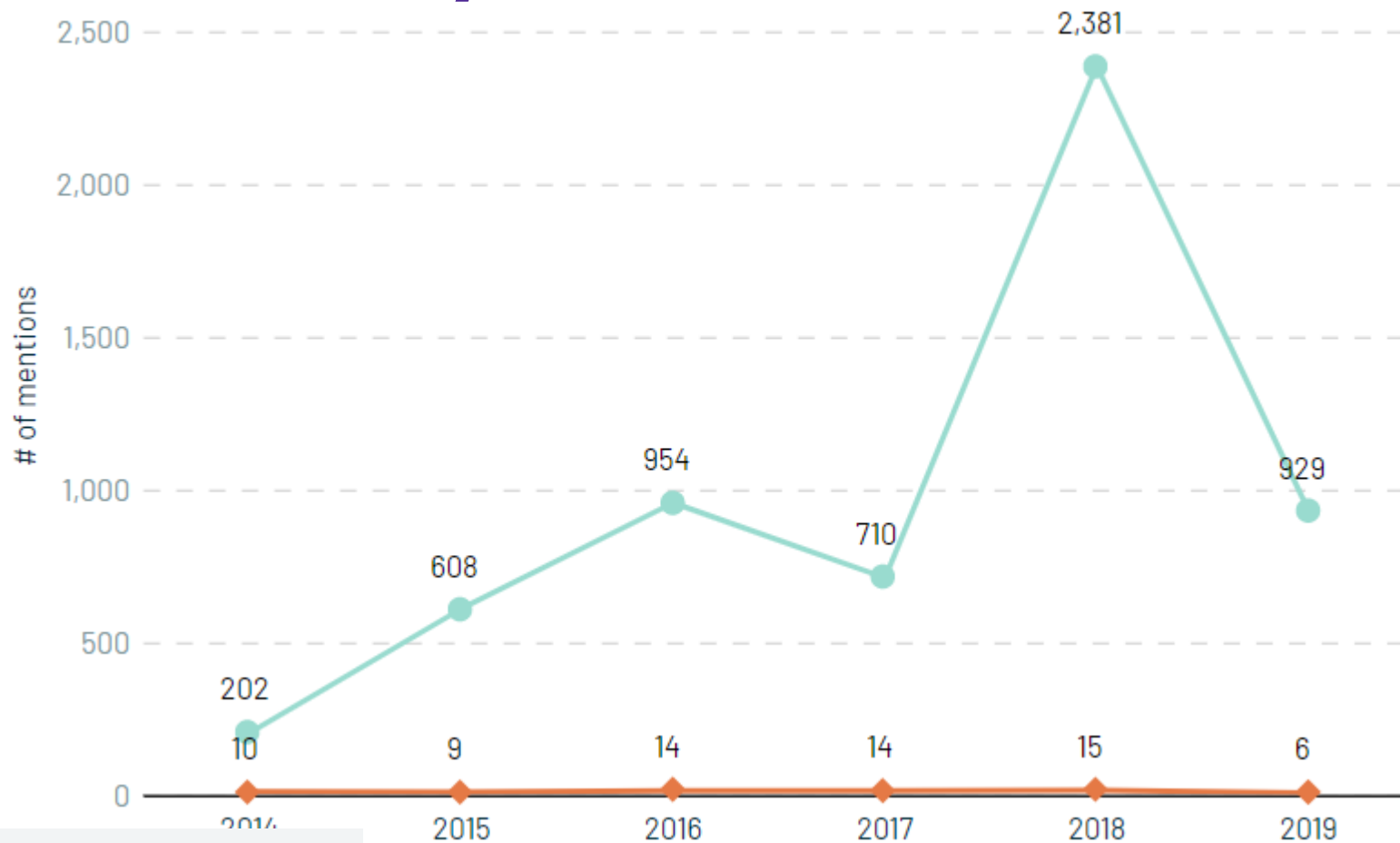## Direct correlation between number of meetups and number of startups (0,91 factor)

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How to build scaleups?

SOURCE: STARTUP GENOME 2018

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REGULATION – Optimal conditions

"By paying attention to the <u>priorities of founders</u> policymakers can create optimal conditions for innovation and growth in Europe."

- Do not be distracted by US Big Tech
- Do not be led by investors
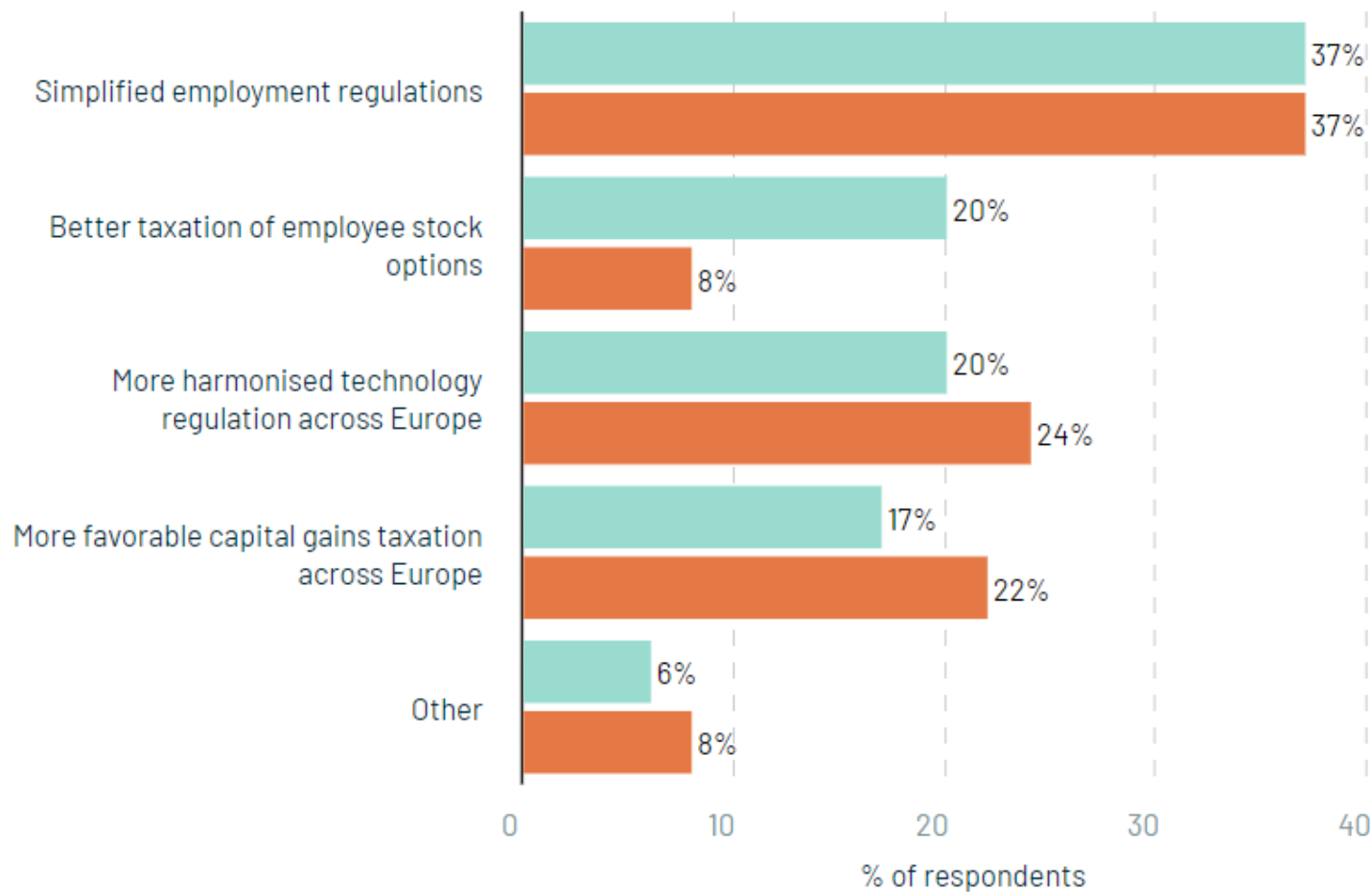
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Distracted by US tech firms

LEGEND

○ US big tech companies

○ European tech companies

Number of mentions in European Parliament activities and Press Releases (source: State of Europe Tech 2019)

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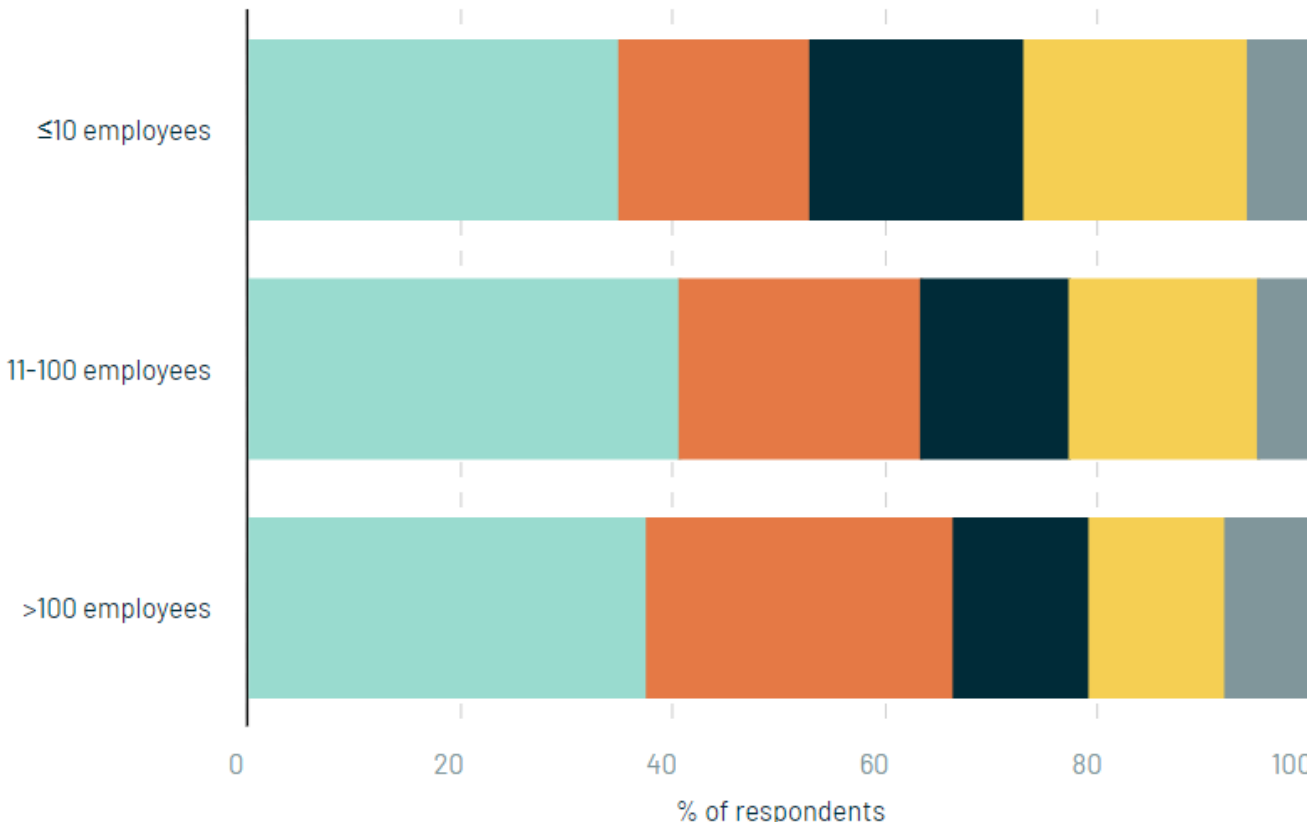
Focus on what founders want:

(source: State of Europe Tech 2019)

LEGEND

- Raised external capital
- Bootstrapped

See what scaleups need to grow and compete globally: Stockoptions, Startup regime (EU wide corporate law)

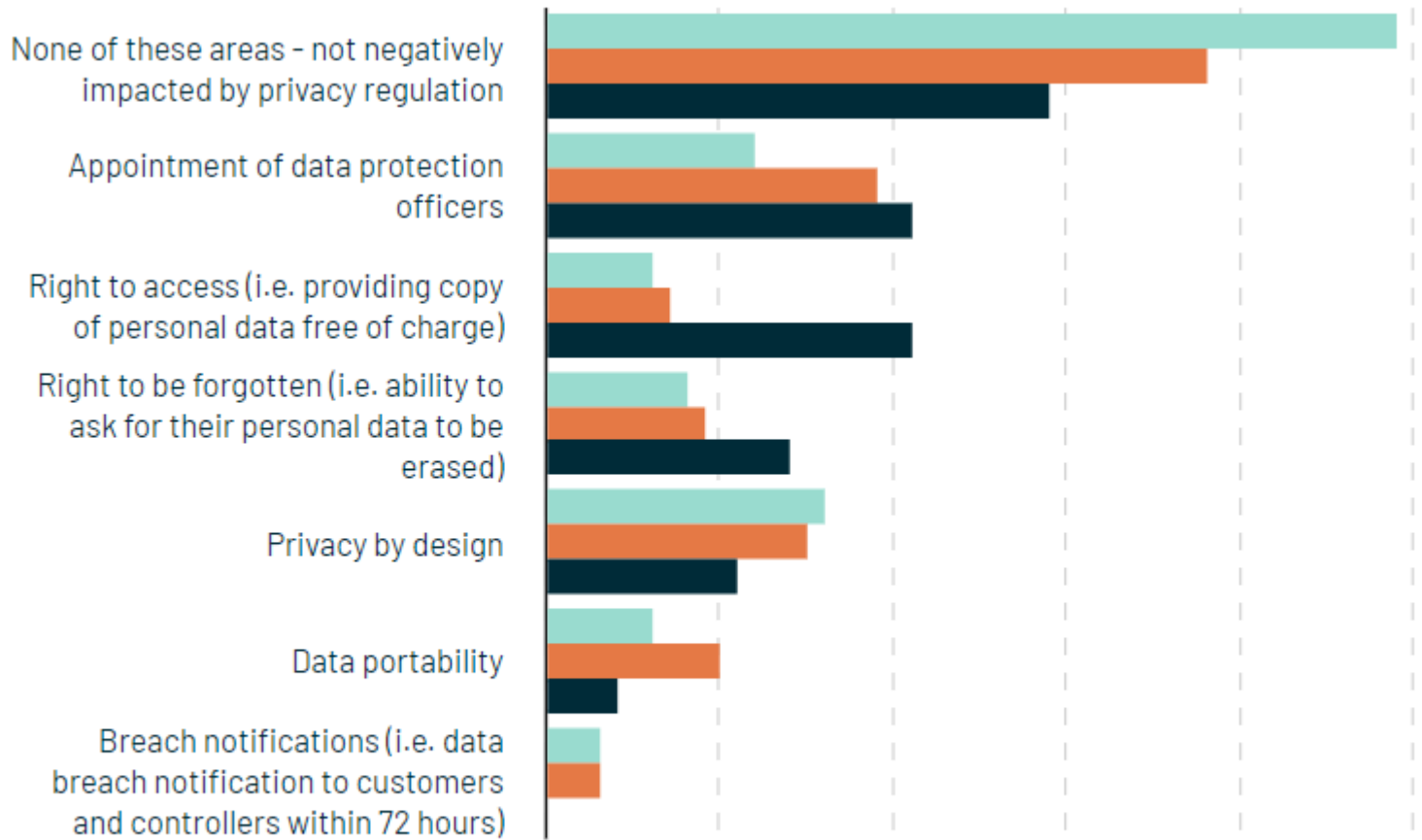**(source: State of Europe Tech 2019)**

LEGEND

- Simplified employment regulations
- Better taxation of employee stock options
- More favorable capital gains taxation across Europe
- More harmonised technology regulation across Europe
- Other

% of respondents

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Things have been done correctly in the past. Why not also in the future?

Which one of the following changes to privacy regulation have impacted your company the most over the last 12 months?

None of these areas - not negatively impacted by privacy regulation

Appointment of data protection officers

Right to access (i.e. providing copy of personal data free of charge)

Right to be forgotten (i.e. ability to ask for their personal data to be erased)

Privacy by design

Data portability

Breach notifications (i.e. data breach notification to customers and controllers within 72 hours)

(source: State of Europe Tech 2019)

% of respondents

LEGEND
- ≤10 employees
- 11-100 employees
- >100 employees

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European innovation ecosystems initiative

Part of Pillar III, Horizon Europe proposal.

Possible budget: 500 M EUR

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European Innovation Ecosystems response:

Rationale:

*"To **fully harness the potential of innovation** involving researchers, entrepreneurs, industry and society at large, the EU must improve the environment within which innovation can flourish at all levels. This will mean contributing to the environment of an effective innovation ecosystem at EU level, and encouraging **cooperation**, **networking**, and the **exchange of ideas**, **funding** and **skills** among national and local innovation ecosystems."*

Pillar 3
Innovative Europe

€13,5b

European Innovation Council

European innovation ecosystems

European Institute of Innovation and Technology
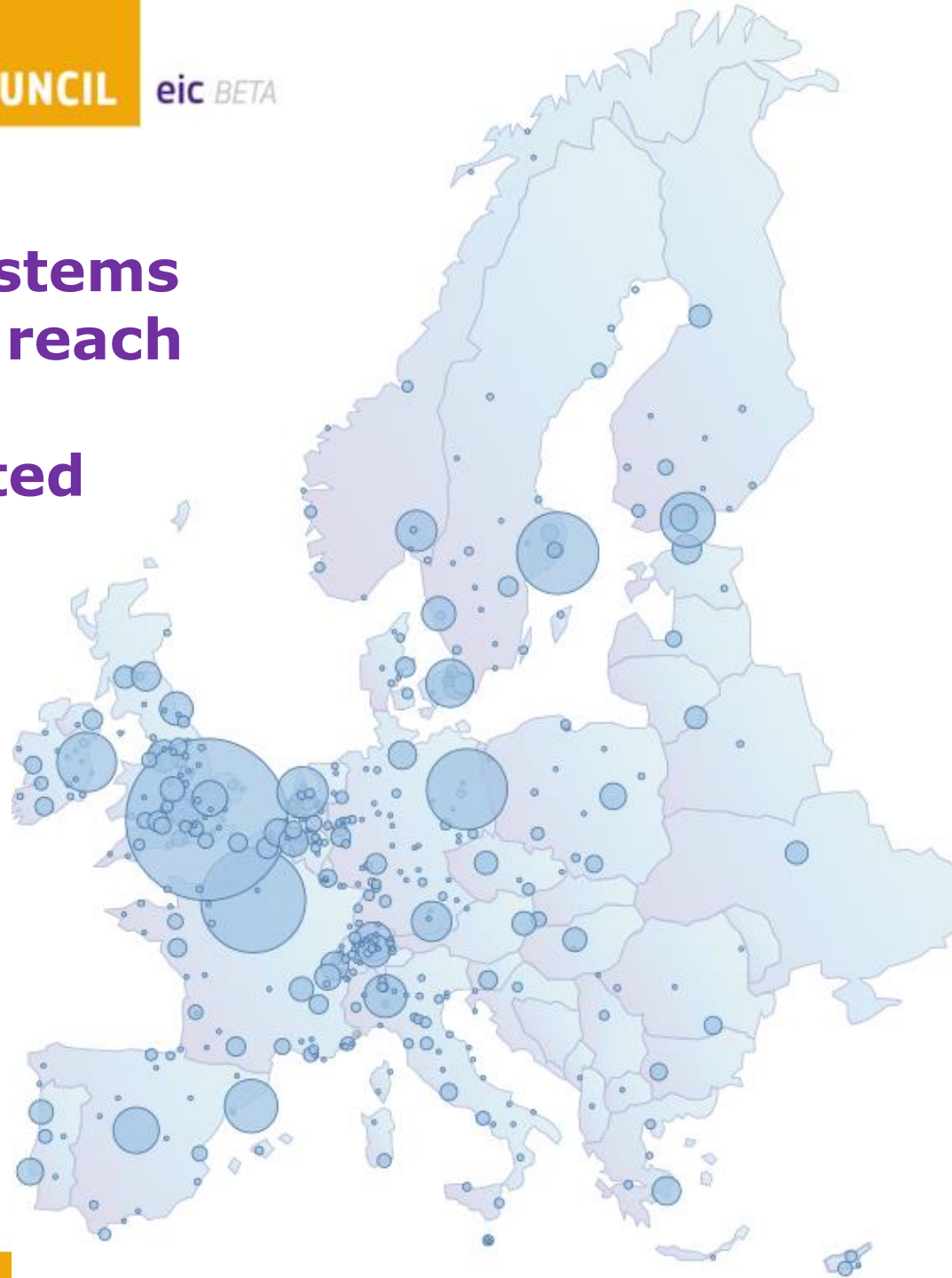
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Our aim

1. To connect local ecosystems across Europe and internationally (joint programme between MSs?)
2. Focus on scale-up. To support local ecosystems in their efforts to attract €100Mio+ investment rounds and unicorns.
3. Policy Forum to complement/guide operational actions

Support EIC as a Factory of Unicorns!

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European tech ecosystems are rich but can only reach their full potential if better interconnected

Map of the 476 European cities with at least one scale-up company, Startup Europe "Startup City Hubs in Europe" 2018 report

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EIC Forum: connecting and developing innovation ecosystems

- Potential policy areas
- Working groups
- Methodology

Start with:
- **Public Procurement**
- **Plug-in**

ensure optimal conditions for European ecosystems

facilitate their connections within and across the borders

convene and drive them to address common policy objectives

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Purpose of today

✓ To co-create with you the **future goals/missions** of our collaboration with Ministries

✓ To co-design **future actions/mechanisms** so that they:
- are attractive and customized to Ministries needs
- interlink local with regional, national and EU ecosystems
- are inclusive (+ citizens!)

✓ **Invite you to attend the big conference on 18 February with commissioner Mariya Gabriel**

Value is not in the money,

but in the increased **CONNECTEDNESS** among ecosystems!

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B. ROUND TABLE DISCUSSION

1. *What are the main policy measures (implemented or planned at national level) to address those challenges?*
2. *How could the EC assist Member States in building and connecting innovation ecosystems?*

2 x 20 min

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