accelerating innovation in Europe

Horizon 2020 SME Instrument impact report
2017 EDITION
The SME Instrument supports market-creating innovation in small and medium-sized businesses (SMEs) 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 more than 31,000 applications received and around 2,500 small companies funded in only three years, the SME Instrument has proven its appeal for the European innovation ecosystem.

In 2016, the SME Instrument celebrated its companies’ first successes: first IPOs, major contract signatures, important private investments, precious awards and plenty of innovative entries on the market. As the business world moves fast, results and impacts observed only three years after the start of the SME Instrument are just a glimpse of the future potential.

The SME Instrument impact report aims to provide first insights into the growth trends of the selected SMEs, their profile as well as the key features of the programme. The report presents cumulative data from 2014 to 2016.
a booster for growth
Shorter time-to-investment
The SME Instrument funding shortens the average time for companies to get the next investment from 32 to 9 months.

Higher funding rounds
With the SME Instrument, companies raise higher investment rounds (€ 4.3 million on average) than before (€ 2.8 million).

Stronger leverage effect
Only 3 years after the start of SME Instrument, each euro invested generated one euro of private investment. This amount is prompt to be higher in the future as the leverage effect will reveal its full potential only after several years.

Company
AlphaSense

Name
Jack Kokko

Funding
€ 1.8 million

The financial support from the SME Instrument allowed us to speed up our growth, attract new clients and invest in our technology. This has helped us accelerate our product adoption and grow into new market segments. We are very thankful for this support.
Better innovation capacity

The feasibility study under Phase 1 and coaching offered by the SME Instrument build up strategic and managerial capacity within the SMEs, in particular with regards to their knowledge of the market and understanding of clients’ needs.

According to the companies, SME Instrument funding and coaching helped them with:

Data: replies out of 10

- Understanding needs of the client: 9
- Company reputation: 8
- Knowledge of competitors: 8
- Marketing method: 8
- Risk management: 8
- Understanding of technical issues: 8
- Contacting support organisations: 7
- Internal organisation: 7
- Strategic management: 7
- Understanding of IPR: 7
Fast growth

A year down the line funded Phase 2 companies experience on average:

- 250% increase in turnover
- 122% increase in employment

9 funded companies among the fastest growing businesses in Technology Fast 500™ EMEA 2016

5 funded companies among the Financial Times 1000 Europe’s Fastest Growing Companies 2016
2 IPOs

Two SME Instrument funded companies had their Initial Public Offerings (IPOs) on Nasdaq’s First: Immunovia and Svenska Aerogel. This result is observed only three years after the start of the programme and should increase in the years to come.

This prestigious grant gave us a valuable recognition that played a major role in our IPO. It strengthened our credibility in front of investors and customers and helped us run a number of customer-related projects in order to reach full scale production – we are ready to meet the increased demand.

Company: Svenska Aerogel
Name: Anders Lundström
Funding: €1 million
Equity-free funding

Phase 1 offers a lump-sum funding of €50,000 to carry out a concept and feasibility assessment. Phase 2 invests between €0.5 and 2.5 million (up to €5 million in health-related topics) in innovation activities such as demonstration, testing, prototyping, pilot lines, scale-up studies and market replication.

World-class business innovation coaching

Coaching empowers SMEs to define the best market strategy, advises them on organisation, management, finance and resource-development. Companies get three days of coaching in Phase 1 and twelve in Phase 2. Coaches are experienced entrepreneurs and investors with various skill-sets and backgrounds.

Business acceleration services

Through events and international trade fairs, SMEs are invited to build partnerships with investors and potential clients. SMEs join a community of peers to exchange, learn, connect and find partners. In October 2016, the first SME Instrument Innovators Summit gathered more than 600 SMEs, investors, coaches and large companies.
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

- **Market-oriented selection**
  Focused on impact, unique ideas, team’s capacity

- **Transparent**
  Independent experts, clear selection criteria, constructive feedback

- **Highly competitive**
  Acceptance rate: 8.4% for Phase 1, 5.5% for Phase 2

- **High-risk**
  15% of funded SMEs are pre-revenue companies

- **Learning effect**
  Coaching in Phase 1 boosts market readiness and doubles chances for Phase 2

- **Connecting businesses**
  1,747 new connections for SMEs whose presence was facilitated in trade fairs
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SME Instrument

innovators
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, Austria, Denmark, Ireland and Sweden. Ireland for example uses the SME Instrument strategically as leverage to foster the growth of its local companies. Irish business support organisations encourage only the best SMEs to apply to the SME Instrument and back them throughout the selection process to get the best out of their efforts.
Funded SMEs

2,457 SMEs from 36 countries

Top 5 acceptance rates:

- Iceland (20%)
- Austria (13%)
- Denmark (13%)
- Ireland (13%)
- Sweden (12%)

Number of SMEs funded by country
Startups & established SMEs

50% of funded companies are microenterprises (with less than 10 employees)

50% 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 SMEs by year of application

- 2014
  - more than 11 years
  - 45%
  - 6 to 10 years
  - 46%
  - under 6 years
  - 54%

- 2015
  - more than 11 years
  - 50%
  - 6 to 10 years
  - 50%
  - under 6 years
  - 54%

- 2016
  - more than 11 years
  - 50%
  - 6 to 10 years
  - 50%
  - under 6 years
  - 54%

Company
New Gluten World

Name
Carmen Lamacchia

Funding
€ 1.3 million

We were flying a small airplane, and the SME instrument turned it into a space rocket! Thanks to the EU funding, New Gluten World experienced a steep acceleration. Our dream of a fully operational lab to detoxify gluten in wheat kernels became a reality. We could begin clinical validation of our scientific discovery. We hired talented staff, developed a prototype oven, and brought in experts in the legal, financial, and communication field. In short, we jumped three years ahead in our goal of placing Gluten Friendly™ products in the global market.
The most common industry sectors the funded companies are active in are Medical and Healthcare (412 SMEs), Cleantech (271 SMEs) and Energy (239 SMEs). This reflects large budget available for the companies in the corresponding three topics. The ICT topic (Open and disruptive innovation), which holds the second highest budget in the SME Instrument and is also the most open and transversal, is spread among many of these industries, like analytics, robotics, semiconductors, security etc.
Revenue models

The most common revenue model chosen by the funded companies is manufacturing (920 SMEs). 196 companies get their revenues through subscriptions and 153 through commissions.
investors' pick
High-flying sectors

The high-fliers of the SME Instrument are found in Construction, Home, Robotics, Analytics, Marketing, Developer tools, Directory, Sports and Publisher tools. In these industry sectors SME Instrument-funded companies attract more investments than average.
Leading countries

In some countries, funded companies attract more private investment than their compatriots. This is the case especially in the Netherlands, Estonia, Finland, Belgium, Austria, Israel, Sweden, Greece, Croatia and Italy. This means that in these countries the SME Instrument attracts particularly well-performing companies.

Countries where SME Instrument-funded companies attract more investments than average

Average investment in SME Instrument funded companies
Average investment in the country