

# Public Equity Capital Sources in Germany

**Certain business situations call for, or even require, an injection of equity capital instead of debt capital. Equity is the owner's capital and therefore represents capital at risk. A solid equity capital foundation increases the company's flexibility in executing its objectives and opens up access to other sources of financing on better terms.**

Start-ups and technology companies are often financed by a high degree of equity. However, equity capital also represents an efficient method of business activity financing for companies from the classical industry sectors. In Germany, equity capital from public sources is available from a number of different investor channels.

## National Level Activity

The KfW Group provides equity capital as part of its economic development programs. Equity capital is provided indirectly through different channels, for example, through the "High-Tech Start-up Fund" (HTGF - *High-Tech Gründerfonds*) specialized on financing the seed phase of a company or through the coparion GmbH & Co. KG, focusing on the start-up and early growth phase of a company or through the "DeepTech Future Fund" whose investment focus are hidden champions/deep-tech companies with the potential to become a global market leaders.

*In 2021, a total of EUR 4 billion of venture capital was invested in Germany.*

BVK – German Private Equity and Venture Capital Association e.V.

### High-Tech Gründerfonds (HTGF)

The HTGF is the largest and most active seed stage fund in Germany focusing on technology driven start-ups. Investments of up to EUR 1 million are possible in the seed phase. The maximum possible investment level available is EUR 3 million per enterprise. The HTGF has financed more than 670 high-tech start-ups in the last 17 years. More than 150 portfolio companies have successfully exited in that time – proof positive of the HTGF's importance in providing capital to Germany's thriving start-up scene. High-Tech Gründerfonds support goes beyond providing money for realizing new business ideas. It also offers a high level of technology expertise, a broad network of scouts and capital providers to secure further growth of the new company after the seed

phase. Besides the KfW Capital and the Federal Ministry for Economic Affairs and Climate Action, more than 32 renowned German corporations have provided capital to the fund.

### coparion GmbH & Co. KG

KfW's coparion GmbH & Co. KG offers young and innovative companies in the start-up and early growth phases direct access to funds of up to EUR 15 million in several rounds. Coparion adheres to a principle of investing in companies who have their headquarters in Germany, and together with other investors subject to the same conditions and amounts. With a fund volume of EUR 275 million, coparion has the required flexibility to invest in promising businesses.

### KfW Capital

The KfW Group has concentrated its venture capital (VC) activities within the KfW subsidiary. Its main focus lies in optimizing the accessibility of VC for young, innovative technology enterprises. VC is channeled via investments in venture capital funds and venture debt funds. The investment volume was EUR 200 million annually at the end of 2020. Investments of up to EUR 50 million by KfW Capital per fund are possible. Through this subsidiary the KfW coordinates all its VC activities, such as in the HTGF and coparion GmbH & Co. KG.

## Public Private Equity Capital Provider Conditions

	coparion GmbH & Co. KG	High-Tech Gründerfonds (HTGF)
Foundation	2016	2005
Available investment volume per start-up	max. EUR 15 million	max. EUR 3 million
Investment amount	EUR 0.5-8 million	EUR 1 million in the seed phase
Focus	Start-up and early growth phase	Seed financing
Type of investment	Co-investment (pari passu)	Autonomous investment

### Federal State Level Activity

#### Public Venture Capital Companies

Venture capital companies (VCCs) in the federal states offer equity financing to young and innovative enterprises. These VCCs act as subsidiaries of the business development banks of the federal states and support companies actively by providing risk capital as well as management and industry knowledge for their further development. The investment focus is on innovation and is mainly in industry sectors including ICT, life sciences, and new materials. Subject to the regulations of the individual venture capital company, financing volumes of up to EUR 10 million in several financing rounds are achievable.

#### Public-Private Equity Companies

For established companies seeking to finance further growth, but for start-ups as well, *Mittelständische Beteiligungsgesellschaften* (MBGs - "Public-Private Equity Companies for Small and Medium-Sized Enterprises") are available as financing partners in the federal states. As independent institutes, they are supported by the federal states. MBGs operate primarily through silent participation through the provision of subordinated capital. They have no investment focus on special industry sectors. A capital searching company can expect a financing volume of up to EUR 1 million. It is characteristic that the individual MBGs are only active in their respective federal state. An advantage of financing by capital from the federal state MBGs for companies is that they have easier access to the financing network of the respective business development bank. That is why they are an important instrument for the economic development policy of the federal states.

### Choosing Appropriate Equity Providers

There are different channels available for enterprises seeking equity to acquire capital, depending on the company's growth phase status as well as industry sector. A start-up is normally looking for seed financing to develop the business and/or for market entry. In this case, the selection of a venture capital provider is a suitable solution. KfW Capital invests in venture capital and venture debt funds. The list of the invested funds is published online. So called "pitch events" are one way of getting in touch with venture capital companies.

A growing enterprise with a sound track record usually needs capital in order to further expansion. Regional active MBGs are in place to offer capital for expansion financing. Enterprises in a later stage of development are often contacted directly by providers of equity capital looking for investment opportunities. They may also contact equity capital providers directly.

### At a Glance

- Public equity companies at federal state level and national level
- Up to EUR 10 million investment
- Capital available for companies in different life cycle stages

### Role of Private Equity in Germany

*> 400 private equity companies in Germany*

*> 1,000 companies financed each year*

*> 5,500 portfolio companies*

*EUR 274 bn revenue of portfolio companies*

*EUR 12.6 bn invested in 2021*

*EUR 68 bn invested in 2017-2021*

Source: BVK 2022



GTAI's financing experts support investors in identifying potential equity partners. For further information please contact our financing experts: [invest@gtai.com](mailto:invest@gtai.com)