

# 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 financing for all industry sectors. Depending on a company's growth phase status and industry sector, different amounts of equity capital will be needed. In Germany, equity from public sources is available from a number of different channels.

## National Level Activity

The KfW Group provides equity capital as part of its economic development activities. Equity capital is provided by the KfW Group entity KfW Capital with the objective to strengthen the venture and growth capital supply for innovative technology enterprises. KfW Capital invests on behalf of the German Federal Government in German and European venture capital funds that are committed to invest at least in innovative German technology companies. 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. Against this background public equity capital is provided indirectly through 85 VC-funds/entities, including, through the HTGF - High-Tech Gründerfonds, coparion GmbH & Co. KG and through the DeepTech & Climate Fund.

### High-Tech Gründerfonds (HTGF)

The High-Tech Gründerfonds (HTGF) is the largest and most active seed stage fund in Germany focusing on technology driven start-ups. The initial investment (seed phase) totals EUR 1 million. The maximum possible investment level available amounts to EUR 4 million per enterprise. The HTGF has financed more than 750 high-tech start-ups since its establishment in 2005. More than 180 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. The HTGF 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, more than 45 renowned German corporations have provided capital to the fund.

### coparion GmbH & Co. KG

Coparion GmbH & Co. KG offers young companies in the start-up and early growth phases direct access to funds of up to EUR 15 million in several rounds. The VC company is focused on investing in technology and does not have an exclusive industry preference. Coparion invests in companies headquartered in Germany together with private investors subject to the same conditions and amounts. With a fund volume of total EUR 275 million, coparion has the flexibility required to invest in promising businesses.

### DeepTech Climate Fund (DTCF)

Established in 2023, the one-billion-euro DeepTech & Climate Fonds (DTCF) is a VC fund for innovative ground-breaking technology ("deep tech") and climate-tech companies with high financial requirements and validated business models. The DTCF acts as a co-investor together with private investors with investment focus on computing, climate, life science, industrial. The DTCF has made six investments since its launch. The initial investment totals EUR 1 million with a maximum investment level of EUR 30 million available per enterprise.

### SPRIND

SPRIND GmbH (Federal Agency for Disruptive Innovation) is driving groundbreaking innovations on behalf of the federal government. The agency supports and accelerates the development of potentially disruptive projects or business concepts. It's the concept to assist high potentials from universities, research institutions or economy with funds and know-how.

## 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 (VC) companies in the federal states offer equity financing to young and innovative enterprises. These VCs 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 mainly on industry sectors including ICT, life sciences, and new materials. Subject to the regulations of the individual venture capital company, financing volumes of around EUR 10 million are achievable.

#### Public-Private Equity Companies

For established companies seeking to finance further growth, as well as for start-ups, 15 MBGs ( *MBG: Mittelständische Beteiligungsgesellschaften* – “Public-Private Equity Companies for Small and Medium-Sized Enterprises”) are available as financing partners in the federal states. Acting as independent institutions, they are supported by the federal states. These MBGs operate primarily through silent participation by providing subordinated capital. The investment focus is not limited to special industry sectors. An equity 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. They do not operate to maximize profits primarily. A further advantage is that an MBG investment is recognized as economic capital and thus improves the company’s rating. With an improved rating, a company has easier access to bank financing.

### European Level Activity

#### EIC Accelerator (European Innovation Council)

As a funding program under Horizon Europe (see R&D), the objective of the EIC Accelerator is to develop and to scale up innovations to disrupt existing markets or to develop new ones. The predefined TRL is five to nine. Start-ups up to mid-caps are area of focus. Subject to company size, company phase and TRL level reached, the EIC Accelerator offers grants, direct investment and blended finance. National contact points provide valuable information and assistance.

#### European Investment Bank (EIB)

The European Investment Bank (EIB) offers a wide range of financing solutions. Equity financing from the EIB is provided for SMEs and mid-cap companies among others through equity funds. The equity funds that the EIB has invested in are published on the EIB website. Venture debt from EIB provides liquidity for terms of five or more years to fast growing early-stage enterprises backed by equity investors. The investment focus of the EIB as patient investor corresponds to the strategic objectives of the European Union.

### At a Glance

Public equity companies at national, European level and federal state level

- Up to EUR 30 million investment
- Capital available for companies in different life cycle stages

### Private Equity in Germany

> 470 private equity companies in Germany

> 770 companies financed in 2023

> 5,500 portfolio companies

EUR 293 bn revenue of portfolio companies

EUR 10.5 bn invested in 2023

EUR 76 bn invested in 2018-2023

Source: BVK 2023

### Choosing Appropriate Equity Providers

There are different channels available for enterprises seeking equity to acquire capital, subject to the company’s growth phase status as well as industry sector. Germany Trade & Invest’s financing experts help investors in identifying potential equity partners.



For further information please contact our financing experts at: [invest@gtai.de](mailto:invest@gtai.de)