



How2Finance

# Top 10 Sources of Finance for startups and scaleups

## 9 Participation

Participation is an investment in the own capital of the enterprise. The investor becomes a shareholder and as such co-owner of the company. The investor exerts influence on the enterprise and supports it, for example through the shareholders' meeting. It is important to find an investor that fits you and your enterprise. Investors can also pro-actively support businesses in their development, they are

often specialised in specific areas. In the early stage of enterprises, investors are looking for a return through an exit: an eventual sale of the share(s) to a next investor should generate a roi as the company's value has increased. Finding an investor and closing the deal is often a time-consuming and intensive process.

- For:** Scalable businesses with a high risk.
- Amount:** From approx €250,000.
- Step One:** Contact various investors in your domain. The Netherlands Venture Capital Association offers a good starting point or a regional development agency. For the Provinces of Overijssel and Gelderland this is Oost NL.

## 10 Horizon Europe

Horizon 2020, and its successor Horizon Europe, is the biggest innovation financing programme in the world and consists of a wide range of instruments. These are also accessible to start-ups. The Horizon 2020 SME Instrument is one of the examples for scaling up the most groundbreaking innovations within the SME sector. As from 2021,

a similar programme is carried out under the heading European Innovation Council Accelerator (EIC) within the Horizon Europe programme. This instrument opens up subsidy options up to €2.5 million for entering the European market with sophisticated innovations.

- For:** Cutting-edge innovative SME businesses and start-ups.
- Amount:** Between €50,000 and € 2.5 million (investment in own capital up to €2.5 million).
- Step One:** Contact an expert in the field of European subsidies, such as the RVO or a subsidy consultancy from the private sector.

## How2Finance

How2Finance was especially developed for innovative entrepreneurs in Gelderland and Overijssel looking for financing. Whether your enterprise is in the start-up or growth phase. How2Finance offers entrepreneurs insight into the various financing options and when these best match their financing needs.

In short, How2Finance supports you in your search for suitable financing and we will also bring you into contact with the right financier.

More information? Visit [oostnl.nl/how2finance](http://oostnl.nl/how2finance)

## 1 Friends, Family & Fools

Usually the search for capital starts off with so called Friends, Family & Fools. These are usually lenders and financial backers that the entrepreneur knows in person. In this context, the definition of a 'Fool' would be a lender without any in-depth knowledge of the capital market who nevertheless decides to invest money in the enterprise. In the start-up phase of a company, the risk is often too high to qualify for external funding so new entrepreneurs often take this

informal route first. It is important to agree on clear conditions and arrangements and to lay them down in writing, for example about repayment terms and any say in decision-making. For a new entrepreneur should not grant any major shareholding at this stage. In a next phase, shares will have to be offered to any follow-up investors and the entrepreneur has to ensure that his stake in the business remains large enough.

- For:** Starting entrepreneurs
- Amount:** Usually €5,000 - €20,000
- Step One:** Look for financing among friends and family.

## 2 Incubators

Incubators are organisations that help new, innovative businesses with setting up their business and drafting a business model. Incubators offer help and expertise in areas such as obtaining financing, access to partners and networks, learning management skills and finding accommodation. Incubators often focus

on specific types of businesses. Some examples from East Netherlands are StartLife (aimed at Food and AgTech start-ups), Briskr (health and high-tech), Novel-T (medtech and high-tech) and Orion. Incubators sometimes offer loans themselves.

- For:** Starting entrepreneurs
- Amount:** €10,000 - €250,000
- Step One:** Request an intake interview with an appropriate Incubator.



East Netherlands Development Agency

### 3 Business Angels/informal investors

Business Angels are private individuals who regularly invest in promising companies. They have the financial means from earlier enterprises and are looking to invest their capital in innovative businesses likely to succeed. In return for their financing, they acquire shares in the company

(participation) - this means that the Business Angels have a say in the enterprise. Next to funding, Business Angels often also play a role in the business themselves; they have contacts and networks that can be important for the growth of the company.

- For:** Starting entrepreneurs
- Amount:** Usually €50,000 - €250,000
- Step One:** Contact a Business Angel network, e.g. Business Angels Netwerken, Nederland and Business Angels Oost NL.

### 4 Crowdfunding

Crowdfunding has become a standard form of funding in recent years. With crowdfunding, people invest quite early in the development of a business through online platforms. This concerns relatively large numbers of people that invest relatively small amounts. In some cases, crowdfunding consists of donations made to an entrepreneur out of good will, for example for socially responsible initiatives. But in other instances, an investor will receive

a form of compensation, for instance through a reward of some kind (think of a first buy at a reduced rate) or there may be a presale before the actual start of production such as Kickstarter. A reward may also consist of interest or shares in a company. So there are many different forms with their own pros and cons. Well-known platforms include Oneplanetcrowd (sustainable innovations) en Geldvoorelkaar.nl.

- For:** Innovative start-ups.
- Amount:** Varies but on average around €150,000.
- Step One:** Fill in the Crowdfunding-scan of the Chamber of Commerce. Contact the platforms.

### 5 RVO Instruments

The Netherlands Enterprise Agency (RVO) stimulates innovative and sustainable entrepreneurship as commissioned by the Ministry of Economic Affairs and Climate Policy. They have a broad package of instruments at their disposal including subsidies and tax credits. Innovative enterprises in the early stage of their growth phase can borrow €50,000 to €350,000 through the Early Stage Financing (VFF) arrangement. Another part of this programme for academic start-up runs through the Netherlands Organization for Scientific Research NWO: Take-off. Promising innovations can also qualify for the

- For:** Start-ups and innovative SME entrepreneurs.
- Amount:** Usually €50,000 - €250,000
- Step One:** Fill out the Subsidies and programmes guide on RVO.nl.

### 6 Subsidies

Next to subsidy schemes implemented by the RVO, there are also various subsidy instruments that specifically aim at innovative SME entrepreneurs in Gelderland and Overijssel. Subsidies have the big advantage that there is no repayment obligation nor a direct compensation such as interest. The Growth Accelerator for example offers Gelderland entrepreneurs a voucher to hire external advice to an amount of €10,000. Through the MIT-scheme (SME Innovation Support Top Sectors) entrepreneurs in Gelderland and Overijssel can receive a subsidy for a feasibility study of an innovation process (max. €20,000) or to develop a prototype together with another SME (max. €350,000 per project). In combination with the regional ERDF programme these amounts may even run up to €2 million per

- For:** Innovative SME entrepreneurs.
- Amount:** Usually €10,000 - €350,000
- Step One:** Contact a regional or national subsidy desk (e.g. RVO), or a subsidy consultancy.

Innovation credit, a credit scheme that offers loans up to €10m for technical development projects. And finally, there is the Research and Development (Promotion) Act WBSO. This is a tax arrangement of the Ministry of Economic Affairs to reinforce R&D activities. Through the WBSO, businesses and self-employed persons can receive an allowance for the wage costs of employees working on R&D-projects. The reduction of payroll tax due amounts to minimally 16% and maximally 40% of the wage costs.

innovation. Entrepreneurs that cooperate with businesses from Germany or Belgium for instance may apply for Interreg subsidies.

There are many regional, national and international subsidy schemes with their own target groups, application invitation dates and deadlines. The higher the subsidy, the more complex the application process. That's why we recommend contacting a specialist to learn more about the options open to your organisation or innovation. There are also consultants that work on a no-cure-no-pay basis. Subsidy can pose a problem for early-stage start-ups because of requirements with respect to co-financing and professional accounting.

### 7 ION+

Innovation Fund East Netherlands ION+ provides convertible loans to mature start-ups and (SME) businesses from Gelderland that operate in one of the following sectors: Agro & Food, Health, HighTech Systems & Materials (HTSM) and crossovers, such as IT, water, creative sector,

chemistry and the manufacturing industry, Energy and Environmental Technology (EMT) including biobased economy. This concerns financing research and development in Technology Readiness Levels 4 - 8. The co-financing threshold is 45%.

- For:** Later stage start-ups and innovative SME entrepreneurs.
- Amount:** From €250,000 - €750,000
- Step One:** Contact East Netherlands Development Agency Oost NL

### 8 Banks

Next to your current account, banks particularly finance loans that are covered by securities. This is mostly the case when the enterprise already operates on the market. And banks often dispose of investment funds, networks of informal investors and lease products. Rabobank offers start-ups a

special subordinated loan product; a loan to finance businesses in this high-risk phase. In addition, the government will put up a state guarantee in certain cases to enable banks to finance innovative businesses with a higher risk. The SME Credit Guarantee Scheme BMKB is a good example.

- For:** Innovative SMEs and, to a limited extent, start-ups.
- Amount:** Very diverse.
- Step One:** Contact bank departments specialised in the own sector and/or financing start-ups and innovative businesses.