



18th September 2020

Brussels, Belgium

To the European Commission:

Margrethe Vestager, Executive Vice-President

Margaritis Schinás, Vice-President

Thierry Breton, Commissioner for the Internal Market

With this letter, the European Cyber Security Organisation (ECSO) with the support of the European private investors (see last page) is calling on the European Commission (EC) and all relevant European Union (EU) institutions for political support to promote investments in European cybersecurity startups and SMEs to keep and develop competence and strategic solutions within Europe. Concretely, ECSO with the support of the European private investors would like to initiate a dialogue with the EU Institutions for the creation of a European cybersecurity investment platform (fund-of-funds) of at least €1 billion investment (duration up to 5 years).

In today's world, the pervasive use of digital systems and technologies introduces new vulnerabilities and cybersecurity threats. The COVID-19-related surge in teleworking which increased the use of potentially vulnerable services and the rate of cyberattacks further highlighted the fundamental need to have a strong cybersecurity supply chain to increase the EU's technological independence and strategic autonomy. Europe has a strong technical competence in the cybersecurity domain, but we will meet these objectives only by providing a favourable environment for the European-based cybersecurity companies to grow and become market leaders without leaving Europe.

ECSO with the support of the European private investors has identified the following key challenges for the European cybersecurity companies to scale up in Europe:

- 1) **The lack of sufficient dedicated and specialised European investors, including LPs and GPs,¹ focusing on cybersecurity companies.** Cybersecurity is a steadily rising need (+10% yearly growth and global market volume estimated at €150 bn), but it is a complex and fragmented market for technical, economical, and national security sensitiveness and cannot therefore be managed adequately by traditional ICT funds. According to our analysis, Europe is still suffering from a private investment gap, estimated at more than € 4 billion as compared to the United States (US)² in 2019.
- 2) **The lack of specialised growth capital beyond the seed and series A funding rounds (> €10 million), and a sustainable path to scale up and exit/IPO European cybersecurity companies** in Europe, creating the need for fast growing companies to access primarily the US market. Europe's cybersecurity posture lacks sizable financial consolidators/strategic acquirers that can support competitive companies to remain and develop valuable business in Europe.
- 3) **The lack of international marketing and business development skills** to support the growing phase of our competitive companies at global level. Although Europe has several regional hubs and a well-recognised technological cybersecurity expertise, go-to-market and product development capabilities of the local companies remain limited compared to their global competitors.

These key challenges are both the result of and continue to contribute to the lack of strong European cybersecurity eco-systems and powerhouses, stifling the competitive advantage of innovation on a European and on a global scale.

¹ LPs ("limited partners") commit capital to venture funds. GPs ("general partners") raise and manage these venture funds, set and make investment decisions, and help their portfolio companies exit.

² Sources: Momentum Partners, Visiogain 2018-2028 Market Report, Pitchbook



ECSO with the support of the European private investor partners agree to cooperate on the design and implementation of a dedicated investment platform (fund-of-funds) that will contribute and reinforce the EU strategy on cybersecurity and be a natural complement to coming EU actions. This cybersecurity investment platform will aim to:

- 1) **Boost Europe's industrial and investment capacity in cybersecurity and its uptake:** in the global context where other relevant competitors like the US and China have the scale and the capital to take top technologies to the needed level to become global champions, Europe needs to create the conditions to compete in this global market.
- 2) **Reinforce and consolidate the whole investment chain** towards a comprehensive and integrated public-private pan-European approach on investments to increase the EU's competitiveness, attractiveness and excellence in cybersecurity.
- 3) **Strengthen and leverage the position of regional ecosystems** as enablers to develop a stronger European cybersecurity market based on the combination of the smart specialisation and the proximity with potential customers through regional structures.

To this effect, ECSO with the support of the European private investors would like to initiate a dialogue with the EU Institutions for the creation of a European cybersecurity investment platform of at least €1 billion which would:

- 1) **Stimulate the emergence of new pan-European cybersecurity specialised Funds and GPs** leveraging on the existing specialised and generalist investors, currently too limited in size to be competitive at international level, and enable the launch of pan-European specialized investment projects.
- 2) **Focus on Series-A and growth stage companies. The investment perimeter should include technology and products as well as applications.** It should support European start-ups, growth companies and mid-cap companies to become sustainable global cybersecurity leaders, offering European early stage companies, which are currently constituting the majority of investments in Europe, a more level playing field in the access to the next financing rounds.
- 3) **Create more specialised investment capacity to attract large international "limited partners" on the European market** to achieve a critical mass of investment and thus support the emergence of new ventures addressing current market needs.
- 4) **Be supported by a dedicated pan-European Investment Support Programme** managed by ECSO, aiming to scout new investment opportunities, organise technical workshops to enhance the awareness and visibility of the innovative cybersecurity companies and projects with financial intermediaries, as well as with the broader investment community.
- 5) **Leverage on the Smart Specialisation Platform Cyber Valleys³**, which has been initiated to facilitate cooperation between European regions specialising in cybersecurity, and encourage the creation of a pan-European "Cybersecurity Accelerator" as a network of regional ecosystems specialised in cybersecurity, in order to widen the deployment of European cybersecurity tools and trigger large technology and business partnership.
- 6) **Support the creation of synergies in relevant R&D&I funding schemes across Europe** to facilitate a smoother access-to-market.

The signatories of this letter commit to establish and contribute to a working group coordinated by ECSO dedicated to ensure a regular assessment of the achievements and progress made on the matters agreed above and on the adoption of the appropriate measures to adequately design and implement the European cybersecurity investment platform.

³ European Commission Smart Specialisation Platform, "European Cyber Valleys Project", a DG REGIO project led by the Brittany Region <https://s3platform.jrc.ec.europa.eu/cybersecurity>



SIGNATORIES

Samir Ahmad

Samir Ahmad

Investment Director, KPN Ventures

Antonio Concolino

Antonio Concolino

CEO and Partner, Primomiglio

Giuseppe Donvito

Giuseppe Donvito

Partner, P101

Alberto Gómez

Alberto Gómez

Managing Partner, Adara Ventures

Francois Lavaste

Francois Lavaste

Partner, Ace Management

Michael Lucassen

Michael Lucassen

Partner, TIIN Capital

Willi Mannheims

Willi Mannheims

Managing Partner, eCAPITAL ENTREPRENEURIAL
PARTNERS AG

Sakari Pihlavan

Sakari Pihlavan

General Partner, Vendep Capital

Luigi Rebuffi

Luigi Rebuffi

Secretary General, European Cyber Security
Organisation (ECISO)



**With the support of the Cyber Valleys Smart
Specialisation Platform led by Brittany Region**



MORE ABOUT SIGNATORIES

ACE Management



Ace Management (a subsidiary of Tikehau Capital) is a private equity firm specialised in the industrials and technology sectors, with c.€1Bn in assets under management. Founded in 2000, Ace invests through sector-focused approaches (Aerospace & Defence and Cybersecurity / Digital Trust). Ace has built its model on partnerships with large corporates, which enable the firm to take a differentiated approach when investing. (Including Airbus, Safran, EDF, Naval Group, Sopra Steria).

Adara Ventures



Founded in 2005, Adara Ventures is a European early-stage VC (Seed and Series A) focused on enterprise digital tech. With € 180 million in AUM and a team based in Madrid (Spain), Adara is investing its 3rd generation fund, targeting start-ups across Europe that support enterprise cloud-computing and the B2B data ecosystem. Key focus areas include cloud infrastructure, cybersecurity, SaaS applications, and applied ML/AI. Noteworthy investments include AlienVault (unified security, acq. AT&T), LoopUp (remote meetings, listed on LSE), and Playgiga (cloud gaming, acq. Facebook), plus cybersecurity companies CounterCraft (threat intel.), 4iQ (identity protect.), 42Crunch (API Security), Hdiv (Application Security).

eCAPITAL ENTREPRENEURIAL PARTNERS AG



eCAPITAL is a venture capital firm that provides early to growth stage funding to technology companies in the fields of software & information technology, cybersecurity, industry 4.0, new materials and cleantech. Founded in 1999, eCAPITAL has a history of supporting entrepreneurs determined to build companies with lasting significance. Partnering with eCAPITAL means joining an international network of business leaders, entrepreneurs, technologists and potential partners. eCAPITAL is located in Germany, currently manages funds with over EUR 220 million under management and was lead investor of some very successful German exits like sonnen or Novaled.

European Cyber Security Organisation (ECSO)



European Cyber Security Organisation (ECSO) is a non-for-profit organisation, established in 2016. ECSO unites more than 250 European cybersecurity stakeholders, including large companies, SMEs and startups, research centres, universities, end-users, operators, associations, as well as regional and national administrations. As a flagship activity, ECSO Working Group 2, dedicated to Investment and Market deployment, organises regular technical workshop with private investors to discuss challenges and opportunities to invests in European companies. The Steering Board of the WG2 is composed by representatives of entire cybersecurity value chain: SME, large corporate, investors and business associations (e.g. iTrust, LSEC, Sonae-IM, Orange Venture, secunet, Detack).



KPN Ventures

KPN Ventures is the investment arm of KPN. KPN Ventures focuses on direct and indirect (fund-in-fund) investments in innovative and fast-growing European technology companies in the following segments:



Internet of Things, Smart Home, Digital Healthcare, Cyber Security, Video / OTT Services, Cloud Computing, Data / AI and Network technology. KPN Ventures has a stake in, among others: Viloc (BE), Sentiance (BE), Zecops (US), Cloudify (ISR), Eclectiq (NL), Cybersprint (NL), Wirepas (FI) and Actility (FR).



P101 SGR - Insightful Venture Capital

P101 SGR is a leading venture capital firm, investing in digital and technology-driven companies. Founded in 2013, it is supported, among the others, by Azimut, Fondo Italiano di Investimento and European Investment Fund, as well as some of the main Italian entrepreneurial families. P101 SGR manages assets for more than €200 million. It has invested in more than 35 early stage technology companies and it has led the exit of several startups. P101 SGR has a team of 10 experts and a network of advisors whose investment track record includes companies such as Banzai, Linkem, Objectway, Vitaminic and Yoox. P101 SGR stands out for its ability to provide new generations of entrepreneurs not only with financial support, but also with the knowledge and network that are necessary to support the growth of companies.



Primomiglio- SGR

Primomiglio is a seed and early stage venture capital investor founded by a team of entrepreneurs with strong experience in digital ventures. It is currently managing three funds: Barcamper Ventures, specialized in digital & software startups; Barcamper Ventures Lazio, in collaboration with Lazio Innova, focused on investments in the Lazio region; Primo Space, a New Space Economy fund.



TIIN Capital / Dutch Security TechFund

TIIN Capital, founded in 1998, has many years of experience in supporting technology companies with capital, knowledge and network. TIIN Capital sees the need for innovation in (Cyber) security and IoT secured solutions. For this reason, TIIN Capital has launched its 6th investment fund with a focus on these issues and technology solutions. It is supported in this by The Hague Security Delta (HSD) and is working closely together with investors such as (semi) government and corporates in the Netherlands and angel investors, who co-invest in the fund or are active as a co-investor in a portfolio company. The fund operates close to Amsterdam from its office in Naarden and also has a branch at the HSD Campus.



Vendep Capital

Vendep Capital invests in early-stage SaaS and cloud companies in Nordics and Baltics. Vendep Capital has 40 million euros under management. The funds were raised from Finnish private and institutional investors such as Tesi and The Finnish Innovation Fund Sitra. Vendep has led investments in more than 20 companies including cybersecurity companies like Aves Network Security and MePIN (acquired by Inside Secure, France) and SaaS companies like AlphaSense, Leadfeeder, Happeo, HappySignals and AppFollow.

Additional signatories may adhere at any time.