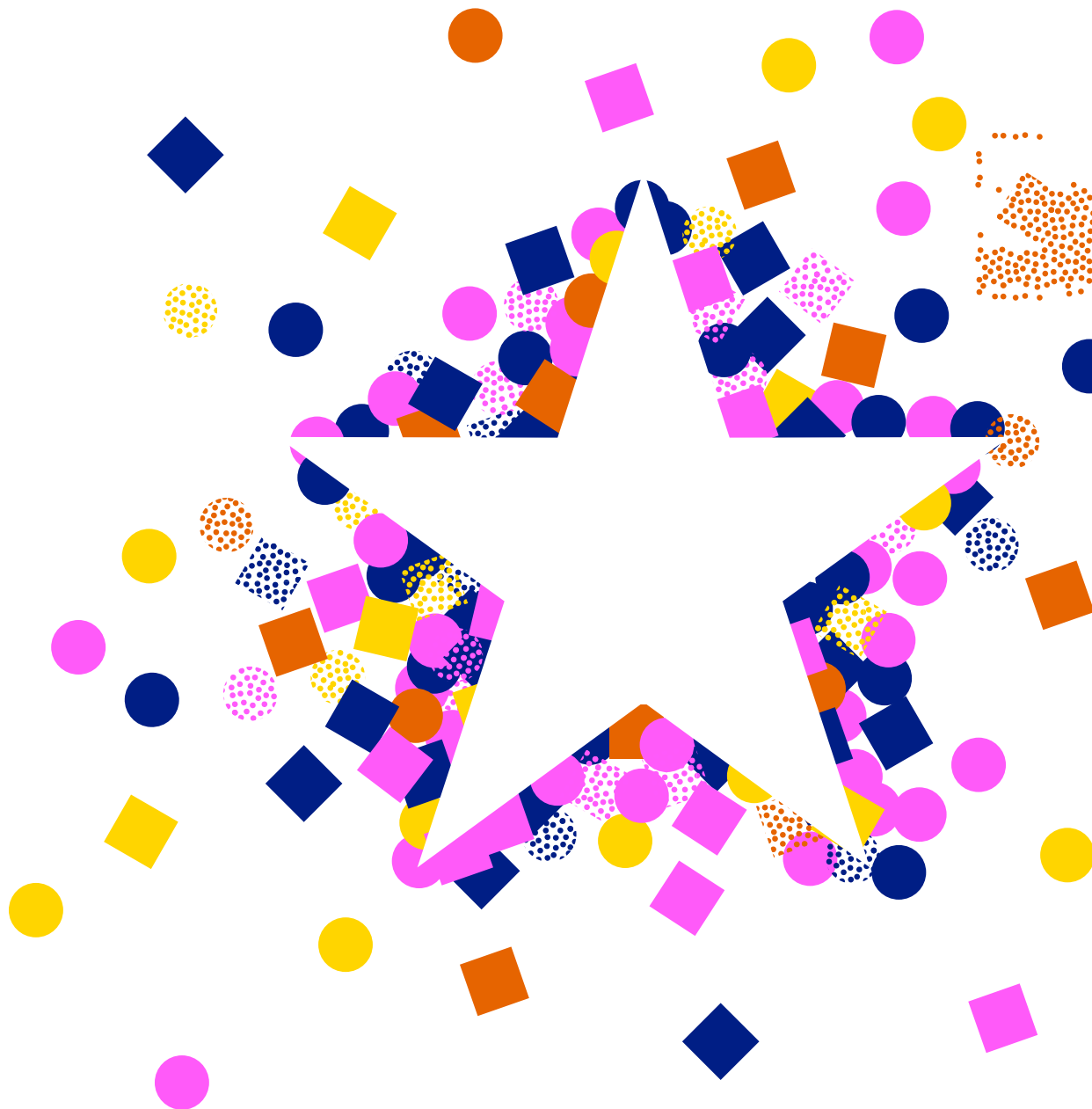


InvestEU *ESCALAR*

Supporting Scale-Ups



Introducing ESCALAR

Strengthening the financing ecosystem for scale-ups in Europe

The market

A significant number of high growth European scale-ups have been acquired or forced to seek funding overseas, due to the lack of suitable financing options within Europe.

The opportunity

ESCALAR is a dedicated mechanism aimed at alleviating this market failure and strengthening the financing ecosystem for scale-ups in Europe.

Our expertise

The EIF has over 25 years of experience in equity investments and therefore makes for a knowledgeable partner for this initiative. We are committed to developing this space for scale-up funds to access what they need in order to support and grow Europe's best and brightest

InvestEU ESCALAR mechanism

key features

Supporting scale-up financing across the Europe

Tickets up to

€100m

*Tickets for late stage
venture and growth funds*

- *Managers can follow “winners” for longer*
- *Reduced reliance on syndication of investment rounds*

Potential for enhanced

Investor
returns

*through unique equity
structuring*

- *Supporting fundraising and timely fund closing*
- *ESCALAR structure can enhance returns and help attract investors*

InvestEU-focused

Investment
firepower

*For existing and new
funds*

- *Selection based on the EIF’s proven due diligence and quality assessments*
- *Fully delegated investment decision making*

Target funds and investments

ESCALAR is targeting late stage venture and growth investors

Target
**fund
managers**

Strategy

Focus on
investments
scale-ups in the
EU and Other
Participating
Countries*

Experience

Proven investment track record
and
can manage the increased risk
from ESCALAR investment

Origination

Ability to reach scale-
ups

Target
**portfolio
companies**

Type

SMEs & Mid-caps**
and
scale-ups***
established and operating
in the EU and Other
Participating Countries

Business stage

Established product
or service
and
generating revenues

Finance purpose

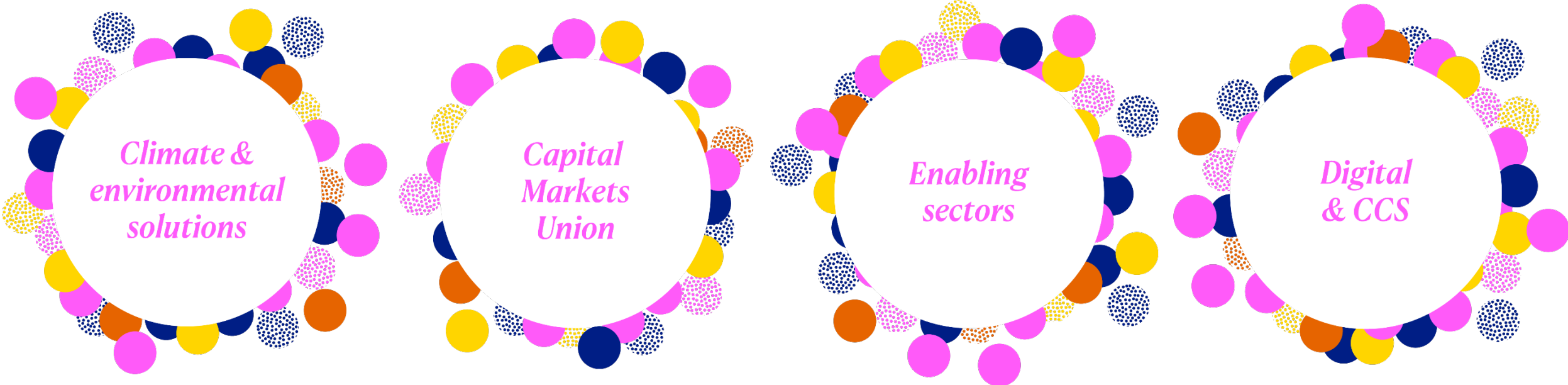
Increase production capacity,
market or product development,
additional working capital,
total or partial acquisitions

*Please refer to Annex II to the Call for the list of Other Participating Countries

Depending on Target Area *According to the ESCALAR call definition

Tailored to suit a variety of sectors

As part of the wider InvestEU offering, ESCALAR has been designed to work with the below four Thematic Strategies



Financing to

Boost support for **R&D, upscaling & commercialisation** of solutions that contribute to the EU Green Deal

- Mobility & transport • Energy & built environment
- Industrial decarbonisation & environmental sustainability • Agriculture & natural resources • Blue Economy • Debt funds & hybrid debt-equity funds • Growth and expansion funds

Promote the **European capital market**, provide **diversification of sources of financing** & strengthen solvency of enterprises

- Debt funds & hybrid debt-equity funds • Growth and expansion funds

Support **crucial sectors** which can sustain the Europe as an **independent and autonomous economy**

- Life science & health
- Space • Defence • Industrial technologies • Semiconductor technologies & chips

Strengthen the **competitiveness, digital independence** and strategic autonomy

- Artificial Intelligence • Blockchain and DLT • Cybersecurity • Quantum computing • Creative & cultural sector (new technologies and digital transition) • Education tech

Main Requirements of ESCALAR

Two key principles shall be followed by Funds with whom the EIF enters into an investment with under the ESCALAR mechanism

1

Minimum Eligible Allocation

Funds are required to invest the higher of

- *at least twice the amount drawn down* from EIF (capped at 80% of aggregated investment amounts)
- *50% of their aggregate invested amounts*

... in companies that are

- *Established & operating within the EU27 or in Other Participating Countries**; and
- *SMEs, Small Mid-Caps, spin-outs/-offs, or Large Mid-caps (Large Mid-caps are not eligible under the CMU product)*

2

Minimum Target Allocation

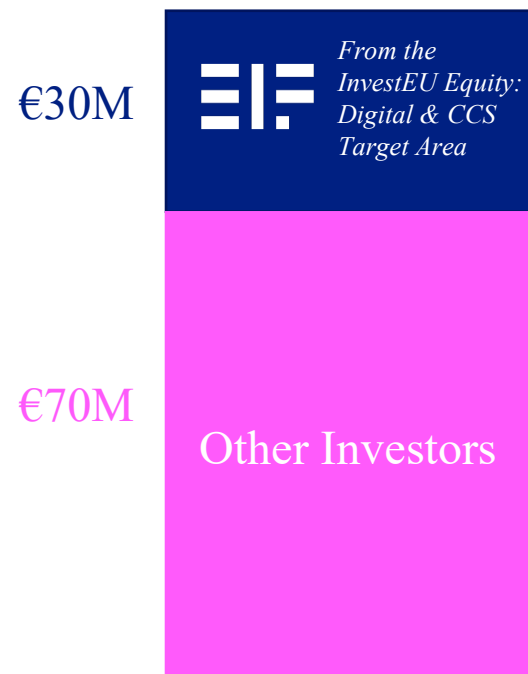
Funds will be required to invest *at least twice the amount drawn down* from the EIF in Scale-Ups operating in the Target Areas agreed with the EIF.

**Please refer to Annex II to the Call for the list of Other Participating Countries*

Main Requirements – an example

A fund receives an ESCALAR investment of €30M from InvestEU under the Digital & CCS Thematic Strategy

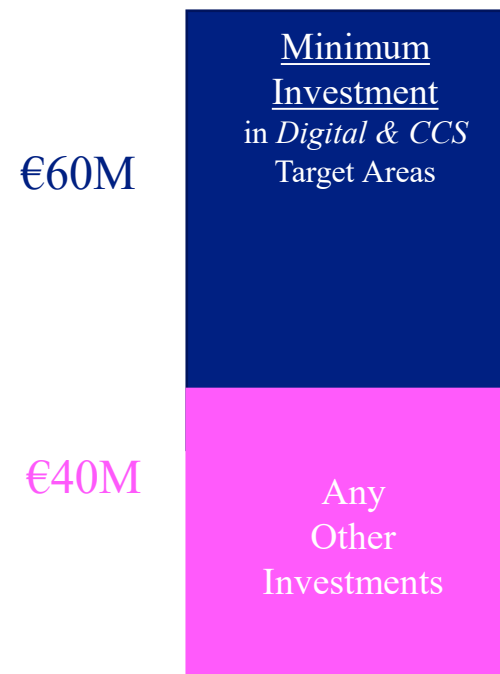
*Investment under InvestEU ESCALAR
in a €100m Scale-up focused fund*



Meaning that



Investment Requirements



At least €60M (2 x €30M) must be invested in Scale-ups active in *Digital & CCS* Target Areas, as per the InvestEU Minimum Target Allocation requirements.

How to Apply

Interested in the ESCALAR mechanism? Here are your next steps



How to apply under the ESCALAR Call

1. Access the **Call for Expression of Interest** documentation for a more in-depth look – including information document and FAQ
2. Prepare your Application
3. Use our **new online application tool** to submit your formal expression of interest

Apply before 31st January 2024!

ESCALAR

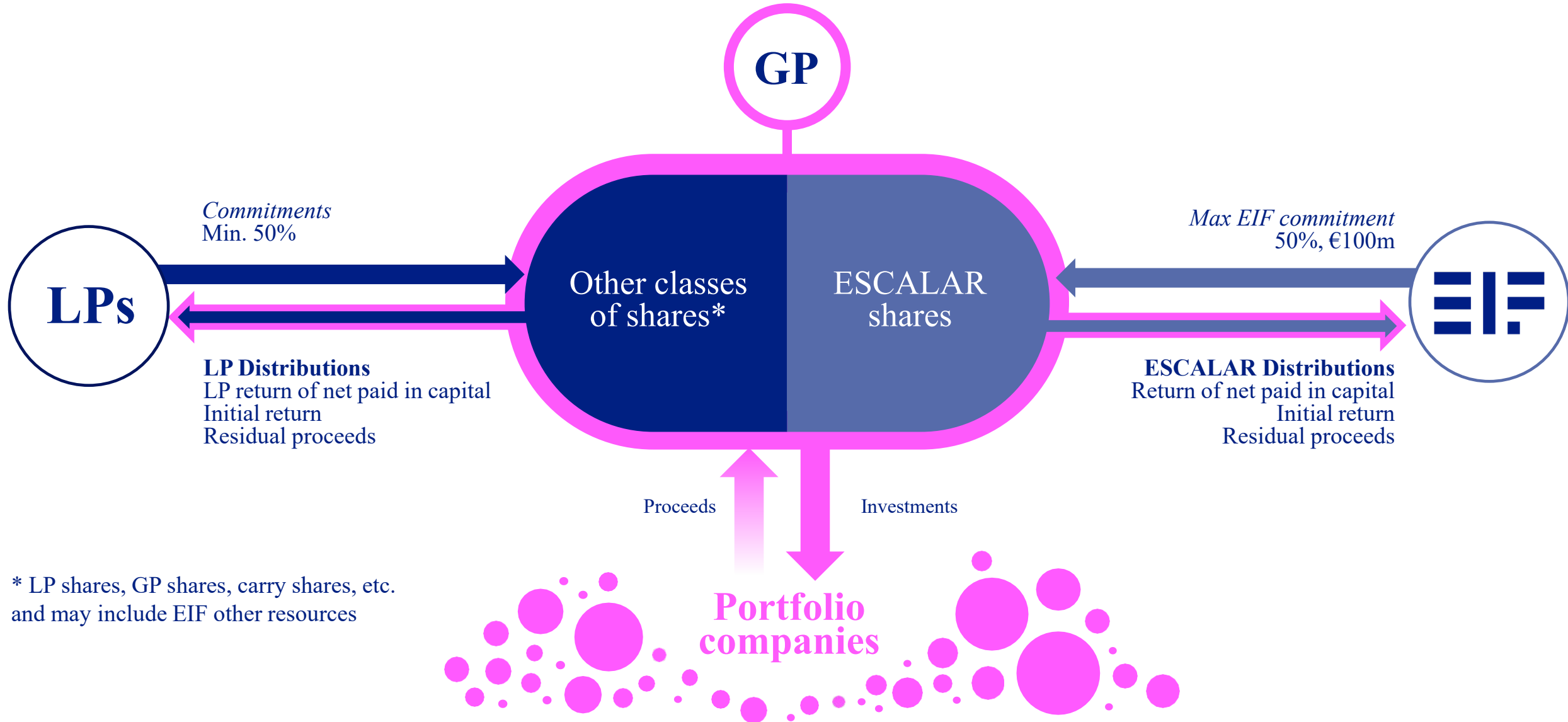
terms and conditions

-
- 1. Fund structuring options*
 - 2. Commercial terms*
 - 3. Waterfall*

This presentation is for information purposes only and should be read in conjunction with the detailed call for expression of interest documentation available at www.eif.org

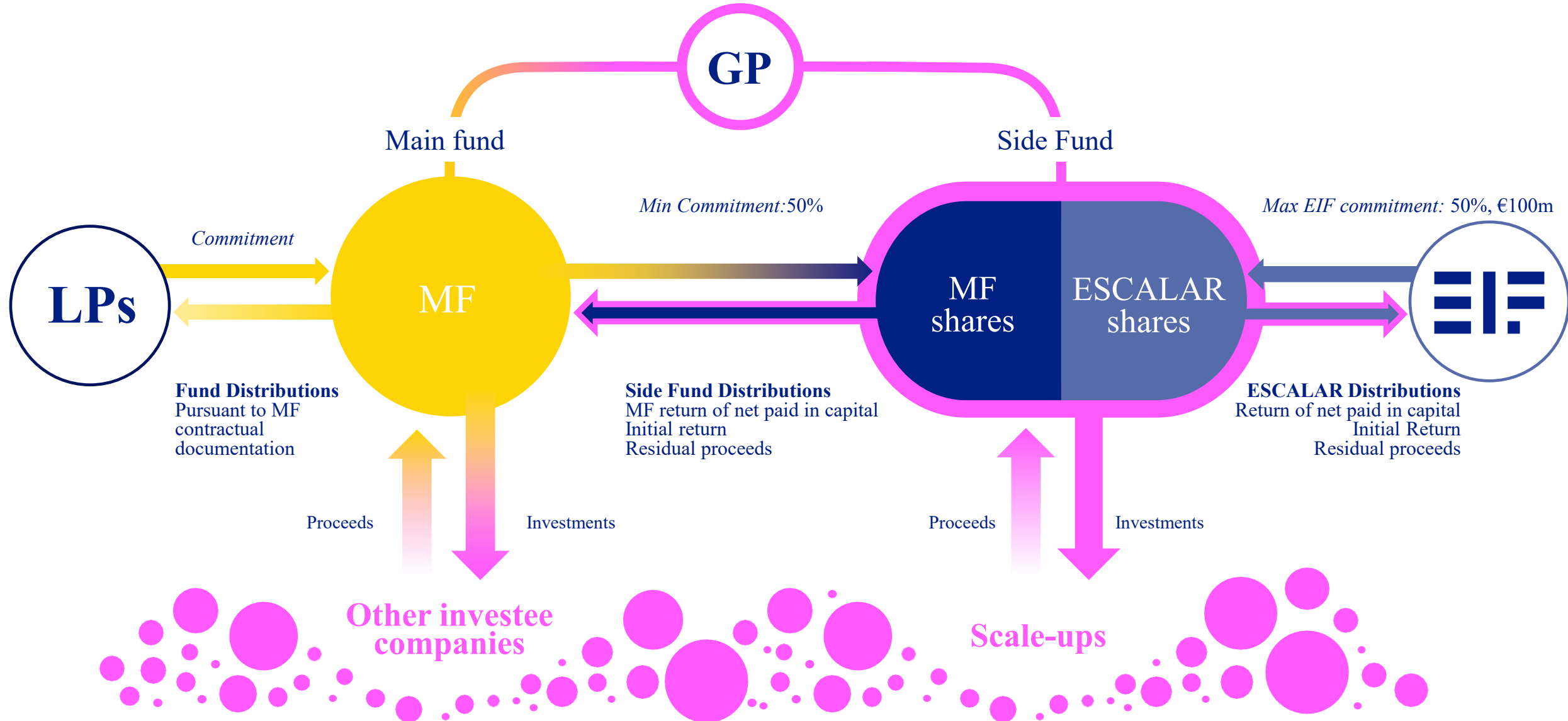
Option 1: Main Fund structure

A dedicated class of shares for ESCALAR in the main fund



Option 2: Side Fund structure

A dedicated class of shares for ESCALAR in a side fund



ESCALAR commercial terms

1/2

Initial return	[Minimum 3%] IRR to be calculated pro rata temporis on the: i. ESCALAR Shares Net Paid-In for ESCALAR Option 1 and 2, ii. the LP Net Paid-In in case of ESCALAR Option 1 or the Main Fund Shares (of the side fund) Net Paid-in in case of ESCALAR Option 2.
Trigger event	Means the event that has occurred from the moment that the ratio of NAV to ESCALAR Shares Net paid-in drops below 1.5x.
Drawdowns	Pro rata
Management fees	None
Carried interest	ESCALAR shares are not subject to Carried Interest, however, any proceeds that flow from the ESCALAR waterfall to the LPs of the fund (in Option 1) or to the main fund (in Option 2) are subject to the overall waterfall agreed between the GP and LPs and contribute to achieving the hurdle and Carried Interest thresholds

ESCALAR commercial terms

2/2

Maximum Investment in a single Funding Round

- The maximum invested amount by the Fund in a single funding round of a Final Recipient shall not exceed the portfolio diversification limits established in the legal documentation of the ESCALAR Financial Intermediary, to such effect that the share of any such investment funded indirectly by the ESCALAR Shares shall not exceed EUR 50 million (or equivalent).
- Notwithstanding the preceding sentence, in cases in which ESCALAR Shares are being subscribed by other Third Party Benchmark Investors, in addition to the EIF ESCALAR Investment, for an amount representing 15% or more of the aggregate commitments subscribed in ESCALAR Shares of the relevant ESCALAR Financial Intermediary, then this limitation shall not apply

Minimum Investment Allocation Requirements

The ESCALAR Financial Intermediary shall comply with the Minimum Eligible Allocation and the Minimum Target Allocation requirements.

Waterfall

Main characteristics

1. Fund waterfall will follow what is indicated in the LPA (traditional waterfall with hurdle + carry).
2. Specific allocation of cashflows to LPs and ESCALAR.
3. Objectives of the ESCALAR waterfall:
 - Provide ESCALAR and other LPs with a fixed return
 - Potential upside participation for ESCALAR (less than pro rata) if the fund outperforms
 - Downside protection for ESCALAR in case the fund underperforms

Enhance both *GPs and LPs* *returns* while providing additional *equity resources for Scale-ups*

ESCALAR Payments Waterfall

ESCALAR Limited Partners invest in a separate class of shares, with a modified payments waterfall.

Where the fund performs positively

- ESCALAR shareholders and other LPs receive reflows pro-rata to their invested amounts until the *initial return* has been paid.
- The remaining proceeds are distributed, with non-ESCALAR limited partners receiving a greater share, reducing the ESCALAR share of the upside.

Where the fund performs poorly

- Defined as a situation in which the ESCALAR Net Paid in is less than 1.5 times the fund NAV
- ESCALAR shareholders receive reflows until their capital has been reimbursed, followed by other limited partners

ESCALAR
financial model
INVESTEU
ADVISORY HUB

EIF will provide to applying Fund Managers a financial model, developed with the support of the EIF Advisory Services under InvestEU Advisory Hub, to project the impact of an ESCALAR investment into the Fund.

Waterfall

Main Fund structure

Prior to trigger event		Capital repayment	Initial return [Min 3% IRR]	Remaining proceeds (incl. hurdle + carry)
Cashflow from Fund	LPs	✓	✓	✓
	ESCALAR	✓	✓	✓
		Pro rata	Pro rata	Split in a pre-agreed proportion (in favour of LPs)

Following trigger event		Preferred capital repayment	Capital repayment	Initial return [Min 3% IRR]	Remaining proceeds (incl. hurdle + carry)
Cashflow from Fund	LPs	x	✓	✓	✓
	ESCALAR	✓	x	✓	✓
		ESCALAR only	LPs only	Pro rata	Split in a pre-agreed proportion (in favour of LPs)

Waterfall

Side Fund structure

Prior to
trigger event

		Capital repayment	Initial return [Min 3% IRR]	Remaining proceeds (incl. hurdle + carry)
Cashflow from Fund	Main Fund shares	✓	✓	✓
	ESCALAR	✓	✓	✓
		Pro rata	Pro rata	Split in a pre-agreed proportion (in favour of MF)

Following
trigger event

		Preferred capital repayment	Capital repayment	Initial return [Min 3% IRR]	Remaining proceeds (incl. hurdle + carry)
Cashflow from Fund	Main Fund shares	X	✓	✓	✓
	ESCALAR	✓	X	✓	✓
		ESCALAR only	MF shares only	Pro rata	Split in a pre-agreed proportion (in favour of MF)

Returns under ESCALAR

(illustrative)

