

## InvestEU Scoreboard<sup>1</sup>

### Presentation of the financing or investment operation:

**Implementing Partner:** European Investment Fund (EIF)

**Name of the Operation:** (Third) Framework Operation for SMEW RIDW Joint Equity Product – CMU Sub-Product

**Type of approval:** Framework Operation

**Type of Financial Intermediaries:** Financial Intermediaries established in EU27, OCT and/or Other Participating Countries (Iceland and Norway) with strategies pursuing any of the Target Areas under the SMEW RIDW Joint Equity Product – CMU Sub-Product.

### Type of Final Recipients:

SMEs, Mid-Caps (for the avoidance of doubt Small Mid-Caps).

**Country(-ies) of implementation of the operation:** Via this Framework Operation, the EIF expects to be able to achieve a relatively broad geographical coverage across Member States as well as potentially Norway and Iceland. The core focus of the Framework Operation is the EU and Sub-Projects are expected to target final recipients in particular in Central and Southern Eastern Europe, Baltics, Italy, Finland Iberia, Belgium and Germany. The list of countries is indicative as it depends on the actual Financial Intermediaries eventually selected.

### Short description of the financing or investment operation:

The Sub Projects under this Framework Operation will aim primarily at supporting:

- **Growth and expansion funds** that provide equity and quasi equity financing and support the continued growth of companies, including to finance increased production capacity, to finance market or product development, to provide additional working capital or to be used for a (total or partial) acquisition, in any case with a view to further grow the business.
- **Debt and hybrid debt-equity funds** that provide private credit support tailored to the needs of enterprises in the form of bespoke senior financing, subordinated, unitranche and mezzanine/ hybrid debt-equity financing solutions.

### Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

#### Item 7 of Annex II of the InvestEU Regulation:

*financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies*

<sup>1</sup> This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

The following additionality items considerations apply to the Framework Operation.

**Item (b) of Annex V A (2) to the InvestEU Regulation:**

*Support provided through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources*

According to recent 2024 EIF survey results<sup>2</sup>, Private Equity Mid-Market (PE MM) fund managers still observe difficulties in their business environment, in particular fundraising and geopolitical uncertainty remain the two biggest challenges for the PE MM business, followed by portfolio company performance and the exit environment – also due to a lack of a strong IPO market. General difficulties in finding potential buyers and a thin Merger & Acquisition market are mentioned as key challenges for exits. Moreover, Europe still suffers from the scale-up gap, with about one in three PE MM fund managers perceiving scale-up financing in Europe as insufficient, and four in ten are stating that scale-up financing conditions have worsened in the last year.

The above, therefore, points to the lack of an environment, and in particular of financing opportunities, that help enterprises to grow and scale up, enabling successful high-growth companies to stay in Europe.

Via the Sub-Projects under this Framework Operation, the EIF will have the opportunity to mobilise InvestEU to increase the availability of capital towards funds focusing on the growth and expansion segment, funds providing alternative form of financing including hybrid debt equity strategies contributing to the establishment of the necessary investor infrastructure pre and around IPOs currently lacking in Europe.

**Item (e) of Annex V A (2) to the InvestEU Regulation**

*Support that catalyses or crowds in additional private or public financing and is complementary to other private and commercial sources, in particular from traditionally risk-averse investor classes or institutional investors, as a result of the signaling effect of the support from the InvestEU Fund*

EIF's commitment is expected to be instrumental in diversifying and enlarging the Financial Intermediaries' investor base with new investors for new market sectors and/or geographies. In particular, the EIF is expected to often play the role of cornerstone investor, thus playing a signaling and catalytic effect on institutional investors by providing a seal of approval and strong structuring input. Hence the EIF has an instrumental role in the fund formation or to support the achievement of target sizes enabling the optimal deployment of the fund strategy.

**Item (f) of Annex V A (2) to the InvestEU Regulation**

*Support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets.*

EIF's commitment will help provide financing to funds targeting developing segments of the private equity market such as selective loan funds, hybrid debt equity funds and growth equity funds.

In MEICs, financing is still scarce when compared to local company financing needs. The number of local players is limited, and pan-EU managers only invest sporadically in the region in flagship transactions.

<sup>2</sup> [EIF PE Mid-Market Survey 2024 – Market sentiment. EIF Working Paper 2024/102, EIF Market Assessment & Research](#)

First time and emerging teams face difficulties raising capital, in particular when they develop a differentiated strategy.

The following market failures are addressed by the Framework Operation:

**Item (c) of Annex V A (1) to the InvestEU Regulation:**

*Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities*

The Sub-Projects will aim to improve visibility of companies to other investors, notably by facilitating partnerships or collaboration with the wider ecosystem, including entities at a European, national or regional level, thereby reducing information asymmetries through enhanced visibility of the companies, and a signaling effect through the investment itself.

With regards to those Sub-Projects classified as “Hybrid debt-equity fund”, most of them target situations where bank financing is not readily available due to the higher risk profile of the transactions or inability to provide collateral to loans, making them ineligible for bank financing.

**Item (d) of Annex V A (1) to the InvestEU Regulation:**

*Cross-border infrastructure projects and related services or funds that invest on a cross-border basis to address the fragmentation of the internal market and to enhance coordination within the internal market*

Under this Framework Operation, EIF will target funds with investment strategies supporting the internationalization of final recipients or fostering the already existent cross-border activities of the final recipients in different Member States, amongst others. A significant share of the transactions are expected to have a multi-country focus; in addition, the remaining national-focused funds aim, on most occasions, to internationalise the final recipients they invest in to further grow the companies.

**Item (e) of Annex V A (1) to the InvestEU Regulation:**

*Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology*

By supporting the Financial Intermediaries under these Sub-Projects, the EIF aims at contributing to the diversification of sources of financing for EU businesses beyond bank-type finance, supporting investments in innovation and technological developments, including towards the green transition, and supporting the growth of the companies. It will also provide alternative financing to support, for instance, shareholding reorganisation or growth capital for those already lower mid-market businesses and late stage or expansion technology companies. It can be tailored, in the case of selective loan funds or hybrid debt-equity, to meet the specific financing requirements of these companies.

From a geographical perspective, in certain regions such as CEE, Iberia and the Baltics financing is still scarce when compared to the local company financing needs (Investments as % of GDP in the countries composing these regions are in the lower end of the spectrum – below 0.04%, well below the European

average of 0.189%)<sup>3</sup>. The number of local players is limited, and the pan-EU managers only invest sporadically in flagship transactions in these regions.

The investments will be in the form of **equity into debt, hybrid debt-equity, growth and expansion funds**, which, in turn, will allow the funds to provide businesses with a broader choice of financing options, particularly in support of company growth, international development.

The InvestEU guarantee on EIF's investments coupled with valuable structuring input based on best market practice provided systematically by the EIF, will enable the targeted intermediaries to reach a minimum viable fund size, and/or to catalyse the interest of institutional investors. EIF's commitment is expected to be in several cases instrumental for the fund to materialize and to further attract quality institutional investors, particularly with respect to funds operating in more underserved markets and/or deploying more emerging strategies.

This Framework Operation targets funds investing in growth and expansion, as well as debt and hybrid-debt-equity funds, thereby improving access to finance for SMEs, in particular across EU27. This is achieved through a diversification of sources of financing for EU businesses beyond bank-type finance. These funds are particularly targeted at supporting SMEs at the growth stage, to support their ability to scale up as their business models, strategies, products and/or services are proven and develop traction in the marketplace, and to promote EU global competitiveness.

The financing of SMEs through the CMU Sub-Product aims to make companies more visible to other investors, notably by facilitating partnerships or collaboration with the wider ecosystem, including entities and European, national or regional level.

With respect to the benefits generated by the Framework Operation for the final recipients, it is worth highlighting in particular the following key features:

- (i) Financing in local currency within the EU
- (ii) Contribution to diversification and stability of final recipient's funding
- (iii) Availability of non-banking alternative debt and/or equity financing
- (iv) The transfer of experience, know-how and network by the financial intermediary to portfolio companies, therefore helping their internal & external growth and internationalization
- (v) Sculpted repayments\*

<sup>3</sup> Source: Invest Europe: [invest-europe-activity-data-report-2021.pdf](#)

<ul style="list-style-type: none"> <li>(vi) Longer grace periods*</li> <li>(vii) Longer maturity*</li> <li>(viii) Flexibility of draw-downs</li> <li>(ix) Lower Collateral requirements*</li> </ul> <p><i>* relates to Debt and hybrid debt-equity funds only</i></p> <p>With respect to the impact of the EIF's support via InvestEU on the ecosystem, the Sub-Projects part of the indicative identifiable pipeline are expected to support mainly emerging Financial Intermediaries and to equip them with the necessary capital base to ensure availability of risk-capital to growth companies across Europe. To be noted the focus on internationalization of portfolio companies, a trait largely shared across almost all operations supported under the CMU initiative. Lastly, the use of the ESCALAR mechanism is considered of innovative nature.</p>		
<p><b>Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Good)</b></p>		
<p><b>Pillar 4 - Financial and technical contribution by the implementing partner (Very Good)</b></p>		
<p><b>Pillar 5 - Impact of the financing or investment operation (Very good)</b></p>		
<p><b>Pillar 7 - Complementary indicators<sup>4</sup></b></p>		
Key characteristics	Expected as of time of submission	Comments
Leverage Effect (at target fund size)	Indicatively in the range of 3.9x and 6.9x	Preliminary estimation subject to achievement of target fund size of underlying Sub-Projects
Multiplier Effect (at target fund size)	Indicatively in the range of 13.1x	
Expected amount of investment mobilized	Indicatively 10x - 11x of EIF investment expected to be mobilized at the level of final recipients of the Sub-Projects	
<b>SMEW specific Indicators</b>		
number of enterprises supported (expected)	Indicatively 100	Preliminary estimation
Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission	Indicatively, majority SMEs	
<b>RIDW specific indicators</b>		

<sup>4</sup> The InvestEU methodology is used in order to calculate figures presented in this document. Such figures are of indicative nature only and presented at the level of the Framework Operation.

Number of enterprises carrying out research and innovation projects	N/A	
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**ESG aspects**

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.