

ESCALAR & the scale-up gap

*European **S**cale-up **A**ction for **R**isk capital*



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Classical co-investment schemes:

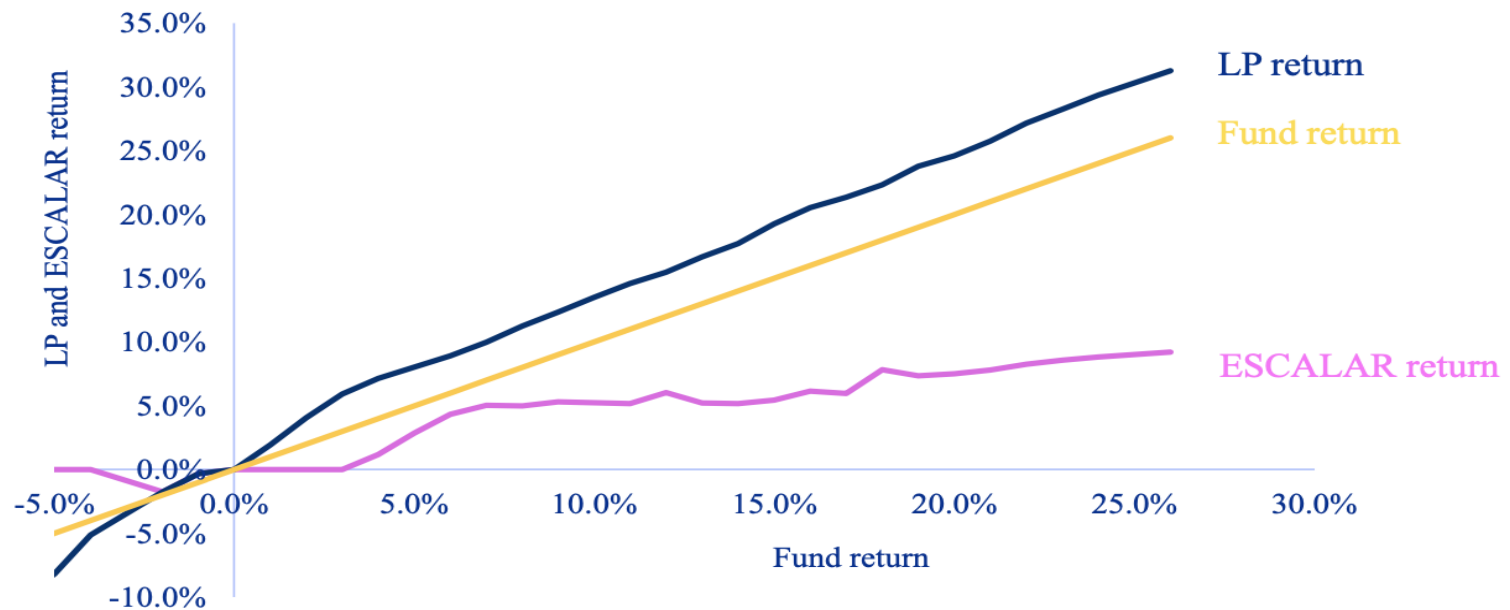
Pari passu

Balance sheet of a vc fund		Funding mechanism
Assets	Liabilities	
Investees <ul style="list-style-type: none"> - SMEs - Midcaps - Blue economy 	Equity	Private money Public money <ul style="list-style-type: none"> - 30 to 42% - NPBs - EIF/EI Advantage: <ul style="list-style-type: none"> - Easy to deliver

ESCALAR: *altering risk-return relation non pari-passu*

Balance sheet of a vc fund		Funding mechanism
Assets	Liabilities	
Investees Scale-ups (in pilot-phase: positive turnover)	Equity	Private money Public money
	Quasi-equity	Risk-averse private investors (pension funds)

Risk limited, return capped for quasi-equity investors



Indicative scenario based on the following assumptions: TVPI of 1.8x at the end of the fund's life, investor preferred return of 4%, ESCALAR deferred return of 4%.

based on parameters pilot scheme ESCALAR - EIF simulations

Complementary approaches

Pari-passu



Co-
investment
schemes



Leverage in
volume



Danger for
crowding
out



Funds
remain too
small

Non pari-passu

2 types of share-classes:

Equity shares

- Private: leverage in return – easier to raise money
 - Public : EIF, BPI, ...
- *ESCALAR shares:*
- Capped return
 - Covered risk
 - Enables 'risk-avert' investors: e.g. Pension funds, ...

ESCALAR – facts & figures

- *pilot phase: 2020 (through call)*
- *objective: test openness of vc-funds to quasi equity*
- *Budget 300 Million (max 7 to 8 funds) – target multiple 4*
- *88 funds applied (unexpected success!!)*
- *10 shortlisted, first 5 contracts signed*
- *evaluation:*
 - non pari-passu: recommended by ECA; approved COMP
 - VC funds are open to quasi equity
 - Next step: calibrate parameters to attract private funds