

# ESCALAR Programme

## FAQ

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## 1 | What is the aim of the ESCALAR Programme?

The **European Scale-up Action for Risk capital (ESCALAR** or the “Programme”) is a programme launched by the EIF and the European Commission using resources from the InvestEU Mandate to address the financing gap experienced by high growth **European Scale-up companies**.

ESCALAR can support both new funds needing to achieve a larger critical mass to support such companies in their future portfolio, and existing funds seeking additional capital to make follow on investments in Scale-ups in their existing portfolio.

## 2 | What kind of financial support does EIF offer under ESCALAR?

ESCALAR will make equity investments in funds (**Option 1**), and side vehicles of funds (**Option 2**), through a different share class or fund unit to other investors. ESCALAR investments will benefit from certain additional protections reducing investment risk compared to other share classes of the same financial intermediary. In recognition of the lower risk, ESCALAR returns will be reduced in favour of non ESCALAR limited partners (“LP”).

Thanks to the ESCALAR Mechanism, an investment from the Programme can enhance the returns to non-ESCALAR LPs, while attracting new investors to with a risk appetite in line with ESCALAR protections.

## 3 | Which companies does ESCALAR support?

Via the selected funds, ESCALAR will support **SMEs** and **Mid-caps** in the EU, in an OCT, or in the territory of an Other Participating Country aiming to scale up. In particular ESCALAR aims to support companies to make investments in increased production capacity, to finance market or product development, to provide additional working capital or to be used for a (total or partial) acquisition, with a view to further growing the business.

## 4 | How will applicants be selected under ESCALAR?

Financial Intermediaries will be selected as outlined in section 9 of the *Call for Expression of Interest* (the “Call”). Once the Call has closed, the EIF will evaluate all applications submitted before application period. The EIF will evaluate all applications submitted during before the closure of the Call. The EIF will evaluate and select applications according to the merits and evaluation of the proposal, in line with the selection process described in Sections 8.1 and 8.2 of the Call.

For the avoidance of doubt, each application will be analysed on the basis of its specific merits and circumstances; accordingly, it is expected that some of the applications eventually selected may have been submitted later than other applications who will not be selected, always on the basis of their merits.

## 5 | What is the minimum and maximum commitment possible from ESCALAR?

ESCALAR’s commitment shall not be lower than 7.5% of the total commitments made at the closing at which ESCALAR is admitted. ESCALAR’s investment shall not exceed the lower of: (i) €100m, and (ii) 50% of the aggregate commitments made to the Fund in case of Option 1, or the Side Fund in case of ESCALAR Option 2. See *Annex II* for further details.

## 6 | We have already applied to EIF for an investment (including for InvestEU Equity) and are currently undergoing due diligence. Are we already

## **considered for an investment from ESCALAR? Can we be considered for an investment from ESCALAR?**

Only applicants who have applied in accordance with the Call for Expression of Interest can be considered. However, financial intermediaries who already received an investment from EIF and financial intermediaries who have applied for investment are eligible to apply for an investment from ESCALAR.

### **7 | I am a fund manager managing several existing funds. Can I apply for all currently managed funds, or more than one fund?**

It is permitted for a manager to apply on behalf of more than one fund. However, in order to ensure the broadest possible outreach from the limited ESCALAR resources, commitments in several funds managed by the same GP are not intended to be a priority.

### **8 | We are an existing fund and we are interested in requesting an investment from ESCALAR. However, we don't yet know whether we will favour Option 1 or Option 2. Is this required at application stage?**

There is no requirement to decide on Option 1 or Option 2 at application stage. An indicative preference is requested but this does not prejudice the final decision which can be made at a later stage.

### **9 | Can ESCALAR invest in a non-EU established fund?**

ESCALAR can only invest vehicles **established in the EU, in an OCT, or in the territory of an Other Participating Country.**

### **10 | Can ESCALAR invest in funds-of-funds focusing on Scale-ups?**

ESCALAR is exclusively focused on investing in financial intermediaries making **direct investments** into companies and therefore investments into fund-of-funds are not possible.

### **11 | Will ESCALAR contribute to the set-up costs and/or running costs of the vehicle?**

ESCALAR will contribute to such costs (including set-up, accountancy, insurance etc.), on a pro-rata basis with other investors in the fund as further set out the legal documentation. Please note the manager of the ESCALAR Financial Intermediary shall not be entitled to charge management fees on the EIF ESCALAR Investment.

### **12 | We are considering applying for an investment from ESCALAR under Option 1 for our existing fund. Will ESCALAR pay equalisation interest?**

ESCALAR will not pay equalisation interest. This is justified by a number of elements including, among others:

- The fact that under Option 1, ESCALAR will subscribe to a new share class or fund unit different to the other investors;
- The different return profile of ESCALAR, with reduced participation in the upside performance of the Fund, which is in favour of the other investors.

**13 | We are considering applying for an investment from ESCALAR. Should we already approach our existing investors to inform them of the intention to seek an investment from ESCALAR?**

It is not a requirement that at application stage applicants have already consulted with, or received an approval to proceed from, their existing investor base. However, we recommend that applicants do approach their existing investors at an early stage as confirmation of this support will be required during the due diligence process and prior to receiving an investment from ESCALAR.

**14 | For an ESCALAR Investment under Option 2, we expect support from many of our existing investors, but we are not certain that the proposal will receive sufficiently broad support. Is it possible to allow existing investors, rather than the Main Fund, to directly invest in the Side Fund?**

Option 2 is only possible with both the Main Fund and ESCALAR investing in the Side Fund. It is not possible for other investors to directly invest in the Side Fund, including where investing alongside the Main Fund. However, other investor combinations with ESCALAR are possible under Option 1.

**15 | What does the requirement to have 30% of total fund commitments coming from Third-Party Benchmark Investors mean?**

At the time of the ESCALAR closing **at least 30%** of total investor commitments, including those from earlier closings but excluding ESCALAR's commitment, must be made by independent private investment sources, as further set out in [Annex II](#).

Where an applicant is applying for an investment from ESCALAR in respect of new fund, this requirement will need to be satisfied for the closing where ESCALAR commits, and it is not required to have these commitments in place at the time of application.

**16 | In the context of ESCALAR does a Scale-up include enterprises that have not recorded any revenue yet?**

No, an enterprise is considered a Scale-up if:

- i) it has already **established a product or service**, and
- ii) has already **generated revenue**.

While revenue generation is required, the enterprise does not need to be profitable yet.

**17 | What eligibility criteria must (portfolio) companies comply with? Are certain sectors favoured?**

ESCALAR is financed from the InvestEU mandate, therefore, ESCALAR candidate funds must have strategies targeting companies active under one of the **Thematic Strategies** of InvestEU:

- **Enabling Sectors:** Space, Semiconductor Technologies, Semiconductor Chips, Defence, Industrial Technologies and Life Sciences.
- **Climate and Environmental Solutions:** Mobility & transport, energy & built environment, Industrial decarbonisation and environmental sustainability, agriculture & natural resources, blue economy.
- **Digital and Cultural & Creative Sectors:** Artificial intelligence, quantum computing, blockchain and distributed ledger technologies, education tech, cultural and creative sectors and other digital technologies
- **Capital Markets Union:** Growth and expansion funds, debt funds and hybrid debt-equity funds.

Thematic objectives and related **Target Areas** are further detailed in Annex II to the Call.

## 18 | What is the difference between Minimum Eligible Allocation and Minimum Target Allocation?

The Minimum Eligible Allocation includes **Primary** and **Eligible Secondary Investments** into Eligible Final Recipients, i.e. Final Recipients that are: (a) located (in the case of projects) or established and operating (in the case of enterprises) in a Member State, an OCT or or in the territory of an Other Participating Country<sup>1</sup>, (b) are SMEs or Small Mid-Caps or Large Mid-Caps<sup>2</sup>, and (c) are active in any of the Target Areas (see question 17).

Minimum Eligible Allocation shall be equal to at least the higher of:

- 50% of the Financial Intermediary’s aggregate invested amounts, and
- 2 times the amount drawn down from EIF under the ESCALAR Investment for investment purposes, capped at 80% of the Financial Intermediary’s aggregate invested amounts.

The Minimum Target Allocation includes **Primary** and **Eligible Secondary Investments** into Eligible Final Recipients that are **Scale-ups** and **operate in the specific Target Areas** agreed with EIF. The Minimum Target Allocation shall be equal to:

- at least 2 times the amount drawn down from EIF under the ESCALAR Investment for the purpose of investments in Eligible Final Recipients under the relevant Thematic Strategy (or any Target Area part of it), capped at 80%.

## 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.

## 19 | Are there any requirements as to where the capital is deployed in terms of investments in existing portfolio companies versus investments in new companies?

ESCALAR is intended to provide broad support to Scale-ups across Europe and there is no requirement in terms of making a minimum allocation towards new companies or towards existing portfolio companies; the

<sup>1</sup> Please refer to Annex II for the definition of Other Participating Country

<sup>2</sup> Large Mid-Caps are not considered Eligible Final Recipients for the Capital Markets Union Thematic Strategy

only requirement is the “Minimum Allocation” as outlined in Section 2 of the [\*Annex II - Investment Guidelines\*](#).

## **20 | I am a Scale-up seeking investment, can I apply for an investment from ESCALAR?**

The Call is addressed to financial intermediaries with an investment strategy that targets Scale-ups based in the EU, in an OCT, or in the territory of an Other Participating Country. We are currently receiving and processing applications from interested financial intermediaries and, once selected, EIF will publish on the ESCALAR webpage the list of financial intermediaries benefitting from support under ESCALAR, with corresponding contact addresses. Scale-ups are then invited to approach these financial intermediaries directly.

Please note that final approval of funding for Scale-ups lies solely with the financial intermediary.

In the meantime, please find a complete list here of [\*financial intermediaries supported by EIF\*](#).