EIF Private Debt Survey 2021: Private Debt for SMEs – Market Overview

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We would like to thank the respondents to the EIF survey. Without their support and valuable replies, this project would not have been possible. This paper benefited from comments and inputs by many EIF colleagues, for which we are very grateful. The paper also benefited from the support of the Alternative Credit Council (ACC) and several national private equity and private debt associations. All errors are attributable to the authors.
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Luxembourg, February 2022

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Introduction

Preface

Dear Reader,

Against the background of the need for alternative or additional financing channels for SMEs, this paper analyses the market segment of debt funds. Private debt funds have gained importance as an alternative asset class for European investors and a new financing source for European SMEs and mid-caps – perfectly in line with the ideas of the Capital Markets Union and the ambition to diversify SMEs’ financing sources. The private debt market, which originally arose as an appendage of the private equity market, is now a standalone and significant part of the alternative assets industry and embraces alternative lenders ranging from large asset managers diversifying into alternative debt to smaller funds set-up in independent contexts by professionals with relevant past experiences.

Given the EIF’s breadth of its investment activities and the market recognition as a specialist provider of alternative risk finance for SMEs and lower mid-market companies across Europe, EIF has played since 2014 a significant role in building and growing the private debt asset class in Europe for two types of funds: diversified debt funds (more granular portfolios), as well as selective debt funds (funds that are closer to private equity structures).

In general, available information about the financing market segment of private debt funds is scarce. Due to the market fragmentation and opacity, it is even ambitious to speak about a or one market segment - and the debt fund does not exist. Hence, it is the aim of this EIF Working Paper to shed more light on important topics around the growing area of debt funds and institutional non-bank lending in Europe.

In this EIF Working Paper, we follow a two-step approach. We start with a brief market overview, which is based on desk research of various information sources covering private debt. However, as several important questions cannot be answered based on desk research only, we add a survey of private debt fund managers as a second research step. This EIF Private Debt Survey provides unique insights into the European private debt market and helps to increase the transparency of the market for the public.

In order to provide additional information about market heterogeneity and SME financing, we also present more detailed market splits by geography and by portfolio company size.

Finally, a brief overview of EIF’s action plan shows how EIF intends to address the identified market weaknesses in the private debt market segment.

I thank all contributors for this insightful project and analysis. In order to facilitate the reading, we offer a hybrid slide document instead of a traditional Working Paper style. I hope you will enjoy it.

Kind regards,

Helmut Kraemer-Eis

EIF Chief Economist and Head of Research & Market Analysis
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Executive Summary

EIF Private Debt Survey
European private debt (PD) in 2021 and beyond

Key survey highlights

**Very positive market sentiment**

The current market situation for private debt is very positive for all market segments. Expectations for the period until end-2022 are good across all market segments. However, there remain several challenges that need to be addressed (e.g., fundraising, in particular for new teams, in countries where private debt is still emerging or underdeveloped, and for SME-focused funds).

However, this very positive market sentiment is paired with potential high investee valuations in the market and should be closely monitored to avoid bubble building.

**Central Europe is leading the private debt market**

In Europe, especially Germany, France, and the UK, are well developed markets that gain considerable attention across market segments.

Furthermore, the highest market potential seen by private debt funds is allocated to those regions. Therefore, the EU can expect to see an even stronger and growing private debt ecosystem in the upcoming years.

Underdeveloped private debt markets in Europe potentially struggle with structural disadvantages. Public institutions need to evaluate, whether these markets could use public support to overcome these challenges.

**Public institutions could help to overcome market challenges**

Fundraising is one of the largest challenges across segments in the private debt market, which could negatively influence the long-term outlook of the private debt market.

Public institutions should investigate whether they can help to overcome this challenge with more transparency and market research in the private debt space.

Even enforcement rights / bankruptcy rules and cross-border integration are seen as the most underdeveloped elements in the private debt market in the EU. Here, public institutions are advised to consider whether they need to initiate reforms in those areas in order to overcome those structural disadvantages for the private debt market in the EU.
The EIF PD Survey

Number of Respondents

146
from 22 countries
51% supported by the EIF

Assets under Management

Top Sectors
(Most important sector named by funds)

Target Market Segment by Portfolio Company Revenue

Market Overview

This overview provides data from publicly available resources about private debt funds. As data sources, the databases ‘Pitchbook’, ‘Preqin’, and ‘Private Debt Investor’ as well as information available from private equity and private debt associations, fund managers websites, and general web research were used.
European Market Overview

Investment Focus

- Europe has a developing ecosystem of private debt funds that is getting stronger and revolves around funds that predominantly invest in Europe.
- The European ecosystem of private debt funds has approximately €311B assets under management.
- 29% of the private debt funds focus on growth-oriented firms.

585 private debt funds in the European market

72% invest exclusively in Europe

Market Segments

Preferred Average Portfolio Company Turnover
- €43M to €237M

Preferred Average Enterprise Value
- €53M to €491M

Preferred Average Portfolio Company EBITDA
- €16M to €72M

Preferred Average Expected Loan Size
- €9M to €45M

Preferred Market Segment by Type of Company (Number of Employees)
- SME & Small Cap: 278
- Mid Cap: 157
- Large Cap: 140
- n.a.: 10

Investment Focus

Investment focus

- Europe: 72%
- Global: 28%

Investment focus – Europe
(Breakdown by region)

- Western Europe: 32%
- Southern Europe: 10%
- Central Europe: 4%
- Northern Europe: 5%
- All regions - no focus: 46%

* Others include: Western & Southern Europe: 1.2%; Western & Central Europe: 2.3%; Western & Northern Europe: 0.5%; Central & Eastern Europe: 1.4%

** The share of funds investing in European companies without any particular focus on any region (based on available information)

Industry Breakdown*

*The shares shown in the left figure are based on the total number of funds. The shares shown in the right figure show the main industries of selective funds.

**Others include: Aviation, Biotechnology, Business Services, Commercial Services, Construction, Industrials, Marine, Real Estate Activities, Social Work Activities, Software and Transportation and Storage.

Summary

- Currently 585 private debt funds are active in the European market. 28% of these funds invest globally and Europe is only one segment of their fund.

- 97% of funds with available data focus on small or mid cap portfolio companies. Their preferred average loan size lies in the range of €9M - €45M.

The publicly available data for private debt funds remains rare or even poor. Our desk research is unable to answer detailed underlying questions regarding the forces in the private debt market.

Therefore, our following market survey provides unique insights into the European private debt market that helps to increase the transparency of the market for the public!

Market Overview

Survey
Market Overview (Survey)

Geographic Focus

Most important European countries
(indicated in % by respondents, multiple selection possible)

- 97% invest in Europe
- 57% have their main country of investment in the EU
- Germany is the most important market

Highest Market Potential by 2022
(indicated in % by respondents, multiple selection possible)

1. Germany (58%)
2. France (42%)
3. Spain (41%)
4. Netherlands (35%)
5. Italy (35%)

Industry Focus
Private Debt Funds focus equally on both asset-heavy and asset-light industries

- European private debt funds see industrial/manufacturing as their most important industry, which can offer various assets as securities for the funds.
- European private debt funds also have a strong focus on asset-light industries such as high-tech, which are typically not served by traditional lenders of the banking sector and therefore offer many opportunities for private debt funds.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial/Manufacturing</td>
<td>73%</td>
</tr>
<tr>
<td>High-Tech Industries</td>
<td>62%</td>
</tr>
<tr>
<td>Healthcare and Life Sciences</td>
<td>60%</td>
</tr>
<tr>
<td>Consumer Products</td>
<td>47%</td>
</tr>
<tr>
<td>Media and Telecommunications</td>
<td>41%</td>
</tr>
<tr>
<td>Beverage/Food/Tobacco</td>
<td>27%</td>
</tr>
<tr>
<td>Energy and Utilities</td>
<td>23%</td>
</tr>
<tr>
<td>Retail and Wholesale</td>
<td>22%</td>
</tr>
<tr>
<td>Banking/Finance/Insurance</td>
<td>19%</td>
</tr>
</tbody>
</table>

(Q: Please select up to 5 of the most important industries in which your firm invests in private debt.)

**Strategy & Loan Characteristics**

### Debt Strategy

- **Senior Debt**: 58%
- **Unitranche Debt**: 16%
- **Subordinated Debt**: 23%
- **Others**: 3%

### Most Important Loan Purpose

(Indicated in % by respondents)

- **Buyouts**: 35%
- **Expansion**: 30%
- **Capital expenditure (CAPEX) / Other asset-based financing**: 15%
- **Working capital**: 10%
- **Refinancing / Balance sheet restructuring**: 5%
- **Operational Expenditure (OPEX)**: 3%
- **Recapitalization**: 1%
- **Other**: 1%

### Loan Characteristics

#### Average Loan Size

- < €1M
- €1M - €20M
- €21M - €100M
- €101M - €500M
- > €500M

#### Average Loan Maturity

- < 2 y
- 2 - 4 y
- 5 - 7 y
- 8 - 10 y
- > 10 y

#### Average gross unlevered IRR

- < 7%
- 7 - 8%
- 9 - 10%
- 11 - 12%
- > 12%

Target Gross Unlevered IRR

Average Target Gross Unlevered IRR

- The gross target unlevered IRR varies heavily according to debt strategy.
- Funds focusing on subordinated (incl. mezzanine) debt strategies target a gross unlevered IRR 1.57%p – 3.05%p higher than other debt strategies.

Note with regard to IRRs: Numbers represent gross target unlevered IRRs in respondents’ companies’ investments. Actual values may differ. Averages were calculated as unweighted median values of responses across the range of IRR classes offered as response options.

Note with regard to debt strategies: Respondents were asked to select the most important debt strategy (in terms of capital structure seniority/-ies of their portfolio companies for their PD business) and to order them by importance. The calculation of averages by strategy is based on each respondent’s most important strategy, but respondents may have selected more than one strategy. The same disclaimers apply in other slides that are based on this survey question.

Market Sentiment

The private debt market has a good market environment

• The current situation for private debt is seen extremely positively by the respondents.

• The respondents expect an even more favorable development for private debt over the next 12 months.

Current situation

Expectations for the next 12 months


Note: Net balance refers to the percentage of respondents reporting a positive response minus the percentage of respondents reporting a negative response.
ESG Challenges and Female Representation

Largest Challenges for Implementing an ESG Strategy

(indicated in % by respondents, multiple selection possible)

1. Quantifying ESG information/Developing ESG-related KPIs 82%
2. Comparability of ESG information across companies 57%
3. Clarity of ESG analytical and reporting framework 46%
4. Greenwashing 43%
5. Costs associated with gathering and assessing ESG information 31%

Female Representation

- Relevant investment decision bodies encompassing females: 61%
- Relevant investment decision bodies with female majority: 19%

Note: ESG considerations featured prominently in the EIF Private Debt Survey. A dedicated EIF Working Paper is going to be published soon.

Summary

Over half of the debt funds follow a senior debt strategy. Subordinated and unitranche debt strategies are less dominant but still constitute a very important form for the private debt market and should not go unnoticed.

In Europe, especially Germany, France, and the United Kingdom are well developed debt fund markets that gain a lot of market attention. Northern and Eastern Europe are less developed and could benefit from more attention from public institutions, which could help to achieve a higher market potential.

Private debt funds are well diversified across their industry focus. Both asset-heavy and asset-light industries gain high attention from private debt funds. Asset-heavy industries can take advantage of the competition between private debt funds and the banking industry to gain better deals on debt. Asset-light industries can benefit from access to debt because traditional lenders in the banking industries are more reluctant to serve this industry-segment.

Market Split: Geographic

Developed (debt fund) markets: Germany, France, United Kingdom
Emerging (debt fund) markets: Italy, Spain, Netherlands, Belgium, Ireland, Nordics
Underdeveloped (debt fund) markets: Eastern Europe
Geographic Distribution

Overview of Respondents by Market

- **Developed debt fund markets:** Germany, France, United Kingdom
- **Emerging debt fund markets:** Italy, Nordics, Spain, Belgium, Netherlands, Ireland
- **Underdeveloped debt fund markets:** Eastern Europe

Note: The respondents were assigned according to their main country of investment. Only countries with respondents are listed. The regions are clustered according to the development stage of their private debt market. The development stage was defined according to the most important countries for PD players together with the view of the EIF’s front office regarding these markets.

Private Debt Strategy

**Market Overview**

**Developed versus Emerging versus Underdeveloped Debt Fund Markets**

**Assets under Management**
- The average amount of assets under management is almost twice as high for developed markets (€3,159M) compared to emerging markets (€1,827M). Underdeveloped markets are far behind with €376M.

**Market Segment by Number of Employees**
- The average preferred market segment by the number of employees is higher for underdeveloped markets (125) than for emerging markets (88). For developed markets the number is more than twice as high (250).

*Sources: EIF Private Debt Survey 2021, November 2021.*

Industry Focus

Most important industries

- Private debt players from developed markets focus strongly on the high-tech, healthcare and industrial/manufacturing industries.
- Private debt players from emerging markets focus especially on industrial industries. Underdeveloped markets focus more on real estate, consumer products, media as well as industrial industries.
- Public institutions should evaluate whether private debt players are following the industry structures in their markets or whether there are disadvantages for private debt players of underdeveloped and emerging markets in certain industries.

Loan Characteristics

Most Important Loan Purpose
(indicated in % by respondents)

- Buyouts
- Expansion
- Capital expenditure (CAPEX) / Other
  asset-based financing
- Working capital
- Refinancing / Balance sheet restructuring
- Operational Expenditure (OPEX)
- Recapitalization
- Other

Average Loan Size

- Underdeveloped
- Emerging
- Developed

Average Loan Maturity

- Underdeveloped
- Emerging
- Developed

Average gross unlevered IRR

- Underdeveloped
- Emerging
- Developed

- Funds in emerging and underdeveloped markets write smaller tickets and have a shorter time to maturity.
- Funds in underdeveloped markets fund more purposes connected to daily business activities (expansion, working capital and OPEX) of their portfolio companies.
- Funds in developed markets finance larger and less frequent events (CAPEX and buyouts).
- Public institutions could investigate funding alternatives in underdeveloped and emerging markets and assess whether PD funds could assist in closing potential financing gaps.
- Funds in underdeveloped markets target a higher unlevered IRR of at least 7%, while funds in other markets target lower IRRs.

Target Gross Unlevered IRR by Region

The gross target unlevered IRR varies heavily according to debt strategy.

Funds focusing on subordinated (incl. mezzanine) debt strategies target gross unlevered IRRs that are 2.38%p higher in developed markets compared to emerging markets.

Funds focusing on unitranche debt strategies target gross unlevered IRRs that are 2.44%p lower in developed markets compared to emerging markets.

Note: Underdeveloped markets do not find considerations due to their too small sample size for another group split.

Market sentiment

The private debt market has a good market environment among all markets.

- The current situation for private debt is seen extremely positively by the respondents among all markets.

- The respondents expect an even more favorable development for private debt over the next 12 months.

- Respondents from emerging markets have slightly higher positive expectations for the next 12 months.

Challenges in PD business
Largest challenges that can harm the growth of the PD sector

- **Fundraising** is seen as one of the main challenges in all markets, but especially among respondents from underdeveloped markets. Public institutions need to investigate what is needed to convince more LPs to invest in private debt.

- **Competition from banks** is especially challenging for PD funds in developed and emerging markets. Public institutions need to monitor this interaction and adjust public guarantee schemes if necessary.

- Among respondents from developed markets, the competition from PD funds presents the greatest challenge among the highest share of respondents.

**Market Split: Geographic**

- Underdeveloped Markets
  - Fundraising: 50%
  - Competition from PD funds: 36%

- Emerging Markets
  - Fundraising: 30%
  - Competition from banks supported by public guarantee schemes: 16%
  - Competition from public markets due to central bank interventions: 12%
  - High investee valuations: 7%
  - Deterioration in credit quality due to weakening of loan standards: 6%

- Developed Markets
  - Fundraising: 24%
  - Competition from banks: 22%
  - Political uncertainty: 8%
  - Capital deployment: 7%

Underdeveloped Elements
The largest elements that are helpful but underdeveloped in the local PD ecosystems

- Involvement of several investors constitutes underdeveloped elements across all markets. However, the type of potential investors is very different for underdeveloped markets. Here, corporate investors seem to be missing in the ecosystem whereas for the other markets pension funds are missing in the ecosystem.

- The regulatory framework is also underdeveloped across markets. However, this seems to be especially harmful in underdeveloped markets. Public institutions should particularly focus on the needs of these ecosystems.

- Cultural attitudes towards PD are regarded as underdeveloped in more developed markets. Public institutions could help to overcome these issues by establishing more market education and transparency.

Bank Financing

**Percentage of portfolio companies that would not have been able to get bank financing**

- The median for portfolio companies that would have not been able to get bank financing is slightly higher in underdeveloped markets (60%) compared to the other markets (41 – 60%).

**Reasons why firms choose private debt over bank debt**

- Firms in developed and emerging markets prefer private debt over bank debt mostly because of certainty and speed. However, other aspects are important as well. In underdeveloped markets, the main reasons are not that clear. In underdeveloped markets, the reasons for firms choosing private debt over bank debt are equally important for the most part.

**Governmental Support**

**Most important aspects of governmental support programs**

- The most appreciated aspects of governmental support programs are the *relatively large commitments* to the funds across all markets.
- In underdeveloped markets, the contribution of networking opportunities is regarded as very relevant as well.
- Other aspects of governmental support programs are roughly equally appreciated among all markets.

Summary

- Private debt can be important to mitigate access to debt finance constraints, as (depending on the markets under consideration) 40-60% of PD fund portfolio companies would not have been able to get bank financing.

- PD funds and loan sizes are significantly smaller in underdeveloped and emerging markets compared to developed markets. Since the competition from PD funds is the largest challenge in developed markets, it is likely that developed markets' players will diversify beyond those markets, if transparency and PD ecosystems are properly developed.

- Loan purposes differ significantly across developed and emerging markets. Public institutions could investigate whether these differences arise due to different market characteristics or whether private debt is an important funding option in emerging markets to close financing gaps.

- The market sentiment in the private debt market is very positive. Therefore, there does not seem to be an immediate pressure for public institutions to stimulate the market. However, the very positive outlook paired with concerns of high-investee valuations should be closely monitored to avoid bubble building.

- Fundraising is one of the strongest challenges among markets. Different market segments lack the involvement of different investors. However, the absence of important investors seems equally important. Underdeveloped markets particularly lack the involvement of corporate investors, whereas emerging and developed markets miss the involvement of pension funds as investors. Considerable investment tickets are needed to support fundraising traction and development of new teams, in particular in underdeveloped and emerging markets.

Market Split: Portfolio Company Size

SME: Funds that target portfolio companies with up to 249 employees
Small Caps: Funds that target portfolio companies with a number of employees in the range between 250-499
Mid caps: Funds that target portfolio companies with a number of employees in the range between 500-3,000
Market Overview

Target Portfolio Company Size

- SME (up to 249 employees)
- Small Cap (250 - 499 employees)
- Mid Cap (500 - 3000 employees)
- Large Cap (> 3000 employees)*

Total: 92

Assets under Management

- €0M - €100M
- €101M - €500M
- €501M - €1,000M
- €1,001M - €5,000M
- €5,001M - €10,000M
- > €10,000M

Private Debt Strategy

- SME
- Small Cap
- Mid Cap

Number of EIF supported funds:

- 51 SME (55%)
- 16 Small Cap (48%)
- 8 Mid Cap (44%)
- 0 Large Cap (0%)

*Note: Large caps do not find further considerations due to their small sample size.

Loan Characteristics

Most Important Loan Purpose

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<thead>
<tr>
<th>Loan Purpose</th>
<th>SME</th>
<th>Small Cap</th>
<th>Mid Cap</th>
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<tr>
<td>Capital expenditure (CAPEX) / Other asset-based financing</td>
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<td>Recapitalization</td>
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<td>Expansion</td>
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<td>Refinancing / Balance sheet restructuring</td>
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<td>Operational Expenditure (OPEX)</td>
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<td>Other</td>
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Market Split: Portfolio Company Size

- Funds that focus on mid caps have higher average loan sizes paired with a slightly longer time to maturity.
- Funds that focus on SMEs aim for a higher targeted unlevered IRR, reflecting the higher risk that is associated with SME investments.
- The largest differences regarding loan purposes are expansion (significantly higher for SMEs and small caps) and buyout financing (significantly higher for small and mid caps).

Market Sentiment

The private debt market has a good market environment among all sectors.

- Funds that focus on SMEs and small caps have a more positive evaluation of the current situation for private debt. However, the situation is still seen very positively across sectors.

- The respondents focusing on SMEs expect an even more favorable development for private debt over the next 12 months.

- Respondents investing in small caps and mid caps have lower expectations for the next 12 months, but are still very positive.

Market Split: Portfolio Company Size

Highest market potential for 2022

Indicated in (%) by respondents, multiple selection possible

- There are only minor differences in the perceived market potential in Europe among private debt players focusing on mid caps, small caps, and SMEs.
- Private debt players from all target sectors see the most market potential in already developed markets in Europe.
- Public institutions could investigate how SMEs and small caps could gain more market attention in emerging markets.

Challenges in the PD business

Challenges in the PD business by target sectors

- The largest challenges in the private debt business show many similarities between market players.
- The competition from PD funds is the most important challenge across all three respondent categories.
- Fundraising is one of the largest challenges. Hence, public institutions could investigate what is needed to convince more LPs to invest into private debt.
- Many mid cap investors seem to struggle with competition from banks and public debt alternatives.

Underdeveloped Elements in the EU
Most underdeveloped elements that would support PD ecosystems

- Small cap and mid cap investors particularly regard bankruptcy rules as underdeveloped. Governmental institutions should investigate whether improved bankruptcy rules could help the PD market.
- Cross-border integration of PD markets is especially relevant for SME and small cap investors. Public institutions should have an ongoing focus on a better cooperation in the EU.
- Cultural attitudes towards PD are seen as underdeveloped across PD funds – independent of their investment focus. Public institutions could help to overcome these issues by establishing more market education and transparency.

Summary

- The loan characteristics among funds that focus on mid caps and small caps are in line with expectations. Funds that focus on mid caps have more assets under management, larger loan sizes and lower targeted IRRs.

- Funds among target segments see the highest potential in already developed markets in Europe and the market sentiment is extremely positive in all groups.

- Fundraising is one of the largest challenges in the private debt market. Public institutions should evaluate whether they can help to overcome this challenge.

- Bankruptcy rules, cross-border integration, and cultural attitudes towards private debt are seen as the most underdeveloped elements among PD investors. Public institutions need to investigate, how the EU might overcome these structural disadvantages for the private debt market, e.g. by contributing to the internationalisation of the LP investor base.

EIF’s Action Plan

In order to (i) provide continuity to EIF’s intervention in the coming years, and (ii) steer the market towards sustainable financing, the EIF aims at mainly focusing on the features described in the next slides.
Target Managers

Main drivers

- **First-time and Emerging teams**, identifying new players with strong potential; investment in established top-performing teams will be considered on the basis of proven EIF added value;

- Managers with a **robust ESG policy in place**, integrating ESG factors in the investment decisions, monitoring and reporting;

- **Paris Agreement alignment**: larger managers are expected to apply the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations;

- **Gender smart investments**: supporting managers that are composed of mixed teams/partners and/or are actively engaged in gender smart investments;

- Funds in which EIF can preferably **join at first closing** to maximize its catalytic effect.

Target Private Debt Strategies

Main drivers

- Specialist strategies providing mostly **senior, asset-based and unitranche** financing, possibly supporting growth and expansion;

  **Geographies**: Main focus on **EU/EFTA** countries where the Private Credit Market is **less developed**; investment in the most developed countries should be considered only to the extent the added value of an EIF investment is proven substantial, e.g. in terms of promoting a pan-European investment activity or supporting the launch of new strategies, niche strategies or new teams;

- Market segment: mainly sponsor-less transactions for **SMEs** and **lower mid-market companies**;

- **Attractive net return profiles**, relative to risk;

- **Sustainability**: supporting strategies with increasing attention to growth and innovation in the green transition, green economy, energy transition, and circular economy. Preference for funds conforming to **Art. 8 and 9 of SFDR**;

- **Paris Agreement alignment**: climate-related sector restrictions, unless in line with “EU taxonomy for sustainable activities”.

Annex 1

Ecosystem by region
Underdeveloped ecosystem elements in the UK & Ireland

- Respondents that focus on the UK & Ireland report that the most important elements that are particularly underdeveloped in their main country of investment are 1) university endowments, foundations and family offices (41%), 2) involvement of pension funds as investors (35%), 3) involvement of corporate investors (34%), and 4) involvement of insurance companies (34%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 28

Underdeveloped ecosystem elements in France

- Respondents that focus on France report that the most important elements that are particularly underdeveloped in their main country of investment are 1) involvement of pension funds as investors (51%), 2) cultural attitudes towards private debt (44%), and 3) bankruptcy rules (40%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 25

Underdeveloped ecosystem elements in Germany

- Respondents that focus on Germany report that the most important elements that are particularly underdeveloped in their main country of investment are 1) cultural attitudes towards PD (55%), 2) involvement of pension funds as investors (36%), and 3) involvement of corporate investors (35%).

**Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.**

**Number of respondents: 25**

Underdeveloped ecosystem elements in Spain

- Respondents that focus on Spain report that the most important elements that are particularly underdeveloped in their main country of investment are 1) involvement of insurance companies (55%), 2) regulatory framework (48%), 3) attractive public funding opportunities (36%), and 4) cultural attitudes towards private debt (36%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 17

Underdeveloped ecosystem elements in Italy

- Respondents that focus on Italy report that the most important elements that are particularly underdeveloped in their main country of investment are 1) involvement of pension funds as investors (69%), 2) involvement of insurance companies (63%), 3) attractive public funding opportunities (31%), and 4) involvement of corporate investors (31%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 16

Underdeveloped ecosystem elements in Nordics

- Respondents that focus on Nordics report that the most important elements that are particularly underdeveloped in their main country of investment are 1) cultural attitudes towards PD (77%), 2) involvement of pension funds as investors (34%), 3) involvement of corporate investors (33%), 4) involvement of insurance companies (33%), and 5) university endowments, foundations and family offices (33%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 7

Underdeveloped ecosystem elements in Eastern Europe

- Respondents that focus on Eastern Europe report that the most important elements that are particularly underdeveloped in their main country of investment are 1) involvement of insurance companies (51%), 2) involvement of pension funds as investors (49%), and 3) involvement of corporate investors (36%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 12

Underdeveloped ecosystem elements in BeNeLux

- Respondents that focus on BeNeLux report that the most important elements that are particularly underdeveloped in their main country of investment are 1) involvement of pension funds as investors (83%), 2) involvement of insurance companies (52%), and 3) attractive public funding opportunities (40%).

Q: Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

Number of respondents: 12

Questions (1/5)

Slide #16. Geographic Focus
• Please select up to 5 of the most important European countries in which your firm invests in PD.
• In which European countries do you see potential to invest by the end of 2022?

Slide #17. Industry Focus
• Please select up to 5 of the most important industries in which your firm invests in private debt.

Slide #18. Strategy & Loan Characteristics
• Please select the most important capital structure seniority of your portfolio companies for your PD business.
• What are your main loan purposes?
• What are the total average target loan sizes (in million €), where your fund is investing (including portions of the same loan provided by third parties alongside your fund)?
• What is the typical loan maturity (in years), where your fund is investing?
• What is your gross target unlevered IRR in your companies’ investments (%)?

Slide #20. Market Sentiment
• How would you assess the current environment for private debt?
• Over the next 12 months, how do you expect the environment for private debt to develop?

Slide #21 ESG Challenges and Female Representation
• Which challenges do you see regarding implementing an ESG strategy?
• Do you have PD funds with relevant investment decision bodies encompassing females?
• Do you have PD funds with relevant investment decision bodies where female representation has majority of votes/veto right(s)?

Note: The list references those slides in which the related question is used for the first time in this paper.

Questions (2/5)

**Slide #25. Market Overview**
- What are your firm's total approximate assets under management (AuM)(Million €)?
- What are the corporate market segments in which you prefer to invest (enterprise size, by turnover (revenue))?

**Slide #30. Challenges in PD business**
- Please select the biggest challenges you currently see in PD business.

**Slide #31. Underdeveloped Elements**
- Select up to 5 important elements of the ecosystems helpful for private debt that are particularly underdeveloped in your main country of investment.

**Slide #32. Bank Financing**
- What percentage of your portfolio companies would not have been able to get bank financing in the absence of your financing?
- Why do you think firms choose private debt over bank debt?

**Slide #33 Governmental Support**
- Indicate up to 3 of the most important aspects you appreciate from governmental support programs (by the EIF or others) in your specific market.

Note: The list references those slides in which the related question is used for the first time in this paper.
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