EquiFund II
Open Information Session
Athens, 9th July 2024
Agenda

1 Welcome Remarks

2 EIF: Supporting the Greek VC / PE ecosystem

3 The EquiFund II initiative: Key points of the Call for EoI

4 The EIF Investment Process

5 Q&A
Welcome Remarks

- Video message – Ioannis Tsakiris, EIB Vice President
- Dimitris Skalkos, Secretary General for Public Investment and Partnership Agreement, Ministry of Economy and Finance
- George Passaris, Senior Regional Representative, EIF
EIF: Supporting the Greek VC/PE ecosystem
Evolution of EIF support

2010

Jeremie

- First EIF VC investments in Greece
- Four funds supported in total, all with an ICT focus: two in seed stage and two in early stage
- Co-financing ratio: 70% public, 30% private
- Paving the way to mature the ecosystem at large

2016

EquiFund

- Targeting the whole country and most economy sectors
- Including Innovation, Early-stage and Growth windows supporting all stages of an enterprise’s life cycle
- Established a strong national ecosystem, putting Greece on the VC map and attracting interest from worldwide investors

Fund managers’ teams supported by Jeremie moved on to raise successor funds from EquiFund. Companies initially supported in their pre-seed stage by Jeremie supported funds raised further financing rounds from EquiFund supported funds before successfully exiting.
The EquiFund initiative

Public Private Partnership

EquiFund €300m+ + Other private investors

Investing in entrepreneurship

Investment windows

Innovation window

Equity

Smart Money

Innovators + Researchers

Start-ups

Early Stage window

Equity

Smart Money

Growth Stage window

Equity

Smart Money

Scale-ups
Using Structural Funds to build the Greek VC/PE ecosystem

State of play

Results so far

139 companies

366m invested amount

937m mobilised amount
EquiFund II

- Key points of the Call for EoI
- State aid options
- The Life Sciences & Healthcare Window
- The Sustainability & Social Impact Window
The EquiFund II initiative is the first thematic equity FoFs in the country; the VC / PE ecosystem of Greece is now considered mature enough in terms of depth to start financing more targeted sectors of the economy where growth potential exists and / or policy priorities are targeted.

EquiFund II is expected to be complementary to the existing national initiatives that target more generic investment strategies.

EquiFund II is financed with EUR 200m of ERDF resources from the O.P. “Competitiveness 2021-2027” AND national resources.
Implementation arrangements

Hellenic Republic
Represented by the Investment Committee

Funding Agreement

Equity Thematic Fund (managed by the EIF)

Call for Expression of Interest

Private Investors

- Life Sciences and Healthcare
  - Fund 1
  - Fund 2
  - Fund 3

- Sustainability and Social Impact
  - Fund 1
  - etc.

Final Recipients (SMEs, small mid-caps, midcaps, TT projects, impact enterprises etc.)

Number of funds is indicative and used for illustrative purposes only
Call for Expression of Interest

Key elements

- The Call shall allow a flexible allocation of the budget across the products and asset classes, based on identified market opportunities (i.e., no pre-defined allocation of budget between the thematics).

- The exact number of Specific Funds to be supported will be a function of the quality of applications received and budget available, as assessed by the EIF following its due diligence process, in accordance to its internal rules & procedures.

- Financial Intermediaries may express their interest for one of the two windows

- It is the intention to finance at least one Fund under each of the two windows
Term Sheets

Key elements

• The investment period of the Underlying Funds will not extend after 31 December 2029; this refers only to primary investments (initial portfolio), follow-on investments after this date will be possible

• Underlying Funds will primarily target Greece and shall invest their full commitment in Target Recipients.

• On an exceptional basis, regional funds (i.e. funds with an investment strategy targeting more than one country, including Greece) may also be supported. However, for regional funds, the following constraints apply:
  a. The regional funds shall invest an amount at least equal to the total amount committed under this CEoI in Final Recipients that, at the time of first investment therein by the Underlying Fund, qualify as Target Recipients.
  b. It is noted that there is a cap on the max amount of the total CEoI budget that will be directed to regional funds, i.e. not more than 1/3 of the total budget of the CEoI will be committed to regional funds (in total).
Term Sheets
Target Recipients

- A Final Recipient that, at the time of the first investment therein by the Fund complies with the following criteria:
  
i. it qualifies as one of the following (subject to the applicable State Aid regime): an SME; OR a Small Midcap; OR a Midcap; OR a Technology Transfer project.
  
ii. has a branch or establishment (i.e., is legally incorporated) in Greece; and EITHER has its main activities (i.e., the main portion of their activities based on headcount, assets or primary focus of the Final Recipient’s business activities) in Greece OR is planning to expand the operations in Greece. For Final Recipients with expansion plans and/or early-stage portfolio companies with insignificant operations, the assessment of their main activities shall be based on the Final Recipient’s business plan at the time of the first investment by the Fund;
  
iii. in the case of a TT project, including projects located outside Greece, is planning to establish operations in Greece based on the business plan at the time of the first investment by the Fund, it being understood that meeting the criterion under limb ii. above shall not be required in the case of TT projects
Call for Expression of Interest

Key elements

- **Independence** of the fund management team (primarily in management and investment / divestment decisions)
- **Diversification limit**: typically up to 15% of the total fund size in any single investee at any point in time (limit increase subject to AB approval)
- **Own commitment**: minimum percentage of the total size of the Underlying Fund to be assessed against and aligned with the Underlying Fund economics and the broader financial position of the manager’s team to provide a relevant alignment of financial interest with investors (‘skin in the game’)
- **Management fees & costs** negotiated in line with market practice and proportional to the operational requirements of the Underlying Fund and the investment strategy proposed
- Investors’ representatives to be appointed on **Advisory Committee** to review, inter alia, conflicts of interest.
- **Reporting** (quarterly information in line with Invest Europe guidelines) and other reporting obligations (UBOs, state-aid, etc.) to be specified in the Operational Agreements
- **Auditing, Monitoring & Visibility** requirements in line with applicable law and Union Funds rules
State aid options

Key Elements

• As EquiFund II is financed with public resources, investments are subject to State aid rules and regulations

• The applicable State Aid regime(s) will depend on the investment strategy proposed by the selected applicants and their ability to source private financing (which is part of the quality assessment criteria of applicants).

• Two options:
  1. Pari-passu structure
  2. Non pari-passu structure
State aid option 1
Pari-passu structure

• A minimum of 30% Private Investor contribution at the Underlying Fund level on a ‘pari passu’ basis (same terms and conditions between public and Private Investors and therefore the same level of risk and rewards)

• Pari-passu distribution cascade for all investors

• Intervention of public and private resources always simultaneous (inherent in equity fund’s structure)

• In addition to micro, small or medium sized enterprises (SMEs), non-SMEs may also be targeted

• Prohibited investments in companies:
  • that have received illegal State Aid which has not been fully recovered
  • listed on the official list of a stock exchange or a regulated market
  • operating in restricted sectors (as defined in the Call for EoI)
State aid option 2
Non pari-passu structure

• Only *unlisted micro, small or medium sized enterprises (SMEs) targeted* in both initial and subsequent financing rounds

• Minimum of *10% financing from Independent Private Investors* required at fund level

• SMEs targeted shall, at the time of initial investment, fulfill at least one of the following criteria:
  • they have not been operating in any market;
  • they have been operating in any market for any of the following (*minimum 20% private participation*):
    • i. less than 10 years following their registration; or
    • ii. less than 7 years after their first commercial sale;
  • they require an initial risk finance investment which, based on a business plan prepared in view of a new economic activity is higher than 50% of their average annual turnover in the preceding 5 years (*minimum 30% private participation*).
State aid option 2
Non pari-passu structure

- Cap at **EUR 16.5 million per eligible undertaking** under any risk finance measure.
- The Fund may provide support for **replacement capital** only if the latter is combined with new capital representing at least 50% of each investment round into the eligible undertakings.
- **Prohibited investments** in companies:
  - undertakings in difficulty, as defined in Art. 2(18) of the GBER.
  - undertakings that have received illegal State aid which has not been fully recovered.
  - undertakings operating in additional not supported activities as per Art. 1 of GBER.
  - investees, activities or sectors restricted or excluded as per Part III hereof.
State aid options – Distribution Cascades

**Pari passu structure**

Pari passu distribution cascade for all investors.

1. First, 100% to all investors (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital committed to the Underlying Fund;
2. Second, 100% to the Private Investors and the EIF, acting on behalf of the MS, (pro-rata to their underlying economic interest) until each investor has received sums equal to a compounded market standard Hurdle Rate on their capital drawn to the Underlying Fund as from the respective dates of drawdown until the dates distributions are made;
3. Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 25% of the total preferred returns distributed to the investors under the paragraphs above;
4. Thereafter, 80% to the EIF (acting on behalf of the MS) and Private Investors (pro-rata to their underlying economic interest) and 20% to the Fund Manager (Carried Interest).

**Non pari passu structure**

Net return on the EquiFund II investment is capped at 6% p.a.

1. First, 100% to all investors (pro-rata to their underlying economic interest) until they have received distributions in aggregate equal to the total capital committed to the Underlying Fund;
2. Second, 100% to the Private Investors and the EIF, acting on behalf of the MS, (pro-rata to their underlying economic interest) until each investor has received sums equal to a compounded Hurdle Rate of 6% of their capital drawn to the Underlying Fund as from the respective dates of drawdown until the dates distributions are made;
3. Third, 100% to the Fund Manager until the Fund Manager has received an additional amount equal to 25% of the total preferred returns distributed to the investors under the paragraphs above.
4. Thereafter, 80% to Private Investors (pro-rata to their underlying economic interest, excluding the share of EIF and 20% to the Fund Manager (Carried Interest).
Call documentation & timeline

- Five main documents:
  - Call for Expression of Interest
  - Annex I: Expression of Interest
  - Annex II: Selection Criteria
  - Annex III: Term Sheet Life Sciences
  - Annex IV: Term Sheet Social

- Additional documents:
  - Clarification Document

- Call documents always supersede!!!

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tr>
<td>Call publication (target)</td>
<td>19th June</td>
</tr>
<tr>
<td>Submission of clarification questions</td>
<td>10th July</td>
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<tr>
<td>Publication of clarification document</td>
<td>29th July</td>
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<tr>
<td>Deadline for submission of applications</td>
<td>30th September</td>
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| Foreseen signatures with financial intermediary* | Q2 2025

*Envisaged timeline to be further reviewed based on the # of applications received
The Life Sciences & Healthcare Window
Definitions of Sectors

Life Sciences
- Companies operating in the research, development, manufacturing, sales and distribution of:
  - Pharmaceuticals
  - Biotechnology based food, medicines and technologies
  - Medical devices
  - Nutraceuticals and cosmeceuticals

And other products that improve the lives of organisms

Healthcare
- Businesses that provide:
  - Medical services
  - Medical insurance
  - Manufacturing, sale and distribution of medical equipment or drugs

Or otherwise facilitate the provision of healthcare to patients
Target recipients of underlying funds

Technologies, products and solutions that contribute to improving the healthcare systems, disease prevention, diagnostic and treatment, and promoting a healthy lifestyle

Companies
- SMEs
- Small Mid caps

Tech transfer projects
- Originate from universities/higher education institutes
  - Convert research, development, knowledge, new technologies, or
  - Foster new applications of existing technologies

And meet the respective criteria for a presence in Greece
Therapeutics and Platform technologies

• Therapeutics
  • Small molecules (NCEs)
  • Biologics (e.g., antibodies, antibody fragments, peptides)
  • Cell and Gene therapies
  • RNA based therapeutics
  • Vaccines

• Therapy area and indication agnostic
• Novel therapies or repurposing of existing therapies

• Platform technologies
  • Drug conjugation linkers (Ab drug conjugates)
  • Drug delivery systems and formulations
  • Half life extension technologies
  • Cell lines
  • Vaccine adjuvants
  • Technologies enabling the R&D process
    • Digital technologies
    • Analytical instruments
Medical Technology

- Implants
  - Stents, valves, orthopaedic implantable devices
  - Personalised implants – 3D printing

- Biomaterials
  - Biodegradable / biocompatible polymers
  - Medical grade metals, ceramics and plastics

- Surgical Instruments and equipment
  - Smart surgical instruments (robotic, laparoscopic)
  - Improvements on conventional instruments

- Medical Instruments and equipment
  - Imaging instruments, patient examination equipment
  - Patient monitors
  - Mobility aids, hospital beds

- Consumables
  - Medical mould technologies
  - Surgical and laboratory consumables
  - Pharmaceutical packaging
Diagnostics

• In vitro diagnostics
  • Laboratory tests - techniques and instruments for the analysis of patient samples
  • Point of care diagnostics used by the patient (eg infectious disease detection)

• In vivo diagnostics tests
  • Imaging (eg radiography, ultrasound)
  • sensors (eg glucose monitoring)

• Enabling technologies
  • New diagnostics methods (eg PCR, mass spectrometry)
  • Novel biomarkers or biosensors
  • Cartridges
  • Reagents
  • Consumables
  • Sampling devices (eg for biopsy)
Manufacturing and Industrial applications

• New/improved production processes
  • Cell lines for the production of therapeutics
  • Improve quality and regulatory compliance (e.g., purification processes)
  • Reduce costs
  • Automation, process control

• Monitoring processes
  • Information systems (e.g., equipment functionality)
  • Analytics of product amount and purity
  • Sensors for storage and incubation temperatures, humidity

• Manufacturers
  • Therapeutics, diagnostics, reagents, tabletting excipients
  • Medical devices, consumables, instruments
Health Services

Facilitate the provision of healthcare to patients

• Medical services
  • Healthcare facilities management
  • Healthcare IT infrastructure (eg storage and management of patient data)
  • Applications connecting patients to healthcare providers, appointment management

• Manufacturing and distribution
  • Manufacturers (medical and hospital equipment, eg control and display panels, bed head units)
  • Cold chain distributors of medicines and specimens

• Medical insurance providers
  • Private health insurance providers for individuals / employees
  • Travel and international insurance providers
Elderly and disabled care

As well as for other population groups

• Elderly care
  • Safety – apps and wearable devices for monitoring falls and tracking vital signs such as heart rate and oxygen levels
  • Smart living technologies that promote healthy behaviours (e.g., conversation, communication with loved ones taking of medication)
  • Technologies and services for senior-care providers (home-care services and care homes) e.g., remote monitoring

• Disabled care
  • Wellness and fitness – AI driven personalised care
  • Technologies/services that help with personal care/household activities and promote independence
  • Exercise and rehab equipment

• Women specific healthcare solutions
  • Knowledge generation – addressing gaps in women’s health and health data
  • Personalised treatments and healthcare information
  • Improved access to healthcare
Digital and Remote health

As well as AI/ML applied to life sciences and healthcare

- Information and knowledge generation
  - Digitalised records
  - Diagnostics eg imaging assessment and interpretation
  - Predictive analytics (eg epidemiologic modelling)

- Sensors, remote monitoring and operation of devices
  - Surgical – robotics and remote site
  - Tracking, monitoring, triggering of implantable devices
  - Dose monitoring of therapeutics

- Telehealth
  - Telemedicine – remote consultations, care management and coordination
  - Personal health devices/components – mobile assessment, monitoring
  - Mobile apps for self care

Call for Expression of Interest
Nutraceuticals
Derived from foods, but sold in the form of pills, or other medicinal forms and have a physiological benefit or help with disease management and prevention
- Vitamin, mineral supplements and isolated nutrients
- Herbal products, compounds derived from fruits and vegetables
- Antioxidants (eg polyphenols)
- Probiotics and prebiotics
- Dietary fibre

Cosmeceuticals
Sold as cosmetics but have a therapeutic action beyond the time of application
- Anti-aging
- Anti-inflammatory
- Hair fall prevention and growth
- Maintenance of skin tone and clarity of complexion
- Treatment of skin disorders (acne, pigmentation related disorders)
The Sustainability and Social Impact Window
The rise of impact investing

The world is changing

In order to foster a sustainable future in line with the United Nations SDGs and address societal issues and the climate and environmental emergency; sustainable investment is on the increase.

Investing with impact is a commercial opportunity

Impact enterprises are breaking free of their associations with charitable or philanthropic causes. The market opportunity for climate, environmental and social innovation is vast and the majority of impact investors seek competitive, market-rate returns.

New investors are moving in

The impact market is drawing new and diversified investor attention contributing to build a growing impact ecosystem and direct capital to game changing enterprises and solutions.

The future of investing

Busting the myths of impact

Shaping the impact landscape
What is a impact-driven enterprise?
At the EIF, these three values must all be present

**Intentionality**

The enterprise must have a *clear purpose* in providing entrepreneurial solutions to societal, climate and environmental problems and must also state this purpose transparently in their *business strategy*.

**Profitability**

The enterprise must seek impact in a *commercially profitable* manner – meaning that there needs to be a clear *positive correlation* between the *impact* they pursue and their *economic value creation*.

**Scalability**

The enterprise must in addition display a clear *commercial drive* to seek financial sustainability and be able to *manage growth* in time – in a way which still holds true to its impact business model and purpose.
Sustainability & Social impact Window: what is in scope

The scope of the Sustainability and Social Impact Window can indicatively cover one or more of the following three sub-windows:

1. **Social Impact Investments** aimed at supporting social enterprises or impact-driven enterprises delivering impact in their path to scale. The main objective of such enterprises is to make intentional and positive social change through expansion and scale-up of their business model and related impact strategy and can reasonably be expected to be active on the following sub-sectors:
   
   a. Skills and education  
   b. Employment  
   c. Migration  
   d. Socioeconomic inclusion  
   e. Diversity
Sustainability & Social impact Window: what is in scope

2. Environmental Sustainability: Technologies, products and solutions that contribute to climate mitigation and adaptation and environmental sustainability. These investment activities include, *but are not limited to*, the subsectors below at every stage of development:

- energy
- industrial decarbonisation
- mobility and transport
- water and marine resources and protection
- pollution prevention
- agri-tech and sustainable agriculture
- food-tech
- industrial biotech and green chemistry
- biodiversity and environmental ecosystems
- circular economy, resource efficiency and waste management,
- built environment, smart cities and urban tech
- prevention/management of extreme weather events and environmental disasters
Sustainability & Social impact Window: what is in scope

3. Social Sustainability: Technologies, products and solutions that contribute to social sustainability through facilitating the development of new skills and tackling social issues and society welfare. Such activities include, but are not limited to, the subsectors below and through all stages of development and growth:

   a. Lifelong learning and specialized education
   b. Wellness and nutrition
   c. Access to healthcare
   d. Workplace health
   e. Ageing population and elderly care
   f. Animal welfare, care and therapy
   g. Access and affordability of housing
   h. Human rights
   i. Participation in civil society and government
The EIF’s unique impact performance methodology

**EIF impact performance methodology**

3 steps to track the positive correlation between financial value and impact, overseen by an Advisory Committee

**Step 1**
Define 1 to 5 impact indicators per portfolio company

1, 2, 3…

**Step 2**
Set a quantifiable target on each impact indicator, at the moment of the investment as well as a weighting

**Step 3**
Monitor and share the impact multiples achieved at company and portfolio level
The EIF’s unique impact performance methodology

**EIF impact performance methodology**

An example

**Company X**
An online platform to help school pupils improve their reading & learning skills

### Impact Fund

#### Absolute targets

- **1k**
- **200k**
- **60%**

#### Single impact multiple

#### Impact indicators & weighting

1. **20%**
2. **50%**
3. **30%**

1. **Intermediate target - year 1**
   - Schools to register with the platform
   - Of individual users using the platform at least once a week
   - Improvement in reading skills

2. **Intermediate target - year 2**

3. **Intermediate target - year 3**
   - 900
   - 180k
   - 50%
   
   - 100k
   - 600
   - 30%

- **50%**

- **600**

The EIF’s unique impact performance methodology

**EIF impact performance methodology**
Assessing the impact & determining the carry

**At company level**

*If at exit the company hits its exact absolute targets, its impact multiple is 1.0*

**Achieved targets**

1k  200k  60%

**At fund level**

*A Fund’s impact multiple is then determined at portfolio level*

**Aggregate portfolio multiple**

100% of the impact carry is distributed to the predefined carry recipients.

Above 0.8

Based on a linear scale, between 50% and 100% of the impact carry is distributed to the fund manager.

0.6-0.8

No impact carry is distributed to the fund manager.

Below 0.6

Impact carry typically 50% to 100% of financial carry

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No impact carry is distributed to the fund manager.
Impact throughout the Investment Process

Dialogue, buy-in and alignment of interests of all stakeholders

Different touch points and continuous monitoring & review throughout the investment process and holding period

Fund Manager
Investee Companies
Fund Advisory Board
LPs

Reporting & Review

Strategy & Impact Thesis

Impact Management & Measurement

Definition of KPIs / Metrics & Goal Setting

Fund Manager
Investee Companies
External Experts (optional)

Fund Manager
Investee Companies
Fund Advisory Board
What’s in it for…

Fund Managers and LP investors

Substantiate an investment strategy that positively correlates financial value and positive impact.

Provides for a mechanism which aligns interests of LPs and Fund Managers (GPs) on impact in addition to financial performance.

Requires that Fund Managers to define, manage and communicate Intentional and Measurable Impact.

Over > 100 VC and PE funds backed by EIF implementing impact measurement

Portfolio companies

Distinct articulation of impact thesis and value proposition for clients and stakeholders

Obtain a KPI toolkit that allows them to manage the climate, environmental and/or social impact of their business model

Impact metrics become part of the investor’s dashboard, leading to an alignment of interest across the value chain, from founders to GPs and LPs.

A clearly defined methodology that relies on dialogue while also providing for a rigorous monitoring and management of the impact achieved.
Our deployment & application processes

The processes explained step-by-step.
Our equity investment deployment process
A selective and rigorous approach involving EIF investment, risk, compliance, legal departments

1. Sourcing
   - Market intelligence
   - Pro-active sourcing via calls, existing network and agents
   - Active participation in conferences

2. Screening
   - First screening through desk analysis
   - Second screening through physical meetings

3. Due diligence
   - Through site visit(s) and interviews, full due diligence is conducted on:
     - strategy
     - market opportunity
     - team
     - track record
     - structure
     - T&Cs
     - alignment of interests

4. Investment decision
   - EIF IC investment team
   - Risk
   - Compliance
   - Legal services
   - CEO office / Board

5. Legal Negotiation
   - EIF IC investment team
   - Legal services

Outcome
- Deal pipeline
- Decision to move to full due diligence
- Investment recommendation
- Investment approval
- Legal negotiation & signature

Responsibility
- Equity investment team
- Due diligence team & risk department
- All services
- Due Diligence team
- Legal
- Other services
How to apply

The application process in three steps

**Step 1**  
**Info point**

- **eif.org**

  Gain an overview of the mandate and dig deeper into the *Call for Expression of Interest documentation*, which includes:
  - detailed product term sheets
  - reporting requirements & templates
  - FAQs
  - and more

**Step 2**  
**Apply**

- **via email address**

  Send the application with all relevant documents to the indicated email address in the Call for Expression of Interest

**Step 3**  
**Selection**

- **Desktop search & on-site visits**

  Analysis of the application with all relevant documents

**Expected 9 months from application to commitment agreement (depending on quality of information received)**
Our commercial due diligence process

We perform a thorough review of the main aspects of the investment proposal.
We’re looking for coherent links

The elements of your proposal must support one another and align with your strategy

**Who?**
Team & track record

- Track record & reputation
- Team cohesion & succession
- Commitment
- Carry split
- Governance
- Fundraising traction

**How?**
Fund parameters

- Geographical focus
- Thematic focus
- Fund model
- Value creation & USP
- Terms & Conditions
- Legal structure

**What?**
Market opportunity

- Trends
- Market needs
- Competition
- Demand side economics
- Deal flow & pipeline

**Investment Strategy**

The DNA of your proposal
Investment considerations

Investment strategy the DNA of your proposal

Your *investment thesis and focus*, and how will you *source opportunities and add value to founders and companies*, help them grow. *Impact & ESG approach* also important according to strategy. How will you structure your fund to ensure an *appropriate level of investment and diversification*, generate *returns* and minimize *failures*.

**What**
- Investment focus: geography, sectors, investment stage, etc
- Capital deployment & portfolio construction
- Origination and deal sourcing strategy
- Value creation
- Exit strategy

**Why**
- Fit with the mandate requirements
- Strategy consistency with past team experience and market
- Ability to source investments in line with the strategy
- Ability to create value during the holding period

**When**
- From the 1st screening to Due Diligence
Investment considerations

Market Opportunity

What is the market opportunity in terms of *breadth and depth*?
How will your fund proposal fit into the *existing market and address current trends and gaps*?
Who are the *competitors* in the target market segment?
How will you ensure sufficient *deal flow*?

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**What**
- General macro overview of the targeted country
- Overview of VC industry in the targeted market
- Direct competition: other funds, family offices, etc.

**Why**
- Attractiveness of the market
- Analysis of differentiating angles: proposal vs market

**When**
- From the 1st screening to Due Diligence

**Indirect competition**
**Differentiation**
Investment considerations

Team

The composition of your team will need to **evidently reflect your strategy with the required expertise and skillsets** but also show a **clear alignment of interest** in terms of dedication, governance, incentives and commitment.

**What**
- Team set-up: completeness & complementarity
- Background, skills & experience
- Hiring plan
- Decision process
- Deal team structure
- Alignment of interest

**Why**
- Assessment of team dynamics
- Assessment of adequacy to invest and deploy
- Completeness & workload analysis
- Incentive scheme
- Reputation

**When**
- From the 1st screening to Due Diligence
- One-to-one meetings during site visits
Investment considerations

Track record: relevance, performance and benchmarking

The team should bring a *prior track record of investing, relevant and transposable* to the execution of the fund’s strategy. Learnings and experience acquired are just as important as successful investments and/or financial performance.

### What

- Relevance, attribution, structure
- Case study: origination, value creation & exit skills
- Case study: lessons learnt

### Why

- Assessment of relevance and attribution
- Assessment of the performance
- Benchmarking

### When

- From the 1st screening to Due Diligence
- Reference calls with previous employers, portfolio companies
Investment considerations
Structure, governance and budget

Fund structure should be compliant with EU regulatory and tax requirements
Governance and decision making process should ensure team independence and control of key decisions
Budget should aim for coverage of operating costs and viability of the Management company

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<th>What</th>
<th>Legal structure: SPVs, carried interest vehicle, etc</th>
<th>Regulated vs unregulated structure</th>
<th>Shareholding structure</th>
<th>Decision making</th>
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<td>Why</td>
<td>Compliance assessment of the structure</td>
<td>Assessment of adequacy of decision making and regulatory oversight</td>
<td>Budget review: viability and surplus analysis</td>
<td>Budget</td>
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<td>When</td>
<td>From the 1st screening to Due Diligence</td>
<td>Budget review during Due Diligence</td>
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Legal negotiation

We ensure that mandate requirements and good market practices are implemented.
Legal Framework Interplay

How does the legal framework come into play in the EIF negotiations?

1. Reference Documents & requirements
   - Mandates
   - EIF Guidelines for Equity Investments
   - EIF Good Market Practices
   - Request for Approval (inc. Compliance and Risk opinions)
   - Board minutes

2. Fund’s documentation
   - LPA
   - Side letter
   - Subscription documents
   - Legal & tax opinions

3. Management of legal risk
   - Internal approval processes
Key Terms & Good Market Practices
Investment guidelines and investors’ protection

- **Investment Policy**
  - Geographic, stage and sector focus and investment or policy restrictions

- **Fund management**
  - Fund governance
  - Independence
  - Dedication
  - Exclusivity

- **Risk mitigation and conflicts of interest**
  - Investment period & duration
  - Risk diversification & concentration limits
  - Borrowing & lending by Funds
  - Co and cross-over investments
  - Reinvestments

- **Investor protection**
  - Limited liability of LPs
  - Removal of the Manager, Change of Control and Key-man protection
  - Alignment of interests
  - *Pari-passu* treatment
  - Defaulting investors

- **Economic terms & others**
  - Management fee, team commitment and carried interest, equalization fees and fee offset
  - Hurdle rate and waterfall distribution
  - Reporting
Overview of a fund’s legal documentation

<table>
<thead>
<tr>
<th>Limited Partnership Agreement</th>
<th>Side letter</th>
<th>Subscription agreement</th>
<th>Legal &amp;Tax Opinion</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Agreed between individual LPs and the GP addressing terms that supplement or modify the LPA</td>
<td>Formal agreement between the fund and the LPs to buy shares of the fund</td>
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</tr>
</tbody>
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**Short definition**

- **Limited Partnership Agreement**: Contains all the terms that govern the Fund and those agreed with the limited partners.
- **Side letter**: Agreed between individual LPs and the GP addressing terms that supplement or modify the LPA.
- **Subscription agreement**: Formal agreement between the fund and the LPs to buy shares of the fund.
- **Legal &Tax Opinion**: Letter addressed to LPs expressing conclusions on the capacity and authority of certain parties or the validity and enforceability of certain fund’s documents.

**Description**

- **Limited Partnership Agreement**: In some cases, the LPA may be complemented by the fund's by-laws and the information contained in the private placement memorandum, if any. For issues that EIF normally seeks to address in the LP, see previous slides.
- **Side letter**: Side letters often grant special rights and privileges to important investors or to those subject to government regulation, and are also useful tools to accommodate last-minute requests from prospective limited partners. Most favored nations provisions (MFN) permit the election of certain benefits negotiated by, and granted to, other limited partners via side letter.
- **Subscription agreement**: The subscription agreement contains the condition precedents of the transaction and all provisions related to the LP’s investment limits (in amount and time). Reps & warranties.
- **Legal &Tax Opinion**: US law considerations (when applicable).

**Key Points**

- **Capacity opinions**: cover aspects of capacity and authority of the parties involved in the fund’s legal documentation.
- **Enforceability opinions**: cover aspects relating to the legality, validity and enforceability of the relevant transaction documents under applicable law(s).
- **Tax opinions**: covers certain tax considerations (tax treatment of the fund, the capital subscription, dividends...).
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