InvestEU & Senior Private Credit

Providing European companies with a broad and diversified choice of financing options to best suit their needs

The market gap

The *Senior private credit* market emerged in *response* to the *retrenchment of banks* and other traditional lenders after the financial crisis. It is today an alternative source of financial support in Europe and still has strong potential for further growth.

The market players

The InvestEU Senior Private Credit Programme targets investment funds providing SMEs and Small-Mid Caps with a *broader choice of financing options*, as well as offering investors an asset class that links institutional savings with real economic growth.

Our mission

The EIF a *pioneer and market developer* in the space.

With *10 years of experience* in senior private credit investments, we are a knowledgeable partner in this asset class.

We are *committed to further developing this space* so that Senior Private Credit funds can continue providing bespoke sources of financing for European companies – and hence steer Europe into a sustainable financing market.

InvestEU Senior Private Credit
Key features

Supporting senior private credit funds across Europe

Typical ticket range

10-25%

of the total commitments of the Financial Intermediary

The final EIF decision will be based on a number of factors, including the policy fit, team experience, geographies targeted, and adherence to the Gender Criteria.

Private participation

at least 30%

of the Fund commitments to be provided by Third Party Benchmark Investors

Third Party Benchmark Investors : Majority privately owned financial institutions, Fund-of-funds, Private endowments and foundations, Family offices and business angels, Majority privately owned corporate investors, Insurance companies, Pension funds, Private Individuals, Academic institutions.

InvestEU-focus

EU companies

SMEs or Small Mid Caps

Eligible Final Recipients can be SMEs or Small Mid Caps, established and operating in an EU Member State, an OCT (Overseas Countries and Territories) or other Participating Country*.

Similarly, the fund itself must also be established in an EU Member State, OCT or other Participating Country*.

**As further specified in the Call documentation*

Main Requirements of the Programme

A minimum eligible allocation principle shall be followed by Funds with whom the EIF enters into an investment with under the Senior Private Credit Programme

Minimum Eligible Allocation

Funds are required to invest the higher of

- *at least twice the amount drawn down* from EIF (capped at 80% of aggregated investment amounts)
- *50% of their aggregate invested amounts*

… in companies that are

- *Established & operating within the EU27 or OCT (Overseas Countries and Territories); and*
- *SMEs or Small Mid-Caps*
- *Only primary investments count towards the Minimum Eligible Allocation*

Example 1: EIF holds more than 25% of the fund size*

Investment under Senior Private Credit in a €100m fund

€35M — *From the InvestEU Equity (Senior Private Credit)*

€65M — Other Investors

Meaning that the "twice amount drawn" principle is triggered

Aggregate invested amounts from the final €120m fund

€70M — Minimum Investment Required under Senior Private Credit

€30M — Other investments in line with the fund's strategy

€20M — *Additional amount from reinvestments*

*Assuming that all commitments are used for investment purpose & that all of EIF's commitment has been drawn

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Funds are required to invest the higher of

- *at least twice the amount drawn down* from EIF (capped at 80% of aggregated investment amounts)
- *50% of their aggregate invested amounts*

… in companies that are

- *Established & operating within the EU27 or OCT and other Participating Countries; and*
- *SMEs or Small Mid-Caps*
- *Only primary investments count towards the Minimum Eligible Allocation*

Assuming that all commitments are used for investment purpose

Example 2: EIF holds up to 25% or less of the fund size

Investment under Senior Private Credit in a €100m fund

€20M — *From the InvestEU Equity (Senior Private Credit)*

€80M — Other Investors

Meaning that the 50% principle is triggered

Aggregate invested amounts from the final €120m fund

€50M — Minimum Investment Required under Senior Private Credit

€50M — Other investments in line with the fund's strategy

€20M — *Additional amount from reinvestments*

InvestEU Horizontal Policy Priorities

Financial Intermediaries are furthermore encouraged to meet one or both of the below Horizontal Priorities which will positively contribute to our assessment of the investment opportunity

Female representation

To actively encourage female participation and representation at fund level.

To meet the gender criteria, funds need to fulfill at least one of the following criteria at the closing at which EIF is admitted

1
its management team is composed of at least one third of female partners, or

2
its senior investment team provides for at least 40% of female representation, or

3
at least 40 % of female representation is provided in its investment committee

Innovation Cohesion

To boost investments into Moderate or Emerging Innovator Countries*.

Measured according to the Manager's target investment strategy for Eligible Equity Final Recipients (Fund to invest primarily in MEICs).

- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Greece
- Hungary
- Italy
- Latvia
- Lithuania
- Malta
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain

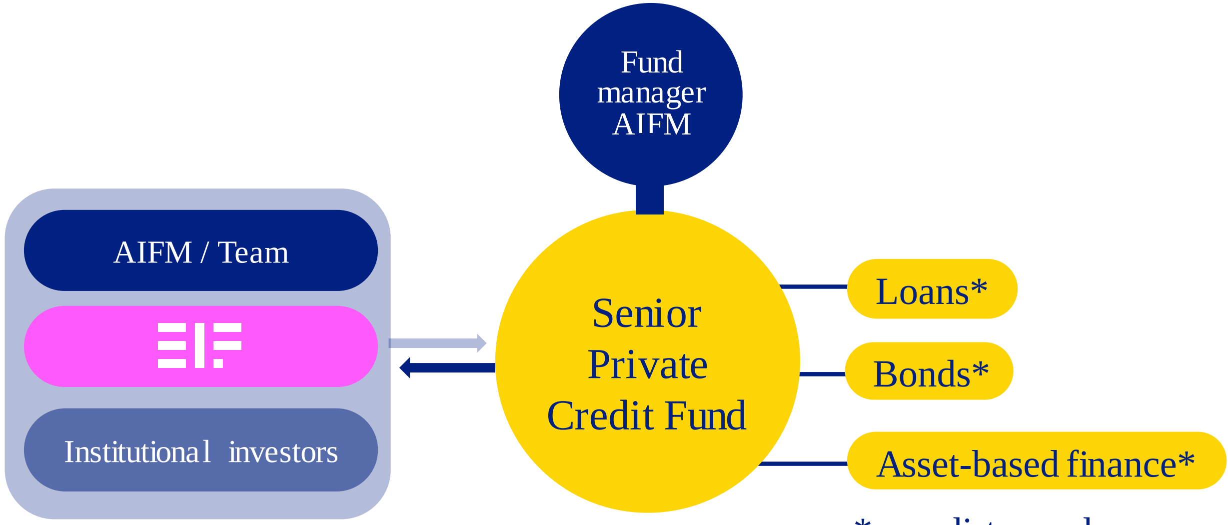
* According to the European Innovation Scoreboard 2021: https://ec.europa.eu/docsroom/documents/46013/attachments/1/translations/en/renditions/native

Senior Private Credit

Cornerstone investments for senior private credit funds

Structuring and eligible GPs

Finance for funds providing flexible senior debt financing solutions



*non-distressed

Fund structure

- Closed-ended commingled funds (LP-GP structure)
- Senior Private Credit investors are typically private investors (at least 30%)
- EIF shall rank pari passu with other investors investing in the same risk class

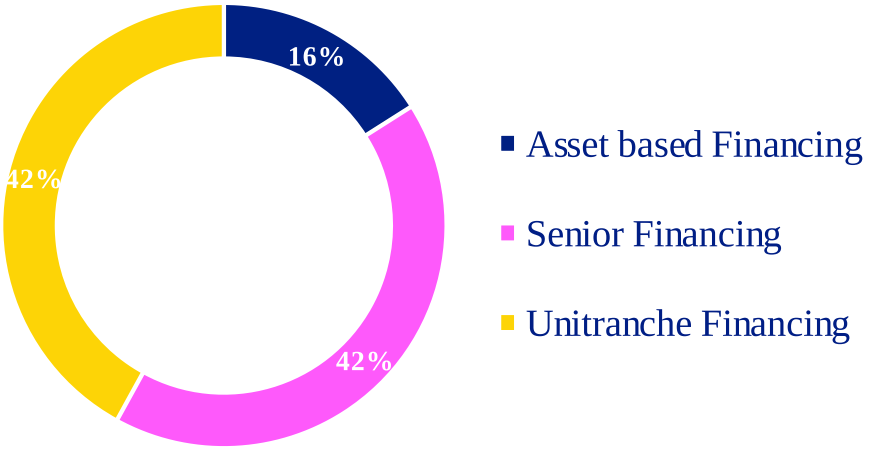
Investment strategy & portfolio

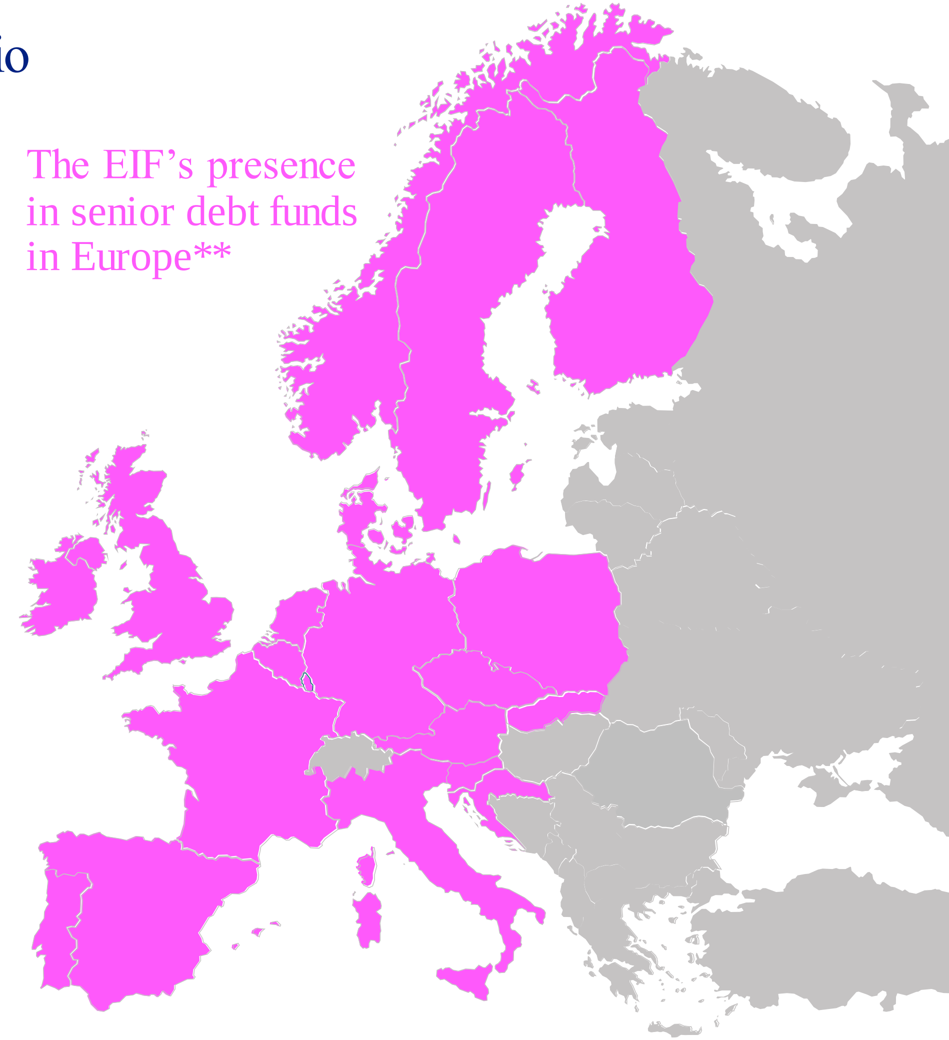
• Investment strategy to enhance SME and small mid-cap access to finance by providing (mainly) Senior tailor-made debt facilities • Type of financing offered can range from loans, bonds and unitranche to asset-based finance • Buy and hold investment strategy • Periodic fund income distribution • Portfolio risk profile typically BB/B (based on EL) • Target net IRR can range from 3% to 7% depending on the risk profile/country • Portfolio diversification by number of underlying portfolio investments (targeting 40 or more investments), sector, geography.

EIF's experience

Composition of the EIF's current senior private credit investment portfolio

€2.5bn	>60	>3,000*
Signed amount	Funds invested	Invested companies





* *of active funds as of June 2021*

** *Based on target portfolio distribution of EIF invested senior private credit funds*