

THE EUROPEAN INVESTMENT FUND

FIRST TIME FUNDS - TRENDS AND INVESTMENT CONSIDERATIONS.



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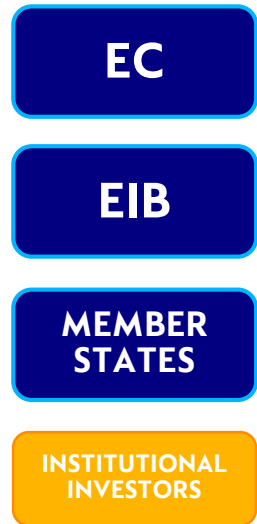
January 2020

Palais des Festivals – Cannes, France

The EIF's Role in providing SME risk financing across Europe

20 YEARS EXPERIENCE PROVIDING SMART MONEY & GENERATING RETURNS

RESOURCES



THE EUROPEAN INVESTMENT FUND



SOLUTIONS



SMEs



* AAA-RATED by three major rating agencies. EIF has a preferred creditor status ("Multilateral Development Bank") allowing a 0% risk weighting to assets guaranteed by EIF.

** 20% paid in.

EIF's lower mid-market investments

DIFFERENT STRATEGIES AIMING AT GROWING PORTFOLIO COMPANIES

GROWTH

LOWER MID-MARKET

STRATEGIES

INVESTMENT STRATEGIES

- Minority equity
- Scale-up growth / expansion capital
- Buy-outs for growth
- Controlling stakes
- Hybrid debt-equity
- Private debt
- Venture debt

INVESTMENT FOCUS

- Generalist funds
- Sector-focused funds
- Strategy-focused funds

TARGET COMPANIES

ESTABLISHED

- Proven business model
- Leading market positioning

HIGH GROWTH POTENTIAL

- Growing domestic markets
- Internationalization opportunity
- Add-on acquisitions
- Global niche leader potential

SMEs / SMALL & MID-CAPS

- EVs: EUR 10-500M

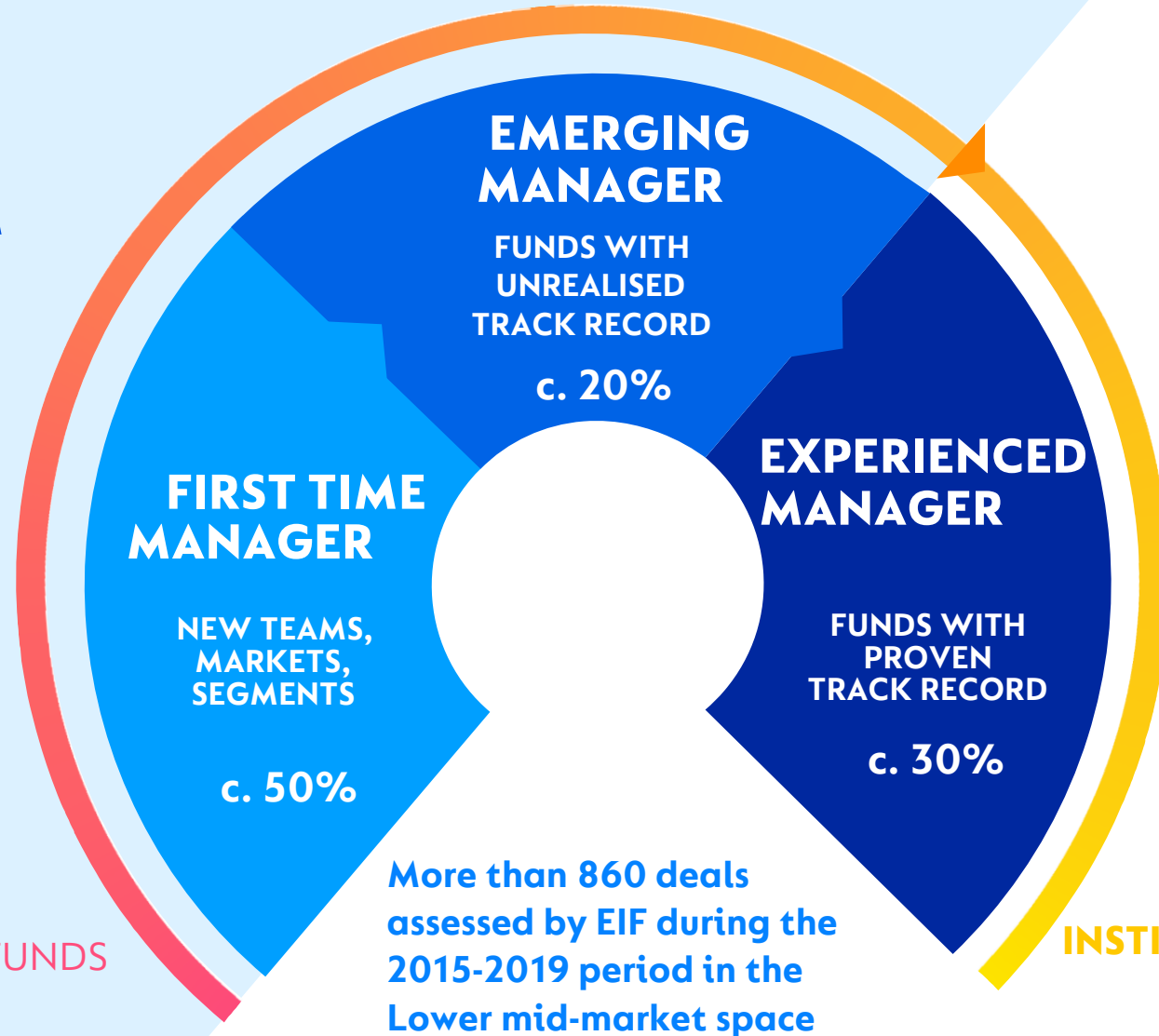
EIF's unique approach

NURTURING THE ECOSYSTEM AND DELIVERING RETURNS

BUILDING THE ECOSYSTEM

- Higher risk investments in unproven opportunities
- First mover in emerging markets and sectors
- Structuring input and best practice
- Providing a quality seal

HIGH RISK FUNDS



DELIVERING RETURNS

- Long-standing relationships with managers
- Unrivalled deal visibility
- Enviably access to oversubscribed funds

INSTITUTIONAL GRADE FUNDS

Statistics on 2015-2019 lower mid-market deal flow

BREAKDOWN OF NUMBER OF OPPORTUNITIES PER YEAR AND PER CATEGORY



CONSISTENT PRESENCE OF FIRST TIME MANAGERS

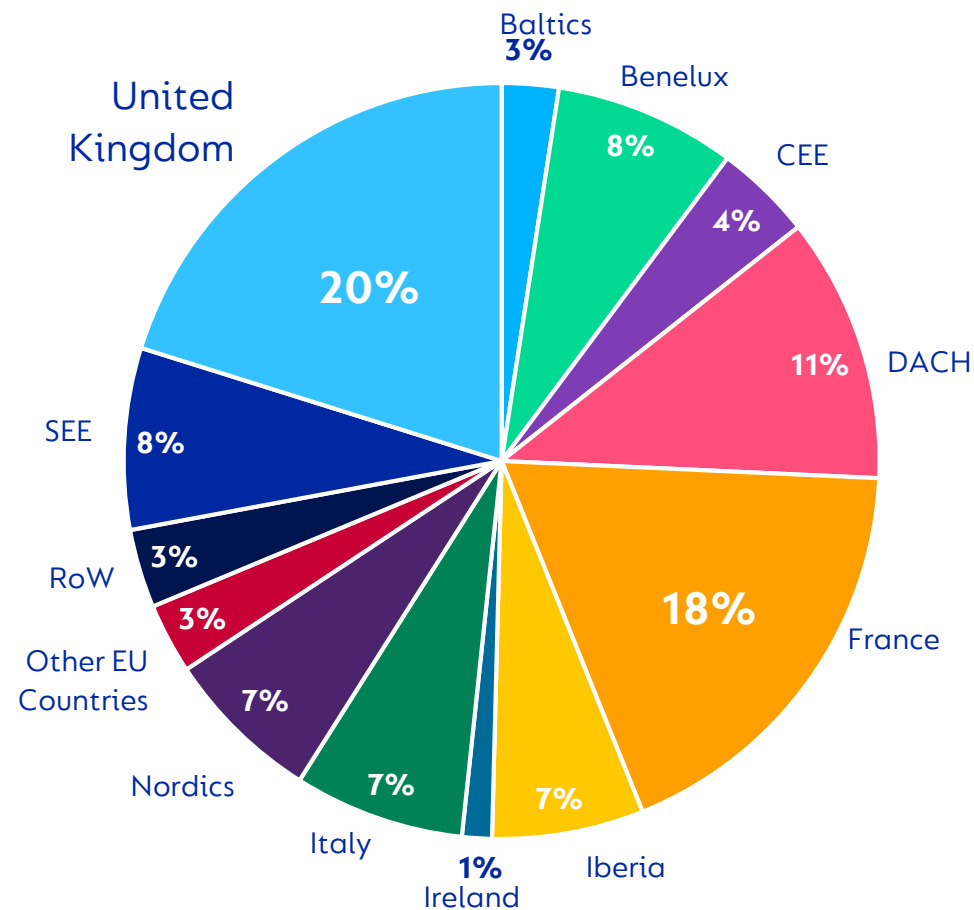
2018 RECORD YEAR for fundraising in general but particularly for First Time Managers

Statistics on 2015-2019 lower mid-market deal flow

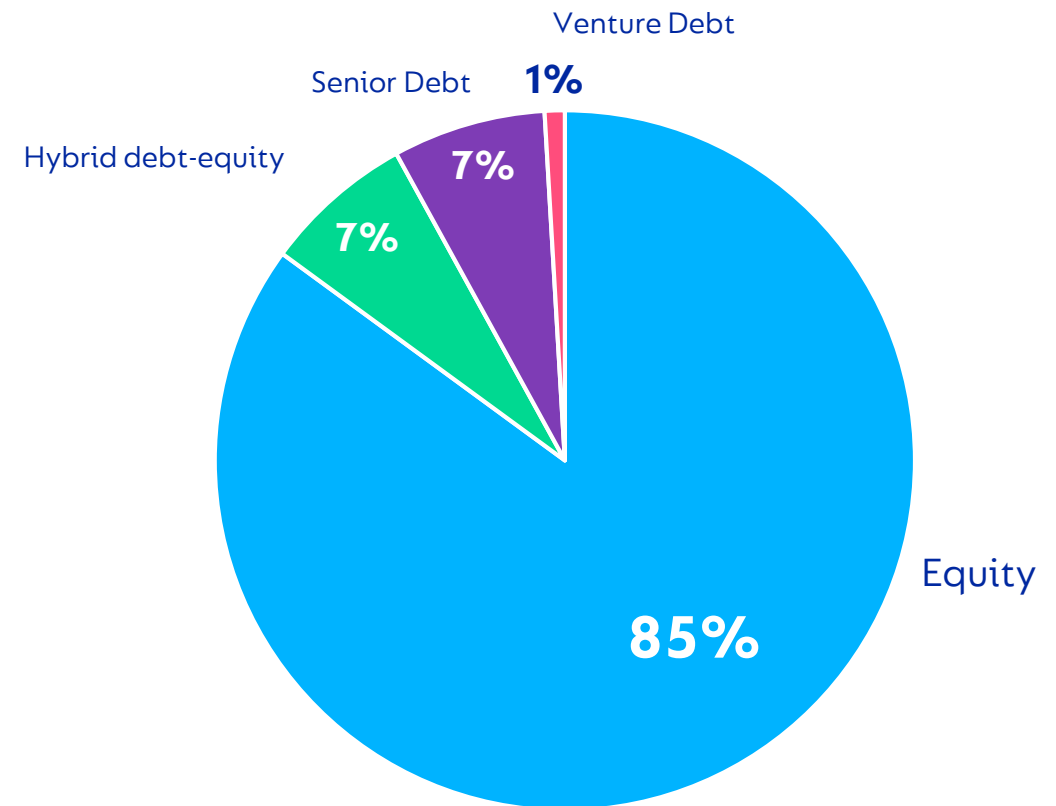
BREAKDOWN OF NUMBER OF OPPORTUNITIES PER REGION AND PER PRODUCT

WELL DIVERSIFIED ACROSS REGIONS AND COUNTRIES

- Mature markets such as France or UK are dominating



EQUITY IS PREDOMINANT



EIF Statistics on 2015-2019 lower mid-market activity

EIF IMPACT ON DIFFERENT CATEGORIES AND EVOLUTION OF FUND SIZE

In EUR m	# funds	Amount invested by EIF			Fund size			Average EIF stake
		Min	Max	Average	Min	Max	Average	
First time manager	29	8.7	50.0	30.0	17.0	200.0	85.0	35.0 %
Emerging manager	39	8.0	70.0	37.0	21.0	770.0	220.0	17.0 %
Experienced manager	76	15.0	150.0	46.0	30.0	1,600.0	340.0	13.0 %

- **c. 160% increase** of fund size between **first time managers** and **emerging managers**
- **c. 60% increase** between **emerging managers** and **experienced managers**
- **Significant impact on first time managers** (c. 35% stake in first time funds)
- **Gradual decrease of EIF's stake as managers mature**

Statistics on 2015-2019 lower mid-market activity

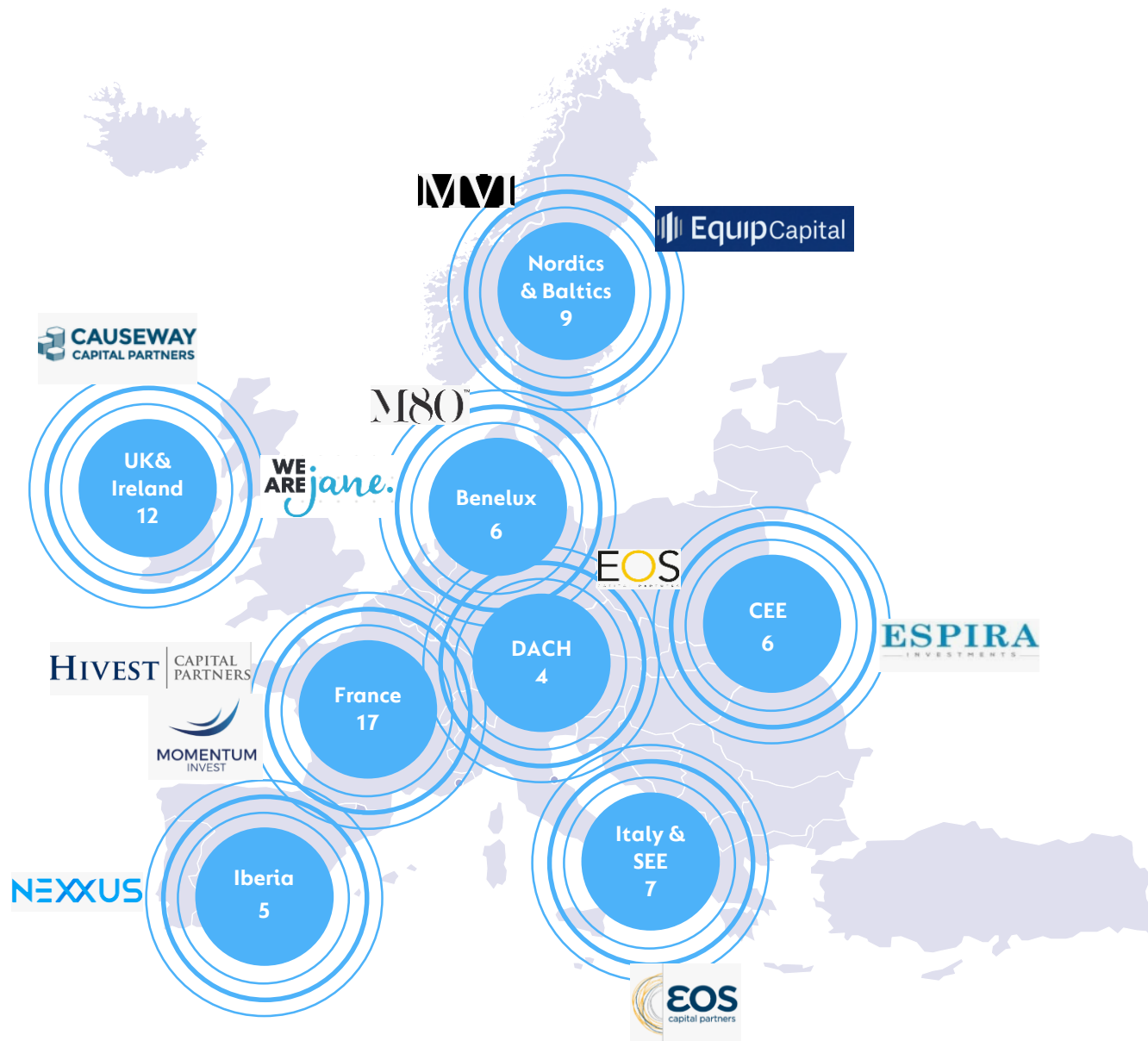
ACTUAL FUNDRAISING SITUATION VS TARGET OBJECTIVES

- **More than c. 55% of experienced managers raised funds above target** (43 funds out of 76)
- **Positive fundraising environment** with large amounts of liquidity available
- **Strong appetite for LPs to invest in first time and emerging managers** with almost 40% of managers having reached or exceeded target fund size



ELF Landscape of ELF's exposure to new managers

LOWER MID-MARKET INVESTMENTS IN FIRST TIME TEAMS WITH FIRST CLOSING IN 2015-2019



68 FIRST TIME & EMERGING MANAGERS
and **76 EXPERIENCED MANAGERS**
supported over the 2015-2019 period

GEOGRAPHICALLY DIVERSIFIED NEW INVESTMENTS across Northern, Western, Eastern and Southern Europe

DIFFERENTIATION through focus on angles like digitalisation, sector-specific focus, gender equality themes, turnaround or others

EIF's due diligence process

WHAT MATTERS WHEN ASSESSING FIRST TIME MANAGERS



EIF Investment considerations

WHAT IS EIF'S RATIONALE TO SUPPORT FIRST TIME MANAGERS?

- **Objectives:**
 - **Develop** the PE industry
 - **Underserved markets** (geographies, market segments)
 - **New strategies** (Gender diversity, sector focus)
 - Apply **best market practices** helping the managers to design the proposal for a larger investors base
 - **Anchor investor** with the objective to create **fundraising momentum**
- **Benefits:**
 - **Diversify** the EIF portfolio
 - Create **investment opportunities** for the **future**: Invest with a long-term prospective across several fund generations
 - Increase **portfolio performance**: The most successful teams will become the stars of EIF portfolio tomorrow



Conclusion

EIF's EXPERIENCE AS FIRST TIME MANAGER INVESTOR

- **Large sample** of first time/ emerging managers comprising more than 450 new proposals in that segment in 2015-2019.
- Despite the positive fundraising environment in recent years, first time teams still **face some challenges** to reach adequate fund size.
- With the **proven success of first time/emerging managers** in the European market, **institutional investors** have more confidence now to invest in such category of managers.
- First time and emerging managers have more at stake as they are **often risking a substantial portion of their own capital**. The **success of the first fund** is **key** for future evolution.
- First time and emerging managers show **a greater willingness to explore alternatives/markets** that more seasoned fund managers may not and come up with **innovative strategies**.