



## ESCALAR: up to €1.2 billion to help high potential companies grow and expand in Europe

Brussels, 8 April 2020



Today, the Commission is launching ESCALAR, a new investment approach, developed together with the European Investment Fund (EIF), that will support venture capital and growth financing for promising companies, enabling them to scale up in Europe and help reinforce Europe's economic and technological sovereignty. It will provide up to €300 million aiming to increase the investment capacity of venture capital and private equity funds, triggering investments of up to €1.2 billion, or four times the original investment, to support promising companies.

With the launch of ESCALAR, the Commission is delivering on one of the actions announced in the [new SME strategy](#) to improve access to finance for SMEs. This initiative is particularly relevant in the difficult economic situation SMEs are facing currently due to the coronavirus outbreak. It will support innovative companies during, and after, the crisis, to ensure that Europe can develop and stay at the helm of global technological developments and accelerate its economic recovery.

Commissioner for Internal Market Thierry Breton said: "*Commission is deploying all tools at its disposal to help companies overcome the coronavirus crisis. Today, we are strengthening our support to the many promising European companies to ensure they can continue to develop and grow in Europe. With ESCALAR, we are helping unlock significant additional private investments to support the creation of tomorrow's market leaders.*"

EIF Chief Executive Alain Godard said: "*Scale-ups need to find growth finance to take their businesses to the next level. -- By improving the financing environment, more EU scale-ups may choose to stay in Europe to continue their growth, which is even more crucial now in this time of crisis, when growth companies may need additional support from their investors. The ESCALAR Pilot can help the funds themselves to scale up, resulting in larger fund sizes, thereby supporting the EU's late stage venture capital and growth-focused fund ecosystems.*"

In its pilot phase, ESCALAR will provide up to €300 million backed by the European Fund for Strategic Investments (EFSI). This will aim to increase the investment capacity of venture capital and private equity funds, triggering investments of up to €1.2 billion, or four times the original investment, to support promising companies. Interested fund managers can participate in the scheme by responding to the open [Call for Expressions of Interest](#) published today by the EIF.

ESCALAR aims to support fund closing by committing up to 50% of the size of the fund. It targets both new funds focusing on financing scale-ups, as well as existing funds wishing to support high potential companies from their portfolio to further develop their growth.

The current ESCALAR call is a pilot phase for 2020 with the objective that ESCALAR, based on this pilot experience, becomes a mainstream European financial instrument, alongside the existing financial instruments after 2020, within the next multiannual framework (2021 – 2027). Analysis and selection of the funds is managed by the EIF.

### Background

The current coronavirus outbreak has highlighted the fact that many companies in Europe encounter difficulties when looking for sufficient investments to develop and scale up in Europe. It is estimated that up to 90% of the fast-growing companies have problems financing their growth in Europe. This means either that companies fail to find finance in Europe and have to suspend operations or that

promising European start-ups move out of Europe in their scale-up phase.

Due to the coronavirus crisis, the exit routes (such as trade sales or initial public offerings) for venture capital and private equity funds are temporarily closed, implying that these funds will have to support fast-growing portfolio companies for longer. An investment from ESCALAR will support funds making investments (including follow-on investments) in fast-growing companies, allowing them to get through this period of economic disruption.

ESCALAR aims to address some of these issues, by strengthening the availability of venture capital and growth financing in Europe. Venture capital, a form of financing of start-ups that have been deemed to have high growth potential, and growth finance are vital to a well-functioning Capital Markets Union, but remain underdeveloped in Europe, especially in the scale-up phase.

The initiative is complementary to existing financing instruments. It is unique in giving investors the possibility of a higher return, as the return for the ESCALAR shares is both partially subordinated and capped. This can help fund managers raise more private funds to increase their funding capacity and better meet the large financing needs of European scale-ups, especially in difficult times.

### **For More Information**

[EIF Call for Expressions of Interest](#)

[EFSI website](#)

[EU response to coronavirus](#)

[Unleashing the full potential of European SMEs](#)

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