



InnovFin Products for Companies

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European Investment Bank

Introduction to the European Investment Bank

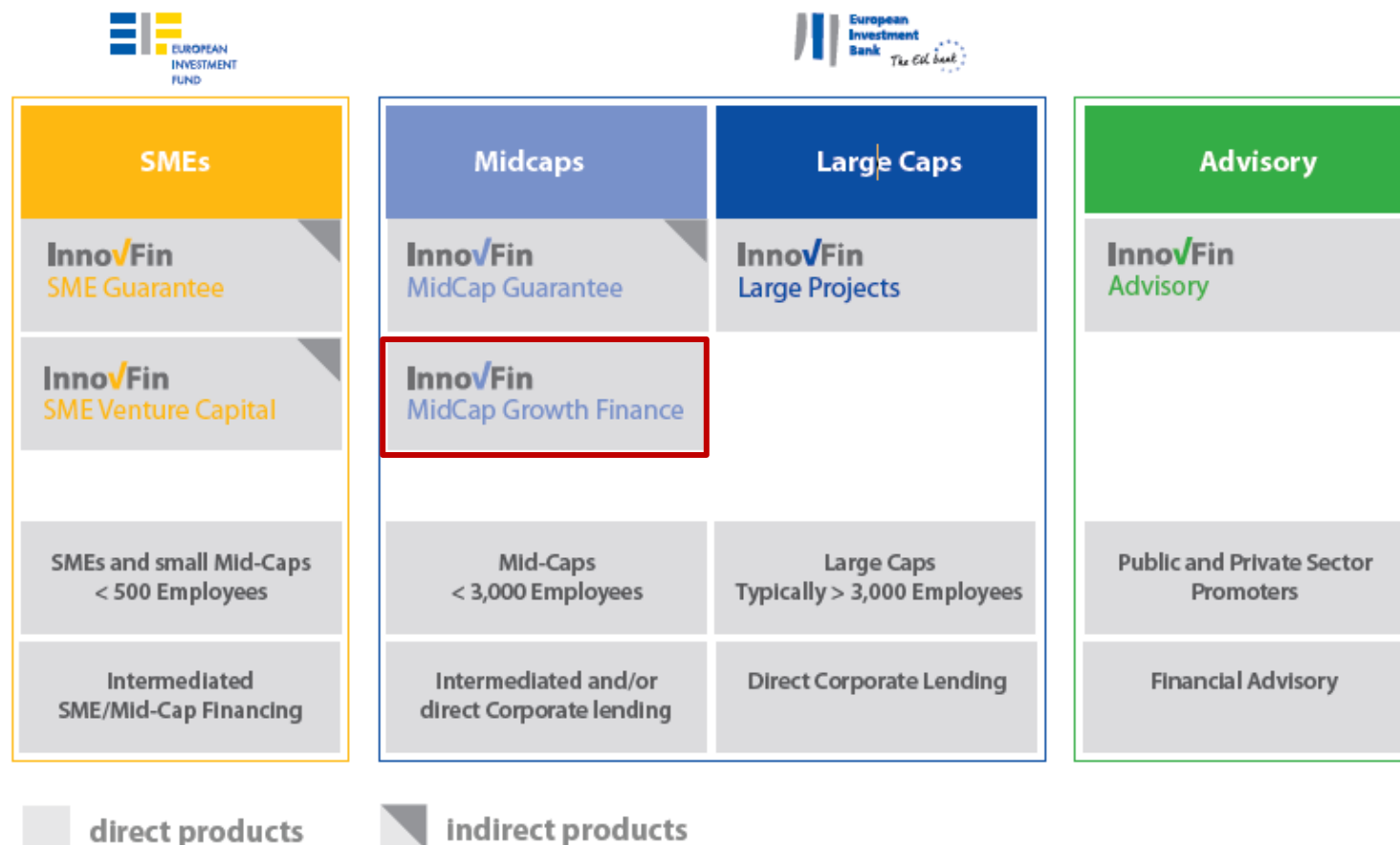


- Created with the Treaty of Rome in 1958
- Owned by 28 EU Member States
- EU's policy-driven, long-term lending institution
- Self-sustaining, non-profit maximizing institution
- Sizeable callable capital **€221bn** (€21bn paid-in)
- Largest Multilateral Development Bank by assets (€525bn in 2014)
- Largest Multilateral Development Bank by annual lending (€67bn target 2014)
- Largest supranational borrower on the capital markets (€70bn target 2014)
- Highest credit rating, 0% risk-weighted and the only supranational bank with direct access to a central bank liquidity (ECB)
- Basel III capital adequacy ratio of 25.9% (June 2014)
- EIB is the parent company of the European Investment Fund (EIF)

EIB Ratings	Long-term	Outlook
Moody's	Aaa	Stable
S&P	AAA	Stable
Fitch	AAA	Stable

(as of September 2014)

InnovFin Product Overview



How does MGF work?



- Direct long term debt and mezzanine finance: **EUR 7.5m – EUR 25m**
- Loans can be structured as economic equity (silent participation)
- For innovative Mid-Caps and SMEs (eligible counterparty concept)
- EIB can finance up to 50% of all investments over 3 years
- Streamlined EIB approval process & English law

MGF: Summary of Terms

Indicative Term Sheet

Borrower	Eligible companies
Product	Term Loan / Guarantee
Purpose	Finance future investment budgets (capex, opex and other, mainly R&D related)
Size of the loan	EUR 7.5m – EUR 25.0m
Tenor	Flexible (usually 5-7 years) options: amortizing, bullet, grace period
Seniority	Senior to mezzanine
Security	Secured or unsecured
Pricing	Floating, fixed or convertible No subsidy elements, full risk pricing Pricing advantage a function of favorable borrowing costs and non-for-profit maximization objective
Covenants	Based on EIB standard loan contracts General and financial covenants/limitations are included according to the credit risk
Fees	Limited but certain fees may be applicable
Jurisdiction	English law
Appraisal	subject to satisfactory documentation usually between <u>3 and 5 months</u>

Illustration

Balance Sheet: Mid-Market Company

Short-Term Assets	Senior Debt
Long-Term Assets	Junior Debt
	Equity

Eligibility

Eligible company

- Medium sized companies, usually from 500 to 3,000 employees
- “R&D-intensive” or “fast growing”

Borrowing Base*

- Planned investments of at least € 15m and € 50m over the next three years
- Research & Development – related
- Innovation / Commercialization of new technology, capex, opex, salaries

Screening process

- Industry & company RDI intensity
- Company R&D score (quality)
- Borrowing base

*see criteria on the next slide

Eligibility Checklist (1/2)



Step 1 Is your company a mid-cap?

A mid-cap is a company which, at the time of the application, employs **less than 3,000 full-time employees** on a consolidated basis.



Step 2 Is your company innovative or fast growing?

A mid-cap company shall be eligible for MGF financing if it meets at least one of the following two conditions:

- A. The company is a **“fast growing enterprise”** measured by employment or turnover. Annualized growth in sales or full-time employees should be greater than 10% and 5%, respectively, a year over the last three years, or
- B. The company is an **“R&D or innovation-driven enterprise”**, if it meets at least one of the following conditions:
 - 1) R&D to Sales ratio is equal or higher than 5% for the last fiscal year, or
 - 2) The company undertakes to spend at least 80% of the loan amount on research, development and innovation activities over the next 36 months, or
 - 3) The company has been awarded grants, loans or guarantees from the European R&D or innovation support schemes (e.g. FP7, Horizon 2020) or regional or national support schemes over the last 36 months, or
 - 4) The company won an innovation prize over the last 24 months, or
 - 5) The company registered more than one patent over the last 24 months, or
 - 6) The company received cash investment from an innovation-driven VC, or
 - 7) The company is registered in a science, technology, or innovation park, or technology cluster or incubator, in each case, for activities related to RDI, or
 - 8) The company has benefited from tax credit related to innovation or investment in R&D in the last 24 months



Innovative or fast-growing mid-cap company eligible for MGF financing

Eligibility Checklist (2/2)



Step 3 What is the company's investment budget over the next 3 to 5 years?

*MGF target companies plan to spend **between EUR 15m and EUR 50m cumulative over the next 3 to 5 years**. Such expenditures will ideally be linked to R&D but can also include general corporate purposes – Capex and Opex*



Step 4 Borrowing capacity

*The Bank takes a view on the company's credit rating – the EIB assigns its own **internal rating**, **no external rating** is required. This would be determined based on a number of factors evaluated during the due diligence process.*

MGF eligible companies will be able to demonstrate their ability to meet their current and future obligations based on their historical and projected business performance.

Due Diligence Process

Financial due diligence

- Review of historic financial information as well as a management discussion on the company's financial projections
- In form and substance comparable to the market standard for bank debt. EIB might involve external support (TBD)
- About 1 or 2 days of finance management attention is required

Technical due diligence

- Compliance check to the relevant eligibility criteria by the EIB engineers
- Evaluate the R&D organization, targets and programs
- Define the eligible investment costs
- About 1 or 2 days of the relevant operational and technical management attention is required

Legal due diligence

- Review of the capacity, statute and organizational structure of the relevant borrowing entities
- Review of any pending legal issues with any third parties or any authorities
- About 1 day of the relevant internal legal counsels' attention is required

Geographical Coverage, Scope & Restricted Sectors

EU 28 and FP7 Associated countries

Fundamental research, definition stage/feasibility studies, industrial research, pre-competitive development activity, pilot and demonstration projects, and innovation (under EIB window)

Engineering, Automotive, Life Sciences, Energy, ICT and RDI Infrastructure (e.g. Fiber optic networks)

MGF Transactions since Launch

1 **EVS**

EVS (2013)
EUR 12m
Senior term loan

2 **MANPOSS**

Marposs (2013)
EUR 25m
Senior term loan

3 **ROVIO**

Rovio (2014)
EUR 25m
Senior term loan

4 **manz**

Manz (2014)
EUR 20m
Mezzanine loan

5 **Pharmathen**

Pharmathen (2014)
EUR 25m
Senior term loan

6 **Welltec**

Welltec (2014)
EUR 25m
Senior term loan



7 **PRAMAC**

Pramac (2014)
EUR 8m
Senior term loan

8 **MAIER**

Maier (2014)
EUR 7.5m
Senior term loan

9 **enet**

e-Net (2014)
EUR 12m
Subordinated loan

10 **NOVABASE**

Novabase (2014)
EUR 14m
Senior term loan

11 **MARANGONI**

Marangoni (2014)
EUR 10m
Senior term loan

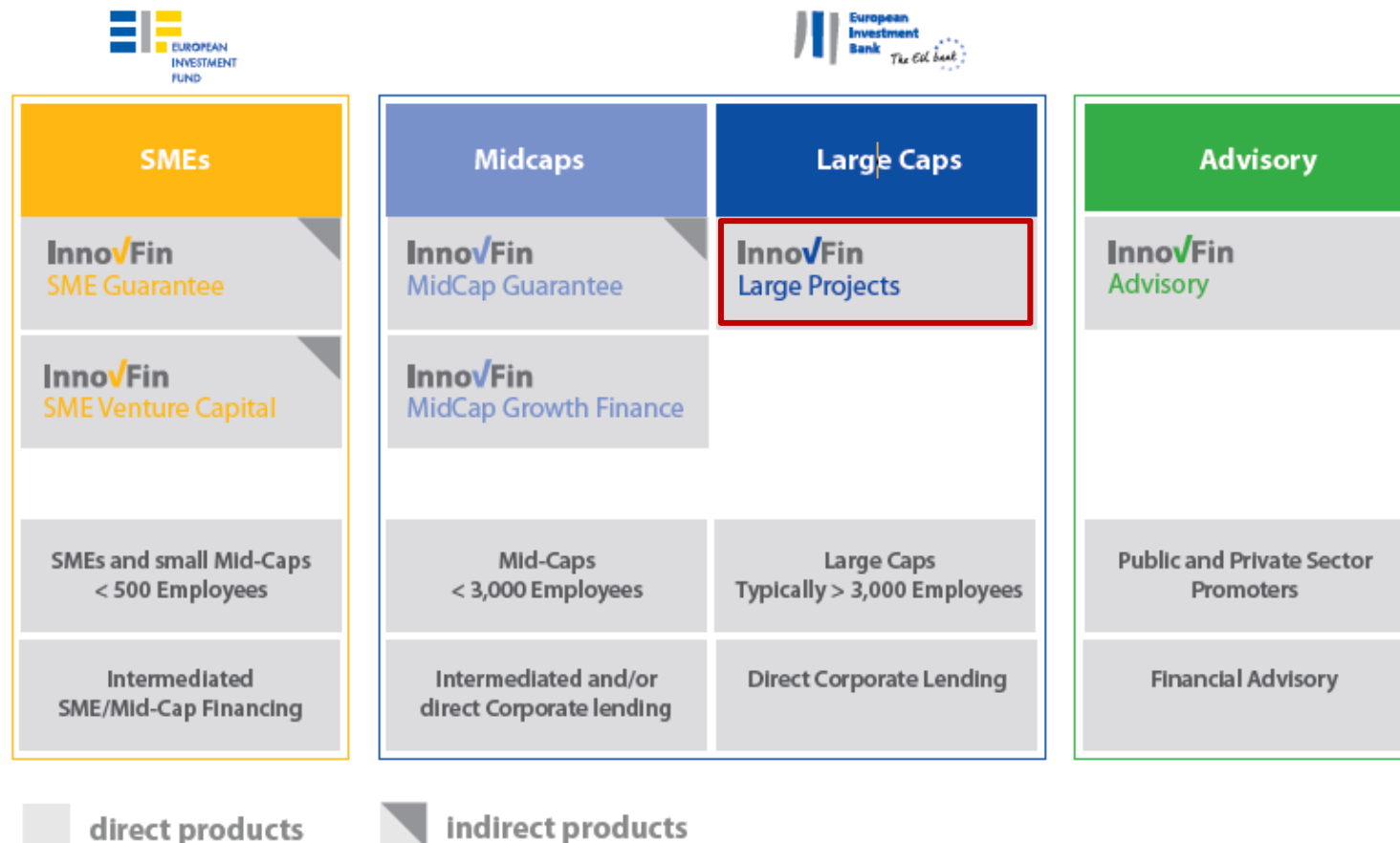
12 **Innocoll**

Innocoll (2015)
EUR 25m
Senior PIK loan

13 **saes group**

SAES (2015)
EUR 10m
Senior term loan

InnovFin Product Overview



How does InnovFin Large Projects work?



- Senior debt (pari-passu with other senior lenders)
- Eligible project required. EIB can only finance 50% of R&D and innovation investments
- Comprehensive due diligence including project due diligence
- EIB standard documentation under English or Luxembourgish law

Large Projects Advantages

Long term loans at attractive terms (pari-passu)

Signalling effect and quality stamp (technical expertise)

Co-financing with house-banks preferred

No cross selling & hold to maturity strategy

InnovFin Product Overview



direct products

indirect products

What we do

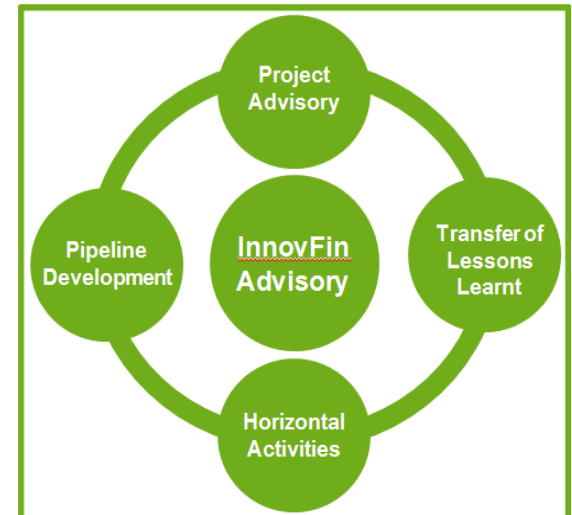
Project Advisory

- Improve the bankability and the investment readiness of complex RDI projects to enable faster access to funding
- Advise specific public-private consortia, R&I driven companies (midcaps or larger), Joint Technology Initiatives, PPPs, R&D clusters, EC and EU Member States

Horizontal Activities

- Improve framework conditions for access-to-finance
- Prepare studies on increasing effectiveness of financial instruments to address specific sectors/RDI projects' needs
- Develop “business case” for new financing mechanisms to support specific RDI policy objectives

- Business model
- Debt capacity analysis
- Capital structure
- Funding strategy
- Classic or innovative (public) financial instruments
- Funding sources and their eligibility criteria
- Governance
- Stakeholder engagement



When do we intervene?

**Promoter/
Project
definition**

Pre-financing

**Loan
Appraisal**

InnovFin Advisory intervention

- Objective
- Shareholders/sponsors definition
- Strategy
- Business plan

- Review of strategy and business plan
- Review of key assumptions-sensitivities, risk allocation
- Review of eligibility for various financing options
- Set-up of legal and governance structure by the Promoter



- Due diligence
- Negotiations
- Structuring
- Documentation

**Improved
access to
finance**


Examples of Current Projects

- ❑ **Assessment of access-to-finance conditions for Bio-based industries and blue economy** – study to assess, and potentially improve, access-to-finance conditions met by Bio-economy companies.
- ❑ **Pilot Light Project Advisory (LPA) activities in the context of InnovFin** – piloting the LPA product with a wider sectorial coverage, aiming to enhance the investment-readiness of projects.
- ❑ **Fuel Cells and Hydrogen Joint Undertaking** – advising the FCH JU, the German and UK Coalition members on the bankability of hydrogen infrastructure roll-out.
- ❑ **Development of new financing mechanisms for prioritising Global Health R&D** – study to evaluate new trends and opportunities to finance Global Health R&D.
- ❑ **Web application for Innovative SMEs and Mid-Caps** – launch of user friendly application (improved communication) to Improve access to risk finance for SMEs and Mid-Caps.

Web Tool on InnovFin Products

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InnovFin – EU Finance for Innovators

"InnovFin – EU Finance for Innovators" is a joint initiative launched by the **European Investment Bank Group (EIB and EIF)** in cooperation with the European Commission under Horizon 2020.

InnovFin consists of a series of integrated and complementary financing tools and advisory services offered by the EIB Group, covering the entire value chain of research and innovation (R&I) in order to support investments from the smallest to the largest enterprise.



InnovFin is available across all eligible sectors under Horizon 2020, in EU Member States and Associated Countries. 

By 2020, InnovFin is expected to make over EUR 24bn of debt and equity financing available to innovative companies to support EUR 48bn of final R&I investments.

What financing products are available?


InnovFin financing tools cover a wide range of loans and guarantees which can be tailored to innovators' needs. Financing is either provided directly or via a financial intermediary, most usually a bank.

SMEs	Midcaps	Large Caps	Advisory
InnovFin SME Guarantee	InnovFin MidCap Guarantee	InnovFin Large Projects	InnovFin Advisory
InnovFin SME Venture Capital	InnovFin MidCap Growth Finance		

 direct products
  indirect products

Calendar

- 11 DEC** InnovFin Seminar – EU Finance for Innovators and ... Oslo
- 06 NOV** InnovFin Seminar – EU Finance for Innovators and ... Warsaw
- 08 OCT** InnovFin Seminar – EU and National Financial ... The Hague
- 08 JUL** InnovFin Seminar – EU Finance for Innovators Luxembourg



6 simple steps to loan funding

click here to unlock your business potential

InnovFin - Frequently Asked Questions

Related links

APPENDIX

Due Diligence Process

Financial due diligence

- Review of historic financial information as well as a management discussion on the company's financial projections
- In form and substance comparable to the market standard for bank debt. EIB might involve external support (TBD)
- About 1 or 2 days of finance management attention is required

- List of Documents (example):
- Financial/Audit Reports (3y)
- Detailed Segment Reporting (products)
- Client/Regional Sales Diversification
- Terms of existing finance agreements
- Group organisation chart
- Market research as available
- Financial forecasts (incl. CAPEX, cost, revenue planning)
- Strategy outline
- etc

Technical due diligence

- Compliance check to the relevant eligibility criteria by the EIB engineers
- Evaluate the R&D organization, targets and programs
- Define the eligible investment costs
- About 1 or 2 days of the relevant operational and technical management attention is required

- List of Documents (example):
- Detailed investment budget
- Cost projections for each project over 4-5 years (depending on project implementation phase)
- Cost/R&D staff break-down
- Description of internal R&D project management/quality standards
- Grant overview
- Environmental relevance of projects
- Outline of training policy and budget for the next 4-5 years within the company in Europe
- etc

Legal due diligence

- Review of the capacity, statute and organizational structure of the relevant borrowing entities
- Review of any pending legal issues with any third parties or any authorities
- About 1 day of the relevant internal legal counsels' attention is required

- List of Documents (example):
- Legal structure of group (statutes etc.)
- Group organisation chart
- Management organisation chart
- Terms of existing finance agreements
- Activity licenses
- Pending material litigations/disputes
- Terms of material contracts
- Outstanding dispute resolutions
- etc

Geographical Coverage, Scope & Restricted Sectors

- Geographic Scope: EU 28 and FP7 Associated countries (Switzerland, Israel, Norway, Iceland, Lichtenstein, Turkey, FYROM, Serbia, Albania, Montenegro, Bosnia & Herzegovina, Faroe Islands)
- RDI Scope: fundamental research, definition stage/feasibility studies, industrial research, pre-competitive development activity, pilot and demonstration projects, and innovation (under EIB window)
- Industry Scope: Engineering, Automotive, Life Sciences, Energy, ICT and RDI Infrastructure (e.g. Fiber optic networks)
- Restricted Sectors:
 - Production of weapons and ammunition, arms, military or police equipment or infrastructures, and equipment or infrastructure which result in limiting people's individual rights and freedom (i.e. prisons, detention centres of any form) or in violation of human rights;
 - Gambling and related equipment;
 - Tobacco manufacturing, processing, or distribution;
 - Activities involving live animals for experimental and scientific purposes insofar as compliance with the "Council of Europe's Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes" cannot be guaranteed ;
 - Activities which give rise to environmental impacts that are not largely mitigated and/or compensated;
 - Sectors considered ethically or morally controversial or which are forbidden by national law, e.g. research on human cloning;
 - Pure real estate development activity;
 - Pure financial activities e.g. trading in financial instruments.
 - When providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes; or (ii) Genetically Modified Organisms ("GMOs"), EIB Group will require from the Financial Intermediary appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.