EU Finance for Innovators and Growth Companies in Poland

Warsaw, Thursday 6 November 2014
Welcome addresses

László Baranyay, Vice-President, EIB

Krzysztof Pietraszkiewicz,
President, Polish Bank Association, National Contact Point for Financial Instruments of the EU Programmes
Innovation as the basis for sustainable growth in Europe and in Poland

László Baranyay
Vice-President, EIB
Introduction to Europe’s innovation strategy and Horizon 2020

Steve Rogers
Deputy Head of Unit, DG Research & Innovation, European Commission
New EU Framework Programme for R&I (2014-20)

1) A core part of Europe 2020, Innovation Union & European Research Area:
   – Responding to the economic crisis to invest in future jobs and growth
   – Addressing people’s concerns about their livelihoods, safety and environment
   – Strengthening the EU’s global position in research, innovation and technology

2) A single programme bringing together three separate programmes/initiatives(*)

3) €79 billion (current price) for 3 main priorities:
   - Excellent science
   - Industrial Leadership
   - Societal Challenges

4) Emphasis on innovation; Strong focus on SMEs; R&I as critical vector for growth and jobs

(*) The 7th Research Framework Programme (FP7), innovation aspects of Competitiveness and Innovation Framework Programme (CIP), EU contribution to the European Institute of Innovation and Technology (EIT)
Because:

- Strategic investments in key technologies (e.g. advanced manufacturing, microelectronics) underpin innovation across existing and emerging sectors.

- Europe needs to attract more private investment in research and innovation

- Europe needs more innovative small and medium-sized enterprises (SMEs) to create growth and jobs
Access to Risk Finance Programme

- The most important EU programme ever to support debt and equity investments in R&I (twice FP7 Debt FI budget)
- At least 1/3 of the budget to support innovative/RDI-driven SMEs

<table>
<thead>
<tr>
<th>Issue</th>
<th>2013</th>
<th>2011</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding customers</td>
<td>22</td>
<td>19</td>
<td>24</td>
</tr>
<tr>
<td>Access to finance</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Availability of skilled staff</td>
<td>5</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Regulation</td>
<td>4</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Competition</td>
<td>8</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Costs of production or labour</td>
<td>13</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>DK/NA</td>
<td>0</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Horizon 2020 Access to Risk Finance - Basics

1) What support will be on offer?
   - Risk-sharing in the form of loans and guarantees
   - Risk finance in the form of equity

2) For who or what?
   - RDI-driven/ innovative SMEs & small midcaps
   - Ambitious RDI projects carried out by a variety of recipients (companies, stand-alone projects etc.)

3) To serve which purpose?
   - Stimulate more investment in research and innovation, notably by the private sector
   - No market distortion: intervention only to address financing gaps in the R&D&I delivery chain (notably due to high risk), and as such help translate R&D results to the market (innovation)
New Generation of Debt and Equity Instruments

• Succeeding FP7 debt (RSFF, RSI) and CIP early stage equity (GIF1) FI

• But more ambitious, in size (almost €3 billion) and in scope (from early stage to expansion/growth stage and up to larger, mature companies investing in RDI)

• Part of the Horizon 2020 "Access to Risk Finance" programme (Industrial Leadership priority)

• Implemented by a Delegation Agreement between the EU and the EIB Group (EIB and EIF), on the basis of a partnership based on experience, trust and professionalism where:

  - EIB and EIF act as EU Entrusted Entities
  - EIB Group is matching EU financial contribution
  - EU and EIB Group are risk-sharing partners
InnovFin Product Overview

- **SMEs**
  - InnovFin SME Guarantee
  - InnovFin SME Venture Capital
  - SMEs and small Mid-Caps < 500 Employees
  - Intermediated SME/Mid-Cap Financing

- **Mid-Caps**
  - InnovFin MidCap Guarantee
  - InnovFin MidCap Growth Finance
  - Mid-Caps < 3,000 Employees
  - Intermediated and/or direct Corporate lending

- **Large Caps**
  - InnovFin Large Projects
  - Large Caps Typically > 3,000 Employees
  - Direct Corporate Lending

- **Advisory**
  - InnovFin Advisory

Direct products
Indirect products
Financial Instruments under Horizon 2020

Jean-David *MALO*
Steve *ROGERS*
DG Research and Innovation
B3 - Head of Unit / Deputy Head of Unit
Phones: (+32) 2 2993842 / 2 2968016
Email: jean-david.malo@ec.europa.eu
steve.rogers@ec.europa.eu
InnovFin Product Presentation

Christoph Kuhn
Head of Division, New Products and Special Transactions, EIB

Tomasz Kozlowski
Senior Manager, Institutional Business Development, EIF

Shiva Dustdar
Head of Division, RDI Advisory, EIB
InnovFin: a quantum leap

InnovFin builds on the success of RSFF but will be much larger and broader.

EU and EIB Group Contributions

Loans and guarantees

<table>
<thead>
<tr>
<th></th>
<th>EUR bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSFF</td>
<td>1.20</td>
</tr>
<tr>
<td>InnovFin</td>
<td>3.00</td>
</tr>
<tr>
<td>RSFF Loans</td>
<td>1.40</td>
</tr>
<tr>
<td>InnovFin Loans</td>
<td>18.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>EUR bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSFF Guarantees</td>
<td>11.30</td>
</tr>
<tr>
<td>InnovFin Guarantees</td>
<td>5.50</td>
</tr>
</tbody>
</table>
InnovFin Product Overview

InnovFin
EU Finance for Innovators

SMEs
InnovFin SME Guarantee
InnovFin SME Venture Capital
SMEs and small Mid-Caps < 500 Employees
Intermediated SME/Mid-Cap Financing

MidCaps
InnovFin MidCap Guarantee
InnovFin MidCap Growth Finance
Mid-Caps < 3,000 Employees
Intermediated and/or direct Corporate lending

Large Caps
InnovFin Large Projects
InnovFin Advisory
Large Caps Typically > 3,000 Employees
Direct Corporate Lending

Advisory
InnovFin Advisory
indirect products
direct products
RSI (predecessor under FP7) has been highly successful, deployed in 18 countries by 36 financial intermediaries. As of 30/6/2014 more than 1,376 innovative companies has been supported through RSI.

**InnovFin SME Guarantee** boosts by almost 4 times the RSI initiative to ca. EUR 10bn.

New Call for Expression of Interest is published. Already 10 applications received.
What are the key features?

- Up to 50% loss coverage (Principal + Interest 90D)
- Full Delegation to Financial Intermediaries
- Automatic Coverage/Inclusion
- Attractive Guarantee Terms
- Favourable Capital Treatment
- Guarantee and Counter-guarantee
What transactions can be supported?

Purpose of Financing (Term Loans/Leases + Revolving Credit Facilities):

- **Tangible & Intangible Assets**
- **Working Capital**
- **Business Transfers**

- Loan amount: min **EUR 25k** - max **EUR 7.5 m** (only Senior Debt)
- Loan maturity: min **1 year** - max **10 years**
- Currency: **EUR and local currency**
- Max (counter-)guarantee amount is **EUR 200m** per intermediary
  (**EUR 500m** per intermediary group)
Pricing Terms

Guarantee Fee: SME
0.50% p.a.

Guarantee Fee: Small Mid-Cap
0.80% p.a.

• Payable either quarterly based on the average portfolio balance or up-front (based on an amortisation schedule)

• Financial Intermediaries are required to transfer the Financial Benefit to SMEs & Small Mid-caps:
  • reduced interest rate (direct guarantees)
  • reduced guarantee fee premium (counter-guarantees)
InnovFin: A Win-Win Facility

Financial Intermediary

- Reduced Capital Consumption
- Increased Return on Capital
- Competitive Loan Pricing

Beneficiary

- Enhanced Access to Finance
- Flexible Funding
- Reduced Cost of Funding
InnovFin Product Overview

SMEs
- InnovFin SME Guarantee
- InnovFin SME Venture Capital
- SMEs and small Mid-Caps < 500 Employees
- Intermediated SME/Mid-Cap Financing

MidCaps
- InnovFin MidCap Guarantee
- InnovFin MidCap Growth Finance
- Mid-Caps < 3,000 Employees
- Intermediated and/or direct Corporate lending

Large Caps
- InnovFin Large Projects
- Large Caps Typically > 3,000 Employees
- Direct Corporate Lending

Advisory
- InnovFin Advisory
- indirect products
- direct products
Two Products for Innovative Mid-Caps

1. **Indirect Financing (Risk Sharing) for Senior Loans: Mid-Cap Guarantee**

   - **European Investment Bank**
   - 50% Guarantee EUR 25m
   - Financial Intermediary
   - New Loans
   - Innovative Mid-Caps
     - 3,000 Employees

2. **Direct Growth Financing (Mezzanine): Mid-Cap Growth Finance**

   - **European Investment Bank**
   - Growth Finance / Mezzanine EUR 25m
   - Innovative Mid-Caps
     - 3,000 Employees
How does MCG work?

- 50% Loss Coverage for new Mid-Cap Loans of up to EUR 50m not covered under InnovFin SMES
- Can be complemented with EIB Funding (Global Loan)
- Pari-passu sharing of risk and pricing
- Full delegation to Financial Intermediaries
- Favourable Capital Treatment, English Law
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
Mid-Cap Product Advantages

No Crowding Out. Complementary Finance to House Banks

EIB Signaling Effect to attract other banks & investors (quality stamp)

Long-term lending at attractive terms (no subsidised)

Growth Finance without dilution of shareholders
InnovFin Product Overview

SMEs
- InnovFin SME Guarantee
- InnovFin SME Venture Capital

MidCaps
- InnovFin MidCap Guarantee
- InnovFin MidCap Growth Finance

Large Caps
- InnovFin Large Projects

Advisory
- InnovFin Advisory

Indirect products
- SMEs and small Mid-Caps < 500 Employees
- Mid-Caps < 3,000 Employees

Direct products
- Intermediated SME/Mid-Cap Financing
- Intermediated and/or direct Corporate lending
- Large Caps Typically > 3,000 Employees
- Direct Corporate Lending
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

- **SMEs**
  - InnovaFin SME Guarantee
  - InnovaFin SME Venture Capital
  - SMEs and small Mid-Caps < 500 Employees
  - Intermediated SME/Mid-Cap Financing

- **MidCaps**
  - InnovaFin MidCap Guarantee
  - InnovaFin MidCap Growth Finance
  - Mid-Caps < 3,000 Employees
  - Intermediated and/or direct Corporate lending

- **Large Caps**
  - InnovaFin Large Projects
  - InnovaFin Large Corporate Lending
  - Large Caps Typically > 3,000 Employees

- **Advisory**
  - InnovaFin Advisory

**Indirect Products**
- gray boxes

**Direct Products**
- white boxes
### Project advisory work

- Improve the bankability and investment readiness of large, complex R&I projects
- Advise specific public-private consortia, R&I driven companies (midcaps or larger), Joint Technology Initiatives, PPPs, R&I clusters, EC and MS

### Horizontal activities

- Improve framework conditions for access to finance (web-based portal, criteria notes)
- Prepare studies to improve effectiveness of H2020 FI to address specific sectors/R&I projects needs
- Develop “business case” for new financing mechanisms to support specific R&I policy objectives
What is it?

It’s an application that provides tailored information on the InnovFin product(s) available for each request of financing (both for direct and intermediated products). It is not a credit application tool.

Who is it for?

Innovative companies of all sizes. However, relevant information is also provided on the EIB intermediated credit lines for companies that are not considered eligible under the InnovFin criteria.

http://www.eib.org/products/helpingyouinnovate/index.htm
New Web Tool
Case studies

Jan Faryaszewski
Vice President of the Management Board, ZF Polpharma SA

Tomasz Kierzkowski
Director of Operations, Pekao
Interactive roundtable:

How can we support innovative and growing companies in Poland?
Concluding remarks

Anita Fürstenberg-Lucius
Director, Baltic Sea Department, EIB