

# InnovFin

## EU Finance for Innovators

### MidCap Growth Finance (“MGF”)

Flexible financing for innovative mid-cap companies

Oslo, 11 December 2014

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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)

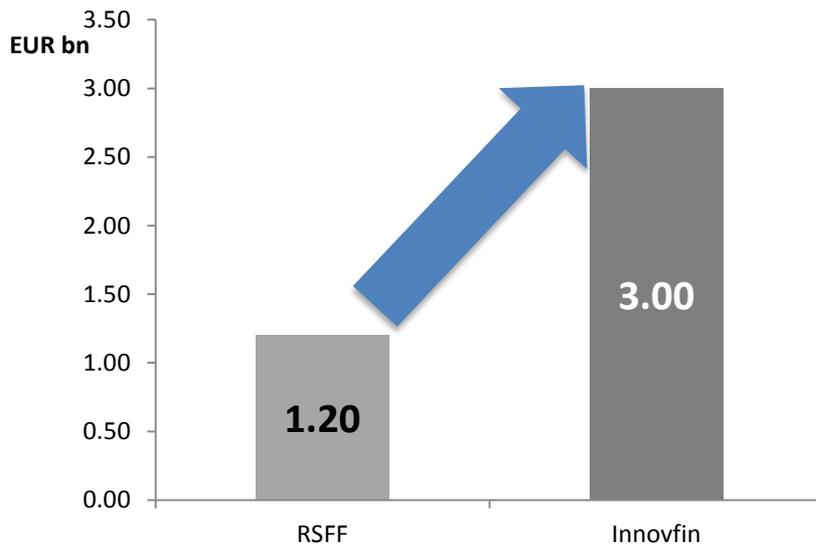
EIB Ratings	Long-term	Outlook
Moody's	Aaa	Stable
S&P	AAA	Stable
Fitch	AAA	Stable

(as of September 2014)

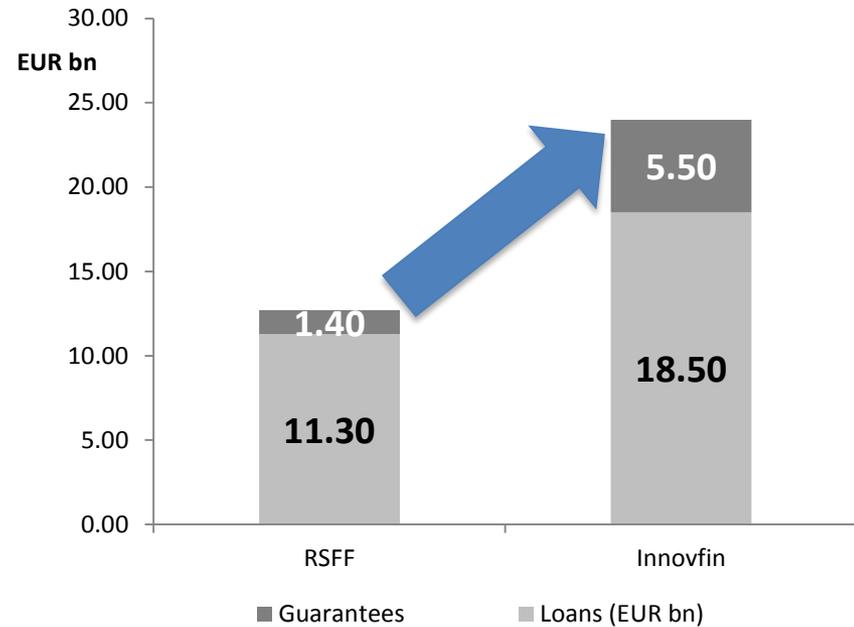
# InnovFin: a quantum leap

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

## EU and EIB Group Contributions



## Loans and guarantees



# InnovFin Product Overview



SMEs	Mid-Caps	Large Caps	Advisory
<p><b>InnovFin</b> SME Guarantee</p> <p><b>InnovFin</b> SME Venture Capital</p>	<p><b>InnovFin</b> MidCap Guarantee</p> <p><b>InnovFin</b> MidCap Growth Finance</p>	<p><b>InnovFin</b> Large Projects</p>	<p><b>InnovFin</b> Advisory</p>
SMEs and small Mid-Caps < 500 Employees	Mid-Caps < 3,000 Employees	Large Caps Typically > 3,000 Employees	
Intermediated SME/Mid-Cap Financing	Intermediated and/or direct Corporate lending	Direct Corporate Lending	

-  direct products
-  indirect products

# MGF: Summary of Terms

## Indicative Term Sheet

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

<b>Eligible company</b>	<ul style="list-style-type: none"> <li>Medium sized companies, usually from 500 to 3,000 employees</li> <li>“R&amp;D-intensive” of “fast growing”</li> </ul>
<b>Borrowing Base*</b>	<ul style="list-style-type: none"> <li>Planned investments of at least € 15m and € 50m over the next three years</li> <li>Research &amp; Development – related</li> <li>Innovation / Commercialization of new technology, capex, opex, salaries</li> </ul>
<b>Screening process</b>	<ul style="list-style-type: none"> <li>Industry &amp; company RDI intensity</li> <li>Company R&amp;D score (quality)</li> <li>Borrowing base</li> </ul>

\*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 a 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 of 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)

Continued from the previous slide



## 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.*

# MidCap Growth Finance – Signed transactions

 <p><b>EUR 12m</b></p> <p><u>Senior term loan</u> Club deal; financing of a R&amp;D facility expansion</p> <p><b>Belgium</b></p> <p>November 2013</p>	 <p><b>EUR 25m</b></p> <p><u>Senior term loan</u> Financing of R&amp;D in the filed of measurement systems and components</p> <p><b>Italy</b></p> <p>December 2013</p>	 <p><b>EUR 25m</b></p> <p><u>Senior term loan</u> Financing of R&amp;D in the filed of cloud-based service platform</p> <p><b>Finland</b></p> <p>May 2014</p>	 <p><b>EUR 20m</b></p> <p><u>Mezzanine loan</u> Financing of R&amp;D in the filed of thin-film photovoltaic technology</p> <p><b>Germany</b></p> <p>August 2014</p>	 <p><b>EUR 25m</b></p> <p><u>Senior term loan</u> Financing of R&amp;D in the filed of pharmaceutical production</p> <p><b>Greece</b></p> <p>November 2014</p>
 <p><b>EUR 25m</b></p> <p><u>Senior term loan</u> Financing of R&amp;D in the filed of robotics used in extreme conditions</p> <p><b>Denmark</b></p> <p>December 2014</p>	 <p><b>EUR 8m</b></p> <p><u>Senior term loan</u> Financing of R&amp;D in the filed of portable electrical generators</p> <p><b>Italy</b></p> <p>December 2014</p>	<p><b>EUR 25m</b></p> <p><u>Senior term loan</u> Financing of automotive R&amp;D</p> <p><b>Spain</b></p> <p>December 2014</p>	<p><b>EUR 12m</b></p> <p><u>Junior term loan</u> Financing fiberoptic network expansion to remote areas</p> <p><b>Ireland</b></p> <p>December 2014</p>	<p><b>EUR 14m</b></p> <p><u>Senior term loan</u> Financing of software R&amp;D</p> <p><b>Portugal</b></p> <p>December 2014</p>

# Rovio: Corporate profile

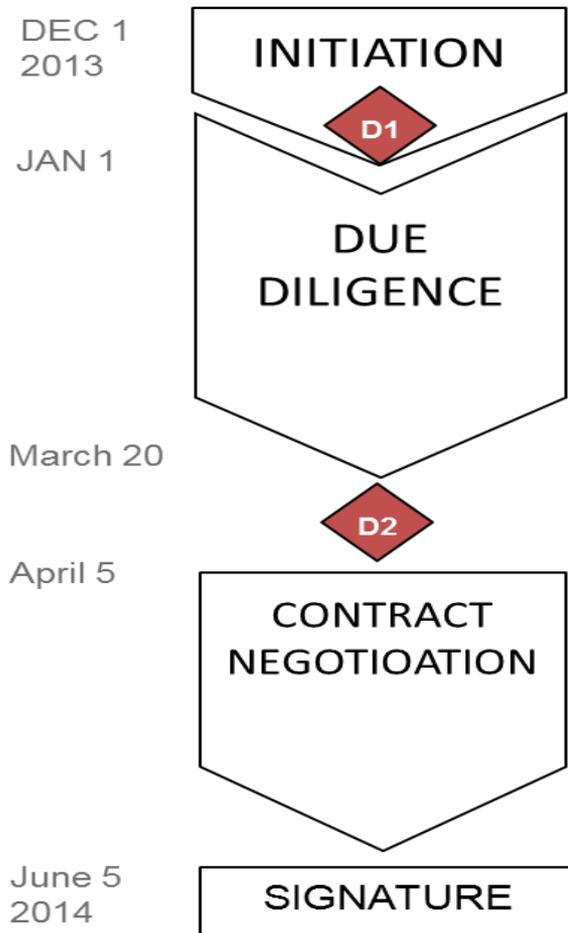


## Company snapshot

Headquarter:	Espoo, Finland
Established:	2003
Revenues:	EUR 156m (2013)
Employees:	~800 (end of 2013)
Ownership:	Private

- Founded in 2003 by three local students
- First Angry Birds game launched in 2009, the company's 52nd birthday
- In 2011 Rovio raised USD 42 million from 3 investors, including the EIF-backed fund.
- By end of 2013 it had launched 7 Angry Birds sequels and 3 other games, which had been downloaded over 2 billion times and attracted over 200 million monthly active users. In 2013 Rovio expanded into animation and by end of 2013 their Toons Channel (toons.tv) had acquired over 1 billion views.
- 30,000 Angry Birds licensed products distributed by 500 licensing partners in 100 different countries.
- Angry Birds was listed in 2013 as the 30th most valuable brand in the world, but in top 10 in terms of brand recognition across all categories.
- Rovio was identified as a high-growth, high-R&D intensive company which competes in an industry dominated by US companies. Rovio has committed some significant investments in growth and R&D in the next three years

# Rovio: Deal summary



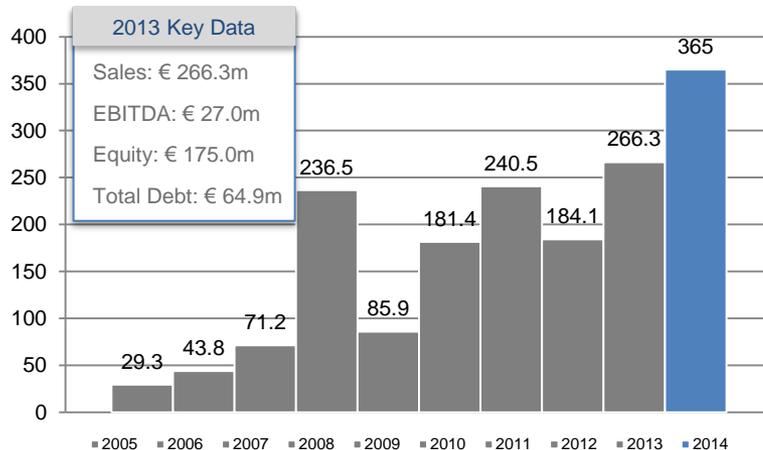
- **New counterparties:** the MidCap Growth Finance instrument allowed EIB to approach new innovative counterparties such as Rovio, previously outside the EIB scope.
- **Flexibility of the instrument:** allowed EIB to tailor a financing package to Rovio's needs and its growth plans, which was highly appreciated by the client.
- **Simplified documentation:** for the project was appreciated also by the client, despite the fact that it was still piloted. The whole due diligence process took a bit more than 2 months.
- For contract preparation an external legal firm was used in coordination with the Bank's legal services. Also a local council was used. All-in-all the cooperation worked smoothly and the contract and legal documents were completed within 1-1.5 months.

# Manz AG: Company profile

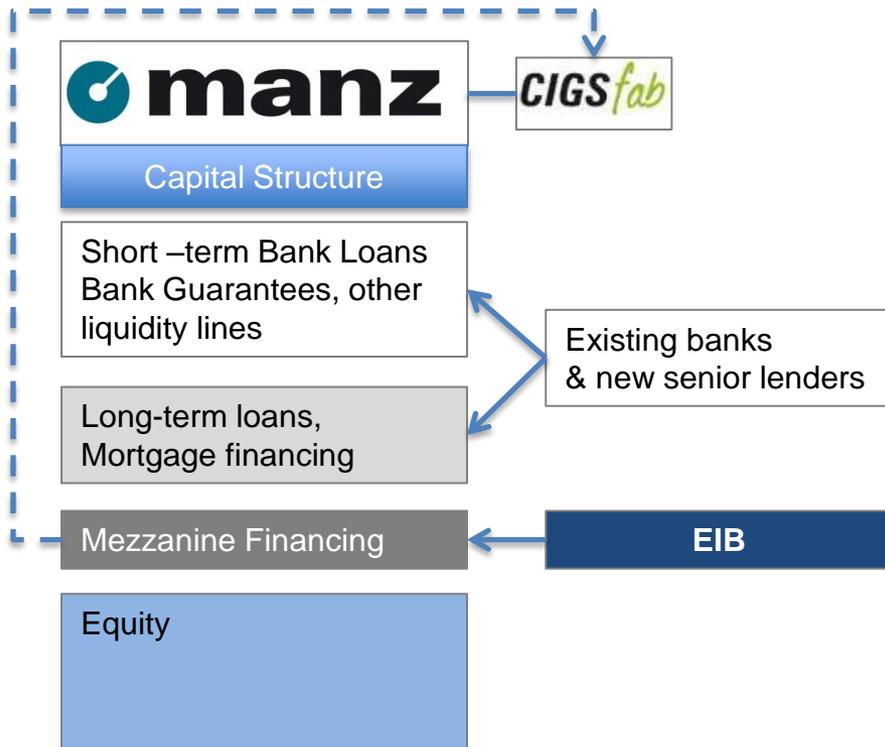


- German public company
- One of the world's leading suppliers of high-tech manufacturing equipment for key technologies (e.g. displays and devices for global communication needs, sustainable power generation and e-mobility.)
- In 2012, Manz became market leader in thin film solar technology, with the acquisition of Würth Solar and the CIGS technology.
- CIGS thin film offers large development potential, not only in terms of cost per watt gains but also closing the efficiency gap with the crystalline silicon technologies.
- Manz's CIGS technology is world leading, with currently the highest sunlight to energy efficiency for thin-film photovoltaic modules.
- Banks refused to finance the project due to the high development/market risks.
- Manz asked EIB for equity or mezzanine financing mainly intended to support the CIGS development.

Revenues in EURm



# Manz AG: Deal summary



- The Manz operation was the first real mezzanine financing under the InnovFin MGF
- The flexibility of InnovFin MGF allowed EIB to provide a flexible funding instrument bringing significant value added to all stakeholders
- The operation was approved within 3 months from operation due diligence
- Signature – summer 2014

# MGF Benefits

- (i) competitive pricing;
- (ii) longer maturities;
- (iii) loan sizes between EUR 7.5 and EUR 25m for MGF (up to EUR 300 for other innovative companies);
- (iv) no cross-selling requirements;
- (v) buy and hold policy with no disposal on secondary market;
- (vi) strong technology and sector competences;
- (vii) signaling effect;
- (viii) funding diversification.

# Contact Details

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# Required Company Involvement in the 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 of Investments & 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.