

## EFSI Operation Scoreboard<sup>1</sup>

PROJECT PRESENTATION	
<b>Project name</b>	UAB SME FINANCE LITHUANIA
<b>Promoter and financial intermediary</b>	EXEDRA CF MB, UAB SME FINANCE
<b>Country of implementation</b>	Estonia, Latvia, Lithuania
<b>Summary project description</b>	<p>This innovative transaction consists of an investment by EIB in the senior notes issued by an SPV in relation to a portfolio of factoring exposures originated by a recently established Lithuanian fintech (UAB SME Finance).</p> <p>Through the operation, the EIB will support working capital financing needs of SMEs and Mid-Caps in eligible sectors (e.g. transport, retail and wholesale, manufacturing, services, etc.). The underlying portfolio of final beneficiaries will comprise at least 70% of SMEs and up to 30% of midcaps.</p> <p>The operation addresses an existing market failure in the Baltics (estimated at EUR 1bn of unaddressed factoring needs) and a sub-optimal investment situation as smaller players such as SMEs still experience greater difficulty in accessing long-term financing sources at sustainable terms. This has been exacerbated by the recent COVID-19 outbreak and the increased riskiness of the economic environment, which represents a threat for the financially weaker companies. Not only do the Baltic economies rely on SMEs to a greater extent than the EU average, but also these SMEs struggle more than their EU peers to access adequate financing. The market is dominated by a very small number of banks that in turn offer a relatively limited choice of financing products. This emphasises the importance of the operation as it will contribute to (i) the increase in financing options for SMEs by supporting the growth of non-bank finance providers (a Fintech in the case of this transaction) and (ii) the growth of an underdeveloped, when compared to its EU peers, factoring market.</p> <p>EIB's investment will have a catalytic role in the transaction and its significant contribution to the financing structure will ensure that a strong signalling effect will be sent to the market, thus attracting the</p>

<sup>1</sup> This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

necessary private sector investors in the mezzanine tranche and, more generally, demonstrating the viability of factoring/SME financing in the Baltic countries. With this transaction, EIB will help attract other players in a space that currently remains underserved, solidifying further EIB's position as a cornerstone player in the process of creating a fully-fledged Capital Markets Union and progressing the bank disintermediation trend in the EU.

## PROJECT PILLAR ASSESSMENT

### Pillar 1

Contribution to EU policy		High
<b>Cross-cutting objectives</b>		
EIB Cohesion Priority Regions / Economic and Social Cohesion		100.00%
Climate Action		2.00%
<b>EFSI</b>		
Contribution to EFSI		100.00%
EFSI: Financial support through the EIF and the EIB to entities having up to 3 000 employees		100.00%
Provision of working capital and investment		100.00%

### Pillar 2

Quality and soundness of the project		Good
1. Capacity and soundness of the Intermediary and quality of the operating environment		[...]
2. Increasing access to finance and improving financing conditions including for final beneficiaries		[...]
3. Employment		[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability<sup>2</sup>;
- (iv) "Employment" i.e. the project's direct employment effect;
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".

### Pillar 3

EIB Technical and financial contribution to the project		High
1. Financial contribution		[...]
2. Financial facilitation		[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.

<sup>2</sup> For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

## **Pillar 4 - Complementary indicators**

### ***Additionality***

This operation contributes to the EFSI objective of providing financial support to entities having up to 3,000 employees, with a particular focus on SMEs & small mid-cap companies in the Baltic States. With the support of EFSI, the EIB will provide vital support through new lending activity towards riskier SME beneficiaries in a variety of sectors. Equally, the operation will address the objective of supporting less-developed regions and transition regions as 100% of the operation will be deployed in Cohesion regions. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

The operation addresses an existing market failure and sub-optimal investment situation as smaller players such as SMEs still experience greater difficulty in accessing long-term financing sources at sustainable terms. This may prove even further true due to the recent COVID-19 outbreak and the increased riskiness of the economic environment, which represents a threat for the financially weaker companies. Not only do the Baltic economies rely on SMEs to a greater extent than the EU average, but also these SMEs struggle more than their EU peers to access adequate financing. One of the main reasons for this is the domination of the market by a very small number of banks that in turn offer a relatively limited choice of financing products. This emphasises the importance of the operation as it will contribute to (i) the increase in financing options for SMEs by supporting the growth of non-bank finance providers (a Fintech in the case of this transaction) and (ii) the growth of an underdeveloped, when compared to its EU peers, factoring market.

EIB's investment will have a catalytic role in the transaction and its significant contribution to the financing structure will ensure that a strong signalling effect will be sent to the market, thus attracting the necessary private sector investors in the mezzanine tranche and, more generally, demonstrate the viability of factoring/SME financing in the Baltic countries.

The operation is expected to fall under EIB's Special Activities category. As such, the EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

The operation will allow creating a new portfolio, which will entail an important catalytic effect, inducing investments of additional private sector resources.

UAB SME Financing will be a first time client of the Bank.

## Set of indicators related to the macroeconomic environment

### Estonia - Economic environment

#### Economic Performance

	EE 2018	EU 2018	US 2018	EE 2001-2007
GDP per capita (EUR, PPS)	24,764.83	30,935.11	43,569.11	20,225.30
GDP growth (%)	3.87	1.97	2.86	7.64
Potential GDP growth (%)	3.21	1.60	2.24	5.48
Output gap (% of potential GDP)	3.33	0.62	0.74	5.60
Unemployment Rate (%)	4.20	6.60	3.90	8.47
Unemployment Rate (%) - Y/Y change (% points)	-1.40	-0.60	-0.20	-1.46
Bank-interest rates to non-financial corporations (%)	1.82	1.26	--	--
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.19	-0.06	--	--
Investment rate (GFCF as % of GDP) - Total	23.90	20.54	20.84	32.63
Investment rate (GFCF as % of GDP) - Public	5.49	2.86	3.31	5.16
Investment rate (GFCF as % of GDP) - Private	18.42	17.68	17.53	27.47

#### SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	41.17	18.89	30.35	30.31	17.54
Availability of Private equity (Thousand euro)	--	--	--	--	67,350,185.55
Availability of Venture Capital (Thousand euro)	--	--	--	--	6,100,548.37

### Latvia - Economic environment

#### Economic Performance

	LV 2018	EU 2018	US 2018	LV 2001-2007
GDP per capita (EUR, PPS)	21,386.53	30,935.11	43,569.11	17,430.40
GDP growth (%)	4.77	1.97	2.86	8.99
Potential GDP growth (%)	3.65	1.60	2.24	7.02
Output gap (% of potential GDP)	2.84	0.62	0.74	3.27
Unemployment Rate (%)	6.90	6.60	3.90	9.87
Unemployment Rate (%) - Y/Y change (% points)	-1.20	-0.60	-0.20	-1.24
Bank-interest rates to non-financial corporations (%)	2.50	1.26	--	5.53
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.08	-0.06	--	0.71
Investment rate (GFCF as % of GDP) - Total	22.80	20.54	20.84	29.63
Investment rate (GFCF as % of GDP) - Public	5.41	2.86	3.31	3.44
Investment rate (GFCF as % of GDP) - Private	17.39	17.68	17.53	26.19

## SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	47.11	24.67	33.24	16.96	17.54
Availability of Private equity (Thousand euro)	--	--	--	--	67,350,185.55
Availability of Venture Capital (Thousand euro)	--	--	--	--	6,100,548.37

## Lithuania - Economic environment

### Economic Performance

	LT 2018	EU 2018	US 2018	LT 2001-2007
GDP per capita (EUR, PPS)	24,800.94	30,935.11	43,569.11	16,916.75
GDP growth (%)	3.45	1.97	2.86	8.08
Potential GDP growth (%)	2.83	1.60	2.24	6.09
Output gap (% of potential GDP)	3.62	0.62	0.74	1.38
Unemployment Rate (%)	5.80	6.60	3.90	9.71
Unemployment Rate (%) - Y/Y change (% points)	-0.90	-0.60	-0.20	-1.81
Bank-interest rates to non-financial corporations (%)	3.06	1.26	--	4.59
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.99	-0.06	--	0.75
Investment rate (GFCF as % of GDP) - Total	19.27	20.54	20.84	23.36
Investment rate (GFCF as % of GDP) - Public	3.21	2.86	3.31	3.60
Investment rate (GFCF as % of GDP) - Private	16.06	17.68	17.53	19.76

## SME/midcap

	2014	2015	2016	2017	EU (latest available)
Share of SMEs with Access to Finance Difficulties (%)	48.46	45.43	52.99	31.92	17.54
Availability of Private equity (Thousand euro)	--	--	--	--	67,350,185.55
Availability of Venture Capital (Thousand euro)	--	--	--	--	6,100,548.37

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

## Other indicators<sup>3</sup>

Key project characteristics	Expected value at PCR
EIB/EFSI eligible investment mobilised [MEUR]	224.00 MEUR
External EFSI multiplier	2.80
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	80.00 MEUR
Sum of number of employees of all final beneficiaries (no additionality) (Relative to the SME/Mid-Cap share)	43,000
Allocation volume dedicated to SME/Mid-Caps [%]	89.00 %
Co-financing with national promotional banks [MEUR]	0.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	0.00 MEUR

<sup>3</sup> For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.