



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	KTM MOTORCYCLE RDI
<u>Promoter or financial intermediary</u>	KTM AG
<u>Country of implementation</u>	Austria
<u>Summary project description</u>	<p>KTM, the largest motorcycle OEM in Europe, is recognised as a producer of high-performance motorcycles in the off-road and street sectors. At the end of 2017, the promoter employed 3.245 people, the majority of which located in Austria. Technological leadership and innovation stand at the core of the company's strategy, allowing it to tap into the less price-sensitive premium segments of the motorcycle market. KTM spends around 9% of net sales on R&D, which is at the higher-end compared with other world leading manufacturers in the motorcycles industry. The link between the off-road and the street segments has been essential to the company's success, both in creating a sportive and youthful brand, and in using the off-road segment as a live test bench for new technologies and the development of extremely sturdy products that are then marketed for dual-use as well as pure street applications. Moreover, the leveraging of its Husqvarna brand has allowed the company to target the urban mobility market segment.</p> <p>The proposed investment programme originates from the promoter's intention to enlarge its product portfolio and know-how in different fields; in particular the project concerns the promoter's investments in Research, Development and Innovation (RDI) in the field of (i) electrical propulsion systems, (ii) cooperative intelligent transport systems, (iii) lightweight design, (iv) advanced material and technologies for motorcycles as well as (v) future urban mobility concepts.</p>

¹ 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 the 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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
Climate Action	17.10%
EFSI	
Contribution to EFSI	100.00%
EFSI: Research, development and innovation	100.00%
Projects that are in line with Horizon 2020	100.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of four indicators which include:

- (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 sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect.

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

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 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.

² 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 will support Horizon 2020 under the research, development and innovation general objective of EFSI by RDI investments of KTM AG for more innovative and cleaner motorcycling. The project will contribute to increasing the company's innovation capabilities and thus support its position and prospects in a very competitive and volatile industry amongst others due to the pressure from low-cost producers from emerging markets.

The RDI investments of the company will contribute to increasing the promoter's knowledge and expertise in the field of motorcycles and is expected to bring about environmental benefits, because of the reduction of vehicle weight, fuel consumption and emissions, and safety improvements. Therefore, this operation does not only contribute to sustaining high skilled RDI jobs in Europe and the competitiveness of the motorcycle industry in Europe, but also to the EU policy objectives of sustainable transport.

The motorcycle industry is currently facing a number of emerging technological and socioeconomic challenges, which are expected to have a significant impact. These changes include electrification, increased digitalisation and vehicle connectivity. It is believed that in the absence of the RDI investments supported by the operation, the promoter could face significant challenges in this new market environment.

However, given that the results of RDI investments are uncertain and do not create material assets, commercial banks tend to be reluctant to finance RDI investment per se, even more so in the context of a risky industry. This creates a sub-optimal investment situation, which this operation addresses as it supports a private RDI programme while assisting to reach the EU 2020 RDI investment target.

The operation could not have been supported by EIB as suggested absent of EFSI support. The operation carries specific risk factors due to a combination of the counterpart risk profile in a cyclical and competitive industry, and the features of the operation.

Set of indicators related to the macroeconomic environment

Austria - Economic environment

Economic Performance

	AT 2018	EU 2018	US 2018	AT 2001-2007
GDP per capita (EUR, PPP)	37,209	29,440	42,615	36,467
GDP growth (%)	1.5	1.9	1.6	2.2
Potential GDP growth (%)	1.4	1.3	2.1	2.1
Output gap (% of potential GDP)	-0.79	-0.75	-0.03	0.12
Unemployment Rate (%)	5.7	8.2	4.7	4.9
Unemployment Rate (%) - Y/Y change (% points)	-0.3	-0.8	-0.3	0.09
Bank-interest rates to non-financial corporations (%)	1.6	1.4	1.8	3.9
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.11	-0.21	-1.4	-0.21
Investment rate (GFCF as % of GDP) - Total	22.9	19.7	19.6	23.6
Investment rate (GFCF as % of GDP) - Public	3.0	2.7	3.4	2.7
Investment rate (GFCF as % of GDP) - Private	19.9	17.0	16.2	20.9

General Sector Indicators

	2013	2014	2015	2016	EU (latest available)
Value added in Manufacture of other transport equipment (% of total)	--	--	--	--	--
Employment in Manufacture of other transport equipment (% of total)	--	--	--	--	--

Research, development and Innovation

	2013	2014	2015	2016	EU (latest available)
Gross domestic expenditure on R&D (GERD) (% of GDP)	3.0	3.1	3.1	--	2.0
Gross domestic expenditure on R&D (GERD) distance to EU 2020 target (% of GDP)	0.79	0.7	0.69	--	0.97
Research and development expenditure - Government (% of GDP)	0.13	0.14	0.14	--	0.24
Research and development expenditure - Higher education (% of GDP)	0.72	0.74	0.75	--	0.47
Research and development expenditure - Business (% of GDP)	2.1	2.2	2.2	--	1.3
Research and development expenditure - Private non-profit sector (% of GDP)	0.01	0.01	0.01	--	0.02
Eco-innovation Index (EU =100)	106.0	106.0	108.0	--	100.0

- Country average for "GDP per capita (EUR, PPP)" is calculated in real terms
- EU value for "Bank-interest rates to non-financial corporations" 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 indicators³

Key project characteristics

	Expected at PCR
Start of works	01.01.2018
End of works	31.12.2020
Project investment cost	334.40 MEUR
EIB/EFSD eligible investment mobilised	334.40 MEUR
External EFSD multiplier	2.78
External EIB (non-EFSD) multiplier	0.00
Amount of private financing	214.40 MEUR
Quick start (% of expenditure during 2015-2018)	31.00 %
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	17.10% Mitigation - RDI (transversal)
Employment during construction - temporary jobs	1,703 person years
Employment during operation - new permanent jobs	418 FTE

³ 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.