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| ***Disclaimer:****This is a draft fiche for a financial product under the EU compartment of the InvestEU Fund based on features included in the draft investment guidelines. The financial product fiche is intended to facilitate discussion with the potential Implementing Partners. It has not been adopted or endorsed by the European Commission. Any views expressed are the preliminary views of the Commission services and may not in any circumstances be regarded as stating an official position of the Commission. The information transmitted is intended only for the entity to which it is addressed for discussions and may contain confidential and/or privileged material. This financial product fiche is meant to serve as an example for the financial product herein described. It shall not pre-empt policy prioritisation or any other aspects related to InvestEU Financial Products. An implementing partner can focus on one or more policy areas targeted by this financial product. The financial product fiches should be read in combination with the policy cover notes per policy window.*  |
| **1.** | **Policy Window(s)** | [ ]  Sustainable Infrastructure window [x]  Research, Innovation and Digitisation window[ ]  SME window[ ]  Social Investment and Skills window |
| **2.** | **Policy Objective(s)** | InvestEU Investment Guidelines section 3.2.2.3:Financing and investment operations under this product shall facilitate and accelerate access to venture debt financing for innovation and digitisation projects, promoters, businesses and other innovative entities and stimulate digital transformation of businesses, markets and EU countries. It shall notably contribute to: * streghtening the EU’s technological sovereignty, including in strategic digital technologies;
* delivering on EU’s strategic priorities for innovation and digitisation;
* upscaling of innovative companies and
* rolling out and deployment of innovative technologies, in particular strategic digital technologies, such as artificial intelligence, blockchain technology, HPC, cloud, cybersecurity, smart networks and Internet of Things to the market.
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| **3.** | **Product Name** | **InvestEU for MidCap Growth Finance** |
| **4.** | **Rationale, Objectives and Expected Impact** | Innovative European mid-caps contribute to Europe’s future growth, prosperity and competitiveness through their ability to develop and market higher value-added products and services. These companies, when expanding beyond the Venture Capital funding stage, lack the cash flow stability and asset quality to have access to sufficient and stable debt financing, i.e. they face the second “Valley of Death”. While the thresholds are not necessary the same in terms of size, European companies successfully active in the research and development of strategic technologies – essential for the evolution of key European vertical industries - often lack the necessary capital for scaling up and commercialising these technologies widely on the market. The 2012 PwC Growth Capital Instrument Study on the access to finance for European mid-cap companies analysed 300 companies out of which **two-thirds indicated a lack of appropriate debt financing**, while one-third indicated interest in, but no access to, hybrid and equity-type financing. PwC estimated the total gap in equity-risk financing for the target mid-caps across Europe to be EUR **32-34bn over the next three years.** In 2017, EIB estimated that the market gap for innovative mid-caps affects about 2.500 European companies, where the financing need is between EUR 10m to EUR 17m (Rees, 2017).[[1]](#footnote-2)Innovative mid-caps and digital scale ups face two problems: 1) finding available risk capital, and 2) deciding on the right mix of funding. Finding available sources of financing is typically limited to debt and additional rounds of equity financing. Innovative mid-caps typically have balance sheets reflecting their efforts to develop and/or acquire skills and intellectual property while experiencing above-market growth. This usually leads to balance sheets dominated by long-term intangible assets and/or short-term working capital assets and liabilities. The financing provided under this product will seek to address the lack of access to, hybrid and equity-type financing. |
| **5.** | **New /existing product** | [x]  New product[ ]  Continuation of existing product[to be developed by the implementing partner based on their experience] |
| **6.** | **Targeted Sectors** | All sectors referred in Annex II, point 5 and 6 of the InvestEU Regulation and meeting the criteria of the Investment Guidelines section 3.2 are eligible for support. The Implementing Parter shall propose which particular sector it would want to target to ensure complementarity with its existing product range and additionality under InvestEU. |
| **7.** | **Targeted Recipients** | Small mid-cap: An enterprise within the meaning of Article 1 of the Title I of the Annex of the Commission Recommendation which1. has up to 499 employees calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation; and
2. is not a micro, small or medium-sized enterprise as defined in the Commission Recommendation.

Large mid-cap: An enterprise, as defined in Article 1 of the Title I of the Annex of the Commission Recommendation whose number of employees is between 500 and 3.000 (with staff headcount calculated in accordance with Articles 3, 4, 5 and 6 of the Title I of the Annex of the Commission Recommendation).Final recipients shall meet the innovation and digital eligibility criteria as laid down in the annex.  |
| **8.** | **Targeted Geography** | [x] All EU MS [ ] Selected MS *(please specify)*[x] Other countries *(please specify)*The Implementing Partner shall propose which particular geography it would want to target to ensure complementarity with its existing product range and additionality under InvestEU.  |
| **9.** | **Implementation period** | In line with Article 10(2) of the InvestEU Regulation, implementation period of the financing or investment operations under the financial product:Approval: until 31 December 2027Signature: until 31 December 2028 |
| **10.** | **Type of financing** | [x] Direct financing (*including co-investments) of Targeted Recipients* by Implementing Partners [ ] Intermediated financing through Financial Intermediaries |
| **10.a** | **Eligible Financial Intermediaries** *(if applicable)* | N/A |
| **10.b** | **Financial Intermediaries’ Financial Needs** *(if applicable)* | N/AN/A |
| **10.c** | **Type of product provided by the Implementing Partner to the Financial Intermediary** *(if applicable)* | N/A |
| **10.d** | **Type of product provided by the Financial Intermediary to Final Recipients** *(if applicable)* | N/A |
| **11.** | **Type of product provided by the Implementing Partner to Final Recipients (direct financing)***(if applicable)* | [ ] Loan [ ] Guarantee[x] Equity and quasi-equity (venture debt, hybrid financing)[ ] Other *(please specify)* |
| **12.** | **Amounts / maturity per final recipients** | The amount is typically the lower of:- 50% of the total R&I project costs; and- the credit risk limits applicable for the risk profile of the promoter and the operation’s structure.Minimum amount per financing or investment operation supported by InvestEU shall be [€Xm]. Max amount in line with revised GBER, in case combination with state resources. Support shall be provided for long-term financing, with a tenor typically ranging initially from [5 to 10] years. Shorter or longer maturities can only be supported if duly justified by the nature of the project or relevant market failures.  |
| **13.** | **Blending** | [ ] Yes[x] No  |
| **14.** | **Size of the Product** | [to be discussed]  |
| **15.** | **Pricing (only relevant for debt/guarantee products)** | [ ] Free of charge[ ] Partially priced[x] Fully pricedTo be discussed between the Commission and the implementing partners. In principle, it is expected that the implementing partner applies pricing in line with its methodology.  |
| **16.** | **Guaranteed Amounts** | In line with Article 16 (2) of the InvestEU Regulation, the EU Guarantee shall cover principle and all interest and amounts due to the implementing partner but not received by it in accordance with the terms of the financing operations until the event of default, restructuring losses and losses arising from currencies fluctuations other than the euro in markets where possibilities for long-term hedging are limited.  |
| **17.** | **EU Guarantee coverage provided to the Implementing Partner** | [ ] First Loss Contribution[x] Pari-passu[ ] Other arrangements *(please specify)* |
| **18.** | **Risk Sharing with the Implementing Partner** | [ ] Risk-sharing of First Loss piece: [x] % of FLP[ ] Residual Risk Tranche ('Second Loss Piece'): [x] %[x] Pari-passu for the whole instrument[ ] Other arrangements *(please specify)* |
| **19.** | **Structure / Features** | Implementing partner shall invest on a pari passu basis into each financing or investment operation at their own risk for a share that ensures sufficient alignment of interests. The part of financing covered by the EU guarantee shall represent up to [50]% of the overall financing provided by the implementing partner and own risk financing shall represent at least 5% of the overall financing provided by the implementing partner.IPCOMIP own risk at least 5%Up to 50% |
| **20.** | **Currency** | EUR or any other EU currencies.  |
| **21.** | **Events triggering the use of the EU Guarantee** | To be determined in the guarantee agreement in accordance with Article 14.2(c) and 16.2 of the InvestEU regulation. |
| **22.** | **State Aid considerations** | In case of combination with state resources in the implementation of the product described in this fiche, the dedicated GBER part will apply or other applicable state aid provisions. |
| **23.** | **Reporting** | Indicators (*Key Performance indicators/Key Monitoring Indicators to be defined*). Reporting will be done in In line with Article 22(5) of the InvestEU Regulation. |
| **24.** | **Other** | N/A |

**Annex**

Final recipients shall satisfy at least one of the following criteria:

* an enterprise that intends to use the InvestEU Operation to invest in producing or developing or implementing new or substantially improved (i) products, processes or services, or (ii) production or delivery methods, or (iii) organisational or process innovation including business models that are innovative[[2]](#footnote-3) and where there is a risk of technological or industrial or business failure;
* a “fast-growing enterprise”, measured as follows:
* an enterprise with average annualised growth in turnover of at least 10% over a three-year period; or
* an enterprise with average annualised growth in Full-Time Equivalent (FTE) employees of at least 5% over a three-year period and with 100 or more employees at the beginning of the observation period; or
* an enterprise that has a significant innovation potential or is an “R&I-driven enterprise”, satisfying at least one of the following criteria:
* Final Recipient’s R&I annual expenses are equal or exceed 20% of the Final Recipient Transaction amount as per the Final Recipient’s latest statutory financial statements, under the condition that the Final Recipient’s business plan indicates an increase of its R&I expenses at least equal to the Financial Recipient Transaction amount; or
* it undertakes to spend an amount at least equal to 80% of the InvestEU Operation amount in R&I activities in the next 36 months as indicated in its business plan and the remainder on costs necessary to enable such activities;
* it has been formally awarded grants, loans or guarantees from European R&I support schemes (e.g. Horizon Europe) or through their funding instruments (e.g. Joint Technology Initiatives, "Eurostars") over the last 36 months;
* it has been awarded an innovation prize by an EU institution or an EU body over the last 24 months;
* it has registered technology right (such as patent, utility model, design right, topography of semiconductor products, supplementary protection certificate for medicinal products or other products for which such supplementary protection certificates may be obtained, plant breeder’s certificate or software copyright) in the last twenty-four (24) months, and the Final Recipient Transaction purpose is to enable, directly or indirectly, the use of this technology right;
* it has received an investment from a private-equity fund or from a business angel being a member of a business angel network; or such a private equity fund or business angel is a shareholder of the InvestEU Final Recipient at the time of its application for the InvestEU operation;
* The Final Recipient is a Mid-cap and its R&I costs represent:
* Either, at least 15% of its total operating costs in at least one of the three years preceding the Final Recipient's application for the InvestEU Final Recipient Transaction; or
* At least 10% per year of its total operating costs in each of the three years preceding the Final Recipient's application for the InvestEU Final Recipient Transaction;
* it has its registered seat in a science, technology or innovation park or technology cluster or technology incubator, in each case with activities relating to R&I; or
* it has benefited from tax credit or tax exemption related to investment in R&I in the last 24 months.
1. Rees M. (2017). ‘Quasi-Equity: A New Financial Structure for a New Challenge’, EIB News/Blog, 16 January. http://www.eib.org/infocentre/blog/all/quasi-equitya-new-financial-structure-for-a-new-challenge.htm [↑](#footnote-ref-2)
2. As defined in the paragraphs 15(y) and 15 (bb) of 1.3 Definitions of the Communication from the Commission C(2014) 3282 of 21 May 2014 on the Framework for state aid for research and development and innovation [↑](#footnote-ref-3)