

InnovFin

MidCap Growth Finance



What is InnovFin MidCap Growth Finance?

InnovFin MidCap Growth Finance enables the EIB to provide **between EUR 7.5m and EUR 25m** in **long-term senior, subordinated or mezzanine loans** to innovative businesses in order to support their growth and investments in research and innovation.

InnovFin – EU Finance for Innovators is a joint initiative by the EIB Group and the European Commission under Horizon 2020, the EU framework for research and innovation (“R&I”) 2014-2020. InnovFin builds on the success of the Risk-Sharing Finance Facility developed under the seventh EU framework for research and technological development (FP7), which for the period 2007-2013 financed 114 R&I projects of EUR 11.3bn and provided loan guarantees for another EUR 1.4bn.

Indicative Term Sheet

Instrument	term loans
Purpose	to finance future investment programmes linked to research and innovation. Typically, companies shall plan to spend at least EUR 15m over the next three years, cumulative.
Loan size	min EUR 7.5m – max EUR 25m
Tenor	usually up to 5-7 years
Structure	senior, subordinated or mezzanine
Covenants & security	decided on a case-by-case basis
Pricing	reflects the promotional nature of the EIB and the funding advantage based on its excellent rating
Jurisdiction	laws of England and Wales
Timeframe	between 3-5 months
Application & inquiries	directly with the EIB (innovfin@eib.org)

What are the benefits for you?

The EIB:

- offers longer tenors, beneficial pricing (compared to alternative sources of finance)
- offers flexible growth capital with no or limited dilution for the shareholders
- provides a quality stamp and positive signaling effect
- does not offer other banking services such as FX, swaps etc. (no competition with the company's house banks)
- pursues a long-term lending strategy and does not sell its exposures to third parties

Please turn over the page to find out if you are eligible to apply for this financing.

Pre-screening and eligibility checklist

Eligibility Criteria

The company intends to use the EIB financing to invest in producing or developing products, processes and/or services that are innovative and where there is a risk of technological or industrial failure as evidenced by the business plan. Eligible counterparty shall comply with at least one the following criteria:

- a. The company is a “fast-growing enterprise”, as measured by employment or by turnover:
 - i. The company must demonstrate an average annualised growth in turnover greater than 10% a year, over a three-year period, or
 - ii. The company must demonstrate an average annualised growth in full-time employees of at least 5% a year, over a three year period (and with one hundred or more employees at the beginning of the observation period); or
- b. The company shall have a significant innovation potential and/or be an “ Research and Innovation (“R&I”)-driven enterprise”, satisfying at least one of the following criteria:
 - i. its certified accountant(s) have highlighted R&I expenses/investment in the latest financial statements in an amount at least equal to 5% of its annual turnover;
 - ii. The company undertakes to spend an amount at least equal to 80% of the EIB loan in R&I expenses/investment in the next 36 months as indicated in its business plan;
 - iii. it has been formally awarded grants, loans or guarantees from European R&I support schemes (e.g. Horizon 2020 or FP7) or through their funding instruments (e.g. Joint Technology Initiatives, "Eurostars") or through a national or regional research or innovation support schemes over the last 36 months;
 - iv. it has been awarded an innovation prize over the last 24 months;
 - v. it has registered at least one patent in the last 24 months;
 - vi. 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 company at the time of its application for the EIB loan;
 - vii. 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
 - viii. it has benefited from tax credit or tax exemption related to investment in R&I in the last 24 months.

Eligible counterparties shall comply with each of the following eligibility criteria:

1. Eligible counterparties shall be micro, small or medium-sized enterprises as defined in the Commission Recommendation 2003/361/EC (OJ L124, 20.05.2003, p. 36), as amended, restated, supplemented and/or substituted from time to time or Mid-caps (defined as enterprises with less than 3,000 employees full-time equivalent);
2. The counterparty shall not be a “firm in difficulty” within the meaning of Article 2.1 of the Community guidelines on State aid for rescuing and restructuring firms in difficulty (OJ C 244, 1.10.2004, p. 2.), as amended, restated, supplemented and/or substituted from time to time (prolonged OJ C 296, 2.10.2012, p.3);
3. The counterparty shall not have a substantial focus on one or more Restricted or Excluded Sectors (which determination shall be made by the Bank in its discretion based, without limitation, on the proportionate importance of such sector on revenues, turnover or client base of the relevant counterparty);
4. The counterparty shall be established and operating in one or several of the EU Member States and Associated Countries (Iceland, Norway, Albania, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Faroe Islands, Israel, Moldova, Montenegro, Serbia, Turkey);

Excluded Activities:

1. production (or construction) of, distribution (or processing) of, and trade in weapons and arms, ammunition, 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;
2. production (or construction) of, distribution (or processing) of, and trade in gambling and related equipment;
3. production (or construction) of, distribution (or processing) of, and trade in tobacco products;
4. 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 ;
5. activities which give rise to environmental impacts that are not largely mitigated and/or compensated;
6. activities considered ethically or morally controversial or which are forbidden by national law, e.g. research on human cloning;
7. pure real estate development activity;
8. pure financial activities e.g. purchasing or trading in financial instruments.

The exclusion and eligibility criteria shall be met at the latest at the time of approval of the EIB loan.