

Bridge loans and the Covid-19 crisis: Dutch government and impact investor launch emergency funds

Two separate loan schemes of €100 million apiece have been set up to help Dutch start-ups, scale-ups and other 'innovative' small to medium-sized enterprises weather the coronavirus pandemic.

The Dutch Government has made available €100 million in bridge loans for start-ups, scale-ups and innovative SME's to help them through the COVID-19 emergency, with the Netherlands' Regional Development Agencies (ROMs) taking responsibility for these [Corona Bridging Loans \(Corona-OverbruggingsLening \(COL\)\)](#).

The COL is an emergency funding instrument which can be used as a temporary bridge loan to "break even" or bridge the gap to a subsequent financing round. However, companies in the retail, catering industry or hospitality sector, small business service firms and independent entrepreneurs are not eligible to apply for the COL. The application process for loans opened on 29 April.

Separately, the recently set up public investment bank Invest-NL has initiated a €100 million [Temporary Bridge Loan Programme for innovative Start- and Scale-ups \(TOPSS\)](#) in response to the COVID-19 pandemic. Invest-NL, financed by public funds, was launched in January 2020 to help sustainable and innovative business activity in the Netherlands.

Invest-NL will finance 50% of financing rounds of innovative, start-ups and scale-ups with a healthy business perspective, which are in need of funding between €2 million and €5 million as a direct result of the COVID-19 crisis. Propositions with a social impact have priority – these include those that look to reduce CO2 emissions per full-time equivalent employee and those involved in research and development (R&D). The application process for loans also opened on 29 April.

Who can apply?



Key Financing terms under COL

FINANCING €50,000 – €250,000	FINANCING €250,000 – €500,000	FINANCING €500,000 – €2,000,000
<ul style="list-style-type: none"> • Subordinated bridge loan at 3% interest • Term of 3 years • First year interest only (without repayment); 2 years quarterly repayment incl. interest • Prepayment without penalty 	<ul style="list-style-type: none"> • Subordinated bridge loan at 3% interest • Term of 3 years • 1st year interest only (without repayment); 2nd and 3rd year quarterly repayment incl. interest • Prepayment without penalty • 25% of requested amount to be committed by co-investor(s) on same terms (applicant, existing or new investors) 	<ul style="list-style-type: none"> • Subordinated bridge loan at 3% interest + 2% premium per annum • Term of 3 years • Interest and premium accrue on the principal amount • Repayment after 3 years or at conversion date of co-investors • Prepayment of ≥ € 50,000 without penalty • 25% of requested amount to be committed by co-investor(s) on same terms (applicant, existing or new investors) • Co-investors have option to (i) repayment after 3 years or (ii) convert principal amount incl. interest and premium in subsequent financing round (after repayment of COL)

Key Financing terms under TOPPS

FINANCING €2,000,000 – €5,000,000

- Convertible loan at 8% PIK interest (interest to be repaid at repayment or conversion)
- Term of 3 years
- No prepayment
- Unilateral conversion right for Invest-NL
- Conversion rate is lower of (i) latest financing round and (ii) next financing round (if valuation is less than previous financing round)
- Inclusion of liquidation preference depends on (i) risk profile and (ii) terms of previous financing round
- Approval right on key (financial) resolutions
- Senior to shareholder loans (not existing bank loans)
- 50% of financing amount to be committed by co-investor(s) on same terms (applicant, existing or new investors; including ROMs)

Application conditions – COL

The following criteria in respect of the application will be assessed

Criteria	Comments
<ul style="list-style-type: none"> • Funding must meet all 'fresh money requirements'. 	Meaning the COL is not intended to repay existing facilities or loans, or otherwise withdraw money from your company. The COL is intended as additional liquidity in your company.
<ul style="list-style-type: none"> • Companies must submit a 12-month liquidity statement showing their financing needs as a result of COVID-19 and indicating the use of the bridge finance for the next 9 months (the planned period of bridge with the provided bridge credit). 	
<ul style="list-style-type: none"> • The borrower must make it clear that the loan will be used for investment costs or working capital. 	
<ul style="list-style-type: none"> • 'Review of current credit facilities' with the bank and the possibility to make use of the so-called BMKB or GO scheme. 	Money that you borrow through the COL or have borrowed in the past from other financiers must be repaid in due course. By doing a test on current credit facilities, ROM can make an estimate of how realistic that is. In addition, ROM will assess to what extent your need for bridge finance may be better covered by using the BMKB or GO scheme through your main bank.
<ul style="list-style-type: none"> • Companies must show their annual accounts for 2018 and 2019, as well as their budget for 2020 (where available). 	
<ul style="list-style-type: none"> • Companies need to substantiate that a drop in projected turnover is the result of the COVID-19 crisis. The ROM is free to carry out a brief due diligence investigation into this. The company is obliged to cooperate and provide all requested information, including an overview of shareholders and UBOs. 	Drop in turnover is one of the key criteria. However other factors will also be considered such as any delays in clinical trials for life science companies or last minute failure of a financing round.
<ul style="list-style-type: none"> • It will be assessed whether companies were already included in the 'category of companies in difficulty' on the reference date of 31/12/2019, as referred to in Article 2(18) of the General Block Exemption Regulation. 	<p>European rules do not allow aid to be granted to companies which were already in difficulty on 31 December 2019, as referred to in Article 2(18) of the General Block Exemption Regulation.</p> <p>In short, your company is not eligible for a COL if:</p> <ul style="list-style-type: none"> - it is subject to insolvency proceedings; or - Has received rescue or restructuring aid which has not yet been repaid or finalised. <p>More than half of capital has disappeared as a result of cumulative losses (unless the company is younger than 3</p>

	years or within the first 7 years after commercial sale, who would be eligible for risk financing).
<ul style="list-style-type: none"> Companies must indicate which 'cost-reducing measures' they have taken, including (planned) use of other government measures. 	Under favourable conditions, you are asking for money from the State in order to be able to bridge the coming economically difficult period. This means that ROM will ask you to take a critical look at where you have reasonably reduced costs in your company. Think about cutting unnecessary costs, lowering your management fee and so on. ROM will also ask you to make use, where possible, of the government measures already announced, such as the Temporary Emergency Bridging Measure for Sustained Employment (<i>NOW, Noodfonds Overbrugging Werkgelegenheid</i>) scheme.
<ul style="list-style-type: none"> There may be no 'accumulation of aid' as referred to in sections 3.2 and 3.3 of the Temporary Framework for State aid to support the economy due to the current COVID-19 outbreak. 	European state aid rules expect us in our assessment to look at whether there is an accumulation of state aid. This may be the case, for example, if you both apply for a COL and make use of the GO Corona scheme through your bank.
<ul style="list-style-type: none"> Companies must provide reasonable comfort that repayment of the loan can take place after 1 year and that the loan is repaid within 3 years. 	
<ul style="list-style-type: none"> Companies are only granted one-off financing, unless the government decides to extend the scheme in time because the crisis lasts longer than foreseen. 	
<ul style="list-style-type: none"> Template legal documentation is used.⁴ The conditions of the bridge loan are non-negotiable. The bridge loan will be signed no later than 31 December 2020. 	

Application Conditions – TOPPS

The following criteria in respect of the application will be assessed	
Criteria	Comments
<ul style="list-style-type: none"> Providing risk capital aimed at the continuation of business activities in anticipation of an extended period in which fundraising may be difficult. 	The TOPSS is aimed to ensure availability of risk capital for innovative start-ups and scale-ups that are the focus of attention of Invest-NL's general strategy. Invest-NL will assess the application on the basis of its own CSR-policy, including its formulated investment criteria.
<ul style="list-style-type: none"> COVID-19 crisis has directly caused the need for additional financing. 	Invest-NL will assess the quality and rationale of the application as well as the sustainable future of the company. TOPSS is not intended for the survival of companies that had a doubtful future perspective pre-COVID-19 crisis.
<ul style="list-style-type: none"> TOPSS is meant to provide additional liquidity within the company. 	The convertible loan is not meant to repay existing facilities or loans or extract cash from the company in any other way. Invest-NL will conduct commercial, financial, strategic and legal due diligence.
<ul style="list-style-type: none"> Company must provide supporting documentation for their financing needs showing an 18-month runway and have a realistic cash flow prognoses for the coming 18 months. 	

⁴ Template loan documentation (in Dutch) is available at: <https://www.rom-nederland.nl/leningovereenkomsten/>

<ul style="list-style-type: none"> Private investors and ROMs should finance at least 50% of the financing round. 	This could be the applicant itself, existing shareholders, new investors or ROMs (outside of the investment amount made available under the COL). In order to maintain a short investment process (3 – 5 weeks in the event of complete applications) the investment terms are non-negotiable.
<ul style="list-style-type: none"> Companies need to substantiate (i) their need to obtain financing from Invest-NL and (ii) that the existing investors are unable to provide such financing. 	
<ul style="list-style-type: none"> Companies must have an experienced management team, involved investors, a financial and administrative solid organisation and a strong track record pre-COVID-19 crisis as well as a healthy turnover and profitability potential post-COVID-19 crisis. 	The convertible loan is not meant to repay existing facilities or loans or extract cash from the company in any other way. Invest-NL will conduct commercial, financial, strategic and legal due diligence.

Application Deliverables – COL

The following information needs to be provided by the applicant	
Specifications to be prepared	Comments
<ul style="list-style-type: none"> Explanation of the relationship between the COVID-19 crisis and your liquidity needs; annual accounts 2018 and 2019, or the most recent 2019 figures; initial budget 2020; existing loan agreements; business plan; current liquidity forecast on a 12-month forecast basis; and explanation/specification of your monthly 'burn rate/runway'. 	<p>Burn rate = the total cash inflow in month X - the total cash outflow in month X</p> <p>Runway = current cash position / monthly burn rate</p>

Application Deliverables – TOPSS

The following information needs to be provided by the applicant (apart from the additional due diligence information to be provided during the investment process)	
Specifications to be prepared	Comments
<ul style="list-style-type: none"> Explanation of the relationship between the COVID-19 crisis and your liquidity needs as well as supporting documentation that existing investors are unable to provide the necessary financing (in full); current liquidity forecast and cash flow prognoses on a 18-month forecast basis. 	<p>Burn rate = the total cash inflow in month X - the total cash outflow in month X</p> <p>Runway = current cash position / monthly burn rate</p>

Execution & Assessment – COL

- The ROM's see the implementation of the COL facility as a collective responsibility and will roll out the implementation nationwide as uniformly as possible.
- In addition to the above-mentioned criteria, the investment managers involved in the ROM's will also have to make a professional assessment of the quality of the application and of the applicant sustainable future prospects.
- For funding below €500,000 ROM aims for an implementation period between 4-9 business days. For funding between €500,000 and €2 million, the anticipated implementation period is a maximum of 3 working weeks.

- Template legal documentation is used.
- It is not first come first serve.

Execution & Assessment – TOPSS

- The investment terms and loan conditions are non-negotiable and Invest-NL expects the co-investors to invest on the same terms as Invest-NL.
- Applications can only be done by the company itself (albeit with the assistance of investors or financial advisors).
- The budget of €100 million is relatively high taking into account the expected number of applicants. Applications are assessed by order of receipt, but Invest-NL may deviate and will constantly review which application has the largest impact (FTE, CO2, R&D).
- Template legal documentation – these templates have not yet been published.

Application procedure – COL and TOPSS

Eligible companies can apply as of 29th of April 2020.

Applications for a COL and TOPSS can only be made via the portal accessible via the websites of the ROM's, TechLeap and Invest-NL: www.techleap.nl/content/bridgefinancing-portal/. Applications can also be filed in English.

Applications that you address directly in writing or by e-mail to the ROM in your region or Invest-NL will not be processed.

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