

COVID-19: Steps to government liquidity support

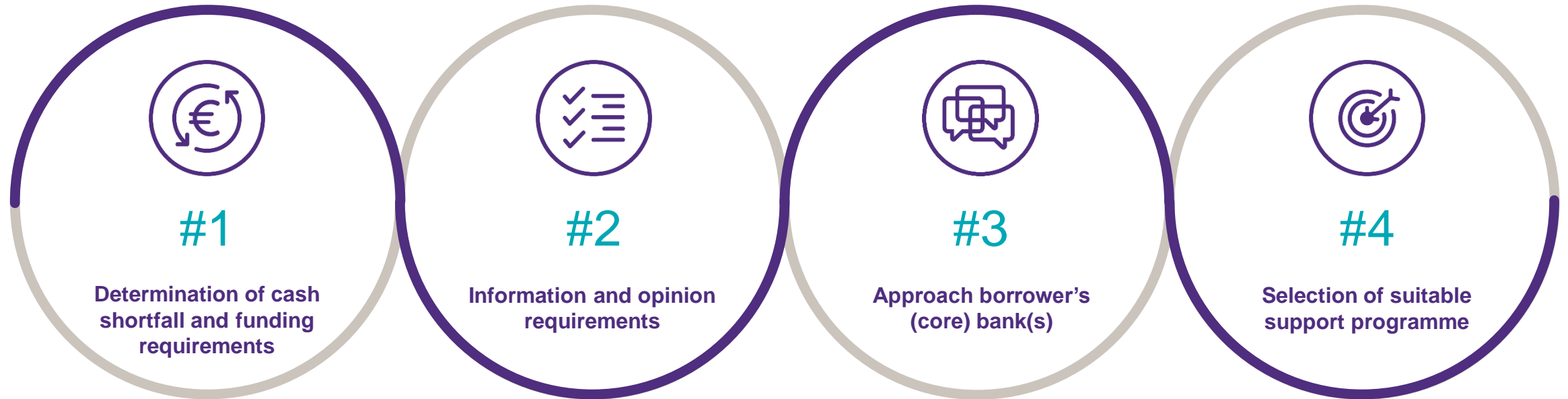
Helping our clients with an integrated and pragmatic advisory approach in the current crisis

**Corporate Finance & Advisory,
Warth & Klein Grant Thornton**

State as of: 27 April 2020



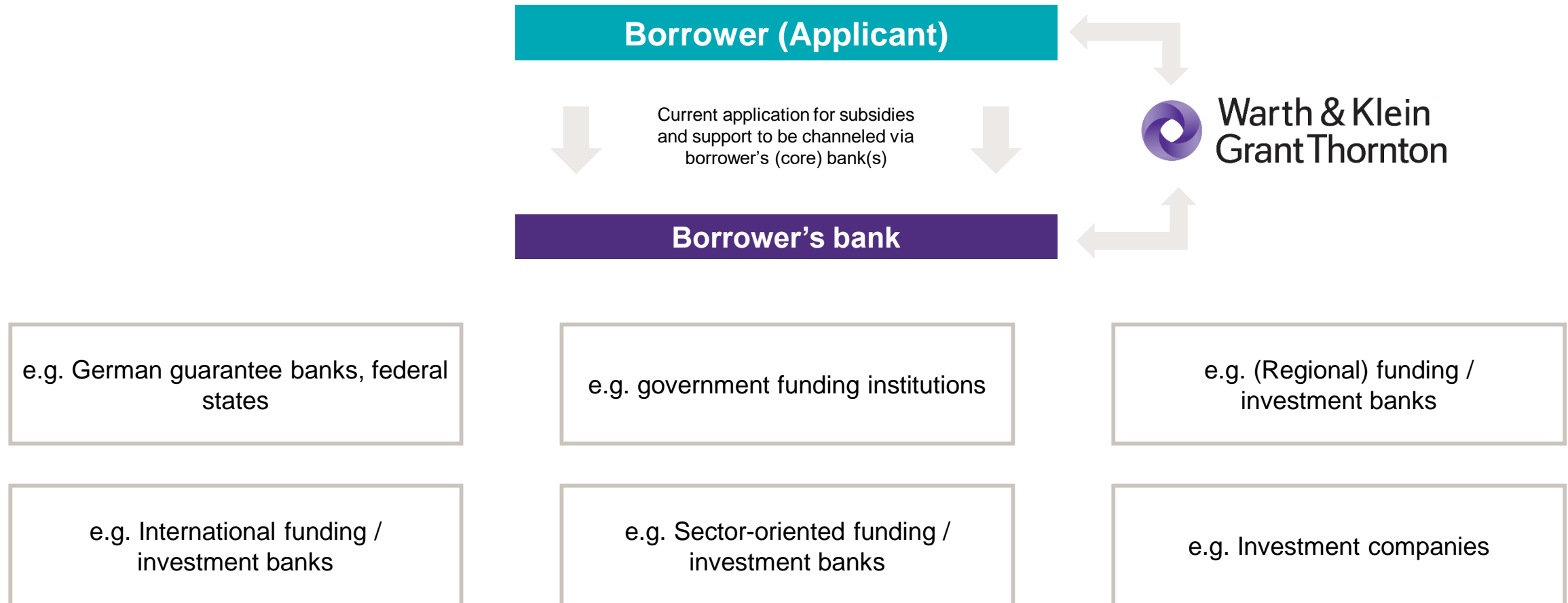
”Corona-crisis support”: The four essential steps to government liquidity support



- Preparation of a government **liquidity forecast** (on a weekly/monthly basis, covering at least 3 months)
- Consideration of all expected cash inflows and outflows (realistic best estimate)
- Check of covenants as agreed in existing financing agreements
- Key element to prove and document: **”As per 31 December 2019, the business was not in financial trouble”**
- Explaining “coronavirus impact”
 - Financial forecast consisting of balance sheet, income statement, cash flow statement and premises
 - Scenario before corona impact
 - Scenario incl. corona impact (e.g. Duration and later adjustments)
- government support and governmental measures are generally channelled **via the borrower's (core) bank(s)**
- Preliminary applicant request to borrower's bank (particularly in case of KfW funds)
- Where appropriate, approaching government investment / business promotion banks directly
- Selection of appropriate programmes (limitations with regard to cases being already in a restructuring [IDW S 6] situation)
- Application process
- Submission of documents to borrower's bank (i.a. depending on programme and loan volume)
- Implementation support

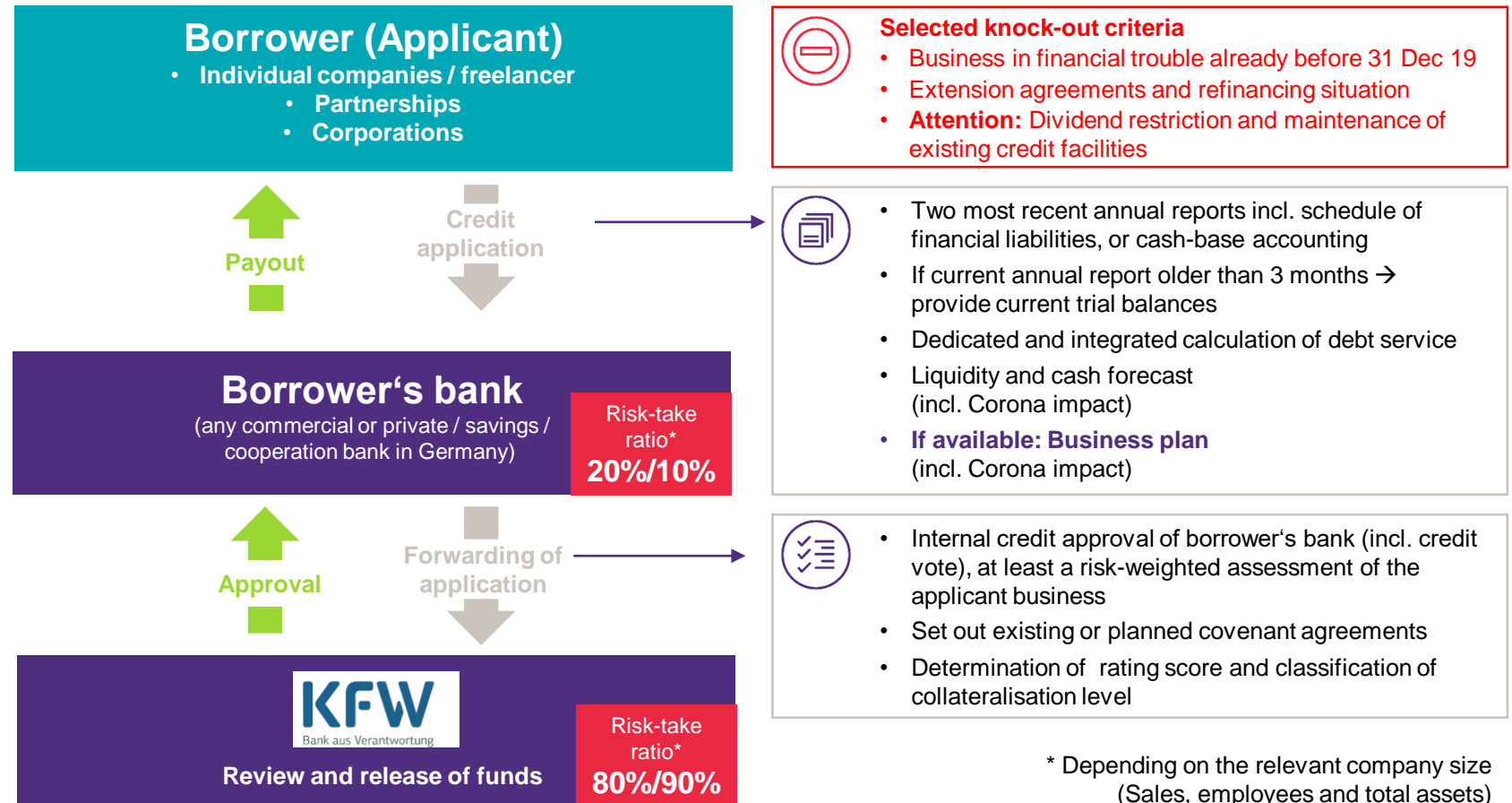
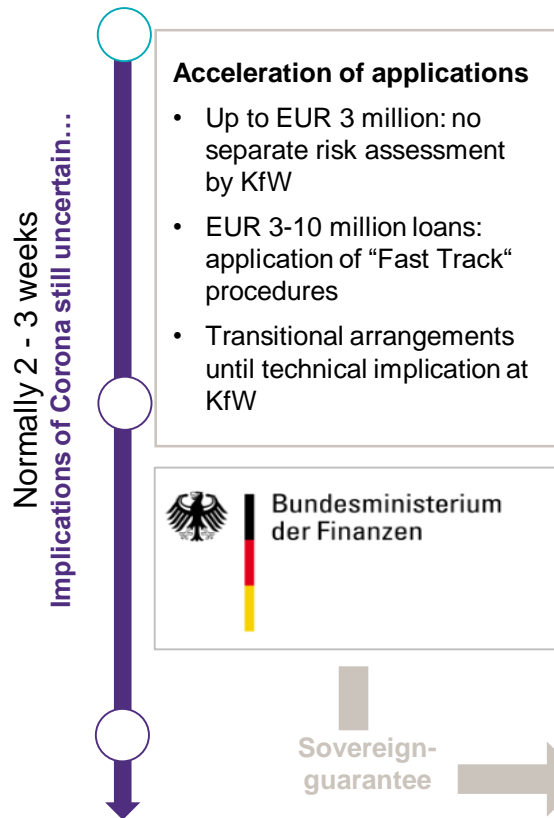
We accompany borrowers through all phases of the financing process until successful signing/closing

”Corona-crisis support”: The application procedure at a glance



Support programmes of the Federal Government ALWAYS to be channelled via the borrower's bank

Processing time



* Depending on the relevant company size (Sales, employees and total assets)

KfW – “Schnellkredit“ for all companies

Credit volume	Main information & required documentation
<p style="color: #00A69F;">< EUR 0,5 million</p> <p style="color: #00A69F;">< EUR 0,8 million</p>	General criteria:
	<ul style="list-style-type: none"> The company is not an “undertaking in difficulties” within the meaning of the EU definition
	<ul style="list-style-type: none"> Maximum credit volume is 25% of annual turnover in 2019
	<ul style="list-style-type: none"> The company has been on the market at least since January 2019
	<ul style="list-style-type: none"> The company produced profit in 2019 or on average in the last 3 years - or in a shorter period if it has not been on the market since 2017
	<ul style="list-style-type: none"> The company employs between 10 to 50 employees
	<ul style="list-style-type: none"> The company employs more than 50 people
	Other notes:
	<ul style="list-style-type: none"> No profits or dividends are distributed during the repayment period. However, customary market distributions or withdrawals by the business owners (natural persons) are possible
	<ul style="list-style-type: none"> The remuneration of managing directors and managing partners may not exceed EUR 150,000 during the term of the loan, including bonuses, non-cash benefits and other profit-related remuneration components
<ul style="list-style-type: none"> There is a prohibition of cumulation, i.e. parallel applications for other KfW loans from the special programmes are excluded (but later replacement is possible) 	
<ul style="list-style-type: none"> No commitment commission and no prepayment penalty in the event of premature repayment of the loan 	

Interest rate: 3,00% p.a.	Duration: 10 years (of which 2 years can be redemption-free)	<p>*Employee calculation:</p> <p>Employees...</p> <ul style="list-style-type: none"> - up to 20 hours: Factor 0,50 - up to 30 hours: Factor 0,75 - more than 30 hours/trainees: Factor 1 - 450 EUR basis: Factor 0,30
Purpose of use: For purchases (investments) and running costs (working capital)	Release of liability: 100% - No risk assessment by bank / KfW	

* Orderly financial circumstances exist if there are no unregulated payment arrears of more than 30 days; there was no obligation to file for insolvency as of 31 December 2019 and this is planned for the next 3 months.
 Note: Support is also available for companies in which private equity investors have an interest. Excluded here again are distributions or capital withdrawals during the credit period. The information provided here will be partially changed on 28. April 2020. It has been announced that the maximum credit period for all loans up to EUR 800,000 will be set at 10 years (6 years for higher loan amounts).

Size definitions / potential program specifications of KfW

	Small- and mid-cap companies	Large-cap companies
Employees	<= 250 FTEs	> 250 FTEs
Revenue	<= EUR 50 million (“Company group” according to KfW)	> EUR 50 million (“Company group” according to KfW)
Balance sheet total <i>or</i>	n/A	> EUR 43 million
Risk taking by KfW	Up to 90 % (guarantee)	Up to 80 % (guarantee)
Lending programme	<ul style="list-style-type: none"> > 5 years on the market: “KfW-Unternehmerkredit (047)” At least 3 years on the market: “ERP-Gründerkredit-Universell (076)” 	<ul style="list-style-type: none"> > 5 years on the market: “KfW-Unternehmerkredit (037)” At least 3 years on the market: “ERP-Gründerkredit-Universell (075)”
Credit cap (general)	EUR 1.0 billion	EUR 1.0 billion
Credit cap (specific)	Limitation to maximum of ... <ul style="list-style-type: none"> 25 % of annual revenues in 2019 <i>or</i> twice the labour costs in 2019 <i>or</i> current financing requirements for the next 18 months <i>or</i> 50% of total debt or 30% of the group's balance sheet total for loans exceeding EUR 25 million 	Limitation to maximum of ... <ul style="list-style-type: none"> 25 % of annual revenues in 2019 <i>or</i> twice the labour costs in 2019 <i>or</i> current financing requirements for the next 18 months <i>or</i> 50% of total debt or 30% of the group's balance sheet total for loans exceeding EUR 25 million

KfW-Special programme – Syndicated financing above EUR 25 million

- Participation in syndicated financing for CAPEX and working capital
- Assumption of up to 80 % of the risk, but no more than 50 % of the risks of total debt
- KfW risk share amounts to at least EUR 25 million - other limitations corresponding to credit cap (for Large-cap companies)

The “most-favorable-limit” applies to individual credit limits. The term “total debt” is still to be defined.

Our opinion: Alternatively, the application for a regional-governmental guarantee seems possible in individual cases.

Our integrated advisory team for you

Project lead, coordination, programme selection and bank communication



Markus Paffenholz
Partner, Head of Debt Advisory
T +49 211 9524 8263
M +49 160 701 3775
E Markus.Paffenholz@wkgt.com



Stefan Lengermann
Senior Manager, Debt Advisory
T +49 211 9524 8483
M +49 152 01579 210
E Stefan.Lengermann@wkgt.com



Jan-Philipp Bülow
Senior Manager, Debt Advisory
T +49 40 43218 6239
M +49 174 216 4623
E Janphilipp.Buelow@wkgt.com

(Liquidity-)planning



Kristina Ganzen
Partner, Transaction Advisory
T +49 69 9055 98629
M +49 152 5495 2424
E kristina.ganzen@wkgt.com

Expert certificate



Prof. Dr. Heike Wieland-Blöse
Partner, Recovery & Reorganisation
T +49 211 9524 8512
E heike.wielandbloese@wkgt.com

Application / implementation support



Patrick Lommertin
Assistant Manager, Debt Advisory
T +49 211 9524 8174
M +49 152 01462908
E Patrick.Lommertin@wkgt.com



Lars Decker
Senior Manager, Transaction Advisory
T +49 211 9524 8134
M +49 163 8952 403
E lars.decker@wkgt.com



Klaus Schaldt
Partner, Transaction Advisory
T +49 211 9524 8255
M +49 177 8952 490
E klaus.schaldt@wkgt.com



Benjamin Kortmann
Assistant Manager, Debt Advisory
T +49 40 43218 6284
M +49 152 0145 0920
E Benjamin.Kortmann@wkgt.com



Tim Gonnermann
Senior Manager, Transaction Advisory
T +49 211 9524 8252
M +49 162 257 3547
E tim.gonnermann@wkgt.com



Wolfgang Klopsch
Senior Manager, Transaction Advisory
T +49 211 9524 8469
M +49 173 389 7771
E wolfgang.klopsch@wkgt.com



Dominik Waitschekauski
Consultant, Debt Advisory
T +49 211 9524 8593
E dominik.waitschekauski@wkgt.com

Contact persons and additional information concerning support for companies and entrepreneurs...

...on our website: <https://www.wkgt.com/themen/>.

At the Corona Hub, our experts from the Audit & Assurance, Tax, Legal, Corporate Finance & Advisory, Private Finance and Business Process Solutions departments will comment on important questions and issues relating to the economic impact of the pandemic and provide you with summarized information.

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- Business Process Solutions
- Corporate Finance – Liquidity and Restructuring
- Rental and real estate law
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We are right by your side!

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The above refers to the state of knowledge as of March 23, 2020, which has been researched and prepared to the best of our knowledge and belief based on currently available information. However, due to the highly dynamic nature of regulatory and commercial processes in the current market environment, we cannot assume any liability for the above statements on credit programmes and application processes.



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wkgt.com

Berlin

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Cicerostraße 2
10709 Berlin
T +49 30 890482 0
F +49 30 890482 100

Dresden

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Schubertstraße 41
01307 Dresden
T +49 351 31821 0
F +49 351 31821 635

Düsseldorf

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Johannstraße 39
40476 Düsseldorf
T +49 211 9524 0
F +49 211 9524 200

Frankfurt a.M.

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Ulmenstraße 37-39
60325 Frankfurt a. M.
T +49 69 905598 0
F +49 69 905598 677

Hamburg

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Kleiner Burstah 12
20457 Hamburg
T +49 40 4321862 0
F +49 40 4321862 49

Leipzig

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Humboldtstr. 25
04105 Leipzig
T +49 341 59083 0
F +49 341 59083 733

München

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Ganghoferstraße 31
80339 München
T +49 89 36849 0
F +49 89 36849 4299

München

Warth & Klein Grant Thornton
Rechtsanwalts-gesellschaft mbH
Ganghoferstraße 31
80339 München
T +49 89 36849 0
F +49 89 36849 4299

Niederrhein

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Eindhovener Straße 37
41751 Viersen
T +49 2162 91811 0
F +49 2162 91811 60

Stuttgart

Warth & Klein Grant Thornton GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Jahnstraße 6
70597 Stuttgart
T +49 711 16871 0
F +49 711 16871 40

Wiesbaden

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft
Hagenauer Straße 59
65203 Wiesbaden
T +49 611 18890 0
F +49 611 260133