Crisis consequences

Outstanding guarantee volume (in bEUR)

Number of supported SMEs

➢ SME support in the covid crisis – The role of Guarantee Institutions
➢ Statistical Yearbook 2020
Expected development of default rates in 2021

- **69.2%**: Increase
- **20.5%**: Remain stable
- **2.6%**: Decrease

A number of **viable** firms are approaching situations of **over-indebtedness**

→ Intensity strongly depends on:
  - geography
  - sector
Viability assessment

- Portfolio guarantees:
  - Assessment carried out by financing bank

- Individual guarantees:
  - **Case-by-case** assessment
  - Generally, no fixed set of criteria or thresholds
  - Taking the **individual situation** of the company into account
  - However, for many members: assessment bound by EU state aid rules
Viability assessment

- Evaluation based on the following indicators (1/2):
  - 2019 balance sheet + audited profit/loss reports
    - Value of intangible and tangible assets
    - Size of current/short-term assets
    - Cash
    - Equity
    - Liabilities and current/short term liabilities
    - Liabilities to credit institutions
  - Equity/Debt ratio, repayment capacity, composition of debt
  - Performance/behaviour/rentability pre-covid, sales revenues, credit history
Viability assessment

- Evaluation based on the following indicators (2/2):
  - Cashflow analysis and the perspectives for the business model
  - Attitude of shareholders and management, readiness to contribute
  - Soft factors and meeting the entrepreneur in person
  - Check how the company ensures a reduction of its costs to better survive the covid situation
  - In case of start-ups: assessment based on business concept, amount of capital needed, composition of entire financing, profitability forecast

→ Guarantee institutions take a more flexible approach than pre-covid
Viability assessment

- In the **case of restructuring**, the following measures might be added:
  - Conversations with all parties involved to find a joint solution
  - Preventive measures in case of early warning signs
  - Personalised advice to companies on how to adapt their business model

- Involvement of AECM in a stakeholder roundtable of the European Commission to **establish best practices for helping pandemic-hit businesses**

- Joint Statement of AECM with SMEunited, Accountancy Europe and EBF: **Call for Dialogue: Assessment of SMEs’ Post-COVID Financial Health**
Support of viable firms

- Choice of support instrument depends on individual situation of the company and on its project (emergency support or financing double transition, business transfer or...):

  1) Continued classical debt guarantee support
  2) Debt restructuring measures
  3) Leasing guarantees
  4) Involve equity or quasi-equity measures

- **AECM Virtual Annual Event**: Guarantees for economic recovery and to foster sustainable investments (22-24 September 2021)
Support of viable firms

Type of products offered by AECM members

- Guarantee on debt for working capital: 92.3%
- Guarantee on debt for investment capital: 87.2%
- Guarantee on equity: 10.3%
- Guarantee on quasi-equity: 10.3%
- Direct equity: 23.1%
- Direct quasi-equity: 23.1%
Wish list (non-exhaustive)

- Smart and cautious phase-out
  - AECM position on the need to keep up enhanced guarantee support
- Support innovative solutions such as guarantees for equity
- Make InvestEU a success: fee structure, governance, reporting, sufficient financial resources etc.
- Prolongation of the state aid regime for European Guarantee Fund (EGF) and of the Temporary Framework (TF)
- Keep reporting obligations proportionate for SMEs and their financiers
- Basel: Full recognition of financial guarantees for capital relief
- ......
Thanks for your attention!