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CORPORATE M&A

Coronavirus: Credit lines for businesses

The credit lines announced by the Government to cope with the impacts of the pandemic Covid-19 are already fully operational.

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"There are three credit lines available with a total amount of EUR 3.46 billion."

Currently, the credit lines available on a first come, first served basis are:

1. Line of Support for Treasury Needs for Tourism Micro-enterprises (EUR 60 million).
2. Credit Lines to Support the Economy (EUR 6.2 billion).

As it has already exhausted its full allocation, the Credit Line Capitalizar - Covid-19 has been closed since 7 April 2020.

The aim of this note is to set out in a single document the principal terms and conditions of each of the lines available to support businesses.

1. Line of Support for Treasury Needs for Tourism Micro-enterprises¹ (EUR 60 million)

Created by Legislative Order 4/2020, this credit line is provided by Turismo de Portugal to support tourism micro-enterprises and (and individual businesspeople) whose activity has been greatly affected by the economic consequences of the outbreak of Covid -19.

Companies can benefit from this credit line at the same time as other support measures provided by the Government. The financial support that can be given to each micro-enterprise will correspond to the monthly amount of EUR 750 for each job² existing on 29 February 2020, multiplied by the period of 3 months, up to a maximum amount of EUR 20,000.

With a maturity of 3 years from the date of signature of the agreement, this support provides a 12-month grace period for repayment of capital. This incentive must be repaid in equal quarterly instalments with no remuneratory interest.

Eligibility conditions

- Micro-enterprises in the tourism sector with SME Certification;
- Engaging in tourism activities included in the CAE 551 in Portugal included in the CAEs (economic activity codes): 551, 55201, 55202, 55204, 55300, 561, 563, 771, 79, 82300, 93192, 93210, 93292, 93293, or 93294;
- No outstanding debts or other obligations to the Tax Authority, the Social Security, and Turismo de Portugal, I.P.;
- Licensed to operate and on the National Tourism Register, when legally required;
- Proof that their activity was negatively affected by the outbreak of COVID-19;
- Provision of a guarantee by a shareholder.

¹ Companies that employ fewer than 10 people and have an annual turnover or total annual balance sheet that does not exceed EUR 2 million.

² Given that this financial support is calculated based on the number of existing jobs, the micro-enterprise will subsequently have to demonstrate that it has maintained those jobs.

Application process

Applications must be submitted by interested parties through the Turismo de Portugal, I.P. website, together with the following documents: (i) Salary declaration submitted to the Social Security for the workers existing on 29 February 2020; (ii) electronic authorisation to consult their tax and social security situations; and (iii) valid commercial registration certificate access code.

2. Credit Lines to Support the Economy (EUR 6.2 billion)

Available until 31 December 2020, the existing credit lines are the following:

- **Covid line - Support for Economic Activity:** With a total allocation of EUR 4.5 billion.
- **Covid Line - Tourism (Resorts and Accommodation):** With a total allocation of EUR 900 million, this credit line is for companies that provide accommodation, catering and similar services, and administrative and support services.
- **Covid Line - Tourism (Travel Agencies, Tourist Entertainment and Event Organisation. Events):** With a total allocation of EUR 200 million, this credit line is for companies that provide services and administrative support for artistic activities, shows, and sports and recreational activities.
- **Covid Line - Catering:** With a total allocation of EUR 600 million, this credit line is for companies that provide accommodation, catering and similar services.

General Conditions

Companies can apply for (i) more than one specific line, provided that their activity fits in the CAE (economic activity code) covered by each line, and (ii) more than one operation in each of the specific lines.

"With a maturity of 3 years from the date of signature of the agreement, this support provides a 12-month grace period for repayment of capital."

However, the total operations may not exceed the maximum amount of credit as defined by company in each line, from EUR 50,000 to EUR 1.5 million in the following terms:

COMPANY	MAXIMUM AMOUNT PER COMPANY	MUTUAL GUARANTEE
Micro-companies ³	EUR 50,000	Up to 90%
Small Companies ⁴	EUR 500,000	Up to 90%
Medium-sized Companies ⁵ / Small Mid Cap ⁶ / Mid Cap ⁷	EUR 1,500,000 ⁸	Up to 80%

3 Companies that employ fewer than 10 people and have an annual turnover or total annual balance sheet that does not exceed EUR 2 m.

4 Companies that employ fewer than 50 people and have an annual turnover or total annual balance sheet that does not exceed EUR 10 million.

5 Companies that employ fewer than 250 people and have an annual turnover or total annual balance sheet that does not exceed EUR 43 million.

6 Employs fewer than 500 people.

7 Employs fewer than 3,000 people.

8 In the "Covid Line - Support for Economic Activity", the maximum amount for small mid-caps and mid-caps is EUR 2 million.

In cases in which the maturity of the loan is after 31 December 2020, the maximum value of the loan may not exceed:

- Twice the company's annual wage bill (including social security costs, the costs of the staff who work at the company's premises, but who, formally, appear on the payroll of subcontractors) in 2019 or the last year available. For companies incorporated on or after 1 January 2019, the maximum amount of the loan may not exceed the annual wage bill for the first two years of operation; or
- 25 % of the total turnover in 2019; or
- In duly justified cases and on the basis of a plan that establishes the liquidity needs of the company, the amount of the loan can be increased to cover the liquidity needs from the time when it is granted for (i) 18 months, in the case of micro, small and medium-sized enterprises, and (ii) 12 months in the case of small mid-caps and mid-caps.

The credit lines are available with a maximum term of 6 years and they can benefit from a grace period for payment of capital and a term of utilisation of up to 18 months from the date of contracting. They must be paid back in successive monthly instalments, in arrears.

The interest rate may be fixed (Euribor swap rate for the term of operation) or variable (Euribor 1, 3, 6 or 12 months), plus a spread that can vary between 1% and 1.5%, depending on the maturity of the operation. In addition, there is a mutual guarantee commission that can vary between 0.25% and 1.75%, depending on the maturity of the operation and the type of company. It is paid in arrears in a single payment on the loan maturity date.

Eligibility conditions

For the operation to qualify, companies must:

- They are (i) micro, small and medium-sized companies with SME certification, (ii) individual businesspeople, with or without organised accounting, with SME certification, or (iii) small mid-caps and mid-caps.
- Have their registered office in Portugal.
- Engage in activities with an eligible Economic Activities Code;
- Have no outstanding debts or other obligations to the Tax Authority or the Social Security on 1 March 2020. They must present a declaration for this purpose and to declare the regularisation of any debts to those entities arising in March by 30 April;

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- Net positive situation in the last approved balance sheet or in the interim balance sheet, up to the date of the application. Companies with a negative net position in the last approved balance sheet can have access to the credit line provided they present a regularised situation in an interim by the date of their application⁹;
- Not have any outstanding incidents with the banks and mutual guarantee system at the date the agreement is made.
- Not be considered a “undertaking in difficulty” as at 31 December 2019 in the terms of article 2(18) of Regulation (EC) No. 651/2014 of 17 June;
- Presentation of a specific declaration that includes a commitment to maintaining the permanent jobs until 31 December 2020, with respect to the proven number of these jobs on 1 February 2020. In other words, it must be able to demonstrate that, in this period, that (i) it has not carried out any processes of collective or individual dismissal provided for in articles 359 and 367 of the Employment Code, and (ii) it is subject to a layoff. To do this, it must present the approval of the Social Security.
- Operations that are intended for financial restructuring and/or involving the consolidation of live credit, or operations to liquidate or replace, directly or indirectly, albeit under different conditions, funding previously agreed with the bank.
- Operations to acquire of land and buildings in a state of use, as well as buildings for general use that did not already have (before acquisition) specific characteristics appropriate to the technical requirements of the productive process of the company.

Application process

Any company that wishes to obtain financing under the Covid-19 credit lines and economic support should contact one of the participating credit institutions. The participating institutions are: Abanca, Banco BIC, BBVA, BPI, BCP, Banco Empresas Montepio, Montepio Investimento, Banco Português de Gestão, Santander, CCCAM, CCAM de Leiria, CCAM da Chamusca, CCAM de Mafra, Caixa Económica Montepio Geral, CGD, Novo Banco, Novo Banco dos Açores, and Bankinter.

After the approval of the operation by the credit institution, the application is analysed by the mutual guarantee company to obtain the guarantee. This company must respond within a period of approximately 2 to 5 business days.

Once approved by the mutual guarantee company, the operation can be formalised between the credit institution and the company, within a maximum period of approximately 30 business days. ■

Ineligible operations

However, it is important to bear in mind that the following operations are not eligible for financing under these credit lines:

⁹ Not applicable to companies whose activity has started less than 24 months ago, nor to individual businesspeople without organised accounting.