



CORPORATE

200M CO-INVESTMENT FUND

APPLICATIONS NOW OPEN

This is an innovative tool managed by PME Investimentos to attract international investors to technology startups at the growth stage and to promote the movement of international entrepreneurs and startups to the Portuguese market.

Announced in 2016 (following the 2016 Web Summit) and formally approved in 2017 (right before the 2017¹ Web Summit), the 200m Co-investment Fund (the «Fund») was set to increase the availability of equity and quasi-equity financial instruments to small and medium-sized enterprises (SMEs). It focuses on startups and follows a logic of co-investment with private parties.

IN THE LEAD-UP TO THE 2018 WEB SUMMIT, THE OPENING OF APPLICATIONS HAS NOW BEEN ANNOUNCED.

WHAT IT IS: This is an innovative tool managed by PME Investimentos to attract international investors to technology startups at the growth stage and to promote the movement of international entrepreneurs and startups to the Portuguese market.

OBJECTIVE: To support small businesses and startups in the area of technology and at the accelerator and growth stage by mobilising specialised Portuguese and international entities. In addition to financial investment, these entities can help companies acquire technical and commercial know-how and project them onto the global market, while simultaneously fostering an increase in venture capital activity in Portugal.

WHAT IT MEANS: The Fund has an initial capital of EUR 100 million. It is supported by the Portugal 2020 programmes and fully financed by the European Structural and Investment Funds (ESIFs). The Fund seeks to encourage private investors (through matching fund) to finance 50% of the final amount granted to the projects (chosen by the private investors themselves).

TWO YEARS ON FROM THE ANNOUNCEMENT OF THE PROGRAMME, THE FUND IS FINALLY ABLE TO RECEIVE APPLICATIONS.

How does it work?

- The programme involves a direct financial commitment with co-investment and risk sharing. The co-investment of the Fund amounts to 100% of the commitment from private investors, with a minimum of EUR 500,000 and a maximum of EUR 5 million;
- Investment necessarily associated with the implementation of projects (not restructuring or financial consolidation) with an innovative product or process;
- The contributions from the Fund may not exceed the investment of co-investors and they must be made under the same terms and conditions proposed by co-investors;

¹ The setting up of the Fund was approved by Decree-Law no. 126-C/2017 of 6 October, which came into force on 11 October 2017.

- The financial contribution by co-investors and the Fund must include at least 70% of equity or quasi-equity instruments;
- Preference will be given to investments in the life sciences, biotech, digital, IT and tourism sectors, and to engineering and industry 4.0 activities;
- The Fund grants private Portuguese and international co-investors a **call option** to purchase shares (of the Fund) at 4% of IRR in the first 2 years and 6% of IRR until the end of the 4th year;
- The Fund and co-investors may not hold a joint stake equal to or greater than half the capital or of the voting rights in the company;
- The co-investor may not benefit from other public investment instruments or any other instruments that have benefited from the ESIFs in any way;
- Investments must be made by **31 December 2020**.

BENEFICIARY COMPANIES: ELIGIBILITY

- Commercial Companies (unlisted) classified as SMEs².

Among other requirements, companies must comply with the following:

- (a) No tax or social security debts;
- (b) The technical, physical, financial and human resources and be able to operate in Portugal;
- (c) Repayments in order regarding financing from the ESIFs;
- (d) Not fall under the classification of «undertakings in difficulty»³.

CO-INVESTORS: ELIGIBILITY

- Includes venture capital companies, venture capital fund management companies, venture capital funds, social entrepreneurship companies and funds and, in general, investors which, although they do not do business in Portugal, are prepared to invest in the share capital of companies in the country and have already carried out similar operations.

Among other requirements, co-investors must:

- (a) Guarantee the necessary technical, physical, financial and human resources and be able to operate in Portugal; and
- (b) Be subject to an audit process and continuous monitoring.

APPLICATIONS

Submission

- The application to the Fund must be submitted by the co-investor and is conditional upon the existence of a prior decision to invest an amount equal to or greater than the amount requested from the Fund in the company in question;
- Application submitted by the co-investor using the electronic form available [here](#). The co-investor must register on the platform, fill in the form provided and send the requested documents;
- The co-investors must evaluate the business plans/projects submitted by SME. The business plans/projects must include, among others, a description of the product/service, the calculations of expected revenues and profitability, a feasibility analysis and the exit strategy, together with economic, financial and legal due diligence reports.

Evaluation

- First-come, first-served;
- Applications will not be accepted and investment operations will not be approved once the capital of the Fund has been fully invested;
- The Fund is responsible for evaluating the eligibility of the investment operations in accordance with European standards and the rules governing the Fund;
- Applications will be evaluated based on the following **criteria**:
 - (a) Experience and history of the co-investors in venture capital activities and in the Fund's areas of preference;
 - (b) Objective/sector of the project;
 - (c) Volume of investment in companies;
 - (d) Weight of private investment in relation to the total of the proposed operation;
 - (e) Number of jobs created;
 - (f) Number of partners involved (e.g., incubators, accelerators);
 - (g) Accounting rate of return of the project;
 - (h) Introduction of innovative products/services;
 - (i) Expected internal rate of return of the project.
- After evaluation of the applications, the Fund manager will notify the co-investor of the decision;
- If approved, the investment will be made and the funds will be allocated to the beneficiary company.



MARTA WENGOROVIOUS
O Céu, 1999
Óleo s/tela

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² Within the meaning of Recommendation 2003/361/EC of the Commission, evidenced through SME Electronic Certification, issued in accordance with Decree-Law no. 372/2007 of 6 November.

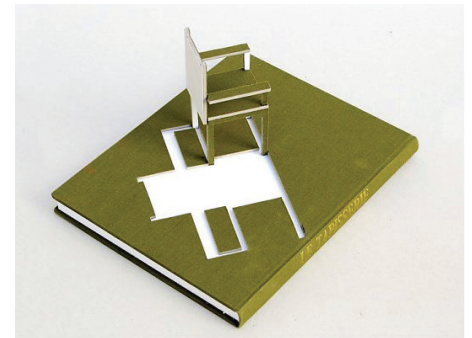
³ Within the meaning of Regulation (EU) 651/2014 of 16 June.

Making the investment

- The investment by the Fund and co-investors will be made simultaneously and will require the execution of a **shareholder agreement / tripartite investment agreement** (SME, co-investor and Fund), which will govern the relationship between the parties;
- The Fund will only make its investment at the same time as or after the investment by the co-investors;
- The co-investors must submit a well-grounded plan with the values and expected goals of investment, and the underlying requirements.
- Obligation to submit new request if the investment conditions are subject to changes with an impact on the criteria analysed.

Launched to reduce the indebtedness and strengthen the capitalisation of SMEs and startups through investments of equity and quasi-equity, in co-investment with private entities, this project finally puts into motion a long-announced initiative already envisaged in the Startup Portugal programme.

As a result, the launch of this co-financing mechanism is awaited with expectation and enthusiasm. It represents yet another measure announced by the Government – among others recently announced and put into practice – and it is part of a broader strategy to support entrepreneurship in Portugal. The applications are now open!



CARLOS PINHEIRO
 S/título, 2004
 Papel e cartão

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 Client Service Law Firm Of The Year
Chambers European Awards 2018

 Portuguese Law Firm of the Year
Who's Who Legal 2017-2015, 2011-2006
The Lawyer European Awards 2015, 2012
Chambers European Excellence Awards 2014, 2012, 2009

 Top 50 - Most Innovative Law Firm in Continental Europe
Financial Times - Innovative Lawyers Awards 2017-2011