

# *“Investment impact due to the current situation and post Covid-19”*

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**IRELAND PORTUGAL**

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REDE DE NEGÓCIOS LUSO-IRLANDESA



*Finding the way*



# The day after Covid 19 – Economic impact

- The collapse of economic activity in all countries is producing a **double impact on demand and supply that will have non-reversible effects.**
- The magnitude is generating changes in the economy, our behaviour, our companies, and our way of understanding politics and society. Here are some of them:
- **The major risk for the European economy is deflation**
- **Germany** will seize this great opportunity to tackle the situation with a pan-European vision. They will take the lead and help with strong public spending, mutualization of debts, and authorization of liquidity injections so that the architecture of the Union can reverse its decline.
- **Europe will be more united after this crisis.**



# The day after Covid 19 – Economic Impact

- **Three large blocks will be consolidated in the world: China, the United States, and Europe**
- The fear of further breaks in supply chains after the trade war and the Covid-19 will act as a **catalyst**
- We entered in 2020 with 81% of the assembly and 64% of the components in the Technology sector worldwide made in China but, **as a result of this crisis, Europe and the United States will transfer some of the manufacturing to their regions**
- There will be a decoupling in the supply chains that will end the Chinese economic miracle, and their growth will stabilize around 3.5% of GDP
- Private Equity will redirect its investment towards **health, food, and technology-related companies**. The shared economy will lose strength.



# The day after Covid 19 – Social impact

- **Less office space will be rented, and the price of rent will go down**
- Professionals have become accustomed to communication via video conferencing, and remote work with flexible schedules will grow
- **Citizens will have learned to consume less**
- **Online shopping** will become natural in a new, much more digital society
- **Flexibility is the new buzzword**
- **Investors will bet on companies that generate profits**
- Many of the Unicorns will deflate and go bankrupt at the same time new **start-ups will emerge**



# After the Covid 19

- Europe is starting to invest heavily to rebuild its industry capabilities in such sectors as:
  - Health (Covid-19 related industries)
  - Food
  - Technology
- There will be a re-design of industrial production between European countries but with critical sectors to be auto sufficient country by country, like food and energy
- Proximity suppliers will be sought, and just-in-time supply models will be renounced
- Companies with strong balance sheets and multi-channel distribution capacity will take advantage of the distress of competitors to drive intense business concentration and become regional champions. **Investors will invest in these companies boosting their market capitalization**



# After the Covid 19

- **Many investors are still waiting to see how governments and regional entities, like EU, will act and under which terms**
- **This will have an impact on the “cost” of money and availability to the market (structural funds, banking incentives to the private sector supported by governments) that will redefine how private investors position themselves.**
- **The new economic models can follow 2 paths: a more “socialist” or more “capitalist” approach. Investors are looking and evaluating this possibilities and how to position in one or another**
- **How did we position ourselves in this uncertainty?**



# Our present contribution to the future

- We established an exclusive partnership for Portugal with an investment fund and project financing company based in Europe, that allow us to have a comprehensive and competitive capital offer to investments in private projects from 2 million€ to 150 million€, as key target, however also flexible to discuss transactions up to 3 Billion€.
- The different investment programs can advance up to 100% of the Net Capital for the Project, in the form of a Loan, against equity participation.
- We are able to facilitate and offer:
  - Debt, equity, mezzanine or a mix of funding solutions including the refinancing of existing loans, purchase of existing facilities, restructures, and so on.



# Our present contribution to the future

**The preferred investment sectors and industries are (among others):**

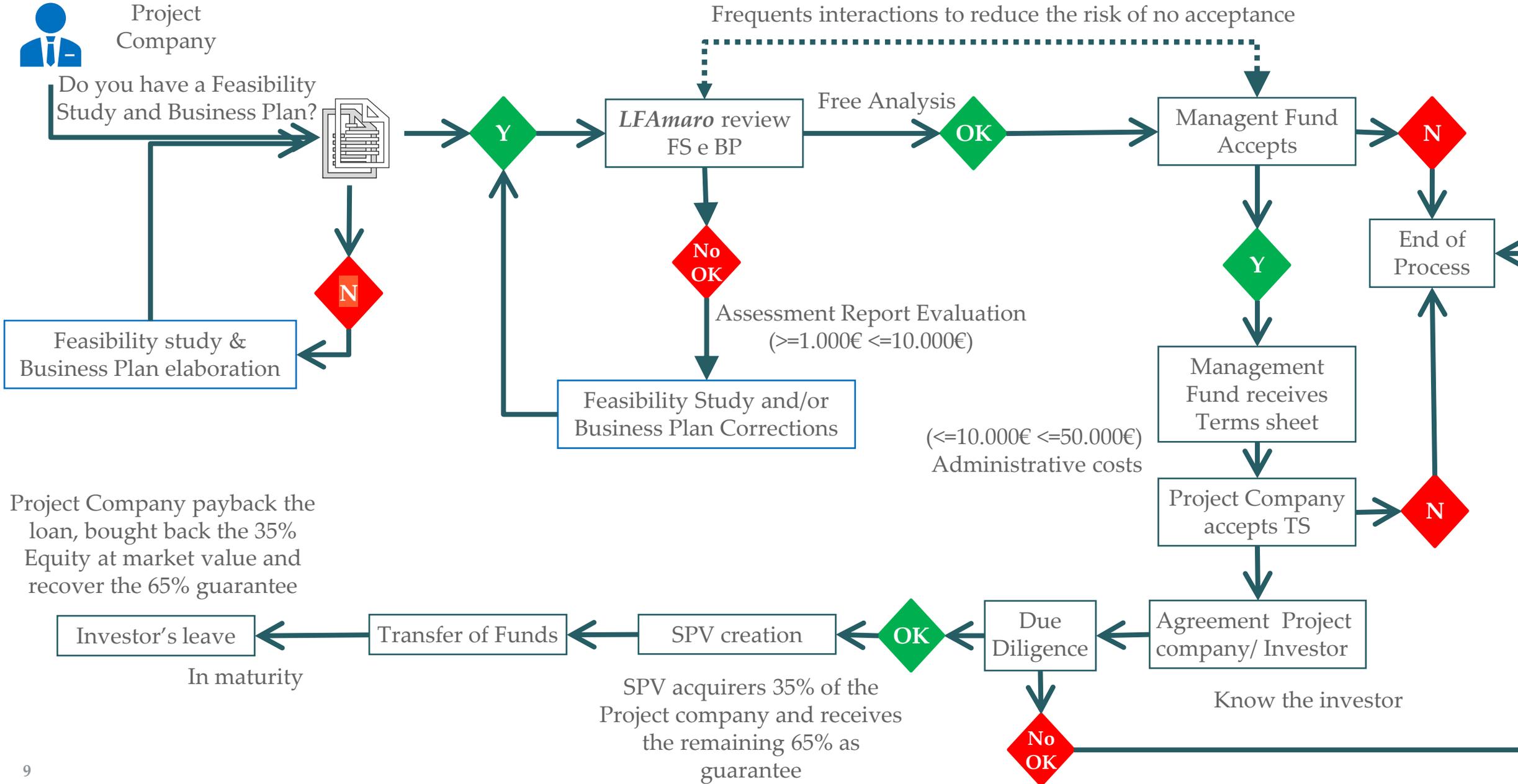
- Alternative & Renewable Energy
- Real Estate & Construction
- Infrastructure
- Minerals & Mining
- Casinos & Marinas
- Agriculture and related industries
- Environment
- Technical Innovations

**With restrictions:**

- Oil & Gas

**Out of Scope (until further notice)**

- Tourism, Hospitality, Resorts, Aviation





# Venture Capital – rules and values

- **Minimum Capital Contribution / Transaction Costs:**
  - 5.0% of transaction costs, with a minimum of:
  - 412.500€ for projects between 2M€ and 7.499,9M€
  - 852.500€ for projects between 7,5M€ and 14,999M€
  - 5% from 15M€

**Investment:** Venture Capital / Equity: The investor asks for 35% of Project Company equity with a pledge of additional 65% to the SPV as security

**Maturity:** up to 10 year

**Anticipated Exit:** Yes. No penalties

**Interest Rate:** No interest rates applied or additional cash contribution necessary

**Grace Period:** Will be agreed between the Applicant and the Investor and such period will be the period before the commencement of the Loan Repayment

**Materialization:** Between 12 and 14 weeks (on average)



# Venture Capital – rules and values

- **Exit of Investor:** By maturity of the loan, exit of the investor at a fair market value of the project company. The market value will be arranged through an auditor. Upon disagreement, both parties will assign own auditors. The average price will be considered
- **Anticipated exit request:** The client is allowed to exit the Lender before the maturity with no penalty. However, the loan payment must be fully completed and the exit price agreed
- **Project Audits and Project Management:** Will be carried out by The Investor or by one Audit and Management Firms to be appointed by the Investor. The purpose will be to ensure that the Loan funds are disbursed and directed in accordance with the pre-approved Projected Cash Flow and the Business Plan
- **Governance:** The Investor requires an equal number of the seats on the PC's Board of Directors plus the casting vote until its Unreturned Capital Contribution Account has been reduced to zero, and not less than 50% of the seats for the duration of The Investor's holding of shares in the PC. The Fund Management Firm will be assigned as an independent director in the client's project company



# Conclusion

- **There is available capital to rebuilt as fast as possible the economic activities**
- Capital availability from EU structural funds, banks – with or without government support
- **Venture Capital from Private investors, seizing the investment opportunities now available**
- A new economic world, with the same but different in scope opportunities: the “new normal”, the new buzz word
- **It’s up to us to guide, promote and be available to assume new responsibilities, share knowledge and the best ways to build a new future.**

*Sources: Reuters, Goldman Sachs, Russell Napier, one to one corporate finance*



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Thank you

Q & A



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