

InvestEU Scoreboard¹

Presentation of the financing or investment operation:

Implementing Partner: European Investment Fund (EIF)

Name of the Operation: Capitalia – capped counter-guarantee (“CCG”)

Type of approval: Individual financing or investment operation

Type of Financial Intermediary: Alternative Lender

Type of Final Recipients: SMEs (Microenterprises) and Natural Persons

Country(-ies) of implementation of the operation: Latvia, Lithuania and Estonia

Short description of the financing or investment operation:

The Operation is a capped (counter-)counter-guarantee expected to benefit from the following InvestEU products:

1. Microfinance, Social and Skills Guarantee Product: Reference in the InvestEU Guarantee Agreement: Annex II-A, Schedule 1.5 **with focus on the Microfinance target area/ segment** - under the Social Investments and Skills Window.

Under this Operation, the holding company (“Capitalia Investment Holding AS”) aims to renew its risk-taking support to micro-enterprises by launching a counter-guarantee product, aimed at the Microfinance target area via its crowdfunding platform.

The Operation will be structured in the form of a counter-counter-guarantee, based on which Capitalia will provide risk coverage, via its Platform Operator (Capitalia SE), to underlying investors (acting as ultimate sub-intermediaries under this operation).

In addition to the financial service offered, Capitalia has developed a wide range of business development services for microentrepreneurs, including online video tutorials on various financial literacy topics, a business management handbook. For the last couple of years, Capitalia has launched its own mentorship program in all of the Baltic States offering contacts and advice to any interested entrepreneur.

Public statement:

Eligible areas for the Operation in accordance with Annex II to the InvestEU Regulation:

- Item 7 of Annex II of the InvestEU Regulation:

financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies

- Item 12 of Annex II of the InvestEU Regulation:

social investments, including those supporting the implementation of the European Pillar of Social Rights, in particular through education, training and related services, including for adults.

¹ This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

The following additionality items are fulfilled by the Operation, as per Annex V of the InvestEU Regulation:

Item (b) of Annex V A (2) to the InvestEU Regulation:

Support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources

EIF expects to support the Intermediary in originating a portfolio of counter-guarantees with an aim to support final recipient transactions (debt financing) which meet the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website.

These measures ensure that the debt financing support provided to target final recipients is made on more favourable terms, compared to the standard terms and conditions which could be offered to the final recipients and ultimate sub-intermediaries via the Capitalia crowdfunding platform. In particular, the financing offered to the final recipients will be originated at a reduced interest rates, fees and commissions with no collateral requirements, except for personal guarantees.

Item (c) of Annex V A (2) to the InvestEU Regulation:

Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations;

The use of the InvestEU Guarantee allows EIF to enter into this Operation, supporting final recipients in InvestEU policy priority areas, which, otherwise, would have remained underserved due to limited access to finance.

Thanks to InvestEU support, Capitalia will be able to continue supporting vulnerable micro entrepreneurs who are typically excluded from the mainstream banks offering at more favourable terms and conditions. The product offered by Capitalia is specifically targeted at final recipients with a viable project or business plan.

Item (d) of Annex V A (2) to the InvestEU Regulation:

Participation in risk-sharing mechanisms targeting policy areas that exposes the implementing partner to higher risk levels compared to the levels generally accepted by the implementing partner or that private financial actors are able or willing to accept;

The EU Guarantee will enable Capitalia to launch for the first time a new counter-guarantee product for a crowdfunding platform designed at enhancing access to finance for microenterprises in the Baltic countries. In addition, it would allow EIF to continue its cooperation with an intermediary who is committed to provide a material impact in terms of financial and social inclusion in all three Baltic countries, capitalising on the experience Capitalia SE gathered under the previous EaSI guarantee instrument.

The following market failures are addressed by the Operation:

Item (c) of Annex V A (1) to the InvestEU Regulation:

Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.

Access to finance is one of the main issues that SMEs, in particular microenterprises, face in Europe. As reported in a recent EIF study,² nearly one in three SMEs report severe difficulties in accessing finance. Many SMEs with economically viable projects cannot obtain the necessary financing from financial institutions, as they tend to be reluctant to extend uncollateralised credit to SMEs, even at high interest rates. The SME financing gap exists as the market is not able to supply a sufficient amount of external financing to SMEs. This market failure, resulting in a sub-optimal equilibrium outcome is rooted in the existence of information asymmetries.

Item (e) of Annex V A (1) to the InvestEU Regulation:

Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.

Microenterprises are perceived as having a high-risk profile, due to their small size. This Operation is targeting microentrepreneurs in the Baltic region, that are excluded from finance by the mainstream credit markets. Using an innovative approach for addressing the microfinance segment, Capitalia has proven to be instrumental for the financial and social inclusion in the Baltic countries.

Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation **(Excellent)**

Pillar 4 - Financial and technical contribution by the implementing partner **(Very Good)**

Pillar 5 - Impact of the financing or investment operation **(Very Good)**

Pillar 7 - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively c.9.3x-13.9x	Preliminary estimation
Multiplier Effect	Indicatively c. 13.1x	
SISW specific Indicators		
(b) Microfinance and social enterprise finance: Number of microfinance recipients and social enterprises supported	Indicatively up to 420-630 micro-enterprises	Preliminary estimation

ESG aspects

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.

²The European Small Business Finance Outlook 2023: [eif_working_paper_2023_96.pdf](#)