

15 December 2020

## Luther supports first application for ESF guarantees for SME bonds

**Luther Rechtsanwaltsgesellschaft advised a German medium-sized enterprise on the submission of a first application for the German Economic Stabilisation Fund's (ESF's) new standard product "guarantees for corporate bonds". The application was for a 90 per cent guarantee from the ESF for a corporate bond with a volume of up to EUR 28 million. The funds are intended to be used in particular as working capital to finance the orders that are currently starting up.**

The group of companies, which generated sales of over EUR 100 million in 2019, is temporarily struggling with declining sales and earnings due to the coronavirus pandemic.

Luther accompanied the submission of a first application for the new standard product together with BankM AG.

The ESF, launched in March, is a EUR 600 billion federal aid programme. The purpose of the ESF is to stabilise companies in the real economy by helping them to overcome liquidity bottlenecks and by creating a policy environment conducive to strengthening the capital base of companies. While initially only guarantees for corporate bonds in the context of individual structuring with a volume of more than EUR 100 million were envisaged, the ESF expanded its range of instruments at the end of October to include guarantees for bonds from a volume of EUR 5 million. The German Association of Capital Market-Oriented Small- and Medium-Sized Enterprises ("Kapitalmarkt KMU"), whose president is Luther Partner Ingo Wegerich, had strongly advocated this change.

In the situation caused by COVID-19, many banks are not willing to increase their exposure or grant new loans: in addition to completing a lot of documentation work, the banks would have to bear a default risk, as the ESF only issues default guarantees for bank loans in the amount of 90 per cent. With the new standard product, companies are

now no longer dependent on their bank's goodwill; instead, they can raise financing independently via the capital market.

**On behalf of the group of companies:**

Luther, Capital Markets, Banking & Finance: Ingo Wegerich (Partner)