



COVID-19: New assistance program initiatives with the Danish Growth Fund

Start-ups and growth companies are in focus in the extension of the Danish COVID-19 government relief packages. As an addition to the relief packages, a new temporary matching-facility will be introduced by the Danish Growth Fund, and the investment capacity of the Danish Growth Fund will be increased.

In previous COVID-19 newsletters we have described the [guarantee schemes available with the Danish Growth Fund](#) and [Denmark's Export Credit Agency](#).

These additional initiatives from the Danish Growth Fund are introduced to accommodate the start-ups and growth companies. Start-ups and growth companies are typically dependent on venture capital or similar risk-bearing capital which may be difficult to obtain during the COVID-10 crisis. Regular bank financing is not often available to them, and they are thus not likely to benefit from the above guarantee schemes.

Matching-facility

The matching-facility involves two schemes; one for early stage start-ups and the other for growth companies. Both schemes entail that the Danish Growth Fund assumes a greater part of the financing and a higher risk than with the existing financing schemes with the Danish Growth Fund.

For early stage start-ups, the matching-facility allows for the Danish Growth Fund to provide between 75% and 100% of the financing. These start-ups will thus be able to obtain a financing between 1:3-matching, where the remainder will be provided by private investors either as loan or equity and full government-backed financing.

Growth companies will be eligible for up to 75% of the financing from the Danish Growth Fund. This is a co-financing scheme where the remainder will be provided by private investors either as loan or equity.

Both schemes are only available in 2020. The schemes will be introduced to encourage private investors to stay committed to the market of start-up and growth capital even during the COVID-19 crisis by making more favorable terms available to them.

Increased investment capacity

Pursuant to the assistance program papers, it is estimated that the amount of venture capital investments will decrease during the COVID-19 crisis despite the matching-facility schemes. This decrease will presumably limit the opportunities for start-ups and growth businesses. On that basis, the investment capacity of the Danish Growth Fund will be increased.

It is the intention that the Danish Growth Fund increases its investments, both in respect of direct investments and through funds. This is for the benefit of new start-ups as well as more mature growth companies with a desire to scale up, who would otherwise be dependent upon other sources of venture or risk-bearing capital.

The executive orders required to set off these initiatives have not yet come into force. However, according to the Danish Growth Fund the executed orders are expected very soon. More information is available on the Danish Growth Fund's website.

We at DLA Piper hope that the start-ups and growth companies will benefit from these initiatives, leaving these companies viable options to launch and grow. Please feel free to contact us if you or your company have any questions about the initiatives or other financing solutions.

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