

Information Sheet

Venture Tech Growth Financing (VTGF)

Venture Tech Growth Financing

803/866
Loan

Financing of young and innovative tech companies (startups) in the growth phase.

Funding objective

The KfW Venture Tech Growth Financing programme offers loans (venture debt) to young, innovative, and fast-growing tech companies to finance their future growth. The programme is part of the German Federal Government's Future Fund ("Zukunftsfonds"), which aims to strengthen financing options primarily in the capital-intensive scaling phase of startups.

How does it work?

Financing is provided exclusively in cooperation with professional private lenders or venture debt providers, either directly as a syndicate partner or indirectly via a risk-participation. KfW participates in standard market financing on the same terms as the respective private lender, i.e., *pari passu*. The financing structures are tailored to the individual needs of the borrower. Private lenders also have the option to apply for refinancing by KfW, provided they are banks accredited with KfW. The interbank refinancing offered is provided at non-aid conditions above the applicable EU base rate.

Who can apply?

The programme aims at innovative growth companies in the commercial sector that are predominantly privately owned and based in the European Union, whereby at least one subsidiary, branch, or operating facility must be located in Germany.

Participation of professional venture capital investors

A prerequisite for financing is that a professional venture capital investor (this includes, for example, venture capital providers, equity providers of growth and expansion capital or also private equity providers as minority shareholders) is invested in the company to be financed. In the case of listed companies, it is sufficient if a professional venture capitalist previously held a stake in the company. Furthermore, companies are exempt from this rule if the founders have sufficient experience in venture capital financing.

Participation of credit institutions, insurance companies or comparable financial institutions

Credit institutions, insurance companies or comparable financial institutions, with the exception of venture capital investors, may not directly or indirectly hold an interest of more than 25% in the applicant company. Venture capital investors may hold a direct or indirect interest in the applicant company regardless of the amount of the interest.

In general, the programme pursues to finance:

Information Sheet

Venture Tech Growth Financing (VTGF)

- Younger companies in early development stages that generally do not yet have a largely established business model and therefore do not yet have any solid financing structures with correspondingly unstable or volatile cash flows.
- Companies that are typically characterised by rapid corporate growth and scalable (in part still volatile) business models with expected, significant revenue growth.

Listed companies that have been listed on the stock exchange for more than five years at the time of application, must also meet one of the following criteria:

- Revenue growth of more than 25% p.a. on average over the last 3 years.
- Financing needs amount to more than 50% of the average annual revenue of the past 3 years.
- Consistently negative EBIT (on an annual basis) in the last 3 years.
- No debt financing via the capital market as of the application date.

What can be financed?

Typically, projects are funded to build/expand and/or scale business models and implement growth-enhancing measures. This includes, but is not limited to the financing of:

- Working capital in the form of working capital lines
- Acquisitions
- Other revenue-increasing measures
- Equity bridge loans for interim financing between two equity rounds
- Pre-IPO debt to cover the pre-IPO costs or to stabilise and strengthen the financing structure in order to work towards an IPO ("IPO readiness")
- Post-IPO debt for listed growth companies

The Paris-compatible sector guidelines of KfW Group, which define specific requirements for the climate compatibility of the respective investments, must be taken into account in this programme: [Client version Paris-compatible sector guidelines \(kfw.de\)](#). General corporate financing and technologically not delimitable financing via financial intermediaries do not currently fall within the scope of the sector guidelines.

Environmental and social compatibility:

The project must meet the environmental and social requirements and standards applicable in the country of investment.

The programme is not eligible for:

Restructuring cases and undertakings in difficulty within the meaning of EU state aid law. KfW also generally excludes certain projects from financing or specifies conditions that must be met. Details can be found in the [Exclusion List](#) of KfW Group.

»»» Information Sheet

Venture Tech Growth Financing (VTGF)

Combination with other programmes

It is possible to combine a loan from the Venture Tech Growth Financing programme with other promotional funds (loans or allowances/grants). KfW participates in financing on a pari passu basis in accordance with market conditions. As a result of financing at market conditions, KfW's funds are free of state aid. The financing provided by independent private lenders must be economically significant in view of the total size of the investment. Consequently, the share of the public sector (including KfW financing) in the borrower default risk may not exceed two-thirds of the pari passu financing.

Conditions

KfW accepts the terms and conditions agreed by the private lender (including term, repayment mode, margins, commitment fee, charges, collateralisation), provided these are deemed to be in line with the market on the basis of a creditworthiness and risk assessment by KfW.

The KfW risk share is usually between EUR 0.5 and 125 million. In principle, the aim is to achieve a 50:50 risk sharing between KfW and the private lender, with KfW's risk share amounting to a maximum of two thirds.

Application

Companies cannot apply directly to KfW under this programme but must first approach a suitable private lender or venture debt provider with their project. KfW's participation then takes place at the invitation of the private lender or venture debt provider.