

INVITE GROUP Bonn: Protocol of the Covid-19 financial aid drama

2020: A €16 million loss instead of a €5 million profit

The biggest "losers" of the government's corona aid are the **large affiliated companies** that have been hit hard by the pandemic. These include, in particular, owner-managed or family-run medium-sized hotel and restaurant groups with a turnover of between €50 million and €500 million and more than 250 employees. These groups have so far been largely excluded from the financial support packages created in the wake of corona.

Invite Group, Bonn

Invite Group GmbH, Bonn, www.invite-group.com, is an owner-managed company consisting of several hotels, restaurants, conference centres and fitness studios. In 2019, the group has around 640 employees, a turnover of 64 M€ and a balance sheet total of over 43 M€, making it a large affiliated company by definition. Before the Corona pandemic, the group was virtually debt-free (2% FC ratio), generated 3.3 M€ in revenue and had free liquidity of 7 M€.

The Invite Group will close the year 2020 with a Corona-related decline in turnover of approximately 28 M€. The previous year's turnover of 64 M€ in 2019 fell to 36 M€ in the Corona year 2020. 70 M€ turnover was planned. The Invite Group will report a loss of around 16 M€ in 2020, which is approximately 21 M€ below the planned result of +5 M€.

Experience with Corona aid in the Invite Group

So what do the Corona benefits so far in 2020 mean for the Invite Group as a large associated company? Short-time allowance has been used throughout and is excluded here.

1. First Lockdown & Shutdown Phase March to May 2020:

There was no corona support for large companies for the phase from 24 March to 19 May 2020. For March to May 2020, Invite Group did **not** receive **any** corona support and suffered a loss of around €6 million.

2. Interim Support Payment I for June to August 2020:

The Interim Support Payment I was available only to small and medium-sized enterprises (SMEs) and falls under the Federal Small Grants Scheme (Bundesregelung Kleinbeihilfe). Consequently, the Invite Group did **not** receive **any** corona support in June, July and August and made a loss of around €3 million.

3. Interim Support Payment II for September to December 2020:

The Interim Support Payment II falls under the Federal Fixed Cost Support Scheme (Bundesregelung Fixkostenhilfe). This is again only available to small and medium-sized enterprises (SMEs). Invite Group did **not** receive **any** Interim Support Payment II and posted a combined loss of around €2 million in September and October.

4. Second Lockdown & Shutdown Phase November and December 2020

The **November and December aid** falls under the Federal Small Grants Scheme which is limited to a total of €1 million. For the first time, large affiliated companies are eligible to apply under the single application procedure. An application for November support of €1 million was submitted by the Invite Group. This means that there is **no longer any entitlement to December aid**. This leaves a loss of around €2 million for November and around €3 million for December.

5. Interim Support Payment III January to June 2021

The Interim Support III falls under the Federal Fixed Cost Support Scheme, which is limited to €500,000 per month up to a maximum of €3 million. The monthly support payment is the rough equivalent of five calendar days' worth of business, respectively the €3 million equates to roughly one months' business. The Invite Group fears a further loss in 2021 of €10 to €12 million.

6. KfW Entrepreneur Loan in Programme 037

In addition to the corona support, there is also the KfW Entrepreneur Loan Programme 037 [term 6 years, 2% interest] for large companies. From €10 million entrepreneurial loan, the KfW, in addition to the company's house bank, carries out an additional assessment. The Invite Group has so far been approved for €2.2 million of the €11.8 million KfW entrepreneur loan for which it applied. For the remaining amount, a personal absolute guarantee from shareholders for € 9.6 million is required.

SUMMARY: WHY THE AID SCHEMES ARE NOT WORKING

- The Interim Support Payments I and II exclude support for large undertakings from the outset. These are only available to small and medium-sized enterprises (SMEs).
- The November and December aid schemes provide financial support to affected companies of all sizes and the Interim Support Payment III for companies with a turnover of up to €500 million. Affiliated companies may only submit one joint application for all companies in the group in this context.
- However, the aid limits placed on Interim Support Payment I and the November and December aid payments are cumulatively limited in the "**Federal Small**

Grants Scheme 2020" to €200,000 plus a €800,000 corona-related grant. This maximum limit of €1 million is also applied to the affiliated companies as if they comprised just one company.

- The Interim Support Payments II and III as well as any still outstanding November and December **Plus** aid payments fall under the **Federal Fixed Cost Support** Scheme and are cumulatively limited to €3 million from 01.03.2020 to 30.06.2021.

Voluntary corona relief or compensation claim?

By imposing the restrictions that it has, government has directly and massively interfered with the fundamental rights of freedom to exercise one's profession (Article 12 of Germany's Basic Law) and in peaceful enjoyment of property (Article 14 of the Basic Law). The Lockdown & Shutdown is tantamount to state expropriation. It follows that the state must compensate for such interference. As a result, a claim for compensation should be affirmed and appropriate financial compensation **should** be granted by the state.

Correction of the corona aid

With a few corrections to the Corona Aid Ordinances, violations to the principle of equality, freedom of profession and trade, and the protection of property, all of which are anchored in Germany's Basic Law, can be avoided.

- a) Small, medium and large enterprises must in principle be treated equally.
- b) The discrimination of "affiliated companies " should simply be removed.
- c) By granting compensation, the German state will not fall foul of rigid EU state aid rules.
- d) The corona-related KfW entrepreneur loans must be granted to enterprises of all sizes on the same terms and must not allow the state to enrich itself through interest arbitrage.

URGENT CALL

The state has an undisputed responsibility to protect the public during the corona pandemic. However, the state then also has to compensate for the collateral damage to companies, which is nothing other than a reflection of these protective measures. This includes fair compensation, immediate and unbureaucratic support and equal treatment of companies affected through no fault of their own.

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