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**Capital for Enterprise Ltd, registered in England and Wales No: 06179047**

**Capital for Enterprise Fund Managers Ltd, registered in England and Wales No: 06826072**

**Capital for Enterprise Fund Managers Ltd is authorised and regulated by the Financial Services Authority Ref No. 496977**



8 Programmes

37 Funds

£2.0bn in assets  
& liabilities under  
management

**Rory Earley**

- 10.00 Introduction
- 10.05 What do CFEL look for in an ECF proposal?
- 10.25 ECF Q&A session
- 10.35 Experiences of an ECF – a presentation from an ECF fund manager.
- 10.50 The Aspire and Capital for Enterprise Co-Investment Funds
- 11.00 Open Q&A Session
- 12.00 Networking and informal discussions

Questions welcome in Q&A



## **Enterprise Capital Funds**

**Ken Cooper**

- Recap on what an ECF is and CfEL's role
- No more 'bidding rounds' so what is the process?
- Changes in the new Guidance?
- What do CfEL look for in an ECF manager?
- Diversification of our ECF portfolio
- The status of "New Teams"
- A quick word on Legal Agreements
- Key Messages

- Objective to increase the availability of growth capital for SMEs affected by the 'equity gap'. By:
  - encouraging an increased flow of private capital into the equity gap, by adjusting the risk-reward profile for private investors making such investment; and
  - lowering the barriers to entry for entrepreneurial risk capital managers by reducing the amount of private capital needed to establish a viable venture fund.
- Government funds provide gearing for the benefit of private investors to increase their potential return on profitable funds.

- The bidding round process had some clear problems:
  - Not fitting with fundraising timetable
  - Peaks and troughs of work
  - Near misses deterred from participating
  - Insufficiently iterative
- Process reflects creation of CfEL – no longer a civil service unit making allocations.
- Iterative approach and one of getting to know and be confident in the team.

- No timetable or deadlines.
- Mandatory information to be provided in 5 page document is covered in the guidance. This stays the same.
- When do we ask for it?
  - Can submit any time but...
- And why do we have it?
- Feedback and the limits of iteration.
  - Feedback is always subjective
  - Sometimes too nice?
- Iteration is not a negotiation. Certain terms will only go one way once the five pager is submitted.

**A five pager is the key to start the process**

- Strength of investment team and track record
- Stability of investment team
- Sound, defined investment strategy
- Commitment of private investors
- Fund targets the equity gap
- Value for money

**A strong team is key**

- Portfolio building nicely with 10 ECF mandates awarded.
- A general desire to fill our 'matrix' but not at the expense of key criteria.
- Strength of proposition remains paramount.

**Portfolio is not overweight in any specific area**

- This does not mean inexperienced teams.
  - Could be experienced individuals who can demonstrate they can work together – not an easy test – coming together as a team
  - Teams that would otherwise have left the 'equity gap'.
  
- We have a pipeline of potential managers.

**New teams welcome, but experience essential**

- The draft LPA, available on the BIS website, has been through many rounds of negotiation and is considered by us a very near final document.
- It is a balance between the needs of Government and other investors as well as those of managers.
- If you want to make any significant change to the draft LPA that change must be highlighted at a very early stage.

- Process is now less bureaucratic.
- DD is nonetheless still thorough and detailed information will be required.
- Focus remains on investing in strong teams with strong investment proposals.
- New guidance reflects change in process and not change in what an ECF is.
- Aim to present proposals to CfEL team at an early stage but this is not an alternative to reading the guidance.

**A smoother and more efficient process of ECF allocation**

# ECF Q&A

## Questions welcome

Questions welcome



**Co-Investment Funds**

**Ken Cooper**

- The £12.5m Aspire Fund was announced at the end of 2008.
- The fund is able to invest up to 50% of capital in funding rounds of between £200k and £2m, on a co-investment basis.
- The Aspire fund requires that an experienced investor is in place in order to lead the funding of a specific business.
- Lead investors need to provide the following to support a request for funding:
  - the case for investing in the business;
  - evidence that they are a strong lead investor and that they are independent from the business;
  - evidence of the due diligence they have carried out;
- For more details please contact CfEL at [aspire@capitalforenterprise.gov.uk](mailto:aspire@capitalforenterprise.gov.uk)

**£12.5m for Women led businesses**

- The £75m Capital for Enterprise Fund was announced in January as part of the government's Real Help for Business Programme.
- The focus of the fund is on fundamentally sound businesses with existing cash flows and genuine growth potential but which are currently unable to access the funding they need.
- Investors in the fund are the Department for Business Innovation and Skills ('BIS') along with HSBC, Barclays, Lloyds Banking Group and The Royal Bank of Scotland.
- The fund offers equity or mezzanine investment aimed at releasing and sustaining growth and can invest between £200,000 and £2 million.
- The fund has a 12 month investment period.

**£75m in development capital for growing businesses**

- Capital for Enterprise Fund Managers Limited (CfEFM) committed the first two tranches of the CFE Fund in April to:
  - Maven (formerly Aberdeen Asset Managers Private Equity);
  - Octopus Private Equity;
- The managers have £30m each to invest in businesses that meet the investment strategy.
- The managers may lead or invest as part of larger syndicates up to the maximum funding round size of £2m.
- For more information please contact the managers at:
  - Maven:** Andrew Craig - 0141 306 7400 - [Andrew.Craig@mavencp.com](mailto:Andrew.Craig@mavencp.com) or go to [www.mavencp.com](http://www.mavencp.com);
  - Octopus:** Alistair Brew - 020 7710 2817- [abrew@octopuspe.com](mailto:abrew@octopuspe.com) or go to [www.octopuspe.com](http://www.octopuspe.com)

- The remaining £15m is to be managed flexibly by CfEFM as a co-investment fund, available to invest alongside established fund managers into SMEs that fit the fund's investment strategy.
- For co-investments the fund will provide up to 50% of capital in funding rounds of between £200,000 and £2m.
- CfEFM are actively seeking suitable co-investments for this fund.
- Established investment managers interested in the co-investment fund should contact Capital for Enterprise Fund Managers on +44(0)114 206 2131 or [cfefund@capitalforenterprise.gov.uk](mailto:cfefund@capitalforenterprise.gov.uk)

**Co-investment proposals welcome**

## Open Q&A

### Questions welcome

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