



# SE Equity Funds and Scottish Investment Bank Update

*Gerard Kelly, Senior Director*

*Pat McHugh, Business Services Director*

***Scottish Investment Bank***

**Scottish Co-investment Fund II**

- Early stage (up to £1m in deals of up to £2m)
- Fund Capitalisation @ £67m, **of which ERDF = £27m**

**Scottish Venture Fund II**

- Development/expansion stage (up to £2m in deals of up to £10m)
- Fund Capitalisation @ £50m, **of which ERDF = £20m**

# Rationale for Intervention

- ***To address market failure:***
  - *Early stage*
  - *Development/expansion stage*
  
- ***Improving the operation of Scotland's risk capital market:***
  - *Increasing the availability of risk capital*
  - *Increasing the number of investors*
  
- ***The Government Economic Strategy:***
  - *Build capacity in the investment community*
  - *Address gaps in access to capital which constrain SMEs from reaching their full potential*

# The Co-investment Model

- *Private sector investors apply to become co-investment partners via diligence process*
- *Formal co-investment contractual Partnering agreement*
- *Private sector brings deals to Funds*
- *Private sector makes investment decisions*
- *Public sector invests on a fully commercial (pari passu) basis*
- *Returns are to be re-invested in the funds on an ongoing basis.*

# Fund Activity

## SCFII

- 228 investments @ £28.6m (£11.4m ERDF = 42% of total allocation)
- SME target = 128 (actual to date 130)
- Private sector leverage = £42.9m

## SVFII

- 51 investments @ £20.7m (£8.28m ERDF = 41% of total allocation)
- SME target = 42 (actual to date 23)
- Private sector leverage = £46.7m

# Funds' Economic Impact

- ***Increase the availability of risk capital:***  
*In 2003/4 SE invested £4m by 2009/10 this had increased to £32m*
- ***Improve market stability:***  
*In 2010 UK angel investing dropped by -23% but in Scotland angel investing increased by +0.4%*
- ***Be Catalytic:***  
*20% of money and represented in 66% of all deals*
- ***Develop market capacity:***  
*From 15 partners in 2003 to 100 partners in 2010*
- ***Develop market capability:***

# SIB Private Sector Equity Partners

## ANGELS + SYNDICATES

- Alida Capital International
- Alpha
- Andromeda Capital
- Archangel Informal Investments Ltd
- Ashleybank Investments
- Andy Muir
- Aurora Private Equity Ltd
- Barwell plc
- Braveheart Ventures Ltd
- ChimeraBio
- Henry Hyde-Thomson
- Highland Venture Capital
- James Oag
- James Rolf
- Kevin Lomax
- LINC Scotland
- London Capital Finance
- Longbow Capital
- Par Equity
- Par Fund Management
- Pre-X Capital
- Sir Tom Farmer
- Souter Investments
- Tricapital

## VCs

- ACT Venture Capital
- Aescap Ventures
- Amadeus Capital
- Atmos
- Ceres Finance
- Albion Ventures
- Adamant Ventures
- Close Growth Capital
- Delta Partners
- Discovery Investment Fund
- Evolve Capital
- ED Capital Ltd
- Emerald Technology Ventures
- Energy Ventures
- E-Synergy Ltd
- EDP Investments
- Grampian Biopartners

## VCs

- FinTech Global Capital
- Herald Ventures
- Innvotec
- IP Group
- Imprimatur Capital
- Kapital Ventures
- Exomedica
- Kenda Capital
- MMC Ventures
- Melville Capital
- Nauta Capital
- NBGI Ventures
- Noble FM
- Pentech Ventures
- Quayle Munro
- PUK Ventures
- SET Venture Partners
- Sigma Technology Group
- Symphony Equity
- Tate & Lyle Ventures

## CORPORATES

- Channel 4
- Mitsubishi UFJ Capital
- Murray Capital
- Siemens Technology Accelerator
- Scottish & Southern Energy
- Statoil Hydro Venture
- STV
- Strathclyde Innovation Fund
- UKSE Fund Managers
- Wideblue

# Economic Impact

Total Invested by Year

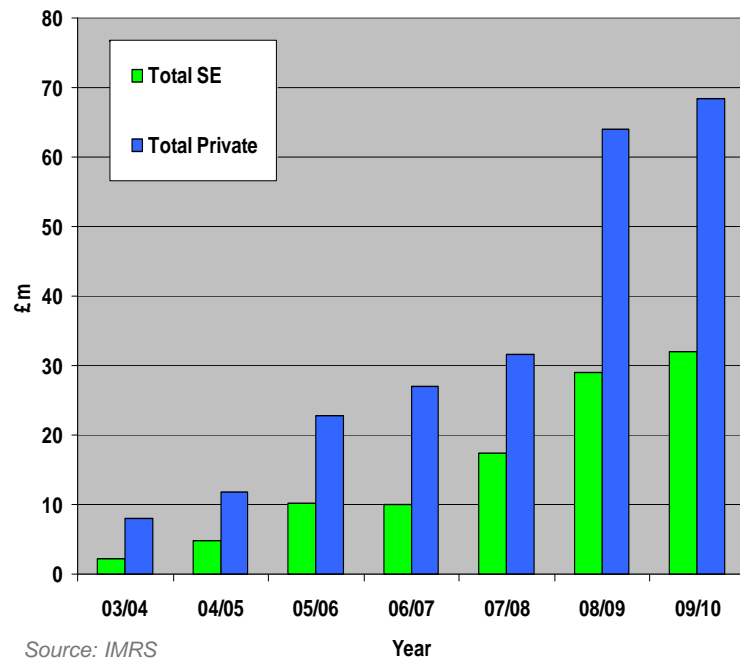
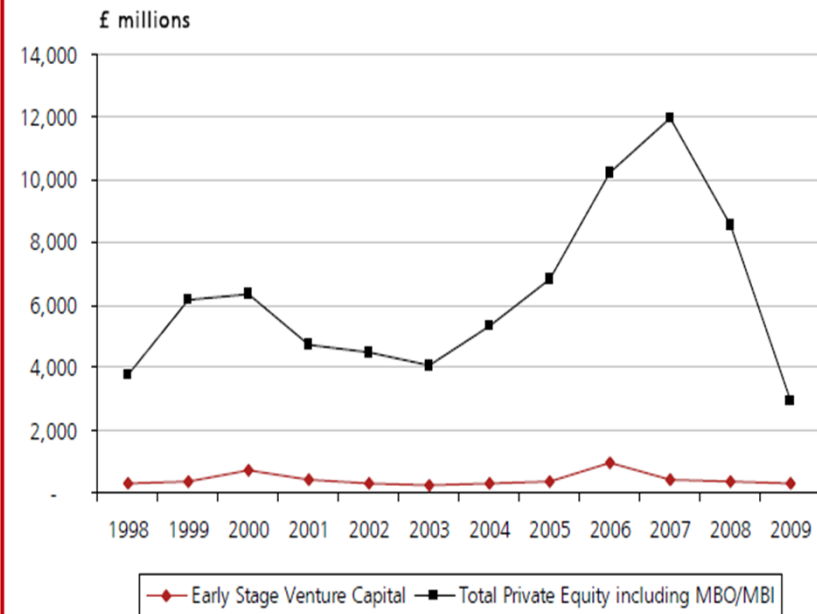


Chart 3.10: Amount invested by BVCA members



## 2009/10 Performance

- *Invested £32m and leveraged £68m of private investment into 106 companies in the following sectors:*
  - *Technology 40%*
  - *Life Sciences 24%*
  - *Energy 21%*
  - *Others 15%*
- *There were 2057 employees in these companies.*
- *The turnover of companies invested in during 09/10 was £115.4m.*
- *86% invested companies had some form of SE account management.*

# Case study

## Lab901

### ➤ **Inputs:**

- *Product = ScenTape 'lab on a strip' automation X10*
- *BGF, SCF, SVF*
- *ITI grant support*
- *HGSU advice*
- *Agilent Technologies Inc*

### ➤ **Outputs:**

- *43 high value jobs*
- *Lothian based further R&D*
- *Turnover = £1.3m p.a.*
- *Investment return*

# SIB Main Objective



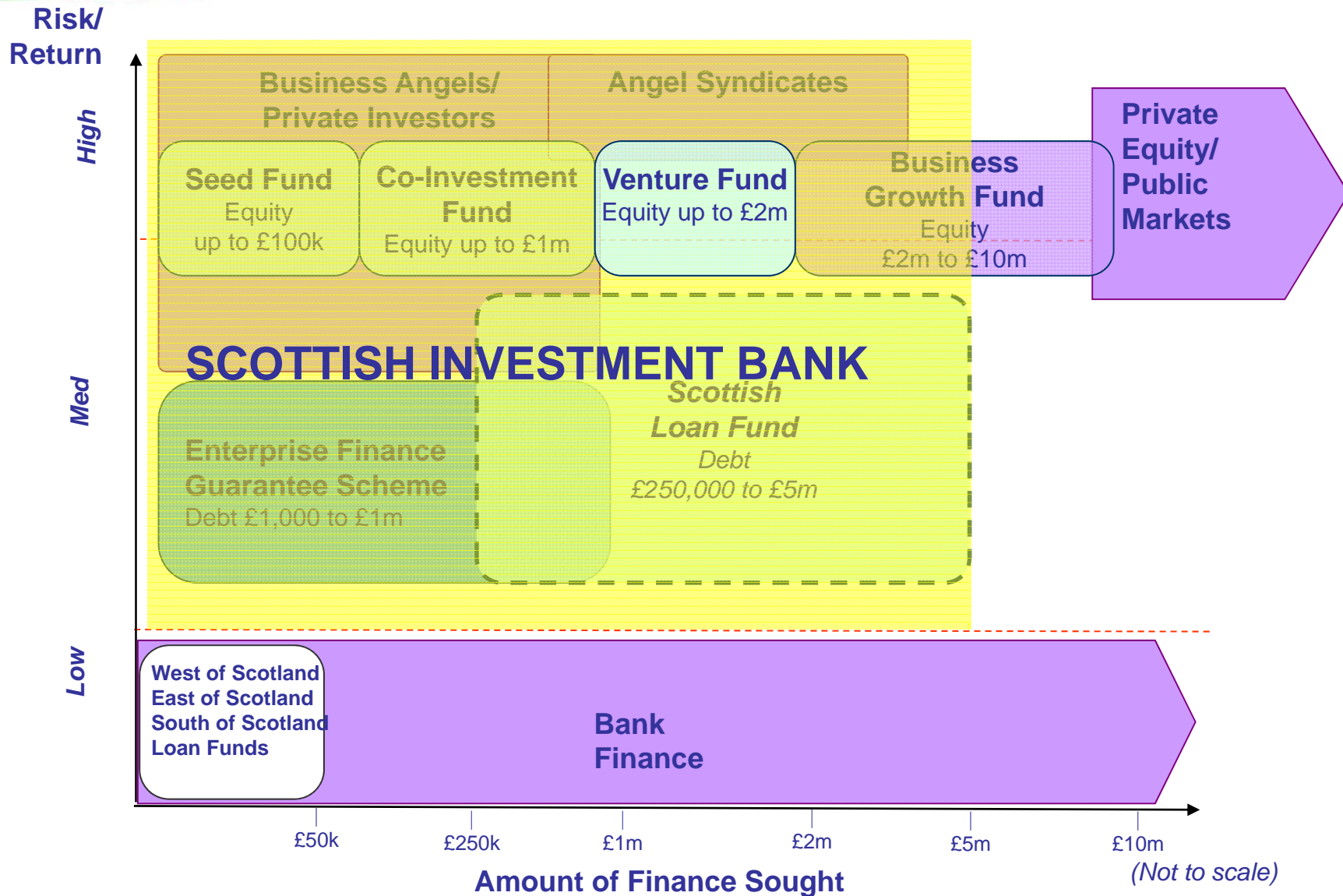
*“The Scottish Investment Bank supports the development of Scotland’s private sector SME funding market to ensure that both early stage and established companies with growth and export potential have adequate access to growth capital.”*

# SIB Activities



- *A single delivery point for all SE/SG commercial financial instruments for high growth and export potential SMEs in Scotland.*
- *A source of advice and support to SMEs on where and how to obtain commercial growth capital.*
- *A partner for the private sector to help target high growth and export potential SMEs achieve their growth potential.*
- *Pursue a business model for SIB that will reduce the future public sector financing burden.*

# SIB Market Positioning



# The Scottish Loan Fund

## Scottish Loan Fund

The Scottish Loan Fund is a new fund targeted at growing and exporting businesses. It's been introduced by the Scottish Investment Bank.



- *LUPS Fund Capital Value @ £50m*  
*LUPS = £20m*  
*HIPP = £5m (£3m+£2m)*
- *The Scottish Loan Fund (SLF) provides loans of between £250,000 and £2 million to companies with an annual turnover above £1 million that demonstrate growth or export potential.*
- *managed by independent fund managers, **Maven Capital Partners.***

**SIB**  
Scottish  
Investment  
Bank



***Questions?***