

SEED & VENTURE CAPITAL SCHEME 2019-2024

GUIDELINES FOR EXPRESSIONS OF INTEREST



#GlobalAmbition

1. Introduction

Access to appropriate forms of external equity finance is vital for the development of indigenous enterprises, and the State has identified the need to continue to facilitate the creation of a comprehensive and competitive funding environment to support entrepreneurship and enterprise in framework documents for Enterprise 2025, Innovate 2020 and the National Development Plan 2040.

Since 1994, Enterprise Ireland (“EI”) has invested in four Seed & Venture Capital Schemes to help ensure that there is both an available and effective overall funding ecosystem for our clients, and to address market failures in this area. The funding provided by the Seed & Venture Capital Schemes has supported a significant number of indigenous Irish companies over the years. EI has to date made commitments to venture funds of €513m under the four Schemes.

On the 9th October 2018, the Minister for Business, Enterprise & Innovation announced a new Seed & Venture Capital Scheme with a further allocation of €175m to be committed over the lifetime of the Seed & Venture Capital Scheme (2019-24).

This document provides direction for Funds intending to submit an Expression of Interest under the First Call of the Seed & Venture Capital Scheme (2019-2024).

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2. Scheme Vision and Objectives

The overall vision of the Seed & Venture Capital Scheme (2019-2024) is;

- To increase the availability of risk capital for start-ups to support economic growth through the continued development of the Seed and Venture Capital industry in Ireland in order to achieve a more robust, commercially viable and sustainable sector.

To realise this vision, the objectives include:

- To encourage and leverage private sector investment into sectors (and stages of development) that find it difficult to secure appropriate funding;
- To leverage domestic and international private sector/institutional capital into investment in Ireland;
- To support the growth strategies of EI's sectors with capital and expertise;
- To maximise the 'additionality' that any commitment will bring to the overall sector in terms of both additional capital and expertise in company development;
- To seek innovative funding solutions that reflect current international best practice.

3. Current Call

This First Call under the Scheme will target three distinct areas of the market and Fund managers must identify which of the three areas their proposal addresses.

Fund managers who wish to apply for more than one area must make separate submissions, and each submission will be evaluated individually:

1.	<p>Pre-Seed / Seed Stage Funding. EI will invest in Funds that aim to invest across the start-up base at the very early stages of company development. Such funds should seek to target core EI sectors including ICT, LifeSciences and Industrial.</p> <p>The fund strategy should be oriented to deploy a substantial majority of the fund through investment in Pre-Seed and/or Seed Stage with total round sizes of less than €1.5m AND/OR a maximum investment per investee company of 10% of the Fund.</p> <p>Up to €50m may be committed as part of this Call to Funds targeting the Pre-Seed/Seed stage. EI may invest up to a maximum 70% of the fund.</p>
2.	<p>Series A+ Funds. EI will invest in Funds that aim to invest in core EI sectors including ICT, Lifesciences and Industrial. Such funds should predominantly focus on investments in Series A+ stage rounds of over €1.5m.</p> <p>Up to €30m may be committed as part of this Call to Funds targeting this stage. EI may invest up to a maximum 25% of the fund.</p>
3.	<p>Food Sector Funding. EI will invest in Funds that will focus predominantly on the Food sector, including FoodTech. The fund strategy should include investment into seed and early stage companies.</p> <p>Up to €20m may be committed as part of this Call to Funds targeting this Sector.</p>

3.1. Who can submit an Expression of Interest?

El is seeking commercially viable Expressions of Interest from venture fund managers that (at a minimum):

- Will meet the overall objectives of the Seed & Venture Capital Scheme (2019-2024);
- Will invest, at a minimum, an amount equal to twice El's net commitment into Irish companies;
- Will result in a targeted fund size that is commercially viable while meeting the objectives of the Scheme;
- Recognise that El invests on a pari-passu basis with the private sector equally sharing the risk and reward;
- Will result in commercial Funds that primarily invest by way of equity instruments to stimulate growth and employment in manufacturing and/or high growth potential early-stage SMEs in Ireland.

3.2. How will El make its investment decision?

- Any decision to invest as part of this call will be made on a competitive basis;
- An evaluation team will be formed to evaluate all Expressions of Interest received. The evaluation team will comprise members of El's Investment Services, HPSU and Research Divisions;
- Those parties submitting Expressions of Interest should be prepared to make themselves available for interview, if required by the evaluation team. Interviews will be held in El's offices in Eastpoint during May 2019. El reserves the right to hold more than one interview (and/or seek additional clarification information) at a later date to ensure that it has sufficient information to make an informed investment decision;
- The final decision to make any investment will be made by the Board of El on the recommendation of the Seed & Venture Capital Funds Committee;
- Membership details of the Board and Seed & Venture Capital Funds Committee can be found in El's [Annual Report](#);
- El reserves the right to offer an investment of any size and is not bound by the amount of investment sought in the Expression of Interest.

El will make investment decisions based on its assessment of the quality of the Expressions of Interest received. El retains the right not to invest any or all of the funding allocated to this Call.

The receipt and acceptance of any Expression of Interest submitted as part of this Call under the Seed and Venture Capital Scheme (2019-2024) does not in any way indicate an intention by El to make a financial investment.

El will not release any information received as part of this Call except as may be required by law, including the Freedom of Information Act 2014 (as amended from time to time). In the event of a Freedom of Information request, the proposer will be given reasonable advance notice in order to contest such disclosure.

4. Evaluation and Qualification Guidelines

Based on the material submitted in response to this Call for Expressions of Interest, information provided at interview and any information gained as part of the due diligence, a ranking will be assigned to each of the proposals received based on the following headings and relative weightings.

	Weighting		
	Pre-Seed/Seed	Series A+	Food
Investment Strategy Stage, sectors, geography, fit with EI objectives & objective of SVC 2019-24	25	20	25
Investment Experience & Record General investment experience, record in previous funds	15	15	15
Capability & Capacity Team skills, size & experience. Time commitment to other funds & investee companies.	15	15	15
Connectivity Access to deal-flow. Strength of relationships with investment & entrepreneurial communities.	10	10	10
Governance General governance, including financial robustness of proposed GP vehicle, and regulatory status.	10	10	10
Ability to close a fund in a timely manner Status of likely co-funders. Likely dates of first and final closings of the fund.	25	30	25
TOTAL	100	100	100

Qualification Criteria

Proposals will be assessed and evaluated, based on a scale of 1-5 against the following criteria, as appropriate.

4.1. Overall Fund Investment Strategy: Proposed stage, size, sectors, geography.

EI's objectives are met when the fund strategy is to target innovative Irish companies led by ambitious entrepreneurs, building globally oriented businesses.

EI is seeking fund strategies that primarily target investment opportunities in companies which are Irish-registered, subject to Irish Taxation, with the central decision-making locus being in Ireland together with a substantial element of activities.

Those funds whose investment strategy will benefit industry sectors in which EI clients operate are likely to score more highly in the evaluation process. Those sectors and/or

stages which most clearly experience market failure in attracting capital from private sources will score more highly in the evaluation process. Within this category, EI will assess the degree to which the fund strategy may contribute to improving the funding environment to support Female Entrepreneurship and improving the SME funding environment across all regions of Ireland.

Where EI's investment represents less than 50% of a fund, the investment strategy for proposals must show that a minimum multiple of two times (2X) EI's investment (net of fees/expenses on a pro-rata basis across all co-investors) will be invested into Irish-based companies. In any fund where EI's investment represents 50% or above, the entire fund must be invested into Irish based companies.

4.2. Investment Team: Experience, Skills, Capacity, and Record

Fund managers should demonstrate that the proposed team can work together effectively to deliver the investment strategy. The management team must be able to demonstrate a verifiable track record together with relevant sector and stage experience.

Fund managers must demonstrate that their management team is suitably qualified and possesses the requisite skills, experience and capability needed to successfully build, manage and exit a portfolio of innovative companies.

Fund managers must demonstrate their time commitment to the fund and identify commitments to other funds or activities.

4.3. Connectivity & Capability

Fund managers must demonstrate their ability to access dealflow in the Irish market. They must also provide evidence of local and international relationships with investment and entrepreneurial communities, that will bring additional value-add to investees.

Fund Managers that can demonstrate both strong connectivity into the Irish ecosystem, and an ability to scale companies internationally will score more highly in the evaluation process.

4.4. Governance, Financial Terms & Fund Structure.

Submissions should reflect current competitive market best practices in terms of governance and fund structures. The proposal should identify the general governance including investment advisory teams, financial robustness of the proposed management company, together with proposed regulatory status.

EI will assess and determine whether the financial model of any proposals received are in line with current international market best practice. This will include a focus on management fees, charges to investees, hurdle rates and carried interest.

EI will be mindful of the type of proposed investment instruments and the level of fees that may be sought from underlying investee companies.

EI will seek to establish if any reputational risk may arise where the manager intends to utilise investment terms and conditionality that may act as a deterrent for future investors seeking to invest in the underlying investee in later investment rounds.

Whilst lower fees and overall costs will be positively regarded, EI is also cognisant that the lowest level of fees or costs may not always be aligned with the delivery of value adding investment to companies.

4.5. Ability to close a fund in a timely manner

Fund Managers should give a timeline for proposed launch date(s) for their vehicle. Given the Scheme's objective of providing investment capacity into the Irish market, an assessment will be made of the Fund's ability to attract sufficient investment commitments from other investors. Funds who already have substantial firm commitments in hand prior to the Call will score more highly in the evaluation.

5. How to Submit an Expression of Interest

The Expression of Interest should include the comprehensive information request set out in Section 6 below, and submitted as follows:

- A single copy of the completed Expression of Interest should be submitted to the Banking Relationships & Growth Capital Department, Enterprise Ireland, East Point Business Park, East Point, Dublin 3 on or before 3pm on Tuesday April 23rd, 2019.
- A hardcopy signed statement (on the proposer's own letterhead) must be included in each Expression of Interest and contain the following statement;
- *"This Expression of Interest for support under the Seed & Venture Capital Fund Scheme (2019-2024), is submitted on the basis of the enclosed information, which is correct to the best of my knowledge and belief.*

*Signed
[Fund Promoter]"*

and

- An electronic copy of the Expression of Interest should be sent by e-mail to GrowthCapital@enterprise-ireland.com on or before **3pm on April 23rd, 2019**. Please keep attachments to a minimum number.

An acknowledgement will be issued on receipt of the Expression of Interest.

Further information may be sought from Fund managers (in addition to that contained in the Expression of Interest submission), to enable EI to make a fully informed evaluation of the proposal.

A list of references should be provided (fund investors, previous investees/LPs, international & domestic syndicate partners, external partners who bring expertise, co-investors). References will be checked and EI reserves the right to contact other references in order to carry out a complete due diligence.

Expressions of Interest submissions, including Appendices, should be kept as concise as possible.

6. Information to be Included in Expression of Interest

The Expression of Interest should provide the following information. These headings are for guidance and are not intended as an exhaustive checklist. Other relevant information may be submitted as part of the Expression of Interest.

6.1. General Information

- Name, Address & Title of party submitting the Expression of Interest.
- Identify any other locations/jurisdictions where the company/fund has an office.
- Details of management company/GP shareholding.
- Outline the level of investment sought from EI.

6.2. Investment Strategy

- Outline how the proposal will support the continued development of the Seed and Venture Capital Industry in Ireland to achieve a more robust, commercially viable and sustainable sector;
- Outline how the proposal increases the available capital for high growth SMEs in Ireland;
- Indicate the amount of capital that any EI investment will leverage;
- Indicate to what extent the proposed fund will invest into EI Sectors and Clients;
- Indicate the fund strategy with respect to female entrepreneurship and regional focus;
- Outline any previous experience of investing in EI-supported sectors and clients;
- Outline how the proposal will support the growth of EI clients;
- Outline to what extent the proposal represents an increase in the level of capital and expertise available in the market currently;
- Describe how the proposal reflects current best practice/trends in the investment industry and outline the innovative features of the proposal.
- Describe the investment strategy of the fund with reference to;
 - the sectors and subsectors in which the fund will invest;
 - the stages of development and the profile of potential investees;
 - the investment size range and detail any upper investment limit;
 - the expected number of investments;
 - the expected hold period of any investment;
 - the expected follow on provisions for any investment;
 - the range of investment instruments proposed and the rationale for the use of each instrument;
 - the range of proposed exit mechanisms;
 - the proposed amount of investment outside of Ireland (if any);
 - the principal investment thesis of the fund;
 - the minimum criteria that any potential investment must meet;
 - the targeted level of return for the fund;
- Provide details of the expected exit mechanisms that will be used to realise value in the portfolio.

6.3. Investment Experience, Record and Capacity

- Details of all previous funds raised and invested (existing and closed)
 - Targeted fund close size vs actual close size.
- Drawn down Capital vs Committed Capital.
 - Fees & Costs as a percentage of Committed Capital;
 - Gross IRR / Net IRR;
 - TVPi / DVPI;
 - Individual IRRs for each proposed investing partner;
 - Remaining Value to Paid-In Capital ratio;
 - Number of inbound enquiries;
 - Number of Term Sheets issued vs. investments made;
 - Details of any exits to date;
 - Current Status of fund in terms of any remaining fund period, remaining capital, time commitment required from team and net performance (current and projected) of portfolio;
- Identify members of investment and management team, provide details of their role in the fund and detail the amount of time each individual will commit to the proposed fund;
- Highlight any gaps in the overall team and detail plans to fill these gaps;
- Provide details of how the fund proposes to generate required deal flow;
- Identify any other funds and/or investments that any member of the team is involved with (now and/or in future) and detail proposed mechanisms to ensure there are no conflicts of interest.

6.4. Connectivity & Capability

- Outline the fund's position on the relative merits of deal syndication;
- Details of relevant previous domestic and international co-investment/syndication;
- Outline the role played by the manager in the co-investment with reference to partner sourcing, deal structuring and whether the manager played a lead role in the round;
- Detail if the same investor has co-invested on more than one occasion;
- Details of the active networks (locally and internationally) that will be used to source syndicate partners;
- Details of how the fund will interact with investees on a day-to-day basis;
- Outline how the fund will 'add value' to investees above and beyond the capital invested;
- Details of the domestic & international networks (in terms of sourcing talent, access to sales leads, improving operations, strategic partners) that the fund can introduce to investees, to enable them to reach their growth potential;
- Outline how the fund will work alongside company founders to build capability and ambition in the investee;
- Examples of how the fund manager has previously worked alongside company founders to actively add value;
- In terms of the sectors identified as part of the investment strategy, outline any relevant emerging trends and detail the experience within the team of working with investees in these sectors.

6.5. Governance, Financial Terms & Fund Structure

- Identify the Advisory Board members and the Investment Committee members, provide details of their role and detail the amount of time each individual will commit to the proposed fund.
- Outline financial terms with reference to;
 - Management fee, rate and basis of calculation during the investment and divestment periods;
 - Hurdle rate;
 - Carry structure and pass through to GP;
 - Detail **all** fees that will be charged to investees. Provide an estimate of these fees and identify to whom these fees will accrue. Detail if fees received from Investees will offset the management fee;
 - Detail **all** costs to be borne by the fund and provide estimates of any other costs outside of the proposed management fee;
 - Detail any proposed GP Commitment to the fund.
- Outline the proposed investment process.
- A detailed financial model of the fund should be provided as part of the Expression of Interest;
 - Detailed fund model per year, showing number of target investments and investment amounts, broken down between new investments and follow-ons;
 - Detail the proposed monthly schedule of drawdown of capital for the first 18 months of the fund.
 - Drawdown profile yearly thereafter.
 - Model to include salary levels for proposed investment staff and directors, together with number of overall staff and costs.
- Full disclosure of financial data on the underlying management company, including management and audited accounts.
- Detail any Key Man provisions.
- Proposed fund structure with reference to;
 - Size of the proposed fund;
 - Legal structure of fund;
 - Will the fund be regulated?;
 - Location and domicile of the fund;
 - Investment/divestment period;
 - Termination provisions and proposed treatment of unrealised investments;
 - Targeted level of return to investors (Net and Gross);
 - Distribution Waterfall and timing;
 - Concentration ratio.

6.6. Ability to close a fund in a timely manner.

Details of any capital commitments already secured, with supporting evidence to be provided.

- Targeted first close (date and size).
- Targeted final close (date and size).
- Plan to secure the balance of funding to reach the targeted first close as early as possible reflecting the current demand for seed funding in the market;
- Details of LPs on previous funds;
- Details of total historical funds raised to date as a team.

7. General Conditions

- The terms of the Qualification Criteria may be amended or withdrawn at any point;

- EI reserves the right at any time not to make an investment and / or cancel or withdraw from the process at any stage;
- Costs or expenses incurred by those making a submission will not be reimbursed and EI will not be liable in any way to an applicant for costs, expenses or losses incurred as a result of this process;
- EI reserves the right to reject any and all submissions at any stage, with or without cause;
- EI reserves the right to request clarification of information submitted and to request additional information regarding any submission, including the right to request face-to-face meetings. Refusal to provide such information upon request may cause the submission to be rejected;
- No representation, express or implied, is made by EI as to the completeness or accuracy of any facts or opinions contained in any invitation to Calls for Expressions of Interest or Open Calls and recipients should seek their own independent legal, financial, tax, accounting, or regulatory advice before making any submission under this Selection Criteria;
- EI is acting as an investor for the purposes of this Scheme and, therefore, does not require approval under legislation procurement directives, financial promotion legislation or corresponding rules;
- EI is not authorised to carry out regulated activities. EI will therefore be unable to consider responses where receipt or processing would require any form of regulatory authorisation or permission;
- Any offer to invest in a proposal made by EI as a result of this process will be subject to satisfactory agreement of applicable legal terms;
- Investment proposals will also be expected to provide a timetable for meeting any other obligations, such as the raising of private sector investment, and successful completion of a submission will be conditional on meeting that timetable;
- Respondents should note that information received by EI as part of this process, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2014, the Data Protection Act and GDPR Legislation (2018). In view of this, should respondents consider that any information should be treated as confidential and/or commercially sensitive, it would be helpful if respondents could set out why they consider this to be the case in each instance. Automatic confidentiality disclaimers generated by IT systems will not, in themselves, be regarded as binding;
- Personal data will be processed in accordance with the Data Laws. By submitting a proposal, Applicants accept the terms and conditions set out in this Section. Except for this Section, which is intended to be legally binding, this Qualification Criteria for Proposals is not a legally binding document and should be treated as indicative only.

8. Location and Regulation

Proposals must meet the relevant regulatory requirements. Typically, structures located in Ireland or the European Economic Area (EEA) and managed by an Irish or EEA based manager will be eligible. Other overseas structures may also be acceptable.

9. Monitoring

In addition to providing details on formal reporting, successful funds will be expected to set out how they will additionally engage with EI to provide information and assurance on the management and performance of the portfolio.

In order for EI to monitor and track the overall economic impact of the Scheme, information will be required periodically on areas including:

- Jobs and Sales growth achieved by portfolio companies;
- Exports;
- Female Entrepreneurship activity;
- Corporate responsibility measures;
- Private capital and foreign capital leveraged;
- New fund manager teams supported;
- New Venture Industry product/initiatives supported;

EI will generally expect to be represented on the fund's Advisory Committee.

Successful funds will need to evidence appropriate ethical standards in relation to the proposed investment activity, operations, and general business activities so as not to cause reputational issues for itself or EI, in view of its status as an Irish State Agency. EI will also review proposals with respect to their approach to the UN Sustainable Development Goals where appropriate.