

# Midlands Engine Investment Fund



Unlocking finance for  
smaller businesses

## Pre-Market Engagement Seminar for prospective Fund Managers

**May 2016**

# Midlands Engine Investment Fund

## Agenda

Midlands Engine Investment Fund –  
Overview and British Business Bank role

Ken Cooper, Managing Director, Venture  
Solutions

Midlands Engine Investment Fund –  
Thoughts on Structure, Timetable and  
What’s Different

Grant Peggie, Director, Venture Solutions

*Questions and Answer Session*

*Coffee/Networking / Informal Questions*

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## Overview and British Business Bank role

**Ken Cooper**

**Managing Director, Venture Solutions**

@britishbbank

[www.british-business-bank.co.uk](http://www.british-business-bank.co.uk)

# Midlands Engine Investment Fund

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## **What is the Midlands Engine Investment Fund?**

- More than £250m of funding for SMEs in the Midlands Engine (ME) area
- Investment and lending aimed at creating sustainable economic activity through supporting new and growing businesses
- The opportunity to build a legacy for the Midlands from successful investment and lending
- Supported by the 11 Local Enterprise Partnerships in the West and East and South East Midlands

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## Why are we (BBB) here today?

- British Business Financial Services Limited invited as an 'Entrusted Entity' by DCLG to implement a Fund of Funds
- BBB will be running a process to select managers for debt and equity funds to help deliver an ambitious investment and lending programme – Formal tender launch around August
- Compared to previous ERDF funded activity we have opportunities related to scale and fewer geographic boundaries
- No pre-conceived solutions but we are anticipating larger and more flexible funds
- We want to give you an idea of our likely selection criteria but importantly to **get your feedback** on what is possible

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## Why are we here today – what does the Bank offer?

- The British Business Bank is supporting £2.5bn of finance to SMEs through more than 80 partners with over 44,000 SMEs supported through our programmes<sup>1</sup>
- The Bank has a wide range of investments in debt funds as well as supporting lending through the Enable programme and the Enterprise Finance Guarantee
- The Bank also supports several Venture Capital programmes such as ECFs, VC Catalyst Fund and the Angel Co-Fund
- The Bank is also managing out the Department for Business Innovation and Skills' and the former RDAs' venture capital and loan funds

<sup>1</sup> The British Business Bank Performance Update, February 2016

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**Thoughts on Structure, Timetable and What's Different**

**Grant Peggie**

**Director, Venture Solutions**

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## Market Needs Identified

Draft Investment Strategies developed by the East and South East Midlands and West Midlands LEPs have identified four common key themes reflecting the need for:

- Debt: provision of small business loans (£25,000 - £150,000)
- Debt: growth / mezzanine (£100K - £2m)
- Equity: Early Stage Technology / Proof of Concept / Innovation: provision of equity funding (£25k - £2m)



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**Debt: provision of small business loans (£25,000 - £150,000)**

**Debt: growth / mezzanine (£100K - £2m)**

Likely to have a local element to the provision of small business loans but -

- Potential to have some small business loans requirement covered as a part of larger loan funds. Flexibility for managers and choice for SMEs?
- One, two or three funds covering larger loans across the ME area
- Important that the MEIF as a whole covers all of the ME area. Not essential that all funds cover everything

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**Equity: Early Stage Technology / Proof of Concept /  
Innovation: provision of equity funding (£25k - £2m)**

Option to have larger funds with a focus on early stage investing in the early years rather than separate funds?

- Investments over £2m? Perhaps in exceptional circumstances?
- One, two or three funds covering the MEIF area?
- As with loan funds it is essential that we cover the full MEIF area but this will not mean that all funds proposed have to cover all the area

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## **What is different about the Midlands Engine Investment Fund?**

Depends on your starting point -

- EU money has strings. These relate to:
  - Eligible investments
  - Reporting
  - Timetables
- We also have to fit within State Aid rules but there are various ways of doing this
- At fund of fund level we must demonstrably cover the whole of the Midlands

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## Outputs overview

- MEIF will be required to meet certain outputs that are not common to normal commercial funds
- These create an additional element of reporting but should not create major changes to investment processes. We will need to collect numbers around:
  - Jobs created
  - Enterprises supported through investment/lending
  - Private investment 'geared' in
  - Innovation – new products to market
  - Innovation – new products to firm
- In most cases this information will be part of lending or investment due diligence, the difference is mostly in recording it!

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## **Selection Process Overview**

Fund Manager selection via an OJEU tender process. Key aspects likely to include:

- Track record
- Team – named individuals and recruitment plans
- Demonstrating an ability to meet the proposed geographic coverage – may include detailed plans
- Systems and processes - reporting and recording
- Financial terms - fees, management co-invest, third party investors

Today is an opportunity for an open discussion. We will note the outcomes and make any new information or clarifications available on our MEIF website –

<http://british-business-bank.co.uk/ourpartners/midlands-engine-investment-fund/>

Once we get into the tender process all Q&A will need to be recorded and published (although can be anonymised).

**Questions?**



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