

CfEL Equity Scheme Data

Summary

CfEL manage a range of VC schemes providing equity finance targeted towards high growth potential SMEs on behalf of the Department for Business, Innovation and Skills (BIS).¹ This note provides a summary of the investment characteristics and aggregate performance of these funds:

- Since 2002, over 930 companies have received funding, receiving at least £520m.
- The geographic distribution of the investments largely follows the wider VC industry.
- A high proportion of investment goes towards companies in IT related sectors.
- CfEL funds provide equity finance at an earlier stage than the wider PE market.
- Although it is too early to report final financial returns as the majority of funds have not fully closed, a number of funds have generated successful exits.

Methodology

The analysis is based on data for the following VC Schemes:¹

- Angel CoFund²
- Aspire Fund³
- Bridges
- Capital for Enterprise Fund (CfEF)
- Enterprise Capital Funds (ECFs)
- Early Growth Fund (EGFs)⁴
- Regional Venture Capital Funds (RVCFs)
- UK Innovation Investment Fund (UKIIF)⁵

This analysis **does not** include any of the following schemes:

- Enterprise Finance Guarantee (EFG) debt scheme or its predecessor scheme (SFLG)
- Business Finance Partnership or Start-up loans
- UK High Technology Fund
- Regional JEREMIE Funds
- Funds created by other Government Departments or other organisations

This note was prepared in June/July 2013 using the latest available fund information up to Q4 2012/ Q1 2013 depending on fund. Where possible, figures are compared to the wider VC market using data from BVCA covering 2010-2012.⁶

¹ Appendix 1 provides an overview of fund policy objectives and structure.

² Value figures are based on BIS/ CfEL funding only and excludes matched co-investment from lead investor.

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⁴ Includes investments from the Finance South East Accelerator Fund. This is a debt fund providing mezzanine finance.

⁵ Care should be used in interpreting the UKIIF investment values figures as the figures are based on BIS/ CfEL funding only, which is a small proportion of the overall funding the company receives due to the fund of fund structure.

Investment Performance

No. of Companies Receiving Investment	932
Gross Amount Invested (£m)	£521m

Current Portfolio

Current Cost Of Investment (£m)	£352m
Current Value of Investment (£m)	£337m

No. of Companies in Current Portfolio	527
No. of Investments Held at Cost	203
No. of Investments Written Down	212
Amount of Investments Written Down (£m)	£100m
No. of Investments Written Up	112
Amount of Investments Written Up (£m)	£85m

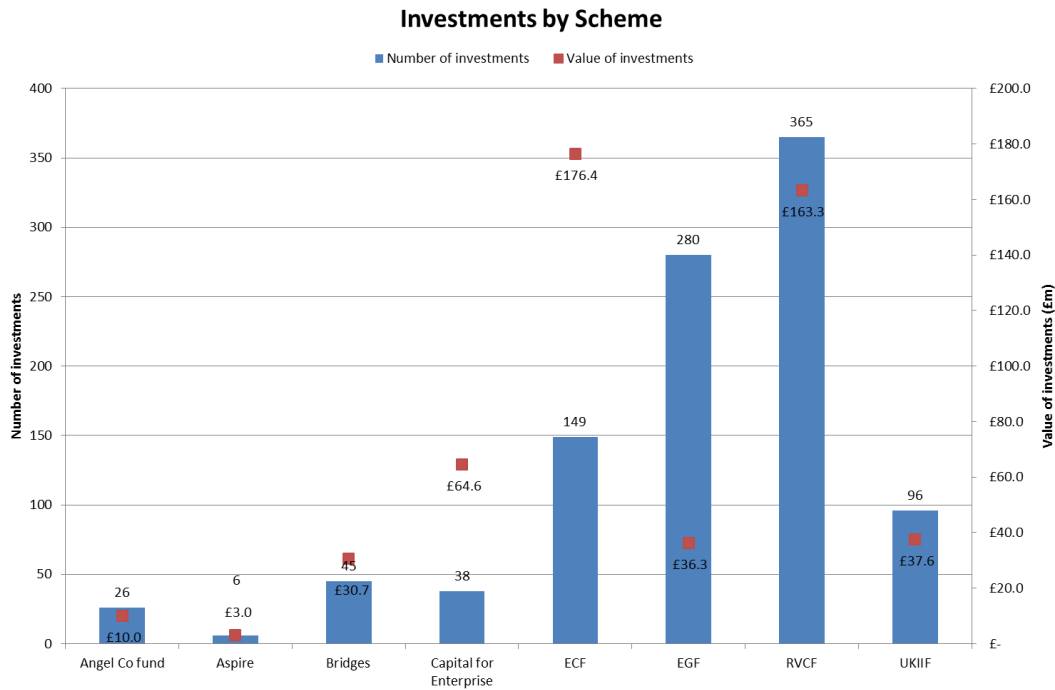
Realised Portfolio

No. of Complete Exits	120
Total Realised Proceeds (£m)	£153
- Of which Profit Generated (£m)	£74m
No. of Complete Write Offs	285
Amount Written Off (£m)	£90m

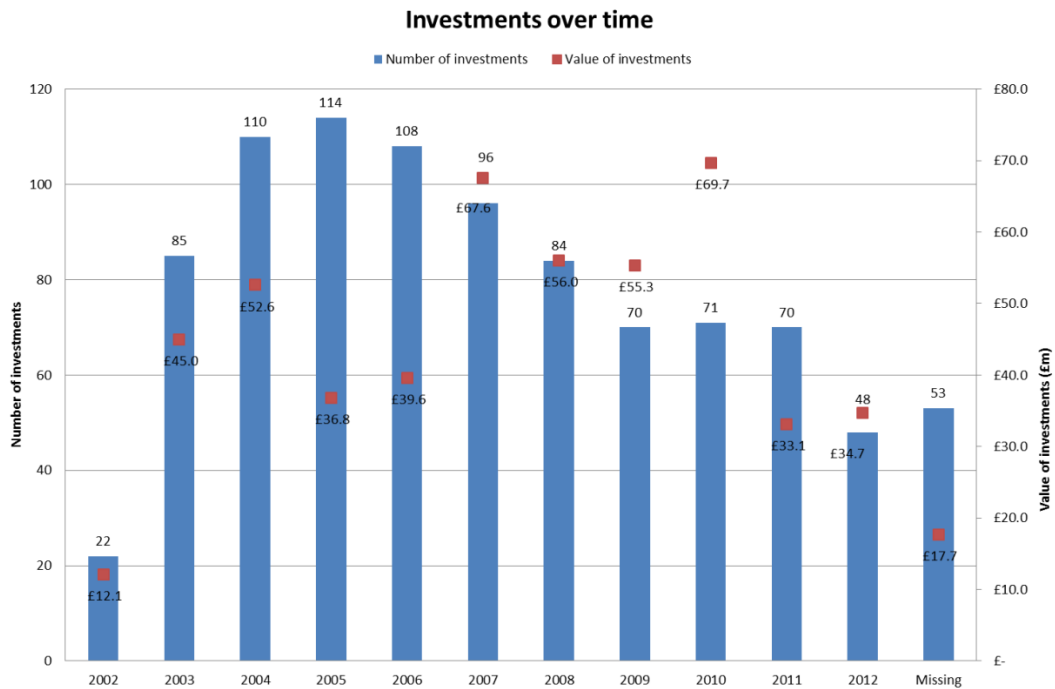
⁶ BVCA (2012) "Report on Investment Activity" <http://www.bvca.co.uk/Research>

Investment Characteristics

Investments by scheme⁷



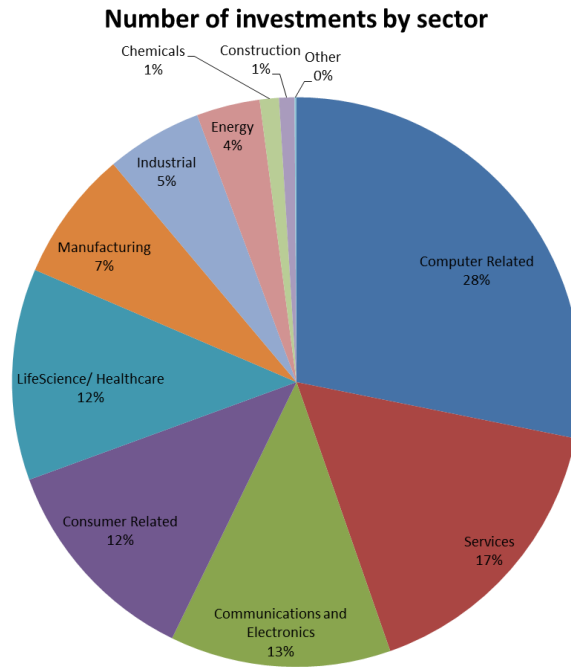
Investments over time⁸



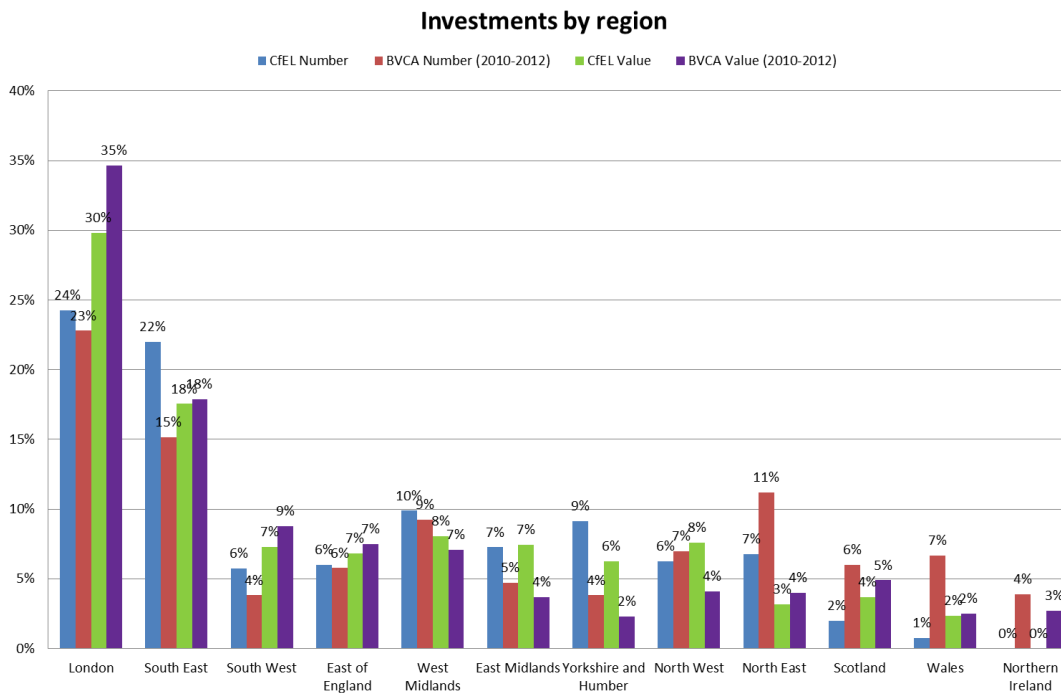
⁷ Number of investments by scheme exceeds the total number of companies invested in due to some companies receiving funding from more than one scheme.

⁸ Based on the vintage year the company first received investment.

Investments by sector

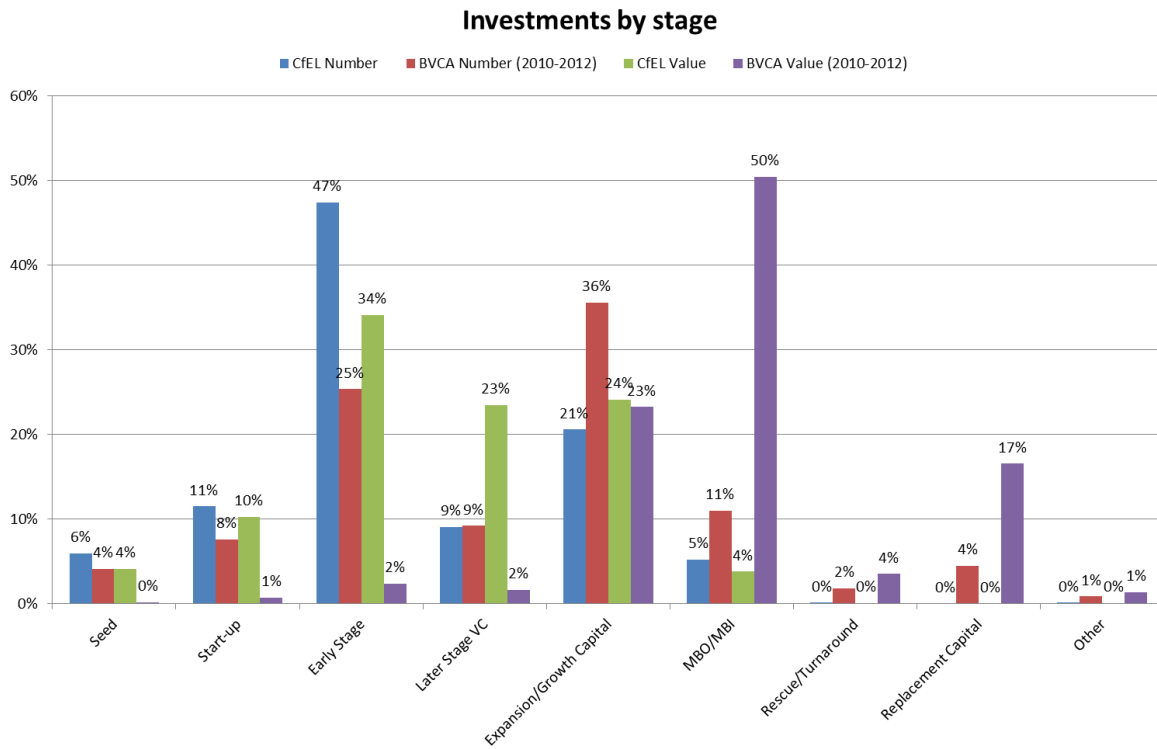


Investments by region⁹



⁹ The number of CfEL fund investments in the South East is distorted by the Finance South East Accelerator fund which provides a large number of mezzanine loans. Investments with missing location data and overseas investments are excluded from the analysis to enable a robust comparison with the BVCA data.

Investments by stage¹⁰



¹⁰ Investments with missing data are excluded from the analysis to ensure a robust comparison with the BVCA data.

Appendix 1: Summary of Programmes

Scheme Sizes

	Government Commitment (£m)	Total Scheme Size (£m)
Angel CoFund	£100	>£200
Aspire Fund	£12.5	>£25
Community Development Ventures Funds (Bridges)	£20	£40
Capital for Enterprise Fund	£50	£75
Enterprise Capital Funds	£233	£322
Early Growth Funds	£31.5	£58
Regional Venture Capital Funds	£74.4	£224
UK Innovation Investment Fund	£150	£325 to invest in underlying funds
Total Size	£671	>£1,269

Objectives and Structure

Scheme Name	Policy Objectivesⁱⁱ	Year commenced	Scheme Structure
Angel CoFund	To increase the supply of business angel finance available to viable SMEs with growth potential.	2011	Co-investment fund providing funding alongside Business Angel syndicates.
Aspire Fund	To increase the supply of equity finance to viable women led businesses seeking equity finance within the equity gap. To demonstrate the demand for equity finance from women led business exists and to raise the profile of women led businesses.	2008	Co-investment fund providing funding alongside other investors.
Bridges (Community Development Ventures Funds)	To provide venture capital to commercially viable businesses that operate within or have links to the 25 per cent most disadvantaged areas of England.	2002	2 LLP funds. These funds are closed to new investments. ¹¹

¹¹ Bridges Ventures has raised a number of new funds which do not have Government funding.

Scheme Name	Policy Objectives ⁱⁱ	Year commenced	Scheme Structure
Capital for Enterprise Fund (CfEF)	To increase the supply of mezzanine finance to viable SMEs with growth potential, which would otherwise have problems raising finance due to difficult economic conditions and structural failures in the supply of growth capital.	2009	2 LLP funds and co-investment tranche managed by CfEL. These funds are closed to new investments.
Enterprise Capital Funds (ECF)	To increase the supply of equity finance to high growth potential businesses that would otherwise have faced difficulties raising finance due to the equity gap. To have a positive impact on the wider financial infrastructure, for instance by attracting an increase flow of fund managers into the early stage venture capital market.	2006 – five funds 2007 – one fund 2008 – two funds 2010 - one fund 2011 - one fund 2012 - two funds	Rolling fund of fund programme investing in a number of LLP VC funds per year.
Early Growth Funds (EGF)	To increase the supply of risk capital available to new and growing businesses seeking smaller amounts of equity finance to enable them to realise their growth potential.	2002 – one fund 2003 – two funds 2004- three funds	Establishment of 6 LLP funds. These funds are closed to new investments.
Regional Venture Capital Funds (RVCF)	To increase the supply of venture capital available to SMEs throughout the English regions.	2002 – seven funds 2003 – two funds	Establishment of 9 LLP funds. These funds are closed to new investments.
UK Innovation Investment Fund (UKIIF)	To increase the supply of equity finance to viable growing technology businesses including start-ups and spin-outs, in strategically important sectors including digital technologies, life sciences, clean technology and advanced manufacturing. To demonstrate to the private sector the wealth generating potential of the UK Research Base.	2009- 2 fund of funds investing in 14 underlying VC funds	UKIIF invests in VC Fund of fund that invests in underlying LLP VC funds.

ⁱ Capital for Enterprise Limited was established on 1 April 2008. Since then, CfEL has managed BIS (then DTI) portfolio of legacy SME fund investments including EGF, RVCF, Bridges, UKHTF, as well as regional funds established under JEREMIE. CfEL has also designed and launched ECFs, CfE Fund, UKIIF and ECF Catalyst Fund, as well as operating the Aspire and Business Angel CoFund.

CfEL also manages the loan portfolio of loans made under the Small Firms Loan Guarantee and current Enterprise Finance Guarantee Scheme, as well as the SME component of the Business Finance Partnership.

More information about CfEL and its activities can be found at the CfEL website:
<http://www.capitalforenterprise.gov.uk/about>

ⁱⁱ The policy objectives help to achieve the ultimate economic objective of long term economic growth (as measured by GVA), with the finance facilitating additional output or improvements in productivity.