

# Ireland Strategic Investment Fund

*ISIF...making a difference in Cork*



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta  
National Treasury Management Agency

Ciste Infheistíochta Straitéisí d'Éirinn  
Ireland Strategic Investment Fund



# Agenda

## Event Welcome

Vincent Wall - Moderator

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## ISIF 2.0...An Introduction

Eugene O'Callaghan – Director, Ireland Strategic Investment Fund

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### Enabling compact growth in Ireland's regional cities and towns

Donal Murphy – Ireland Strategic Investment Fund

#### **Panel Session**

Isobel O'Regan – Savills

Robert Gallagher – Activate Capital

Jerry Mehigan - HISCO

Jason Clerkin – Kilkenny Abbey Quarter

### Scaling indigenous Irish companies for global growth

Fergal McAleavey – Ireland Strategic Investment Fund

#### **Panel Session**

Tim Houstoun – Global Shares

John O'Connell – West Cork Distillers

Frank Madden – Crest Solutions

Nick Fenn – Beechbrook Capital

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## Food & Agriculture: A Key driver of growth in the regions

Cathal Fitzgerald – Senior Investment Director, Ireland Strategic Investment Fund

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## Questions & Answers with the ISIF team

Eugene O'Callaghan, Donal Murphy, Fergal McAleavey, Cathal Fitzgerald

# Part 1:

# ISIF 2.0...An Introduction



# Eugene O'Callaghan

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Director



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta**  
**National Treasury Management Agency**

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## Double Bottom Line Mandate

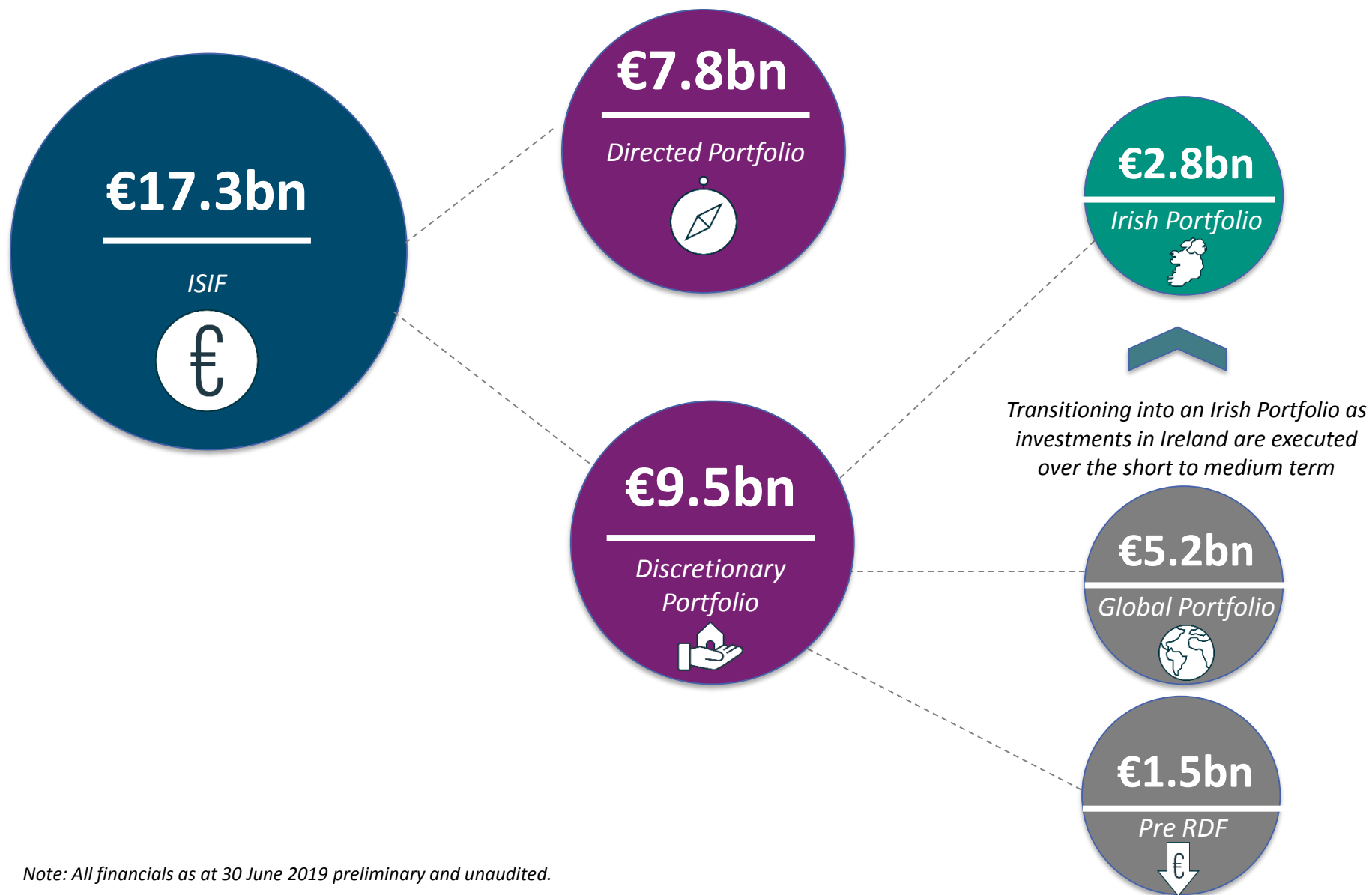
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“

Invest on a commercial basis to support economic activity  
and employment in Ireland

”

# Overview of ISIF



Note: All financials as at 30 June 2019 preliminary and unaudited.

### Commercial Return

- Risk adjusted expected return
- Investing not spending

### Economic Impact

- ✓ Additionality
- ✗ Deadweight
- ✗ Displacement

## Key Differentiators

Flexibility, Innovative & Creative

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Long term timeframe, Patient Capital

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Sovereign partner to businesses and co-investors

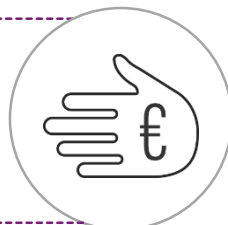


# ISIF delivering on Double Bottom Line – Economic Impact and Commercial Return

## Commercial Return<sup>1</sup>

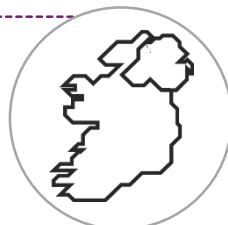
ISIF adding **€859 million** of value since December 2014

+3.1% H1 2019, **+2.3% p.a. since inception**



Early positive returns from the Irish Portfolio **€408 million**

+1.8% H1 2019, **+6.7% p.a. since inception**



Global Portfolio adding **€451 million**

+3.8% H1 2019, **+1.5% p.a. since inception**



## Economic Impact

**€12.5bn**  
Projects  
unlocked

ISIF Capital unlocks €8bn third party capital



**Co-investment**  
FY 2018

**32,000**  
jobs  
supported



**55% jobs**  
**ex-Dublin**  
FY 2018

**1,877**  
Homes  
Sold

Funding advanced to sites and development financing to deliver **15,000 new homes** out to 2025

Over **500MW** of energy projects currently supported with a development pipeline of over **150MW**

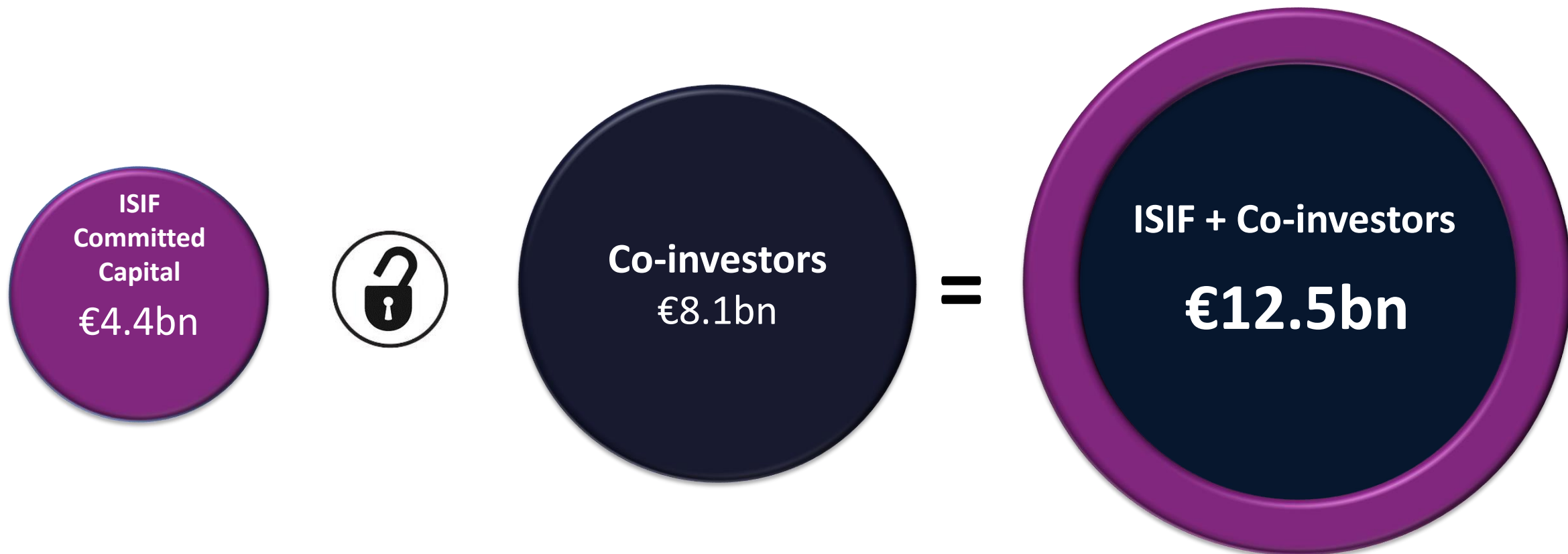
**650**  
**MW**  
Energy  
Projects



<sup>1</sup> All financials as at 30 June 2019 preliminary and unaudited.

# ISIFs capital unlocks a further €8.1bn of capital

Leveraging capital for maximum Economic Impact from ISIF resources



# ISIF 2.0 Investment Strategy is focussed on Priority Themes



## Regional Development

*€500m - €750m of commercial investment into the Regions*



## Housing

*25,000 homes by 2025*



## Indigenous Businesses

*Support and scale >100 businesses over 5 years*



## Climate Change

*Investments to deliver substantial carbon reduction*



## Brexit

*Commercial investment to enable long term product and market diversification*



## National Initiatives

*High impact substantial investments*

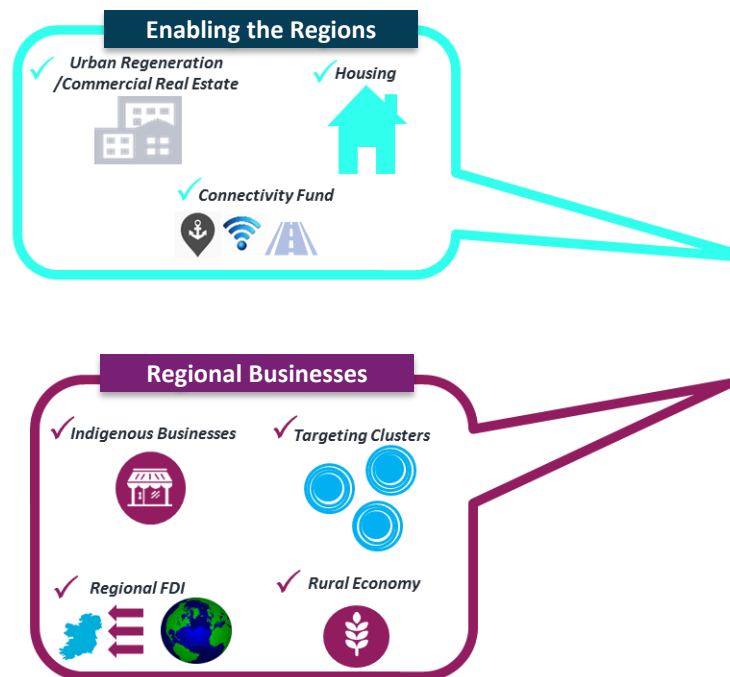


# Regional Development

*€500m-€750m regional, commercial investment programme*

**ISIF's strategy will focus on delivering investments which will enable the regions ensuring people live and work in the right places and embedding resilience in businesses located in the regions.**

- ✓ **Enabling investment**
  - Infrastructure, urban regeneration etc
- ✓ **Investment in regional businesses**
- ✓ **Aligned with Project Ireland 2040**
  - Regional partnerships



# Building on a strong base ISIF will seek to play a strategic and transformational role in Cork



*Thinking in decades....making a difference*

## **Part 2:**

# **Enabling compact growth in Ireland's regional cities and towns**



# Donal Murphy

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Senior Investment Director



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta**  
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# Regional Development

€500m-€750m regional, commercial investment programme

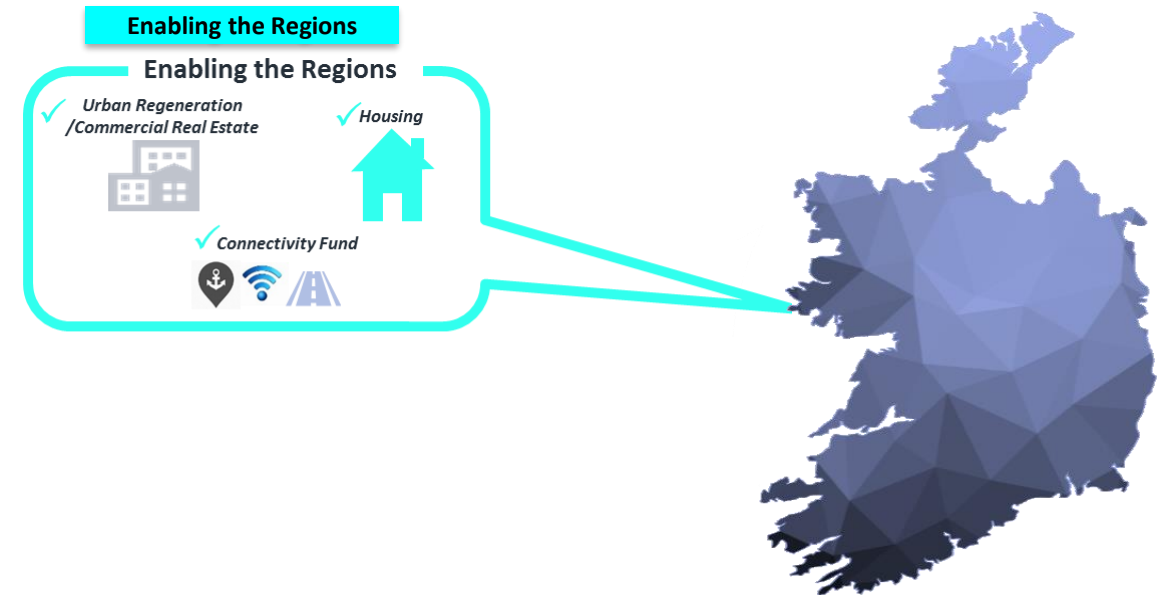
✓ ISIF's strategy will focus on delivering investments which will enable the regions ensuring people live and work in the right places

✓ Aligned with Project Ireland 2040

✓ Enabling via

- Urban Regeneration and Repurposing
- Commercial Real Estate
- Connectivity Infrastructure
- FDI in the regions
- Housing
- Other – including Tourism, Third Level etc

## ISIF's Regional Strategy



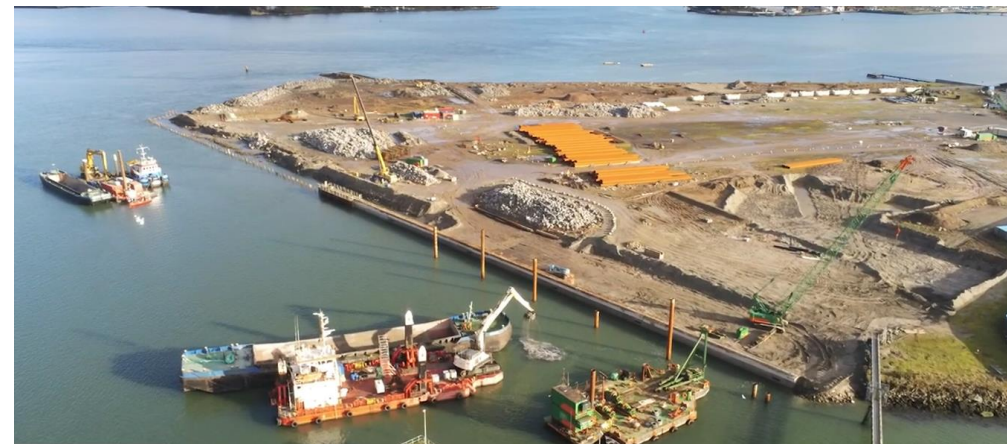
*Partnerships will be vital in the regions . ISIF will engage with regional bodies and authorities and have regard to existing regional strategies.*

# Port of Cork



- ISIF is supporting the Port of Cork's relocation from constrained Cork City locations to a redeveloped site in Ringaskiddy, and an upgrade of its operating facilities.
- Port of Cork is the primary port for the Munster region and particularly critical to the Food & Agriculture and Pharmaceutical clusters located in the Cork region.
- The relocation will facilitate the transformational redevelopment of Tivoli and the docklands area.
- ISIF provided a €18m junior debt facility alongside a €60m senior debt package from AIB and the European Investment Bank.

**Future potential:**  
Substantial urban development opportunity  
in the Port's vacated Cork City sites, on a  
scale to support Cork's long-term  
development



# Shannon Airport Authority



€14.3m  
Runway

€12.0m  
Hangar

- Shannon Airport is based on the west coast of Ireland, providing world class aviation facilities.
- Ireland is one of the world's most open economies, making airport connectivity additionally important.
- In 2014, ISIF committed a €14.3m long term debt facility to support the upgrade of the existing runway, a core element of Shannon Airport's capital investment programme.
- In 2019, ISIF committed a €12.0m long term, non-recourse funding, for the development of a new aircraft hangar. SAA have pre-let the hangar to an existing tenant, a major employer in the region, supporting its growth and expansion (c100 new jobs).

**Future potential:**  
**Potential for further long term investment by ISIF to support SAA's plans for Shannon Airport and other regional activities**





# Cherrywood



Hines



€52m

- Provision of a senior secured debt facility to Hines Ireland to fund construction of essential enabling infrastructure at the Cherrywood Strategic Development Zone in South Dublin.
- Direct senior loan commitment from ISIF to Hines Ireland. The ISIF facility directly facilitates supporting infrastructure such as roads, waste, utilities, which will unlock the planned development of a major strategic site.
- Hines Ireland, as the largest landowner at Cherrywood, will use the ISIF facility to lead infrastructural development in the SDZ, where it plans to develop approx. 4,000 units.

**Future potential:  
Joint venture with Cork County  
Council (“HISCO”) to provide  
Design-Build-Finance service to  
landowners / developers for the  
provision of onsite enabling  
infrastructure on larger scale  
housing sites**



# Housing infrastructure Services Company



- HISCo is a commercial joint venture company established by ISIF and Cork County Council to provide a competitive infrastructure “Design-Build-Finance” service for developers of strategic housing sites of scale.
- HISCo will deliver the onsite infrastructure (roads, footpaths, lighting, utilities etc) and make a return on this investment via an infrastructure fee levied at the point of each house sale.
- ISIF committed a €1.5m seed equity alongside matching equity from Cork County Council. ISIF also expects to provide development finance for the initial infrastructure projects.

**Future potential:  
Significant follow on funding from ISIF for each housing  
project**

# Quadrant Real Estate Advisors 2



- QREA is a development finance vehicle targeting lending opportunities to facilitate the development of high quality offices in Cork City.
- €35m investment in Quadrant Real Estate Advisors 2 (“QREA”), a successor fund to QREA 1 where ISIF committed €50m.
- Loans advanced by QREA are made alongside capital from other Quadrant clients globally to provide senior stretch facilities to high quality developers and projects. QREA is therefore expected to unlock significant international third party capital for co-investment in Irish office development opportunities.

## Commercial Return

- Quadrant has in excess of 20 years’ experience and a strong track record in the origination and management of commercial property debt (very low delinquency).
- Quadrant has indicated that the current lending rates for this office development finance sub-sector are sustainable in the market due to high demand for capital

## Economic Impact

- Similar to QREA 1, ISIF have invested into a vehicle specifically set up to satisfy ISIF objectives only
- The Fund provides significant levels of co-investment for ISIF capital and will potentially provide a higher multiplier than the ISIF would be able to achieve were ISIF required to act as the promoter, structure the deals internally and seek co-investment on a deal by deal basis.



# Kilkenny – Abbey Quarter Development



€1.6m  
Equity

€12.0m  
Development  
Finance

- In 2015 ISIF entered into a joint venture partnership with Kilkenny County Council to develop the former Smithwicks Brewery site in Kilkenny city.
- This opportunity represents a major economic development initiative for Kilkenny providing development critical for the development of the city.
- It will attract FDI, commercial investment and jobs to the area.
- In 2019, ISIF provided €12.0m in development finance to the partnership to kickstart the first development on the Site, the Brewhouse, a 50k sq. ft. Grade A office development

**Future potential:**  
Follow on capital from ISIF to support multiple stages of site development



# Panel Session



Isobel O'Regan  
Savills

Activate Capital

Robert Gallagher  
Activate Capital



Jerry Mehigan  
HISCO



Jason Clerkin  
Kilkenny Abbey Quarter



## **Part 3:**

# **Scaling Indigenous Irish companies for global growth**



# Fergal McAleavey

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Senior Investment Director



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta**  
**National Treasury Management Agency**

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# ISIF's Indigenous Businesses Investment Approach – Key Considerations

ISIF has considerable flexibility but the following are some general guidelines to help understand our approach

## Investment Amount

- Target minimum direct investments of €10 million (with the ability to provide follow-on funding in future)

## Minority investment approach

- ISIF takes minority ( $\leq 50\%$ ), non-controlling shareholdings
- Require customary minority shareholder protections

## Investment horizon

- Long-term time horizon
- Unlike traditional private equity, ISIF's objective is to generate a commercial return over the long-term while facilitating the growth of indigenous businesses

## Type of Business

- Sector agnostic (except for fossil fuels)
- Good growth prospects and typically with an international focus
- Strong management teams with a proven track record

## Use of Proceeds

- Primarily growth capital to be invested in a business
- Some flexibility to participate in transactions involving existing shareholders partially monetising the value of their stake

## Principles of Economic Impact

- Additionality – investment must result in benefits to the economy
- “Displacement” – benefits must not be achieved at the expense of other Irish businesses
- “Deadweight” – avoid “crowding out” of alternative capital sources

# How ISIF is Differentiated as an Investment Partner

ISIF's investment mandate and position allows it to offer financing options outside of what is typically offered by traditional investment funds

Long-term investment horizon (which is attractive to family and manager owned firms) with ability to be patient in realising returns



Ability to invest across sectors and at any level of capital structure



Flexibility regarding key investment parameters



Large size of ISIF gives flexibility to support a large range of transaction sizes and potentially provide for future capital requirements






Support from ISIF seen as strong signal of long-term prospects of an indigenous business



Partner for indigenous business throughout Ireland



# Direct Investment: Existing Portfolio

| Transaction Type       | Comments  | Examples of ISIF Investments  |
|------------------------|---|---|
| Growth Equity          | <ul style="list-style-type: none"> <li>Most of ISIF's direct investments to date have been in the form of equity investments in growing businesses</li> <li>Investment amounts have ranged from €6m to €66m</li> <li>Co-investors participated with ISIF in most of those transactions</li> <li>The use of proceeds of the growth capital has included funding product development, international expansion and acquisitions</li> </ul> |    |
| Acquisitions / Buyouts | <ul style="list-style-type: none"> <li>While ISIF does not typically focus on auctions, it can participate in transactions backed by strong promoters with a clear growth plan for an indigenous Irish business – for example, in March 2019, ISIF participated in the buyout of the Green Isle food manufacturing and export businesses</li> </ul>   |    |
| Debt                   | <ul style="list-style-type: none"> <li>ISIF has the ability to provide debt financing for opportunities that existing debt providers (such as the pillar bank, non-bank lenders, mezzanine funds) cannot for various reasons (such as restrictions on tenor) where the opportunity provides an appropriate commercial return and economic impact</li> </ul>   |  |

# Indirect Investments: VC, PE and Debt Funds

In addition to direct investments, ISIF indirectly supports indigenous businesses by backing funds/platforms that (i) make smaller scale investments, or (ii) make investments where specialist sector/product expertise is necessary

|                                       |        | Funds Supported by ISIF <sup>(1)</sup>  | Other Sources of Capital   |
|---------------------------------------|--------|---|--|
| Start-Up / Venture Capital            | Equity |   | <p>Enterprise Ireland</p> <p>Angel Investors</p> <p>Friends and Family</p> <p>Other domestic and international VC funds</p>  |
|                                       | Debt   |  <p>Debt facilities for start-up companies is often not available</p>  |  <p>Other venture debt providers</p>  |
| Growth Stage / Established Businesses | Equity | <p></p> <p>The Business Growth Fund typically invests between €2m-€10m for minority stakes in growing Irish SMEs</p> <p></p> <p>Carlyle Cardinal typically invests between €2m – €50m for majority stakes in buyout and growth equity opportunities</p> <p></p> <p>Causeway Capital typically invests between €2.5m to €10m for majority stakes in Irish and UK SMEs</p> |  <p>Other domestic and internal private equity funds</p> <p>High net worth individuals and family offices</p> |
|                                       | Debt   |   |  <p>International banks and debt funds</p>  |

(1) Represents funds in which ISIF is one of the investors

# ATA Group



- ATA is a Cavan-based manufacturing firm with plants in the US & UK, > 300 employees, and distributors across 70 countries.
- In May 2019, ISIF invested €15m for a minority shareholding, alongside further equity from existing shareholder BDO Development Capital, with debt provided by AIB / Bofl.
- ATA used the proceeds to acquire a German business – Karnasch Professional Tools. The acquisition gives ATA a foothold in a broader market, increases its scale significantly and is likely to lead to further manufacturing activity and capacity utilisation at the Cavan facility.



## Commercial Return

- ATA has a solid long term record of value creation and has successfully executed a number of acquisitions in recent years.
- Karnash acquisition increases scale, provides entry route to wider cutting tools market, and will generate manufacturing and operational synergies.
- Management's medium/long term growth philosophy is focused on a strategic goal of becoming a top 10 player in the cutting tool sector

## Economic Impact

- Expected additional manufacturing activity as Cavan facility increases capacity utilisation.
- Increased R&D aligned with ATA's entry into the cutting tools market in segments where they don't currently have a product range.
- Likely further growth in scale and breadth of company over the coming years.



- AMCS is a leading international supplier of smart resource ERP software and vehicle technology solutions for the waste, recycling and resource industry.
- AMCS software manages in excess of €4 billion revenue, 14,000 vehicles and 3,000+ sites on behalf of a blue chip customer base in Europe, North America and Australasia.
- ISIF first co-invested alongside Insight Venture Partners (NY) in 2015 in a €45m Series C round and made a follow-on investment in 2018 of €40m to support the continued growth of the company (in a €100m Series D round).

## Commercial Return

- AMCS experiencing an exceptional growth trajectory as industry increases operational sophistication.
- Strong co-investment partner with specific software expertise.
- Strong potential for company to leverage resource and logistics software into complementary industry verticals.

## Economic Impact

- Growth in exports, employment and R&D investment in software from a regional Irish HQ.
- Funding will be used to accelerate expansion of the business internationally.
- Continue to cultivate world class technology development and commercialisation in high economic impact Irish software sector.



# Cubic Telecom



- Cubic Telecom is an Irish company providing global mobile connectivity solutions for the world's leading automotive and device manufacturers.
- ISIF invested €10m in a €40m funding round alongside Audi, Qualcomm and Valid in 2017.
- New capital to be used to grow network capacity and platform functionality as the Cubic platform is rolled out to new customers, devices and geographies.
- Investment compatible with ISIF's strategy of supporting scaling Irish companies.

## Commercial Return

- Large total addressable market which is growing rapidly.
- Cubic has strong competitive advantages with few competitors capable of offering the same 'one stop shop' solution.
- Co-investment by experienced market participants is a positive endorsement of the company and its product.

## Economic Impact

- Employment is expected to grow from 96 to 160 in high-skilled software and R&D jobs.
- As a result of ISIF investment, Cubic has committed to maintaining its headquarters in Ireland.
- Supports an Irish company with the potential to become a global leader in its sector.

# Finance Ireland

**FINANCE**  
IRELAND



- Finance Ireland is an Irish non-bank lender providing auto finance, SME leasing, commercial mortgages and agri finance.
- The Company's overall strategic goal is to become Ireland's leading broad based non-bank lender, with a particular focus on the SME sector.
- ISIF invested €30m equity in December 2016, and a follow on €15m in March 2018, to support the growth in SME and Agri leasing and commercial mortgage lending.
- The investment addresses the gap in the SME lending market identified by the ISIF SME strategy by supporting an experienced operator to increase the availability of credit and competition in lending to Irish SMEs.

| Commercial Return  | Economic Impact  |
|--|--|
| <ul style="list-style-type: none"><li>■ Growing business with ambitions of becoming Ireland's leading non-bank lender.</li></ul>                   | <ul style="list-style-type: none"><li>■ ISIF equity unlocks debt funding to significantly grow lending to SME and Agri leasing and commercial mortgages.</li></ul>   |
| <ul style="list-style-type: none"><li>■ Attractive risk adjusted returns in growing market niches.</li></ul>                                       | <ul style="list-style-type: none"><li>■ Addresses the gap in the provision of Asset Based Finance to Irish SMEs following the exit of a large number of market participants in the wake of the financial crisis.</li></ul> |
| <ul style="list-style-type: none"><li>■ Highly credible co-investor, PIMCO, with experience of other investments in the sector globally.</li></ul> | <ul style="list-style-type: none"><li>■ Targets commercial mortgage lending in segments underserved by the Irish banking sector.</li></ul>   |



€15m

- €15m equity investment to position the business for future growth, and support current investment requirements.
- In the near-term, the Company's workforce will grow from 60 to >100 on-site in Skibbereen.
- West Cork Distillers' products include its eponymous whiskey brands, Garnish Island Gin, Two Trees Vodka. It is also a significant wholesaler and supplier, including for "*Graham Norton's Irish Gin*".
- The Company has ambitions to be a leading player in a globally successful indigenous industry, and to do so from its regional base in Skibbereen.

## Commercial Return

- Expanded production capacity and established routes to market provide an excellent platform for scaling.
- Robust existing cash generation enables long-term planning to grow valuable branded businesses.
- Favourable global trends and outlook for Irish Whiskey.

## Economic Impact

- Scaling an indigenous business to be major player in an industry otherwise dominated by international owners.
- Export-oriented industry with high levels of productivity-per-worker.
- Strong possible multiplier effect: domestic supply chains; links with tourism, hospitality.

# Panel Session



Tim Houstoun  
Global Shares



John O'Connell  
West Cork Distillers



Frank Madden  
Crest Solutions



Nick Fenn  
Beechbrook Capital



# Frank Madden

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## **Part 4:**

# **Food & Agriculture: A key driver of growth in the regions**



# Cathal Fitzgerald

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Senior Investment Director



**Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta**  
**National Treasury Management Agency**

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# ISIF

## Food & Agricultural Investments

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# Questions and Answers



# ISIF Relationship Managers - Cork

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