

Ireland Strategic Investment Fund

FY 2020 Update

Including Economic Impact Report H1 2020

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Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

Ciste Infheistíochta Straitéisí d'Éirinn
Ireland Strategic Investment Fund

Executive Summary



- ISIF portfolio **€500 million** of value added in 2020, +6.2% FY 2020
- ISIF portfolio has **generated in excess of €1.5 billion of value added**, +3.1% pa, since inception
- Key drivers of performance predominantly ISIF's **exposure to international VC and PE managers** with commitments to Ireland
- The large **majority of the performance comes from less than 20%** of the portfolio
- ISIF commitments totalling **€5 billion across 143 investments** has **unlocked €8.6 billion of co-investment** commitments since inception
- Investments have continued to deliver **strong economic performance, supporting ca. 30k jobs and generating > €600 million of gross value add (GVA) geographically balanced** in line with regional economic activity
- In response to the COVID-19 pandemic, **ISIF established a €2 billion Pandemic Stabilisation and Recovery Fund (PSRF)** to invest in impacted Irish businesses
- **PSRF has invested > €400 million nationwide** across 20 investments spanning **multiple sectors** since inception
- ISIF investments continue to focus on **supporting and scaling Irish businesses, investing in funds that diversify the funding landscape** for Irish businesses, **supporting key enabling investments**, and **recycling capital** in order to maximise impact.



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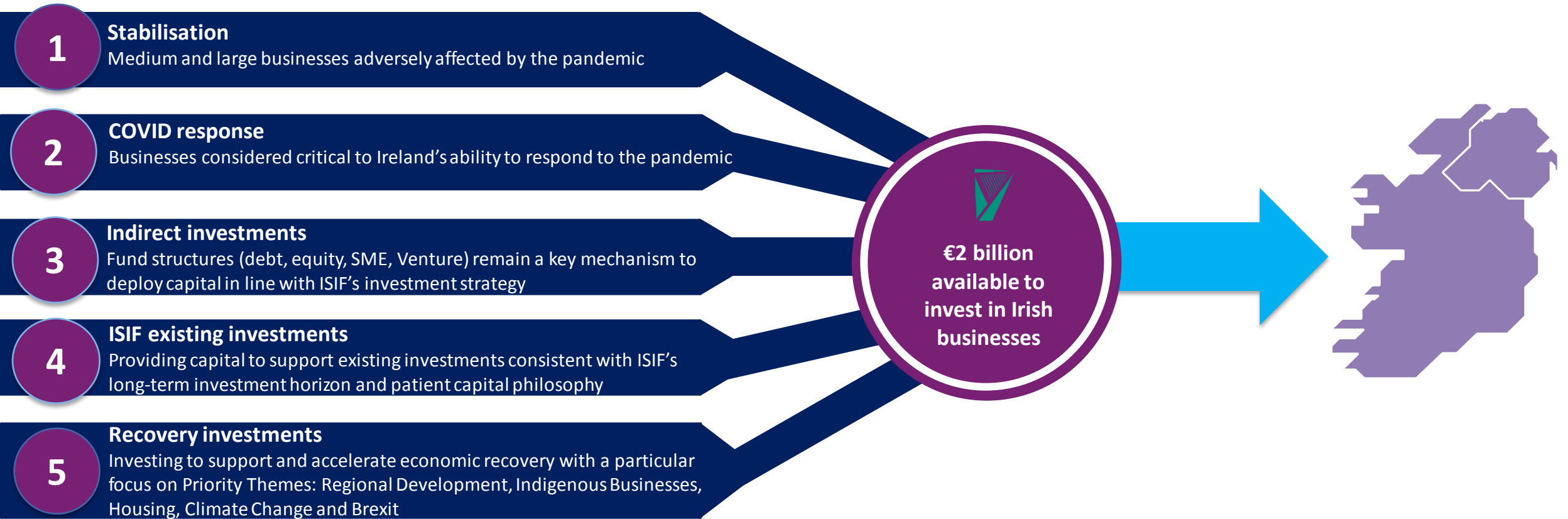
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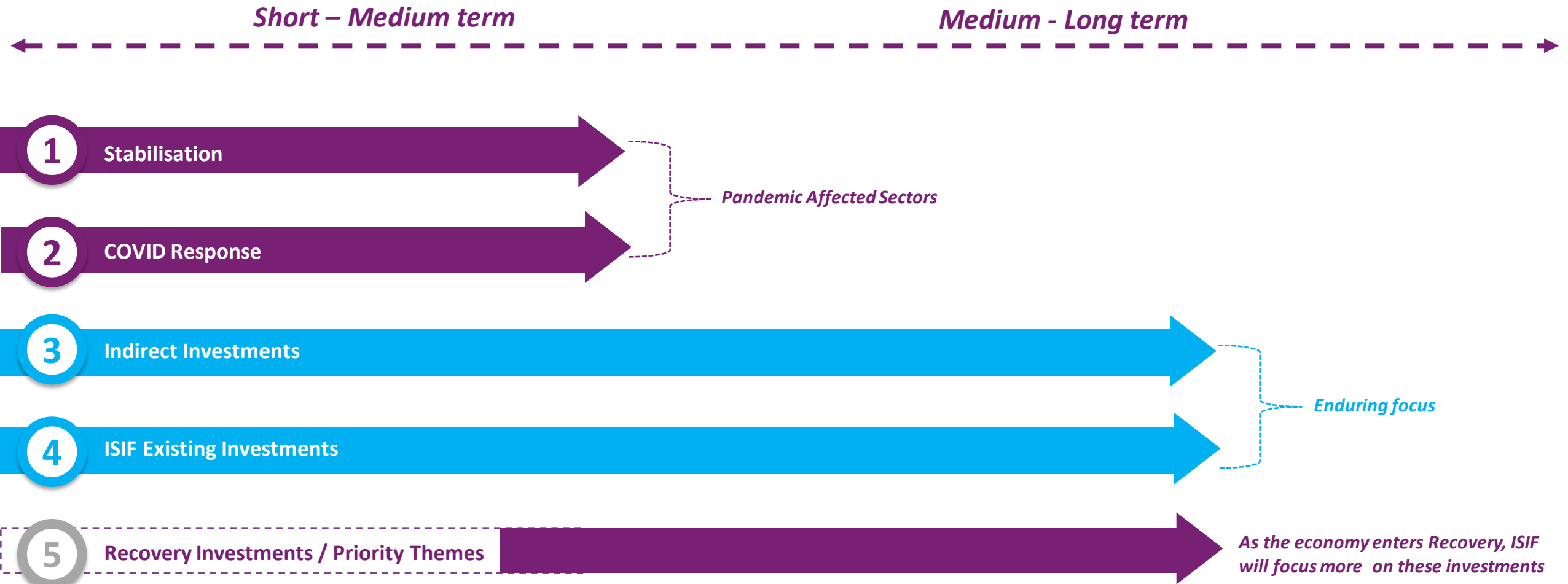
PSRF is a multi faceted strategy from stabilisation investments to investments that will stimulate economic recovery

The Covid-19 pandemic created significant challenges for Irish businesses causing unemployment, global disruption and uncertainty. In response to this, *ISIF established a €2 billion Pandemic Stabilisation and Recovery Fund (PSRF) to invest in Irish businesses impacted by Covid-19.*



ISIF's investment approach is complementary to other Government policy initiatives via agencies such as SBCI and Enterprise Ireland.

ISIF's strategic focus and direction will continue to evolve and adapt in line with the needs of the economy





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PSRF 2020 Overview



ISIF dedicated €2bn of its capital to a Pandemic Stabilisation and Recovery Fund (PSRF) which is focused on investing directly in medium and large Irish businesses impacted by COVID and investing indirectly through fund commitments. The PSRF is part of a wider Government response including Enterprise Ireland and SBCI. To date there has been >100 approaches to the PSRF however many of those fall outside of the fund's investment focus, principally due to size, or businesses raising capital successfully from other sources.

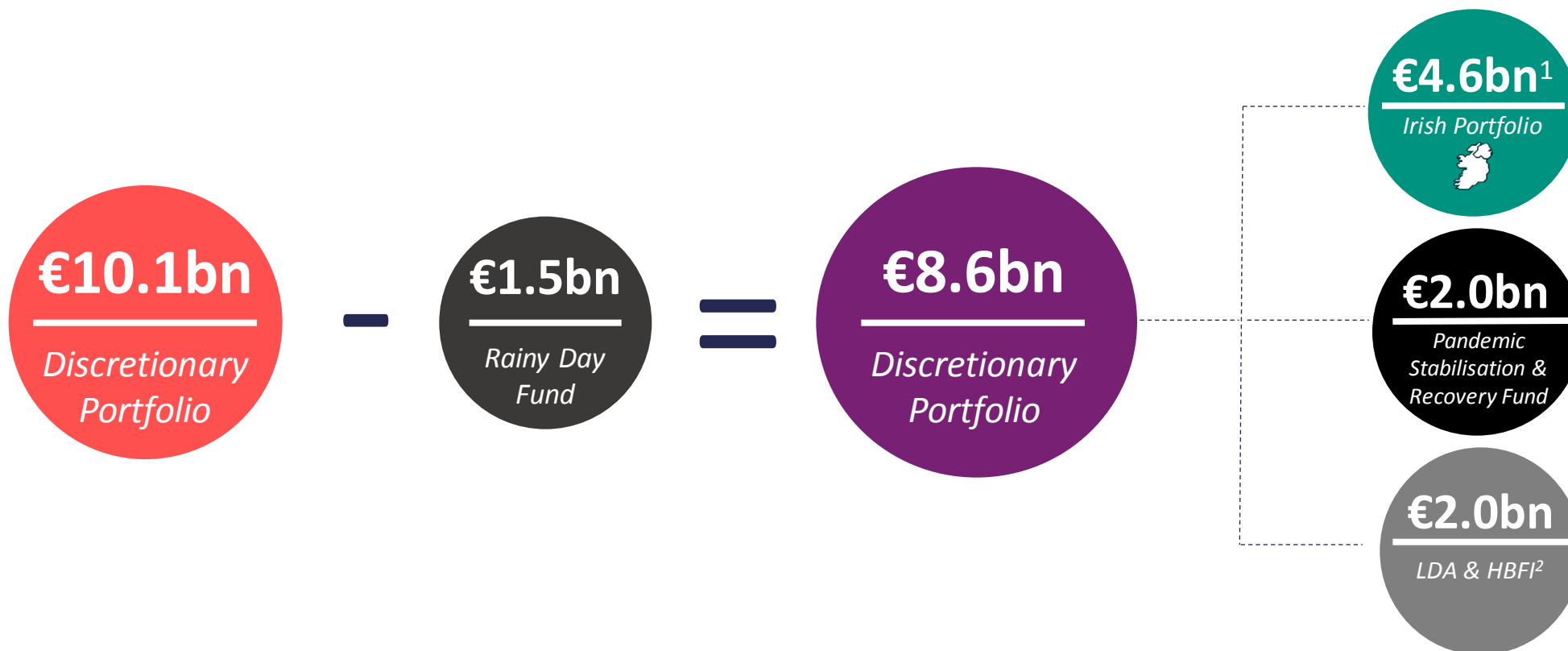


ISIF made **20 investments in 2020**:

- 4 supporting businesses affected by the pandemic (€237m),
- 8 in broad based market funds/platforms (€132m),
- 4 existing ISIF investees (€8m), and
- 4 Recovery/Priority Theme investments (€30m).

Overview of ISIF at end-December 2020

Investing on a commercial basis in a manner designed to support economic activity and employment in the State



¹ Market value of Irish Portfolio €3.2bn with uncalled commitments of €1.2bn. There is also additional investment capacity due to performance gains.

² Land Development Agency & Home Building Finance Ireland total reserved capital

Note: The total value of the fund is based on preliminary results and is subject to audit. The breakdown of the discretionary portfolio represents allocated capital and may differ from actual amounts invested.

All financials are preliminary and unaudited. Inception date of ISIF was January 2015.

ISIF performance overview at 31 December 2020



Irish Portfolio > **€900 million** of value added since December 2014

+14.2% FY 2020, +7.6% p.a. since inception



Global Portfolio > **€600 million** of value added since December 2014

+1.6% FY 2020, +1.7% p.a. since inception



ISIF Portfolio over **€1.5 billion** of value added since December 2014

+6.2% FY 2020, +3.1% p.a. since inception

*2020 was a challenging year in terms of investment returns and market volatility however the **portfolio** has shown resilience in face of the challenging environment*

ISIF had sufficient flexibility built into its portfolio to establish the €2 billion PSRF



ISIF made 20 investments in 2020 bringing total ISIF commitments to **€5.0 billion** across 143 investments which has unlocked **2.7x / €8.6 billion** of co-investment commitments since inception

PSRF committed over €400m nationwide in 20 investments in 2020

Stabilisation Investments

€237m

staycity
APARTHOTELS

€30m

Aer Lingus

€150m

FINANCE
IRELAND

€17m

daa

€40m



Aviation



Hospitality



SME Lending

Indirect Investments

€132m

MilkFlex

€15m

RENATUS

€7m

Frontline

€15m

IRISH
WHISKEY
GROWTH
FUND

€15m



MOTIVE PARTNERS

€25m

INSIGHT
PARTNERS

€9m

Development
Capital

€20m

Melior
EQUITY PARTNERS

€26m



Growth Equity



Venture



Food & Agri



Fin Tech

Recovery Investments/Priority Themes

€30m

**URBAN
VOLT**

€5m

Shamrock
greenworks tools

€11m

FIRE1

€8m

GREYSTONES
MEDIA CAMPUS

€7m



Climate



Media



Life Sciences

Additional Commitments made to 4 Existing ISIF Investments

€8m

ISIF supporting businesses affected by the pandemic



Aer Lingus - €150m

€150m debt facility to Aer Lingus to support its liquidity needs given the severe impact of the pandemic across the aviation sector. As Ireland's national flag carrier, Aer Lingus is of national and strategic importance both from a connectivity and employment perspective.

Aer Lingus 



daa - €40m

€40m participation in daa's €500m Bond issuance. The Bond significantly strengthened daa's liquidity in light of the ongoing COVID-related challenges and will in time help underpin Ireland's recovery through international connectivity at Dublin and Cork airports. ISIF's participation demonstrates domestic support for this strategically important issuer, during a period of market uncertainty.

daa 



Staycity - €30m

€30m investment in Staycity one of Europe's largest aparthotel operators with 2,750 keys under management. The company is headquartered in Dublin with 175 Irish employees growing to ~600 over the medium term.


staycity[™]
APARTHOTELS



Finance Ireland - €17m

ISIF provided funding alongside PIMCO that will be used for the continued growth in new lending to SMEs etc.

FINANCE
IRELAND

ISIF supporting the diversification of the funding landscape for Irish businesses

ISIF backs platforms, many of which are existing partnerships, through the cycle to diversify the financing ecosystem supporting a range of products for companies across various sectors and at different stages of growth

Venture Capital

- ISIF continues to support venture capital funds who play an important role in early-stage Irish businesses.
- ISIF invested €15m in a new fund from Frontline, focusing on high potential software companies with an Irish presence.

Growth Equity

- Scaling Irish businesses at a more progressed stage in their life cycle. Private and growth equity firms can add significant value beyond funding alone.
- In 2020 ISIF made commitments to funds investing in specialist finance technology (Motive), growth potential SMEs (Development Capital, Renatus and Melior), and growth stage software companies (Insight).

Specialist Industry Solutions

- Products developed with industry leaders that facilitate the resilience of that sector or address a particular financing deficit or problem.
- In 2020, ISIF increased funding to MilkFlex II and the Irish Whiskey Growth Fund.

SME Credit

- Finance Ireland is a speciality lender providing capital to areas that are not well served by the traditional banking market.

Venture Capital — — — — — Growth Equity — — — — — Credit — — — — —

Frontline

RENATUS



Development
Capital



MOTIVE PARTNERS

INSIGHT
PARTNERS

Melior
EQUITY PARTNERS

MilkFlex



FINANCE
IRELAND

2020 commitments

Enduring Impact from ISIF's existing portfolio

ISIF Platform Investments – developing and scaling Irish businesses



ISIF-backed Fountain Healthcare Partners was an equity investor in Inflazome, an Irish anti-inflammatory drug developer, acquired by Roche for €380m.



Since the launch of MilkFlex in 2016 **>2,000 farmer loans** with an aggregate value of €188m have been funded.

Loans for capital investments like increasing herd numbers, improving herd quality, investments in on-farm infrastructure (milk parlours, animal housing) and land improvement works (drainage).

Directly supporting the global expansion of indigenous businesses based in the regions



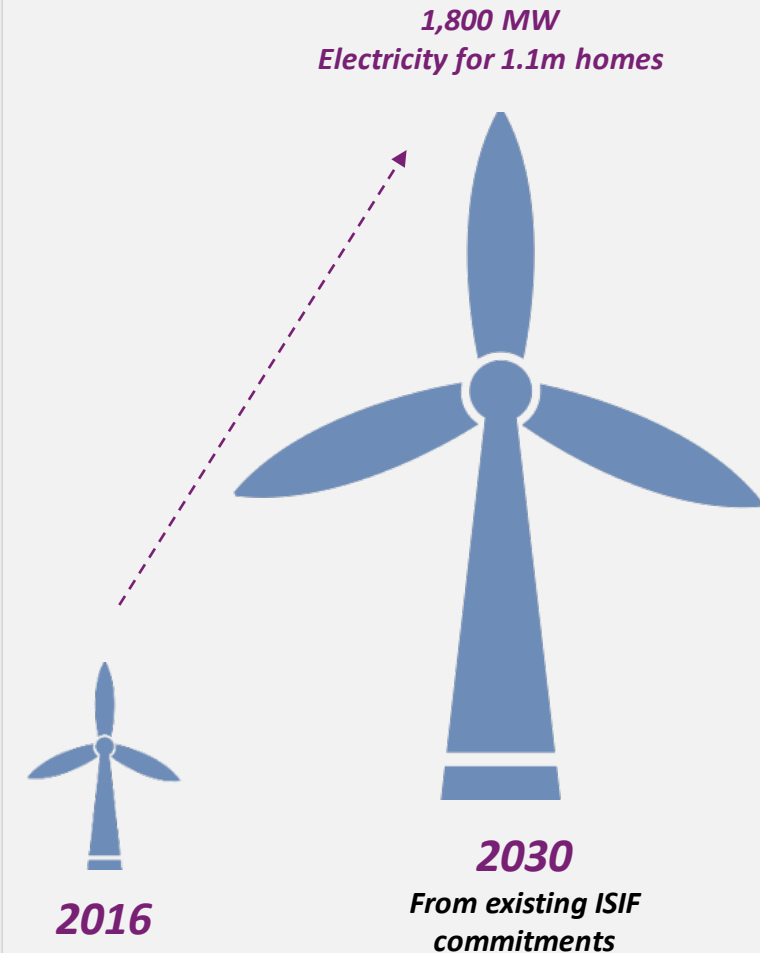
Since ISIF's investment in 2019, West Cork Distillers have >2x distillation capacity of distillery in Skibbereen, with capacity to produce more than 4 million litres of pure alcohol p.a. Now employing around 120 people, mostly in West Cork.

Housing investment programme targeting the delivery of 15,000 new homes



Funding committed to deliver 15,000 new homes of which 4,274 homes sold to date with an additional 5,000 currently under construction.

ISIF committed €365m to renewable infrastructure and forestry to date



Outlook



- ISIF primarily focused on stabilisation investments and cautiously tracking the economy and business landscape
- Positive indicators
 - ISIF inbound pipeline predominantly seeking Recovery as opposed to Stabilisation capital
 - ISIF business sentiment survey (Q4 2020) >80% of respondents have a positive or neutral outlook for the next 12 months

Pipeline



- PSRF **pipeline ~€600m** across a variety of sectors with concentrations in pandemic affected areas (approximately 6 transactions) such as aviation and tourism/hospitality with the balance of transactions skewing towards Recovery investments
- Funds will always be a key feature in ISIF pipeline given capability to deploy capital efficiently into small and medium businesses nationwide

Long term strategic objectives



- Regional development – engagement on a number of multi year enabling projects underway and gaining traction
- Housing – housing investment programme forecast to deliver 15,000 units
- Indigenous businesses – €1.9bn committed directly and indirectly to indigenous businesses
- Climate – €365m committed to renewable infrastructure and forestry to date



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H1 2020 Economic Impact Metrics

Reflects detailed survey data for H1 2020. Given the quantum of surveys of investees, covering both direct and indirect investments, and the comprehensive analysis completed, finalisation and publication of this economic impact data lags 6 months.



Jobs Supported by ISIF capital: 29,566
YoY: -3,108 jobs



Employment by Region:
44% Dublin/ 56% ex-Dublin
YoY: Flat



Gross Value Add (GVA)¹ : €616 million
YoY: -€127 million



Wage Bill: €419 million
YoY: - €118 million



Turnover: €1.4 billion
YoY: +€71 million

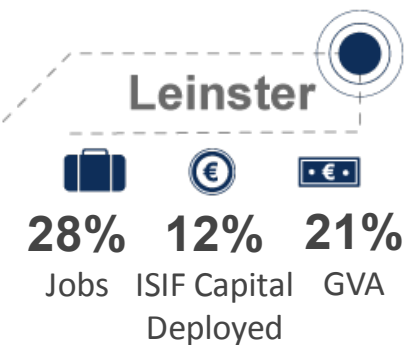
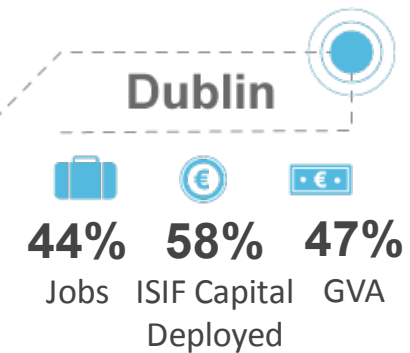
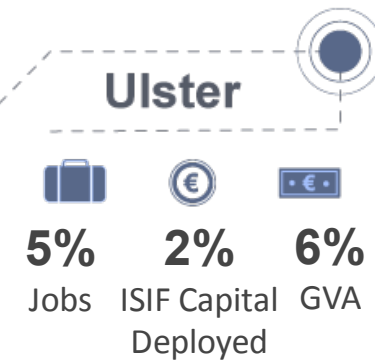
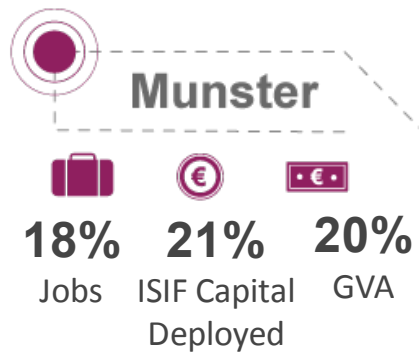
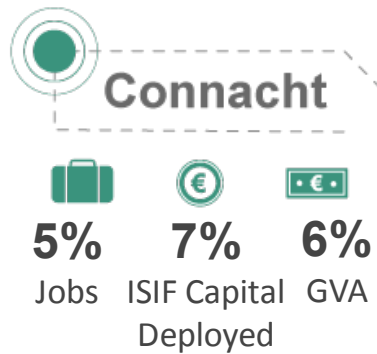


Exports: €411 million
YoY: +€56 million

¹ Gross Value Added (GVA) is the enterprise or sector level measure of goods or services produced which, when aggregated across all enterprises and adjusted for taxes and subsidies, equals Gross Domestic Product (GDP)

Regional economic impact of investments

Geographically balanced, broadly in line with regional economic activity*



*CSO Regional Split of GVA (2016)

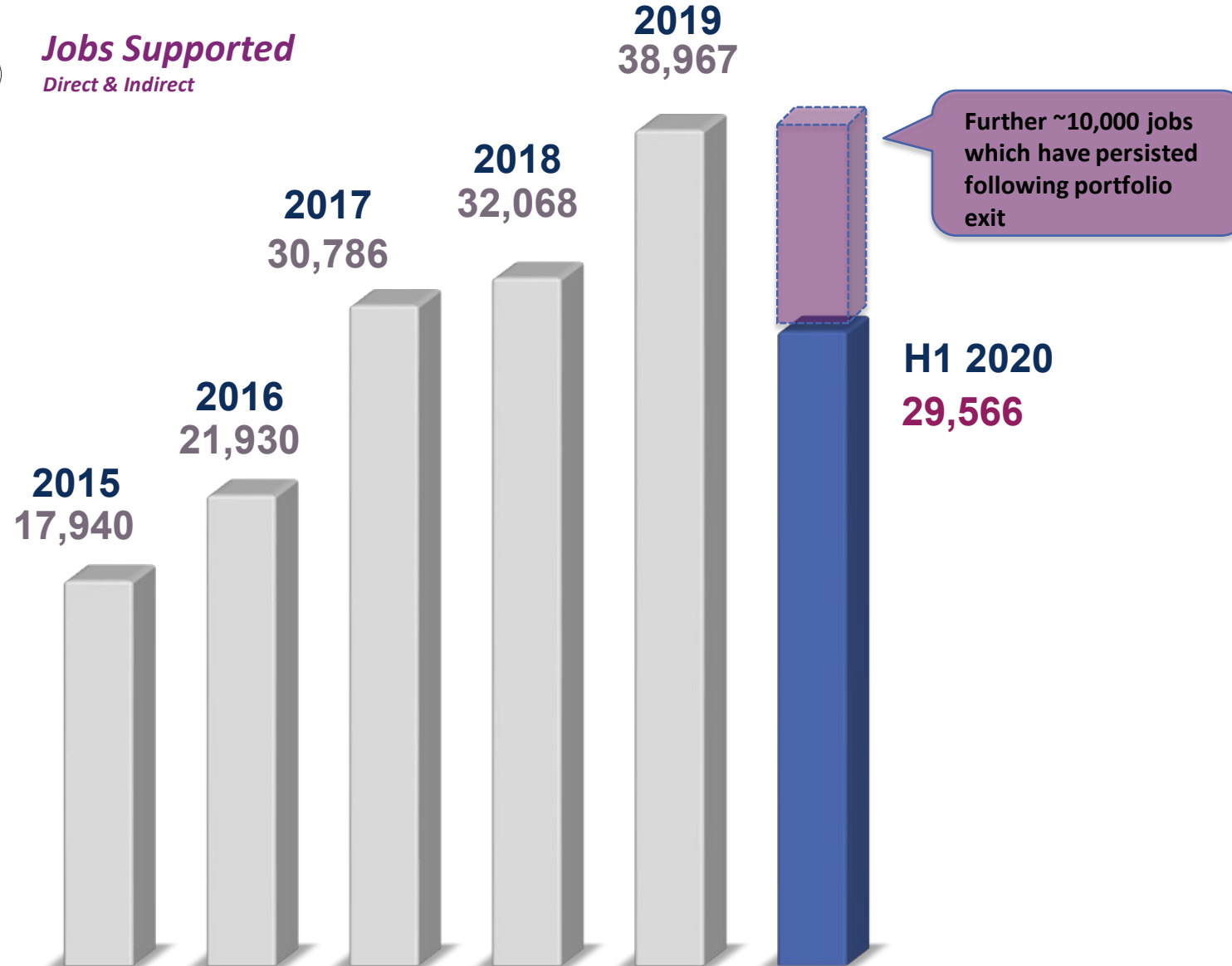
Dublin 45% Leinster 19%
Munster 24% Connacht 7%
Ulster 5%

Employment supported by ISIF has increased across the portfolio since inception



Jobs Supported

Direct & Indirect





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Appendix: Assumptions, Methodology and Disclaimer for Economic Impact Data

The NTMA adopts a **conservative approach** to all data and in many cases excludes data where ISIF does have an impact but it is difficult to quantify.

Assumptions and Methodology

1. The NTMA relies on the data collected from investees. While economic impact data is somewhat complicated, the NTMA has adopted a structured approach to the collection and analysis of the data.
2. Underlying investees are either direct or indirect (i.e. through funds). The economic impact data is gathered through a semi-annual survey of the direct and indirect underlying investees. The economic impact of an underlying investee is only included once – i.e., where ISIF has more than one indirect investment in an underlying investee, the duplicate economic impact is removed from the analysis.
3. In cases where ISIF finances a specific project in a large entity, the NTMA only captures the economic impact for the project and not any benefits it may bring to the wider corporate entity.
4. The Fund does not include the economic impact from investments ISIF has exited.
5. There is some time lag between the commitment to an investment and the achievement of economic impact. Typically, economic impact is generated when there is a draw-down on committed capital and this can be some time after a commitment to an investment.
6. The NTMA completes a sense check of all survey data; however, the NTMA is reliant on the underlying investees to provide accurate data and is not in a position to verify the data submitted.
7. Survey data provided in USD have been converted to EUR using a 6 month average FX rate sourced from Central Bank of Ireland.
8. The regional distribution of capital invested is weighted based on the capital invested as at 30 June 2020 and based on the underlying investees detailing the location/regional activities of the underlying investee/project.
9. The regional distribution of underlying investees' employment and gross value added is based on data provided by the underlying investees detailing the number of jobs and earnings generated regionally.
10. The majority of underlying investees provided the relevant data as at 30 June 2020 directly. There are some exceptional cases where data was unavailable so the following assumptions were applied:
 - i. In a very small number of construction projects, a Construction Industry Federation multiplier was applied to the capital expenditure to estimate the number of employees.
 - ii. In the case of projects and businesses where third party/contracted headcount was provided but a wage bill was not available, an average wage based on CSO average earnings was applied to the third party/contracted headcount.
 - iii. In a very small number of cases, assumptions were based on relevant industry data such as Teagasc, IWEA and Bord Bia.
11. In line with industry standards, a conservative indirect employment multiplier is applied to direct jobs. The NTMA calculation of employment multipliers is based on CSO methodology.
12. Exports for some investees are based on an estimate percentage of turnover – i.e., a reasonable expectation of exports has been created based on underlying business activity.

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